

COMPENSATION DEFINITIONS

The table below is what most practitioners view as the IRS definitions of the following 3 forms of compensation used in Plan documents. Please refer to your Plan document for the definition of compensation (inclusions and exclusions). Providing the correct compensation to Paragon will allow us to perform our compliance services properly. Please call us with specific questions regarding your Plan.

Description	§415 Compensation	§3401(a) Wages	W-2 Wages
Regular wages, salary, commissions, bonuses, overtime, tips, other additional compensation, or professional fees	Y	Y	Y
Elective Deferral under a § 401(k) Plan, § 403(b) Plan, § 457 Plan, SARSEP, or SIMPLE, Employee contributions that are "picked up" by a governmental plan under § 414 (h), Pre-tax employee contributions under a § 125 Plan	Y	Y	Y
Nontaxable contributions to deferred compensation plan	N	N	N
Reimbursements, expense allowances and taxable fringes	Y	Y	Y
Deductible moving expenses	N	N	Y/N
Nondeductible moving expenses	N	Y	Y
Short-term and Long-term disability pay	N	Y	Y
Taxable group-term life insurance and other taxable fringe benefits, if not excluded from definition by the employer	Y	N	Y
Nontaxable group-term life, dependent care, education assistance, § 132 fringe benefits	N	N	N
Includable § 105(h)- Amounts Paid to Highly Compensated Individuals Under a Discriminatory Self-Insured Medical Expense Reimbursement Plan	N	N	Y
Meals or lodging under § 119	N	N	N
§ 911 foreign earned income	Y	Y	Y
Distributions from deferred compensation plans (non-qualified deferred comp.)	N	Y	Y
Amount taxable on § 83(b) election	N	Y	Y
§ Property vesting	N	Y	Y
Value of nonqualified stock option which is taxable on grant	N	Y	Y
Income from exercise of nonqualified stock option	N	Y	Y
Income on disqualifying disposition of qualified stock options	N	N	Y