# IRS ISSUES IMPORTANT SECURE ACT 2.0 GUIDANCE IN NOTICE 2024-2

On December 20, 2023, the Internal Revenue Service ("IRS") issued Notice 2024-2 providing guidance, in Q&A format, on 12 specific sections of the SECURE Act 2.0. Per an internal revenue bulletin from the IRS, the notice is not intended to provide comprehensive guidance as to specific provisions of the Act but rather is intended to provide guidance on discrete issues to assist in implementing various provisions.

This grab bag of guidance focuses on a variety of provisions, including expanding automatic enrollment in retirement plans, credit for small employer pension plan startup costs, contribution limits for SIMPLE plans, terminal illness individual distributions, and safe harbors for correction of employee elective deferral failures.

One area of guidance has been much anticipated - Section 604 of SECURE 2.0, which allows participants to designate their employer-matching or non-elective contributions (i.e., profit-sharing or money purchase contributions) to be made to the plan on a Roth basis. Prior to SECURE 2.0, only employee deferrals could be designated as Roth. This guidance clarifies the following:

- Employers are permitted but not required to allow their employees to designate employer contributions as Roth.

- Employees are subject to income tax in the year the employer contribution is allocated to their account, even if such contributions are attributable to a prior year.
- Employer contributions designated by the participant as Roth contributions are not subject to federal income tax withholding and are generally not subject to FICA or FUTA taxes.
  - As such, an employee who designates a matching contribution or nonelective contribution as a Roth contribution may need to increase the employee's withholding or make estimated tax payments to avoid an underpayment penalty.
- Roth matching and Roth non-elective contributions are reported on a Form 1099-R (not a Form W-2), similar to how in-plan Roth rollovers are reported.
- Employees must be fully vested in their matching or non-elective contributions to be eligible to designate an employer contribution as Roth, which is deemed a non-discriminatory benefit, right, or feature.

The Notice also generally provides for a one-year delay for plan amendments related to the SECURE Act and SECURE 2.0 until December 31, 2026; the previous amendment deadline was generally December 31, 2025.

The Department of the Treasury and the IRS continue to analyze the various provisions of the SECURE 2.0 Act and anticipate issuing further guidance, including regulations, as appropriate. BMF Advisors are here to help you navigate these changes and will keep you informed on further developments.