

From proposal to policy:

IRS finalizes awaited SECURE 2.0 catch-up regulations

On September 16, 2025, the Department of the Treasury and the Internal Revenue Service (IRS) published the long-awaited final regulations impacting key catch-up contribution provisions of the SECURE 2.0 Act.

These regulations mark a significant shift in retirement plan administration, particularly for higher-income earners ages 50 and older. Among the most notable changes is the requirement, starting in 2026, that catch-up contributions be made as Roth for certain individuals. The final regulations provide detailed guidance for plan sponsors navigating compliance, corrections, and participant elections associated with Roth catch-up and clarify increased catch-up contribution limits for individuals ages 60 to 63. The final regulations reflect public feedback and aim to balance statutory mandates with administrative flexibility, offering a clearer path forward for both plan sponsors and participants.

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Roth catch-up contribution key takeaways

Beginning January 1, 2026, employees ages 50 and older who earned more than \$145,000 in FICA wages in the prior calendar year from the employer sponsoring the plan must make catch-up contributions on a Roth (after-tax) basis. Previously, catch-up contributions could be made on either a pre-tax or Roth basis depending on the plan's structure. This requirement applies to 401(k), 403(b), and governmental 457(b) plans. The Roth catch-up mandate generally applies to SIMPLE IRAs and SEPs but with varying rules that are not discussed in this article.

While the final regulations generally follow the proposed regulations, they make several important changes in response to public comments and provide much-needed clarity for the implementation of Roth catch-up. It is important to note that the effective date of January 1, 2026, for the Roth catch-up provision is not affected by the final regulations.

What remains unchanged from the proposed regulations

- **Effective date:** Generally, the required Roth catch-up contribution provision under SECURE 2.0 **remains effective as of January 1, 2026, and the issuance of the final regulations does not alter this deadline.** Plan sponsors must ensure compliance with the Roth catch-up requirement by this date. While the final regulations formally take effect in 2027, sponsors may rely on a reasonable, good faith interpretation of the regulations throughout 2026.

There are two key exceptions to the general applicability timeline:

- **Collectively bargained plans:** For plans maintained pursuant to a collective bargaining agreement, the effective date is the later of:
 1. The first taxable year beginning after December 31, 2026; or
 2. The first taxable year beginning after the expiration of the collective bargaining agreement in effect as of December 31, 2025.
- **Multiemployer plans:** For these plans, the Roth catch-up requirement becomes effective in the first taxable year following the expiration of the current collective bargaining agreement.
- **Governmental 457(b) plans:** For these plans, the Roth catch-up requirement is effective for taxable years beginning after the later of the first taxable year beginning after December 31, 2026, or the first taxable year beginning after the close of the first regular legislative session of the legislative body, with authority to amend the plan that begins after December 31, 2025.

- **Plans that do not offer Roth contributions:** Consistent with the proposed regulations, the final regulations confirm that a plan can continue to offer catch-up contributions even if it does not allow Roth contributions. However, plans that allow catch-up contributions without a Roth contribution option must ensure that Roth catch-up required participants do not make any catch-up contributions at all after January 1, 2026. These plans will not violate the universal availability rules or nondiscrimination testing.
- **Plans cannot require all catch-up contributions to be Roth:** A plan cannot avoid the required Roth catch-up contribution provision by requiring that all catch-up contributions be made as Roth contributions.

Key changes between the proposed and final regulations

- **FICA wage definition:** The final regulations define Roth catch-up required participants as those ages 50 and older who earned more than \$145,000 in FICA wages during the prior calendar year from the employer sponsoring the plan. For this purpose, wages are defined under Internal Revenue Code (IRC) Section 3121(a)—specifically, Social Security wages reported in Box 3 of Form W-2. To determine whether a participant exceeds the wage threshold, the regulations offer flexibility in aggregating wages across affiliated employers or when a common paymaster is used, allowing plan sponsors to tailor their approach based on organizational structure.
- **Deemed Roth election:** Consistent with the proposed regulations, the final regulations permit plans to implement a “deemed” Roth election. Under this approach, once a Roth catch-up required participant elects to make pre-tax contributions, those contributions may automatically be treated as Roth catch-up after the participant reaches the pre-tax 402(g) limit. Participants must be given an “effective opportunity” to choose a different election. However, key clarifications for the deemed Roth election include:
 - Separate election plans may treat catch-up elections as Roth even if the contributions ultimately do not qualify as catch-up.
 - Plans may apply the deemed Roth rule once pre-tax or combined pre-tax and Roth contributions reach the 402(g), 415, or other plan limit.
 - If a participant’s status changes and they are no longer subject to the Roth catch-up requirement, deemed Roth elections must cease within a reasonable period, though the term is not explicitly defined.
 - Plans must implement the deemed Roth election to utilize special correction methods, such as W-2 corrections or in-plan Roth conversions.
 - No additional information was given on “effective opportunity” to opt out for deemed Roth participants; it is based on facts and circumstances.

- **Correction methods for Roth catch-up failures:** The final regulations provide more flexibility in correcting Roth catch-up errors. Unlike the proposed regulations, which required uniform correction methods for all participants, the final regulations allow sponsors to apply corrections to similarly situated participants. Additional guidance includes:
 - No correction is required for failures involving less than \$250 or those resulting from a late amended W-2.
 - Correction deadlines have been extended but vary by type of failure:
 - For statutory failures, corrections generally must be completed by the end of the taxable year following the year of deferral.
 - For plan limit or Actual Deferral Percentage failures, corrections must be completed by the end of the plan year following the year of deferral.
 - If a participant mistakenly made pre-tax catch-up contributions and was fully paid out before correction, no further action is required, though the excess amount is not eligible to be rolled over.
 - If the Roth in-plan conversion correction method is used and the amount is distributed within five taxable years, the five-year recapture rule will apply and may be subject to a 10% excise tax.
- **Dual-qualified Puerto Rico plans:** Under the proposed regulations, dual-qualified Puerto Rico plans would have been required to offer after-tax contributions to Puerto Rico Roth-required participants because Roth contributions are unavailable under the Puerto Rico tax code. The final regulations reversed this position and confirmed that **dual-qualified Puerto Rico plans are not required to comply with the Roth catch-up mandate at this time.** Participants in these plans will not be subject to the Roth catch-up requirement until the Puerto Rico tax code is amended to permit Roth contributions.
- **Roth in-plan conversions:** The regulations clarify that Roth in-plan conversions do not count toward the Roth catch-up contribution limit.
- **403(b) plan catch-up rules:** The regulations confirm that the special catch-up rules for 403(b) plans are not subject to the Roth catch-up requirement.
- **Midyear change to safe harbor plans:** The final regulations confirm that a plan amendment made pursuant to the required Roth catch-up provision is not a prohibited midyear change to a safe harbor plan.

Higher catch-up contribution limit key takeaways

The final regulations also address the increased catch-up contribution limit for individuals ages 60 to 63, effective in 2025. This provision remains largely unchanged from the proposed regulations.

What stayed the same

Higher catch-up remains optional:

The final regulations confirm that plans allowing catch-up contributions for employees ages 50 and older are *not required* to offer higher catch-up contributions for employees ages 60 to 63. However, if a plan offers the higher catch-up limit, the plan must be amended even if the plan document incorporates catch-up contributions by reference to the IRC Section 414(v).

Additionally, if a plan chooses to provide higher catch-up contributions, it must generally offer them to all eligible participants under the universal availability rule, with one exception: Plans may exclude collectively bargained employees and nonresident aliens. Therefore, a plan could permit only non-collectively bargained employees ages 60 to 63 to make higher catch-up contributions without violating the universal availability rule.

What changed

Interaction of SIMPLE IRA limits: The final regulations clarify confusion around higher catch-up contribution limits for SIMPLE plans sponsored by an employer with 25 or fewer employees. SECURE 2.0 references two contribution limits for employees: 110% of limits that otherwise apply and the higher catch-up limit for participants ages 60 to 63. The IRS confirms that a SIMPLE plan cannot offer both of these limits. If a plan elects to apply the 110% rule, it cannot also allow for the even higher contribution limit for those ages 60 to 63.

The final regulations will become effective 60 days after publication in the Federal Register on November 16, 2025.