

Secure 2.0 Act expands retirement plan tax credits



With the startup tax credits created in the SECURE 1.0 Act, and expanded in SECURE 2.0, small business employers who start a new retirement plan may be eligible for tax credits of up to 100% of eligible start-up costs. Additional credits are also available for eligible employer contributions. Both types of credits apply to Qualified Plans, SEPs and SIMPLE IRAs beginning after December 31, 2022.

Start-up Tax Credits

Number of Employees making \$5,000 or more in the preceding year	Startup Tax Credit (% of Eligible Start-Up Costs)*	Maximum Credit	Number of Years Credit Available
1 to 50	100%	Lesser of \$5,000 or \$250 times the number of eligible non-highly compensated employees	3
51 - 100	50%		3
Over 100	None	n/a	n/a

*Eligible startup costs include ordinary and necessary expenses incurred by a business to set up, administer, and educate employees about the plan.

Eligible employers are those that had at least one non-highly compensated employee (as defined by the IRS) eligible to participate in the plan and no more than 100 employees making at least \$5,000 in the prior year and did not maintain a qualified plan in the three taxable years immediately preceding the tax year in which the plan is adopted.

Employer Contribution Tax Credits (does not apply to defined benefit plans)

Years Since Plan Adoption	Contribution Tax Credit for Plans with up to 50 Employees	Contribution Tax Credit for Plans with up to 51- 100 Employees	Maximum Credit
1	100% (of eligible employer contribution)	Same minus 2% times number of employees over 50	Lesser of actual employer contribution or \$1,000 for each employee making \$100,000 or less in FICA wages \$0 for each employee making >\$100,000 in FICA wages
2	100%	Same minus 2% times number of employees over 50	
3	75%	Same minus 1.5% times number of employees over 50	
4	50%	Same minus 1% times number of employees over 50	
5	25%	Same minus 0.5% times number of employees over 50	

Automatic Enrollment Tax Credit

Qualified plans established after Dec. 29, 2022, are required to add an eligible automatic contribution arrangement (EACA) to the plan no later than the 2025 plan year. An automatic contribution feature may increase plan participation, and an additional tax credit for eligible small employers of \$500 is available for up to three years.

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