

MEMO# 35915

November 4, 2024

# IRS Announces Retirement Plan Limitations for 2025

[35500]

November 04, 2024

TO: ICI Members

Pension Committee

Pension Operations Advisory Committee SUBJECTS: Pension

Tax RE: IRS Announces Retirement Plan Limitations for 2025

The Internal Revenue Service (IRS) has released annual cost of living and other adjustments applicable to dollar limitations for pension and retirement plans. The news release is available [here](#) and Notice 2024-80, which also contains the updated limits, is available [here](#). Notably, the elective deferral limit for participants in 401(k), 403(b) and most 457 plans increased from \$23,000 to \$23,500 (the catch-up contribution limit for those plans remains at \$7,500). The contribution limit for IRAs remains at \$7,000. The IRS includes adjustments to several new limits related to provisions in the SECURE 2.0 Act.

Effective for tax year 2025, the dollar limitations include, but are not limited to, the following:

## Limit

### 2024

### 2025

**Defined benefit plan limit**, IRC § 415(b)(1)(A) \$275,000 \$280,000 **Defined contribution (DC) plan limit**, IRC § 415(c)(1)(A) \$69,000 \$70,000 **Annual compensation limit**, IRC §§ 401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)(D)(ii) \$345,000 \$350,000 **Limit used for definition of highly compensated employee**, IRC § 414(q)(1) \$155,000 \$160,000 **Elective deferral limit**, IRC § 402(g) \$23,000 \$23,500 **Deferral limit for state and local governments and tax-exempt organizations**, IRC § 457(e)(15) \$23,000 \$23,500 **SEP compensation amount**, IRC § 408(k)(2)(C) \$750 \$750 **General SIMPLE contribution limit**, IRC § 408(p)(2)(E) \$16,000 \$16,500 **Enhanced SIMPLE contribution limit**, IRC § 408(p)(2)(E) [\[1\]](#) \$17,600 \$17,600 **Catch-up contributions to qualified plans, 403(b) plans and 457 plans**, IRC § 414(v)(2)(B)(i) \$7,500 \$7,500 **Catch-up**

**contributions to qualified plans, 403(b) plans and 457 plans, for those age 60, 61, 62, or 63, IRC § 414(v)(2)(E)(i)**[\[2\]](#) \$11,250 **General catch-up contribution for SIMPLE plans, IRC § 414(v)(2)(B)(ii)** \$3,500 \$3,500 **Enhanced catch-up contributions for SIMPLE plans, IRC § 414(v)(2)(B)(iii)**[\[3\]](#) \$3,850 \$3,850 **Catch-up contributions to SIMPLE plans, for those age 60, 61, 62, or 63, IRC § 414(v)(2)(E)(ii)**[\[4\]](#) \$5,250 **IRA contribution limit, IRC § 219(b)(5)(A)** \$7,000 \$7,000 **Catch-up contributions to IRAs, IRC § 219(b)(5)(B)**[\[5\]](#) \$1,000 \$1,000 **QLAC premium limit, Treas. Reg. § 1.401(a)(9)-6(q)(2)(ii)** \$200,000 \$210,000 **Distributions to victims of domestic abuse, IRC § 72(t)(2)(K)(ii)(I)**[\[6\]](#) \$10,000 \$10,300 **Qualified long-term care distribution, IRC § 401(a)(39)(B)(i)(III)**[\[7\]](#) \$2,600 **Additional nonelective contributions for SIMPLE plans, IRC § 408(p)(2)(A)(iv)**[\[8\]](#) \$5,000 \$5,100 **Pension-linked emergency savings accounts, IRC § 402A(e)(3)(A)(i)**[\[9\]](#) \$2,500 \$2,500 **Starter 401(k) deferral-only arrangement, IRC § 401(k)(16)(D)(i)(II) and 403(b)(16)(D)(i)(II)**[\[10\]](#) \$6,000 \$6,000

The Notice describes all plan limits for 2025 and provides updated income limits for determining (1) eligibility for the saver's credit (IRC § 25B(b)), (2) the deductible amount of a traditional IRA contribution (IRC § 219(g)), and (3) the maximum Roth IRA contribution (IRC § 408A(c)(3)(B)(ii)).

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#### Notes

[\[1\]](#) Section 117 of the SECURE 2.0 Act increases the annual deferral limit to SIMPLE plans, and the catch-up contribution limit that applies at age 50 for SIMPLE plans, to 110 percent of the otherwise applicable limits in 2024 (and indexed thereafter), effective for taxable years beginning after December 31, 2023. The increased limits are available only to employers with no more than 25 employees, and, for employers with more than 25 employees and not more than 100 employees, the increased limits are available only to those who make enhanced employer contributions on behalf of employees (either a 4 percent matching contribution or 3 a percent non-elective contribution). For a summary of the SECURE 2.0 Act, see ICI Memorandum No. 34795, dated January 12, 2023, available at <https://www.ici.org/memo34795>.

[\[2\]](#) Section 109 of the SECURE 2.0 Act increases the limit on catch-up contributions for participants who are aged 60, 61, 62, and 63 to the greater of \$10,000 (\$5,000 in the case of SIMPLE plans) or 50 percent more than the regular catch-up amount in 2025, effective for taxable years beginning after December 31, 2024. The Act also instructs IRS to adjust these higher catch-up contribution limits annually for increases in the cost of living.

[\[3\]](#) Section 117 of the SECURE 2.0 Act increased the catch-up contribution limit that applies at age 50 for certain SIMPLE plans. See footnote 1 above.

[\[4\]](#) Section 109 of the SECURE 2.0 Act increased the limit on catch-up contributions for participants in SIMPLE plans who are aged 60, 61, 62, and 63 to the greater of \$5,000 or 50 percent more than the regular catch-up amount in 2025, effective for taxable years beginning after December 31, 2024. See footnote 2 above.

[\[5\]](#) Section 108 of the SECURE 2.0 Act provided that this limit will be adjusted for cost of living, effective for taxable years beginning after December 31, 2023; however, there is no

increase for 2025.

[6] Section 314 of the SECURE 2.0 Act provides for a new type of penalty-free in-service withdrawal from DC plans and IRAs for victims of domestic abuse meeting certain eligibility criteria, effective for distributions made after December 31, 2023. The Act limits eligible distributions by an individual to the lesser of \$10,000 (to be adjusted for inflation) or 50 percent of the account balance. For IRS's most recent guidance on this provision, see ICI Memorandum No. 35760, dated July 2, 2024, available at <https://www.ici.org/memo35760>.

[7] Effective December 29, 2025, section 334 of the SECURE 2.0 Act allows DC plans to make distributions (up to \$2,500 per year, indexed) used to pay premiums for certain specified long-term care insurance contracts.

[8] Section 116 of the SECURE 2.0 Act allows employers who sponsor SIMPLE plans to make contributions in addition to the currently required three percent match or two percent nonelective contribution, as additional nonelective contributions of up to ten percent of compensation (or \$5,000 if less), effective for taxable years beginning after December 31, 2023.

[9] Section 127 of the SECURE 2.0 Act permits employers to offer, as part of a DC plan, a new short term "emergency savings account" to non-highly compensated employees, effective for plan years beginning after December 31, 2023. There is a cap of \$2,500 (indexed) on the amount of contributions. For the latest guidance related to pension-linked emergency savings accounts (PLESAs), see ICI Memorandum No. 35604, dated January 30, 2024, available at <https://www.ici.org/memo35604>.

[10] Section 121 of the SECURE 2.0 Act allows certain employers to offer a new type of deferral-only plan, referred to as a "starter 401(k) deferral-only arrangement" or a "safe harbor deferral-only [403(b)] plan" and exempt from certain testing requirements. Under the plan, the annual deferral limit is \$6,000 (indexed) with a \$1,000 catch up contribution (also indexed).

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