IRS Delays Roth Catch-Up Contribution Change

By Kathryn Mayer
August 28, 2023

Plan sponsors and employees now have until 2026 to comply with a new requirement for Roth catch-up contributions under SECURE 2.0.

The IRS announced Friday it would delay for two years the requirement that workers making $145,000 or more per year who make catch-up contributions to employer-sponsored retirement plans, like a 401(k), will have to instead put that money into Roth accounts.

The Roth contribution requirement is among the provisions under SECURE 2.0, the law passed in December that includes a series of sweeping changes to the retirement landscape. It had previously required earners making $145,000 or more to make catch-up contributions on a Roth basis rather than pretax contributions, effective Jan. 1, 2024.

Now, they have until 2026, according to IRS Notice 2023-62.

"The Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) have been made aware of taxpayer concerns with being able to timely implement section 603 of the SECURE 2.0 Act," the IRS wrote in the notice. "The administrative transition period described in this notice is intended to facilitate an orderly transition for compliance with that requirement."

At the same time, the IRS clarified that plan participants ages 50 and older can continue to make catch-up contributions after 2023, regardless of income.

The announcement is welcome news for employers, as it follows companies and plan providers pushing back against the Roth catch-up contribution requirement, with several industry groups arguing that establishing new Roth plans will involve time and money. More than 200 organizations had signed a letter to the House Ways & Means Committee in July requesting additional time for that provision, Section 603 of SECURE 2.0.

The letter was written by the American Benefits Council and signed by a number of employers and plan providers, including Charles Schwab, Chipotle Mexican Grill, Delta

Air Lines, Fidelity Investments and PepsiCo. The letter requested the committee delay the provision by two years, as well as provide transition relief.

"Obviously, any new rule requires new administrative work to implement," the letter read. "But we have been struck by the overwhelming input from the retirement community that this particular task simply cannot be done in time by a vast number of plans."