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Benefit from New and Enhanced Tax Credits!

Giant Savings for Small and Medium Sized Businesses

Discover Your Savings and Talk with Your Dedicated Consultant Today!

What tax credits are available?

- Startup Plan Tax Credit
- Employer Contribution Tax Credit
- Auto-Enrollment Tax Credit

It's Better Than Ever to Start a New Retirement Plan!

What is the Startup Tax Credit?

A qualified business may claim up to 100% of its eligible startup expenses for adopting and maintaining a new retirement plan.

What is a qualified business?

To be eligible, you must meet three conditions :

1. Have 100 or less workers who were paid $5,000 or more in compensation by you in the previous year
2. Cover one or more Non-Highly Compensated Employees (NHCE)* with your retirement plan
3. In the three tax years before your eligibility for the credit, your employees weren't the same employees who received contributions or accrued benefits in another retirement plan sponsored by you, a member of a controlled group that includes you, or a predecessor of either

*NHCEs are employees who do <u>not</u> meet at least one of the following criteria:

- Owned 5% or more of the interest in the company at any time during the current or previous year
- Received compensation from the business of more than $150,000 during 2023 (indexed annually)

What are the qualified startup expenses?

Qualified startup expenses include the usual and basic costs incurred to begin or manage a qualifying retirement plan.

What is the available tax credit?

An eligible employer with:

- 2-20 employees may claim a tax credit for **100%** of its eligible startup costs; however, the maximum available credit is no more than $250 per NHCE
- 21-50 employees may claim a tax credit for **100%** of its eligible startup costs with a maximum credit of $5,000

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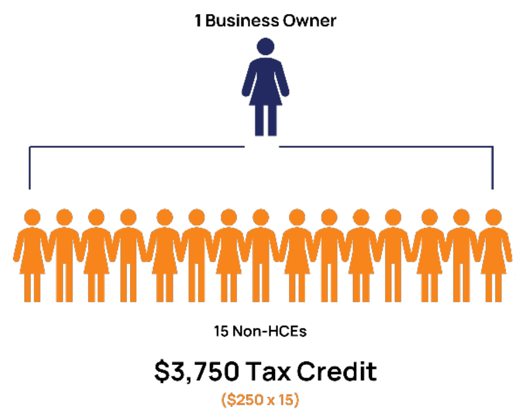
- 51 to 100 employees may only claim a tax credit for **50%** of its eligible startup costs with a maximum credit of $5,000

How long can a qualified employer claim the tax credit?
The tax credit is offered for the first three years beginning when the plan is operational or, if elected by the business, the previous year.

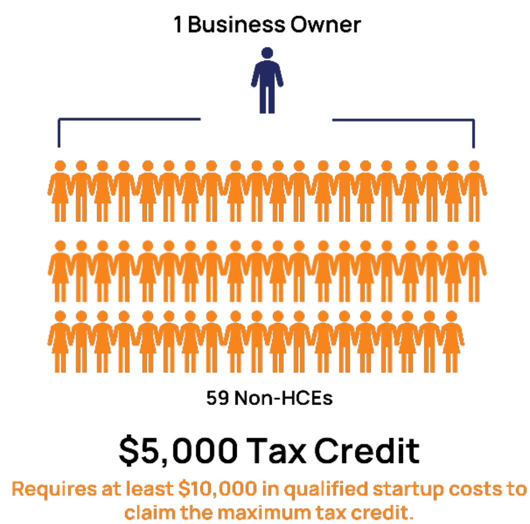
How does my company apply for the tax credit?
You need to file IRS Form 8881 (Credit for Small Employer Pension Plan Startup Costs) with your tax return to request the startup tax credit. This form has not yet been revised to accommodate the SECURE 2.0 amendment permitting firms with 50 or fewer employees to claim 100% of its qualified startup costs.

Examples:

A company with one owner and 15 NHCEs may receive a tax credit up to $3,750 ($250 x 15 employees).



A firm with 1 owner, 3 other HCEs, and 59 NHCEs could receive a tax credit up to the $5,000 limit. However, they can only claim **50%** of eligible startup costs, so, costs incurred to implement the plan would have to exceed $10,000 a year to reach the $5,000 tax credit.



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What is the Employer Contribution Tax Credit?

SECURE 2.0 created a tax credit for employer contributions made by companies with less than 100 employees. To receive this credit, a company must still meet the qualified employer requirements described under the startup tax credit section.

What is the available tax credit for businesses with 50 employees or less?
You may receive a credit of up to $1,000 per qualified employee, per year. A qualified employee is paid less than $100,000 a year (adjusted for inflation).

The tax credit is tapered over time based on how long the plan has been in effect:

- Years 1-2 – 100% of employer contributions
- Year 3 – 75%
- Year 4 – 50%
- Year 5 – 25%
- Year 6+ – 0%

Tax Credit Schedule on Employer Contributions

Companies with 50 or Less Employees

Example:
A business with one owner (making over $100,000) and 15 qualified employees (making $100,000 or less) starts a retirement plan in 2023. Assuming all employees receive an employer contribution of at least $1,000 per year, the business will get $52,500 in tax credits over five years.

Employer Contribution Tax Credit For Businesses with 51 to 100 Employees						
	2023	2024	2025	2026	2027	2028
Tax Credit	$30,000	$30,000	$22,500	$15,000	$7,500	$0
Calculation	75 EEs x $1,000 max x 40%	75 EEs x $1,000 max x 40%	75 EEs x $1,000 max x 30%	75 EEs x $1,000 max x 20%	75 EEs x $1,000 max x 10%	No more tax credit

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What is the Tax Credit For Businesses with 51 to 100 Employees?

The $1,000 tax credit for a company with 51 to 100 employees is tapered; the percentage credit is reduced by 2% per employee over 50. For example, the tax credit for a business with 80 employees would only be:

- Years 1-2 – 40% (100% - (2% x 30)) of employer contributions
- Year 3 – 30% (75% x 40%)
- Year 4 – 20% (50% x 40%)
- Year 5 – 10% (25% x 40%)

Example:

A company has 5 employees earning over $100,000 and 75 earning under $100,000 and starts a retirement plan in 2023. Assuming all employees receive an employer contribution of at least $1,000 per year, the business will get $105,000 in tax credits over five years.

Employer Contribution Tax Credit For Businesses with 51 to 100 Employees						
	2023	2024	2025	2026	2027	2028
Tax Credit	$30,000	$30,000	$22,500	$15,000	$7,500	$0
Calculation	75 EEs x $1,000 max x 40%	75 EEs x $1,000 max x 40%	75 EEs x $1,000 max x 30%	75 EEs x $1,000 max x 20%	75 EEs x $1,000 max x 10%	No more tax credit

What Tax Credits are Available for Automatic Enrollment?

Employers with 100 or fewer employees earning at least $5,000 are eligible for a tax credit of $500 per year for three years upon implementation of an automatic enrollment feature. This is available to both new and existing retirement plans. To qualify, the auto enrollment feature must meet Eligible Automatic Contribution Arrangement (EACA) or Qualified Automatic Enrollment Arrangement (QACA) requirements. More info is available here: EACA/QACA

Benefit with Tax Credits by Starting a New Retirement Plan!

Approximately 80% of our clients pay their retirement administration fees from their corporate bank account, not plan assets, allowing business owners to deduct plan costs and employer contributions as a business expense. The enhanced tax credits provided in both SECURE and SECURE 2.0 make this even more advantageous to business owners by reducing out-of-pocket costs for the first few years.

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Your Encouraging, Supportive, and Collaborative Partner.

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