

ADP Adds Tax Credit Planning to Help Small Businesses Start Employee Retirement Plans

New Service Makes It Easier to Benefit from Available Three-Year Tax Credit

ROSELAND, N.J., September 28, 2022 – As part of its retirement services offerings, ADP, a leading global technology company providing human capital management (HCM) solutions, will now prepare tax credit packages to help small businesses more easily obtain available tax credits for starting an employee retirement plan.

Under the enhanced tax credit incentive, firms with 100 or fewer employees can qualify for a three-year tax credit if they set up a 401(k) program for their employees. Eligible employers may be able to claim a tax credit of up to \$5,000 annually, for three years, to cover 50% of out-of-pocket expenses to start or to maintain a 401(k) plan. If they add an automatic enrollment feature to the plan, they could qualify for an additional \$500 for three years.

Based on qualification requirements, ADP's tax credit package tells employers the amount they can expect to receive annually and explains how the credit was calculated, making it easy for an employer's tax professional to file for the credit.

"Currently, [only one in four small- and mid-size businesses](#) offer an employer-sponsored 401k benefit – and that's often due to the cost and time of initiating and administering a plan," said Chris Magno, SVP, Retirement Services at ADP. "Driven by federal and state initiatives, we see more small business employers interested in offering plans. ADP's deep experience in retirement plan solutions can help businesses take full advantage of the opportunity to offer a retirement savings benefit to their employees."

According to ADP data, 60 percent of workers consider retirement plans a "must-have" benefit.

"Retirement plans are a valuable benefit for employees that also create long-term value for the business," said Tony Miskowicz, SVP, Tax Credit Services at ADP. "Employees can reduce taxes on current income by saving for retirement in a tax-deferred account. And employers can deduct 401(k) contributions as a business expense as well."

In addition to the new tax credit package service, ADP's retirement plan solutions use data and technology to make retirement plans easy to manage. Seamlessly integrated platforms reduce potential compliance risk and save time and money on plan administration while our data-driven participant experience empowers employees to make better savings decisions.

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