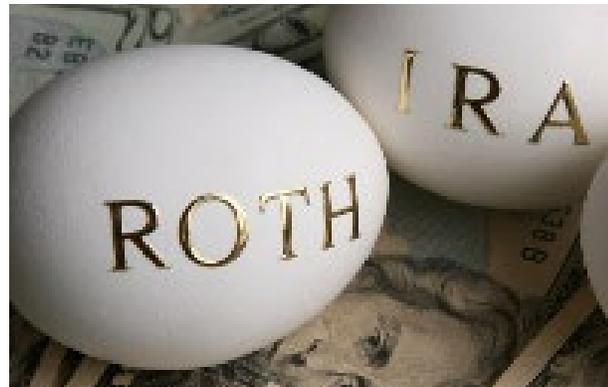


— SECURE 2.0

SECURE 2.0 Expands Roth Options for SEP and SIMPLE Plans

Before SECURE 2.0’s enactment, SEP and SIMPLE IRA plan contributions had to be made as pre-tax contributions, but now employers may allow employees to elect to have contributions into a SEP or SIMPLE IRA made as Roth contributions. Implementing these provisions requires significant retooling for employers, third-party providers, and financial organizations. In December 2023, the Internal Revenue Service (IRS) released [Notice 2024-02](#) which provides insight into how the retirement industry can effectively support the administration of these provisions.



SEP and SIMPLE Roth IRAs may receive designated Roth contributions

Effective for plan years beginning after December 31, 2022, employers may permit individuals to treat elective deferrals, when applicable, and employer matching or nonelective contributions as Roth contributions in either a SEP or SIMPLE Roth IRA. If an employer offers a Roth option, employees must affirmatively elect to have SEP or SIMPLE contributions deposited to a Roth IRA and must also have the opportunity to make that election when they first enter into a salary reduction agreement under the plan. For SEP plans other than a salary reduction SEP (SAR-SEP) plan, the employee must have the “effective opportunity” to elect a contribution to be made to a Roth IRA.

Withholding and Taxation of Roth Contributions to IRAs under SEP and SIMPLE Plans

	Roth Salary Deferrals	Roth Matching and Roth Nonelective
Federal Income Tax Withholding	Yes	N/A
Federal Unemployment Act (FUTA)	Yes	N/A
Federal Insurance Contributions Act (FICA)	Yes	N/A

Roth salary deferral contributions are included in the participant’s gross income in the tax year in which the participant would have otherwise received the contribution as compensation. The employer must report these contributions on [Form W-2, Wage and Tax Statement](#). Employer Roth matching and Roth nonelective contributions are includable in the participant’s gross income in the year that the contribution is actually made to the Roth IRA, regardless of whether the contribution is treated as made for the prior tax year. Employers must report these contributions on [Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc.](#)

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