

Alert

What Are the Retirement Plan Dollar Limits for 2023?

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The Secretary of the Treasury announced the 2023 limits for qualified retirement plans and IRAs based on cost of living increases. The Consumer Price Index for all Urban Consumers is the benchmark used to determine the index. With a cost-of-living increase of 8.3 percent (the largest cost-of-living increase since 1982), most of the dollar limits are increasing for 2023 as noted in the table on page two.

IRS Notice 2022-55 sets forth the annual dollar limitations on benefits and contributions to qualified plans, effective Jan. 1, 2023, as required under Section 415(d) of the Internal Revenue Code. For 2023, the cap on employee deferrals increases to \$22,500, catch-up contributions increase from \$6,500 to \$7,500 and the annual additions limit for 401(k), 403(b) and other defined contribution plans increases to \$63,000.

For 2023, highly compensated employees, who participate in both qualified and non-qualified plans, will have a greater amount of their compensation allocated to their qualified plan due to the increase in the compensation limit from \$305,000 to \$330,000.

Employers and Plan Sponsors of qualified retirement plans should communicate the new limits for 2023 to their plan participants. We are available to advise you on updating your enrollment materials, summary plan descriptions, employee handbooks and other employee communications. If you have any questions about the new limits or any other employee benefit matters, please feel free to contact one of the authors.

See full table on page two.

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IRS LIMITS	Internal Revenue Code Section	2022	2023
Elective Deferral Limit for 401(k), 403(b) and 457(b) Plans	§ 402(g)(1) § 457(e)(15)	\$20,500	\$22,500
Catch-Up Contribution Limit for Age 50+	§ 414(v)(2)(B)(i)	\$6,500	\$7,500
Annual Compensation Limit for Qualified Plans	§ 401(a)(17), § 404(l), § 408(k)(3)(C)	\$305,000	\$330,000
Defined Contribution Plan Limit on Annual Additions	§ 415(c)(1)(A)	\$61,000	\$66,000
Highly Compensated Employee Limit	§ 414(q)(1)(B)	\$135,000	\$150,000
Defined Benefit Plan Maximum Annual Benefit	§ 415(b)(1)(A)	\$245,000	\$265,000
Key Employee Limit for Top-Heavy Purposes	§ 416(i)(1)(A)(i)	\$200,000	\$215,000
IRA Contributions	§ 219(b)(5)(A), (D)	\$6,000	\$6,500
IRA Catch-up Contribution Limit for Age 50+	§ 219(b)(5)(B)	\$1,000	\$1,000
Social Security Taxable Wage Base	OASDI	\$147,000	\$160,200
FICA Tax for Employers and Employees	7.65%	7.65%	7.65%
Social Security Tax for Employers and Employees	6.2%	6.2%	6.2%
Medicare Tax for Employers and Employees	1.45%	1.45%	1.45%
Medicare Surcharge Tax Above Threshold	0.9%	0.9%	0.9%