



GMS Flash Alert



2021-274 | November 5, 2021

United States – Pension Plans, Social Security, 2022 Cost of Living Adjustments

On November 4, 2021, the U.S. Internal Revenue Service (IRS) released an advance version of Notice 2021-61 providing the dollar limitations for qualified retirement plans for tax year 2022.¹ And last month, the Social Security wage limit was increased based on movements in the Consumer Price Index (CPI-W).²

WHY THIS MATTERS

Taxpayers, their employers, as well as their tax service providers and financial advisers, should keep these changes in mind when making decisions around pension plan contributions, and other decisions around pension plan financing, and their tax implications.

More Details on Changes for 2022

The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government’s Thrift Savings Plan increases to \$20,500 (up from \$19,500).

The **limitation regarding savings incentive match plan for employees (SIMPLE) retirement accounts** for 2022 increases to \$14,000 (up from \$13,500).

The **income ranges for determining eligibility to make deductible contributions to traditional individual retirement arrangements (IRAs)**, to contribute to Roth IRAs and to **claim the saver’s credit increase** for 2022, and the **deduction for taxpayers making contributions to a traditional IRA** is phased out for those who have modified adjusted gross income (AGI) within a certain range, as follows:

© 2021 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. Printed in the U.S.A. NDPPS 530159

- For **single taxpayers who are covered by a workplace retirement plan**, the income phase-out range is increased to \$68,000 to \$78,000 (up from \$66,000 to \$76,000).
- For **married couples filing jointly, when the spouse who makes the IRA contribution is covered by a workplace retirement plan**, the income phase-out range is increased to \$109,000 to \$129,000 (up from \$105,000 to \$125,000).
- For an **IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered**, the deduction is phased out if the couple's income is between \$204,000 and \$214,000 (up from \$198,000 and \$208,000).
- The income phase-out range **for taxpayers making contributions to a Roth IRA** is \$129,000 to \$144,000 (increased from \$125,000 to \$140,000) **for singles and heads of household**. For **married couples filing jointly**, the income phase-out range is \$204,000 to \$214,000 (increased from \$198,000 to \$208,000).
- The **income limit for the saver's credit** – also known as the retirement savings contributions credit – for low- and moderate-income workers is \$68,000 for married couples filing jointly (up from \$66,000); \$51,000 for heads of household (up from \$49,500); and \$34,000 for singles and married individuals filing separately (up from \$33,000).

Unchanged Limits for 2022

The limitations that remain unchanged for 2022, from 2021, include the following:

- The catch-up contribution limit for employees age 50 years and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan, is unchanged at \$6,500.
- The limit on annual contributions to an IRA remains unchanged at \$6,000.
- The additional IRA catch-up contribution limit for individuals age 50 years and over is not subject to an annual cost-of-living adjustment and remains \$1,000.
- The deduction for taxpayers making contributions to a traditional IRA is phased out for those who have modified AGI within a certain range. For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.
- The phase-out range for a married individual filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.

Read a related IRS release, [IR-2021-216](#) (November 4, 2021).

Social Security Thresholds

The U.S. Social Security Administration has announced the OASDI contribution and benefit base for remuneration paid in 2022 and self-employment income earned in taxable years beginning in 2022 is increased to \$147,000 next year, up from \$142,800 in 2021.²

KPMG NOTE

It is not yet clear what income tax rates will be applicable beginning January 1, 2022. There is uncertainty as to whether the U.S. Congress will take action on rates in the current infrastructure legislation being considered. If rate changes are included in legislation that is agreed on and passed by both houses of Congress, then the IRS may have the discretion to issue updates to the tax rate tables.

FOOTNOTES:

- 1 See IRS [Notice 2021-61](#).
- 2 See: <https://www.ssa.gov/news/press/factsheets/colafacts2022.pdf> .

RELATED LINK

For related coverage, see "[Notice 2021-61: Pension plans, cost-of-living adjustments for 2022](#)" in *TaxNewsFlash-United States* (November 4, 2021), a publication of the KPMG International member firm in the United States.

* * * *

Join Us for a Webcast!

"Year-end payroll considerations for 2021 reporting and 2022 compliance."

KPMG LLP is pleased to invite you to an informative TaxWatch webcast that will discuss important year-end payroll considerations for 2021 payroll reporting and 2022 compliance.

Date/Time: November 9, 2021, 2:00p.m. EST (UTC -5)

Credit: 1 CPE Credit

To learn more, [click here](#).

The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

The information contained in this newsletter was submitted by the KPMG International member firm in United States.

www.kpmg.com

kpmg.com/socialmedia



© 2021 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG LLP is the U.S. firm of the KPMG global organization of independent professional services firms providing Audit, Tax and Advisory services. The KPMG global organization operates in 147 countries and territories and has more than 219,000 people working in member firms around the world.

Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click here. To learn more about our GMS practice, please visit us on the Internet: click here or go to <http://www.kpmg.com>.