Notice 2021-61: Pension plans, cost-of-living adjustments for 2022

The IRS today released an advance version of Notice 2021-61 providing the dollar limitations for qualified retirement plans for tax year 2022.

Changes for 2022

Notice 2021-61 [PDF 117 KB] includes the following amounts that will apply for 2022 (any changes in amounts that applied for 2021 are shown in brackets):

- 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.

- 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.
  - 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).