

RETIREMENT PLAN CREDITS

There are new credits available for businesses establishing a retirement plan if one was not offered during the previous 3 years and it covers at least one NHCE (non-highly compensated employee-employee who does not own more than 5% of the company and had less than \$150,000 in compensation in 2023)

Start Up Tax Credit

- 1) 100% of annual plan costs paid by employer directly to the service provider (setup, administrative and recordkeeping costs, advisory fees, etc) for 3 years
- 2) The credit for companies with less than 50 employees is the greater of \$500 or \$250 x number of eligible NHCE to the \$5,000 max. For companies with 51-100 employees the credit is 50% of the greater of \$500 or \$250 x number of eligible NHCE to the \$5,000 max.

401k, SEP, SIMPLE Contribution Credit

- 1) The lesser of \$1,000 or the actual employer contribution amount for employees earning \$100,000 or less in FICA wages
- 2) The credit is 100% for year 1 and 2, 75% for year 3, 50% for year 4 and 25% for year 5
- 3) Companies with 51 to 100 employees reduce credit by 2% for each employee over 50 employees. Example: Company with 80 employees would get 40% of contributions-100%-(2% x 30 employees).

401k Automatic Enrollment Tax Credit

- 1) Employers with less than 100 employees with at least \$5,000 in compensation in the preceding year get a \$500 credit for 3 years per return.