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SECURE 2.0 Act of 2022

The SECURE 2.0 Act of 2022 was signed into law on December 29, 2022, and represents some of the most sweeping retirement plan legislation since the SECURE Act of 2019. Here's a high-level overview of some of the new law's key provisions.

PROVISION	EXISTING LAW	SECURE 2.0 Act	EFFECTIVE DATE
Start-up Tax Credit *(optional provision)*	Businesses with up to 100 employees may be eligible for a three-year start-up tax credit of up to 50 percent of administrative costs, with an annual limit of $5,000.	Increases this credit to 100 percent of qualified start-up costs for employers with up to 50 employees. An additional credit of up to $1,000 per employee for eligible employer contributions may apply to employers with up to 50 employees, but phases out from 51 to 100 employees.	Tax years beginning after 2022
Automatic Enrollment *(required provision)*	No current provision within defined contribution plans	Employers will be required to automatically enroll employees in their retirement plan at a pre-tax contribution level of at least 3 percent, but not more than 10 percent of the employee's pay, with a required automatic escalation feature.	Plan years beginning after December 31, 2024
Expand Catch-up Contributions *(required provision)*	Employees who have reached age 50 may contribute an extra $7,500 annually to their 401(k) account in 2023.	Increases the annual catch-up contribution amount for participants ages 60-63 to at least $10,000 beginning in 2025. Effective for taxable years beginning after December 31, 2023, all catch-up contributions to employer-sponsored qualified retirement plans for participants earning more than $145,0000 will be made on a Roth basis.	Tax years after 2024
Required Minimum Distributions (RMDs) *(required provision)*	The required minimum distribution age is 72 (unless a 5% owner.)	The requirement to begin taking RMDs will increase from age 72 to age 73 in 2023, and then to age 75 in 2033.	For participants who turn 73 after December 31, 2022

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Employer Matching for Student Loan Repayments *(optional provision)*	No provision within defined contribution plans.	Beginning in 2024, student loan payments would count as retirement contributions for the purpose of qualifying for matching contributions in a workplace retirement account. In addition, employers will be able to make contributions to their company retirement plan on behalf of employees paying student loans instead of saving for retirement. The matching contributions for student loan payments must vest under the same schedule as other matching contributions. Employees must be eligible for a match in order to receive the student loan matching contribution.	Plan years beginning after December 31, 2023
Penalty-free Emergency Withdrawals and emergency savings *(optional provision)*	No such withdrawal provision for defined contribution plans.	Plan participants will be able to withdraw up to $1,000 per year from their retirement savings account for emergency expenses without having to pay the 10% tax penalty for early withdrawal if they're under age 59½. The participant has the option to repay the distribution within 3 years. No further emergency distributions may be made during the 3-year repayment period until any amounts previously taken are repaid. Companies could allow employees to set up an emergency savings account through automatic payroll deductions. These contributions would be limited to $2,500.	Distributions made after December 31, 2023
Long-term, part-time worker eligibility *(required provision)*	The Secure Act required that long-term, part-time employees (those who worked between 500 and 999 hours for three consecutive years) be eligible to participate in their company's retirement plan, with a first participation date of January 1, 2024.	Further expedites their eligibility into the plan by shortening the eligibility period from three years to two years.	Plan years beginning after December 31, 2024

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Saver's Match *(required provision)*	The current Saver's Credit gives a special tax break to low and middle-income individuals who are saving for retirement. It uses a tiered percentage system based on adjusted gross income to determine the credit. The saver's credit is complicated. For more information, click here	Low to middle-income employees (will be eligible for a Federal matching contribution of up to $2,000 per year that must be deposited in their retirement savings account. The match phases out based on income.	Taxable Plan years beginning after December 31, 2026
Starter-K *(optional provision)*	No provision within defined contribution plans.	Allows for a deferral only plan with lower contribution limits that automatically passes non-discrimination and top-heavy testing. There are no required matching contributions, annual contributions are limited to $6,000 with an additional $1,000 age 50 catch-up contribution, both limits indexed, an Eligible employees would be automatically enrolled at 3%to 15%.	Plan years beginning after December 31, 2023

Let's talk.

The SECURE 2.0 Act of 2022 brings big changes to retirement plans, and many of these changes are complex and involve long-term planning. In the weeks ahead, we will continue to provide communications on the SECURE 2.0 Act as new information from the IRS and DOL become available. ADP is committed to helping employers and their workers become financially prepared for retirement.

For more information, please visit adp.com/401k.

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