Roth Catch-Up Rule Final Regulations

Cross References

- IR-2025-91
- TD 10033

The IRS has issued final regulations addressing several SECURE 2.0 Act provisions relating to catch-up contributions. Catch-up contributions are additional contributions under a 401(k) or similar workplace retirement plan for employees age 50 or older.

The final regulations include final rules related to a SECURE 2.0 Act provision requiring that catch-up contributions made by certain higher-income participants be designated as after-tax Roth contributions.

Effective for tax years beginning after December 31, 2025, participants whose wages for the preceding calendar year exceed $145,000 can only make catch-up elective deferrals as designated Roth contributions. If the plan does not provide for a designated Roth option, then participants with wages exceeding $145,000 cannot make additional catch-up elective deferrals. This rule does not apply to SEPs or SIMPLE plans. The $145,000 threshold is indexed for inflation after 2024.

The final regulations provide guidance for plan administrators to implement and comply with the new Roth catch-up rule and reflect comments received in response to the proposed regulations issued in January.

The final regulations also provide guidance relating to increased catch-up contribution limits under the SECURE 2.0 Act for certain retirement plan participants, in particular employees between the ages of 60-63 and employees in newly established SIMPLE plans.

Effective for tax years beginning after December 31, 2024, the catch-up elective deferral limits are increased for eligible participants who attain ages 60, 61, 62, and 63 before the close of the tax year. For purposes of the 401(k)/403(b) increased catch-up limits, the adjusted dollar amount is the greater of $10,000, or 50% more than the regular catch-up amount (150% of the regular catch-up amount). For purposes of the SIMPLE increased catch-up limits, the adjusted dollar amount is the greater of $5,000, or 50% more than the regular catch-up amount (150% of the regular catch-up amount). The new law also adjusts the indexing calculations for the age 60 through 63 catch-up limits for tax years beginning after 2025.

Final regulations differ from the proposed regulations. While the final regulations generally follow the proposed regulations, changes were made in response to comments received on the proposed regulations. For example, the final regulations permit a plan administrator to aggregate wages received by a participant in the prior year from certain separate common law employers in determining whether the participant is subject to the Roth catch-up requirement.

In addition, the final regulations include changes to certain provisions in the proposed regulations, including those relating to:

- Correction of a failure to comply with the Roth catch-up requirement,
- Implementation of a deemed Roth election, and
- Plans that cover participants in Puerto Rico.

Final regulations generally apply in 2027. The provisions in the final regulations relating to the Roth catch-up requirement generally apply to contributions in taxable years beginning after December 31, 2026. However, the final regulations provide a later applicability date for certain governmental plans and plans maintained under a collective bargaining agreement. The final regulations also permit plans to implement the Roth catch-up requirement for taxable years beginning before 2027 using a reasonable, good faith interpretation of statutory provisions. The final regulations do not extend or modify the administrative transition period provided under Notice 2023-62, which generally ends on December 31, 2025.