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# SECURE 2.0 TAX CREDITS FOR ESTABLISHING A RETIREMENT PLAN

There are many provisions of Secure Act 2.0. Increased tax credits when establishing a new retirement plan is one of the provisions of Secure Act 2.0.

Prior to Secure Act 2.0, an employer could receive a tax credit up to 50% of administrative costs per year for three years with a maximum of $5,000 per year. The tax credit was available to employers with fewer than 100 employees and at least one Non-Highly Compensated Employee.

With Secure Act 2.0, an employer can take advantage of a more robust tax credit. The startup tax credit has been increased to 100% of administrative costs per year for three years with a maximum of $5,000 per year. The tax credit is available to employers with fewer than 50 employees and at least one Non-Highly Compensated Employee. The tax credit also offsets up to $1,000 of employer contributions per employee in the first year. This doesn't apply to Defined Benefit Plans. And employers with 50 to 100 employees receive a reduced credit. In addition, for an employer to be eligible, they must not have maintained a plan in the previous three years.

The tax credit is gradually reduced over a five year period. The tax credit is not permitted for employer contributions to any employee making above $100,000 (indexed after 2023).

There is an additional tax credit available for employers that adopt an Eligible Automatic Contribution Arrangement (EACA), which will become mandatory for newly established plans starting in 2025. The credit is $500 per year for employers with fewer than 100 employees and it's available for the first three years the EACA is maintained. The employer doesn't need at least one Non-Highly Compensated Employee for this tax credit.

If you have any further questions regarding this matter or would like to know how to take advantage of these credits, please schedule a call with your plan consultant or review with your CPA.