Insights

IRS Announces Retirement Plan Limitations for 2023

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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.