SECURE 2.0 Act of 2022: Retirement Benefit Changes

The Consolidated Appropriations Act, 2023, Public Law No. 117-328, signed into law by the President on December 29, 2022, includes the SECURE 2.0 Act of 2022 ("SECURE 2.0 Act"), providing many favorable changes in federal tax law affecting retirement benefits.

The following summarizes some of the significant changes enacted.

Retirement Benefit Provision	Existing Law in 2022	SECURE 2.0 Act	Discussion and Effect
Required beginning date of retirement distributions	Plan participants and IRA owners must begin taking distributions at a required beginning date of age 72.	Plan participants and IRA owners must begin taking distributions at a required beginning date of age 73 in 2023 and 75 starting in 2033.	The new required beginning dates allow plan participants and IRA owners to defer taxable plan distributions for longer periods.
Early Withdrawal of Retirement Benefits	Withdrawals are allowed for stated hardship situations without incurring an additional 10% income tax.	SECURE 2.0 Act provides a $1,000 distribution exception for emergency expense if unforeseeable or for immediate financial needs, after 2023.	Access to retirement plan accounts is provided for expenses related to emergencies without incurring an additional 10% income tax.
Tax Credit for Retirement Saving Changed to Saver's Match	A refundable federal income tax credit is allowed to certain individuals who make contributions to 401(k) plans and IRAs.	SECURE 2.0 Act changes the tax credit to a matching contribution to be deposited to the 401(k) account or IRA of an individual, after 2026, subject to limitations.	An individual saving by contributing to a 401(k) plan or IRA gets a matching contribution of 50% of his or her individual contribution, up to $2,000.

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Catch-Up Contributions	Under the law in 2022, employees attaining age 50 are permitted to make catch-up contributions under a retirement plan in excess of generally applicable limits.	SECURE 2.0 Act increases the catch-up contribution limits after 2024 for individuals who have attained ages 60 thru 63, indexed for inflation.	Substantially increased retirement plan catch-up contributions will be allowed for employees approaching normal retirement age.
Student Loan Repayment Matching Contributions	Under law existing in 2022 there is no provision for student loan repayments to be taken into account with respect to employee contributions to a 401(k) plan.	SECURE 2.0 Act allows matching contributions under a 401(k) plan after 2023 for student loan repayments made by the employee for qualified higher education expenses.	Student loan repayment matching contributions help an employee add to retirement savings while paying off a student loan that reduces his/her ability to contribute to a 401(k) plan.

The SECURE 2.0 Act provides numerous other changes in federal tax law governing retirement benefits and employer sponsorship and administration of retirement plans. The changes include provisions to increase retirement savings by individuals, simplify and clarify retirement plan rules, make technical amendments to previously enacted law, enact administrative and revenue provisions, and provide for federal judge retirement plans.

If you have questions or would like to discuss the SECURE 2.0 Act, how it may affect you, an employer, or a retirement plan, please contact any attorney of GableGotwals you know or our Tax Law Practice Group, which includes:

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