

IRS Releases 2022 Benefit Plan Limits and Thresholds — Updated FSA Limits

Article By:

Timothy Brechtel

Shawn J. Daray

The Internal Revenue Service has announced cost-of-living adjustments that affect limitations on qualified retirement plans and health plans. The increases take effect on January 1, 2022.

Employee contribution limits (elective deferrals) for 401(k), 403(b), and most 457 plans will increase, but the catch-up contribution limits for employees age 50 and over remain unchanged. The annual benefit limit for defined benefit plans and the contribution limit for defined contribution plans will increase slightly.

The IRS issued the 2022 contribution limits for Health Savings Accounts (HSAs) and maximum out-of-pocket amounts for High Deductible Health Plans (HDHPs) in May 2021, although minimum deductibles for HDHPs remained unchanged. A prior client alert indicated that health Flexible Spending Account (FSA) contribution limits would also remain unchanged, but on November 10 the IRS released updated FSA limits for 2022 (increasing by \$100, to \$2,850). In light of the late release date, many employers retained the 2021 limit of \$2,750, to facilitate 2022 open enrollment. The FSA carryover limit continues to be 20% of the annual contribution limit, although special COVID-19 relief gives employers the option to allow employees to carry over their unspent 2021 FSA balance into 2022. See [IRS Notice 2021-15](#).

A summary of the limits and thresholds is provided in the table below.

Retirement Plan Limits	2021	2022
401(k), 403(b), 457 Elective Deferral Limit	\$19,500	\$20,500
Catch-Up Contribution Limit (age 50-plus)	\$6,500	\$6,500
Defined Benefit Plan Annual Benefit Limit	\$230,000	\$245,000
Defined Contribution Plan Annual Contribution Limit	\$58,000	\$61,000
Annual Compensation Limit	\$290,000	\$305,000
Highly Compensated Employee Threshold	\$130,000	\$135,000
Key Employee Threshold	\$185,000	\$200,000
IRA Contribution Limit	\$6,000	\$6,000
IRA Catch-Up Contribution Limit (age 50-plus)	\$1,000	\$1,000

Health Plan Limits	2021	2022
Health FSA Contribution Limit	\$2,750	\$2,800
Health FSA Carryover Limit	\$550*	\$575
HSA Contribution Limit (Individual)	\$3,600	\$3,650
HSA Contribution Limit (Family)	\$7,200	\$7,300
HSA Catch-Up Contribution Limit (age 55-plus)	\$1,000	\$1,050
HDHP Minimum Deductible (Individual)	\$1,400	\$1,450
HDHP Minimum Deductible (Family)	\$2,800	\$2,850
HDHP Maximum Out-of-Pocket Amount (Individual)	\$7,000	\$7,050
HDHP Maximum Out-of-Pocket Amount (Family)	\$14,000	\$14,100

*Special COVID-19 relief gives employers the option to allow employees to carry over their unspent 2021 FSA balance into 2022.

Remember that legal principles may change and vary widely in their application to specific factual circumstances. You should consult with counsel about your individual plan, any plan amendments, and participant notices.

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National Law Review, Volume XI, Number 315

Source URL: <https://natlawreview.com/article/irs-releases-2022-benefit-plan-limits-and-thresholds-updated-fsa-limits>