



Many tax limits affecting businesses have increased for 2023

An array of tax-related limits that affect businesses are indexed annually, and due to high inflation, many have increased more than usual for 2023. Here are some that may be important to you and your business.

Social Security tax

The amount of employees' earnings that are subject to Social Security tax is capped for 2023 at \$160,200 (up from \$147,000 for 2022).

Deductions

- Section 179 expensing:
 - Limit: \$1.16 million (up from \$1.08 million)
 - Phaseout: \$2.89 million (up from \$2.7 million)
- Income-based phase-out for certain limits on the Sec. 199A qualified business income deduction begins at:
 - Married filing jointly: \$364,200 (up from \$340,100)
 - Other filers: \$182,100 (up from \$170,050)

Retirement plans

- Employee contributions to 401(k) plans: \$22,500 (up from \$20,500)
- Catch-up contributions to 401(k) plans: \$7,500 (up from \$6,500)
- Employee contributions to SIMPLEs: \$15,500 (up from \$14,000)
- Catch-up contributions to SIMPLEs: \$3,500 (up from \$3,000)
- Combined employer/employee contributions to defined contribution plans (not including catch-ups): \$66,000 (up from \$61,000)
- Maximum compensation used to determine contributions: \$330,000 (up from \$305,000)

- Annual benefit for defined benefit plans: \$265,000 (up from \$245,000)
- Compensation defining a highly compensated employee: \$150,000 (up from \$135,000)
- Compensation defining a “key” employee: \$215,000 (up from \$200,000)

Other employee benefits

- Qualified transportation fringe-benefits employee income exclusion: \$300 per month (up from \$280)
- Health Savings Account contributions:
 - Individual coverage: \$3,850 (up from \$3,650)
 - Family coverage: \$7,750 (up from \$7,300)
 - Catch-up contribution: \$1,000 (no change)
- Flexible Spending Account contributions:
 - Health care: \$3,050 (up from \$2,850)
 - Dependent care: \$5,000 (no change)