

Retirement Plan Startup Tax Credit for Small Businesses

What is the Retirement Plans Startup Costs Credit?

Setting up a retirement plan doesn't just help your employees prepare for the future—it can also provide your business with valuable tax savings. This federal tax credit helps eligible small businesses offset the costs of starting a retirement plan, such as a 401(k), SEP, or SIMPLE IRA.



Eligible Expenses

Plan Setup and Administration

- Fees to establish or administer the plan
- Costs paid to financial institutions, third-party administrators, or plan consultant

Employee Education:

- Materials or services to educate employees about plan features and benefits
- Workshops, online tools, or support sessions



Ineligible Expenses

- Employer contributions to employee accounts
- Ongoing costs after the first 3 years
- Internal business labor (e.g. owner or staff time not billed externally)



Who Qualifies?

You may qualify if:

- You have 100 or fewer employees, each earning at least \$5,000
- You had no retirement plan in place in the previous 3 years
- At least one non-highly compensated employee participates in the new plan.



How Much Is The Credit?

- 50% of eligible startup costs
- Up to **\$5,000 per year** for the first **3 years**
- Minimum credit: **\$500** (if at least one employee is covered)

Additional Credit for Contributions (SECURE 2.0 Act):

- Additional credit of up to **\$1,000 per employee** for employer contributions
- Available for businesses with **50 or fewer employees**
- Phaseouts begin for businesses with **51-100 employees**

Start building retirement security for your team while saving on taxes. This credit can significantly reduce your cost of offering a plan, a win-win for your business and your employees.

For more personalized advice, please consult your financial advisor or tax professional.

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