

PUBLICATION

IRS Issues Catch-Up Contribution Transition Relief

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SECURE Act 2.0 made sweeping changes to retirement plans, including changes to the additional "catch-up" contributions. These catch-up contributions for participants age 50+ have long provided the opportunity for needed additional retirement savings. The new law significantly changes the catch-up contributions provision to require that "highly paid participants" (those earning in excess of \$145,000, as indexed) limit their age-catch-up contributions to Roth only. In other words, there will be no more pre-tax catch-ups for the highly paid. This change was set to become effective January 1, 2024. (In addition to this significant change, there is an apparent drafting error that would technically eliminate all catch-up contributions after 2023.) In just-released Notice 2023-62, the IRS has provided welcome transition relief to allow retirement plans and participants more time to implement the SECURE 2.0 changes to catch-up contributions. The transition relief provides in relevant part:

1. There will be a two-year administrative transition period extending through December 31, 2025, during which time retirement plans may permit Highly Paid Participants to make pre-tax catch-up contributions.
2. The Notice provides a statutory interpretation of why catch-up contributions continue to be available post-SECURE Act 2.0 despite the drafting error in the statute that technically eliminated catch-up contributions after 2023.

Because of the significant administrative changes and challenges resulting from SECURE Act 2.0's changes to catch-up contributions, retirement plans and their service providers were facing a looming year-end deadline to implement new administrative processes, which for many would not have been possible absent the elimination of catch-up contributions entirely. The transition relief will give plans, administrators, and participants much-needed time to adjust to the new law.

For more questions on the IRS Issues and the SECURE Act 2.0, please contact [Andrea Powers](#), [Carl Hartley](#), or members of our [Labor & Employment](#) or [Tax](#) teams.