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CalSavers reminder for businesses with at least one California employee

By the end of 2025, all businesses that do not offer a qualified retirement program to their employees are required to register with CalSavers if the business has at least one California employee who is 18 years of age or older.

CalSavers is a state-mandated and facilitated retirement program. It is an auto-IRA retirement program that defaults to a Roth IRA but does offer traditional IRAs as well.

The mandate for businesses with one to four employees will not apply if the business's only employees are the business owner and their spouse. CalSavers estimates that this will impact approximately 450,000 businesses.

Businesses with five or more California employees and no retirement program should already have registered with CalSavers and provided CalSavers with an employee roster.

Employers with fewer than five employees may want to begin weighing now whether they want to register with CalSavers or offer their employees a qualified retirement program, which may qualify them for federal credits. Under IRC §45E, the IRS offers both:

- A three-year credit to cover an employer's start-up costs related to offering a qualified retirement plan; and
- A five-year credit equal to a specified percentage of an employer's contribution to an eligible employer plan. The percentage starts at 100% during the first two years and is reduced by 25% per year thereafter.

California does not offer similar credits.

Once an employer registers with CalSavers and provides it with an employee roster, CalSavers will contact the employees to see if they want to establish a Roth retirement account with the CalSavers program and have a specified percentage of their wages automatically deposited into the account. The initial default rate is 5% of the employees' wages, but employees can choose a lower or higher rate. Employees are also free to opt out of the program entirely.

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Employers not only are required to register with the program, but they also have to provide CalSavers with a roster of their employees, keep the employee roster current, and facilitate payroll contributions to the CalSavers program for those employees who don't opt out of the program.

Employers that are required to register with the program and fail to do so (or that fail to maintain current employee rosters with CalSavers and facilitate payroll contributions) are subject to initial penalties of \$250 per employee with an additional \$500 per employee imposed for continued noncompliance after 90 days. An additional \$500 per-employee penalty is imposed annually if the employer remains out of compliance. These penalties are collected by the Franchise Tax Board.

Employers are sent multiple notices reminding them to register and comply prior to the penalty being imposed. CalSavers emphasizes that the first thing businesses should do if they receive a penalty collection notice from the FTB is to contact CalSavers to see if CalSavers can work with them to come into compliance with the program. If CalSavers can determine that an employer demonstrates compliance before the penalty is received, the penalty will not be imposed, so it pays to reach out to CalSavers as soon as possible.

For more information go to: <https://www.calsavers.com>