

DEDUCTION LIMITS AND DEADLINES

LIMITS:

A company's maximum tax deduction for its retirement plan contribution is based upon the type of plan(s) sponsored.

- 1) 401(k), Profit Sharing, Money Purchase, or SEP:
Up to 25% of participating payroll.
401(k) contributions are in addition to this limit.
- 2) Defined Benefit Pension Plan:
Determined by plan Actuary – not limited by participating payroll.
- 3) Combination of 1 & 2:
Required defined benefit contribution PLUS 6% of payroll.

Participating payroll equals the gross compensation paid to eligible plan participants.

DEADLINES:

Generally, the deadline for making a deductible plan contribution is the due date of the sponsoring company's tax return – including extensions. If an extension is granted and the tax return is filed prior to the extended deadline, the contribution will still be deductible if it is deposited into the retirement trust prior to the extended deadline.

In the case of a money purchase or defined benefit plan, the contribution will always be considered late if it is not deposited within 8½ months of the plan year end – even if the deduction deadline is later.

In the case of 401(k) contributions, the withholdings should be sent to the investment company within seven days of each payroll.