

Insights

IRS Announces Retirement Plan Limitations for 2023

October 24, 2022

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On October 21, 2022, the Internal Revenue Service issued Notice 2022-55 announcing the cost-of-living adjustment (“COLA”) applicable to pension and retirement plan dollar limitations for the 2023 tax year. Earlier this month, the Social Security Administration announced the COLA would increase by 8.7%, the largest one-year increase since 1981. As a result, most of the dollar limits applicable to contribution and benefit limits, including the elective contribution limit for 401(k), 403(b) and 457(b) plans and catch-up contribution limits available to participants age 50 and over, will increase significantly from the 2022 limits. Additionally, the Social Security Administration has determined that the 2023 contribution and benefit base will be \$160,200, up from \$147,000 in 2022. A change in a limitation means that the increase in the cost-of-living index was sufficient enough to trigger the applicable statutory COLA.

The following table summarizes many of the retirement plan limitations for the 2022 and 2023 tax years:

| Type of Limitation – Internal Revenue Code Section | Amount of Limitation for 2023 | Amount of Limitation for 2022 |
|---|-------------------------------|-------------------------------|
| Compensation Limit – 401(a)(17), 404(I), 408(k)(3)(C) [SEP], and 408(k)(6)(D)(ii) | \$330,000 | \$305,000 |
| Elective Deferral Limit for 401(k)/403(b)/457(b) Plans, SARSEPs – 402(g)(1), 457(e)(15), 408(k)(6)(A)(iv) | \$22,500 | \$20,500 |
| Catch-up Contribution Limit for 401(k)/403(b)/Governmental 457(b) Plans, SARSEPs – 414(v)(2)(B)(i) | \$7,500 | \$6,500 |
| Highly Compensated Employee Compensation Threshold – 414(q)(1)(B)(i) | \$150,000 | \$135,000 |
| Defined Benefit Plan Annual Benefit Limitation – 415(b)(1)(A) | \$265,000 | \$245,000 |
| Defined Contribution Plan Annual Addition Limitation - 415(c)(1)(A) | \$66,000 | \$61,000 |
| Key Employee Compensation Threshold for Officers – 416(i)(1)(A)(i) | \$215,000 | \$200,000 |

SEP Eligibility Compensation Threshold – 408(k)(2)(C)

\$750

\$650

SIMPLE 401(k) Plan and SIMPLE IRA Elective Contribution Limit
– 401(k)(11)(B)(i)(I), 408(p)(2)(E)

\$15,500

\$14,000

SIMPLE 401(k) Plan and SIMPLE IRA Catch-up Contribution Limit
– 414(v)(2)(B)(ii)

\$3,500

\$3,000

ESOP Maximum Account Balance Subject to 5-year Distribution
Period – 409(o)(1)(C)

\$1,330,000

\$1,230,000

ESOP Incremental Amount for Lengthening 5-year Distribution
Period - 409(o)(1)(C)

\$265,000

\$245,000

Compensation Limit for Grandfathered Participants in Certain
Governmental Plans – 401(a)(17)

\$490,000

\$450,000

For further information regarding the 2023 retirement plan limitations or to discuss any other retirement or welfare plan matters, please contact any member of our Employee Benefits and Executive Compensation Practice.