

# Automatic Enrollment Credit

The automatic enrollment tax credit is designed to encourage small businesses to adopt automatic enrollment features in their retirement plans by offsetting the costs associated with implementing and maintaining a 401(k) plan.

By encouraging companies to implement automatic enrollment features, lawmakers hope to increase the number of employees actively participating in retirement plans.



The Setting Every Community Up for Retirement Enhancement (SECURE) Act 2.0 brought significant changes to retirement planning, including introducing a tax credit for plans that have an automatic enrollment feature. Here is an overview of the provision:

## Amount of tax credit

**Eligible employers can claim \$500 per year for three years**, beginning with the first taxable year that the employer includes an automatic enrollment feature in their 401(k) plan.

*Plan years prior to 2020 are not eligible for the tax credit. To claim the credit in the second and third year, the employer must include the same eligible automatic enrollment arrangement during any part of the applicable tax years.*

**Effective date:** Plan years after December 31, 2019

For additional questions and to learn how the automatic enrollment tax credit can help your worksite employees save for retirement, please consult a qualified professional legal, financial and/or tax advisor.

Go to <https://www.irs.gov/forms-pubs/about-form-8881> for instructions and the latest information.

## Employer eligibility

Businesses meeting these criteria may be eligible to receive a tax credit:

- Business with 100 employees or fewer in its controlled group. *Employees who made less than \$5,000 for the prior year are not counted in 100 employee limitation.*
- Business adopts an Eligible Automatic Contribution Arrangement (EACA).\*
- Business did not previously maintain an EACA arrangement.

\* Most Adopting Employers of the ADP TotalSource Retirement Savings Plan (the "Plan") who have an automatic enrollment provision in their Plan meet the requirements of EACA.

ADP, the ADP logo, ADP TotalSource and Always Designing for People are trademarks of ADP, Inc. Copyright © 2024. All rights reserved.

The information contained in this flyer is intended to summarize at a high level the Automatic Enrollment Credit. It is not intended to provide a full description of the provision.

The information contained in this flyer does not serve, either directly or indirectly, as legal, financial or tax advice and you should always consult a qualified professional legal, financial and/or tax advisor when making decisions related to your specific situation.

Plan administrative services provided by Voya Institutional Plan Services, LLC (VIPS), a member of the Voya® family of companies.

3526952\_0724 ©2024 Voya Services Company. All rights reserved.

