

Internal Revenue Code Section 414(q)(1)(B)

Definitions and special rules

(q) Highly compensated employee.

(1) In general. The term "highly compensated employee" means any employee who—

(A) was a 5-percent owner at any time during the year or the preceding year,
or



(B) for the preceding year—

(i) had compensation from the employer in excess of \$80,000, and

(ii) if the employer elects the application of this clause for such preceding year, was in the top-paid group of employees for such preceding year. The Secretary shall adjust the \$80,000 amount under subparagraph (B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter ending September 30, 1996.