



2023 Inflation Adjustments

Following recent announcements by both the IRS and the Social Security Administration, we now know most of the dollar amounts that employers will need in order to administer their benefit plans for 2023. The key dollar amounts for retirement plans and individual retirement accounts (IRAs) are shown on the [front side](#) of our 2023 limits card.

The [reverse side](#) of the card shows a number of dollar amounts that employers will need to know in order to administer health flexible spending accounts (FSAs), health savings accounts (HSAs), and high-deductible health plans (HDHPs), as well as health plans that are not grandfathered under the Affordable Care Act.

Some of the new numbers are substantially higher than their 2022 counterparts. For instance, the Section 415 limit on annual additions to a participant's account will increase from \$61,000 to \$66,000, and the annual compensation limit will increase from \$305,000 to \$330,000. The annual 401(k), 403(b), or 457(b) deferral limit will increase from \$20,500 to \$22,500. The annual retirement plan catch-up contribution limit will increase from \$6,500 to \$7,500.

The annual compensation threshold used to identify highly compensated employees (HCEs) will increase from \$135,000 to \$150,000 for 2023. Because the 2023 limit will not become relevant until 2024—when employers “look back” at their employees' 2023 compensation—employers should consider their employees' 2022 compensation when identifying HCEs for 2023 (as well as 5% owners during either 2022 or 2023).

The annual limit on IRA contributions (whether traditional or Roth) will increase from \$6,000 to \$6,500, but the annual limit on IRA catch-up contributions will remain \$1,000. The Social Security taxable wage base (important for retirement plans that

are “integrated” with Social Security) will increase significantly, from \$147,000 to \$160,200.

The maximum contribution to an HSA will increase from \$3,650 to \$3,850 for individual coverage, and from \$7,300 to \$7,750 for family coverage. The maximum HSA catch-up contribution will remain \$1,000.

The minimum deductible for any HDHP (which must accompany any HSA) will increase from \$1,400 to \$1,500 for individual coverage, and from \$2,800 to \$3,000 for family coverage. For 2023, the limit on total annual HDHP out-of-pocket expenses (deductibles, co-payments, and other amounts – but not premiums) will increase to \$7,500 for self-only coverage and \$15,000 for family coverage.

The 2023 maximum out-of-pocket limits for essential health benefits provided under all non-grandfathered health plans will increase from \$8,700 to \$9,100 for individual coverage, and from \$17,400 to \$18,200 for family coverage. Because the out-of-pocket limits for essential health benefits are adjusted using the “premium adjustment percentage” calculated by the Department of Health and Human Services, and the maximum HDHP out-of-pocket expense is adjusted on the basis of the Consumer Price Index, there is usually a more significant change in the out-of-pocket limits for essential health benefits. However, for 2023 the increases are relatively consistent.

The limit on employee deferrals to health FSAs in 2023 will increase to \$3,050. This limit applies only to salary reduction contributions under a health FSA, and not to employer contributions. For this purpose, however, any employer FSA contributions that could have been received in cash are treated as salary reduction contributions.

A laminated version of Spencer Fane’s 2023 limits card is available upon request. To obtain one or more copies, please contact any member of our [Employee Benefits Group](#). You also can contact the Spencer Fane Marketing Department at 816-474-8100 or marketing@spencerfane.com.

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