

Tax Credits FOR RETIREMENT PLANS

Thanks to the SECURE Act (Setting Every Community Up for Retirement Enhancement Act), starting a new retirement plan for small businesses became affordable. Now with the Secure Act 2.0 – the credits are even better. **Beginning with the 2023 tax year, 3 new and improved tax credits are available for small businesses.**

START-UP PLAN TAX CREDIT	
Additional Requirements	
<ul style="list-style-type: none"> • Employer must start a new qualified retirement plan (includes 401(k) Plans, 403(b) Plans, Profit Sharing Plans, Cash Balance Plans, SIMPLE IRAs, and SEP IRAs) • Employer did not maintain a plan covering the same employees in the previous three tax years immediately before the first year the credit is claimed. • “Employees” are defined as those who received at least \$5,000 of compensation from the employer for the <i>preceding</i> calendar year. • Must have at least 1 participant who was not an owner or a Highly Compensated Employee during the plan year. 	
What are start-up expenses?	
Expenses must be directly related to plan establishment, administration, and/or participant education	
1 to 50 employees	51 to 100 employees
An amount equal to 100% of the qualified start-up costs for the year. The credit cannot exceed the greater of the following: <ul style="list-style-type: none"> • \$500 <i>OR</i> • The lesser of: <ol style="list-style-type: none"> a) \$250 multiplied by the number of non-highly compensated employees eligible for plan participation b) \$5,000. 	An amount equal to 50% of the qualified start-up costs for the year. The credit cannot exceed the greater of the following: <ul style="list-style-type: none"> • \$500 <i>OR</i> • The lesser of: <ol style="list-style-type: none"> a) \$250 multiplied by the number of non-highly compensated employees eligible for plan participation b) \$5,000.
How long can we receive the credit?	
Up to 3 years after starting a new qualified plan	

AUTO ENROLLMENT TAX CREDIT	
Additional Requirements	
<ul style="list-style-type: none"> • Plan must include an EACA (Eligible Automatic Contribution Agreement) or a QACA that meets EACA requirements. Plans with ACA do not qualify. EACA must be added to the plan no later than the 2025 plan year. 	
1 to 50 employees	51 to 100 employees
\$500.00	\$500.00
How long can we receive the credit?	
Up to 3 years beginning with the first tax year the employer included an EACA in an existing or new qualified plan.	

Tax Credits FOR RETIREMENT PLANS Continued...

EMPLOYER CONTRIBUTION TAX CREDIT	
Additional Requirements	
<ul style="list-style-type: none"> • Credit only applies to employees whose compensation is less than \$100,000 for the year in which the credit applies. • “Employees” are defined as those who received at least \$5,000 of compensation from the employer for the preceding calendar year. 	
1 to 50 employees	51 to 100 employees
<ul style="list-style-type: none"> • Up to 100% employer contribution for the first 2 years after plan adoption • 75% in 3rd year after plan adoption • 50% in 4th year after plan adoption • 25% in 5th year after plan adoption 	<ul style="list-style-type: none"> • Up to 100% employer contribution minus 2% times the number of employees over 50 for the first 2 years after plan adoption • 75% in 3rd year after plan adoption minus 1.5% times the number of employees over 50 • 50% in 4th year after plan adoption minus 1% times the number of employees over 50 • 25% in 5th year after plan adoption minus 0.5% times the number of employees over 50
Maximum Credit	
Lesser of actual employer contribution or \$1000 for each employee making \$100,000 or less in FICA wages	
How long can we receive the credit?	
Available for the first 5 years the plan is maintained.	

PLEASE SPEAK WITH YOUR TAX ACCOUNTANT TO LEARN IF YOU QUALIFY AND HOW TO CLAIM YOUR CREDIT(S).

**CONTACT THE RETIREMENT GROUP LLC TO DISCUSS PLAN DESIGN OPTIONS:
973-239-7772 INFO@TRG.LLC WWW.TRG.LLC**