

# Tax Law Changes

Issues Covered	Current Laws Due to Tax Relief Act of 2001												
<b>401(k), 403(b) and 457</b> Deferral Limits	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Year</th> <th style="text-align: right;">Limit</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td style="text-align: right;">\$13,000</td> </tr> <tr> <td>2005</td> <td style="text-align: right;">\$14,000</td> </tr> <tr> <td>2006</td> <td style="text-align: right;">\$15,000 (indexed)</td> </tr> </tbody> </table>	Year	Limit	2004	\$13,000	2005	\$14,000	2006	\$15,000 (indexed)				
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<b>Qualified Plan Catch-up Contributions</b>	<ul style="list-style-type: none"> <li>• If the plan allows, individuals age 50 and over can make these additional contributions:</li> </ul> <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Year</th> <th style="text-align: center;">401(k), 403(b) &amp; 457</th> <th style="text-align: right;">SIMPLE</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td style="text-align: center;">\$3,000</td> <td style="text-align: right;">\$1,500</td> </tr> <tr> <td>2005</td> <td style="text-align: center;">\$4,000</td> <td style="text-align: right;">\$2,000</td> </tr> <tr> <td>2006</td> <td style="text-align: center;">\$5,000 (indexed)</td> <td style="text-align: right;">\$2,500 (indexed)</td> </tr> </tbody> </table>	Year	401(k), 403(b) & 457	SIMPLE	2004	\$3,000	\$1,500	2005	\$4,000	\$2,000	2006	\$5,000 (indexed)	\$2,500 (indexed)
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<b>Education IRA</b> Contribution Limits	<ul style="list-style-type: none"> <li>• \$2000 per child</li> <li>• Tax-free if used for elementary, high school, or college costs</li> <li>• Named changed to Education Savings Account</li> </ul>												
<b>IRA Catch-up Contributions</b>	<ul style="list-style-type: none"> <li>• Individuals age 50 and over can make these additional contributions:</li> </ul> <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Year</th> <th style="text-align: right;">Limit</th> </tr> </thead> <tbody> <tr> <td>2002 – 2005</td> <td style="text-align: right;">\$ 500</td> </tr> <tr> <td>2006+</td> <td style="text-align: right;">\$1,000</td> </tr> </tbody> </table>	Year	Limit	2002 – 2005	\$ 500	2006+	\$1,000						
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<b>Hardship Withdrawal Rules</b>	<ul style="list-style-type: none"> <li>• Those plans that had a 12-month suspension period following a hardship withdrawal may now have a reduced suspension period of 6 months</li> <li>• No portion of a hardship withdrawal is eligible for rollover</li> </ul>												
<b>Vesting Schedules for Matching Contributions</b>	<p>Matching contributions made after 1/1/2002 must vest at least as fast as one of the following two schedules:</p> <ul style="list-style-type: none"> <li>• 100% vested upon completing three years of service, or</li> <li>• 20% vested upon completing two years of service, plus 20% each subsequent year (100% after completing six years of service)</li> </ul>												