

Client Advocate Alert

September 2023

SECURE Act 2.0 Roth Catch-Up Requirement Granted Two-Year Delay

On August 25, 2023, guidance was released by the Internal Revenue Service (IRS) regarding Section 603 of the SECURE Act 2.0. Section 603 mandated that catch-up contributions be Roth for participants earning more than \$145,000 in the prior year.

The two-year administrative delay is in response to concerns by plan sponsors and payroll providers about allowing ample time to implement the changes that would have gone into effect in 2024. The transition period will provide an “orderly transition for compliance” with the new requirement. The IRS also addressed the technical error that SECURE Act 2.0 created which eliminated all catch-up contributions in 2023.

Catch-up contributions will not be eliminated and can continue to be pre-tax catch-up contributions until 2026 regardless of income.

The newly released guidance indicated that further guidance will be issued regarding:

- 1) Self-employed income not subject to FICA.
- 2) Confirmation for administrators to treat catch-up contributions as Roth without an affirmative election by the participant.
- 3) Multiemployer plan clarification on what participating employer compensation will be used for determination purposes.