

# EMPLOYEE BENEFITS AND EXECUTIVE COMPENSATION INFORMATION MEMO

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## IRS Announces 2026 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, 2026. The limits for 2026 and 2025 and the applicable sections of the Internal Revenue Code are stated below. The limits that increased for 2026 are shown in **red**.

<u>Limit or Threshold</u>	<u>2025</u>	<u>2026</u>
<b>Retirement Plan Contribution Limits</b>		
401(k) and 403(b) plan elective deferral limit [Code section 402(g)(1)]	\$23,500	<b>\$24,500</b>
Catch-up contribution limit (participants aged 50 or older) [Code section 414(v)(2)(B)(i)]	\$7,500	<b>\$8,000</b>
“Super” catch-up contribution limit (participants aged 60-63) [Code section 414(v)(2)(E)(i)]	\$11,250	\$11,250
Max. annual additions to defined contribution plan [Code section 415(c)]	\$70,000	<b>\$72,000</b>
Max. annual defined benefit plan accrual amount [Code section 415(b)]	\$280,000	<b>\$290,000</b>
Plan compensation limit [Code section 401(a)(17)]	\$350,000	<b>\$360,000</b>
457(b) plan annual contribution limit [Code section 457(e)(15)]	\$23,500	<b>\$24,500</b>
Pension-Linked Emergency Savings Account (PLESA) limit [Code section 402A(e)(3)(A)(i)]	\$2,500	<b>\$2,600</b>

<b>Other Retirement Plan Limits and Thresholds</b>		
“Highly compensated employee” compensation threshold [Code section 414(q)(1)(B)]	\$160,000	\$160,000
“Key employee” compensation threshold [Code section 416(i)(1)(A)(i)]	\$230,000	<b>\$235,000</b>
Domestic abuse distribution limit [Code section 72(t)(2)(K)(ii)(I)]	\$10,300	<b>\$10,500</b>
Annual amount used to determine the lengthening of the 5 year ESOP distribution limit [Code section 409(o)(1)(C)(ii)]	\$280,000	<b>\$290,000</b>
Maximum ESOP account balance subject to the 5 year distribution limit [Code section 409(o)(1)(C)(ii)]	\$1,415,000	<b>\$1,455,000</b>
Prior year’s FICA (Form W-2 Box 3) wage threshold to determine whether a participant is subject to the mandatory Roth catch-up requirement in the current year [Code section 414(v)(7)(A)]		<b>\$150,000<sup>1</sup></b>

<sup>1</sup> The mandatory Roth catch-up requirement takes effect for the first time for impacted plans on Jan. 1, 2026. The threshold has been increased from the \$145,000 base amount that appears in Code Section 414(v). For more on this requirement see: [Plan Sponsors Must Address the Roth Catch Up Contribution Mandate by Jan. 1, 2026](#).

<b>HSA, HDHP and FSA Limits</b>		
HSA annual contribution limit [Code section 223(b)(2)]	Self: \$4,300 Family: \$8,550	<b>Self: \$4,400 Family: \$8,750</b>
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: \$1,650 Family: \$3,300	<b>Self: \$1,700 Family: \$3,400</b>
FSA annual carryover limit [Code section 125(i)]	\$660	<b>\$680</b>
Dependent care account annual contribution limit	\$5,000	<b>\$7,500<sup>2</sup></b>

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 2026, 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 \$7,500 annual limit on contributions to a dependent care spending account is not indexed for inflation; the limit is stated here only for information.

