



EY Payroll NewsFlash Workforce Tax Services

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IRS releases the qualified retirement plan limitations for year 2023: 401(k) pretax limit increases to \$22,500; catch-up limit rises to \$7,500

The dollar limitations for retirement plans and certain other dollar limitations that become effective January 1, 2023, have been released by the IRS in [Notice 2022-55](#).

The dollar limitations adjusted by reference to IRC Section 415(d) are modified annually for inflation and, consequently, most of them are changed for 2023.

Of note, the 2023 pretax limit that applies to elective deferrals to IRC Section 401(k), 403(b) and 457(b) plans increased from \$20,500 to \$22,500. The dollar limitation for catch-up contributions for participants aged 50 or over is also increased from \$6,500 to \$7,500.

Plan participants in these plans may wish to consider the impact of the dollar limitations for 2023 in their overall financial planning.

A summary of some of the cost-of-living adjustments for 2023 is provided on the following pages. These amounts are also posted on the IRS website in a [convenient historical table](#).

Description	2022 Limit	2023 Limit
Participant pretax contribution limit for IRC Section 401(k) and 403(b) plans IRC Section 402(g)(1)	\$20,500	\$22,500
Deferral limit for deferred compensation plans of state and local governments and tax-exempts IRC Section 457(e)(15)	\$20,500	\$22,500
Dollar limitation for catch-up contributions for participants aged 50 or over in IRC Section 401(k), 403(b), governmental IRC Section 457(b) plans and Simplified Employee Pensions (SEPs) IRC Section 414(v)(2)(B)(i)	\$6,500	\$7,500
Dollar limitation for catch-up for contributions for participants aged 50 or over in a SIMPLE IRA or a SIMPLE 401(k) IRC Section 414(v)(2)(B)(ii)	\$3,000	\$3,500
Defined benefit plan annual benefit limit ¹ IRC Section 415(b)(1)(A)	\$245,000	\$265,000
Defined contribution plan contribution limit IRC Section 415(c)(1)(A)	\$61,000	\$66,000
Maximum ESOP account balance subject to a 5-year distribution period/increments for additional year IRC Section 409(o)(1)(C)(ii)	\$1,230,000/\$245,000	\$1,330,000/\$265,000
Highly compensated employee dollar threshold IRC Section 414(q)(1)(B)	\$135,000	\$150,000

Description	2022 Limit	2023 Limit
Definition of key employee in a top-heavy plan – officer compensation threshold IRC Section 416(i)(1)(A)(i)	\$200,000	\$215,000
Annual limit on includible compensation for benefits and allocations ² IRC Sections 401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)(D)(ii)	\$305,000	\$330,000
SEP employee participation floor IRC Section 408(k)(2)(C)	\$650	\$750
SIMPLE IRA and SIMPLE 401(k) contribution limit IRC Section 408(p)(2)(E)	\$14,000	\$15,500
Compensation amount for control employees for fringe benefit valuation purposes Treas. Reg. Section 1.61-21(f)(5)(i) and (iii)	\$120,000/\$245,000	\$130,000/\$265,000

Endnotes

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

² For eligible participants in certain governmental plans that allow cost of living adjustments to the compensation limit to be taken into account, that limit is increased to \$490,000 for 2022, up from \$450,000 in 2022.

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