

IRS Announces 2022 Retirement Plan Limits

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The Internal Revenue Service (IRS) recently announced the cost-of-living adjustments to the applicable dollar limits for retirement plans for 2022. Most of the dollar limits currently in effect for 2021 will increase, with only the catch-up contribution limit remaining the same for 2022.

The IRS and the Social Security Administration recently announced the cost-of-living adjustments to the applicable dollar limits on various employer-sponsored retirement plans and the Social Security wage base for 2022. The IRS is expected to publish the remaining 2022 health and welfare plan limits soon. The table below compares the applicable dollar limits for certain employee benefit programs and the Social Security wage base for 2021 and 2022.*

RETIREMENT PLAN LIMITS (guidance link)	2021	?	2022
Annual compensation limit	\$290,000	?	\$305,000
401(k), 403(b) & 457(b) before-tax contributions	\$19,500	?	\$20,500
Catch-up contributions (if age 50 or older)	\$6,500	?	\$6,500
Highly compensated employee threshold	\$130,000	?	\$135,000
Key employee officer	\$185,000	?	\$200,000

compensation threshold

Defined benefit plan annual benefit and accrual limit	\$230,000	?	\$245,000
Defined contribution plan annual contribution limit	\$58,000	?	\$61,000
Employee stock ownership plan (ESOP) limit for determining the lengthening of the general five-year distribution period	\$230,000	?	\$245,000
ESOP limit for determining the maximum account balance subject to the general five-year distribution period	\$1,165,000	?	\$1,230,000

SOCIAL SECURITY WAGE BASE ([guidance link](#))

Social Security Maximum Taxable Earnings	\$142,800	?	\$147,000
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Plan sponsors should update payroll and plan administration systems for the 2022 cost-of-living adjustments and should incorporate the new limits in relevant participant communications, like open enrollment materials and summary plan descriptions.

* The dollar limits are generally applied on a calendar year basis; however, certain dollar limits are applied on a plan-year, tax-year or limitation-year basis.

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