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ALERT

Benefits & Executive Compensation

NOVEMBER 16, 2026

IRS Announces 2027 Retirement Plan Limits

The Internal Revenue Service ("IRS") has announced the following dollar limits applicable to tax-qualified plans for 2027:

- The limit on the maximum amount of elective contributions that a person may make to a 401(k) plan, a 403(b) tax-sheltered annuity, or a 457(b) eligible deferred compensation plan is increased from $24,500 to $25,500.

- The limit on "catch-up contributions" to a 401(k) plan, a 403(b) tax-sheltered annuity, or a 457(b) eligible deferred compensation plan for persons age 50 and older is increased from $8,000 to $8,500.

- As a result of changes made by SECURE 2.0, persons aged 60, 61, 62, and 63 who participate in a 401(k) plan, a 403(b) tax-sheltered annuity, or a 457(b) eligible deferred compensation plan have a higher catch-up contribution limit, which for 2027 is $11,750 instead of $8,500. What this means is that someone in this age group can elect in 2027 to contribute up to $37,250 ($25,500 + $11,750) to one of these plans.

- SECURE 2.0 added a requirement that employees who had Federal Insurance Contribution Act ("FICA") wages above a specified dollar amount in the prior calendar year must make any catch-up contributions as Roth (after-tax) contributions. For 2027, the dollar amount that triggers this requirement is increased from $150,000 to $155,000. Importantly, this new rule does not apply to partners and other individuals who have self-employment income rather than FICA wages.

- The dollar limit on the maximum permissible allocation under 401(k) and other defined contribution plans is increased from $72,000 to $75,000.

- The maximum annual benefit that may be earned under a defined benefit plan is increased from $290,000 to $300,000.

- The maximum amount of annual compensation that may be taken into account on behalf of any participant under a tax-qualified retirement plan will go up from $360,000 to $375,000.

- The dollar amount used to identify “highly compensated employees” is increased from $160,000 to $170,000.

Additional information regarding benefit plan dollar limits can be obtained in Notice 2026-66, 2027 Amounts Relating to Retirement Plans and IRAs, as Adjusted for Changes in Cost-of-Living.

For more information or assistance, please contact Daniel L. Morgan, or another member of the Benefits & Executive Compensation group.

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