

MEMO# 35380

July 20, 2023

ICI Participates in Joint Letter to IRS and Treasury Requesting Transition Relief for SECURE Act 2.0 Roth Catch-Up Requirement

[35380]

July 20, 2023

TO: ICI Members

Pension Committee

Pension Operations Advisory Committee SUBJECTS: Pension

Tax RE: ICI Participates in Joint Letter to IRS and Treasury Requesting Transition Relief for SECURE Act 2.0 Roth Catch-Up Requirement

ICI recently participated in a multi-organization letter (Letter) to IRS and Treasury (attached) requesting transition relief for section 603 of the SECURE 2.0 Act.[\[1\]](#) Section 603 requires that, effective January 1, 2024, catch-up contributions by those making more than \$145,000 be made as Roth contributions in DC plans.

On the June 6, 2023, joint call of the Pension Committee and Pension Operations Advisory Committee, members agreed that ICI should seek a delay of this requirement. ICI subsequently participated in a multi-organization letter (dated June 29, 2023) to Congressional leadership on this issue.[\[2\]](#) The new Letter, signed by 50 organizations, requests that IRS/Treasury provide transition relief, until January 1, 2026, from the requirements of section 603.

Unlike the earlier letter, which highlighted need for two-year delay of the effective date of section 603 to avoid the likely result that many plan would have no choice but to eliminate all catch-up contributions, the Letter focuses on the numerous administrative hurdles to timely implementation of section 603. These administrative challenges fall not only on plan sponsors but also on payroll providers, plan recordkeepers, and other plan service providers. As the Letter details, these challenges include:

- Section 603 uses FICA wages, which is not a wages definition currently used in the retirement plan context;
- A plan would need to know the prior year's FICA wages on January 1, well before the January 31 deadline for payroll systems to report these amounts;

- Many plans will need to restructure how they administer catch-up contributions;
- IRS/Treasury have not yet issued guidance to implement section 603; and
- It will take significant time and enormous effort to update payroll, recordkeeping, and other systems to process the information required to implement section 603.

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Notes

[1] For an overview of the SECURE 2.0 Act, see ICI Memorandum No. 34795, dated January 12, 2023, available at <https://www.ici.org/memo34795>. On March 23, 2023, ICI submitted a letter to Treasury and IRS requesting guidance and relief relating to the SECURE 2.0 Act, including under section 603. See ICI Memorandum No. 35218, dated March 28, 2023, available at <https://www.ici.org/memo35218>.

[2] See ICI Memorandum No. 35365, dated July 3, 2023, available at <https://www.ici.org/memo35365>.

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