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Benefit Plan Audit Specialists

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**2023 401(k) Contribution
Limit Increases to \$22,500;
Catch-Up to \$7,500**



The Internal Revenue Service announced that the amount individuals can contribute to their 401(k) plans in 2023

has increased to \$22,500, up from \$20,500 for 2022. The IRS also announced cost of living adjustments affecting dollar limitations for pension plans and other retirement-related items for tax year 2023 in [Notice 2022-55](#).

Highlights of changes for 2023

The contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to \$22,500 in 2023, [up from \\$20,500 in 2022](#).

The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to \$7,500, up from \$6,500. Therefore, participants in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan who are 50 and older can contribute up to \$30,000, starting in 2023.

The limitation for defined contribution plans under section 415(c)(1)(A) is increased in 2023 from \$61,000 to \$66,000.

The annual compensation limit under sections

401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from \$305,000 to \$330,000.

The limit on annual contributions to an IRA increased to \$6,500, up from \$6,000. The IRA catch up contribution limit for individuals aged 50 and over is not subject to an annual cost of living adjustment and remains \$1,000.

The amount individuals can contribute to their SIMPLE retirement accounts is increased to \$15,500, up from \$14,000.

The catch-up contribution limit for employees aged 50 and over who participate in SIMPLE plans is increased to \$3,500, up from \$3,000.

Cost-of-Living Adjusted Limits for 2023

Effective January 1, 2023, the limitation on the annual benefit under a defined benefit plan under section 415(b)(1)(A) of the Code is increased from \$245,000 to \$265,000.

For a participant who separated from service before January 1, 2023, the participant's limitation under a defined benefit plan under section 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2022, by 1.0833.

The limitation for defined contribution plans under section 415(c)(1)(A) is increased in 2023 from \$61,000 to \$66,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of section 415(b)(1)(A). After taking into account the applicable rounding rules, the

amounts for 2023 are as follows:

The limitation under section 402(g)(1) on the exclusion for elective deferrals described in section 402(g)(3) is increased from \$20,500 to \$22,500.

The annual compensation limit under sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from \$305,000 to \$330,000.

The dollar limitation under section 416(i)(1)(A)(i) concerning the definition of “key employee” in a top-heavy plan is increased from \$200,000 to \$215,000.

The dollar amount under section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from \$1,230,000 to \$1,330,000, while the dollar amount used to determine the lengthening of the 5-year distribution period is increased from \$245,000 to \$265,000.

The limitation used in the definition of “highly compensated employee” under section 414(q)(1)(B) is increased from \$135,000 to \$150,000.

The dollar limitation under section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in section 401(k)(11) or section 408(p) for individuals aged 50 or over is increased from \$6,500 to \$7,500. The dollar limitation under section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in section 401(k)(11) or section 408(p) for individuals aged 50 or over is increased from \$3,000 to \$3,500.

The annual compensation limitation under section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation under the

plan under section 401(a)(17) to be taken into account, is increased from \$450,000 to \$490,000.

The compensation amount under section 408(k)(2)(C) regarding simplified employee pensions (SEPs) is increased from \$650 to \$750.

The limitation under section 408(p)(2)(E) regarding SIMPLE retirement accounts is increased from \$14,000 to \$15,500.

The limitation on the aggregate amount of length of service awards accruing with respect to any year of service for any bona fide volunteer under section 457(e)(11)(B)(ii) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$6,500 to \$7,000.

The limitation on deferrals under section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$20,500 to \$22,500.

The limitation under section 664(g)(7) concerning the qualified gratuitous transfer of qualified employer securities to an employee stock ownership plan is increased from \$55,000 to \$60,000.

The compensation amount under § 1.61-21(f)(5)(i) of the Income Tax Regulations ("Regulations") concerning the definition of "control employee" for fringe benefit valuation purposes is increased from \$120,000 to \$130,000. The compensation amount under § 1.61-21(f)(5)(iii) is increased from \$245,000 to \$265,000.

The dollar limitation on premiums paid with respect to a qualifying longevity annuity contract under § 1.401(a)(9)-6, A-17(b)(2)(i) of the Regulations is increased from \$145,000 to \$155,000.

The Code provides that the \$1,000,000,000 threshold used to determine whether a multiemployer plan is a systemically important plan under section 432(e)(9)(H)(v)(III)(aa) of the Code is adjusted using the cost-of-living adjustment provided under section 432(e)(9)(H)(v)(III)(bb). After taking the applicable rounding rule into account, the threshold used to determine whether a multiemployer plan is a systemically important plan under section 432(e)(9)(H)(v)(III)(aa) is increased from \$1,220,000,000 to \$1,256,000,000.

The Code also provides that several retirement-related amounts are to be adjusted using the cost-of-living adjustment under section 1(f)(3). After taking the applicable rounding rules into account, the amounts for 2023 are as follows:

The adjusted gross income limitation under section 25B(b)(1)(A) for determining the retirement savings contributions credit for married taxpayers filing a joint return is increased from \$41,000 to \$43,500; the limitation under section 25B(b)(1)(B) is increased from \$44,000 to \$47,500; and the limitation under sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$68,000 to \$73,000.

The adjusted gross income limitation under section 25B(b)(1)(A) for determining the retirement savings contributions credit for taxpayers filing as head of household is increased from \$30,750 to \$32,625; the limitation under section 25B(b)(1)(B) is increased from \$33,000 to \$35,625; and the limitation under sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$51,000 to \$54,750.

The adjusted gross income limitation under section 25B(b)(1)(A) for determining the retirement savings contributions credit for all other taxpayers is increased from \$20,500 to \$21,750; the limitation under section 25B(b)(1)(B)

is increased from \$22,000 to \$23,750; and the limitation under sections 25B(b)(1)(C) and 25B(b)(1)(D) is increased from \$34,000 to \$36,500.

Taxpayers can deduct contributions to a traditional IRA if they meet certain conditions. If during the year either the taxpayer or the taxpayer's spouse was covered by a retirement plan at work, the deduction may be reduced, or phased out, until it is eliminated, depending on filing status and income. (If neither the taxpayer nor the spouse is covered by a retirement plan at work, the phase-outs of the deduction do not apply.) Here are the phase out ranges for 2023:

- For single taxpayers covered by a workplace retirement plan, the phase-out range is increased to between \$73,000 and \$83,000, up from between \$68,000 and \$78,000.
- For married couples filing jointly, if the spouse making the IRA contribution is covered by a workplace retirement plan, the phase-out range is increased to between \$116,000 and \$136,000, up from between \$109,000 and \$129,000.
- For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the phase-out range is increased to between \$218,000 and \$228,000, up from between \$204,000 and \$214,000.
- For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains between \$0 and \$10,000.

The income phase-out range for taxpayers making contributions to a Roth IRA is increased to between \$138,000 and \$153,000 for singles and heads of

household, up from between \$129,000 and \$144,000. For married couples filing jointly, the income phase-out range is increased to between \$218,000 and \$228,000, up from between \$204,000 and \$214,000. The phase-out range for a married individual filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains between \$0 and \$10,000.



Details on the 2023 401(k) contribution limits, the changes above and other retirement-related cost of living adjustments for 2023 are in [Notice 2022-55](#) available on IRS.gov.



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Who We Are

Torrillo & Associates, LLC specializes in employee benefit plan audits including 401k audits, 403b audits, pension plan audits, and other retirement plan audits. We are licensed in 10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

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