

# SECURE 2.0 ACT

## SMALL BUSINESS 401(K) TAX CREDITS



## 1. STARTUP TAX CREDIT

- An eligible employer may claim up to 100% of its qualified **startup costs** for adopting and maintaining a **new** 401(k) plan
- \$500 minimum/\$5k maximum
- Available the first 3 years of an eligible plan
- Must have less than 100 employees
- Must cover at least one non-highly compensated employee
- **Solo 401(k)s do not qualify** due to this rule
- Must not have offered a retirement plan in the preceding 3 years

## 2. EMPLOYER CONTRIBUTION CREDIT

- Eligible to business that make direct contributions to employee 401(k) plans
- Up to \$1,000 per employee
- Eligible the first 5 years of an eligible plan
  - With a schedule of 100%, 100%, 75%, 50%, 25%
- Employees making over \$100,000/year do not qualify

## 3. AUTO ENROLLMENT CREDIT

- To qualify your plan must have an auto-enroll policy
- Auto-Enroll simply states that employees will be automatically enrolled in the plan unless they specifically opt out
- Flat credit of \$500/year for the first 3 years of an eligible plan
- Eligible to businesses with existing 401(k) plans

# What else do I need to know?

- The credits can be claimed by filing Form 8881 with your income tax return
- Employer must have less than 100 employees to qualify
- Tax credits can be combined
- Be sure to consult your tax advisor for more information on the tax credits