



Benefits of Pooled Plan Solutions



SMALL BUSINESS RETIREMENT PLAN CREDIT

Tax credits may help to lower the cost for some employers looking to start a new 401(k) plan!

Thanks to a provision in the federal tax code, certain employers could benefit from a retirement plan startup tax credit. The tax credit was intended to encourage employers with 100 or fewer employees to establish a retirement plan and be able to offset the startup costs associated with setting up the plan. Secure 2.0 of 2022 further increases the available credits to certain employers as outlined in the chart below¹:

Employer Size ²	Startup Cost Tax Credit	Employer Contribution Tax Credit ³
1 to 50 Employees	100% of Eligible Start-up Costs	Tax Year after adoption: • Year 1 & 2: 100% • Year 3: 75% • Year 4: 50% • Year 5: 25%
51 to 100 Employees	50% of Eligible Start-up Costs	Same as above, however phases out based upon 51+ employees
Over 100 Employees	0% of Costs	\$0
Other details	Available for the first three tax years plan is maintained. Minimum tax credit is \$500. Maximum credit is lesser of \$5,000 or \$250 times the number of eligible non-highly compensated employees. Must have at least one non-highly compensated employee. Eligible expenses for the startup tax credit include a variety of costs associated with the setup and administration of the plan.	Available for the first five tax years the plan is maintained. Maximum credit is \$1,000 per employee. This credit is only applicable to Employer contributions made on behalf of employees earning \$100,000 or less of FICA wages.

	Employer must not have maintained a 401(a), 403(b), SIMPLE or SEP plan in the three taxable years immediately preceding the tax year in which the plan is adopted.	
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Plus, employers with 100 employees or less who add an automatic enrollment feature to their plan, may be able to claim an additional tax credit of \$500 per year. This would be available for the first three tax years the plan offers an eligible automatic contribution arrangement (EACA).¹

Through a select group of strategic partnerships, we can offer business owners a solution to setup a 401(k) plan and maximize startup tax credits! **The Nevada Builders Alliance 401(k) Retirement Plan Exchange®**, gives participating employers the opportunity to offer a comprehensive retirement plan while reducing their administrative tasks and mitigating fiduciary risk.

My contact information is below if you would like to learn more about the benefits of joining the **Nevada Builders Alliance 401(k) Retirement Plan Exchange®**.

[INSERT SIGNATURE BLOCK HERE]



¹<https://www.asppa-net.org/news/>; where credit is “due”, tax credits small employer plans under SECURE 2.0, February 9, 2022.

²Defined as the number of employees who earn at least \$5,000 in compensation from that employer for the prior year.

³ If the employer maintained a 401(a), 403(b), SIMPLE, or SEP plan in the three taxable years immediately preceding the tax year in which the plan is adopted, the employer cannot take a deduction for the year of adoption but is eligible for tax credits in the next four tax years.

Retirement Plan Exchange® is a registered service mark of Transamerica. The solution is not a Multiple Employer Plan (MEP). Unlike a MEP, certain plan qualification and ERISA requirements are applied at the individual plan level. An employer participating in the plan retains certain fiduciary responsibilities, including responsibility for retaining and monitoring the 3(16) plan administrator, for determining the reasonableness of its fees, and for periodically reviewing the plan as a whole. Transamerica does not act as a 3(16) plan fiduciary.

Before adopting any plan, sponsors should carefully consider all of the benefits, risks, and costs associated with a plan. Information regarding retirement plans is general and is not intended as legal or tax advice. Retirement plans are complex, and the federal and state laws or regulations on which they are based vary for each type of plan and are subject to change. In addition, some products, investment vehicles, and services may not be available or appropriate in all workplace retirement plans. Plan sponsors and plan administrators may wish to seek the advice of legal counsel or a tax professional to address their specific situations.

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