



SECURE 2.0 Overview

Start-Up Credits



MEMBERS
RETIREMENT
PROGRAM

START UP COSTS:

Increased the applicable percentage on the existing start-up credit from 50% to 100% for plans with less than 50 employees.

Employers with generally up to 50 employees are eligible for an annual tax credit for three years equal to **100%** of certain costs paid or incurred in connection with starting a retirement plan, up to an annual cap.

The cap is the greater of: (1) \$500; or (2) the lesser of (a) \$250 for each non-highly compensated employee who is eligible to participate in the plan or (b) \$5,000.

NEW CONTRIBUTION CREDIT

In the case of defined contribution plans, the provision provides an additional credit equal to the “applicable percentage” of the amount contributed by the eligible employer on behalf of employees who have FICA wages of \$100,000 or less, up to a per-employee cap of \$1,000. Elective deferrals do not count as employer contributions for this purpose.

Contributions with respect to employees who receive FICA wages from the employer for the taxable year in excess of \$100,000 are not taken into account for purposes of determining the credit. This \$100,000 threshold will be indexed annually for inflation beginning in 2024.

The applicable percentage is 100% in the first and second years, 75% in the third year, 50% in the fourth year, 25% in the fifth year, and 0% in any taxable year thereafter. Thus, no credit is available after the fifth year. See the next page for a high-level example of a how the credit may work.

The full additional credit is limited to employers with 50 or fewer employees and phased out for employers with between 51 and 100 employees in the preceding taxable year. In that case, the applicable percentage is reduced by the product of the applicable percentage that would otherwise apply, multiplied by 2% for each employee in the preceding taxable year in excess of 50 employees.

The provision also makes clear that no deduction is allowed for the portion of the credit based on employer contributions. Additional guidance may impact how and when this credit can be utilized.

The provision applies to taxable years beginning after December 31, 2022.

CONTRIBUTION CREDIT EXAMPLE

This is a general, high-level example based on a specific set of circumstances. How the contribution credit would impact your retirement plan would be based on your demographics and contribution levels.

Same contribution and compensation for five years									
		3%	100%	100%	75%	50%	25%	0%	
	employee compensation	contribution	Year One Credit	Year Two Credit	Year Three Credit	Year Four Credit	Year Five Credit	Year Six Credit	
1	\$30,000	\$900	\$900	\$900	\$675	\$450	\$225	\$0	
2	\$30,000	\$900	\$900	\$900	\$675	\$450	\$225	\$0	
3	\$30,000	\$900	\$900	\$900	\$675	\$450	\$225	\$0	
4	\$30,000	\$900	\$900	\$900	\$675	\$450	\$225	\$0	
5	\$30,000	\$900	\$900	\$900	\$675	\$450	\$225	\$0	
Total	\$150,000	\$4,500	\$4,500	\$4,500	\$3,375	\$2,250	\$1,125	0	
Total 5 year contribution amount		\$22,500							
Total 5 year credit		\$15,750							
% of contribution as credit over 5 years		70%							

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