

Contributions Limits Increased for SIMPLE Plans

Employers that sponsor a SIMPLE plan may allow increased salary deferral limits for their employees, starting in tax year 2024. Eligible employers include those who did not offer a 401(a), 403(a), or 403(b) plan to the same employees during a three-taxable-year period preceding the year that they established the SIMPLE 401(k) or SIMPLE IRA plan.

The increased contribution limits automatically apply for employers with no more than 25 employees who earned \$5,000 or more for the previous year, regardless of whether they have otherwise met plan eligibility requirements.

For employers with 25 or fewer employees who received at least \$5,000 in compensation for the preceding year, the annual deferral and catch-up contribution limits will be automatically increased to 110% of the respective limits for 2024 (these amounts will be indexed for inflation starting in 2025).

Eligible employers with 26-100 employees, may also elect to have the increased limits apply. If they do, the employer must provide increased employer contributions (e.g., a four percent matching contribution or a three percent nonelective contribution). The employer must document their decision to permit the increased contribution limits, include the election in the plan document, and notify employees of the election. The election to permit the increased contribution limits will remain valid until the employer formally revokes the election.



SIMPLE 401(k) and SIMPLE IRA Plan Increased Deferral Limits

	2024 Deferral Limit	Catch-Up Contribution for SIMPLE Account Owners Age 50 and Older
Defined limit	\$16,000	\$3,500
Increased limit	\$17,600	\$3,850

Employers must generally notify each employee of the increased limits immediately before the employee's 60-day deferral election period (at least 61 days before the start of the plan year).

Two-Year Grace Period

This guidance provides a two-year grace period for employers whose number of employees increases to more than 25 who received at least \$5,000 in compensation for the preceding year. The employer may continue to apply the automatic increased limits for two years without having to provide additional employer contributions associated with an elective increase in contributions.

Example

If an employer had 24 employees for 2024, and the number of employees increased to 25 in 2025 and 2026, they can continue to apply the higher deferral and catch-up limits to their SIMPLE 401(k) or SIMPLE IRA plan for 2025 and 2026 without having to make an additional match or nonelective contribution.



Additional Nonelective Contribution in 2024

Beginning in 2024, SECURE 2.0 allows employers to make additional nonelective contributions to eligible employees in a uniform manner, provided that the contribution does not exceed the lesser of up to 10 percent of compensation or \$5,000 annually (indexed for inflation). The decision to make additional nonelective contributions is optional and if made, will be in addition to any employee deferrals and any required employer contributions to a SIMPLE 401(k) or SIMPLE IRA.

Additional Catch-up Contribution Limit in 2025

Beginning in 2025, the catch-up contribution limit for SIMPLE 401(k) and SIMPLE IRA owners age 60, 61, 62, and 63 will increase to the greater of \$5,000 or 150 percent of the catch-up amount, indexed for inflation.

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