



Mandatory Roth Catch-Up Q&A

Retirement Plan Limits	2026	2025	2024	2023	2022
Elective contribution limit for 401(k), 403(b) and most 457 plans	\$24,500	\$23,500	\$23,000	\$22,500	\$20,500
Catch-up contribution limit for 401(k), 403(b) and most 457 plans (employees over the age of 50)	\$8,000	\$7,500	\$7,500	\$7,500	\$6,500
Catch-up contribution limit for 401(k), 403(b) and most 457 plans (for employees ages 60 - 63)	\$11,250	\$11,250			
Defined contribution limit under Section 415(c)(1)(A)	\$72,000	\$70,000	\$69,000	\$66,000	\$61,000
Annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii)	\$360,000	\$350,000	\$345,000	\$330,000	\$305,000
Annual compensation limit for highly compensated employees	\$160,000	\$160,000	\$155,000	\$150,000	\$135,000
Defined benefit limit under Section 415(b)(1)(A)	\$290,000	\$280,000	\$275,000	\$265,000	\$245,000
Annual compensation limit for key employees	\$235,000	\$230,000	\$220,000	\$215,000	\$200,000
Individual Retirement Account (IRA)	\$7,500	\$7,000	\$7,000	\$6,500	\$6,000
Individual Retirement Account (IRA) Catch-up	\$1,100	\$1,000	\$1,000	\$1,000	\$1,000
Roth catch-up wage threshold	\$150,000				

General Questions

When does the mandatory Roth catch-up provision under SECURE 2.0 take effect?

- Effective January 1, 2026, the mandatory Roth catch-up contributions will be required for employees with over \$150,000 of 2025 Federal Insurance Contributions Act (FICA) wages.



Can employers require all catch-up contributions to be Roth?

- No, IRS guidance prohibits requiring all employees to make Roth catch-up contributions.

If a plan does not offer Roth deferrals, must catch-up contribution be eliminated for all participants?

- No, under SECURE 2.0, employees with prior-year wages over \$150,000 must make Roth catch-up contributions. If the plan does not permit Roth deferrals, these employees cannot make catch-up contributions. However, employees below the \$150,000 threshold may continue making pre-tax catch-up contributions.

What is the impact of the employer match on Roth catch-up contributions?

- The impact depends on the employer's matching formula and whether catch-up contributions are eligible for a match. Even if the employee's catch-up contribution is Roth, the employer match is still contributed on a pre-tax basis.

FICA Wage Limit

If an employee works for two legal entities within our organization, is the \$150,000 threshold based on combined wages?

- FICA wages are reported separately by each legal entity, even if they are within one organization. Typically, the threshold is based on wages from the employer sponsoring the plan. If the plan aggregates compensation across related employers, combined wages may apply.

Can commission-based employees be eligible one year but not another?

- Yes, commission-based earnings can fluctuate, affecting eligibility year to year.

Catch-Up Election Methods

Does a spillover election automatically switch participants to Roth catch-up contributions once the standard limit is reached?

- Yes, a spillover election directs deferrals above the \$24,500 402(g) limit into catch-up contributions. Under SECURE 2.0, plans may implement a deemed Roth election for employees older than 50 with prior-year FICA wages over \$150,000.

What if a high earner continues making pre-tax contributions?

- Employers must correct errors, typically by reclassifying contributions as Roth and adjusting



payroll records. This process may require issuing corrected tax forms and amended tax returns.

What are the key difference(s) between a spillover and deemed Roth?

- Spillover means excess contributions automatically become catch-up.
- Deemed Roth means catch-up contributions automatically designated as Roth for high earners.

Contributions

Can Roth contributions count as catch-up?

- Yes, Roth contributions can count as catch-up, but only if the plan document specifies that catch-up applies after combined pre-tax and Roth deferrals reach the limit (\$24,500 in 2026). Therefore, if the plan states that the deemed Roth election applies only after the participant's combined pre-tax and Roth deferrals reach the limit, the Roth deferrals would already be accounted for and would not be counted as Roth catch-up contributions.

Testing Implications/Correction Methods

Which funds are returned first during annual non-discrimination testing, pre-tax elective deferrals or Roth elective deferrals?

- Fund return timing varies in plan documents. Please refer to your plan document for the order of sources used for excess contribution refunds.

Payroll Provider

What issues arise if payroll does not separate pre-tax and Roth elections?

- If payroll systems do not maintain separate elections for pre-tax and Roth contributions, it can lead to significant compliance and reporting problems. Misclassification may result in incorrect tax withholding and inaccurate Form W-2 reporting. This is especially critical for high earners subject to the Roth catch-up requirement under SECURE 2.0. Failure to separate these elections can also make corrections more complex, often requiring amended payroll records and tax forms. To avoid these issues, employers should ensure that payroll systems clearly distinguish between pre-tax and Roth contribution sources and coordinate with their recordkeeper for proper setup.

Sources:

www.congress.gov/bill/117th-congress/house-bill/2617

www.irs.gov/pub/irs-drop/n-23-62.pdf



www.irs.gov/newsroom/treasury-irs-issue-final-regulations-on-new-roth-catch-up-rule-other-secure-2point0-act-provisions

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