

EXECUTIVE BENEFIT UPDATE – Spring 2004

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

Just a quick note to keep you abreast of the “goings on” in the deferred compensation and tax/legislative arenas before we all get into our summertime schedules. We continue to hear from clients that business is improving and that the recovery is maturing – some manufacturing clients even report they are hiring! I recently attended an industry meeting in Washington, D.C. and have the following updates for you on legislative and tax issues that may come up before the fall elections:

Deferred Compensation

Legislation regarding deferred compensation is essentially unchanged from last fall (it would require modifications to some existing plans – specifically early payout and change in election provisions). The Senate recently attached this to the foreign trade bill - however, it appears that legislation has a small likelihood of becoming law this year. Further, the House and Senate versions differ in many areas, so final changes would have to occur in conference committee. Most deferred compensation plans will be able to continue operating with only minor modification / amendments needed.

Corporate Owned Life Insurance (COLI)

COLI legislation may also get attached to a tax bill (the industry is in favor of passing the Conrad Amendment), but passage into law is less likely each week. All of our clients COLI purchases comply with the Conrad amendment as proposed, even though it will only apply to purchases made after the date of enactment. As this is the final session of the 108th Congress, bills that don't become law will expire and the process will start over again in the 109th Congress.

Split-Dollar Plans Update

There is one more tidbit of information regarding Split-Dollar that may be of interest if you have a plan that wasn't “rolled-out” prior to 12/31/2003. If you elected not to modify your split-dollar arrangement last year, the opportunity for switching to loan treatment is still available. Under the regulations, you must report the switch to loan treatment on the 2004 income tax return and, therefore, have until 12/31/2004 to complete the switch and report the tax impact of the transaction.

If you need more information on these or other issues, please contact us. You can also visit our website library. We want to be your primary resource for key employee benefits, compensation, and tax information.