

Tax Credits for Retirement Plans

The SECURE Act made changes to available tax credits for businesses who offer a retirement plan including Qualified Plans, SEPs and SIMPLE IRAs.

START-UP CREDIT

- Credit may be claimed for each of the **first 3 years of the plan**
- Applies to companies with no more than 100 employees who receive more than \$5,000 in compensation.
- Plan must cover at least 1 Non-Highly Compensated Employee (NHCE).
- Credit is available to employers who have not maintained a plan covering substantially the same employees for the three preceding tax years.
- Amount of Annual Credit equals the greater of:
 - \$500 or
 - \$250 times the number of NHCEs, not to exceed \$5,000 AND
 - **Employers with 1-50 employees, it applies to 100% of the qualified start up costs.**
 - **Employers with 51-100 employees, it applies to 50% of the qualified start up costs.**
- *Qualified Start Up Cost* - includes any out of pocket expenses directly related to the establishment or administration of the plan including TPA, recordkeeping and fiduciary fees.

1 - 50 Employees

As an **example**, a plan covers 10 NHCEs. Start-up cost is \$1,000 and annual administration is \$2,000. The Maximum Annual Credit is \$2,500 (\$250 x 10 NHCEs).

Year	Qualified Start-Up Cost	100% Tax Credit	Tax Deductible Expense
1	\$3,000	\$2,500	\$500
2	\$2,000	\$2,000	\$0
3	\$2,000	\$2,000	\$0
4	\$2,000	\$0	\$2,000

51 - 100 Employees

As an **example**, a plan covers 60 NHCEs. Start-up cost is \$1,000 and annual administration is \$3,500. The Maximum Annual Credit is \$5,000 (\$250 x 60 NHCEs).

Year	Qualified Start-Up Cost	50% Tax Credit	Tax Deductible Expense
1	\$4,500	\$2,250	\$2,250
2	\$3,500	\$1,750	\$1,750
3	\$3,500	\$1,750	\$1,750
4	\$3,500	\$0	\$3,500

ADDITIONAL CREDITS

- **Auto Enrollment Credit** - For new or existing plans that add an auto enrollment feature, a \$500 annual credit is available for 3 years.
- **Employer Contribution Credit** - For new defined contribution plans that make employer contributions. Employers with less than 100 participants may receive a credit of up \$1,000 per participant for the first 5 years.

Contact DBZ at proposals@dbzinc.com or 412-263-0102 to discuss plan design options.

Since 1991 our more than 70 professionals have provided companies, just like yours, with recordkeeping, administration and actuarial services for their retirement plans. DBZ services more than 2,500 clients ranging in size from 1 to several thousand employees. We are proud of our reputation for providing efficient, accurate and affordable services to our clients.