

# SECURE Act 2.0 and your business



SECURE Act 2.0 may make it more affordable for businesses to offer retirement plans. Signed into law in December 2022, it adds 90+ provisions to the original bill.

## Important changes in effect now

- 1 Additional tax credits may help businesses offset the cost of offering a retirement plan.
- 2 Auto-enroll and auto-escalation, up to 10-15%, is required for new plans started after 12/29/22, beginning with the 2025 plan year.
- 3 Small financial incentives may be offered to employees to sign up for retirement plans.

## Expanded SECURE 2.0 Act small business tax incentives

The original SECURE Act created significant tax benefits for small businesses. SECURE 2.0 expands on these incentives.

### Doubles tax credits for new plans

Businesses with 50 or fewer employees **may be eligible for a tax credit** to cover 100% of plan start-up costs, capped annually at \$5,000 for three years. Businesses with 51-100 employees may be eligible for a tax credit to cover 50% of plan start-up costs, capped annually at \$5,000 for three years.

### Adds new credits for employer contributions

Businesses with 50 or fewer employees may receive a new tax credit based on a percentage of employer contributions, up to \$1,000/employee for those making less than \$100,000. Employers with 51-100 employees qualify for a phase-in credit.

### Maintains tax credit for using auto-enrollment

The tax credit of \$500 per year for the first three years of electing auto-enrollment is still available.

## Faster eligibility for long-term, part-time workers

Under current law, an employer must allow employees with at least 1,000 hours of service in a 12-month period or 500 hours of service in a three-consecutive-year period to join their plan – regardless of whether the employee has met the plan’s normal eligibility requirements. New provisions reduce the three-year rule to two years.

## Mandatory Roth catch-up for high earners

Catch-up contributions for individuals with FICA compensation of \$150,000+ must be made as a Roth contribution.

## Increased catch-up contributions for older savers

Employees aged 60 – 63 will be allowed to contribute catch-up contributions of 50% more than the regular catch-up limit (\$8,000 for 2026) for a total catch-up of \$11,250. This increase is effective for the 2025 plan year and does not apply to those aged 64 and older.

### Example: SMB with 30 employees sponsors a new plan

#### ASSUMPTIONS

- Plan administration costs are \$4,000/year for the first four years.
- SMB makes discretionary \$1,000 non-elective contribution to employees for the first four years.
- 25 employees make <\$100k/year
- Plan uses auto-enrollment

#### TAX CREDITS

- 100% of plan set-up and administrative costs for the first four years:  
\$4,000/year x 3 years = \$12,000
- Employer contribution credit:  
\$25,000 (year one), \$25,000 (year two),  
\$18,750 (year three), \$12,500 (year four),  
\$6,250 (year five)
- Auto-enroll credit for the first three years:  
\$500/year x 3 years = \$1,500

**Total: \$101,000 in tax credits to SMB for the first five years**

## Start an affordable, accessible retirement plan.

SECURE Act 2.0 may help increase your tax savings.

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