

The New IRS Limit You May Have Missed

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PRACTICES Employee Benefits and Executive Compensation

Recently, we reported [here](#) on the new cost-of-living adjusted limits for qualified retirement plans published by the IRS in [Notice 2025-67](#) (the “**Notice**”). In addition to the normal annual adjustments we previously reported on, the Notice includes an adjustment to the compensation limitation used to determine which catch-up eligible participants are subject to mandatory Roth catch-up contributions in 2026. Previously, this compensation limit was \$145,000. The Notice increased the limit to \$150,000.

By way of background, following passage of the SECURE 2.0 Act, individuals whose earnings from the same employer for the prior year meet or exceed this compensation limit are required to make any catch-up contributions on a Roth basis (rather than on a pre-tax basis). This requirement is being enforced by the IRS for the first time for plan years beginning after December 31, 2025. Thus, 2026 is the first year that most defined contribution plans must comply with that requirement. Although the compensation limit was originally set at \$145,000 in FICA compensation on a look-back basis, it was not clear whether this limit would be adjusted, since 2026 is the first year that the requirement is being enforced. However, the Notice increased the limit to \$150,000. This means that an employee who received \$150,000 or more in FICA compensation from an employer in 2025 will only be permitted to make Roth catch-up contributions (and not pre-tax catch-up contributions) in that employer’s plan in 2026.

Because many plan sponsors have already sent out participant communications on the mandatory Roth catch-up contributions that included the old \$145,000 limit, it is important for plan sponsors to consider the updated compensation limit and send out updated communications if necessary. Furthermore, plan sponsors may have already determined which participants will be subject to the mandatory Roth catch-up contributions in 2026 based on the old limit. These plan sponsors must update their systems to include the updated compensation limit and make a new determination as to which employees will be subject to the mandatory Roth catch-up requirements.