

SpectraGram

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Depositing Employee 401(k) Withholdings

The Department of Labor (DOL) guidance on submitting 401(k) withholdings states that an employer is ***required to submit those funds for deposit to the plan as soon as possible***. DOL also states that this date can never be later than the 15th business day of the following month. However the 15th of the following month deadline is meant for huge companies with multiple locations and payroll systems. In its guidance DOL issued an example of a small company that needed only two days following the date of withholding to make the deposit. Therefore our recommendation is that you deposit 401(k) withholdings each pay period. Further, you should submit 401(k) withholdings for deposit on the same day you process the payroll. Or you may opt to submit once per month instead of each pay period. In this case you should submit 401(k) withholdings for deposit on the same day as the final payroll for the month.

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Each year the IRS may update or change certain limits pertaining to retirement plans. Below is a summary of some of the limits for 2007 and 2008.

	2007	2008
Taxable Wage Base (Social Security)	\$ 97,500	\$102,000
*401(k) Deferral (age under 50 by 12/31)	\$ 15,500	\$ 15,500
*401(k) Deferral (age 50 or over by 12/31)	\$ 20,500	\$ 20,500
*Simple Deferral (age under 50 by 12/31)	\$ 10,500	\$ 10,500
*Simple Deferral (age 50 or over by 12/31)	\$ 13,000	\$ 13,000
*Annual Addition (Defined Contribution)	\$ 45,000	\$ 46,000
Annual Benefit (Defined Benefit)	\$180,000	\$185,000
Annual Compensation	\$225,000	\$230,000
Highly Compensated Employee	\$100,000	\$105,000

The limit for those items with * above is actually the lesser of 100% of compensation or the dollar limit listed