

EXECUTIVE BENEFIT TAX UPDATE

MAY 2003

For Friends & Clients of NCR Executive Benefit Services...

As spring comes to an end and we all start thinking about golf courses and family vacations – there is some important news to share with you...

First of all, please help me welcome the newest addition to my team, Steve Keller. Steve joins me from the same consulting firm that I was with before starting this practice in 1999. He has over 8 years of nonqualified plan design, analysis, and account management experience. Steve will expand our abilities to service client plans going forward and is already creating more capacity to work on new projects.

You may have heard rumblings about important tax and benefit issues being considered by Congress this past month. As predicted here in January, Congress was considering legislation that would have ramifications for nonqualified deferred compensation plans and corporate owned life insurance (COLI). In fact, the Senate approved a tax bill that contained several potentially damaging provisions for COLI and deferred compensation – in the name of raising revenue to help “pay for” part of the tax cuts proposed in that bill.

Some of these proposals were the same as the Senate Finance Committee discussed last year – but others were new and potentially more severe. However, the House-approved tax bill did NOT contain any of these proposals, so we were hopeful that the Conference Committee would remove the COLI and deferred compensation provisions... and that is exactly what happened. The COLI and deferred compensation provisions were dropped by the Conference Committee; the bill was narrowly approved in both chambers, and was signed by the President on 5/28.

It is still likely that some provisions will resurface in the summer when Congress goes back to work. Politicians are “on the lookout” for egregious executive compensation practices and some of the most obvious (offshore trusts, etc.) will be eliminated. We believe that conservatively-designed plans will survive most of these proposals and that COLI will continue as a viable informal funding vehicle for companies to use. We will monitor the situation in Washington and will alert you in future issues as the situation changes or as new topics emerge.

If you need more information, please contact me or Steve to discuss these issues. We want to be your primary resource for key employee benefits and tax information.