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FINAL 409A REGULATIONS RELEASED

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On April 10, 2007, the Internal Revenue Service (the "IRS") and the Treasury Department released the long-awaited final regulations regarding the taxation of non-qualified deferred compensation under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). Code Section 409A provides that amounts deferred under non-qualified plans and arrangements may be subject to current taxation and penalties if certain requirements are not satisfied.

The regulations are approximately 400 pages long (of which nearly 200 pages describe comments to and changes from the proposed regulations). Preliminary analysis indicates the final regulations do not make major changes from the proposed regulations. Certain provisions, however, have been modified and clarified based on comments received by the IRS. Most provisions of the regulations are generally applicable for tax years which begin on or after January 1, 2008.

On April 10, the IRS also released Notice 2007-34, which describes the application of the Section 409A regulations to "split dollar" life insurance arrangements.

Over the next several weeks, we will be issuing a series of Alerts describing the final regulations and related guidance, and how they may affect your deferred compensation plans or arrangements.

Please contact one of the following members of our Employee Benefits & Executive Compensation Department if you would like further information regarding this Alert.

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