

## Time to Check Those 402(g) Limits and Check them Twice!

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December 21, 2022

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**PRACTICES** Employee Benefits and Executive Compensation, Retirement Plans

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With the end of the year fast approaching, sponsors of plans that are subject to the Code Section 402(g) limit, such as 401(k) plans and 403(b) plans, should encourage their employees to verify that their pre-tax salary deferrals for the year don't exceed the 402(g) limit – which for 2022 is \$20,500 (plus an additional \$6,500 for catch-up contributions for participants age 50 or older). This is particularly important with respect to employees who commenced employment with the plan sponsor during 2022. While most plan record keepers will keep tabs on any plan participants whose deferrals to a single plan meet or exceed the 402(g) limit, it's important to remember that the limit applies to all pre-tax deferrals that an individual may have made throughout the year. Employees who participated in more than one plan during the year will need to verify from their own personal records that their pre-tax deferrals to all plans do not exceed the 402(g) limit.

There are consequences if an employee exceeds the 402(g) limit. If an employee notifies the plan sponsor that his or her deferrals may have exceeded the 402(g) limit, upon receiving adequate proof from the employee that the limit was in fact exceeded, the plan sponsor should try to make corrective distributions as soon as possible. In general, deferrals in excess of the 402(g) limit plus allocable earnings must be distributed to the participant by April 15th of the year following the year of deferral. Excess deferrals not timely returned to the participant are subject to additional tax. If the excess deferrals are distributed in 2022, it will help ensure that the employee's pre-tax deferrals and taxable compensation are accurately reported on his or her Form W-2.

More information on IRS 402(g) limits is available [here](#).