

## 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.

<b>Adjusted Limits</b>	
<i>Limits increased from 2021 in red</i>	
Provision	2022 Limit
Maximum 401(k) Contributions	<b>\$20,500</b>
Maximum Compensation Limit	<b>\$305,000</b>
Highly Compensated Employees <i>Earning (in previous year) more than</i>	<b>\$135,000</b>
Key Employee Compensation Limit	<b>\$200,000</b>
Annual Contribution Limit for Defined Contribution Plans	<b>\$61,000</b>

Adjusted Limits	
<i>Limits increased from 2021 in red</i>	
Provision	2022 Limit
Annual Benefit Limit for Defined Benefit Plans	<b>\$245,000</b>
SIMPLE Plan Limit	<b>\$14,000</b>

Adjusted Limits	
<i>Limits increased from 2021 in red</i>	
Provision	2022 Limit
Age 50 and Older Catch-Up Contribution Limit <i>All plans other than SIMPLE Plans</i> <i>SIMPLE Plans</i>	<b>\$6,500</b> <b>\$3,000</b>
Annual Contribution Limit for Section 457 Deferred Compensation Plans (government and tax-exempt organizations)	<b>\$20,500</b>
Employee Stock Ownership Plan (ESOP) <i>Maximum account balance subject to five-year distribution period</i> <i>Each incremental dollar amount in excess of account balance that adds one year to five-year distribution period</i>	<b>\$1,230,000</b> <b>\$245,000</b>
Simplified Employee Pension (SEP)Plans <i>Contributions must be made for employees earning at least</i>	<b>\$650</b>
409A Minimum Specified Employee (Officer) Compensation Requirement	<b>\$200,000</b>
409A Involuntary Separation Pay Exception	<b>\$610,000</b>

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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