

With No Tax Bite, 401(k) and 457 Plans Are Even a Better Deal



Plan ahead

(June 6, 2002) If you're socking away money in the MTA's 401(k) and 457 savings plans, you can breathe a little easier. You're not going to get slapped with a big tax bill from the state.

Until Governor Gray Davis signed new legislation, recently, California's tax laws were out of sync with federal tax regulations offering substantial relief to taxpayers over the next several years. Now, state law mirrors federal law and gives savers a tax break.

"This measure will help Californians prepare for their retirements," Davis said in signing the bills. "It will increase the contributions permissible to their IRAs and 401(k) plans...."

As of Jan. 1, 2002, employees enrolled in the 401(k) or 457 plans were allowed to defer up to \$11,000 annually from salary. The current cap for 401(k) is \$10,500 and \$8,500 for the 457 plan. Employees age 50 and older by Dec. 31, 2002, can defer an additional \$1,000 in each plan.

This year, for the first time, employees also may be enrolled in both plans and may defer the maximum amount in each plan for a total of \$22,000. The age 50 provision also permits employees to defer an extra \$1,000 in each plan for a grand total of \$24,000.

Both the 401(k) and 457 plans also have "catch up" provisions for those who are eligible for retirement within three years. That provision increases the permitted deferral to a total of \$33,000 -- \$22,000 for the 457 plan and \$11,000 for the 401(k) plan. Those eligible for the over 50 provision can add still another \$1,000.

For enrollment or more information about these plans and the permitted deferrals, contact MTA Benefits at 922-7184. Erick Spencer of ICMA also is available to advise employees at 310-253-9798 or at 800-735-7202 (Ext. 5941).

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