401(k) Employer (ER) matching contribution

INTUIT Tax Advisor

About this strategy

Employers can make matching and nonmatching contributions to a sponsored 401(k) plan on behalf of their employee, even if the worker has already maxed out their contributions. Employer matching contributions are like free money, and aren't subject to Social Security, Medicare, or income taxes. Make sure your client is contributing enough to get the most out of their employer's matching program. This amount isn't reported on the W-2 but can usually be found on paystubs.

Strategy requirements

- The taxpayer and/or spouse must have a wages from a W-2.
- The plan document defines the employer matching contributions made to the plan, but usually employee pre-tax contributions are matched at a certain rate, up to a certain dollar limitation per employee.-
- Employer pre-tax contributions to 401(k) plans are not subject to Social Security, Medicare, federal income taxes or state income taxes.-
- If participating in multiple plans, the aggregate employee and employer contributions for all plans are subject to the annual limitation.
- Employer contributions often vest over 3-5 years and grow tax-deferred until withdrawn, when distributions become subject to income taxes.

Strategy limit(s) for 2023

Total contributions from both the employee and employer is the lesser of 66,000 or 100% of compensation. Individuals age 50 and over can contribute an additional $7,500.

Resources

Learning course

Learning course

Tax strategies: Retirement planning for your future

See how this strategy works in Intuit Tax Advisor

Taxpayer this applies to

- Employee taxpayers with employers who sponsor a 401(k) or similar plan.
- Business owners with employees who sponsor a 401(k) or similar plan.