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IRS Announces Adjusted Plan Limits for 2022

November 12, 2021

The Internal Revenue Service has announced cost-of-living-adjusted limits for 2022 that affect the operation of tax-qualified retirement plans, including 401(k) plans, and certain other types of employee benefit plans, including 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. Not all limits increase every year. In connection with the increased limits for 2022, employers should revise participant communications and election forms, amend plan documents and summary plan descriptions, and update all payroll and/or human resource systems with the new dollar amount limitations.

The Social Security (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 2022, the OASDI taxable wage base has been increased to $147,000.

Adjusted Limits

Limits increased from 2021 in red

Provision	2022 Limit
Maximum 401(k) Contributions	$20,500
Maximum Compensation Limit	$305,000
Highly Compensated Employees *Earning (in previous year) more than*	$135,000
Key Employee Compensation Limit	$200,000
Annual Contribution Limit for Defined Contribution Plans	$61,000
Annual Benefit Limit for Defined Benefit Plans	$245,000
SIMPLE Plan Limit	$14,000

Adjusted Limits

Limits increased from 2021 in red

Provision	2022 Limit
Age 50 and Older Catch-Up Contribution Limit	
All plans other than SIMPLE Plans	$6,500
SIMPLE Plans	$3,000
Annual Contribution Limit for Section 457 Deferred Compensation Plans (government and tax-exempt organizations)	$20,500
Employee Stock Ownership Plan (ESOP)	
Maximum account balance subject to five-year distribution period	$1,230,000
Each incremental dollar amount in excess of account balance that adds one year to five-year distribution period	$245,000
Simplified Employee Pension (SEP)Plans	
Contributions must be made for employees earning at least	$650
409A Minimum Specified Employee (Officer) Compensation Requirement	$200,000
409A Involuntary Separation Pay Exception	$610,000

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

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