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Contributions

On August 25, 2023, Treasury and the IRS issued Notice 2023-62 related to the changes to catch-up contributions made by SECURE 2.0.

Isaac M. O'Bannon • Jan. 22, 2024

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The [American Institute of CPAs \(AICPA\)](#) submitted a letter to the U.S. Department of the Treasury and Internal Revenue Service (IRS) this week in response to initial guidance issued related to changes made to catch-up contributions enacted in the SECURE 2.0 Act of 2022. SECURE 2.0 requires certain catch-up contributions to be made as Roth IRA deferrals. This mandates that retirement plans permitting catch-up contributions must offer a Roth contribution feature to their plan.

On August 25, 2023, Treasury and the IRS issued Notice 2023-62 related to the changes to catch-up contributions made by SECURE 2.0. The AICPA provided comments in the following areas related to the notice:

- **Timing of application of Roth treatment to catch-up contributions and related**

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based on the number of months in 2023, to be applied to the participant in the year of recharacterization.

- **Calculation of wage limitations for employees receiving wages from more than one employer in a controlled group** – AICPA recommends that future guidance issued in relation to Section V.3 of the notice clarifies that for purposes of determining if an employee's participating wages exceeds \$145,000 (as adjusted), only wages from the employee's specific common law employer in the previous year are included, and only if it is a participating employer in the plan.
- **Potential reversal of Roth designation** – The AICPA recommends that Treasury and the IRS issue guidance stating that an individual who has deferrals characterized as Roth contributions as a result of not contributing deferrals equal to the regular limit be permitted to have them designated as regular deferrals.

These recommendations follow one of [AICPA's guiding principles of good tax policy](#) – simplicity. Simplicity in the tax system is important to both taxpayers and tax administrators and is important both to improve the compliance process and to enable taxpayers to better understand the tax consequences of transactions in which they engage in or plan to engage. Complex rules lead to errors and disrespect for the system that can reduce compliance.

“Due to the mandate in SECURE 2.0 requiring certain catch-up contributions be made on a Roth IRA basis, the IRS issued Notice 2023-62 to help implement the provision,” says Kristin Esposito, Director, AICPA Tax Policy & Advocacy. “AICPA wants to highlight certain administrability issues noticed in the guidance that we believe will make for a smoother transition.”

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