TaxNewsFlash

United States

No. 2024-016
January 12, 2024

# Notice 2024-22: Initial guidance on pension-linked emergency savings accounts

The IRS today released Notice 2024-22 [PDF 130 KB] providing guidance regarding anti-abuse rules under section 402A(e)(12) to assist in the implementation of section 127 of the SECURE Act 2.0 (signed into law on December 29, 2022, as part of the "Consolidated Appropriations Act of 2023" (H.R. 2617)), which provides for the creation of pension-linked emergency savings accounts (PLESAs).

Notice 2024-22 also addresses whether Rev. Rul. 74-55 and Rev. Rul. 74-56 are applicable to PLESAs.

The IRS invites comments on the guidance in the notice and any other aspect of section 127(e) and (f) of the SECURE 2.0 Act.

As explained in the related IRS release—IR-2024-11 (January 12, 2024)—PLESAs are individual accounts in defined contribution plans and are designed to permit and encourage employees to save for financial emergencies. Employers can offer PLESAs in plan years beginning after December 31, 2023.

Subject to certain restrictions, matching contributions are made with respect to PLESA contributions at the same rate as contributions to the linked defined contribution plan. Employees who are eligible to participate in an employer's defined contribution plan and qualify to contribute to a PLESA, if their employer offers one, may contribute to the PLESA even if they do not participate in the employer's defined contribution plan. In general, the maximum balance in a participant's PLESA (attributable to contributions) is $2,500, although employers can choose to set a lower limit.

PLESAs are treated as designated Roth accounts. This means that contributions are not tax deductible, but withdrawals are generally tax free. Participants can withdraw funds held in the PLESA at least once a month, as necessary.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.