

## IRS ANNUAL COST-OF-LIVING ADJUSTMENTS – EMPLOYEE BENEFIT PLAN LIMITATIONS FOR 2023

**EFFECTIVE:  
JANUARY 1, 2023**

The IRS has released the 2023 cost-of-living adjustments applicable to the dollar limitations on benefits and contributions of retirement plans and health and welfare benefit plans. As a result of the increase in inflation, some of the 2023 limits reflect significant increases from the 2022 amounts. We recommend plan sponsors update their systems and formulas to include the limits that have been adjusted.

RETIREMENT PLAN LIMITS	2023	2022	2021	2020
ELECTIVE DEFERRALS				
401(K) CONTRIBUTIONS	<b>\$22,500</b>	\$20,500	\$19,500	\$19,500
403(B) CONTRIBUTIONS	<b>\$22,500</b>	\$20,500	\$19,500	\$19,500
SIMPLE 401(K) CONTRIBUTIONS	<b>\$15,500</b>	\$14,000	\$13,500	\$13,500
SIMPLE IRA CONTRIBUTIONS	<b>\$15,500</b>	\$14,000	\$13,500	\$13,500
SARSEP CONTRIBUTIONS	<b>\$22,500</b>	\$20,500	\$19,500	\$19,500
457 CONTRIBUTIONS	<b>\$22,500</b>	\$20,500	\$19,500	\$19,500
CATCH-UP CONTRIBUTIONS <sup>(1)</sup>	<b>\$7,500</b>	\$6,500	\$6,500	\$6,500
SEP OR SARSEP PARTICIPATION LIMIT	<b>\$750</b>	\$650	\$650	\$600
ANNUAL ADDITIONS				
DEFINED BENEFIT ANNUAL BENEFIT	<b>\$265,000</b>	\$245,000	\$230,000	\$230,000
DEFINED CONTRIBUTION	<b>\$66,000</b>	\$61,000	\$58,000	\$57,000
ANNUAL COMPENSATION LIMIT	<b>\$330,000</b>	\$305,000	\$290,000	\$285,000
HIGHLY COMPENSATED EMPLOYEE <sup>(2)</sup>	<b>\$150,000</b>	\$135,000	\$130,000	\$130,000
TOP-HEAVY KEY EMPLOYEE <sup>(3)</sup>	<b>\$215,000</b>	\$200,000	\$185,000	\$185,000
FICA TAXABLE WAGE BASE				
SOCIAL SECURITY (TAX RATE 6.2%)	<b>\$160,200</b>	\$147,000	\$142,800	\$137,700
MEDICARE (TAX RATE 1.45%) <sup>(4)</sup>	<b>NO LIMIT</b>	NO LIMIT	NO LIMIT	NO LIMIT
HEALTH AND WELFARE BENEFIT PLAN LIMITS	2023	2022	2021	2020
HEALTH CARE FLEXIBLE SPENDING ACCOUNT	<b>\$3,050</b>	\$2,850	\$2,750	\$2,750
DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT	<b>\$5,000/ \$2,500</b>	\$5,000/ \$2,500	\$5,000/ \$2,500 <sup>(5)</sup>	\$5,000/ \$2,500
CONTRIBUTION LIMITS FOR HSAs				
SINGLE – CONTRIBUTION TO HSA	<b>\$3,850</b>	\$3,650	\$3,600	\$3,550
FAMILY – CONTRIBUTION TO HSA	<b>\$7,750</b>	\$7,300	\$7,200	\$7,100
CATCH-UP CONTRIBUTION (55+)	<b>\$1,000</b>	\$1,000	\$1,000	\$1,000
LIMITS FOR HSA COMPATIBLE HDHPs				
SINGLE – MINIMUM DEDUCTIBLE	<b>\$1,500</b>	\$1,400	\$1,400	\$1,400
SINGLE – MAX OUT-OF-POCKET	<b>\$7,500</b>	\$7,050	\$7,000	\$6,900
FAMILY – MINIMUM DEDUCTIBLE	<b>\$3,000</b>	\$2,800	\$2,800	\$2,800
FAMILY – MAX OUT-OF-POCKET	<b>\$15,000</b>	\$14,100	\$14,000	\$13,800

(1) The catch-up contribution limit for SIMPLE 401(k) and SIMPLE IRAs is \$3,500.

(2) An employee with compensation greater than (i) \$150,000 in 2023 will be an HCE in 2024; (ii) \$135,000 in 2022 will be an HCE in 2023; (iii) \$130,000 in 2021 will be an HCE in 2022, and (iv) \$130,000 in 2020 will be an HCE in 2021.

(3) A “key employee” is any employee who, at any time during the plan year, is (i) an officer of the employer having annual compensation greater than \$215,000 (as indexed); (ii) a more-than-5% owner of the employer; or (iii) a more-than-1% owner of the employer having annual compensation from the employer of more than \$150,000.

(4) Employees pay an additional 0.9 percent on wages greater than \$200,000 for individuals (\$250,000 for married couples filing jointly).

(5) In March 2021, the ARPA increased the limits to \$10,500 / \$5,250.

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