



GMS Flash Alert

2022-193 | October 24, 2022



United States – Pension Plans 2023 Cost-of-Living Adjustments

On October 21, 2022, the U.S. Internal Revenue Service (IRS) released Notice 2022-55 providing the dollar limitations for qualified retirement plans and other retirement-related items for tax year 2023.¹

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 2023

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 \$22,500 (up from \$20,500).

The **limitation regarding savings incentive match plan for employees (SIMPLE) retirement accounts** for 2023 increases to \$15,500 (up from \$14,000).

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 2023, 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:

- For **single taxpayers who are covered by a workplace retirement plan**, the income phase-out range is increased to \$73,000 to \$83,000 (up from \$68,000 to \$78,000).

- 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 \$116,000 to \$136,000 (up from \$109,000 to \$129,000).
- 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 \$218,000 and \$228,000 (up from \$204,000 and \$214,000).
- The income phase-out range **for taxpayers making contributions to a Roth IRA** is \$138,000 to \$153,000 (increased from \$129,000 to \$144,000) **for singles and heads of household**. For **married couples filing jointly**, the income phase-out range is \$218,000 to \$228,000 (increased from \$204,000 to \$214,000).
- The **income limit for the saver's credit** – also known as the retirement savings contributions credit – for low- and moderate-income workers is \$73,000 for married couples filing jointly (up from \$68,000); \$54,750 for heads of household (up from \$51,000); and \$36,500 for singles and married individuals filing separately (up from \$34,000).

Notable Increases for 2023

Notably, limits increased for the following items for 2023, from 2022, that remained static in previous years.

- 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 increased to \$7,500 for 2023 (up from \$6,500).
- The limit on annual contributions to an IRA is increased to \$6,500 for 2023 (up from \$6,000).
- The limitation used in the definition of "highly compensated employee" under section 414(q)(1)(B) is increased to \$150,000 for 2023 (up from \$135,000 for 2021 and 2022).

Unchanged Limits for 2023

The limitations that remain unchanged for 2023, from 2022, include the following:

- 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.

KPMG NOTE

Recently announced annual inflation adjustments for 2023 and the increase in the maximum amount of wages subject to Social Security for 2023 were reported in [GMS Flash Alert 2022-91](#).

FOOTNOTE:

1 See IRS [Notice 2022-55](#). For coverage of last year's adjustments, see [GMS Flash Alert 2021-274](#), November 5, 2021.)

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Please Consider Participating in the KPMG Global Assignment Policies and Practices (GAPP) Survey

Participation in the [survey](#) allows you to benchmark your organization in relation to other survey participants on numerous aspects of a global mobility program including: assignee selection and assessment, assignment preparation and planning, automation and robotics, talent and performance management, assignment compensation and allowances, administration and outsourcing, immigration compliance, the use of data and analytics, assignment management technology as well as tax reimbursement approaches.

Key highlights of the [2022 KPMG Global Assignment Policies and Practices Survey](#) will be made available later in the year.

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