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Secure Act 2.0
And Future Changes in 2024

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You may have heard about the passage of the SECURE Act 2.0 in December 2022, which introduced several changes to tax laws. Some of these changes have already taken effect, while others are scheduled for implementation in 2024 and beyond. Here is a summary of key modifications:

RMD Changes:

Starting January 1, 2023, the age for initiating Required Minimum Distributions (RMDs) from retirement accounts increased to 73, up from the previous age of 72.

If you turned 72 in 2023, you have the option to take your first RMD by December 31, 2024 or delay it until no later than April 1, 2025. Opting for the latter means taking two RMDs in one tax year: the first by April 1, 2025 (satisfying the 2024 requirement), and the second by December 31, 2025 (satisfying the 2025 requirement).

Starting in 2023, the penalty for failing to take an RMD decreased from 50% to 25% of the RMD amount not withdrawn. This penalty can further decrease to 10% if the IRA owner withdraws the previously untaken RMD amount and submits a corrected tax return promptly.

Beginning in 2024, Roth accounts in employer retirement plans will be exempt from RMD requirements.

In 2024, surviving spouses can choose to be treated as the deceased employee for RMD rule purposes.

From 2033 onward, the SECURE Act 2.0 pushes the RMD start age to 75 starting in 2033.

529-to-Roth IRA Rollovers:

Beginning in 2024, 529 account holders can transfer up to a lifetime limit of $35,000 to a Roth IRA for a beneficiary. This rollover is permissible and will avoid penalties only if the 529 plan has been open for at least 15 years. This strategy can be useful if the 529 is overfunded or the beneficiary doesn't need the funds for education purposes.

Mandatory Roth Catch-up Contributions for Certain Highly Paid Employees:

Effective 2026, if earnings exceed $145,000 in the prior calendar year, all catch-up contributions to a workplace plan at age 50 or older must be made to a Roth account in after-tax dollars. Individuals earning $145,000 or less (adjusted for inflation) are exempt from this Roth requirement. Originally slated for 2024, the IRS delayed this requirement to 2026, allowing retirement plan sponsors and service providers time to adapt.

Higher Catch-Up Contributions:

Starting January 1, 2025, individuals aged 60 through 63 will be able to make annual catch-up contributions of up to $10,000, indexed to inflation, to an employer-based retirement plan. For 2024, the current catch-up contribution for individuals aged 50 or over is $7,500 to an employer-based retirement plan.

IRAs $1,000 catch-up contribution limit for those aged 50 and over will be indexed to inflation starting in 2024, potentially increasing annually based on federally determined cost-of-living increases.

Student Loan Debt and Retirement Plans:

Beginning in 2024, employers can match employee student loan payments with contributions to a retirement account. Instead of matching workers' contributions to retirement accounts, participating employers match the same amount of money that workers pay toward their student loans. Employees must opt for this new benefit and make timely payments.

Qualified Charitable Distributions (QCDs):

A QCD permits individuals aged 70½ or older to donate up to $100,000 from a taxable IRA directly to one or more charities, bypassing required minimum distributions and reducing taxable income.

Since 2023, individuals choosing QCDs may make a one-time gift of up to $50,000, indexed for inflation, from their QCD to a charitable remainder unitrust, a charitable remainder annuity trust, or a charitable gift annuity.

QCD limits, capped at $100,000 per year since 2006, now increase with inflation. In 2024, the QCD limit is $105,000.

Higher SIMPLE Plan Limits for Deferrals and Catch-Ups and Nonelective Contributions:

Under current law, employers with SIMPLE plans must make annual contributions to their employees of either 2% of compensation or 3% of employee elective deferral contributions. Starting in 2024, employers can make additional contributions in a uniform manner, not exceeding the lesser of 10% of compensation or $5,000 (indexed for inflation).

Penalty-Free Withdrawal for Domestic Abuse Cases:

Effective 2024, plan participants who self-certify experiencing domestic abuse can withdraw a limited amount (the lesser of $10,000, indexed for inflation, or 50% of the participant's account) without incurring the 10% tax on early distributions. Participants have the option to repay the withdrawn amount over three years and in return will receive a refund for income taxes on the repaid funds.

Source: https://www.finance.senate.gov/download/retirement-section-by-section-

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