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**Pryor Cashman's ERISA Group Authors Legal Update  
About Internal Revenue Code Section 409A**

Pryor Cashman associate Mathew Young has co-authored a Legal Update entitled “Internal Revenue Code Section 409A – Document Revisions Needed.”

Congress implemented Internal Revenue Code Section 409A on October 22, 2004, as part of the American Jobs Creation Act of 2004. Essentially, Section 409A limits the flexibility employers have as to timing in designing and paying deferred compensation by tightening the rules and imposing penalties for failure to follow those rules. The penalties for failing to comply with Code Section 409A are substantial, including immediate taxation of the deferred income, an additional tax of twenty (20%) percent imposed on the individual recipient, not the payor, plus interest and penalties (not to mention possible state level taxation).

The Internal Revenue Service (“IRS”) published final regulations for Code Section 409A on April 17, 2007. The effective date of the regulations is January 1, 2009. To read the update, please [click here](#).