

SECURE 2.0: Roth Catch-Up Requirement Delayed to 2026



The industry has been anxiously awaiting guidance from the IRS on a variety of SECURE 2.0 issues, including questions related to the requirement that individuals with more than \$145,000 in FICA wages make catch-up contributions on a Roth basis beginning in 2024. An immediate question was whether Congress had inadvertently eliminated all catch-up contributions

due to a drafting error in SECURE 2.0. In addition, the new Roth requirement posed a number of challenges for payroll companies and recordkeepers. Industry advocates had been in contact with both the Department of Treasury and Congressional representatives about guidance and transition relief. The IRS delivered relief in epic fashion at the end of August with the following guidance:

- **Catch-up contributions still exist.** Despite what appeared to be technical error in the language of SECURE 2.0, the IRS announced that the language did **not** eliminate catch-up contributions. Therefore, participants will continue to be eligible for the extra deferrals upon attaining age 50.
- **Roth Catch-up Not Required Until 2026.** In a move that surprised many, the IRS also announced relief from the Roth requirement for two years. Until 2026 catch-up contributions do not have to be designated Roth contributions. IRS further clarified that the plan doesn't even need to offer the ability to make catch-up contributions on a Roth basis until 2026.
- **Additional Clarifications.** The IRS also answered a few ancillary questions regarding this provision of SECURE 2.0, including:

- Confirming partners and self-employed individuals will **not** be subject to the Roth requirement because they do not have "wages" as defined in Code Section 3121(a);
- Plans will be allowed to treat an election to make contributions on a pre-tax basis as an election to make catch-up contributions that are designated Roth contributions; and
- Clarifying how the wage threshold applies to employers participating in a multiple employer plan (MEP).

This guidance provides welcomed relief for plan sponsors and service providers alike. Your TPA partner can assist you in navigating this new guidance and planning for 2026 when the Roth requirement will take effect.

Reminders

- **September 15, 2023:** Funding deadline for defined-benefit plans last 2022 minimum required contribution.
- **October 16, 2023:** Deadline for filing Form 5500 for plans that have extended their deadline using Form 5558.
- **October 16, 2023:** For defined benefit plans: deadline for filing PBGC premiums and deadline for making the third 2023 minimum funding quarterly installment payment.



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Kelsey's practice is focused in the areas of Employee Benefits and Executive Compensation. She works with business owners and HR executives to understand and manage employee benefits and executive compensation arrangements. She routinely represents clients before the Internal Revenue Service, Department of Labor, and Pension Benefit Guarantee Corporation and has extensive experience in virtually all aspects of employee benefit plans and executive compensation arrangements.