



# President signs Secure 2.0 Act as part of Omnibus Spending Bill

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On December 29, 2022, President Biden signed omnibus spending bill (Consolidated Appropriations Act of 2023). The Secure 2.0 Act of 2022 was part of this bill. The Secure 2.0 Act made changes to the U.S. Retirement System and now businesses and their employees will have access to added incentives related to their retirement plans. Here is an executive summary of the Secure 2.0 Act of 2022.

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## Major Retirement-Focused Provisions

### **\*Effective as of date of enactment**

- Reduction in excise tax on certain accumulations in qualified retirement plans
- Expansion of employee plans compliance resolution system
- Retroactive first year elective deferrals for sole proprietors
- Elimination of additional tax on corrective distributions of excess contributions
- Extended amendment period and anti-cutback relief for certain plan amendments
- Optional treatment of employer matching or non-elective contributions as Roth contributions

### **\*Effective after December 31, 2022**

- Increase in age for required beginning date for mandatory distributions
- Eliminating unnecessary plan requirements related to unenrolled participants

### **\*Effective after December 31, 2023**

- Penalty-free withdrawals for certain emergency expenses
- Starter 401(k) Plans for employers with no retirement plan
- Surviving spouse election to be treated as employee
- Elective deferrals generally limited to regular contribution limit

### **\*Effective after December 31, 2024**

- Expanding automatic enrollment in retirement plans
- Higher catch-up limit to apply at age 60, 61, 62 & 63
- Improving coverage for part-time workers

## Major Tax-Focused Provisions

### **\*Effective as of date of enactment**

- New credit for military spouses participating in defined contribution plans
- Statute of limitations on excise tax assessment on IRA excess contributions
- Deductions for qualified conservation contributions limited for Pass-Through Entities
- Changes to the retirement rules for tax court judges

### **\*Effective after December 31, 2022**

- Modification of credit for small employer pension plan start-up costs
- Extension of Telehealth exemption for HDHPs through 2024

### **\*Effective after December 31, 2023**

- Tax-free rollovers from 529 accounts to Roth IRA permitted

### **\*Effective after December 31, 2025**

- Age requirement for qualified ABLE programs modified

### **\*Effective after December 31, 2026**

- Certain disability-related first responder retirement payments excluded from income
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## Other Secure 2.0 Provisions

### **\*Effective as of date of enactment**

- Small immediate financial incentives for contributing to a plan
  - Tax treatment of certain non-trade or business SEP contributions
  - Application of Section 415 limit for certain employees of rural electric cooperatives
  - Assist States in locating owners of applicable savings bonds
  - Enhancement of 403(b) Plans
  - Remove required minimum distribution barriers of life annuities
  - Qualifying longevity annuity contracts
  - Insurance-dedicated exchange-traded funds
  - Eliminating a penalty on partial annuitization
  - Recovery of retirement plan overpayments
  - Eliminate the "first day of the month" requirement for governmental section 457(B) plans
  - One-time election for qualified charitable distribution to split-interest entity
  - Distribution to firefighters
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- Repayment of qualified birth or adoption distribution limited to 3 years
- Employer may rely on employee certifying that deemed hardship distribution conditions are met
- Performance benchmarks for asset allocation funds
- Tax Treatment of IRA involved in a prohibited transaction
- No penalty on early distributions for individuals with terminal illness
- Repeal of direct payment requirement on exclusion from gross income
- Modification of eligible age for exemption from early withdrawal penalty
- No withdrawal penalty for certain state and local government corrections employees
- Permission to purchase long-term care contracts with retirement plan distributions
- Corrections of mortality tables
- Modification of required minimum distribution rules for special needs trust
- Annual audits for group of plans
- Termination of variable rate premium indexing
- Enhancing retiree health benefits in pension plans

**\*Effective after December 31, 2022**

- Pooled employer plan modification
- Multiple employer 403(b) Plans
- Recognition of Tribal Government domestic relations orders
- SIMPLE and SEP Roth IRAs

**\*Effective after December 31, 2023**

- Indexing IRA catch-up limit
- Treatment of student loan payments as elective deferrals for purposes of matching contributions
- Allow additional non-elective contributions to SIMPLE Plans
- Contribution limit for simple Plans
- Emergency savings accounts linked to individual account plans
- Updating dollar limit for mandatory distributions
- Application of top-heavy rules to defined contribution plans covering excludable employees
- Penalty-free withdrawal from retirement plans for individual case of domestic abuse
- Reform of family attribution rule
- Amendments to increase benefit accruals allowed until tax return due date
- Clarification of substantially equal periodic payment rule
- Roth plan distribution rules
- Permission to replace SIMPLE Plan with Safe Harbor 401(k)

- Defined benefit annual funding notices
- Safe harbor for corrections of employee elective deferral failures
- Hardship withdrawal rules for 403(b) Plans

**\*Effective after December 31, 2025**

- Requirement to provide paper statements in certain cases

**\*Effective after December 31, 2026**

- Modification to mode of distribution for saver's match

**\*Effective after December 31, 2027**

- Deferral of tax for certain sales of stock to S Corp sponsored ESOP
- Certain securities treated as publicly traded in case of employee stock ownership plans

**\*Effective for disasters occurring on or after January 26, 2021**

- Rules for retirement fund use in connection with qualified federally declared disasters

**\*Dependent on Department of Labor**

- Consolidation of defined contribution plan notices
- Information needed for financial options risk mitigation act
- Worker ownership, readiness, and knowledge (WORK) Act

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If you have questions or concerns about the content in this newsletter or how this may affect your tax planning in the future, contact your tax advisor for a more comprehensive breakdown of the provisions under this Act.



**Contact your Blystone & Bailey CPA at (989) 772-4673**

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