

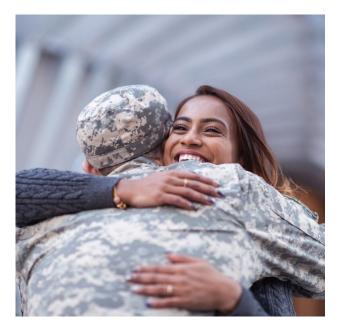
# Military Spouse Retirement Plan Eligibility Credit for Small Employers

The SECURE 2.0 Act gives certain employers a general business tax credit for immediately including military spouses in their defined contribution plan.

Because military families may move repeatedly throughout a servicemember's career, spouses may have to wait to become eligible to participate in a plan at each new location. This can cut into longterm retirement savings. To help level the playing field for military spouses, employers may choose to take advantage of this new credit available under SECURE 2.0.

## **Eligible Employers**

- Employers that had 100 or fewer employees who received at least \$5,000 of compensation from the employer in the previous year are "eligible small employers."
- Employers with a defined contribution plan, including a 401(k) or 403(b) plan.



### **Credit Amount**

- Eligible employers may earn a \$200 credit for each military spouse that participates in the plan.
- Another credit (up to \$300) applies to employer contributions (not elective deferrals) made to each military spouse.
- The credit applies for each of the first three tax years in which a miliary spouse participates in the employer's eligible defined contribution plan.

# **Credit Timing**

• Eligible employers may claim this credit for any tax year that begins after December 29, 2022, even if the three-year credit period started in a prior tax year or if the military spouse participated in a defined contribution plan of the employer before the plan became an eligible defined contribution plan.



### **Military Spouses**

- The eligible employee must be married to a member of the uniformed services who is serving on active duty.
- The employer may rely on the employee's certification that the spouse is a servicemember (such certification must include the spouse's name, rank, and service branch).
- Individuals that are "highly compensated employees" are not considered eligible military spouses. (This includes employees who earn more than \$155,000 in 2024, along with certain owners.)

## **Other Requirements**

- Military spouses must be eligible to participate in the plan within two months after their start date with the employer.
- Once eligible, they are immediately eligible to receive at least the same amount of employer contributions that a similarly situated participant (who is not a military spouse) would be eligible to receive after two years of service.
- All employer contributions to military spouses are 100% vested.

Employers using this credit should seek competent tax advice.

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