

403(b) Tax Sheltered Annuity Plans Information for Participants Regarding Elective Deferrals

Section 402(g) of the Internal Revenue Code imposes a dollar limit on elective deferrals to 403(b) Tax Sheltered Annuity (TSA) plans and various qualified defined contribution plans [e.g., 401(k), SEP, and SIMPLE plans].

Critically Important Fact

The elective deferral limit is taxpayer-specific, not plan-specific or employer-specific. Therefore, an individual taxpayer must limit elective deferrals to all covered plans of all employers to no more than the elective deferral limit.

Therefore, if a participant in the District's 403(b) plan also makes elective deferrals to a 403(b), 401(k), SEP, or SIMPLE plan of another employer, the combined elective deferrals to all such plans may not exceed the individual's elective deferral limit for the year. The "standard" elective deferral limits for 403(b) plans through the years are as follows:

1987-97	1998-99	2000-01	2002	2003	2004	2005	2006	2007	2008	2009	2010
\$9,500	\$10,000	\$10,500	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000	\$15,500	\$15,500	\$16,500	\$16,500

An employee with at least 15 years of full-time equivalent service may be eligible for up to \$3,000 in additional elective deferrals under IRC § 402(g)(7). However, eligibility for extra elective deferrals under this Code section is subject to a lifetime \$15,000 limit on such extra deferrals and a \$5,000 annual elective deferral average since initial employment. Specifically, the extra elective deferral for any taxable year for an employee with at least 15 years of full-time equivalent service is the least of the following quantities:

1. \$3,000
2. \$15,000 reduced by extra elective deferrals for prior taxable years; or
3. The excess, if any, of \$5,000 multiplied by the number of years of service of the employee over total elective deferrals for prior taxable years.

Generally, years of service include periods of employment with a school district that was consolidated with other districts to form the current employer. However, service with an entirely different school district does not count when determining whether or not the employee has at least 15 years of service.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) provided new extra elective deferral opportunities for older employees beginning in 2002. Participants who reach their 50th birthday by the end of a particular taxable year are eligible for additional elective deferrals as specified in the table below [IRC § 414(v)]:

2002	2003	2004	2005	2006	2007	2008	2009	2010
\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$5,000	\$5,000	\$5,500	\$5,500

Current law requires that the participant must contribute the maximum allowable "standard" elective deferral and, if eligible, any 15 years of service catch-up amount before becoming eligible for the 414(v) extra elective deferrals.

Employees who would like to know their own elective deferral limit should request a calculation from the District's consultant listed below, preferably via email. However, if your Employer is a new CCC Client, determining your eligibility for the 15 year-of-service catch-up provision may require that you provide historical W-2 Forms.

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