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Final IRS Regulations Address Catch-Up Contributions under SECURE 2.0

On September 16, 2025, the Internal Revenue Service (IRS) published final regulations regarding changes to catch-up contributions under the SECURE 2.0 Act of 2022 (SECURE 2.0). These final regulations generally track the proposed regulations issued in January 2025, but include additional changes as outlined below.

The regulations specifically address implementation of SECURE 2.0's "super catch-up" contribution limits and the requirement that catch-up contributions for certain higher-income participants be designated as Roth contributions.

The final regulations generally apply to contributions made in taxable years beginning after December 31, 2026. However, the applicable date for plans maintained pursuant to a collective bargaining agreement is the later of (i) December 31, 2026, or (ii) the taxable year beginning after the date on which the last collective bargaining agreement in effect on December 31, 2025, terminates. Similarly, governmental plans have until the later of (i) December 31, 2026, and (ii) the first taxable year beginning after the close of the first regular legislative session of the legislative body with the authority to amend the plan which begins after December 31, 2025. Until the applicable effective date, a reasonable, good faith interpretation of the statutory provisions applies for all plans.

Super Catch-up Contributions for Participants Aged 60-63

SECURE 2.0 established an increased catch-up contribution limit for participants who attain age 60, 61, 62 or 63 (but not age 64) during the calendar year, creating a "super catch-up" contribution feature for that age group. The super catch-up contribution limit is equal to 150 percent of the generally applicable catch-up contribution limit, subject to a cost-of-living adjustment for years beginning after December 31, 2025.

Under the final regulations, a plan sponsor generally must allow all eligible participants to make catch-up contributions up to the applicable maximum amount permitted for that participant under the law. However, the final regulations confirm that the super catch-up is not mandatory. Accordingly, plan

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sponsors that allow for catch-up contributions must also determine whether to include the optional, *higher* super catch-up limit.

Roth Catch-up Requirement for Higher-Income Participants

Under SECURE 2.0, catch-up contributions made by participants who earned FICA wages of $145,000 (as indexed and subject to cost-of-living increases) or more (Roth Requirement Participants) in the previous year must be designated as Roth contributions in the current year.

The final regulations offer substantial guidance for plans regarding this Roth catch-up requirement, which is summarized below. Significantly, the final regulations confirm that a plan may not require that catch-up contributions by *all* participants be made on a Roth basis to simplify the administration of this requirement.

1. Wage Threshold. The $145,000 limit for the Roth catch-up requirement is based on a participant's FICA wages for the preceding calendar year from the employer sponsoring the plan. The final regulations confirm that a participant without FICA wages exceeding $145,000 (as adjusted) from the employer sponsoring the plan during the previous year, including a participant without *any* FICA wages, will not be subject to the Roth catch-up requirement during the current year.

The final regulations specify that, for purposes of the Roth catch-up requirement, the phrase "employer sponsoring the plan" refers to a participant's "common law employer contributing to the plan." However, this employer may, but is not required to, be aggregated with other employers using a common paymaker, or other employers under common control or in an affiliated service group, treating such aggregated employers as one single employer for this purpose. On the other hand, where a plan has more than one employer sponsor (including a multiemployer plan), the Roth catch-up requirement applies based on FICA wages from a participant's common law employer without aggregating those wages with other employers participating in the same plan.

2. Availability. The final regulations confirm that, if a plan permits Roth Requirement Participants to make catch-up contributions as Roth contributions for a plan year, the plan must also allow all other eligible participants to make Roth catch-up contributions. In other words, making catch-up contributions on a Roth basis must be an option available to all eligible participants, if required for

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some.

3. No Requirement to Include Roth Feature. The final regulations confirm that a plan that allows catch-up contributions but does not include a qualified Roth contribution feature is not required to adopt such a feature. Instead, those plans may limit catch-up contributions to all eligible participants who are *not* Roth Requirement Participants.

4. Roth Contributions Made Prior to Reaching Catch-up Limit. The proposed regulations suggested that all Roth contributions (including elective deferrals that are not catch-up contributions) count toward the Roth catch-up contribution requirement for Roth Requirement Participants. The final regulations retain this requirement and confirm that a catch-up contribution is only required to be a designated Roth contribution to the extent that the participant has not made elective Roth deferrals in the taxable year that are equal to the applicable catch-up limit. In other words, if a Roth Requirement Participant's total Roth elective deferrals in a taxable year equal or exceed the catch-up contribution limit, the participant's Roth catch-up requirement is satisfied.

5. Deemed Elections. Pursuant to the proposed regulations, if a Roth Requirement Participant elects to make pre-tax contributions, then future contributions above the catch-up contribution limit may automatically and irrevocably be "deemed" Roth contributions, to facilitate compliance with the requirement. However, the Roth Requirement Participant must have an effective opportunity to make a new election that is different from the deemed election. The final regulations retain this requirement and confirm that any deemed Roth catch-up election must be set forth in the plan document.

In response to comments requesting administrative ease where a certain participant is no longer subject to this requirement, the final regulations further clarify that the deemed election ceases to apply following the date on which (1) the participant is no longer subject to the requirement; or (2) an amended Form W-2 is filed or furnished to the employee indicating that they are not subject to the requirement. Any catch-up contributions that were deemed Roth contributions prior to such date do not need to be recharacterized as pre-tax contributions.

6. Correction Methods. The final regulations retain the proposed permissible methods for correcting pre-tax catch-up contributions from Roth Requirement Participants that should have been made on a Roth basis. As finalized, a plan may

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correct such an error through either (1) a corrected Form W-2; or (2) an in-plan Roth rollover. The regulations also include finalized correction requirements and deadlines.

- The Form W-2 Correction Method. The Form W-2 method permits a plan to correct a pre-tax catch-up contribution that was required to be made on a Roth basis by transferring the contribution to the participant's Roth account from the pre-tax account and reporting the contribution as a designated Roth contribution on the participant's Form W-2 for the year of the deferral—thereby including the contribution in the participant's gross income for the year as if it had been made correctly initially. This method is not available where the Form W-2 has already been furnished or filed for the year of the deferral.

- The In-Plan Roth Rollover Method. Under this method, a plan corrects the error by directly rolling over the elective deferral (adjusted for gain or loss) from the participant's pre-tax account into their Roth account, and then reporting the amount of the rollover on Form 1099-R. This method also includes the contribution in the participant's gross income for the year as if it had initially been made correctly. A plan may utilize this method even if the plan does not otherwise permit participants to elect in-plan Roth rollovers.

- General Rules. A plan may provide for either correction method, but the same correction method must apply for any "similarly situated" participants. Additionally, the correction methods are only available where a plan sponsor has in place "practices and procedures designed to result in compliance" with these requirements at the time when the elective deferral is made, including the deemed Roth election requirement and the effective opportunity to make a different election.

- Deadlines. The deadline for correction to avoid a qualification failure depends on whether the elective deferral exceeds a statutory or plan-imposed limit. For contributions that exceed the statutory limit, the correction deadline is the last day of the *taxable year* following the year the elective deferral was made. For contributions that exceed a plan-imposed limit, the correction deadline is the last day of the *plan year* following the year the contribution was made. However, a catch-up contribution that must be designated as Roth is not treated as a catch-up contribution until it is corrected.

- Circumstances Where Correction is Not Required. In response to requests for exceptions to the correction requirement, the final rules include two

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circumstances in which correction is not required for a pre-tax elective deferral that exceeds the applicable limit to be treated as a catch-up contribution. The first applies to contributions of $250 or less (excluding gains and losses), and the second applies where the participant's FICA wages are not determined to exceed the Roth requirement threshold until after the deadline for correction described above.

Next Steps for Plan Sponsors

While most plans have until January 2027 to comply (later for certain collectively bargained or government plans), plan sponsors should begin preparing for these changes now. To ensure plan administration adheres to both plan documents and IRS regulation, all plan sponsors should act promptly to work with their recordkeepers and service providers to develop administrative mechanisms to comply with these requirements and amend plans as needed.

If you have questions or require further assistance, please contact your Reinhart attorney or a member of Reinhart's Employee Benefits Practice.

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