

2023 Retirement Plan Contribution Limitations



Each year, the Internal Revenue Service publishes updated dollar limitations for tax-qualified defined benefit and defined contribution plans. The limits are important for tax-qualified plans, as well as many non-qualified plans.

2023 Cost of Living Adjustments

Summary	2023 Limit	2022 Limit
Dollar Limit on Elective Deferrals	\$22,500	\$20,500
Catch-up Contribution Limit	\$7,500	\$6,500
Annual Compensation Limit	\$330,000	\$305,000
Section 415 Annual Additions Limit	\$66,000	\$61,000
Highly Compensated Employee	\$150,000	\$135,000
Key Employee (Officers)	\$215,000	\$200,000

Dollar Limit on Elective Deferrals

The maximum amount that a participant may defer into a 401(k) plan for a given calendar year will increase to \$22,500 for 2023.

Catch-up Contribution Limit

Participants age 50 or over in the calendar year may make additional contributions to the Plan. The dollar limit will increase to \$7,500.

Annual Compensation Limit

The Internal Revenue Code limits the amount of annual compensation that may be used for each employee's benefit calculation purposes. For 2023, the annual compensation limit will increase to \$330,000.

Section 415 Annual Additions Limit

Internal Revenue Code Section 415 provides for dollar limitations on contributions to defined contribution plans. The dollar limitation for defined contribution plans will increase for 2023 to \$66,000.

Highly Compensated Employee

The definition of a Highly Compensated Employee (HCE) is quite complex and depends partly on the provisions elected in your plan document. The definition of a HCE generally provides that a HCE is an employee who, for the preceding year, had compensation from the employer in excess of a certain dollar amount. For 2023, the dollar amount will increase to \$150,000. For example, an employee with compensation in excess of \$150,000 in the 2022 plan year may be a HCE in the 2023 plan year.

Key Employee (Officers)

An individual who owns more than 5% of a business, owns more than 1% of a business and has compensation in excess of \$215,000, or is an officer with compensation in excess of a certain dollar amount, is considered a key employee. The \$215,000 compensation limit for 1% owners is not indexed for cost-of-living increases. The compensation limit for officers is indexed for cost-of-living will increase to \$215,000 for 2023.

This information is provided as a courtesy and is not designed to be all encompassing. It is not intended as authoritative guidance or tax or legal advice. You should consult with your attorney or tax advisor for guidance on your specific situation.