The PRS Report

VOLUME 34, ISSUE 2

NOVEMBER 2025

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CLIENT REFERRAL PROGRAM:

If a client you recommend to us becomes our client, you can receive a 10% discount on annual services for every year they remain a client

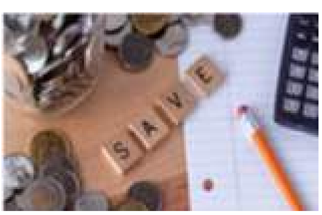
Year-End Reminders and Important Deadlines…

Our annual list of year-end reminders and important deadlines follows. Contact us if you have any questions regarding any of the items listed. Many of the dates refer to calendar-year plans and adjustments may be necessary for non–calendar year plans.

Year-End Reminders

ITEM	DISCUSSION
New Plans 	Now is the time to launch discussions on available options for new pension plans. For a new plan to be effective for this tax year, it must be adopted by the business tax filing deadline. Employers who adopt a new plan with at least one non-highly compensated participant may be able to take credits on their tax returns to defray some (sometimes even a large chunk) of the costs new plans incur, including employer contributions to profit sharing and 401(k) plans. There are two types of tax credits available. The 2017 Tax Cuts and Jobs Act, now made permanent by the tax bill passed by Congress on July 4, 2025, allows "pass-through" businesses to potentially qualify for the 20% deduction on Qualified Business Income (QBI). Adopting a new pension plan can lower your ordinary business income so as not to exceed the threshold for qualifying for this benefit.
New York Secure Choice 	The New York Secure Choice Program launched on October 8, 2025. **All businesses in New York State that have been in existence for at least two years and have 10 or more employees must <u>either</u> sponsor a qualified pension plan or register with New York State to start a Secure Choice Plan.** The Secure Choice plan is a Roth IRA automatic enrollment plan with a maximum yearly contribution in 2025 of \$7,000 for those 49 years old and younger and \$8,000 for those 50 years old and older. The employer's responsibility involves registering the company, entering the employee information, and facilitating the processing of employee contributions through payroll. Facilitating the payroll deductions, possibly changing them yearly can be a cumbersome task. If you already have a qualified pension plan (you do if you are our client), you cannot have a New York Secure Choice Plan. If you do not sponsor a qualified plan, now is the time to look into adopting one for either 2025 or 2026. Adopting a qualified pension plan (profit sharing, 401(k), or defined benefit plans) allows for additional opportunities or benefits for plan participants, particularly for owners. There are much higher contributions allowed and opportunities to maximize the contributions of owners in relation to their employee base as long as certain testing requirements are met. We design qualified pension plans to align with your goals and employee demographics.

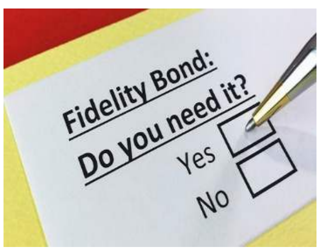
Year-End Reminders (continued)

ITEM	DISCUSSION
Plan Amendments and Contributions 	If it is desired to amend a pension or profit sharing plan, then the plan has to be amended prior to the plan's year-end. If it is desired to decrease a pension plan benefit or contribution formula, then generally an advance notice prior to participants accruing their benefits is required. Generally, for a calendar year pension plan, which is also a small plan, the participant notice describing a benefit decrease has to be distributed at least 15 days prior to the effective date. Because a profit sharing plan's contribution is usually discretionary, this latter requirement generally does not apply to profit sharing plans.
Safe Harbor 401(k) Notices 	Since many of the Safe Harbor 401(k) plans we provide services for are plans in which the employer has the option before December 1st of the current year to decide whether or not to make a safe harbor non-elective contribution of 3% for the current year, annual notices must still be distributed to eligible employees. Notices for 401(k) plans with safe harbor matches are also still required. These notices, which we will provide to you, must be distributed between 30 and 90 days before the end of the current plan year. For those plans where the 3% non-elective safe harbor contribution is not optional, annual notices are no longer required.
401(k) Salary-Reduction Elections 	Participant 401(k) and Cafeteria Plan elections generally have to be made prior to the beginning of the plan year. Before the end of 2025, plan sponsors should confirm that election options for 2026 have been communicated and participant elections have been made in writing. Should the IRS or the Department of Labor (DOL) audit your plan, they will ask to see copies of the completed Salary Election Forms. If you are unable to show these completed Salary Elections Forms to auditors, the IRS or the DOL may well conclude that the option to withhold 401(k) was never offered to employees. The result could be required employer contributions to these employees. **We cannot emphasize enough the importance of not only distributing Salary Deferral Election Forms each year before the beginning of the next plan year, but also of receiving all of the Forms back, including from those who have declined electing 401(k).** Note that premiums paid by individuals for individual health insurance coverage obtained on the Individual Exchanges mandated by the Affordable Care Act are not eligible for pre-tax treatment under cafeteria plans.

Year-End Reminders (continued)

ITEM	DISCUSSION
401(k) Catch-up Contribution Elections for Participants 	**Aged 60 through 63:** Those participants who attain age 60 through 63 years old in 2026 and who make catch-up 401(k) contributions up to the limit allowed ($7,500 in 2025, the 2026 limit not yet announced) will be able to defer the greater of $10,000 or 150% of the 2026 catch-up limit (indexed for inflation after 2025). If the limit for 2026 is the same as for 2025, then these participants in 2026 will be able to contribute up to $11,250 in catch-ups. Our next newsletter will list the 2026 catch-up limit. **Mandatory Roth Catch-Ups:** Those participants who make Catch-up 401(k) contributions and whose prior year FICA wages are in excess of $145,000 are required in 2026 to make their catch-ups as Roth (post-tax) contributions. Payroll providers will need to have a deduction category available, named Roth 401(k) for example, so that pay is taxed correctly. Likewise, recordkeepers and TPAs will maintain Roth 401(k) amounts separately so that, upon distribution, these monies are not taxed. **These new requirements are going to pose a significant challenge to plan sponsors, payroll providers, recordkeepers, and TPAs. If not adhered to, corrections, always burdensome, will have to be made.**
Participant-directed Investments 	If participants self-direct their plan investments, then these investments should be reviewed for suitability no less often than annually. It is the plan administrator's fiduciary responsibility to provide appropriate investment choices. It is also the plan administrator's responsibility to provide both annual and quarterly notices to the participants. Often, it is the plan's recordkeeper that provides these notices. Be sure those notices comply with the fee disclosure regulations.
Retirement Plan Distribution Withholding and Reporting Requirements 	Form 945 is used to report distribution income-tax withholding and Form 1099-R is used to report retirement plan distributions to participants for tax purposes and to the IRS. We now directly send out the participant copies of Form 1099-R, and we electronically file the form with the IRS. Generally, your accountant or bookkeeper will prepare Form 945. If asked, we can prepare the Form 945 for a nominal fee. The Trust should have a Trust Identification Number (TIN) which is different from the Corporate Employer Identification Number (EIN). The TIN should be used to report plan distributions and as the identification number for asset accounts. If the Trust does not have a separate number, please notify us so that we can apply for one. Please note that you must use the Electronic Federal Tax Payment System (EFTPS) to make your plan distribution withholding tax deposits. If you don't have an EFTPS account under the TIN, then you must establish one.

Year-End Reminders (continued)

<table>
<tr><th>ITEM</th><th>DISCUSSION</th></tr>
<tr><td>Required Minimum Distributions
</td><td>Required minimum distributions (RMDs) from all qualified plans normally have to be taken by December 31st of each year. The SECURE 2.0 Act legislated that RMDs be taken at age 73 instead of at age 72. Because the RMD requirements are complicated and because there is an excise tax (10% - 25%, depending on when RMD is taken) for the amounts not taken which should have been, we suggest that you contact us if you have any questions.</td></tr>
<tr><td>Fidelity Bond
</td><td>Except for one-participant plans or plans eligible to file a Form 5500-EZ, ERISA requires that every fiduciary of an employee benefit plan and every person who handles funds or other property of a plan be bonded.

The amount of the bond is generally 10% of the funds handled unless the assets are non-qualifying assets, in which case the fidelity bond must be for 100% of the funds handled. The coverage requirement is determined at the beginning of each year and may have to be updated. You can obtain a bond from your casualty broker.</td></tr>
<tr><td>Beneficiary Election Forms
</td><td>Each plan participant should be reminded that Beneficiary Election Forms should be updated by completing a new Form under certain circumstances. Examples of when new forms should be completed are as follows:

1. A participant whose marital or family status has changed since last completing a Beneficiary Election Form should complete a new form.

2. A married participant, having attained age 35 since last completing a Beneficiary Election Form, should complete a new Form.

3. A participant who has changed his estate plans since last completing a Beneficiary Election Form may want to complete a new Form.

Please note that the Plan Sponsor is responsible for maintaining their employees' Beneficiary Forms.</td></tr>
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Important Deadlines

EVENT	DEADLINE
Safe Harbor 401(k) Plan annual notice, when required:	Between October 1st and December 1, 2025*
2026 401(k) elections by:	December 31, 2025*
2026 Cafeteria Plan elections by:	December 31, 2025*
2026 PBGC premiums:	October 15, 2026*
Filing of 2025 Form 945 by:	February 2, 2026
Filing of participant copy of 2025 Form 1099-R by:	January 31, 2026
Filing of IRS copy of 2025 Form 1099-R by:	March 31, 2026 if electronically filed
Certain participants who attained age 73 prior to 2025 must take their 2025 minimum required distributions by:	December 31, 2025
A participant who attained age 73 during 2025 has to take IRA (non-Roth) minimum-required distribution and qualified-plan minimum-required distribution by:	April 1, 2026

**Dates shown are for calendar year plans*

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