

# MEMO

[insert month] 2023

TO: All Highly Compensated Employees  
FROM: Management  
RE: **Notice of 2023 401(k) Contribution Refunds**

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The IRS requires that plan sponsors conduct several nondiscrimination tests each year. One of these tests may impact the maximum contribution limit for highly compensated employees (HCEs). For the 2022 plan year, HCEs are defined as employees who earned at least \$130,000 in 2021 or who own at least 5% of the company (regardless of their compensation).

**If you are receiving a refund in 2023 (for the 2022 plan year), the amount will be reported as income for the tax year in which the refund is made (2023).**