PacificCPE

COURSE
34651A

Retirement Plan Reform: SECURE 2.0 Act

The SECURE 2.0 Act brought sweeping changes to retirement plan rules, and staying current is essential for CPAs and tax professionals advising clients on retirement planning. This course walks through all seven titles of the legislation, covering expanded coverage requirements, income preservation rules, plan simplification measures, and key technical and administrative amendments. Revenue provisions and Tax Court retirement updates are also addressed. Practical examples throughout help translate the law into actionable guidance for your clients and their retirement strategies.

CREDIT HOURS 2 | FIELD OF STUDY TAXES | EXAM QUESTIONS 10

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LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Identify the goals of the SECURE 2.0 Act.
- Identify the changes made to retirement plan rules.
- Identify the changes made to revenue and tax court retirement provisions.

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TABLE OF CONTENTS

CHAPTER 01

Introduction And Title I 4

1.01 Introduction 4

1.02 Title I – Expanding Coverage And Increasing Retirement Savings 5

Test Your Knowledge 15

CHAPTER 02

Titles II & III 17

2.01 Title II – Preservation Of Income 17

2.02 Title III – Simplification And Clarification Of Retirement Plan Rules 18

Test Your Knowledge 30

CHAPTER 03

Titles IV, V, VI, & VII 33

3.01 Title IV – Technical Amendments 33

3.02 Title V – Administrative Provisions 33

3.03 Title VI – Revenue Provisions 33

3.04 Title VII – Tax Court Retirement Provisions 35

3.05 Conclusion 35

Test Your Knowledge 37

Glossary 40

Index 42

Final Exam Copy 43

Chapter 1: INTRODUCTION AND TITLE I

Chapter Objective

After completing this chapter, you should be able to:

- Identify the goals of the SECURE 2.0 Act.

INTRODUCTION

The SECURE 2.0 Act is legislation that was signed into law by President Biden on December 29th, 2022, as part of the Consolidated Appropriations Act (CAA) of 2023. This Act builds on the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019. The purpose of these legislations is to substantially improve retirement savings options in the United States.

The SECURE 2.0 Act began as two pieces of legislation, one from the House of Representatives (H.R. 2954) and one from the U.S. Senate (S. 1770). After both branches of Congress passed their respective bills, the consolidated legislation was included in the omnibus budget bill (the Consolidated Appropriations Act of 2023) as Division T (SECURE 2.0 Act of 2022). This legislation enjoyed broad bipartisan support in both chambers – something that is rarely seen in today's political environment.

The SECURE 2.0 Act contains 92 new provisions to promote savings, boost incentives for businesses, and offer more flexibility when saving for retirement. Some changes and clarifications were made to the original Act, which became effective in 2025.

The SECURE 2.0 Act attempts to accomplish three goals:

- Get people to save more for retirement
- Improve retirement rules, and
- Lower the employer cost of setting up a retirement plan.

In pursuit of these goals, the new statute is packed with these 92 retirement-savings provisions that we will outline here.

The provisions are broken down into seven sections:

- Title I: Expanding Coverage and Increasing Retirement Savings
- Title II: Preservation of Income
- Title III: Simplification and Clarification of Retirement Plan Rules
- Title IV: Technical Amendments

- Title V: Administrative Provisions
- Title VI: Revenue Provisions
- Title VII: Tax Court Retirement Provisions

While we will outline all seven sections so that you have a full picture of the law, you will quickly realize that Titles I and III contain much of the information that is relevant to us as accountants and tax planners. For this reason, we have provided a couple of practical examples in these two sections to let you see how this information can be applied in real-life scenarios.

NOTE: References to "prior law" throughout the material pertain to the law as it was as of the writing of this Act dated December, 2022.

TITLE I – EXPANDING COVERAGE AND INCREASING RETIREMENT SAVINGS

Section 101, Expanding automatic enrollment in retirement plans. One of the main reasons many Americans reach retirement age with little or no savings is that too few workers are offered an opportunity to save for retirement through their employers. However, even for those employees who are offered a retirement plan at work, many do not participate. But automatic enrollment in 401(k) plans – providing for people to participate in the plan unless they take the initiative to opt out – significantly increases participation. Since first defined and approved by the Treasury Department in 1998, automatic enrollment has boosted participation by eligible employees generally, and particularly for Black, Latinx, and lower-wage employees. An early study found that adoption of automatic enrollment increased participation in a 401(k) plan by short-tenure Latinx employees from 19 percent to 75 percent. An Ariel/Aon-Hewitt study found that, in plans using automatic enrollment, "[t]he most dramatic increases in enrollment rates are among younger, lower-paid employees, and the racial gap in participation rates is nearly eliminated among employees subject to auto-enrollment."

Section 101 requires 401(k) and 403(b) plans to automatically enroll participants in the respective plans upon becoming eligible (and the employees may opt out of coverage). The initial automatic enrollment amount is at least 3 percent but not more than 10 percent. Each year thereafter that amount is increased by 1 percent until it reaches at least 10 percent, but not more than 15 percent. All current 401(k) and 403(b) plans are grandfathered. There is an exception for small businesses with 10 or fewer employees, new businesses (i.e., those that have been in business for less than 3 years), church plans, and governmental plans. Section 101 is effective for plan years beginning after December 31, 2024.

Section 102, Modification of credit for small employer pension plan startup costs. The 3-year small business startup credit was 50 percent of administrative costs, up to an annual cap of $5,000. Section 102 makes changes to the credit by increasing the startup credit from 50 percent to 100 percent for employers with up to 50 employees. Except in the case of defined benefit plans, an additional credit

is provided. The amount of the additional credit generally will be a percentage of the amount contributed by the employer on behalf of employees, up to a per-employee cap of $1,000. This full additional credit is limited to employers with 50 or fewer employees and phased out for employers with between 51 and 100 employees. The applicable percentage is 100 percent in the first and second years, 75 percent in the third year, 50 percent in the fourth year, 25 percent in the fifth year – and no credit for tax years thereafter. Section 102 is effective for taxable years beginning after December 31, 2022.

Section 103, Saver's Match. Prior law provided for a nonrefundable credit for certain individuals who make contributions to individual retirement accounts ("IRAs"), employer retirement plans (such as 401(k) plans), and ABLE accounts. Section 103 repeals and replaces the credit with respect to IRA and retirement plan contributions, changing it from a credit paid in cash as part of a tax refund into a federal matching contribution that must be deposited into a taxpayer's IRA or retirement plan. The match is 50 percent of IRA or retirement plan contributions up to $2,000 per individual. The match phases out between $41,000 and $71,000 in the case of taxpayers filing a joint return ($20,500 to $35,500 for single taxpayers and married filing separate; $30,750 to $53,250 for head of household filers). Section 103 is effective for taxable years beginning after December 31, 2026.

NOTE: Upcoming Changes (2027). The Saver's Match. Beginning in 2027, the traditional nonrefundable Saver's Credit transitions to a federal matching contribution (50% up to $2,000 per person) deposited directly into the worker's retirement account.

Section 104, Promotion of Saver's Match. Section 104 directs the Treasury Department to increase public awareness of the Saver's Match to increase use of the match by low and moderate income taxpayers. The promotion will make clear that the Saver's Match cannot be withdrawn without incurring penalties, including repayment to the Treasury Department in some cases where the Saver's Match is withdrawn from an individual retirement account before retirement. Taxpayers will have an election to designate a retirement account to receive the repaid Saver's Match. The Treasury Secretary must report to Congress on the Treasury Department's anticipated promotion efforts no later than July 1, 2026.

Section 105, Pooled employer plan modification. Section 105 clarifies that a pooled employer plan ("PEP") may designate a named fiduciary (other than an employer in the plan) to collect contributions to the plan. Such fiduciary would be required to implement written contribution collection procedures that are reasonable, diligent, and systematic. Section 105 is effective for plan years beginning after December 31, 2022.

Section 106, Multiple employer 403(b) plans. Multiple employer plans ("MEPs") provide an opportunity for small employers to band together to obtain more favorable retirement plan investment results and more efficient and less expensive management services. The Setting Every

Community Up for Retirement Enhancement Act of 2019 ("SECURE Act") made MEPs more attractive by eliminating outdated barriers to the use of MEPs and improving the quality of MEP service providers. Section 106 allows 403(b) plans, which are generally sponsored by charities, educational institutions, and non-profits, to participate in MEPs and PEPs, including relief from the one bad apple rule so that the violations of one employer do not affect the tax treatment of employees of compliant employers. Section 106 is effective for plan years beginning after December 31, 2022.

Section 107, Increase in age for required beginning date for mandatory distributions. Under prior law, participants were generally required to begin taking distributions from their retirement plans at age 72. The policy behind this rule is to ensure that individuals spend their retirement savings during their lifetime and not use their retirement plans for estate planning purposes to transfer wealth to beneficiaries. The SECURE Act of 2019 increased the required minimum distribution age to 72 from 70½. Section 107 further increases the required minimum distribution age further to 73 starting on January 1, 2023 – and increases the age further to 75 starting on January 1, 2033.

Section 108, Indexing IRA catch-up limit. Under prior law, the limit on IRA contributions was increased by $1,000 (not indexed) for individuals who have attained age 50. Section 108 indexes such limit and is effective for taxable years beginning after December 31, 2023.

In Practice

Let's say you are 50 years old and have an IRA plan with a maximum contribution limit of $8,000 for 2026. For 2026, you will be able to make an additional catch-up contribution of $1,100 to your IRA plan, bringing your total contribution limit for the year to $9,100.

This provision allows savers age 50 and above to contribute more towards their retirement savings, which can help them reach their retirement goals faster.

Section 109, 401(k) Higher super catch-up limit to apply at age 60, 61, 62, and 63. Under prior law, employees who have attained age 50 are permitted to make catch-up contributions under a retirement plan in excess of the otherwise applicable limits. The limit on catch-up contributions for 2026 is $8,000, except in the case of SIMPLE plans for which the limit is $4,000. Section 109 increases these limits to the regular catch-up amount in 2026 for individuals who have **attained** ages 60, 61, 62 and 63. The increased amounts are indexed for inflation after 2025. Section 109 is effective for taxable years beginning after December 31, 2024. For 2026, the super catch-up limit for 401ks is $11,250. For a SIMPLE in 2026, the maximum is $5,250.

The following final regulations were issued by the IRS on September 15, 2025 in order to provide clarification on catch-up contributions and a few other items.

The Department of the Treasury and the Internal Revenue Service issued final regulations addressing several SECURE 2.0 Act provisions relating to catch-up contributions. (Catch-up contributions are additional contributions under a 401(k) or similar workplace retirement plan for employees who are age 50 or older.) The final regulations include final rules related to a SECURE 2.0 Act provision requiring that catch-up contributions made by certain higher-income participants be designated as after-tax Roth contributions.

The final regulations provide guidance for plan administrators to implement and comply with the new Roth catch-up rule and reflect comments received in response to the proposed regulations issued in January.

The final regulations also provide guidance relating to increased catch-up contribution limits under the SECURE 2.0 Act for certain retirement plan participants, in particular employees between the ages of 60-63 and employees in newly established SIMPLE plans.

NOTE: Recent and Current SECURE 2.0 Changes. High Earner Catch-Up Rules. Starting in 2026, workers earning more than $150,000 (adjusted for inflation) in the prior year must make catch-up contributions using after-tax Roth dollars.

Final regulations Differ From the Proposed Regulations

While the final regulations generally follow the proposed regulations, changes were made in response to comments received on the proposed regulations. For example, the final regulations permit a plan administrator to aggregate wages received by a participant in the prior year from certain separate common law employers in determining whether the participant is subject to the Roth catch-up requirement.

In addition, the final regulations include changes to certain provisions in the proposed regulations, including those relating to:

- Correction of a failure to comply with the Roth catch-up requirement,
- Implementation of a deemed Roth election, and
- Plans that cover participants in Puerto Rico.

Understanding the Timeline

- **Statutory Effective Date:** January 1, 2026 (under the SECURE 2.0 Act, high earners aged 50+ must make catch-up contributions as a Roth contribution).
- **Good-Faith Compliance Period:** Throughout 2026, the IRS allows plans to operate using a reasonable, good-faith interpretation of the law while transitioning their systems.
- **Formal Regulatory Applicability:** January 1, 2027 (the final regulations officially govern plan years starting on or after this date).

Final Regulations: Tax Year Applicability

The final regulations for the mandatory Roth catch-up contributions generally apply to taxable years beginning after **December 31, 2026** (meaning the 2027 tax year), though the statutory mandate itself takes effect on **January 1, 2026.**

Section 110, Treatment of student loan payments as elective deferrals for purposes of matching contributions. Section 110 is intended to assist employees who may not be able to save for retirement because they are overwhelmed with student debt, and thus are missing out on available matching contributions for retirement plans. Section 110 allows such employees to receive those matching contributions by reason of repaying their student loans. Section 110 permits an employer to make matching contributions under a 401(k) plan, 403(b) plan, or SIMPLE IRA with respect to "qualified student loan payments." A qualified student loan payment is broadly defined as any indebtedness incurred by the employee solely to pay qualified higher education expenses of the employee. Governmental employers are also permitted to make matching contributions in a section 457(b) plan or another plan with respect to such repayments. For purposes of the nondiscrimination test applicable to elective contributions, Section 110 permits a plan to test separately the employees who receive matching contributions on student loan repayments. Section 110 is effective for contributions made for plan years beginning after December 31, 2023.

Section 111, Application of credit for small employer pension plan startup costs to employers which join an existing plan. Section 111 ensures the startup tax credit is available for 3 years for employers joining a MEP, regardless of how long the MEP has been in existence. Under both pre- and post-SECURE Act law, the startup tax credit only applies for the first 3 years that a plan is in existence. For example, if a small business joins a MEP that has already been in existence for 3 years, the startup credit is not available. If, for example, the MEP has been existence for 1 or 2 years when a small business joins, the small business may be able to claim the credit for 2 or 1 years, respectively. Section 111 fixes this issue so that employers joining a MEP (which includes PEPs) are eligible for the credit for all 3 years. Section 111 is effective retroactively for taxable years beginning after December 31, 2019.

Section 112, Military spouse retirement plan eligibility credit for small employers. Military spouses often do not remain employed long enough to become eligible for their employer's retirement plan or to vest in employer contributions. Section 112 provides small employers a tax credit with respect to their defined contribution plans if they (1) make military spouses immediately eligible for plan participation within two months of hire, (2) upon plan eligibility, make the military spouse eligible for any matching or nonelective contribution that they would have been eligible for otherwise at 2 years of service, and (3) make the military spouse 100 percent immediately vested in all employer contributions. The tax credit equals the sum of (1) $200 per military spouse, and (2) 100 percent of all employer contributions (up to $300) made on behalf of the military spouse, for a maximum tax credit of $500. This credit applies for 3 years with respect to each military spouse – and does not apply to highly compensated employees. An employer may rely on an employee's

certification that such employee's spouse is a member of the uniformed services. Section 112 became effective for taxable years beginning after the date of enactment of this Act.

Section 113, Small immediate financial incentives for contributing to a plan. Under prior law, employers may provide matching contributions as a long-term incentive for employees to contribute to a 401(k) plan. However, immediate financial incentives (like gift cards in small amounts) are prohibited even though individuals may be especially motivated by them to join their employers' retirement plans. Section 113 enables employers to offer de minimis financial incentives, not paid for with plan assets, such as low-dollar gift cards, to boost employee participation in workplace retirement plans by exempting de minimis financial incentives from section 401(k)(4)(A) and from the corresponding rule under section 403(b). Section 113 became effective for plan years beginning after the date of enactment of this Act.

Section 114, Deferral of tax for certain sales of employer stock to employee stock ownership plan sponsored by S corporation. Under section 1042 of the Internal Revenue Code ("Code"), an individual owner of stock in a non-publicly traded C corporation that sponsors an employee stock ownership plan ("ESOP") may elect to defer the recognition of gain from the sale of such stock to the ESOP if the seller reinvests the sales proceeds into qualified replacement property, such as stock or other securities issued by a U.S. operating corporation. After the sale, the ESOP must own at least 30 percent of the employer corporation's stock. Section 114 expands the gain deferral provisions of Code section 1042 with a 10 percent limit on the deferral to sales of employer stock to S corporation ESOPs. Section 114 is effective for sales made after December 31, 2027.

Section 115, Withdrawals for certain emergency expenses. Generally, an additional 10 percent tax applies to early distributions from tax-preferred retirement accounts, such as 401(k) plans and IRAs, unless an exception applies. Section 115 provides an exception for certain distributions used for emergency expenses, which are unforeseeable or immediate financial needs relating to personal or family emergency expenses. Only one distribution is permissible per year of up to $1,000, and a taxpayer has the option to repay the distribution within 3 years. No further emergency distributions are permissible during the 3 year repayment period unless repayment occurs. Section 115 is effective for distributions made after December 31, 2023.

Section 116, Allow additional nonelective contributions to SIMPLE plans. Prior law required employers with SIMPLE plans to make employer contributions to employees of either 2 percent of compensation or 3 percent of employee elective deferral contributions. Section 116 permits an employer to make additional contributions to each employee of the plan in a uniform manner, provided that the contribution may not exceed the lesser of up to 10 percent of compensation or $5,000 (indexed). Section 116 is effective for taxable years beginning after December 31, 2023.

Section 117, Contribution limit for SIMPLE plans. Under prior law, the annual contribution limit for employee elective deferral contributions to a SIMPLE IRA plan was $15,500 for 2023 and the catch-