

# EMPLOYEE BENEFITS AND EXECUTIVE COMPENSATION INFORMATION MEMO

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## IRS Announces 2025 Cost of Living Adjustments

The IRS announced cost-of-living adjustments for various benefit plan limitations and thresholds that will take effect on Jan. 1, 2025.

The limits for 2025 and 2024 and the applicable sections of the Internal Revenue Code are stated below. The limits that increased for 2025 are shown in **red**.

<u>Limit or Threshold</u>	<u>2025</u>	<u>2024</u>
<b>Retirement Plan Contribution Limits</b>		
401(k) and 403(b) plan elective deferral limit [Code section 402(g)(1)]	<b>\$23,500</b>	\$23,000
Catch-up contribution limit (participants aged 50 or older) [Code section 414(v)(2)(B)(i)]	\$7,500	\$7,500
“Super” catch-up contribution limit (participants aged 60-63) [Code section 414(v)(2)(E)(i)]	<b>\$11,250</b>	N/a <sup>1</sup>
Max. annual additions to defined contribution plan [Code section 415(c)]	<b>\$70,000</b>	\$69,000
Max. annual defined benefit plan accrual amount [Code section 415(b)]	<b>\$280,000</b>	\$275,000
Plan compensation limit [Code section 401(a)(17)]	<b>\$350,000</b>	\$345,000
457(b) plan annual contribution limit [Code section 457(e)(15)]	<b>\$23,500</b>	\$23,000
Pension-Linked Emergency Savings Account (PLESA) limit [Code section 402A(e)(3)(A)(i)]	\$2,500	\$2,500
<b>Other Retirement Plan Limits and Thresholds</b>		
“Highly compensated employee” compensation threshold [Code section 414(q)(1)(B)]	<b>\$160,000</b>	\$155,000

<sup>1</sup> This is a new requirement for 2025.

<b>Limit or Threshold</b>	<b>2025</b>	<b>2024</b>
“Key employee” compensation threshold [Code section 416(i)(1)(A)(i)]	<b>\$230,000</b>	\$220,000
Domestic abuse distribution limit [Code section 72(t)(2)(K)(ii)(1)]	<b>\$10,300</b>	\$10,000
Annual amount used to determine the 5 year ESOP distribution limit [Code section 409(o)(1) (C)(ii)]	<b>\$280,000</b>	\$275,000
Maximum ESOP account balance subject to the 5 year distribution limit [Code section 409(o)(1) (C)(ii)]	<b>\$1,415,000</b>	\$1,380,000
<b>HSA and FSA Limits</b>		
HSA annual contribution limit [Code section 223(b)(2)]	Self: <b>\$4,300</b> Family: <b>\$8,550</b>	Self: \$4,150 Family: \$8,300
HSA catch-up contribution (participants aged 55 or older) limit	\$1,000	\$1,000
HDHP minimum annual deductible [Code section 223(c)(2)(A)]	Self: <b>\$1,650</b> Family: <b>\$3,300</b>	Self: \$8,050 Family: \$16,100
FSA annual contribution limit [Code section 125(i)]	<b>\$3,300</b>	\$3,200
FSA annual carryover limit [Code section 125(i)]	<b>\$660</b>	\$640
Dependent care account annual contribution limit	\$5,000 <sup>2</sup>	\$5,000

Employers should consider whether their plan documents must be amended to reflect the new limits, and whether employees should be notified so that they can make or change their benefit elections.

In addition, payroll and record-keeping systems often must be updated to reflect the new limits.

If you have any questions about the inflation-adjusted employee benefits limits for 2025, please contact any attorney in our [employee benefits and executive compensation practice](#) or any attorney at the firm with whom you are regularly in contact.

<sup>2</sup> The \$5,000 annual limit on contributions to a dependent care spending account is not indexed for inflation; the limit is stated here only for information.

