

IRS Announces 2022 Dollar Limits on Compensation and Benefits

EXECUTIVE SUMMARY

The Internal Revenue Service recently announced the annual cost-of-living adjustments to the dollar limits that will apply in 2022 to various employer-sponsored benefit plans. As expected, the IRS increased most (but not all) of these limits to account for inflation. The 2022 limits are summarized in the table that follows on the next page.

Highlights of the changes are as follows:

- A modest \$1,000 increase in the amount that employees can contribute annually to a 401(k), 403(b) or 457(b) plan, which moves from \$19,500 to \$20,500, although the catch-up contribution limit remains unchanged at \$6,500.
- A \$3,000 change in the total amount of combined employee & employer contributions that can be made on behalf of an employee under a defined contribution plan, increasing from \$58,000 to \$61,000 (not counting any catch-up contributions).
- A \$15,000 increase in the amount of compensation that can be taken into account when computing plan contributions, raising the includible compensation limit from \$290,000 to \$305,000.

However, as of the date of this newsletter, the IRS had not yet published any information on whether the amount that an employee can contribute to a health flexible spending account will be increasing from the current level of \$2,750 annually.

Order Your Isler Dare 2022 Mousepad with Updated IRS Limits

We know that you, our valued clients and contacts, have come to rely on our annual mousepads reflecting the IRS dollar limits on various benefits, so that these limits are “at your fingertips” and you don’t have to look them up constantly. If you would like to receive an Isler Dare mousepad with the updated 2022 dollar limits on benefits—and be the envy of your family and colleagues alike—**please respond to Elias Berhane by email at eberhane@islerdare.com, or by clicking the link below**, and let us know where you would like your 2022 mousepad to be sent in January.

<https://www.postable.com/eliasberhane>

2022 Updated Limits

The table below highlights the key limits that will apply in 2022, as well as the limits that continue to be in place for the remainder of 2021.

Code Section	Limits	2022	2021
Elective Deferral Contributions			
§402(g)(1)(B)	401(k) and 403(b) Plans	\$20,500	\$19,500
§457(e)(15)(A)	457(b) Plans	\$20,500	\$19,500
§414(v)(2)(B)(i)	Age 50+ “Catch-Up” Contributions for 401(k)/403(b) Plans	\$6,500	\$6,500
Limits for Highly Compensated Employees			
§401(a)(17)(A)	Annual Compensation Includible in Plan	\$305,000	\$290,000
§414(q)(1)(B)(i)	“Highly Compensated Employee” Threshold	\$135,000	\$130,000
§416(i)(1)(A)(i)	“Key Employee/Officer” Threshold	\$200,000	\$185,000
Annual Contribution & Benefits Limits			
§415(b)(1)(A)	Defined Benefit Pension Plans	\$245,000	\$230,000
§415(c)(1)(A)	Defined Contribution Retirement Plans	\$61,000	\$58,000
HSA Annual Contribution Limits			
§223(b)(2)(A)	HSA Contributions for Individual Coverage	\$3,650	\$3,600
§223(b)(2)(B)	HSA Contributions for Family Coverage	\$7,300	\$7,200
Social Security Tax Wage Base		\$147,000	\$142,800

Additional Information

If you have any questions regarding the 2022 dollar limits, or any other employee benefits matters, please contact any member of our Employee Benefits and Executive Compensation Group listed below.

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