

## — SECURE 2.0

# Military Spouse Retirement Plan Eligibility Credit for Small Employers

The **SECURE 2.0 Act** gives certain employers a general business tax credit for immediately including military spouses in their defined contribution plan.

Because military families may move repeatedly throughout a servicemember's career, spouses may have to wait to become eligible to participate in a plan at each new location. This can cut into long-term retirement savings. To help level the playing field for military spouses, employers may choose to take advantage of this new credit available under SECURE 2.0.

## Eligible Employers

- Employers that had 100 or fewer employees who received at least \$5,000 of compensation from the employer in the previous year are "eligible small employers."
- Employers with a defined contribution plan, including a 401(k) or 403(b) plan.



## Credit Amount

- Eligible employers may earn a \$200 credit for each military spouse that participates in the plan.
- Another credit (up to \$300) applies to employer contributions (not elective deferrals) made to each military spouse.
- The credit applies for each of the first three tax years in which a military spouse participates in the employer's eligible defined contribution plan.

## Credit Timing

- Eligible employers may claim this credit for any tax year that begins after December 29, 2022, even if the three-year credit period started in a prior tax year or if the military spouse participated in a defined contribution plan of the employer before the plan became an eligible defined contribution plan.



## Military Spouses

- The eligible employee must be married to a member of the uniformed services who is serving on active duty.
- The employer may rely on the employee's certification that the spouse is a servicemember (such certification must include the spouse's name, rank, and service branch).
- Individuals that are "highly compensated employees" are not considered eligible military spouses. (This includes employees who earn more than \$155,000 in 2024, along with certain owners.)

## Other Requirements

- Military spouses must be eligible to participate in the plan within two months after their start date with the employer.
- Once eligible, they are immediately eligible to receive at least the same amount of employer contributions that a similarly situated participant (who is not a military spouse) would be eligible to receive after two years of service.
- All employer contributions to military spouses are 100% vested.

*Employers using this credit should seek competent tax advice.*

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