

SECURE 2.0 Act

A Chronological Summary of What We Know Now

In late December 2022, Congress passed the Consolidated Appropriations Bill (2023) that included provisions of a retirement bill now known as SECURE Act 2.0. The focus of the bill is retirement-based accounts such as IRAs, Roth IRAs and employer sponsored retirement plans including 401(k)s, 403(b)s, SEP and SIMPLE IRAs.

Compared to the first SECURE Act passed in December 2019, which had roughly a dozen provisions around these accounts (most notably the elimination of the “stretch IRA”), SECURE Act 2.0 has dozens of new provisions. While further guidance from the IRS on the actual implementation of the provisions is still pending, below is a chronological summary of some of the key provisions and when they are set to become effective.

RETROACTIVE TO 2021

- 10% Penalty Exception for Qualified Disaster Distributions.

2023

- Required Beginning Date for RMDs has been raised to age 73 for those born between 1951 and 1959, or to age 75 for those born beginning in 1960.
- SEP IRA and SIMPLE IRA Roth contributions allowed.
- RMD penalty reduced from 50% to 25%, and can be further reduced to 10%.
- Retroactive First-Year 401(k) Elective Deferrals for Sole Proprietors.
- Retirement Plan Start-Up Credit Allowed up to 100%.

2024

- 529 Plan assets can be directly transferred to Roth IRAs.
- RMDs from Roth employer plan accounts eliminated.
- Roth catch-up contributions required for prior-year wages > \$145,000.
- Qualified Charitable Distribution (QCD) amounts indexed for inflation.
- IRA catch-up contributions indexed for inflation.
- New exceptions to the 10% distribution penalty for distributions under 59 ½, including for domestic abuse victims and emergency withdrawals.
- Employer-sponsored Emergency Savings Accounts available.
- Surviving spouse allowed to calculate RMDs using deceased spouse’s age.
- SIMPLE IRA changes – nonelective contributions and limit increases for certain plans.
- Student loan payments treated as elective deferrals when determining employer match.
- SIMPLE IRAs may be replaced with 401(k)s within the year.

2025

- Increase in employer plan catch-up contributions for individuals age 60-63.
- Auto-enrollment required for certain new employer plans.
- Changes to the definition of “part-time workers” for retirement plans.

2026

- Expansion of disability eligibility for age requirements on ABLE accounts.

2027

- Saver’s Credit replaced by Saver’s Match.
- Tax-free pension payments taken at retirement age by disabled first responders.

2028

- S Corporation stock sales to ESOPs eligible for gain deferral of 10%.

It should be stressed that while these provisions will become effective in each of the respective following years, there is still some clarification and guidance that needs to be provided by the IRS in how the provisions will be treated. Consult your tax professional to determine the best course of action for the provisions that may apply to you.