

# CLIENT ALERTS

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## IRS Announces Employee Benefits Limits for 2022

11.5.2021

The Internal Revenue Service has recently announced cost-of-living adjustments applicable to dollar limitations for retirement plans (and other items) for 2022. Most of the retirement plan limitations will change for 2022 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment.

### **I. Retirement Plans**

Some of the annual limits for 2022 (and the current limits for 2021) are as follows:

#### **2022**

#### 2021

Elective Deferral Limit (for Internal Revenue Code (“Code”) Section 401(k), 403(b), 457(b)(2), 457(c), and SARSEP plans) – excluding catch-up contributions

**\$20,500**

\$19,500

Elective Deferral Limit for SIMPLE plans

**\$14,000**

\$13,500

Catch-up Contribution Limit for Code Section 401(k), 403(b), 457(b) and SARSEP plans

### **Related Services**

Employee Benefits

## CLIENT ALERTS

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### **\$6,500**

\$6,500

Catch-up Contribution Limit for SIMPLE plans

### **\$3,000**

\$3,000

Annual limitation for *defined contribution* plans under Code Section 415

### **\$61,000**

\$58,000

Annual limitation for *defined benefit* plans under Code Section 415

### **\$245,000**

\$230,000

Maximum compensation limit

### **\$305,000**

\$290,000

Minimum dollar threshold to be considered highly compensated employee ("HCE") based on compensation

### **\$135,000<sup>[1]</sup>**

\$130,000

Minimum dollar threshold for an officer of the employer to be considered a key employee for top heavy plans.

### **\$200,000**

\$185,000

Maximum Social Security taxable earnings (OASDI only)

## CLIENT ALERTS

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**\$147,000**

\$142,800

Maximum Medicare taxable earnings (HI only)

**No Limit**<sup>[2]</sup>

No Limit

Minimum compensation amount to be eligible for coverage under SEP

**\$650**

\$650

### **II. Health Savings Accounts (HSAs)**

The new annual HSA (and High Deductible Health Plan (HDHP)) limits for 2022 (and the current limits for 2021) are as follows:

#### **2022**

#### 2021

HSA Contribution Limits:

Self-only

**\$3,650**

\$3,600

Family

**\$7,300**

\$7,200

Catch-up (for individuals age 55 or older)

## CLIENT ALERTS

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**\$1,000**

\$1,000

HDHP Minimum Deductible:

Self-only

**\$1,400**

\$1,400

Family

**\$2,800**

\$2,800

HDHP Out-of-Pocket Expense Limit (Deductibles,  
co-payments and other amounts, but not premiums) [3]:

Self-only

**\$7,050**

\$7,000

Family

**\$14,100**

\$14,000

## CLIENT ALERTS

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### **III. Health Flexible Spending Accounts**

The annual limit for 2022 for a health flexible spending account has not yet been issued by the IRS (many commentators project or expect it to be \$2,850.) (Presently, for 2021, the limit is \$2,750.)

Plan documents (particularly retirement plan documents) often anticipate cost of living adjustments and do not have to be amended for these adjustments. Nevertheless, administrators of plans should review their documents to reconfirm the documents automatically incorporate the adjustments. If the documents do not contemplate the adjustments, plan documents will need to be amended to remain tax-compliant. Plan administrators should also communicate with their plan service providers (including payroll providers) to ensure the new limits will be used in plan operations beginning in 2022.

If you have questions regarding the Internal Revenue Service limits or other employee benefits matters, please contact your regular Butzel Long attorney, a member of the Butzel Long Employee Benefits Practice Group, or the author of this e-mail news alert.

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[1] The \$135,000 limit is used to determine who is a HCE in 2023. The \$130,000 limit for 2021 is used to determine who is a HCE for 2022.

[2] The Medicare tax rate is 1.45% on wages (for employees) and 2.90% on self-employment income (for self-employed individuals). However, the Patient Protection and Affordable Care Act imposes an additional .9% Medicare tax on wages and self-employment income for tax years beginning after December 31, 2012. The additional tax applies to individuals with compensation in excess of certain threshold amounts (\$200,000 for single taxpayers, \$250,000 for married taxpayers filing a joint return, and \$125,000 for married couples filing separate returns). The Medicare tax rate on wages and self-employment income in excess of the threshold amounts is 2.35% for employees and 3.8% for self-employed individuals.

[3] The HDHP out of pocket maximums for HSA/HDHP plans are lower than the Patient Protection and Affordable Care Act ("ACA") out of pocket maximums. For 2022, the ACA's out of pocket maximum is \$8,700 for self-only coverage and \$17,400 for family coverage. Employers offering HSA/HDHP plans will need to ensure they satisfy the lower Internal Revenue Service HDHP out of pocket maximums.