

RETIREMENT PLAN STARTUP TAX CREDIT

The Setting Every Community Up for Retirement Enhancement (SECURE) Act was passed by Congress in late 2019 as part of a large government funding bill. To encourage small business owners to set up a defined contribution plan for their employees, the SECURE Act offers the Retirement Plan Startup Tax Credit. Eligible employers may be able to claim this tax credit of up to \$5,000, for three years, for the ordinary and necessary costs of starting a SEP, SIMPLE IRA, or qualified plan (like a 401(k) or a defined benefit pension plan). A tax credit reduces the amount of taxes you may owe on a dollar-for-dollar basis.



YOU QUALIFY TO CLAIM THIS CREDIT IF:

- ◆ You had 100 or fewer employees who received at least \$5,000 in compensation from you for the preceding year;
- ◆ You had at least one plan participant who was a non-highly compensated employee (NHCE); and
- ◆ In the three tax years before the first year you are eligible for the credit, your employees were not substantially the same employees who received contributions or accrued benefits in another plan sponsored by you, a member of a controlled group that includes you, or a predecessor of either.

AMOUNT OF THE CREDIT

The credit is 50% of your eligible startup costs, up to the greater of:

- ◆ \$500; or
- ◆ The lesser of:
 - \$250 multiplied by the number of NHCEs who are eligible to participate in the plan, or
 - \$5,000.

ELIGIBLE STARTUP COSTS

You may claim the credit for ordinary and necessary costs to:

- ◆ Set up and administer the plan, and
- ◆ Educate your employees about the plan.

ELIGIBLE TAX YEARS

You can claim the credit for each of the first 3 years of the plan and may choose to start claiming the credit in the tax year before the tax year in which the plan becomes effective.

NO DEDUCTION ALLOWED

You cannot both deduct the startup costs and claim the credit for the same expenses. You are not required to claim the allowable credit.

AUTO-ENROLLMENT TAX CREDIT

An eligible employer that adds an auto-enrollment feature to their plan can claim a tax credit of \$500 per year for a 3-year taxable period beginning with the first taxable year the employer includes the auto-enrollment feature.

Please contact Therese Cheevers via email or call **844.4WINDES** (844.494.6337) for questions or more information.



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- ◆ In practice since 1984
- ◆ Accredited Pension Administrator (APA) and IRS Enrolled Retirement Plan Agent (ERPA)
- ◆ Specializes in retirement plan consultation, design, administration, compliance, and corrections
- ◆ Practice focus is pension plans, cross-tested profit sharing plans, and IRS reporting to middle market corporations and unincorporated entities

PROFESSIONAL MEMBERSHIPS

- ◆ American Society of Pension Professionals and Actuaries (ASPPA)
- ◆ National Institute of Pension Administrators (NIPA)
- ◆ American Institute of Certified Public Accountants (AICPA)
- ◆ California Society of Certified Public Accountants (CalCPA)

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