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Torrillo & Associates

Benefit Plan Audit Specialists

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SECURE 2.0 Impact on Forms W-2



The Internal Revenue Service reminds businesses that starting in tax year

2023 changes under the SECURE 2.0 Act may affect the amounts they need to report on their Forms W-2.

The SECURE 2.0 Act allows for additional features in various employer retirement plans to encourage use of these plans. The provisions potentially affecting Forms W-2 (including Forms W-2AS, W-2GU and W-2VI) are:

- De minimis financial incentives (Section 113 of the SECURE 2.0 Act),
- Roth Savings Incentive Match Plan for Employees (SIMPLE) and Roth Simplified Employee Pension (SEP) Individual Retirement Arrangements (IRAs) (Section 601 of the SECURE 2.0 Act), and
- Optional treatment of employer nonelective or matching contributions as Roth contributions (Section 604 of the SECURE 2.0 Act).

De minimis financial incentives

The SECURE 2.0 Act made changes designed to encourage employees to contribute to their employers' 401(k) or 403(b) plans. These changes allow employers to offer small financial incentives to employees who choose to participate in these retirement savings arrangements.

If an employer offers such an incentive, it's considered part of the employee's income and is subject to regular tax withholding unless there's a specific exemption. For more information, refer to Questions and Answers D-1 through D-6 in [Notice 2024-2](#), published in the Internal Revenue Bulletin.

Roth SIMPLE and Roth SEP IRAs

Under section 601 of the SECURE 2.0 Act, an employer that maintains a SEP or SIMPLE IRA plan can offer participating employees the option to designate a Roth IRA as the IRA to

which contributions under the arrangement or plan are made. For more information, refer to Questions and Answers K-1 through K-8 in [Notice 2024-2](#), published in the Internal Revenue Bulletin.

Salary reduction contributions to a Roth SEP or Roth SIMPLE IRA are subject to federal income tax withholding, the Federal Insurance Contributions Act (FICA) taxes and the Federal Unemployment Tax Act (FUTA) taxes. These contributions should be included in boxes 1, 3 and 5 (or box 14 for railroad retirement taxes) of [Form W-2](#). They'll also be reported in box 12 with code F (for a SEP) or code S (for a SIMPLE IRA).

Employer matching and nonelective contributions to a Roth SEP or Roth SIMPLE IRA are not subject to withholding for federal income tax, FICA taxes or FUTA taxes. These contributions must be reported on Form 1099-R for the year in which the contributions are made to the employee's Roth IRA. The total amounts are listed in boxes 1 and 2a of Form 1099-R with code 2 or 7 in box 7, and the IRA/SEP/SIMPLE checkbox is checked.

Designated Roth nonelective contributions and designated Roth matching contributions

Under section 604 of the SECURE 2.0 Act, plans can allow employees to designate certain matching and nonelective contributions made after Dec. 29, 2022, as Roth contributions. These contributions are not subject to withholding for federal income tax. In addition, these contributions generally are not subject to withholding for Social Security or Medicare tax. However, for designated Roth nonelective contributions (including contributions that would be treated as matching contributions if the plan were a qualified plan) that are made to a governmental section 457(b) plan, refer to Question and Answer Q&A L-7 in [Notice 2024-2](#), published in the Internal Revenue Bulletin.

Unlike regular Roth contributions, designated Roth nonelective

and matching contributions must be reported on Form 1099-R for the year in which they're allocated to an individual's account. They're reported in boxes 1 and 2a of Form 1099-R, and code "G" is used in box 7. For more information, refer to Questions and Answers L-1 through L-11 in [Notice 2024-2](#).

Form W-2 or Form 1099-R reporting

As described above, the reporting requirements that apply to contributions made to a Roth IRA under a SEP arrangement or SIMPLE IRA plan, or to a designated Roth account under an applicable retirement plan, depend on the type of contribution made. The table below summarizes these reporting requirements. For more information, refer to the 2024 General Instructions for Forms W-2 and W-3 and the 2024 Instructions for Forms 1099-R and 5498.

	Roth IRA under a SEP Arrangement or SIMPLE IRA Plan	Designated Roth account under an applicable retirement plan
Form W-2 Reporting	Include salary reduction contributions in boxes 1, 3, and 5 (or box 14 if railroad retirement taxes apply) of Form W-2. Report them in box 12 using code F (for a SEP) or code S (for a SIMPLE IRA).	Include designated Roth contributions (made in lieu of elective deferrals) in boxes 1, 3, and 5 (or box 14 if railroad retirement taxes apply) of Form W-2. Report them in box 12 using code AA (for a section 401(k) plan), BB (for a section 403(b) plan), or EE (for a governmental section 457(b) plan).
Form 1099-R Reporting	Report matching or nonelective contributions in boxes 1 and 2a of Form 1099-R for the year in which the contributions are made to the Roth IRA, using code 2 or 7 in box 7, and the IRA/SEP/SIMPLE checkbox in box 7 checked.	Report designated Roth matching contributions or designated Roth nonelective contributions in boxes 1 and 2a of Form 1099-R for the year in which the contributions are allocated to the individual's account, using code G in box 7.

Reminder

Businesses can now complete and print various copies (excluding Copy A) of Forms W-2 (including Forms W-2AS, W-2GU and W-2VI) on IRS.gov for recipients. Any information entered on one copy (excluding Copy A) will automatically appear on the others. Copy A cannot be completed online to print and file with the Social Security Administration.



If a business filed 2023 Forms W-2 without following these new guidelines, they may need to file [Form W-2c](#) to correct any errors. Refer to the General Instructions for Forms W-2 and W-3 for details on when and how to file Form W-2c.



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Who We Are

Torrillo & Associates, LLC specializes in employee benefit plan audits including 401k audits, 403b audits, pension plan audits, and other retirement plan audits. We are licensed in 10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

Recent Articles

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