Description of the Saver's Match Enhancement Act

Background. The saver's match in section 6433 of the Internal Revenue Code was championed by Senator Wyden and enacted in 2022 as part of the bipartisan SECURE 2.0 Act. The match is designed as a refundable tax credit that is directly contributed to the retirement accounts of moderate income savers. The purpose of the match is to incentivize workers to contribute to IRAs, 401(k) plans, and other similar types of tax-preferred retirement savings accounts. Contributions to these accounts supplement and complement our nation's Social Security program, which is the bedrock of retirement security for American workers.

The saver's match is first effective in 2027. The Saver's Match Enhancement Act would expand the match, as described below.

Section 1. The name of the legislation is the Saver's Match Enhancement Act.

Section 2(a). Under present law, a saver may receive a matching contribution of up to 50 percent per year of the first $2,000 contributed to a retirement account. Therefore, the maximum matching contribution per year is $1,000.

The legislation would increase the matching rate from 50 percent to 100 percent. Therefore, the maximum matching contribution would increase to $2,000 per year.

Section 2(b). Under present law the saver's match begins to phase-out at $41,000 in income for a joint return and completely phases out at $71,000; $20,500 to $35,500 for a single taxpayer; and $30,750 to $53,250 for a head-of-household taxpayer.

The legislation would increase the income range so that phase-out begins at $85,000 in income for a joint return, with complete phase-out at $115,000; $42,500 to $57,500 for a single taxpayer; and $63,750 to $86,250 for a head-of-household taxpayer.

Section 2(c). Under present law, the saver's match is treated as a pre-tax contribution, which means it and any associated earnings are taxable as ordinary income upon distribution.

The legislation would treat the saver's match as an after-tax Roth contribution, which means that it and any associated earnings would not be taxable upon distribution. Unlike other Roth contributions, a saver's match contribution would not be treated as taxable to a saver in the year of contribution.

Section 2(d). The $2,000 cap on contributions that are eligible for the saver's match is not indexed to inflation under present law. The legislation would index the cap to inflation.

Section 2(e). The above changes would be effective beginning in 2027.