

SECURE 1.0 / 2.0 Acts – Hot Topics – PART 1

PRESENTER - Michael R Miranda CPA QKA NQPC AEP

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SECURE 1.0 / 2.0 Acts – Hot Topics – **DISCLAIMERS**

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Michael R Miranda, CPA QKA NQPA AEP

- Michael is the owner of MIRANDA CPA & Consulting LLC located in Sioux Falls, South Dakota. He has over 48 years of professional experience including tax consulting, estate planning and employee benefits. His consulting practice includes niche areas and client representation before governmental agencies. He maintains an active speaking schedule on tax law, estate and employee benefit planning. He is member of the Board of Directors for National Advisor Trust Companies of Kansas and South Dakota. His professional designations include CPA, QKA and NQPA (Employee Benefits) and AEP (Estate Planning). His professional affiliations include the AICPA, SDCPA Society, ASPPA, NAEA, NATP and NAEPC.



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SECURE 1.0 / 2.0 Acts ... Hot Topics

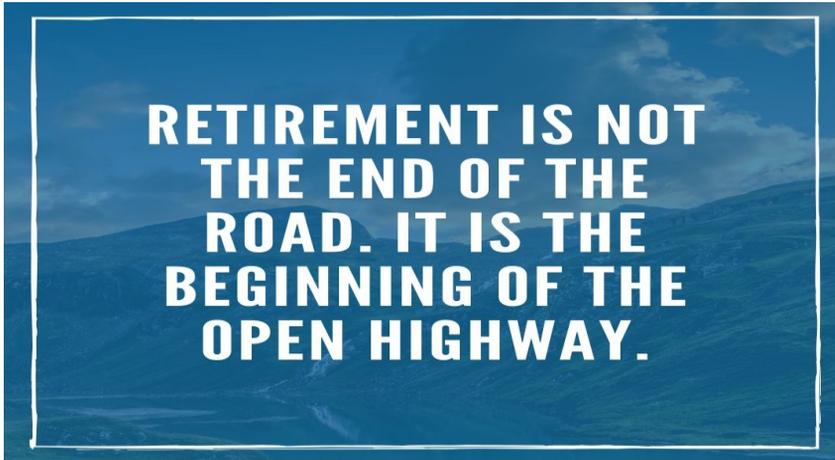
- Introduction ... Qualified Plan arrangements and tax favored status
- SECURE 1.0 Act ... §201 Plan Sponsors ability to retroactively adopt retirement plans
- SECURE 1.0 ... §401 provide for a 10-year cash out rules for inherited IRAs and retirement plan accounts
- SECURE 2.0 ... Provides for numerous retirement related tax provisions ... we will highlight some of the key provisions from this Act

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Quote of the Session

“



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2026 Olympics – Milan Italy – Feb 6th through 22nd 2026

- Four Extraordinary athletes
- Four exceptional athletes, true icons who have written indelible pages in the history of the Games, presented the torches: Olympic Champion and last torchbearer at the Olympic Winter Games Torino 2006 **Stefania Belmondo** and Paralympic Champion Bebe Vio in Milano; Paralympic Champion Martina Caironi and Carolina Kostner, bronze medalist at the Sochi 2014 Olympic Games, in Osaka.



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2026 Olympics – Milan Italy – Feb 6th through 22nd 2026



• The Milano Cortina 2026 Torches

- The Milano Cortina 2026 torches have been named “**Essential**”, a tribute to their minimalist design and were developed by **Eni**, Premium Partner of Fondazione Milano Cortina 2026, in collaboration with **Versalis (Eni)**, Official Supporter of the Games.
- The two versions of the torch – one for the Olympic Winter Games and the other for the Paralympic Winter Games – both feature a reflective, iridescent finish but differ in color. The Olympic torch in blue-green hues, the Paralympic torch in bronze tones. +
- Eni and Versalis entrusted the design development to **Studio Carlo Ratti Associati**, while Cavagna Group is responsible for the engineering and production of the Torch and its components.



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2026 Olympics – Milan Italy – Feb 6th through 22nd 2026



Here is Michael on April 13th, 2025, in Milan Italy getting ready for the Tax Olympics in the Winter of 2026!

Enjoy!

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Benefit of Saving for Retirement



\$300 monthly savings with 10% compounded savings	April Early, who started saving early, yielded -			June Late, who started saving later, yielded -		
	Contributions	Total Accumulated Contributions	Account Balance	Contributions	Total Accumulated Contributions	Account Balance
Year 10	\$36,000	\$36,000	\$57,375	\$0	\$0	\$0
Year 20	0	36,000	148,816	36,000	36,000	57,375
Year 30	0	36,000	385,990	36,000	72,000	206,190
Year 40	0	36,000	1,001,159	36,000	108,000	592,178
Year 45	0	36,000	1,612,377	18,000	126,000	975,688

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Qualified Plan & Tax Favored Status



- What it means to the employer
 - Employer contributions are tax deductible
 - Assets in a plan grow tax deferred
 - Incentives – tax credits for starting a retirement plan
 - Flexible plan options are available
 - Retirement plan benefit can attract and retain quality employees, reducing employee turnover
 - Qualified retirement plan assets are protected from creditors in bankruptcy

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Qualified Plan & Tax Favored Status



- What it means to the employee or plan participant?
 - Income tax associated with employee contributions deferred until distributed
 - Income earned on “Plan Participant’s” account not taxed until distributed
 - Portability – retirement assets may be transferred from one employer to another
 - Bankruptcy protection; qualified plan assets have more protection than IRAs
 - Employer may facilitate retirement plan “savings” payroll deductions
 - Saver’s credit is available to the participants
 - Improved financial security upon retirement

Polling Question #1



Qualified Plan & Tax Favored Status



Example

- XYZ Corporation (C Corporation) has 50 employees
- XYZ Corporation is considering adopting a profit sharing (PS) plan to benefit its employees
- In calendar year 2024, XYZ Corporation is expecting to generate \$2M in taxable income before any retirement plan contribution
- XYZ Corporation can make a \$250,000 PS contribution in calendar year 2024
- April is an employee that will be eligible to participant in XYZ Corporation's PS plan
- April's expected annual PS plan allocation will be \$3,600
- April is planning to work for XYZ Corporation from 2024 through 2033 and receives total employer contributions of \$36,000 for this period

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Example – XYZ Corporation



Description	No PS Plan	PS Plan
Federal Income Tax (FIT) (2024)	\$420,000	\$367,500
Annual FIT Savings	N/A	52,500
Ten Year FIT Savings	N/A	525,000
Annual PS Contribution	N/A	250,000
Ten Year PS Contribution	N/A	2,500,000
PS Plan value at 6% Compounded Annually After Ten Years (no distributions during the ten years)	N/A	3,295,200
Amount of earnings not subject to current income tax in the PS Plan & Trust	N/A	795,200

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Example – XYZ Corporation



\$3,600 annual XYZ Corporation contribution with 6% compounded savings	April, who received \$3,600 annual contributions into PS Plan, yielded – and leaves her contribution in retirement plan until retirement (Year 45)		
	Contributions	Total Accumulated Contributions	Account Balance
Year 10	\$36,000	\$36,000	\$47,451
Year 20	0	36,000	84,978
Year 30	0	36,000	152,183
Year 40	0	36,000	272,537
Year 45	0	36,000	364,716

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Life Cycle of a Retirement Plan



- Initial steps in setting up a retirement plan
 - Working stages include –
 - Creating appropriate climate regarding retirement planning for participants
 - Establishing the plan
 - Operating the plan
 - Fixing / correcting plan defects and operational errors
 - Terminating the plan

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Life Cycle of a Retirement Plan



- Adoption of the plan (governance documents)
- Plan document
- Trust document
- Annual compliance and plan maintenance
 - Government reporting (e.g., Form 5500, 1099-R, etc)
 - Participant communications
 - Plan amendments
 - Testing for compliance

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Defined Contribution Plans



- Simplified Employee Plans (SEPs)
- Savings Incentive Match Plan for Employees of Small Employers (SIMPLEs)
- Profit sharing plan
- Profit sharing plan with §401(k) feature
- Profit sharing plan with safe harbor §401(k) feature
- Employee Stock Ownership Plan (ESOP)
- ESOP with §401(k) feature
- Money purchase pension plan
- Cash balanced plan (hybrid of a DC and a Defined Benefit (DB) (or Pension Plan))

Items in “green” have SECURE 2.0 Act [new provisions](#)

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Operational Considerations



Fiduciary Responsibilities

- Basic Responsibilities
- Limiting Liability
- Hiring a Service Provider
- Providing Information in Participant-Directed Plans
- Prohibited Transactions and Exemptions
- Bonding

Participant Communication

- Summary Plan Description (SPD)
- Summary of Material Modification (SMM)
- Individual Benefit Statement (IBS)
- Summary Annual Report (SAR)
- Blackout Period Notice

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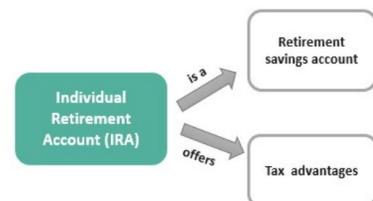
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Tax-Advantages Retirement Arrangements



- Individual Retirement Accounts or IRAs
- May permit individuals to make tax-deferred investments to financial security
- What IRA best suits an individual's needs -
 - Traditional IRA
 - ROTH IRA
- IRA provides – Financial institutions, life insurance companies, mutual funds and stockbrokers



WallStreetMojo

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Tax-Advantages Retirement Arrangements



TRADITIONAL IRAs

- Contributions based on taxable compensation (no age limit after 12/31/2019)
- Contributions may be deductible
- For 2024, \$7,000, or \$8,000 (if you are age 50 or older) annual limit
- Contribution by April 15th for prior year
- May withdraw money anytime
- Subject to required minimum distribution (RMD) rules
- Distributions that include both deductible contributions and earnings are generally taxed
- Early distribution (prior to age 59 ½ with no exception) subject to an additional tax

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Tax-Advantages Retirement Arrangements



ROTH IRAs

- You can contribute at any age provided you have taxable compensation and subject to a modified adjusted gross income limitation
- Contributions are not deductible
- Same contribution limits as Traditional IRAs; however, the individual may only contribute the maximum annual limit to any combination of Roth or Traditional IRA in any given calendar year
- Contribution by April 15th for prior year
- May withdraw money anytime; however, unless the distribution is a “qualified distribution” (a) it may be subject to income tax and the additional tax under [IRC §72\(t\)](#)
- No RMDs if you are the owner
- A qualified distribution is not subject to income tax

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(a) Qualified distribution takes place after age 59½ and the Roth IRA has been opened for at least five (5) years.

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Retirement Plan Limits



COLA Table	2025	2024	2023	2022
IRAs				
IRA Contribution Limit	\$7,000	\$7,000	\$6,500	\$6,000
IRA Catch-up Contributions	1,000	1,000	1,000	1,000
IRA AGI Deduction Phase-out Starting at				
Joint Return (20K Phase-Out Range)	126,000	123,000	116,000	109,000
Single or Head of Household (\$10K Phase-Out Range)	76,000	77,000	73,000	68,000
SEP				
SEP Minimum Compensation	750	750	750	650
SEP Maximum Contribution	70,000	69,000	66,000	61,000
SEP Maximum Compensation	350,000	345,000	330,000	305,000

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Retirement Plan Limits



COLA Table (Continued)	2025	2024	2023	2022
SIMPLE Plans				
SIMPLE Maximum Contributions	\$16,500	\$16,000	\$15,500	\$14,000
Catch-Up Contribution	3,500	3,500	3,500	3,000
SECURE 2.0 – Special Maximum Contributions	\$17,600	\$17,600	N/A	N/A
§401(k), §403(b), Profit-Sharing, ESOP Plans, Etc				
Annual Compensation	350,000	345,000	330,000	305,000
Elective Deferrals – IRC §402(g)(1) & IRC §457 Maximum Exclusion	23,500	23,000	22,500	20,500
Elective Catch-Up Contributions	7,500	7,500	7,500	6,500
Defined Contribution Limit (IRC §415(c)(1)(A))	70,000	69,000	66,000	61,000
Key Employee (IRC §416 Officer)	70,000	220,000	215,000	200,000
Elective Deferrals - IRC §457(e)(15)	350,000	345,000	330,000	305,000

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Retirement Plan Limits



COLA Table (Continued)	2025	2024	2023	2022
<i>SECURE 2.0 Act - §109</i>				
Special Catch-Up at Ages 60, 61, 62, and 63	\$11,250	N/A	N/A	N/A
<i>Covered Compensation Limits</i>				
Social Security / Taxable Wage Based (FICA Limit)	\$176,000	\$168,600	160,200	147,000
Medicare	No Limit	No Limit	No Limit	No Limit
<i>FICA and SECA Tax Rates</i>				
OASDI (EE and ER)	6.2%	6.2%	6.2%	6.2%
Medicare (EE and ER)	1.45%	1.45%	1.45%	1.45%
Combined Rate (EE and ER)	7.65%	7.65%	7.65%	7.65%
OASDI (Self-Employed)	12.40%	12.40%	12.40%	12.40%
Medicare (Self-Employed)	2.90%	2.90%	2.90%	2.90%
Combined Rate (Self-Employed)	15.30%	15.30%	15.30%	15.30%

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SECURE 1.0 Act - §201 – Retroactive Plan Adoption



- Tax return dues dates
- The latest date we can adopt a “retirement plan”
- How to we handle the [Form 5500 Series](#) filing
- Let’s look at an example
- Best practices – how do we handle this important planning matter

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SECURE 1.0 Act - §201 – Retroactive Plan Adoption



- Tax return due date rules ... Adoption retroactively of a retirement plan

Entity Type	IRS Form	Deadline for New Plan in 2024	Deadline for Plan if Extension if Filed
S Corporation	1120-S and Schedule K-1	March 15, 2025	September 15, 2025
C Corporation	1120	April 15, 2025	October 15, 2025
Partnership (LLC)	1065 and Schedule K-1	March 15, 2025	September 15, 2025
Sole Proprietorship	1040 and Schedule C	April 15, 2025	October 15, 2025

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SECURE 1.0 Act - §201 – Retroactive Plan Adoption



- Employers (including self-employed businesses) may adopt a retirement plan after the close of employer's taxable year
- Adoption must occur on or before the due date, including extensions, for filing its tax return for the taxable year
- The plan adoption elects to treat the plan as adopted as of the last day of the taxable year
- Effective date applies to plans adopted for taxable year beginning after 12/31/2019

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SECURE 1.0 Act - §201 – Retroactive Plan Adoption



- Employers began utilizing this provision in significant numbers beginning in early calendar year 2021 (following the close of their 2020 taxable years)
- The SECURE Act allows employers to adopt all the various types of retirement plans (i.e., PS, DB, IRC Section 401(k) plans, etc.)
- **WORD OF CAUTION** – the retroactive adoption of an IRC §401(k) plan will not permit any salary deferrals for the prior plan year. It may allow salary deferral elections that allow for deferrals immediately after the “late” adoption of the retirement plan

SECURE 1.0 Act - §201 – Retroactive Plan Adoption



- How to Handle “No” 2020 Form 5500 Series Filing Requirement
 - On August 6th, 2021, the IRS addressed the issue
 - If an employer adopts a plan during the employer’s 2021 taxable year and elects to treat plan as adopted on the last day of the employer’s 2020 taxable year –
 - It will not be required to file a 2020 Form 5500 series with respect to the plan year
 - Instead, the first Form 5500 series will be filed with respect to the plan with a 2021 Form 5500 series
 - IRS explains that plan sponsor will be required to check a box on the 2021 Form 5500 series noting the retroactive plan adoption for 2020 taxable year
 - If a Defined Benefit Plan, employer will be required to attach both a 2020 and 2021 Schedule SB to the 2021 Form 5500 series

SECURE 1.0 Act - §201 – Retroactive Plan Adoption



- How to Handle “No” 2020 Form 5500 Series Filing Requirement

Form 5500 <small>Department of the Treasury Internal Revenue Service</small> <hr/> <small>Department of Labor Employee Benefits Security Administration</small> <hr/> <small>Pension Benefit Guaranty Corporation</small>	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 <hr/> 2024 <hr/> This Form is Open to Public Inspection
Part I Annual Report Identification Information For calendar plan year 2024 or fiscal plan year beginning _____ and ending _____		
A This return/report is for: <input type="checkbox"/> a multiemployer plan <input type="checkbox"/> a multiple-employer plan (Filers checking this box must provide participating employer information in accordance with the form instructions.)		
B This return/report is: <input type="checkbox"/> a single-employer plan <input type="checkbox"/> a DFE (specify) _____		
<input type="checkbox"/> the first return/report <input type="checkbox"/> the final return/report		
<input type="checkbox"/> an amended return/report <input type="checkbox"/> a short plan year return/report (less than 12 months)		
C If the plan is a collectively-bargained plan, check here. <input type="checkbox"/>		
D Reporting under: <input type="checkbox"/> Form 5558 <input type="checkbox"/> automatic extension <input type="checkbox"/> the DFVC program		
<input type="checkbox"/> special extension (enter description) _____		
E If this is a retroactively adopted plan permitted by SECURE Act section 201, check here. <input type="checkbox"/>		

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SECURE 1.0 Act - §201 – Retroactive Plan Adoption



- Importance for Law Change and Tax Planning – **Case Study**
- ABC Company S Corporation Facts
 - For calendar year 2023, the sole owner of the S corporation has total earnings of over \$2.5M and over \$1.3M (federal and state income tax liability) on his extended 2023 Form 1040 return
 - The sole owner reported \$330,000 of wages on her 2023 Form W-2
 - ABC Company has eight (8) employees who are considered NHCEs (Non-Highly Compensated Employees)
 - ABC Company has an IRC §401(k) plan in place.
 - The calendar year has ended and the opportunity for current tax planning has ended
 - What if ABC Company were to adopt a “Cash Balance” Plan?

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SECURE 1.0 Act - §201 – Retroactive Plan Adoption



- What is a “Cash Balance” (CB) plan?
 - Defined benefit plan that looks like a defined contribution plan
 - Benefit defined in terms of a Hypothetical Account Balance
 - Principal credits (contributions)
 - Interest credits
 - Rate of Return tied to a conservative benchmark
 - Oftentimes the Plan Sponsor will use an IRC §401(k) to help meet certain minimum contribution levels for the younger participants to avoid discrimination
 - Assets are pooled
 - Employer takes investment risk
 - Conservative investment philosophy

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ABC Company, Inc.
Sample Cash Balance / DC Combination Plan Illustration
Assumes Profit Sharing and Cash Balance Only in 2023

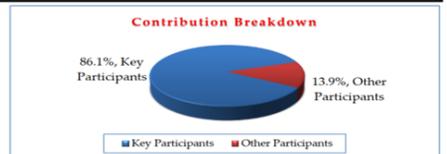
For the Plan Year Ending 12/31/2023
 Calculation Date: 3/6/2024

Name	Status	Owner	Tier	Year-end Age	DOH	Hours	Salary	Elective Deferral	Safe Harbor Non-Elective and/or Match	Profit Sharing	Cash Balance	Total 401(k) and Cash Balance
Owner	HCE	>5%	1	56	1/1/2020	1,000.00	330,000	-	-	66,000	264,000	330,000
Employee 1	NHCE		2	58	1/1/2022	1,000.00	120,000	-	-	8,400	3,000	11,400
Employee 2	NHCE		2	48	1/1/2022	1,000.00	110,000	-	-	7,700	2,750	10,450
Employee 3	NHCE		2	43	1/1/2022	1,000.00	70,000	-	-	4,900	1,750	6,650
Employee 4	NHCE		2	33	1/1/2022	1,000.00	70,000	-	-	4,900	1,750	6,650
Employee 5	NHCE		2	33	1/1/2022	1,000.00	60,000	-	-	4,200	1,500	5,700
Employee 6	NHCE		2	29	1/1/2022	1,000.00	50,000	-	-	3,500	1,250	4,750
Employee 7	NHCE		2	23	1/1/2022	1,000.00	40,000	-	-	2,800	1,000	3,800
Employee 8	NHCE		2	22	1/1/2022	1,000.00	40,000	-	-	2,800	1,000	3,800
Total		9		38.3			890,000	-	-	105,200	278,000	383,200

Subtotals												
Owner HCE	1			56.0			330,000	-	-	66,000	264,000	330,000
Other HCE	0			0.0			-	-	-	-	-	-
NHCE	8			36.1			560,000	-	-	39,200	14,000	53,200
Excludable	0			0.0			-	-	-	-	-	-
Termed	0			0.0			-	-	-	-	-	-
Total	9			38.3			890,000	-	-	105,200	278,000	383,200

Total projected income tax savings at a 40% tax rate = \$153,280

Key Considerations:
 Results are based on the census shown above. Any employee turnover or new employees may impact results. Testing must be performed annually. We've assumed the plan is subject to the PBGC and therefore the 31% combined plan limit does not apply. Current employees that do not meet eligibility within the plan year have been labeled as excludable.



For the purpose of this design, all related employers under a controlled group or as part of an affiliated service group must be considered. No determination regarding such employer relationships has been made and we have prepared this design without any employers other than ABC Company, Inc.. If the company is related to another employer under a controlled group or as part of affiliated service group, plan design changes may be needed.

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ABC Company, Inc.
Sample Cash Balance / DC Combination Plan Illustration
Assumes Profit Sharing and Cash Balance Only in 2023

Summary of Assumed Design and Plan Eligibilities

For the Plan Year Ending 12/31/2023
 Assumed Basis for Interest Crediting Rate 30-Year Treasury Yield with a minimum rate of 3.00% and a maximum rate of 5.00%

Benefit Tier Description	Tier	Elective Deferral Assumed % of Pay	Safe Harbor Non-Elective %	Match %	Profit Sharing Base %	401(k) Total Employer	Cash Balance % of Pay	Cash Balance \$ Maximum or Flat \$	Cash Balance Maximum Accrual Years	Total % of Pay (excluding deferrals)
Owner	1	0.00%	0.00%	0.00%	20.00%	20.00%	80.00%	NA	NA	100.00%
Employees	2	0.00%	0.00%	0.00%	7.00%	7.00%	2.50%	NA	NA	9.50%

Plan Highlights	401(k) Elective Deferrals	Non-Elective	Match	Profit Sharing	Cash Balance
Does plan apply?	No	No	No	Yes	Yes
Type	NA	NA	NA	NA	NA
Immediate Entry During Year?	NA	NA	NA	No	No
Immediate Entry Date	NA	NA	NA		
Eligibility Age	NA	NA	NA	21	21
Eligibility Months of Service	NA	NA	NA	12	12
Entry Date	NA	NA	NA	Semi-An.	Semi-An.
Last Day Rule?	NA	NA	NA	No	NA
Hours for Accrual -- HCEs	NA	NA	NA	1	1000
Hours for Accrual -- NHCEs	NA	NA	NA	1	1
Hours for Vesting	NA	NA	NA	1000	1000
Exclude Pre-Entry Vesting Service?	NA	NA	NA	No	Yes
Exclude Pre-Entry Pay?	NA	NA	NA	Yes	Yes
Allocation Formula	NA	NA	NA	New Comp	NA
Integration % of TWB	NA	NA	NA	NA	NA
Exclude HCEs from Safe Harbor?	NA	NA	NA	NA	NA
Normal Retirement -- Age	NA	NA	NA	65	62
Normal Retirement -- Partic Yrs	NA	NA	NA	0	0
Actuarial Equivalence					
Mortality Pre-Retirement	NA	NA	NA	NA	None
Mortality Post-Retirement	NA	NA	NA	NA	LS2023
Interest Pre-Retirement	NA	NA	NA	NA	4.04%
Interest Post-Retirement	NA	NA	NA	NA	4.04%

Summary of Key Assumptions and Results	
Testing Assumptions	
Mortality	LS2023
Interest	8.50%
Testing Age	65
Apply Permitted Disparity?	No
Cash Balance Int Cred for Year	4.04%
Gateway Testing	
Maximum HCE Aggregate NAR	57.83%
NHCE Gateway %	7.50%
Avg DB% for NHCEs in DB	0.58%
General Test Summary	
Safe Harbor %	29.00%
Unsafe Harbor %	20.00%
Avg SH% & Unsafe Harbor%	24.50%
Lowest Rate Group %	37.50%
Average Benefits Percentage Test	93.58%

Plan Sponsor Design Acknowledgement	
I confirm that this summary reflects the final design for which the plan documents should be drafted. I also understand that this summary is not the final plan document and is only intended to provide guidance in the drafting of the final documents.	
Plan Sponsor Signature	Date

Note: Amounts shown are based on the assumed summary above. Certain provisions may not be eligible for change until the following year.

Calculator Version 2024-02-19

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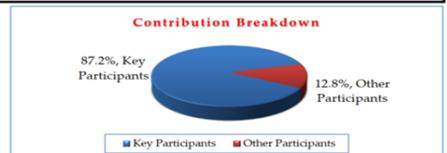
ABC Company, Inc.
Sample Cash Balance / DC Combination Plan Illustration
Assumes addition of deferrals for everyone and 3% Safe Harbor for NHCEs only in 2024

For the Plan Year Ending 12/31/2024
 Calculation Date: 3/6/2024

Name	Status	Owner	Tier	Year-end Age	DOH	Hours	Salary	Elective Deferral	Safe Harbor Non-Elective and/or Match	Profit Sharing	Cash Balance	Total 401(k) and Cash Balance
Owner	HCE	>5%	1	57	1/1/2020	1,000.00	345,000	30,500	-	46,000	276,000	352,500
Employee 1	NHCE		2	59	1/1/2022	1,000.00	120,000	-	3,600	4,500	3,000	11,100
Employee 2	NHCE		2	49	1/1/2022	1,000.00	110,000	-	3,300	4,125	2,750	10,175
Employee 3	NHCE		2	44	1/1/2022	1,000.00	70,000	-	2,100	2,625	1,750	6,475
Employee 4	NHCE		2	34	1/1/2022	1,000.00	70,000	-	2,100	2,625	1,750	6,475
Employee 5	NHCE		2	34	1/1/2022	1,000.00	60,000	-	1,800	2,250	1,500	5,550
Employee 6	NHCE		2	30	1/1/2022	1,000.00	50,000	-	1,500	1,875	1,250	4,625
Employee 7	NHCE		2	24	1/1/2022	1,000.00	40,000	-	1,200	1,500	1,000	3,700
Employee 8	NHCE		2	23	1/1/2022	1,000.00	40,000	-	1,200	1,500	1,000	3,700
Total	9			39.3			905,000	30,500	16,800	67,000	290,000	404,300
Subtotals												
Owner HCE	1			57.0			345,000	30,500	-	46,000	276,000	352,500
Other HCE	0			0.0			-	-	-	-	-	-
NHCE	8			37.1			560,000	-	16,800	21,000	14,000	51,800
Excludable	0			0.0			-	-	-	-	-	-
Termed	0			0.0			-	-	-	-	-	-
Total	9			39.3			905,000	30,500	16,800	67,000	290,000	404,300

Key Considerations:

Results are based on the census shown above. Any employee turnover or new employees may impact results. Testing must be performed annually. We've assumed the plan is subject to the PBGC and therefore the 31% combined plan limit does not apply. Current employees that do not meet eligibility within the plan year have been labeled as excludable.



For the purpose of this design, all related employers under a controlled group or as part of an affiliated service group must be considered. No determination regarding such employer relationships has been made and we have prepared this design without any employers other than ABC Company, Inc.. If the company is related to another employer under a controlled group or as part of affiliated service group, plan design changes may be needed.

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ABC Company, Inc.
Sample Cash Balance / DC Combination Plan Illustration
Assumes addition of deferrals for everyone and 3% Safe Harbor for NHCEs only in 2024

Summary of Assumed Design and Plan Eligibilities

For the Plan Year Ending 12/31/2024
 Assumed Basis for Interest Crediting Rate 30-Year Treasury Yield with a minimum rate of 3.00% and a maximum rate of 5.00%

Benefit Tier Description	Tier	Elective Deferral Assumed % of Pay	Safe Harbor Non-Elective %	Match %	Profit Sharing Base %	401(k) Total Employer	Cash Balance % of Pay	Cash Balance \$ Maximum or Flat \$	Cash Balance Maximum Accrual Years	Total % of Pay (excluding deferrals)
Owner	1	Maximum	0.00%	0.00%	13.35%	13.35%	80.00%	NA	NA	93.35%
Employees	2	0.00%	3.00%	0.00%	3.75%	6.75%	2.50%	NA	NA	9.25%

Plan Highlights	401(k) Elective Deferrals	Non-Elective	Match	Profit Sharing	Cash Balance
Does plan apply?	Yes	Yes	No	Yes	Yes
Type	NA	3% SH	NA	NA	NA
Eligibility Age	21	21	NA	21	21
Eligibility Months of Service	12	12	NA	12	12
Entry Date	Semi-An.	Semi-An.	NA	Semi-An.	Semi-An.
Last Day Rule?	NA	NA	No	NA	NA
Hours for Accrual -- HCEs	NA	NA	NA	1	1000
Hours for Accrual -- NHCEs	NA	NA	NA	1	1
Hours for Vesting	NA	NA	NA	1000	1000
Exclude Pre-Entry Vesting Service?	NA	NA	NA	No	Yes
Exclude Pre-Entry Pay?	Yes	Yes	NA	Yes	Yes
Allocation Formula	NA	NA	NA	New Comp	NA
Integration % of TWB	NA	NA	NA	NA	NA
Exclude HCEs from Safe Harbor?	NA	Yes	NA	NA	NA
Normal Retirement -- Age			NA	65	62
Normal Retirement -- Partic Yrs			NA	0	0
Plan Actuarial Equivalence					
Mortality Pre-Retirement	NA	NA	NA	NA	None
Mortality Post-Retirement	NA	NA	NA	NA	LS2024
Interest Pre-Retirement	NA	NA	NA	NA	4.95%
Interest Post-Retirement	NA	NA	NA	NA	4.95%

Summary of Key Assumptions and Results	
Testing Assumptions	
Mortality	LS2024
Interest	8.50%
Testing Age	65
Apply Permitted Disparity?	No
Cash Balance Interest Credit for Year	4.95%
Gateway Testing	
Maximum HCE Aggregate NAR	59.52%
NHCE Gateway %	7.50%
Avg DB% for NHCEs in DB	0.81%
General Test Summary	
Safe Harbor %	29.00%
Unsafe Harbor %	20.00%
Avg SH% & Unsafe Harbor%	24.50%
Lowest Rate Group %	37.50%
Average Benefits Percentage Test	81.27%

Note: Amounts shown are based on the assumed summary above. Certain provisions may not be eligible for change until the following year.

Calculator Version 2024-02-19

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SECURE 1.0 Act - §201 – Retroactive Plan Adoption



- Results of the retirement planning and the adoption of a cash balance plan
 - For calendar year 2023, the owner contributed an additional retirement plan contribution of \$264,000 (federal income tax savings of \$97,680 (assuming a 37% marginal tax rate))
 - For calendar year 2023, the owner only contributed an additional \$14,000 to the NHCEs to contribute the \$264,000, resulting in 86.1% of the 2023 annual contribution being applied to the owner
 - For calendar year 2024, the owner contributed an additional retirement plan contribution of \$276,000 (federal income tax savings of \$102,120 (assuming a 37% marginal tax rate))
 - For calendar year 2024, the owner again only contributed an additional \$14,000 to the NHCEs to contribute the \$276,000, resulting in 87.2% of the 2024 annual contribution being applied to the owner

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SECURE 1.0 Act - §201 – Retroactive Plan Adoption



• Best Practice Considerations

- Make sure the professional team is adequate –
 - Retirement plan consultant
 - Actuary
 - Third party administrator
 - Investment advisor
 - Tax professional
- Coordination and delegation of various responsibilities is very important!
- Timing, timing, timing ... e.g., you can't make the cash balance plan contribution on the last day the tax return is due (including extensions)!
- Make sure you get adequately compensated for your role in this planning matter! ³⁹

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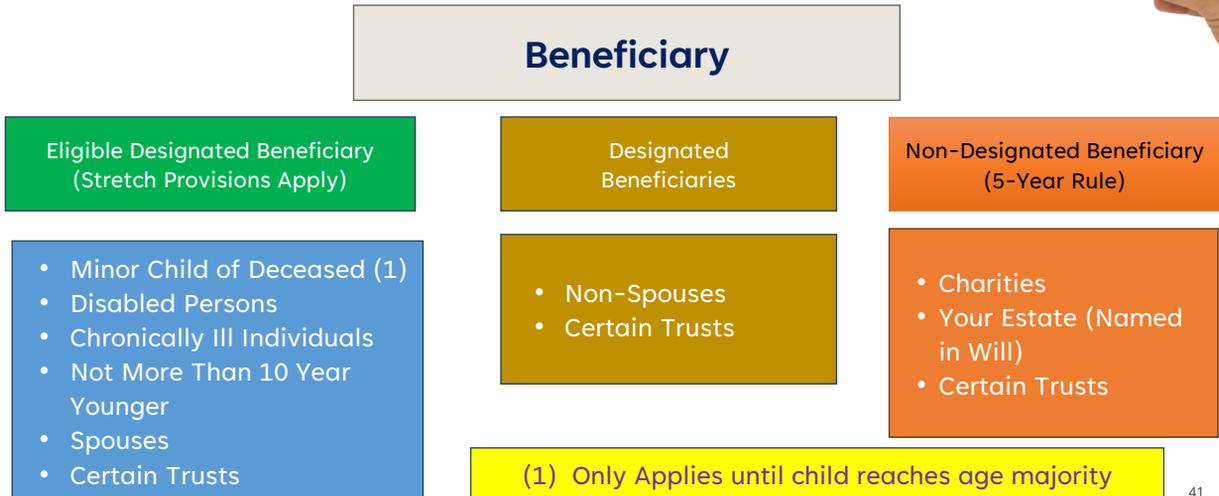
Polling Question #2



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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



- 10-Year RMD Rule Background
 - Before SECURE Act 1.0, a “designated beneficiary” could take distributions over their *applicable* life expectancy. A successor beneficiary could continue distributions over the designated beneficiary’s remaining life expectancy
 - After 2019, designated beneficiaries can no longer stretch distribution beyond 10 years after the IRA owner or plan participant’s death. A successor beneficiary can no longer stretch distributions for more than 10 years after the original beneficiary’s death

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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



- Importance of the Required Beginning Date (RBD)

- Which 10-year rule applies to a beneficiary depends on whether the participant died ...
 - Before their RBD, and
 - The beneficiary class under which they fall
- The RBD is April 1 of the year following the year the participant reaches their *applicable* RMD age
- **Applicable RMD ages ...**
 - **Before calendar year 2020 ... 70½**
 - **Calendar years 2020 through 2022 ... 72 (SECURE 1.0 Act)**
 - **Calendar years 2023 through 2032 ... 73 (SECURE 2.0 Act)**
 - **Calendar years 2033 and thereafter ... 75 (SECURE 2.0 Act)**
- *The applicable RMD age can be deferred past these ages for a participant in an employer-sponsored retirement plan if the plan's terms provide for such deferral (also the participant is not a 5% owner of the plan sponsor)*

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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



- Excise Tax Waived by IRS for 10-year Payout Rule

- Many believed distributions were optional until the 10th year for all beneficiaries subject to the 10-year rule (per a literal reading of the statute under SECURE Act 1.0 §§114 and 401).
- Proposed RMD regulations explained that annual RMDs were also required under 10-year rule when an owner reached their required beginning date (RBD)
- The IRS provides an automatic waiver of this excise tax for any of these beneficiaries who failed to take their RMDs –
 - Notice 2022-53 (issued on October 7, 2022) – Calendar Years 2021 and 2022
 - Notice 2023-54 (issued on July 14, 2023) – Calendar Year 2023
 - Notice 2024-35 (issued on April 16, 2024) – Calendar Year 2024
- Notice 2024-35 notes, "... This notice announces that the final regulations that the Department of Treasury ... intend to issue related to RMDs will apply for purposes of determining RMDs **for calendar years beginning on or after January 1, 2025**".

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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



- Final RMD Regulations Keep Controversial Annual RMDs during 10-Year Period
 - On July 18, 2024, new set of retirement account rules were released by the IRS
 - The new final regulations are taxpayer friendly
 - Beginning in 2025, some beneficiaries must take annual RMDs during the SECURE 1.0 Act's 10-year "payout" rule.
 - However, the rules and how and when RMDs must be taken remain complex

SECURE 1.0 – Final RMD Regulations – Inherited IRAs



- Executive summary of the final regulations on annual RMDs
 - Annual RMDs within the 10-year period are required when an account owner dies on or after the required beginning date (RBD)
 - The "At Least as Rapidly" (ALAR) rule does not require the exact same amount that was taken by the original owner to be beneficiary – but does require the process of taking RMDs continue
 - Final regulations make is clear that the ALAR rule applies during the 10-year rule after an EDB minor child of the account holder reaches age 21

SECURE 1.0 – Final RMD Regulations – Inherited IRAs



- **Executive summary** of the final regulations on annual RMDs
 - If the IRA owner dies on or after the RBD and the original beneficiary is a Non-Eligible Designated Beneficiary (NEDB) then the successor beneficiary will be subject to the same 10-year rule as the original beneficiary
 - Annual RMDs are required during the 10-year payout period by both the original beneficiary and any successor beneficiary
 - If the original beneficiary was an Eligible Designated Beneficiary (EDB), RMDs must also continue to the successor beneficiary using the EDB's life expectancy

SECURE 1.0 – Final RMD Regulations – Inherited IRAs



- **New Regulations** handle the “Year of Death” RMDs
 - When an individual reaches their RBP (generally April of the year after the year the person turns age 73 (RMD age update by SECURE 2.0 ACT)) RMDs are officially started. Roth owners are always deemed to die before the RBD
 - It is now the responsibility of the beneficiary to take the year-of-death RMD. The only exception would be if the RMD is paid to the estate and estate was the beneficiary
 - The final regulations now provide that for most beneficiaries, the deadline to take the year-of-death RMD is not December 31st of the year after the IRA owners death

SECURE 1.0 – Final RMD Regulations – Inherited IRAs



- New Regulations handle the “Year of Death” RMDs
 - If no distributions were taken from any IRA in the final year of the IRA owner’s life, you calculate the year-of-death RMD for each IRA. The beneficiary of each specific IRA must take the year-of-death RMD applicable to that account, from that account
 - If an IRA owner of multiple IRAs with different beneficiaries took a lifetime distribution from one of his or her IRAs, thereby partially satisfying her or her final aggregated RMD, we must now look to his or her total aggregated final RMD and apply the shortfall to each of his or her IRAs

SECURE 1.0 – Final RMD Regulations – Inherited IRAs



- Key tax planning considerations after the FINAL Regulations
 - The SECURE Act(s) are a wake-up call to rethinking our current planning for retirement distributions and probably something we as professional should have been doing all along
 - Most non-spousal beneficiaries of retirement accounts must take total distributions within 10 years
 - Start trimming IRA and other retirement account balances today in order to use the current historically low tax rates

SECURE 1.0 – Final RMD Regulations – Inherited IRAs



- Key tax planning considerations after the FINAL Regulations
 - Take complete advantage of the current 12%, 22% and 24% brackets while they're still available. Remember these rates will remain in effect in 2024 and 2025
 - Effective tax planning includes taking pre-tax distributions from retirement accounts this year, up to the taxable income amounts. Assuming the cash flow is not needed for accustomed living expenses, consider using the funds for –
 - Roth IRA conversions
 - Life insurance premiums
 - Charitable contributions (i.e., QCDs for taxpayers ages 70 ½ or older)

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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



- Key tax planning considerations after the FINAL Regulations
 - A Roth IRA makes a better trust beneficiary because distributions from an inherited ROTH IRA to the trust will be income tax-free.
 - This is true even if the funds are accumulated by the trust.
 - Traditional IRAs are exceptionally bad assets to leave to trusts because modest amounts of future trust income will be taxed at the top tax rate

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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



Example

- William inherited a traditional IRA from his father, Charles who died at age 87 in 2020. William is subject to the 10-year rule under SECURE 1.0 Act. He must empty the inherited IRA account by December 31, 2030. In addition, the final regulations require William to take annual RMDs based on his life expectancy in years one (1) through nine (9) of the 10-year payout period.
- However, several IRS notices during the 2022 through 2024 waived any excise tax penalty for missed RMDs in years 2021 through 2024. William is not required to take any RMDs during these years of the 10-year payout period.

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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



Example (Cont.)

- So, how is William supposed to compute the annual RMDs for 2025 through 2029 assuming William turned age 58 in 2020 (the year Charles died)? Let's look at calendar year 2025 when William turns age 63 in 2025.
- You may think that we would consult the current IRS Single Life Expectancy Table and determine the life expectancy factor for a 63-year-old is 24.5 and assume further than Williams' 2025 RMD is the 12/31/2024 value of the inherited IRA divided by 24.5. Unfortunately, this is not accurate! This is too easy!

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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



Example (Cont.)

- The tax advisor would direct go back and determine William’s baseline life expectancy in 2021 (the year following the year of Charles’ death) and when William was age 59. The life expectancy of a 59-year-old under the current Single Life Expectancy Table is 28.0. Then we would subtract 1.0 for each subsequent year up to 2025.
- Subtracting 1.0 for each subsequent year gets us to a 24.0-year life expectancy factor William’s 2025 RMD. William’s 2026 RMD factor will be 23.0; his 2027 RMD factor will be 22.0; and so on until 2030.
- In 2030, Williams must take out all of what remains in the inherited IRA.

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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



Comment

- If the original beneficiary was a “Non-Eligible Designated Beneficiary” (NEDB), RMDs must also continue to the successor beneficiary using the original NEDB’s life expectancy. The successor beneficiary will essentially step into the shoes of the first beneficiary for purposes of the 10-year payout period.

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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



Example

- Alan dies in 2024 at age 85. His IRA beneficiary is his adult son AJ. AJ is a NEDB. Thus, AJ is subject to the 10-year payout period rule and must take annual RMDs in years one (1) through nine (9) over **his** life expectancy. Also, since Alan reached his RBD, RMDs must continue to his beneficiary AJ.
- AJ names his daughter Katie as successor beneficiary. AJ dies in 2026. Katie maintains the existing 10-year period associated with AJ and must empty the inherited IRA by December 31, 2034. She must also continue annual RMDs in years three (3) through nine (9) (2027 through 2033) of the 10-year payout period based on **AJ's** single life expectancy.

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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



Example

- Michael died in 2020 at age 55. He named his daughter Julianna, age 30 at the time, as beneficiary of his inherited IRA account. On that date, Julianna qualified as a chronically ill EBD under the Internal Revenue Code's definition for "chronically ill". Julianna is able to begin taking **stretch** RMDs based on her own single life expectancy.
- Julianna dies in 2028 with her son Jared as her primary beneficiary. Jared as successor beneficiary must initiate a 10-year payout period and receive the remaining inherited IRA portion by the end of the 10th year following his mother's death (December 31, 2038).

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SECURE 1.0 – Final RMD Regulations – Inherited IRAs



Example (Cont.)

- Since Julianna turned RMDs on as an EDB, the ALAR (at least as rapidly) rule dictates that Jared cannot turn RMDs off. Jared must take RMDs for years one (1) through nine (9) with the 10-year payout period by continuing Julianna's RMD schedule. It does not matter that Michael had not yet started taking RMDs at his death.

Polling Question #3



SECURE 2.0 Act - §307 – Qualified Charitable Distributions (QCDs)



- QCDs were first introduced as part of the [Pension Protection Act](#)
 - Individuals aged 70½ or older satisfy their charitable intentions
 - If properly structured from their retirement plan account ... the amount of distribution to charity is excluded from income
 - For calendar year 2025 the maximum QCD per individual is \$108,000 (the 2024 maximum QCD per individual is \$105,000)
 - SECURE 2.0 provides for indexing of the limit
 - IRA trustee directly to the qualified charity
 - **Charitable documentation requirements ... [IRC §170\(f\)](#)**

SECURE 2.0 Act - §307 – Qualified Charitable Distributions (QCDs)



- QCDs were first introduced as part of the Pension Protection Act
 - Often helps maximize other tax attributes associated with the Adjusted Gross Income (AGI) limitation provisions –
 - Net Investment Income Tax (3.8% tax)
 - Medicare Premiums under Part B and Part D
 - Taxability of Social Security income

SECURE 2.0 Act - §307 – Qualified Charitable Distributions (QCDs)



- QUESTION – Can a QCD be made from an inherited IRA?
- ANSWER – **YES!**
- Analysis -
 - Standard QCD rules apply
 - The current owner of the inherited IRA must be 70 ½ year old or older to qualify for the favorable tax treatment

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SECURE 2.0 Act - §307 – Qualified Charitable Distributions (QCDs)



- QUESTION – Can an owner of an inherited Traditional IRA convert the IRA to a ROTH IRA?
- ANSWER – **NO!**
- Analysis -
 - The tax code prohibits a “non-spousal” beneficiary from doing a rollover; period!
 - A ROTH conversion would be treated as a rollover for income tax purposes
 - Therefore, there is not ROTH IRA conversion for inherited IRAs

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SECURE 2.0 Act - §307 – Qualified Charitable Distributions (QCDs)



- QUESTION – Can a beneficiary of an inherited employer plan (e.g., IRC §401(k) plan) convert the IRC §401(k) account to an inherited ROTH IRA?
- ANSWER – **YES!**
- Analysis -
 - The tax code makes an exception to the non-spouse rollover rule!
 - It allows a non-spouse employer plan beneficiary to do a direct rollover to an inherited IRA account
 - This includes an inherited ROTH IRA account
 - REMEMBER – The beneficiary must be a designed beneficiary

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SECURE 2.0 Act - §307 – Qualified Charitable Distributions (QCDs)

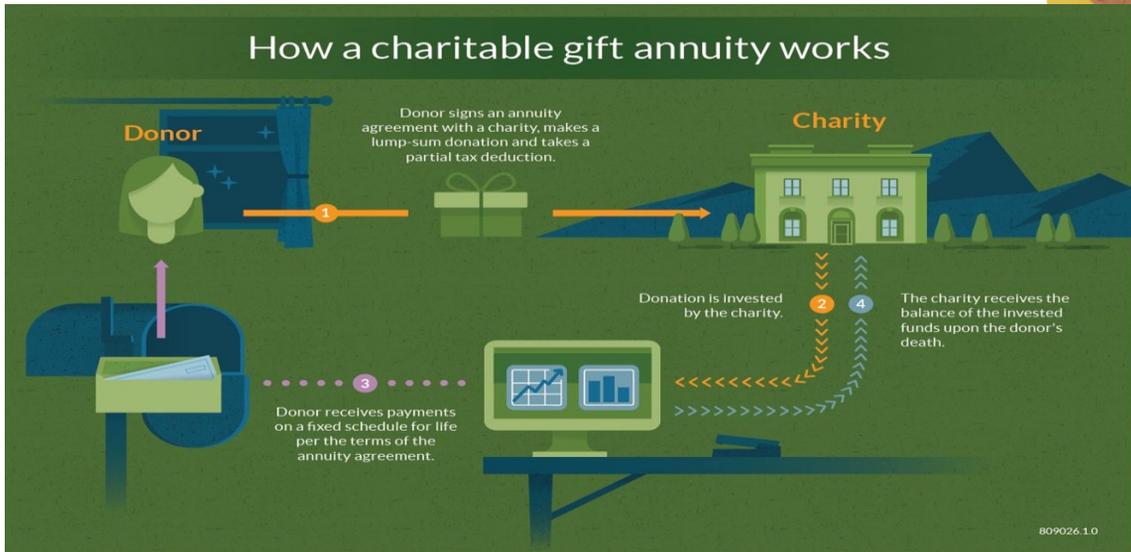


- SECURE Act 2.0 modified the rules as follows –
 - Maximum Annual QCD Amount Indexed for Inflation
 - This provision is effective for tax year beginning in 2024
 - One-Time Opportunity to Use QCD to Fund a Split-Interest Entity
 - Beginning in 2023, taxpayers may take advantage of a one-time opportunity to use a QCD to fund a CRUT (Charitable Remainder Unitrust), CRAT (Charitable Remainder Annuity Trust) or **CGA (Charitable Gift Annuity)**
 - At first blush, this one-time opportunity to fund a CRUT or CRAT might be attractive. However, given the complexity and the limit amount that may be funded, not sure this tax advantage outweighs the administrative costs

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SECURE 2.0 Act - §307 – Qualified Charitable Distributions (QCDs)



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SECURE 2.0 Act - §307 – Qualified Charitable Distributions (QCDs)

- One-Time Opportunity to Use QCD to Fund a Split-Interest Entity

- The maximum amount that can be transferred is \$50,000 (adjusted for inflation)
- What if we contribute an additional \$50,000 to an existing CRUT?
 - Congress says **no!** Act §307 states that a distribution to a CRUT or CRAT will only count as a QCD if the trust is funded exclusively by qualified charitable distributions
 - Further limitation – “only income beneficiaries of such a qualifying CRUT or CRAT can be the IRA owner and their spouse. A one-time \$50,000 QCD distribution creates a maximum of \$100,000.
- Again, hard to imagine the time, expense and complexity that comes with using a CRUT or CRAT is worth it for the amount of contribution

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SECURE 2.0 Act - §307 – Qualified Charitable Distributions (QCDs)



- Surprise ... IRA Sneaks in New Code for QCD Reporting on Form 1099-R
 - Code Y will be used to designate *Qualified charitable distribution* (QCD) claimed by a taxpayer under IRC §408(d)(8) in Box 7 of Form 1099-R

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Polling Question #4



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SECURE 2.0 Act - §332 – SIMPLE IRA to Safe Harbor (SH) IRC §401(k) Plan



- Prior to the Act, the following rules applied –
 - An employer that maintain a SIMPLE IRA plan is not permitted to maintain another plan ([IRC §408\(p\)\(2\)\(D\)](#))
 - A distribution from a SIMPLE IRA during the first two years of an individual's participant could only be rolled over to another SIMPLE IRA ([IRC §408\(d\)\(3\)\(G\)](#))

SECURE 2.0 Act - §332 – SIMPLE IRA to SH IRC §401(k) Plan



- The Act amends [IRC §408\(p\)](#) to permit an employer to elect, at any time during a year, to terminate the SIMPLE IRA arrangement, provided the employer maintains a safe harbor [IRC §401\(k\)](#) plan (that replace the terminated arrangement)
- [IRC §408\(p\)\(11\)\(B\)](#) provides a combined limit on the total salary reduction contribution under the terminated arrangement and the elective deferrals under the safe harbor [§401\(k\)](#) for the year of transition
- The Act adds [IRC §72\(t\)\(6\)\(B\)](#) and amends [IRC §408\(d\)\(3\)\(G\)](#) -
 - The limitation on rollovers of a distribution from a SIMPLE IRA to the Safe Harbor [§401\(k\)](#) is not subject to pre-ACT rollover rule

SECURE 2.0 Act - §332 – SIMPLE IRA to SH IRC §401(k) Plan



- Under IRC §401(k)(12)(D) a CODA that meets the safe harbor provisions, generally must provide an annual notice to each eligible employee
- The notice must provide sufficient accurate and comprehensive information to the employee regarding their rights and obligations under the CODA
- **Effective Date** - This amendment under §332(c) of the SECURE 2.0 Act applies to plan years beginning after December 31, 2023.

SECURE 2.0 Act - §332 – SIMPLE IRA to SH IRC §401(k) Plan



- **Highlights of the Q&A numbers 1 through 7**
 - **Q&A #1** - An employer will terminate the SIMPLE IRA plan by a formal written action specifying the date the plan is terminated
 - **Q&A #2** - Contribution to the SIMPLE IRA (Q&A #2) –
 - Salary deferral contribution will cease with respect to any compensation paid after the termination date
 - Employer contribution (either QNEC or Matching) attributable to salary reduction contributions, must be made by the due date (including extension) of the plan sponsor income tax return
 - **Q&A #3** - Employer must notify employees of SIMPLE IRA plan termination 30 days prior to termination date and provide certain information regarding impact of the plan termination

SECURE 2.0 Act - §332 – SIMPLE IRA to SH IRC §401(k) Plan



- **Highlights of the Q&A numbers 1 through 7**

- **Q&A #4** - A participant distribution from a terminated SIMPLE IRA plan (within the first two years) may be rolled over to an eligible retirement plan that is not a SIMPLE IRA only if the amount is rolled over to
 - An IRC §401(k) plan subject to distribution limits under IRC §401(k)(2)(B); or
 - An IRC §403(b) plan subject to distribution limits under IRC §403(b)(11)
- **Q&A #5** – The termination of a SIMPLE IRA and establishment of a safe harbor IRC §401(k) within the same calendar year is an exception to the IRC §408(p)(2)(D) prohibition on an employer’s ability to maintain both plans in the same calendar year

SECURE 2.0 Act - §332 – SIMPLE IRA to SH IRC §401(k) Plan



- **Highlights of the Q&A numbers 1 through 7 (Cont.)**

EXAMPLE (Q&A #6) – Weighted Average Salary Deferral Limits

CALENDAR YEAR 2024 – Methodology

- Determination of the elective contribution to the safe harbor IRC §401(k) plan -
 - Weighted average of the SIMPLE IRA limits
 - Weighted average of the safe harbor IRC §401(k) limits
 - Subtract any salary reduction contributions under the SIMPLE IRA plan for the year
 - **RESULT** – maximum elective contributions to the safe harbor IRC §401(k) plan
- **NOTE:** The statute uses 365 days for the determinator. However, for calendar year 2024 there are 366 days in a “transition year”.

SECURE 2.0 Act - §332 – SIMPLE IRA to SH IRC §401(k) Plan



- **Highlights of the Q&A numbers 1 through 7 (Cont.)**

EXAMPLE (Q&A #6) – Weighted Average Salary Deferral Limits

CALENDAR YEAR 2024 – Methodology

- Calendar year salary deferral limits for §401(k) plan –
 - Salary deferral limit - \$23,000
 - Catch up limit - \$7,500
- Calendar year salary deferral limits for SIMPLE IRA plan –
 - Salary deferral limit - \$16,000
 - Catch up limit - \$3,500
- **Q&A #6** – Provides that we will use the # of days within the calendar year divided by 365 for each plan that is in effect

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SECURE 2.0 Act - §332 – SIMPLE IRA to SH IRC §401(k) Plan



- **Highlights of the Q&A numbers 1 through 7 (Cont.)**

EXAMPLE (Q&A #6) – Weighted Average Salary Deferral Limits

CALENDAR YEAR 2024 – Methodology

- ABC Corporation (Employer) terminates its SIMPLE IRA plan on July 31, 2024. On August 1, 2024, Employer adopted a safe harbor IRC §401(k) plan. William is a participant in both retirement plans and is age 55. He makes a salary reduction contribution of \$8,000 to the SIMPLE IRA plan prior to August 1, 2024. What is the maximum contribution William can make to safe harbor IRC §401(k) plan?
- **ANSWER - \$16,164.40**

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SECURE 2.0 Act - §332 – SIMPLE IRA to SH IRC §401(k) Plan



- **Highlights of the Q&A numbers 1 through 7 (Cont.)**

EXAMPLE (Q&A #6) – Weighted Average Salary Deferral Limits

EXAMPLE – What’s the Math?

- SIMPLE IRA Limits (Weighted using 213 days / 365)
 - Regular (16K) - \$9,336.99
 - Catch Up (3.5K) – 2,042.47
 - Total - \$11,379.46
- Safe Harbor IRC §401(k) Limits (Weighted using 153 days / 365)
 - Regular (23K) - \$9,641.10
 - Catch Up (7.5K) – 3,143.84
 - Total \$12,784.94
- Total SIMPLE IRA and Safe Harbor IRC §401(k) Weighted Average Limit - \$24,164.40
Maximum contribution by William to the Safe Harbor IRC §401(k) - \$16,164.40 (\$24,164.40 - \$8,000)

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SECURE 2.0 Act - §332 – SIMPLE IRA to SH IRC §401(k) Plan



- **Highlights of the Q&A numbers 1 through 7**

- **Q&A #7** – A notice must accurately describe the type and amount of compensation that may be deferred under the safe harbor IRC §401(k) plan
- Notice must describe the limit on contributions to the safe harbor IRC §401(k) plan for that year pursuant to IRC §408(p)(11)(B)

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SECURE 2.0 Act - §126 – Limited IRC §529 Plan Transfers to ROTH IRA



SECURE 2.0 Act §126 provides the opportunity to move money from an IRC §529 plan to a Roth IRA

This provision received significant attention by the financial media

The new option comes with a number of conditions that must be satisfied in order for the transfer to be valid

The Act also limits the ability to take advantage of (or abuse) the provision

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SECURE 2.0 Act - §126 – Limited IRC §529 Plan Transfers to ROTH IRA



- The ROTH IRA receiving funds must be in the name of the beneficiary of the IRC §529 plan
- The IRC §529 Plan must have been maintained for 15 years or longer
- Any contributions to the IRC §529 plan within the last five (5) years (and the earnings on those contributions) are ineligible to be moved to a Roth IRA
- The annual limit for how much can be moved from an IRC §529 plan to a Roth IRA is the IRA contribution limit for the year
- However, the annual limit is reduced by any 'regular' traditional IRA or Roth IRA contribution that are made for the year (no doubling up with funds from outside the IRC §529 plan) and
- The aggregate amount that can be moved from an IRC §529 plan to a Roth IRA during lifetime is \$35,000

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SECURE 2.0 Act - §126 – Limited IRC §529 Plan Transfers to ROTH IRA



EXAMPLE

- Barry is the beneficiary of an IRC §529 plan account that has excess funds he will not need for school. The account has been in place for more than 15 years.
- In 2024, Barry contributes \$4,000 of his own income to a Roth IRA. Assuming the IRA contribution limit is \$6,500 for 2024, the owner of Barry's IRC §529 plan could transfer up to \$2,500 into Barry's Roth IRA for the year (\$6,500 - \$4,000). Barry would be entitled to a transfer of \$32,500 from the IRC §529 Plan to his Roth IRA in the future.

SECURE 2.0 Act - §126 – Limited IRC §529 Plan Transfers to ROTH IRA



Geek Note Time on this SECURE Act 2.0 Provision

- **COMMENT** – it's not entirely clear whether a change in the IRC §529 plan's beneficiary will trigger a new 15-year 'seasoning' period before those funds can be transferred to a Roth IRA. Congress seems to indicate that the 15-year period is unaffected by the change in a beneficiary. But written confirmation on this point is needed.

SECURE 2.0 Act - §126 – Limited IRC §529 Plan Transfers to ROTH IRA



Geek Note Time on this SECURE Act 2.0 Provision

- **COMMENT** – It seems that Congress is trying to move parents and other interested parties concerned about the “What if they don’t go to college?” question and making IRC §529 plan contributions.
- For example, let assume that a parent contributed to an IRC §529 plan account for the benefit of their child (and maintained ownership of the account) but the child did not need or use the IRC §529 plan money. It appears that the parent would be able to change the beneficiary to themselves and transfer the IRC §529 plan’s account value to their own Roth IRA (subject to the conditions outlined above).

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SECURE 2.0 Act - §126 – Limited IRC §529 Plan Transfers to ROTH IRA



- IRC §529 plan transfers to Roth IRAs
 - Even though there are number of restrictions on ability to transfer IRC §529 plan funds to a Roth IRA, the Act does offer an advantage over a regular Roth IRA
 - Specifically, the regular Roth IRA contribution is subject to MAGI limitations.
 - The transfer of funds from IRC §529 plans to Roth IRAs will not be subject to the same income limitations

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SECURE 2.0 Act - §126 – Limited IRC §529 Plan Transfers to ROTH IRA



- Planning Opportunities

- Most individuals will use the new opportunity to transfer \$35,000 from IRC §529 plan to a Roth IRA (starting in 2024) for Congressionally intended purposes
 - First, we accumulated money for educational purposes that will be redirected as retirement savings in the event all the funds aren't used for educational purposes
 - Second, for a small group of higher-net-worth families, this planning technique could be used to help children, grandchildren and other loved ones create a retirement 'nest-egg'

SECURE 2.0 Act - §126 – Limited IRC §529 Plan Transfers to ROTH IRA



- Planning Opportunities

- **Example** –
 - Child is born and meaningful contribution are made to an IRC §529 plan for their benefit.
 - After the child turns 16 (the account has been in existence for 15 years), the account's funds could begin to be moved to a Roth IRA for the child's benefit (compensation would be required by the child – summer job)
 - With proper planning and continued annual transfer until the \$35,000 lifetime transfer limit is reached, the child's Roth IRA balance age 65 could approach or even exceed \$1,000,000

Polling Question #5



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SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



- Start Up Costs
- EACA Credit
- Employer Contribution
- Military Spouse

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SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



- **Eligible Employer (IRC §408(p)(2)(C)(i))**
 - **In General** – The term eligible employer means, with respect to any year, an employer which had no more than 100 employees who received at least \$5,000 of compensation from the employer for the preceding year
 - **2-Year Grace Period** – An eligible employer who establishes and maintains a plan one (1) or more years and who fails to be an eligible employer any subsequent year shall be treated as an eligible employer for the two (2) years following the last year the employer was an eligible employer. If such failure is due an acquisition, disposition or similar transaction involving an eligible employer, the preceding sentence shall not apply.

SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



- **Start Up Costs Credit**
 - **100% of eligible start up costs** if no more than 50 eligible employees,
 - **50% of eligible start up costs** if between 51 and 100 eligible employees, up to the greater or:
 - **\$500**, or
 - **The lesser of:**
 - **\$250 multiplied by the number of NHCEs** who are eligible for the plan, or
 - **\$5,000**

SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



- Income Tax Aspects -
 - Cannot deduct the start up costs and claim the credit for the same expenses
 - Credit is non-refundable (e.g., reduces the amount of taxes owed on a dollar-for-dollar basis)
 - **Remember** – Any start up costs applied toward the credit may not be treated as an IRC §162 expense

SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



- To qualify to claim the credit, a taxpayer must have –
 - 100 or fewer employees who received at least \$5,000 in compensation for the preceding year (2-year grace period applies);
 - Had at least one plan participant that was an NCHE; **and**
 - In the three (3) tax years before the first year eligible for the credit, employer (including related or predecessor) did not establish or maintain a plan for substantially the same employees

SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



- Credit can be claimed for each of the first three years of the plan
- Can claim credit in the tax year before the tax year in which the plan become effective
- Must meet the eligibility requirements in the first year to qualify for any of the three (3) years
- Must also satisfy eligibility for the year credit is claimed
- Credit is claimed using Form 8881

Retirement Planning – Focus on SECURE 1.0 & 2.0 Acts

SECURE 2.0 - §102 – Small Employer Pension Plan Start Up Credits

Form 8881 (Rev. December 2023) Department of the Treasury Internal Revenue Service		Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation Attach to your tax return. Go to www.irs.gov/Form8881 for instructions and the latest information.		OMB No. 1545-1810
Name(s) shown on return			Attachment Sequence No. 130	
Identifying number				
Part I Credit for Small Employer Pension Plan Startup Costs (Including Employer Contributions)				
A	Enter the number of qualifying employees. See instructions			
1	Qualified startup costs incurred during the tax year	1		
2	Employers with 1-50 employees enter the amount from line 1. Employers with 51-100 employees enter 50% (0.50) of line 1		2	
3	Enter the number of employees eligible to participate in the pension plan. See instructions.			
	X \$250		3	
4	Enter the greater of \$500 or the amount from line 3 (Do not enter more than \$5,000)		4	
5	Enter the smaller of line 2 or line 4		5	
6a	Enter the number of employees from the preceding tax year. See instructions		6a	
b	Enter employer contributions made to the plan, but don't include (i) elective deferrals, (ii) contributions made to employees whose wages paid to the employee were in excess of \$100,000 and (iii) any amount of contributions to an employee to whom you made contributions of more than \$1,000		6b	
c	For employees for whom you made matching and non-elective contributions of more than \$1,000, (and who are not disqualified because they meet 6b(ii) above), see the instructions for information on how to determine the amount to enter on line 6c. If you did not make this type of contributions, enter -0-		6c	
d	Add lines 6b and 6c		6d	
	If the number of employees entered on line 6a is 50 or less, enter the amount from line 6d on line 6f. If the number of employees entered on line 6a is 51-100, continue to line 6e(1).			
e	(1) Subtract 50 (50.0) from the number of employees entered on line 6a		6e(1)	
	(2) Multiply line 6e(1) by 2% (0.02)		6e(2)	
	(3) Multiply line 6e(2) by line 6d		6e(3)	
	(4) Subtract line 6e(3) from line 6d		6e(4)	
f	If you did NOT complete line 6e, enter the amount from line 6d. If you completed line 6e, enter the amount from line 6e(4)		6f	
g	Applicable percentages. See instructions		6g	
	• If this is treated as the first or second year of the plan, enter the amount from line 6f.			
	• If this is treated as the third year of the plan, multiply line 6f by 75% (0.75).			
	• If this is treated as the fourth year of the plan, multiply line 6f by 50% (0.50).			
	• If this is treated as the fifth year of the plan, multiply the amount on line 6f by 25% (0.25).			
7	Credit for small employer pension plan startup costs from partnerships and S corporations		7	
8	Add lines 5, 6g, and 7. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1j		8	

• SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits

<p>Form 8881 (Rev. December 2023) Department of the Treasury Internal Revenue Service</p>	<p>Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation</p> <p>Attach to your tax return. Go to www.irs.gov/Form8881 for instructions and the latest information.</p>	<p>OMB No. 1545-1810</p> <p>Attachment Sequence No. 130</p>
Name(s) shown on return		Identifying number
Part II Small Employer Auto-Enrollment Credit		
9	Enter \$500 if an auto-enrollment option is provided for retirement savings	9
10	Small employer auto-enrollment credit from partnerships and S corporations	10
11	Add lines 9 and 10. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1dd	11
Part III Military Spouse Participation Credit		
Caution: You can't claim the credit if you had more than 100 employees in the preceding tax year.		
12	Enter the number of military spouse employees participating in an eligible plan. See instructions. _____ X \$200	12
13	Amount of contributions paid by employer for each eligible military spouse employee. Do not enter more than \$300 per employee. See instructions	13
14	Credit for small employer military spouse retirement plan from partnerships and S corporations	14
15	Add lines 12, 13, and 14. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1ee	15

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 33435N Form **8881** (Rev.12-2023)

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SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



Number of Employees	Amount of Tax Credit	Maximum Credit	<ul style="list-style-type: none"> • Minimum credit is \$500 • Must have at least one NHCE • Eligible for up to three tax years (must be eligible in first year)
1 - 50	100% of eligible start up costs	Lesser of \$5,000 or 250 times the number of eligible NHCEs	
51 - 100	50% of eligible start up costs	Lesser of \$5,000 or 250 times the number of eligible NHCEs	
100+	0%	\$0	

SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



Example

- ABC Company adopts a safe harbor §401(k) plan on May 1, 2024. The effective date is January 1, 2023 (retroactive adoption). ABC Company had 20 employees that included three (3) employees who are HCEs. Start up costs include \$500 implementation fee of \$500 and annual recordkeeping fees of \$1,500.

Retirement Planning – Focus on SECURE 1.0 & 2.0 Acts

SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits

Form 8881 (Rev. December 2023) Department of the Treasury Internal Revenue Service		Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation Attach to your tax return. Go to www.irs.gov/Form8881 for instructions and the latest information.		OMB No. 1545-1810 Attachment Sequence No. 130
Name(s) shown on return ABC Company			Identifying number 12-3216547	
Part I Credit for Small Employer Pension Plan Startup Costs (Including Employer Contributions)				
1	Enter the number of qualifying employees. See instructions	17		
2	Employers with 1-50 employees enter the amount from line 1. Employers with 51-100 employees enter 50% (0.50) of line 1	1	2000	
3	Enter the number of employees eligible to participate in the pension plan. See instructions.	17		2000
4	Enter the greater of \$500 or the amount from line 3 (Do not enter more than \$5,000)			4250
5	Enter the smaller of line 2 or line 4			2000
6a	Enter the number of employees from the preceding tax year. See instructions			
6b	Enter employer contributions made to the plan, but don't include (i) elective deferrals, (ii) contributions made to employees whose wages paid to the employee were in excess of \$100,000 and (iii) any amount of contributions to an employee to whom you made contributions of more than \$1,000			
6c	For employees for whom you made matching and nonelective contributions of more than \$1,000, (and who are not disqualified because they meet 6b(ii) above), see the instructions for information on how to determine the amount to enter on line 6c. If you did not make this type of contributions, enter -0-			
6d	Add lines 6b and 6c			
	If the number of employees entered on line 6a is 50 or less, enter the amount from line 6d on line 6f. If the number of employees entered on line 6a is 51-100, continue to line 6e(1).			
6e(1)	Subtract 50 (50.0) from the number of employees entered on line 6a			
6e(2)	Multiply line 6e(1) by 2% (0.02)			
6e(3)	Multiply line 6e(2) by line 6d			
6e(4)	Subtract line 6e(3) from line 6d			
6f	If you did NOT complete line 6e, enter the amount from line 6d. If you completed line 6e, enter the amount from line 6e(4)			
6g	Applicable percentages. See instructions			
	• If this is treated as the first or second year of the plan, enter the amount from line 6f.			
	• If this is treated as the third year of the plan, multiply line 6f by 75% (0.75).			
	• If this is treated as the fourth year of the plan, multiply line 6f by 50% (0.50).			
	• If this is treated as the fifth year of the plan, multiply the amount on line 6f by 25% (0.25).			
7	Credit for small employer pension plan startup costs from partnerships and S corporations			
8	Add lines 5, 6g, and 7. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1j			2000

SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



- EACA (Eligible Automatic Contribution Arrangements) Credit
- Effective for tax years after 2019
- \$500 for each year, beginning with first year EACA is in existence and following two years
- EACA must be in place for each year to claim the credit
- No NHCE requirement
- One 3-year credit per employer
- Applies to participating employers in a MEP separately
- Can claim with start up cost credit
- Claim credit using Form 8881

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SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits

<p>Form 8881 (Rev. December 2023) Department of the Treasury Internal Revenue Service</p>	<p>Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation</p> <p>Attach to your tax return. Go to www.irs.gov/Form8881 for instructions and the latest information.</p>	<p>OMB No. 1545-1810</p> <p>Attachment Sequence No. 130</p>
Name(s) shown on return		Identifying number
Part II Small Employer Auto-Enrollment Credit		
9	Enter \$500 if an auto-enrollment option is provided for retirement savings	9
10	Small employer auto-enrollment credit from partnerships and S corporations	10
11	Add lines 9 and 10. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1dd	11
Part III Military Spouse Participation Credit		
Caution: You can't claim the credit if you had more than 100 employees in the preceding tax year.		
12	Enter the number of military spouse employees participating in an eligible plan. See instructions. X \$200	12
13	Amount of contributions paid by employer for each eligible military spouse employee. Do not enter more than \$300 per employee. See instructions	13
14	Credit for small employer military spouse retirement plan from partnerships and S corporations	14
15	Add lines 12, 13, and 14. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1ee	15
<p>For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 33435N Form 8881 (Rev.12-2023)</p>		

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SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



- EACA (Eligible Automatic Contribution Arrangements) Credit

Number of Employees	Amount of Tax Credit
1 – 100	\$500
101 or more	\$0

Eligible for up to three (3) tax years

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SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



- Employer Contribution Credit

- Effective for tax years beginning after 2022 for first five years plan is effective
- 100 or fewer employees who received at least \$5,000 in compensation for the preceding year (2-year grace period applies)
- Employer (including related or predecessor) could not have previously established or maintained a plan for substantially the same employees
- No NHCE requirement
- Can claim with other credits (Form 8881)
- Not available for defined benefit plans

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SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



- **Employer Contribution Credit**
 - Credit is phased out
 - **100% in Years One and Two**
 - **75% in Year Three**
 - **50% in Year Four**
 - **25% in Year Five**
 - Credit for a participant is the lesser of employer contributions or \$1,000
 - Maximum credit based on the number of employees in the prior tax year
 - **100% if 50 employees or less**
 - **2% reduction for each employee over 50 employees**
 - Zero (\$0) for each employee making more than \$100,000 in FICA wages (as indexed)

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SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



Year Since Plan Adoption	Tax Credit 1 – 50 Employees	Tax Credit 51 – 100 Employees	Maximum Credit
Year of Adoption	100% of Eligible Employer Contribution	Same minus 2% time the number of employees over 50	Lesser of Employer Contribution or \$1K for each Employee making 100K or less in FICA wages
First Tax Year After Adoption	100% of Eligible Employer Contribution	Same minus 2% time the number of employees over 50	Lesser of Employer Contribution or \$1K for each Employee making 100K or less in FICA wages
Second Tax Year After Adoption	75% of Eligible Employer Contribution	Same minus 1.5% time the number of employees over 50	\$0 for each employee making more than \$100K in FICA Wages
Third Tax Year After Adoption	50% of Eligible Employer Contribution	Same minus 1% time the number of employees over 50	\$0 for each employee making more than \$100K in FICA Wages
Fourth Tax Year After Adoption	25% of Eligible Employer Contribution	Same minus 0.5% time the number of employees over 50	\$0 for each employee making more than \$100K in FICA Wages

Employer Contribution Credit

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SECURE 2.0 Act - §102 – Small Employer Pension Plan Start Up Credits



Example

- ABC Company adopts a QACA safe harbor §401(k) plan on May 1, 2024. The effective date is January 1, 2025. ABC Company had 20 employees that included three (3) employees who are HCEs. The HCEs make greater than \$100,000 in FICA wages. ABC Start up costs include \$500 implementation fee of \$500 and annual recordkeeping fees of \$1,500. ABC Company make a 3% nonelective contribution or a total of \$17,850. The QACA qualifies as an EACA. **Total Small Employer Pension Plan Start Up Cost Credit - \$20,350 (\$2,000 plus \$17,850 plus \$500)**

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2.0 Acts

SECURE 2.0 Act -
§102 – Small
Employer Pension
Plan Start Up Credits

Form 8881 (Rev. December 2023) Department of the Treasury Internal Revenue Service		Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation		OMB No. 1545-1810
Name(s) shown on return		Go to www.irs.gov/Form8881 for instructions and the latest information.		Attachment Sequence No. 130
ABC Company			Identifying number	12-3216547
Part I Credit for Small Employer Pension Plan Startup Costs (Including Employer Contributions)				
A	Enter the number of qualifying employees. See instructions	17	1	2000
1	Qualified startup costs incurred during the tax year			
2	Employers with 1-50 employees enter the amount from line 1. Employers with 51-100 employees enter 50% (0.50) of line 1			2000
3	Enter the number of employees eligible to participate in the pension plan. See instructions.	17	X \$250	4250
4	Enter the greater of \$500 or the amount from line 3 (Do not enter more than \$5,000)			4250
5	Enter the smaller of line 2 or line 4			2000
6a	Enter the number of employees from the preceding tax year. See instructions			20
6b	Enter employer contributions made to the plan, but don't include (i) elective deferrals, (ii) contributions made to employees whose wages paid to the employee were in excess of \$100,000 and (iii) any amount of contributions to an employee to whom you made contributions of more than \$1,000			17850
6c	For employees for whom you made matching and nonelective contributions of more than \$1,000, (and who are not disqualified because they meet 6b(ii) above), see the instructions for information on how to determine the amount to enter on line 6c. If you did not make this type of contributions, enter -0-			
6d	Add lines 6b and 6c			17850
6e(1)	If the number of employees entered on line 6a is 50 or less, enter the amount from line 6d on line 6f. If the number of employees entered on line 6a is 51-100, continue to line 6e(1).			
6e(2)	Subtract 50 (50.0) from the number of employees entered on line 6a			
6e(3)	Multiply line 6e(2) by 2% (0.02)			
6e(4)	Subtract line 6e(3) from line 6d			
6f	If you did NOT complete line 6e, enter the amount from line 6d. If you completed line 6e, enter the amount from line 6e(4)			17850
6g	Applicable percentages. See instructions			17850
	• If this is treated as the first or second year of the plan, enter the amount from line 6f.			
	• If this is treated as the third year of the plan, multiply line 6f by 75% (0.75).			
	• If this is treated as the fourth year of the plan, multiply line 6f by 50% (0.50).			
	• If this is treated as the fifth year of the plan, multiply the amount on line 6f by 25% (0.25).			
7	Credit for small employer pension plan startup costs from partnerships and S corporations			0.00
8	Add lines 5, 6g, and 7. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1j			19850
Part II Small Employer Auto-Enrollment Credit				
9	Enter \$500 if an auto-enrollment option is provided for retirement savings			500
10	Small employer auto-enrollment credit from partnerships and S corporations			
11	Add lines 9 and 10. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1dd			500
Part III Military Spouse Participation Credit				
Caution: You can't claim the credit if you had more than 100 employees in the preceding tax year.				
12	Enter the number of military spouse employees participating in an eligible plan. See instructions.			0
	X \$200			
13	Amount of contributions paid by employer for each eligible military spouse employee. Do not enter more than \$300 per employee. See instructions			
14	Credit for small employer military spouse retirement plan from partnerships and S corporations			
15	Add lines 12, 13, and 14. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1ee			0

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Cat. No. 33435N

Form **8881** (Rev. 12-2023)

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SECURE 2.0 Act - §109 – Higher Catch-Up Limit at Age 60, 61, 62 and 63



- Active participants aged 50 or older can contribute additional “catch-up” contribution amounts (under [IRC §414\(v\)](#))
- For example, the elective deferral limit for 2025 is \$23,500 and the limit on catch-up contributions is \$7,500.
- This means an active participant aged 50 or older in an IRC §401(k) plan may contribute a total of \$31,000 in 2025.
- Option provision for retirement plan sponsors ... **not mandatory**

SECURE 2.0 Act - §109 – Higher Catch-Up Limit at Age 60, 61, 62 and 63



- Effective January 1, 2025 (SECURE 2.0 Act §109) permits higher catch-up limit for active participants ages 60, 61, 62, or 63 in the calendar year to the GREATER of:
 - \$10,000 or
 - 50% more than the regular IRC §414(v) catch-up contribution limit for 2025 (or 1.5 times the catch-up limit)
 - **Calendar Year 2025 amount if \$11,250 (IRS Notice 2024-80)**. (150% of \$7,500 equals \$11,250)
- The \$10,000 limit will be indexed for inflation after calendar year 2025.

SECURE 2.0 Act - §109 – Higher Catch-Up Limit at Age 60, 61, 62 and 63



Example

- Bill turned 60 in calendar year 2024 and is an active participant in a corporate IRC §401(k) Plan. Plan sponsor includes the provision in SECURE 2.0 Act §109 effective January 1, 2025. The CODA provisions for calendar year 2025 is - (a) maximum salary deferral limit - \$23,500 and (b) catch-up contribution limit - \$7,500.
- The maximum contribution Bill would be able to make in calendar year 2025 will be \$34,750. The maximum salary deferral limit of \$23,500 plus the enhanced catch-up contribution amount of \$11,250 (the greater of \$10,000 or 150% of the catch-up limit of \$7,500)

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SECURE 2.0 Act - §327 – Post-Death Option for Surviving Spouse and Retirement Accounts



- Current law provides that when a surviving spouse inherits a retirement account from a deceased spouse, they have a variety of options at their disposal that are not available to any other beneficiary
 - Roll the decedent's IRA into their own
 - Elect to treat the decedent's IRA as their own, remain as a beneficiary of the decedent's IRA, but with special treatment
- SECURE 2.0 Act – Extend the list of spousal beneficiary only options further
- The surviving spouse may elect to be treated **as** the deceased spouse

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SECURE 2.0 Act - §327 – Post-Death Option for Surviving Spouse and Retirement Accounts



- The election will provide the following benefits to the surviving spouse
 - RMDs for the surviving spouse would be delayed until the deceased spouse would have reached the age at which RMDs begin;
 - Once RMDs are required (the year the decedent would have reached RMD age, had they lived), surviving spouse will calculate RMDs using the Uniform Lifetime Table that is used by account owners, rather than the Single Lifetime Table that applies to beneficiaries; and
 - If the surviving spouse dies before RMDs begin; the surviving spouse's beneficiaries will be treated as though they were the original beneficiaries of the account (which would allow any Eligible Designated Beneficiaries to "stretch" distribution over their life expectancy instead of being stuck with the 10-year Rule that would apply otherwise)

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SECURE 2.0 Act - §327 – Post-Death Option for Surviving Spouse and Retirement Accounts



- Proposed RMD Regs Retain Old Rules for Spouse Beneficiaries – With New Twists
 - On July 18, 2024, the IRS Issue proposed regulations on the RMD rules from the SECURE 2.0 Act of 2022
 - Answered many lingering questions regarding SECURE 2.0 Act §3274
 - These regulations may be applied immediately as guidance

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SECURE 2.0 Act - §327 – Post-Death Option for Surviving Spouse and Retirement Accounts



- Proposed RMD Regs Retain Old Rules for Spouse Beneficiaries – *With New Twists*
 - The IRS maintains the rules allowing spousal rollovers of inherited accounts
 - If the IRA owner dies before the RBD, the proposed regulations give two options to the spouse beneficiary (an EDB) who chooses to keep the account as an inherited account (instead of doing a spousal rollovers);
 - The 10-year rule or
 - The §327 Option – inherited IRA with RMDs over life expectancy
 - Proposed regulations allow for §327 treatment when the account owner dies on or after the RBD

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SECURE 2.0 Act - §327 – Post-Death Option for Surviving Spouse and Retirement Accounts



- Proposed RMD Regs Retain Old Rules for Spouse Beneficiaries – *With New Twists*
 - Proposed regulations allow for §327 treatment when the account owner dies on or after the RBD, allowing a beneficiary to use
 - The longer of the life expectancy from the Uniform Lifetime Table (using the beneficiary's own age) or
 - The remaining single life expectancy of the deceased IRA owner from the Single Life Table (the ghost-life expectancy)

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SECURE 2.0 Act - §327 – Post-Death Option for Surviving Spouse and Retirement Accounts



- IRS Delays until January 1, 2026, a portion of final regulations on required minimum distribution rules (Announcement 2025-2, 12/28/2024)
- The delay in effective date applies to the following –
 - Surviving spouse treated as participant
 - Payments to beneficiary of surviving spouse
 - RMDs for participants with pretax and Roth accounts
 - Corrective distributions that reduce excise tax
 - Impact of divorce on qualified longevity annuity contracts (QLACs)

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Polling Question #6



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Upcoming Webinars

- How the IRS Reconstructs Income in Tax Fraud Cases (5/27) – 12pm-2pm ET – DeBlis
- Casualty and Theft #1 Introduction for Individual Losses (6/3) – 2pm-3pm - Maitre
- Casualty and Theft #2 Introduction for Business Losses (6/5) – 2pm-3pm - Maitre



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