

SIMPLE IRA Plan Limits

Beginning in 2024, Congress automatically increased the regular and catch-up contribution limits for smaller (25 employees or fewer) SIMPLE IRA plans. These higher deferral limits were intended to make small-business retirement benefits more competitive with the benefits offered by larger employers.

The same higher limits are also available for larger SIMPLE IRA plans (26-100 employees), but only if the employer makes a higher-than-usual company contribution.

If the employer matches deferrals, the match must go up to 4% of pay instead of the usual 3% of pay.

If the employer contributes to all eligible employees, the contribution must go up to 3% of pay instead of the usual 2%.

Starting in 2025, Congress raised the catch-up limit even higher for participants aged 60-63 by allowing “super catch-up contributions” to SIMPLE IRA plans.

Although well-intentioned, these changes have caused the SIMPLE IRA plan deferral limits to become very complicated. Depending on participant age (as of December 31 each year), the size of the company and (in the case of larger businesses) the amount of the company’s contribution, participants are subject to one of six SIMPLE IRA deferral limits, including one of *three* catch-up limits.

Here are the 2025 and 2026 limits for SIMPLE IRAs:

Company SIMPLE plan Structure				
Year	Initial Employee Deferral	Age 50 to 59 catch-up allowance*	Age 60 to 63 catch-up allowance*	Age 64 or older catch-up allowance*
Company has 25 or fewer employees				
2025	\$17,600	\$3,500	\$5,250	\$3,500
2026	\$18,100	\$3,850	\$5,250	\$3,850
Company has more than 25 employees and contributes at the higher rate				
2025	\$17,600	\$3,500	\$5,250	\$3,500
2026	\$18,100	\$3,850	\$5,250	\$3,850
Company has more than 25 employees and does NOT contribute at the higher rate				
2025	\$16,500	\$3,500	\$5,250	\$3,500
2026	\$17,000	\$4,000	\$5,250	\$4,000

You will notice that the age-50-and-older catch-up limit for smaller employers (and larger employers who make the higher company contribution) – **\$3,850** – is lower than the **\$4,000** age-50-and-older catch-up limit for other larger employers. This was clearly not intended by Congress and results from a quirk in the tax code as to how COLAs are applied to various deferral limits. Hopefully, at some point, Congress will fix this for future years.

*assumes that the plan doc allows for catch-up contributions

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