UNITED STATES TAX | IRS · PAYROLL · RETIREMENT PLANS

IRS sets 2027 retirement plan limits: 401(k) deferrals rise to USD 25,500

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On 12 November 2026 the IRS raised the 2027 limit on employee deferrals to 401(k), 403(b) and most 457 plans to USD 25,500, from USD 24,500. The IRA contribution limit stays at USD 7,500.

Country reference

- **Country:** United States
- **Authorities:** Internal Revenue Service (IRS)
- **Topic:** 2027 cost-of-living adjustments for retirement plans
- **Key date:** 12 November 2026 (limits apply from 1 January 2027)
- **Law:** Notice 2026-66; news release IR-2026-136

What changed

The IRS published the 2027 dollar limits for retirement plans. The headline employee deferral limit for 401(k), 403(b), governmental 457 plans and the federal Thrift Savings Plan rises by USD 1,000 to USD 25,500. The limit for traditional and Roth IRAs stays at USD 7,500. Last week the IRS published the 2027 income tax adjustments, which we covered on 9 November.

Other 2027 limits

An adviser summary of Notice 2026-66 gives these further figures:

- **Catch-up, age 50 and over:** USD 8,500, up from USD 8,000.
- **Catch-up, ages 60 to 63:** USD 11,750, up from USD 11,250.
- **Total annual additions (section 415(c)):** USD 75,000, up from USD 72,000.
- **Compensation cap (section 401(a)(17)):** USD 375,000, up from USD 360,000.
- **Roth catch-up wage threshold:** USD 155,000, up from USD 150,000.
- **IRA catch-up:** USD 1,100, unchanged.

Why it matters for employers

Payroll systems, plan documents and employee communications must reflect the new limits from the first 2027 pay run. The Roth catch-up wage threshold decides which higher earners must make catch-up contributions as Roth.

What to do now

- Ask your payroll provider and plan recordkeeper to load the 2027 limits before the first January payroll.
- Update the list of employees above the Roth catch-up wage threshold, based on 2026 wages.
- Refresh nondiscrimination testing and benefit cost forecasts for the higher compensation cap.

- For Gulf groups with US staff, align global mobility and pension policies with the new US limits.

Our take

These are routine annual changes, but they touch every US payroll. Loading them early avoids excess deferrals and corrections next year.

Sources

- IRS: 401(k) limit increases to USD 25,500 for 2027, IRA limit remains USD 7,500 (IR-2026-136, 12 November 2026)
- Current Federal Tax Developments (adviser commentary): Technical analysis of IRS Notice 2026-66 (12 November 2026)

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