

### IRS Announces 2023 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 2023 to various employer-sponsored benefit plans. As expected, the IRS significantly increased most of these limits to account for inflation. The 2023 limits are summarized in the table that follows on the next page.

Highlights of the changes include:

- A \$2,000 increase in the amount employees can contribute annually to a 401(k), 403(b) or 457(b) plan, which moves from \$20,500 to \$22,500.
- A \$1,000 increase in the additional “catch-up contributions” employees age 50+ can contribute to a 401(k) or 403(b) plan from \$6,500 to \$7,500.
- A \$5,000 change in the total amount of combined employee and employer contributions that can be made on behalf of an employee under a defined contribution plan, increasing from \$61,000 to \$66,000 (not counting any catch-up contributions).
- A \$25,000 change in the amount of compensation that can be taken into account when computing plan contributions, increasing from \$305,000 to \$330,000.
- Modest increases in the amount employees can contribute to a health flexible spending account or health savings account.

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#### Order Your Isler Dare 2023 Mousepad with Updated IRS Limits

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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 constantly look them up. If you would like to receive an Isler Dare mousepad with the updated 2023 dollar limits on benefits—and be the envy of your family and colleagues alike—**please respond to Piero Quiroz by email at [pquiroz@islerdare.com](mailto:pquiroz@islerdare.com), or by clicking the link below**, and let us know where you would like your 2023 mousepad to be sent in January.

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

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## 2023 Updated Limits

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The table below highlights the key limits that will apply in 2023, as well as the limits that continue to be in place for the remainder of 2022.

Code Section	Limits	2023	2022
<b>Elective Deferral Contributions</b>			
§402(g)(1)(B)	401(k) and 403(b) Plans	\$22,500	\$20,500
§457(e)(15)(A)	457(b) Plans	\$22,500	\$20,500
§414(v)(2)(B)(i)	Age 50+ “Catch-Up” Contributions for 401(k)/403(b) Plans	\$7,500	\$6,500
<b>Limits for Highly Compensated Employees</b>			
§401(a)(17)(A)	Annual Compensation Includible in Plan	\$330,000	\$305,000
§414(q)(1)(B)(i)	“Highly Compensated Employee” Threshold	\$150,000	\$135,000
§416(i)(1)(A)(i)	“Key Employee/Officer” Threshold	\$215,000	\$200,000
<b>Annual Contribution &amp; Benefits Limits</b>			
§415(b)(1)(A)	Defined Benefit Pension Plans	\$265,000	\$245,000
§415(c)(1)(A)	Defined Contribution Retirement Plans	\$66,000	\$61,000
<b>Health FSA and HSA Annual Contribution Limits</b>			
§125(i)	Health FSA Employee Salary-Reduction Contribution	\$3,050	\$2,850
§223(b)(2)(A)	HSA Contributions for Individual Coverage	\$3,850	\$3,650
§223(b)(2)(B)	HSA Contributions for Family Coverage	\$7,750	\$7,300
<b>Social Security Tax Wage Base</b>		\$160,200	\$147,000

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## Additional Information

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If you have questions regarding the 2023 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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## Contact Information

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