



Regulatory Update

Treasury Delays SECURE 2.0 Mandatory Roth Catch-Up Contributions to 2026



On August 25, 2023, the U.S. Treasury Department and the Internal Revenue Service (IRS) issued [Notice 2023-62](#), *Guidance on Section 603 of the SECURE 2.0 Act with Respect to Catch-Up Contributions*. Among other things, the notice announced a two-year delay of section 603, which would have generally required employees earning over \$145,000 to make any retirement plan catch-up contributions as Roth contributions, i.e., after-tax, beginning in 2024. The notice provided initial guidance on other provisions of the SECURE 2.0 Act as well.

As background, a catch-up contribution is an additional contribution permitted to be made to a retirement plan by employees age 50 or older over the normal contribution limit (i.e., \$22,500 for 2023). Employees over age 50 may contribute an additional ("catch-up") amount of up to \$7,500 for 2023.

Section 603 of the SECURE 2.0 Act of 2022 (P. L. 117-328) required that employees whose prior-year wages from their current employer that exceeded \$145,000 (indexed) make any catch-up contributions as Roth (post-tax) beginning January 1, 2024. Notice 2023-62 provides a two-year "administrative transition period," during which the requirement that catch-up contributions for employees earning over \$145,000 be treated as Roth will not apply until January 1, 2026.

Initial guidance on other provisions of the SECURE 2.0 Act was also provided:

1. Workers who are not paid FICA wages (as defined under IRC Section 3121(a)), such as partners and self-employed persons, are not subject to the Roth requirement, because the \$145,000 threshold relates to FICA wages. State and local government employees who are not paid wages subject to FICA are also excluded from the Roth catch-up requirement.
2. The notice also provided that no separate election will be necessary for employees subject to the Roth catch-up contributions to authorize such catch-up contributions. Industry trade associations had noted that it was unclear whether a separate election (i.e., for pre-tax and Roth catch-up contributions) might be necessary.
3. Notice 2023-62 also confirmed that for employees who work for two or more unrelated employers in a multi-employer plan, the wages of each employer are considered separately to determine whether the \$145,000 measure is met. The example provided in the notice follows:

*"If an eligible participant's wages for a calendar year were: (1) \$100,000 from one participating employer; and (2) \$125,000 from another participating employer, then the participant's catch-up contributions under the plan for the next year would not be subject to section 414(v)(7)(A) (even if the participant's **aggregate** wages from the participating employers for the prior calendar year exceed \$145,000, as adjusted)." (emphasis added)*

The guidance clarified that even if an employee's wages from one employer in a multi-employer plan exceed \$145,000, catch-up contributions made while working for another participating employer would not be required to be Roth, unless the participant's prior-year wages from that other employer also exceed that amount.

The notice explained that the *"transition period ... is intended to facilitate an orderly transition for compliance with that requirement,"* and noted that Treasury and the IRS will issue further guidance on section 603 of the SECURE 2.0 Act. The IRS notice invites comments and suggestions regarding these and other matters arising from section 603 by October 24, 2023. Comments may be submitted electronically at www.regulations.gov. Enter "IRS-2023-0039" in the search field on the Regulations.gov home page to submit comments.

For additional information, see www.irs.gov/pub/irs-drop/n-23-62.pdf.

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