

Two-Year Transition Relief Announced for Roth Catch-Up Contributions

Labor & Employment Workforce Watch

WRITTEN BY

[Laura L. Ferguson](#)

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On August 25, 2023, the IRS provided long-awaited guidance related to the SECURE 2.0 requirement that catch-up contributions for high-income participants in 401(k), 403(b), and governmental 457(b) plans be made as Roth contributions. [Notice 2023-62](#) provides for a 2-year administrative transition period that will be welcome relief to retirement plan sponsors and record keepers alike. Code Section 414(v)(7)(A), which was adopted as a result of Section 603 of SECURE 2.0, provides that for plan years beginning after December 31, 2023, catch-up contributions for participants with compensation in excess of \$145,000 (indexed) for the preceding calendar year must be made as Roth contributions. In addition, a plan that has high-income participants subject to these new rules must offer any other catch-up eligible participant the ability to make catch-up contributions as Roth contributions.

Various questions have arisen regarding how to implement these provisions (such as whether a plan can treat an existing pre-tax election to make catch-up contributions as an election to make a Roth catch-up for an individual who made over the threshold). The IRS anticipates issuing additional guidance in 2024 after receiving comments from the public. As a result, the IRS has now provided a two-year administrative transition period, through December 31, 2025, during which (1) catch-up contributions will be treated as satisfying the requirements of Code Section 414(v)(7)(A), even if the contributions are not designated as Roth contributions, and (2) a plan that does not provide for designated Roth contributions will be treated as satisfying the requirements of Code Section 414(v)(7)(B), even if the plan does not offer catch-up contributions to all catch-up eligible participants.

Notice 2023-62 also fixes a technical glitch in SECURE 2.0, confirming that catch-up contributions may be made after 2023.

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