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Insights

IRS Announces Retirement Plan Limitations for 2022

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By: Janice L. Hamilton and Alexander L. Mounts

The Internal Revenue Service recently issued **Notice 2021-61** announcing the cost-of-living adjustments applicable to pension and retirement plan dollar limitations for the 2022 tax year. Most of the dollar limits, including the elective contribution limit for 401(k), 403(b) and 457(b) plans, will increase from the 2021 limits. Other limits, such as the catch-up contribution limit available for participants age 50 and over, will remain the same. Additionally, the Social Security Administration has determined that the 2022 contribution and benefit base will be $147,000, up from $142,800 in 2021. A change in a limitation means that the increase in the cost-of-living index was sufficient enough to trigger the applicable statutory cost-of-living adjustment ("COLA").

The following table summarizes many of the retirement plan limitations for the 2021 and 2022 tax years:

Type of Limitation – Internal Revenue Code Section	Amount of Limitation for 2022	Amount of Limitation for 2021
Compensation Limit – 401(a)(17), 404(I), 408(k)(3)(C) [SEP], and 408(k)(6)(D)(ii)	$305,000	$290,000
Elective Deferral Limit for 401(k)/403(b)/457(b) Plans, SARSEPs – 402(g)(1), 457(e)(15), 408(k)(6)(A)(iv)	$20,500	$19,500
Catch-up Contribution Limit for 401(k)/403(b)/Governmental 457(b) Plans, SARSEPs – 414(v)(2)(B)(i)	$6,500	$6,500
Highly Compensated Employee Compensation Threshold – 414(q)(1)(B)(i)	$135,000	$130,000
Defined Benefit Plan Annual Benefit Limitation – 415(b)(1)(A)	$245,000	$230,000
Defined Contribution Plan Annual Addition Limitation - 415(c)(1)(A)	$61,000	$58,000
Key Employee Compensation Threshold for Officers – 416(i)(1)(A)(i)	$200,000	$185,000

SEP Eligibility Compensation Threshold – 408(k)(2)(C)	$650	$650
SIMPLE 401(k) Plan and SIMPLE IRA Elective Contribution Limit – 401(k)(11)(B)(i)(I), 408(p)(2)(E)	$14,000	$13,500
SIMPLE 401(k) Plan and SIMPLE IRA Catch-up Contribution Limit – 414(v)(2)(B)(ii)	$3,000	$3,000
ESOP Maximum Account Balance Subject to 5-year Distribution Period – 409(o)(1)(C)	$1,230,000	$1,165,000
ESOP Incremental Amount for Lengthening 5-year Distribution Period - 409(o)(1)(C)	$245,000	$230,000
Compensation Limit for Grandfathered Participants in Certain Governmental Plans – 401(a)(17)	$450,000	$430,000

For further information regarding the 2022 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 Group**.

Disclaimer. The contents of this article should not be construed as legal advice or a legal opinion on any specific facts or circumstances. The contents are intended for general informational purposes only, and you are urged to consult with counsel concerning your situation and specific legal questions you may have. In addition, marijuana remains a federally illegal Class I drug. All activities related to marijuana are currently illegal under the federal laws of the United States and nothing contained on this alert is intended to assist in any way with violation of applicable law.