

## IRS Announces Adjusted Plan Limits for 2023

November 1, 2022

The Internal Revenue Service has announced cost-of-living-adjusted limits for 2023 that affect the operation of tax-qualified retirement plans, including 401(k) plans and certain other types of employee benefit plans, such as deferred compensation plans that may be subject to Internal Revenue Code §409A. The amount by which the limits are adjusted each year is based on a cost-of-living index, and not all limits increase every year. For 2023, however, all of the plan-related, cost-of-living-adjusted limits listed below have increased from 2022. In connection with the increased limits for 2023, employers should revise participant communications and election forms, amend plan documents and summary plan descriptions, and update all payroll and/or human resources systems with the new dollar amount limitations.

The Social Security Old-Age, Survivors, and Disability Insurance (OASDI) taxable wage base, which governs the amount of pay subject to Social Security tax withholding and affects plans that are “integrated” with Social Security, also is subject to adjustment annually. For 2023, the OASDI taxable wage base has been increased to \$160,200.

### Adjusted limits

Provision	2023 limit
Maximum 401(k) contributions	\$22,500
Maximum compensation limit	\$330,000
Highly compensated employees <b>Earning (in previous year) more than</b>	\$150,000
Key employee compensation limit	\$215,000
Annual contribution limit for defined contribution plans	\$66,000
Annual benefit limit for defined benefit plans	\$265,000
SIMPLE plan limit	\$15,000

Provision	2023 limit
Age 50 and older catch-up contribution limit <b>All plans other than SIMPLE plans</b> <b>SIMPLE plans</b>	\$7,500 \$3,500
Annual contribution limit for Section 457 deferred compensation plans (government and tax-exempt organizations)	\$22,500
Employee stock ownership plan (ESOP) <b>Maximum account balance subject to five-year distribution period</b> <b>Each incremental dollar amount in excess of account balance that adds one year to five-year distribution period</b>	\$1,330,000 \$265,000
Simplified employee pension (SEP) plans <b>Contributions must be made for employees earning at least</b>	\$750
409A minimum specified employee (officer) compensation requirement	\$215,000
409A involuntary separation pay exception	\$660,000

If you have questions about the information covered in this alert, please contact a member of your Cooley team or one of the lawyers from the compensation & benefits group listed below.

This content is provided for general informational purposes only, and your access or use of the content does not create an attorney-client relationship between you or your organization and Cooley LLP, Cooley (UK) LLP, or any other affiliated practice or entity (collectively referred to as "Cooley"). By accessing this content, you agree that the information provided does not constitute legal or other professional advice. This content is not a substitute for obtaining legal advice from a qualified attorney licensed in your jurisdiction, and you should not act or refrain from acting based on this content. This content may be changed without notice. It is not guaranteed to be complete, correct or up to date, and it may not reflect the most current legal developments. Prior results do not guarantee a similar outcome. Do not send any confidential information to Cooley, as we do not have any duty to keep any information you provide to us confidential. When advising companies, our attorney-client relationship is with the company, not with any individual. This content may have been generated with the assistance of artificial intelligence (AI) in accordance with our AI Principles, may be considered Attorney Advertising and is subject to our [legal notices](#).

---

## Key Contacts

Stacey A. Bradford Washington, DC	sbradford@cooley.com +1 202 776 2047
--------------------------------------	---

Alessandra Murata Palo Alto	amurata@cooley.com + 1 650 843 5696
--------------------------------	--

---

This information is a general description of the law; it is not intended to provide specific legal advice nor is it intended to create an attorney-client relationship with Cooley LLP. Before taking any action on this information you should seek professional counsel.

Copyright © 2023 Cooley LLP, 3175 Hanover Street, Palo Alto, CA 94304; Cooley (UK) LLP, 22 Bishopsgate, London, UK EC2N 4BQ. Permission is granted to make and redistribute, without charge, copies of this entire document provided that such copies are complete and unaltered and identify Cooley LLP as the author. All other rights reserved.