Secure Act Provisions Effective in 2024

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The SECURE 2.0 Act of 2022 improves retirement savings opportunities for millions of Americans by expanding on provisions of the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019. It incorporates 92 provisions designed to incentivize employees to increase their retirement savings and encourage employers to broaden access to retirement plans.

Enacted in December 2022 as part of the Consolidated Appropriations Act (CAA) signed by President Biden, the SECURE 2.0 Act's provisions will be implemented gradually from 2023 to 2027. The following is a summary of the provisions that will become effective in 2024 (Source: T. Rowe Price):

Section 108: Indexing IRA catch-up limit. Indexes the catch-up limit for IRAs. *Effective for taxable years beginning after December 31, 2023.*

Section 110: Student loan matching. Permits an employer to make matching contributions under a 401(k) plan, 403(b) plan, or SIMPLE IRA concerning "qualified student loan payments." *Effective for plan years beginning after December 31, 2023.*

Section 115: Penalty-free withdrawals for certain emergency expenses. Provides an exception to the early withdrawal penalty for distributions up to $1,000 annually used for emergency expenses. A taxpayer has the option to repay the distribution within three years. *Effective for distributions made after December 31, 2023.*

Section 126: Special rules for certain distributions from long-term qualified tuition programs to Roth IRAs. Allows for limited tax and penalty-free rollovers from 529 accounts to Roth IRAs. Beneficiaries of 529 accounts could roll over up to $35,000 (lifetime limit) to their Roth IRA (subject to annual Roth IRA contribution limits) if the 529 account has been open for over 15 years. *Effective with respect to distributions after December 31, 2023.*

Section 127: Emergency savings accounts linked to individual account plans. Employers can offer non-highly compensated employees pension-linked emergency savings accounts. Contributions are treated as Roth and are prohibited once the account balance meets or exceeds $2,500 (indexed). Auto-enrollment and match are permitted, subject to conditions. *Effective for plan years beginning after December 31, 2023.*

Section 314: Penalty-free withdrawals for victims of domestic abuse. Allows retirement plans to permit participants who self-certify that they experienced domestic abuse to withdraw up to the lesser of $10,000 indexed (or 50% of the vested balance) within one year of the incident without penalty. Penalty-free distributions are also permitted from IRAs. *Effective for distributions made after December 31, 2023.*

Section 325: Roth plan distribution rules. Eliminates pre-death Required Minimum Distributions (RMDs) from Roth accounts in employer plans. *Effective for taxable years beginning after December 31, 2023. (Note: The change does not apply to distributions required with respect to years beginning before January 1, 2024, but payable on or after such date.)*

Section 603: Elective deferrals are generally limited to the regular contribution limit. Provides that all catch-up contributions to qualified retirement plans are subject to Roth tax treatment. An exception is provided for employees with wages of $145,000 or less (indexed) in the prior year. *Effective for taxable years beginning after December 31, 2023.*

There are numerous employer benefits in the SECURE 2.0 Act. Call Sal Schibell at 732-539-7328 to ensure you qualify for every tax credit you can take. In some situations, you must act now to be eligible.

For a complete SECURE 2.0 Act provisions summary, visit **Secure 2.0_Section by Section Summary 12-19-22 FINAL.pdf (senate.gov)**.

About the Author

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