



My Solo 401k Financial™

Grow. Control. Direct.

**2023/2024 Solo 401k  
Contribution Guide:  
S-Corp/C-corp/LLC  
taxed as  
S-corp/C-corp**

**Mega  
Backdoor  
Roth**

# Disclosure

- **This presentation is being provided for educational purposes only and should not be construed as tax, legal or investment advice nor as a solicitation.**
- **When making an investment decision, please consult with your tax attorney and financial professional.**



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- S-corp/C-corp
- Sole Proprietor/Single Member LLC
- Partnerships/Multi-Member LLC

# 2023 / 2024 Mega Backdoor Roth Solo 401k Contributions



**My Solo 401k Financial**™

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- ❖ **Contribution Limits**
- ❖ **Scenarios & Examples**
- ❖ **How to Use Online Calculator**
- ❖ **Deadline**
- ❖ **How to Make Contributions**
- ❖ **How to Report Contributions**
- ❖ **How to Convert After-tax to Roth**
- ❖ **BONUS: \$1500 Solo 401k Tax Credit**

# **Benefits of Mega Backdoor Roth Solo 401k**

- **Contribute up to \$66,000 (or \$73,500 if age 50 or older) to a Roth Solo 401k for 2023 (\$69,000 or \$76,500 if age 50 or older for 2024)**
- **Potential for Tax-free growth in the Roth Solo 401k**



# Find a Mega Backdoor Roth Solo 401k

➤ **Qualify:**

- **Self-employed with no full-time w-2 employees**

➤ **Solo 401k Provider:**

- **Offers a plan that allows for voluntary after-tax contributions and in-service distributions (e.g., conversion or rollover)**
- **Assists with establishing required sub-accounts (Pre-Tax, Roth & Voluntary After-Tax)**
- **Provides ongoing compliance support (required 1099-R reporting)**



# **Basic Factors - How Much Can I Contribute?**

- **The Solo 401k contribution limits are based on the following factors:**
  - ✓ **Your Self-Employment Income**
  - ✓ **Your Age**
  - ✓ **Whether you participate in another retirement plan (e.g., 401k plan through your “day job”)**
  - ✓ **Type of Contribution (Employee vs. Employer; Pre-Tax, Roth or Voluntary After-Tax)**

S-Corporation,  
C-corporation,  
LLC taxed as  
S-corp/C-corp,  
W-2 : Self-  
Employment  
Income

- If your self-employed business is taxed as an S-Corporation, C-corporation, LLC taxed as S-corp/C-corp your ability to make Solo 401k contributions is based on the W-2 wages that you receive from your self-employed business eared income not your day-time job W-2 wages.
  - *Don't consider w-2 wages from other sources (e.g., day job)*
  - *Don't consider K-1 from the S-corporation*



22222  
a. Employer's social security number  
b. Employer identification number (EIN)  
c. Employer's name, address, and ZIP code  
**W-2**  
2. Control number  
3. Employee's first name and initial  
Last name

ate, IRS  
e  
s, other compensation  
al security wages  
Medicare wages and tips  
Social security tips  
4 Social  
6 Medical  
8 A

**Based on W-2  
Pages NOT  
Passive Income**

▶ **First Determine Earned Income**



Not based on passive income



This is the Gross Wages box



May need to add amount listed in box 12a to box 1

W-2 Wages  
From Self-  
Employed  
Business

### For 2023

With a Solo 401(k), depending on your salary and age, you can contribute \$66,000 per year or \$73,500 for those 50 or older in 2023.

Tax Year	Annual Contribution Limit	Age 50 or Older Catch-up
<b>2023</b>	<b>\$66,000</b>	<b>\$7,500</b>

### For 2024

For 2024, the contribution limit increased to \$69,000 or \$76,500 if age 50 or over.

Tax Year	Annual Contribution Limit	Age 50 or Older Catch-up
<b>2024</b>	<b>\$69,000</b>	<b>\$7,500</b>

# 2023 & 2024 Contribution Limits

# Contribution Types



## Employee Contribution

- Can be applied as a pretax, Roth or voluntary after-tax or in combination.
- Roth and pretax contributions are impacted by contributions to a day-time job 401(k) plan.



## Employer Contribution

- Can be applied as a pretax contribution.
- Can be applied as a Roth contribution per SECURE 2.0 Act.
- Not affected by contributions to a day-time job 401(k) plan.



## Roth Contribution

- May be applied as an employee contribution.
- Includes the catch-up amount for those age 50 or older.
- Now also falls under the Employer Profit Sharing (Nonelective) contribution category per SECURE 2.0 Act.



## Voluntary After-Tax

- Part of the employee contribution and overall limit category.
- Does not include the catch-up amount for those age 50 or older.
- Not impacted by contributions to day job 401k.

# Pre-Tax (Employee) – How much can I contribute?

## ➤ Employee Contribution (Salary Deferrals)

- ❖ The limit is 100% of your w-2 wages from your self-employed business NOT TO EXCEED/UP TO \$22,500 for 2023 (plus an additional \$7,500 if you are 50 or older)
  - ▶ Need to reduce by any contributions made to another employer plan UNLESS the other plan is a 457 governmental plan in which contributions are not aggregated
  - ▶ For 2024, the elective deferral increased to \$23,000, or \$30,500 if age 50 or older.

### Employee Contribution

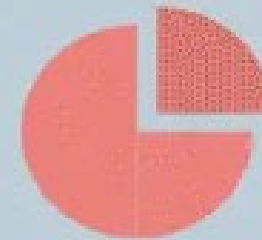


- Can be applied as a pretax, Roth or voluntary after-tax.

# Roth – How much can I contribute?

- **Employee Contribution (Salary Deferrals)**
  - ▶ 100% of the Employee contributions (subject to the limits – see prior slide) can be made as Roth Contribution
  - ▶ Roth contributions must be deposited in a separate sub-account for each participant

## Roth Contribution



- May be applied as employee contributions.
- Includes the catch-up amount for those age 50 or older.

# Pre-Tax (Employer) – How much can I contribution?

## ➤ Employer Contribution (Profit-Sharing)

- ❖ The limit is equal to **25% of your w-2** wages.
  - ▶ Use the amount reported in Box 1 of the W-2 plus any pre-tax elective deferrals not in Box 1 (and instead reported in Box 12).
  - ▶ The aggregate contributions can't exceed the overall limit of \$66,000 or \$73,500 if you are 50 or older for 2023 (For 2024, the contribution limit increased to \$69,000 or \$76,500 if age 50 or over).
  - ▶ Not impacted by contributions made to another retirement plan through an unrelated employer (e.g., “day job” 401k plan) UNLESS such contributions were made to a 403b plan

## Employer Contribution



- Can be applied as a pretax contribution.
- Can be applied as a Roth contribution per SECURE 2.0 Act.
- Not affected by contributions to a day-time job 401(k) plan.

# Secure Act 2.0: New Roth Employer (Nonelective) Contributions

- **Secure Act 2.0 allows Employer Contributions to be made as Roth contributions.**
- **For a Solo 401k plan that allows for Mega Backdoor Roth contributions, many choose to simply make Voluntary After-Tax Solo 401k Contributions (Mega Backdoor Roth) and decline to make Employer Contributions:**
  - ❖ Voluntary After-tax Solo 401k Contributions can be made at higher percentage of self-employment income (100%) compared to Employer (Nonelective) Contributions made as Roth Solo 401k contributions (25%).
  - ❖ The deadline to establish a Solo 401k plan in order to make both Employer (Nonelective) and Voluntary After-Tax Contributions is the same: the plan must simply be established in time to make contributions by the business tax return deadline including any timely filed extension.
  - ❖ Voluntary after-tax contributions may be transferred to a Roth IRA whereas Employer Contributions may not be transferred out of the Solo 401k to a Roth IRA until a “triggering event” has been met (e.g. the attainment of age 59 ½).



# Secure Act 2.0: New Roth Employer (Nonelective) Contributions FAQs

**QUESTION: Do I need to deposit Employer Solo 401k contributions made as Roth Solo 401k contributions in a separate account?**

**ANSWER: No. Both Employee and Employer contributions made as Roth Solo 401k contributions may be deposited into the same bank or brokerage for Roth Solo 401k funds.**

**QUESTION: What is the contribution limit for Employer Solo 401k contributions made as Roth Solo 401k contributions?**

**ANSWER: The contribution limit is the same for both Pre-tax and Roth Employer Solo 401k contributions: i.e. 25% of the self-employment compensation subject to the overall limit.**

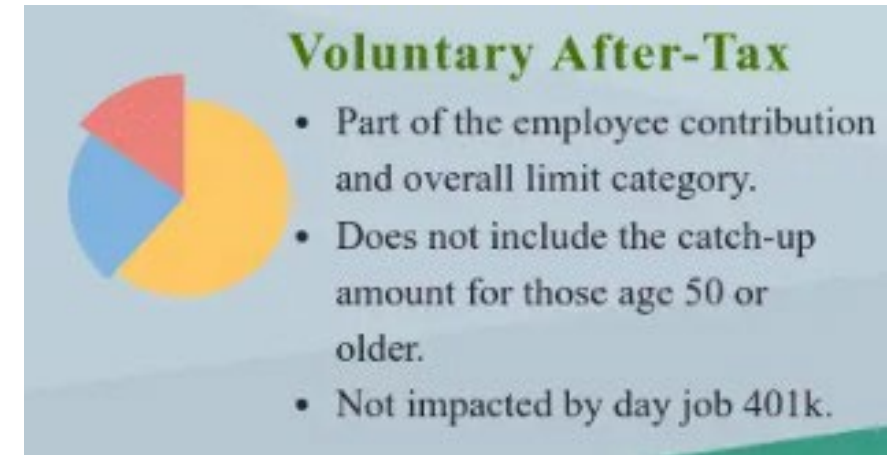
**QUESTION: How do I report Employer Solo 401k contributions made as Roth Solo 401k contributions on my personal or business tax return?**

**ANSWER: Per IRS Notice 2024-2, Roth employer contributions are reported as *tax-deductible* on the employer's tax return (i.e. Form 1120/1120s) for the year for which the contributions are made and then reported as *taxable* to the employee for which the contributions are deposited on a Form 1099-R.**

# Voluntary After-Tax – How much can I contribute?

## ▶ Voluntary After-Tax Contributions (Mega Backdoor Roth)

- ❖ The lesser of (i) self-employment compensation & (ii) the overall limit (\$66k for 2023 & \$69k for 2024) **REDUCED** by any Employer or Employee contributions made to the Solo 401k [IGNORE any catch-up contributions made to the Solo 401k].
  - ▶ Note the limit does not go up if you are 50 or older
  - ▶ Not impacted by any contributions made to another retirement plan through an unrelated employer (e.g., “day job” 401k plan) **UNLESS** the other plan is 403b
  - ▶ Voluntary after-tax contributions must be deposited in a separate sub-account for each participant



# Contribution Scenarios

- “Base Scenario” Assumptions
  - ❖ Self-employed business taxed as an S-corporation
  - ❖ One Participant
  - ❖ Under 50 years of Age
  - ❖ Does not make contributions to another plan
  - ❖ Goal is to Maximize Pre-tax contributions and then make Roth Solo 401k and/or Voluntary After-Tax Contributions
  - ❖ \$100,000 of w-2 wages from the self-employed business
  - ❖ ***Note: Assume all Employer Contributions made as Pre-tax because making Employer Contributions as Roth contributions offers no substantive advantage over Mega Backdoor Roth Solo 401k Contributions.***



# Contribution Scenarios

- “Base Scenario” Contribution Limits
  - ❖ Employee (**Pre-tax** or Roth): **\$22,500** for 2023 (**\$23,000 for 2024**) [100% of w-2 wages up to \$22,500 for 2023; \$23,000 for 2024]
  - ❖ Employer Pre-tax Contributions: **\$25,000** [25% of w-2 wages provided total contributions don't exceed overall limit]
  - ❖ Voluntary After-Tax: **\$18,500 for 2023; \$21,000 for 2024** [Lesser of Self-employment compensation or the overall limit of \$66,000 for 2023 (\$69,000 for 2024) reduced by any employee or employer contributions made to the Solo 401k]



# Contribution Scenarios

- ***Change “Base Scenario” Assumptions to \$50k***
  - ❖ Self-employed business taxed as an S-Corporation, C-corporation, LLC taxed as S-corp/C-corp
  - ❖ One Participant
  - ❖ Under 50 years of Age
  - ❖ Does not make contributions to another plan
  - ❖ Goal is to Maximize Pre-tax contributions and then make Roth Solo 401k and/or Voluntary After-Tax Contributions
  - ❖ **\$50,000 of w-2 wages from the self-employed business**



# Contribution Scenarios

## ➤ How do Contribution Limits Change?

- ❖ Employee (Pre-tax or Roth): **\$22,500** for 2023 (**\$23,000 for 2024**) [100% of w-2 wages up to \$22,500 for 2023; \$23,000 for 2024]
- ❖ Employer Pre-tax Contributions: **\$12,500** [25% of w-2 wages provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$15,000 for 2023; \$14,500 for 2024** [Lesser of Self-employment compensation or the overall limit of \$66,000 for 2023 (\$69,000 for 2024) reduced by any employee or employer contributions made to the Solo 401k]



# Contribution Scenarios

- ***Change “Base Scenario” Assumptions to Maximize Contributions “Day Job” Plan***
  - ❖ Self-employed business taxed as an S-Corporation, C-corporation, LLC taxed as S-corp/C-corp One Participant
  - ❖ Under 50 years of Age
  - ❖ **Contributes \$22,500 for 2023 (\$23,000 for 2024) to “Day Job” Plan**
  - ❖ Goal is to Maximize Pre-tax contributions and then make Roth Solo 401k and/or Voluntary After-Tax Contributions
  - ❖ \$100,000 of w-2 wages from the self-employed business



# Contribution Scenarios

## ➤ How do Contribution Limits Change?

- ❖ Employee (Pre-tax or Roth): **\$0** [100% of w-2 wages up to \$22,500 for 2023; \$23,000 for 2024) **reduced by any contributions made to another retirement plan unless 457 governmental plan]**
- ❖ Employer Pre-tax Contributions: **\$25,000** [25% of w-2 wages provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$41,000 for 2023; \$44,000 for 2024;** [Lesser of Self-employment compensation or the overall limit of \$66,000 for 2023 (\$69,000 for 2024) reduced by any employee or employer contributions made to the Solo 401k]





# Contribution Scenarios

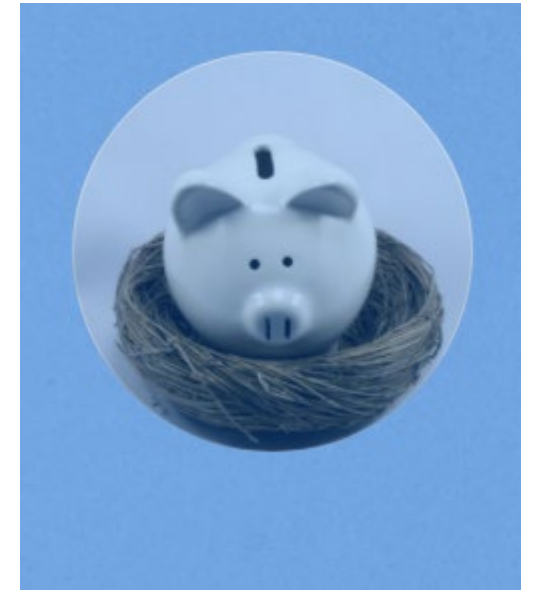
- ***Change “Base Scenario” Assumptions to Goal is Maximize Roth Solo 401k Contributions***
  - ❖ Self-employed business taxed as an S-Corporation, C-corporation, LLC taxed as S-corp/C-corp One Participant
  - ❖ Under 50 years of Age
  - ❖ Does not make contributions to another plan
  - ❖ **Goal is to Maximize Roth Solo 401k and/or Voluntary After-Tax Contributions**
  - ❖ \$100,000 of w-2 wages from the self-employed business



# Contribution Scenarios

## ➤ How do Contribution Limits Change?

- ❖ Employee (Roth): **\$22,500** for 2023 (**\$23,000 for 2024**)  
[100% of w-2 wages up to \$22,500 for 2023; \$23,000 for 2024]
- ❖ Employer Pre-tax Contributions: **\$0** [25% of w-2 wages provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$43,500 for 2023; \$46,000 for 2024;** [Lesser of Self-employment compensation or the overall limit of \$66,000 for 2023 (\$69,000 for 2024) reduced by any employee or employer contributions made to the Solo 401k]



# Contribution Scenarios

## ➤ *Change “Base Scenario” Assumptions to Two (2) Participants*

- ❖ Self-employed business taxed as an S-Corporation, C-corporation, LLC taxed as S-corp/C-corp **Two (2) Participants (e.g., spouses or business partners)**
- ❖ Under 50 years of Age
- ❖ Does not make contributions to another plan
- ❖ Goal is to Maximize Pre-tax contributions and then make Roth Solo 401k and/or Voluntary After-Tax Contributions
- ❖ **\$100,000 of w-2 wages from the self-employed business for each person**



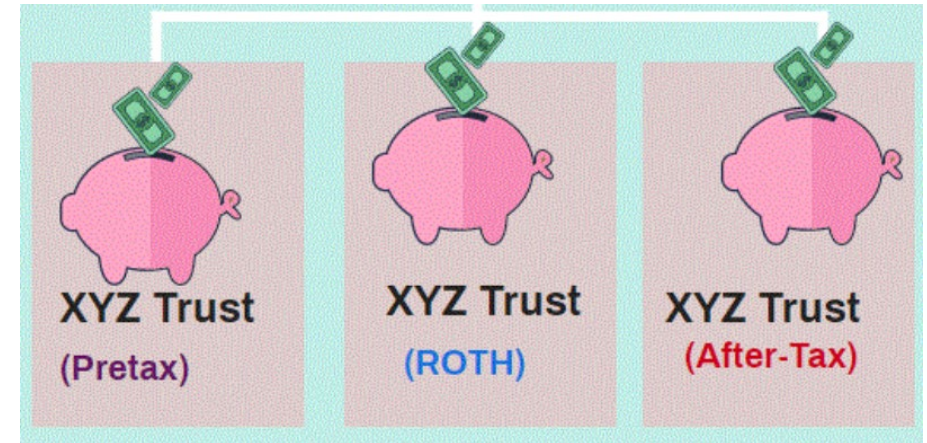
**2 (TWO) Participants**

**Solo 401k Plan**

# Contribution Scenarios

## ➤ How do Contribution Limits Change? [Limits for each person]

- ❖ Employee (**Pre-tax** or Roth): **\$22,500** for 2023 (**\$23,000 for 2024**) [100% of w-2 wages up to \$22,500 for 2023; \$23,000 for 2024]
- ❖ Employer Pre-tax Contributions: **\$25,000** [25% of w-2 wages provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$18,500 for 2023; \$21,000 for 2024** [Lesser of Self-employment compensation or the overall limit of \$66,000 for 2023 (\$69,000 for 2024) reduced by any employee or employer contributions made to the Solo 401k]



# Contribution Scenarios

- ***Change “Base Scenario” Assumptions to Age 50 or older***
  - ❖ Self-employed business taxed as an S-Corporation, C-corporation, LLC taxed as S-corp/C-corp
  - ❖ One Participant
  - ❖ **50 or older years of Age**
  - ❖ Does not make contributions to another plan
  - ❖ Goal is to Maximize Pre-tax contributions and then make Roth Solo 401k and/or Voluntary After-Tax Contributions
  - ❖ \$100,000 of w-2 wages from the self-employed business

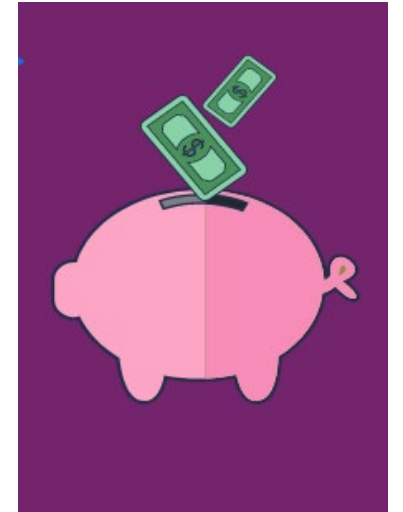


**One Participant  
Solo 401k Plan**

# Contribution Scenarios

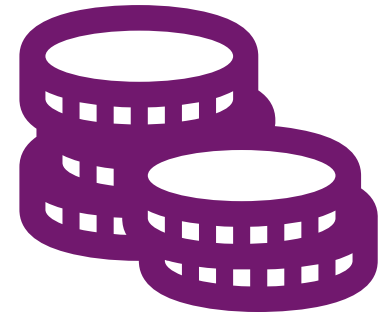
## ➤ How do Contribution Limits Change?

- ❖ Employee (**Pre-tax** or Roth): **\$22,500** for 2023 (**\$23,000 for 2024**) [100% of w-2 wages up to \$22,500 **plus \$7,500 Catch-Up Contribution** for 2023; \$23,000 **plus \$7,500 Catch-Up Contribution** for 2024]
- ❖ Employer Pre-tax Contributions: **\$25,000** [25% of w-2 wages provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$18,500 for 2023; \$21,000 for 2024** [Lesser of Self-employment compensation or the overall limit of \$66,000 for 2023 (\$69,000 for 2024) reduced by any employee or employer contributions made to the Solo 401k]



# Contribution Scenarios

- **Change “Base Scenario” Assumptions to (i) Maximize Contributions “Day Job” Plan and (ii) Maximize Roth Solo 401k**
  - ❖ Self-employed business taxed as an S-Corporation, C-corporation, LLC taxed as S-corp/C-corp One Participant
  - ❖ Under 50 years of Age
  - ❖ Contributes \$22,500 for 2023 (\$23,000 for 2024) to “Day Job” Plan
  - ❖ Goal is to Maximize Roth Solo 401k and/or Voluntary After-Tax Contributions
  - ❖ \$100,000 of w-2 wages from the self-employed business



# Contribution Scenarios

## ➤ How do Contribution Limits Change?

- ❖ Employee (Pre-tax or Roth): **\$0** [100% of w-2 wages up to \$22,500 for 2023; \$23,000 for 2024) **reduced by any contributions made to another retirement plan unless 457 governmental plan]**
- ❖ Employer Pre-tax Contributions: **\$0** [25% of w-2 wages provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: **\$66,000 for 2023; \$69,000 for 2024;** [Lesser of Self-employment compensation or the overall limit of \$66,000 for 2023 (\$69,000 for 2024) reduced by any employee or employer contributions made to the Solo 401k]





# Contribution Scenarios

- ***Change “Base Scenario” Assumptions to (i) Age 50 or older; (ii) Maximize Contributions “Day Job” Plan and (iii) Maximize Roth Solo 401k***
  - ❖ Self-employed business taxed as an S-Corporation, C-corporation, LLC taxed as S-corp/C-corp
  - ❖ One Participant
  - ❖ 50 or older years of Age
  - ❖ Contributes **\$30,000 for 2023 (\$30,500 for 2024)** to “Day Job” Plan
  - ❖ Goal is to Maximize Roth Solo 401k and/or Voluntary After-Tax Contributions
  - ❖ \$100,000 of w-2 wages from the self-employed business



# Contribution Scenarios

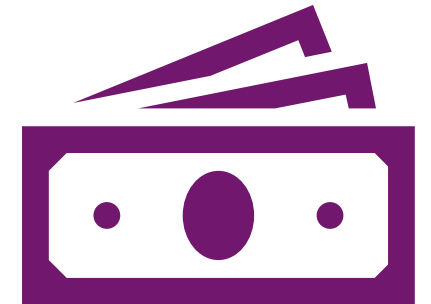
## ➤ How do Contribution Limits Change?

- ❖ Employee (Pre-tax or Roth): \$0 [100% of w-2 wages up to \$22,500 for 2023; \$23,000 for 2024) **reduced by any contributions made to another retirement plan unless 457 governmental plan]**
- ❖ Employer Pre-tax Contributions: \$0 [25% of w-2 wages provided total contributions don't exceed overall limit]
- ❖ Voluntary After-Tax: \$66,000 for 2023; \$69,000 for 2024; [Lesser of Self-employment compensation or the overall limit of \$66,000 for 2023 (\$69,000 for 2024) reduced by any employee or employer contributions made to the Solo 401k]



# Contribution Scenarios

- **Change “Base Scenario” Assumptions to (i) Two (2) Participants; (ii) Maximize Contributions “Day Job” Plan and (iii) Maximize Roth Solo 401k**
  - ❖ Self-employed business taxed as an S-Corporation, C-corporation, LLC taxed as S-corp/C-corp
  - ❖ **Two (2) Participants (e.g. spouses or business partners)**
  - ❖ Under 50 years of Age
  - ❖ **Each person** contributes \$22,500 for 2023 (\$23,000 for 2024) to “Day Job” Plan
  - ❖ **Goal is to Maximize Roth Solo 401k and/or Voluntary After-Tax Contributions**
  - ❖ **\$100,000 of w-2 wages from the self-employed business for each person**



# Contribution Scenarios

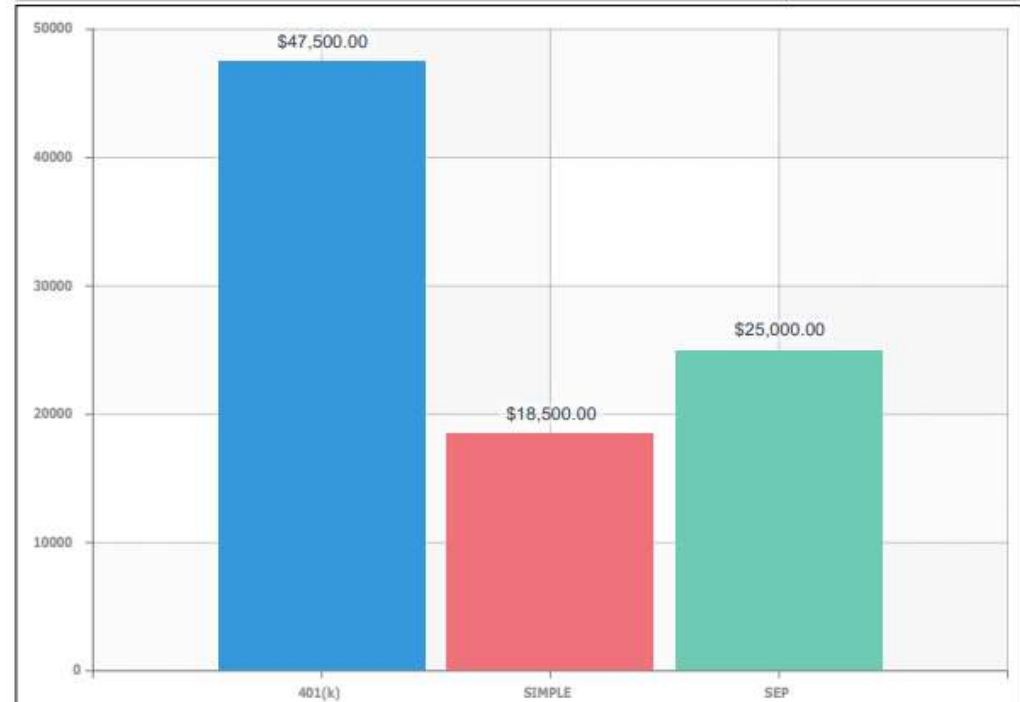
- **How do Contribution Limits Change? [Limits for each person]**
  - ❖ Employee (Pre-tax or Roth): **\$0** [100% of w-2 wages up to \$22,500 for 2023; \$23,000 for 2024) **reduced by any contributions made to another retirement plan unless 457 governmental plan]**
  - ❖ Employer Pre-tax Contributions: **\$0** [25% of w-2 wages provided total contributions don't exceed overall limit]
  - ❖ Voluntary After-Tax: **\$66,000 for 2023; \$69,000 for 2024;** [Lesser of Self-employment compensation or the overall limit of \$66,000 for 2023 (\$69,000 for 2024) reduced by any employee or employer contributions made to the Solo 401k]



Name	Age	Income	Business Entity
John Smith	45	\$100,000.00	Corporation

The maximum contribution into an Individual 401k plan is comprised of 2 elements, the profit sharing contribution and the 401(k) deferral. The maximum allowable contribution calculation simply takes the profit sharing contribution and adds the maximum 401(k) contribution amount to it and that is the total allowable contribution.

Maximum Profit Sharing Contribution	\$25,000.00
Maximum 401(k) Deferral	\$22,500.00
401(k) Catchup	\$0.00
<b>Total Contribution</b>	<b>\$47,500.00</b>
Maximum SIMPLE IRA Contribution	\$18,500.00
Maximum SIMPLE IRA Catchup	\$0.00
<b>Total SIMPLE IRA Contribution</b>	<b>\$18,500.00</b>
Maximum SEP Contribution	\$25,000.00



# How to Use our Online Calculator

- ❖ For a self-employed business taxed as an S-Corporation, C-corporation, LLC taxed as S-corp/C-corp, select “Single Owner Corporation”
- ❖ Enter the w-2 wages (i.e. box 1 of the w-2 plus an pre-tax elective deferrals not included in box 1) for each participant
- ❖ Enter the age of each participant as of the end of the applicable year
  - ❖ Modify if you make contributions to a “day job” plan
  - ❖ Modify for After-Tax Contributions
- ❖ Save a PDF Copy

# How do I make contributions?



- **To make the contribution, you will make the check payable in the name of the solo 401k and write "Annual Contribution" on the memo section of the check.**
- **Electronic Transfer is also acceptable.**
  - ❖ **Check with the financial institution that holds the accounts.**
  - ❖ **Note: Other than Fidelity most brokerage firms don't allow electronic deposit from external account that doesn't match name on brokerage account.**
- **Each participant deposits his/her contributions into separate sub-accounts**
- **Pre-tax, Roth and after-tax funds must go into separate sub-accounts.**

# When is the deadline to make contributions?

- The deadline to make **ALL** types of contributions is the business tax return deadline (for S-Corporation, C-corporation, LLC taxed as S-corp/C-corp : 3/15 or 9/15 if a timely tax return extension is filed.
- This is clear based on IRS publication 560 which is the IRS publication that deals with retirement plans for Solo 401k plans (see excerpt below of chart on page 3 of IRS Pub 560):

Type of Plan	Last Date for Contribution	Maximum Contribution	Maximum Deduction	When To Set Up Plan
SEP	Due date of employer's return (including extensions).	Smaller of \$55,000 or 25% <sup>1</sup> of participant's compensation. <sup>2</sup>	25% <sup>1</sup> of all participants' compensation. <sup>2</sup>	Any time up to the due date of employer's return (including extensions).
SIMPLE IRA and SIMPLE 401(k)	<b>Salary reduction contributions:</b> 30 days after the end of the month for which the contributions are to be made. <sup>4</sup> <b>Matching or nonelective contributions:</b> Due date of employer's return (including extensions).	<b>Employee contribution:</b> Salary reduction contribution up to \$12,500, \$15,500 if age 50 or over. <b>Employer contribution:</b> Either dollar-for-dollar matching contributions, up to 3% of employee's compensation, <sup>3</sup> or fixed nonelective contributions of 2% of compensation. <sup>2</sup>	Same as maximum contribution.	Any time between January 1 and October 1 of the calendar year.  For a new employer coming into existence after October 1, as soon as administratively feasible.
Qualified Plan: Defined Contribution Plan	<b>Elective deferral:</b> Due date of employer's return (including extensions). <sup>4</sup> <b>Employer contribution:</b> Money Purchase Pension Plan or Profit-Sharing: Due date of employer's return (including extensions).	<b>Employee contribution:</b> Elective deferral up to \$18,500, \$24,500 if age 50 or over. <b>Employer contribution:</b> Money Purchase Pension Plan: Smaller of \$55,000 or 100% <sup>1</sup> of participant's compensation. <sup>2</sup> Profit-Sharing: Smaller of \$55,000 or 100% <sup>1</sup> of participant's compensation. <sup>2</sup>	25% <sup>1</sup> of all participants' compensation, <sup>2</sup> plus amount of elective deferrals made.	By the end of the tax year.
Qualified Plan: Defined Benefit Plan	Contributions generally must be paid in quarterly installments, due 15 days after the end of each quarter. See <i>Minimum Funding Requirement</i> in chapter 4.	Amount needed to provide an annual benefit no larger than the smaller of \$220,000 or 100% of the participant's average compensation for his or her highest 3 consecutive calendar years.	Based on actuarial assumptions and computations.	By the end of the tax year.

<sup>1</sup> Net earnings from self-employment must take the contribution into account. See *Deduction Limit for Self-Employed Individuals* in chapters 2 and 4.  
<sup>2</sup> Compensation is generally limited to \$275,000 in 2018.  
<sup>3</sup> Under a SIMPLE 401(k) plan, compensation is generally limited to \$275,000 in 2018.  
<sup>4</sup> Certain plans subject to Department of Labor (DOL) rules may have an earlier due date for salary reduction contributions and elective deferrals, such as 401(k)

## 2023 Solo 401(k) Annual Contribution Deadlines Both Employee & Employer/Profit Sharing



Entity Type



Contribution Deadline



Contribute by Bus. Ext. Deadline

Sole Proprietorship

April 15, 2024

October 15, 2024

Partnership

March 15, 2024

September 16, 2024

S-Corporation

March 15, 2024

September 16, 2024

C-Corporation

April 15, 2024

October 15, 2024

LLC taxed as S-corp

March 15, 2024

September 16, 2024

LLC taxed as Partnership

March 15, 2024

September 16, 2024

LLC taxed as Sole Proprietorship

April 15, 2024

October 15, 2024

# 2023 Solo 401k Contribution Deadlines



## 2024 Solo 401(k) Annual Contribution Deadlines Both Employee & Employer/Profit Sharing



Entity Type



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Contribute by Bus. Ext. Deadline

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LLC taxed as Sole Proprietorship

April 15, 2025

October 15, 2025

# 2024 Solo 401k Contribution Deadlines

# How do I report contributions?

## ➤ Employee contributions:

- ▶ Pre-tax: Not included in Box 1 and reported in Box 12 (code D) and check “Retirement Plan” field in Box 13
- ▶ Roth: Box 12 of the w-2 (Code AA) and check “Retirement Plan” field in Box 13
- ▶ Voluntary After-Tax Contributions: May be reported on Box 14 of the w-2 (Optional)

## ➤ Pre-tax & Roth Employer Contributions:

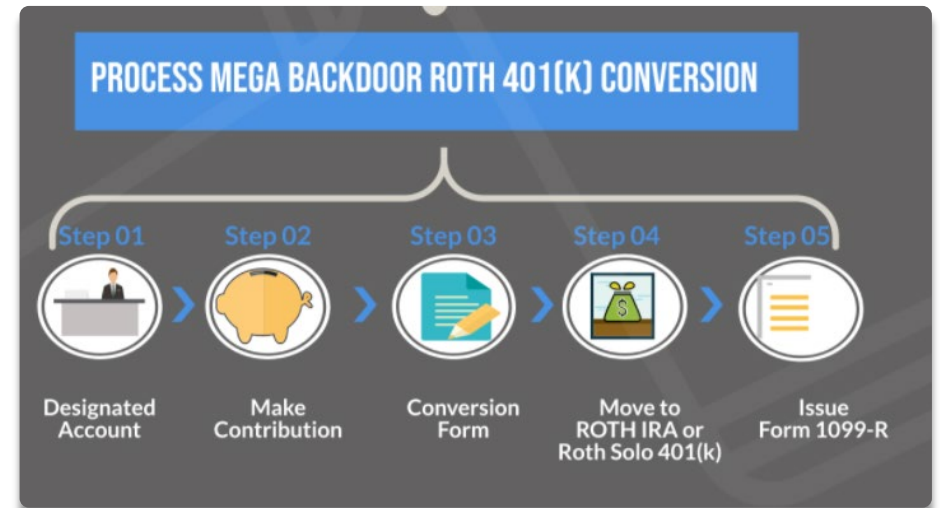
- ▶ Line 17 of the Form 1120s (S-corporation tax return)
- ▶ Line 23 of the Form 1120
- ▶ Roth Employer Contributions reported as taxable to the employer for the year of deposit via Form 1099-R

## Report the Contributions

- Reporting the contribution on your tax return depends on multiple factors including Corporation type (C-corp. vs. S-cop) and contribution type (e.g., pretax, employer, roth or voluntary after-tax).
- For S-Corp., pretax & Roth employer profit sharing contributions are reported on Form 1120S, Line 17.
- For C-Corp., pretax & Roth employer profit sharing contributions are reported on Form 1120 Line 23.
- For both S-Corp., and C-Corp., employee pretax contributions are reported on Schedule 1, line 16.
- Alternatively, Employee pretax contributions may be reported in box 12 of Form W-2.
- Voluntary after-tax contributions may be reported in box 14 of Form W-2.
- Employee Roth contributions are reported in box 12a of Form W-2 using Code AA & Check off box 13 “Retirement Plan”.
- Roth Employer Contributions are first reported as **tax-deductible** contributions for the year for which the contributions are made as described above and then reported as **taxable** for the year in which the contributions are deposited by issuing a Form 1099-R and reporting the amount on Line 5a and 5b of Form 1040

# How do I Convert After-Tax to Roth?

- **Transfer by check or electronic (ACH/Wire)**
  - ❖ **Contact the financial institution providing the accounts to determine electronic procedure**
- **Transfer between bank and brokerage**
  - ❖ **If transferring to Roth Solo 401k sub-account at a Crypto-currency exchange transfer from bank (not brokerage account)**
- **Transfer to Roth Solo 401k or Roth IRA**



# Steps to Convert After-Tax to Roth - Schwab

➤ **Step 1 - Make Contributions:**

- Open Schwab brokerage Voluntary After-Tax sub-account.
- Make voluntary after-tax contribution.

➤ **Step 2 - Convert to Roth:**

- **Option One:** Convert the solo 401k voluntary after-tax funds to the *Roth Solo 401k* (a.k.a. in-plan conversion).
- **Option Two:** Convert the solo 401k voluntary after-tax funds to a *Roth IRA Roth* (at Schwab or another institution).

➤ **Step 3 - Report the Conversion:** Submit applicable online form & we will prepare the 1099-R:

<https://www.mysolo401k.net/learn/forms/>

- ❖ **Voluntary After-Tax to Roth Solo 401k**
- ❖ **After-Tax Solo 401k to ROTH IRA**



# Steps to Convert After-Tax to Roth - Fidelity

➤ **Step 1 - Make Contributions:**

- Open Fidelity brokerage Voluntary After-Tax sub-account.
- Make voluntary after-tax contribution.

➤ **Step 2 - Convert to Roth:**

- **Option One:** Convert the solo 401k voluntary after-tax funds to the *Roth Solo 401k* (a.k.a. in-plan conversion).
- **Option Two:** Convert the solo 401k voluntary after-tax funds to a *Roth IRA Roth* (at Fidelity or another institution).

➤ **Step 3 - Report the Conversion:** Submit applicable online form & we will prepare the 1099-R:

<https://www.mysolo401k.net/learn/forms/>

- ❖ **Voluntary After-Tax to Roth Solo 401k**
- ❖ **After-Tax Solo 401k to ROTH IRA**



# Steps to Convert After-Tax to Roth - TD Ameritrade

➤ **Step 1 - Make Contributions:**

- Open TD Ameritrade brokerage Voluntary After-Tax sub-account.
- Make voluntary after-tax contribution.

➤ **Step 2 - Convert to Roth:**

- **Option One:** Convert the solo 401k voluntary after-tax funds to the *Roth Solo 401k* (a.k.a. in-plan conversion).
- **Option Two:** Convert the solo 401k voluntary after-tax funds to a *Roth IRA Roth* (at TD Ameritrade or another institution).

➤ **Step 3 - Report the Conversion:** Submit applicable online form & we will prepare the 1099-R:

<https://www.mysolo401k.net/learn/forms/>

- ❖ **Voluntary After-Tax to Roth Solo 401k**
- ❖ **After-Tax Solo 401k to ROTH IRA**



# Should I Convert to Roth IRA or Roth Solo 401(k)?

Should I Convert to a Roth IRA or to a Roth Solo 401(k)?

## Roth Type



### ROTH IRA

- A Roth IRA is not an employer plan so distributions can be made anytime.
- Roth IRAs are NOT subject to required minimum distributions (RMDs).
- Participant Loans are not permitted from IRAs.
- UDFI tax applies on debt-financed real estate investments.

VS

### Roth Solo 401(k)

- A triggering event applies in order to take distributions (e.g., attainment of age 59 1/2, disability, death, termination of employment, etc.)
- No RMDs Apply to Roth Solo 401(k) funds starting in 2024.
- Plan participant loans are permitted.
- No UDFI tax on debt-financed real estate investments.

# No Deadline to Convert

- **No deadline to convert voluntary after-tax funds**
- **Conversion is reportable for the year of the conversion**
  - ❖ **For example, make voluntary after-tax contributions for 2023 in 2024 (i.e. by March 15, 2024 or September 16, 2024 if you file a timely extension for the 1120-S)**
  - ❖ **Convert funds in 2024 so the 1099-R will be issued in 2025.**





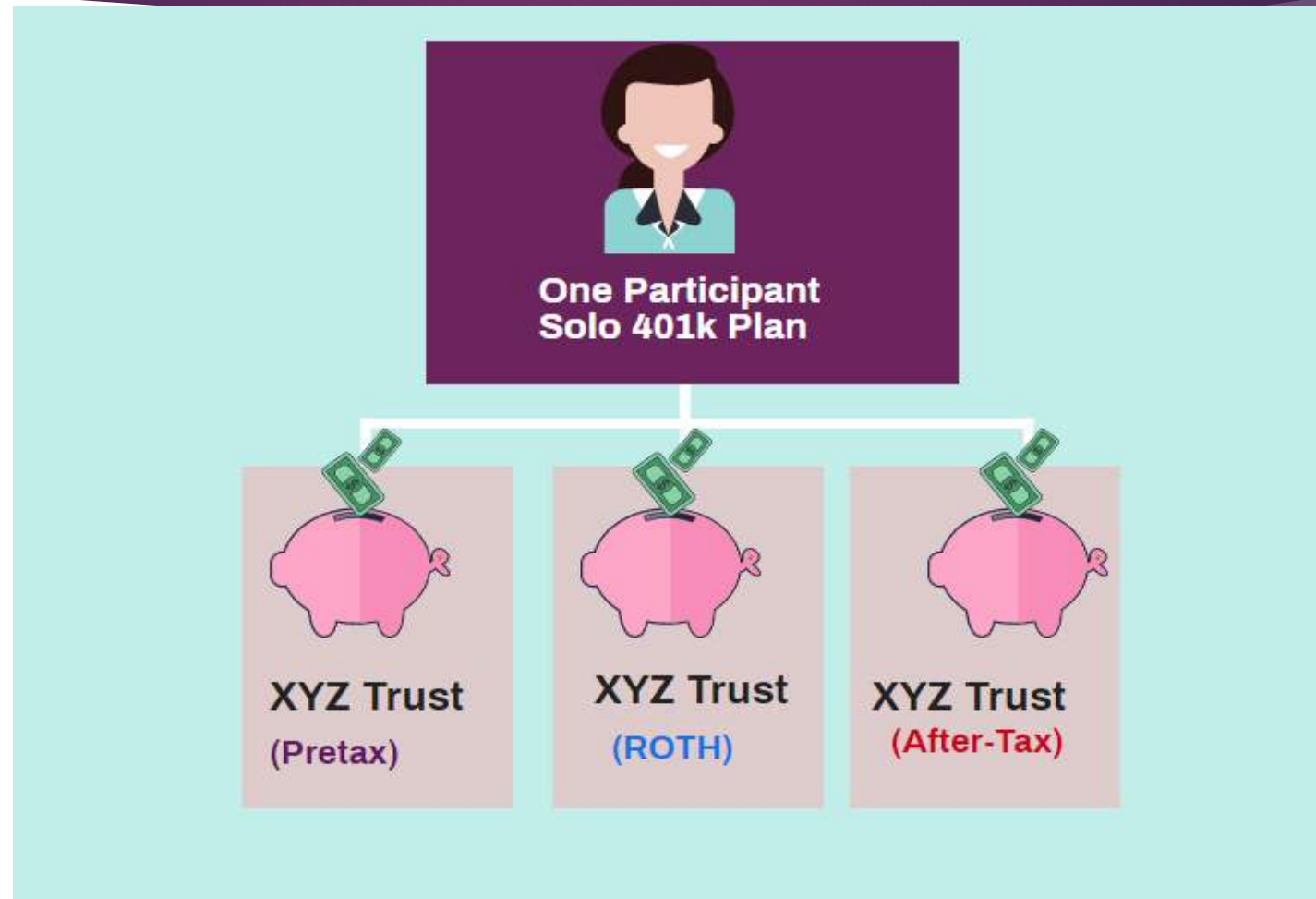
# Tax Reporting

- **Amount Converted (including contributions and any gains)**
  - **Form 1099-R for the year of the conversion.**
  - **Form 1040 (Amount converted on Line 5a and any gains on Line 5b for 2022 Form 1040).**
- **Submit applicable online form & we will prepare the 1099-R:**  
**<https://www.mysolo401k.net/learn/forms/>**
  - ❖ **Voluntary After-Tax to Roth Solo 401k**
  - ❖ **After-Tax Solo 401k to ROTH IRA**



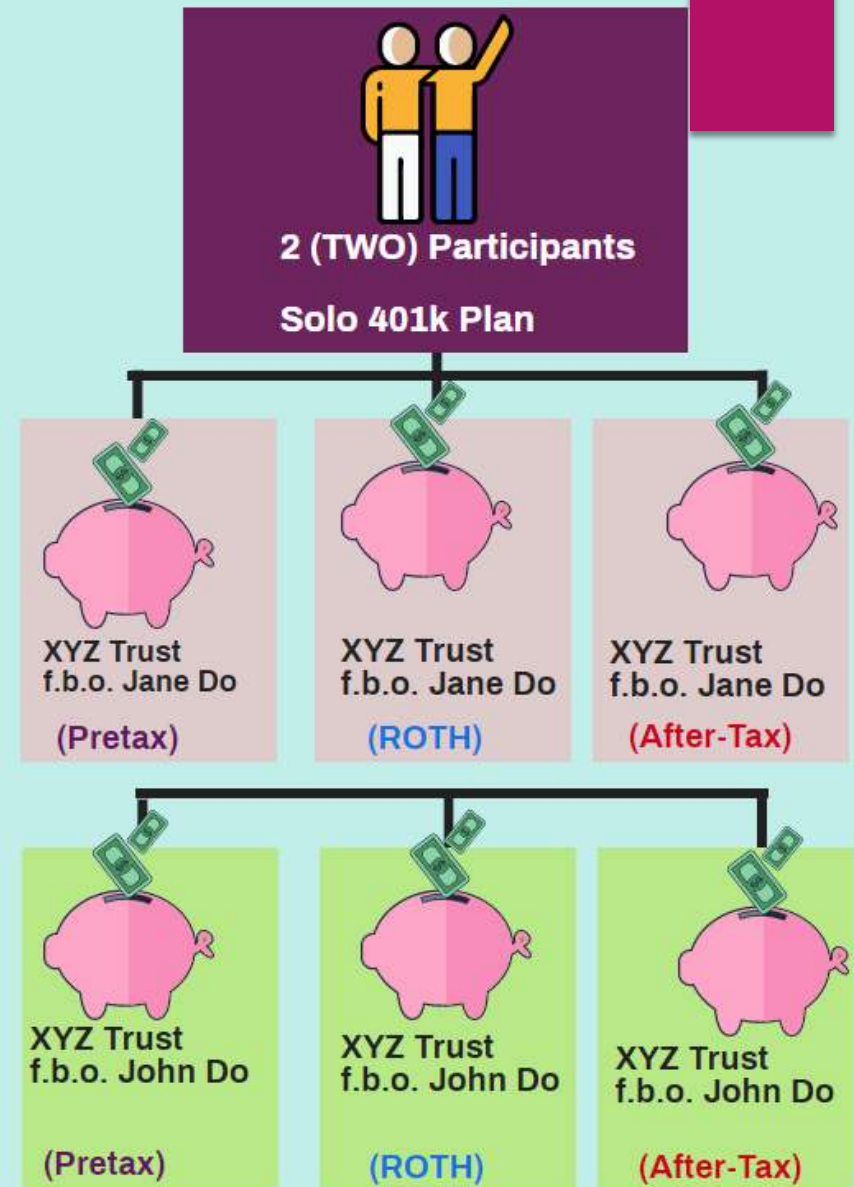
# Example of Account Title

## One Participant 3 Holding Accounts



# Example of Account Title Two (2) Participants

## 6 Holding Accounts



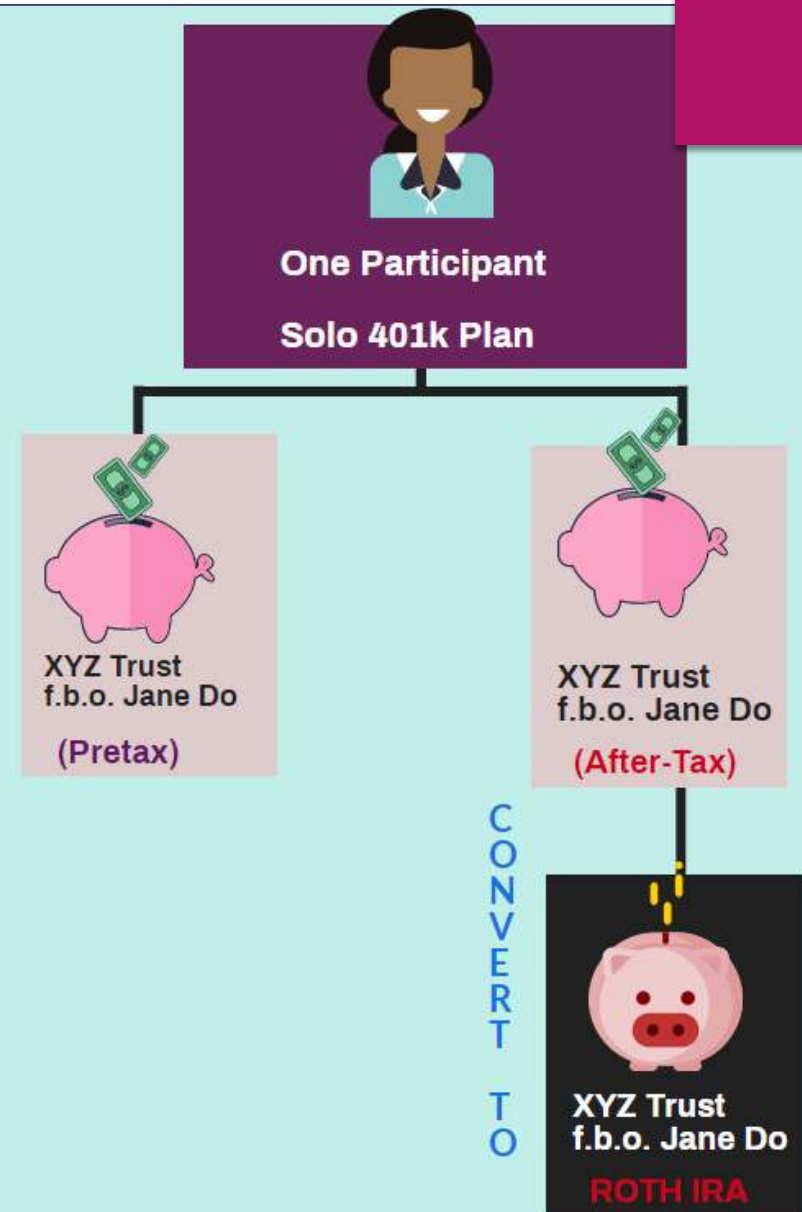
# Example of Account Title

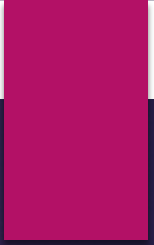
## One Participant

2 holding accounts (Pretax and Voluntary After-tax)

AND

Convert Voluntary After-tax to a Roth IRA





**Solo 401k Now  
Qualifies for \$1500  
Tax Credit!**

## **Solo 401k Tax Credit**

- **Under the Secure Act, tax credits are available to small businesses that offer a 401k plan.**
- **A solo 401k plan that includes an automatic participation feature is eligible for a \$1500 tax credit.**
  - ✓ **\$500 per year for three (3) consecutive years**
  - ✓ **New or Existing Plans**
  - ✓ **Not based on actual cost to set up and maintain the Solo 401k**
- **While a solo 401k plan is not eligible for the “startup costs” tax credits since they are only for businesses with non-owner employees, an owner-only business is eligible to claim the automatic participation credit.**

<https://www.mysolo401k.net/>



Sign up for a new plan by 12/31/2024 to claim tax credits starting in 2024.

### 2024

<u>Sign up by</u> <u>12/31/2024</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
	\$500	\$500	\$500	N/A

### 2025

<u>Sign up by</u> <u>12/31/2025</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
	N/A	\$500	\$500	\$500

# New Solo 401k: Tax Credit

<https://www.mysolo401k.net/>



**Convert an existing plan by 12/31/2024 to claim tax credits starting in 2024.**

### 2024

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Convert Existing Plan by 12/31/2024	\$500	\$500	\$500	N/A

### 2025

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Convert Existing Plan by 12/31/2025	N/A	\$500	\$500	\$500

# Existing Solo 401k: Tax Credit



<https://www.mysolo401k.net/>



### The Impact of Tax Credits on The Cost of a New Solo 401k Plan

<b>My Solo 401k Plan Cost</b>	<u>2024</u> \$650	<u>2025</u> \$125	<u>2026</u> \$125
<b>Dollar-For Dollar Tax Credit</b>	<u>2024</u> -\$500	<u>2025</u> -\$500	<u>2026</u> -\$500
<b>Yearly Cost After Tax Credit</b>	<u>2024</u> \$150	<u>2025</u> -\$375**	<u>2026</u> -\$375**

**\*\*For the second and third years, the tax credit is GREATER than the cost to maintain the Solo 401k**

# Solo 401k Cost with Tax Credit

Tax Credits are much better because a tax credit is a “dollar-for-dollar” reduction in the tax liability.

**\$500 Tax Deduction** Vs. **\$500 Tax Credit**

Your AGI      \$45,000                      \$45,000

Tax Deduction      -\$500

Taxable Income      \$44,500                      \$45,000

Example Tax Rate      22%                      22%

Calculated Tax      \$9,790                      \$9,900

Tax Credit                                      -\$500

Your Tax Bill      \$9,790                      \$9,400

# Tax Credit vs. Tax Deduction

# **Solo 401k Tax Credit: Eligibility**

- **What are the eligibility requirements to claim the \$500 credit?**
  - ✓ A self-employed person must have a Solo 401k plan like a plan from My Solo 401k Financial with Auto-Contribution feature.

# Solo 401k Tax Credit: FAQs

- **What is an Auto-Contribution feature?**
  - ✓ A Solo 401k plan with an auto-contribution feature has a default 3% contribution percentage.
  - ❖ *However, you can opt out of the default 3% contribution amount and then decide to make contributions in whichever amount you prefer including simply making no contributions.*
  - ✓ In other words, you are not required to make annual solo 401k contributions to qualify for the tax credit.

# **Solo 401k Tax Credit: FAQs**

- **I have an existing Solo 401k plan. Can I add an auto-contribution feature to my existing Solo 401k plan and then claim the credit?**
  - ✓ **An Auto-Contribution may be added to an existing plan and then the credit may be claimed.**

# **Solo 401k Tax Credit: FAQs**

- **How do I claim the credit?**
  - ✓ The credit is claimed by filing Form 8881.

# Solo 401k Tax Credit: Examples

- Lindsey is self-employed and has a solo 401k plan.
  - ✓ If she amends her plan to add an auto-contribution feature before 12/31/2024 she may claim a \$500 tax credit for 2024 and then additional \$500 tax credits for 2025 and 2026 as long as she continues to maintain the solo 401k plan with the auto-contribution feature.
- Brad is solo attorney with no employees working for him.
  - ✓ If he signs up for our Solo 401k by 12/31/2024, he will be able to claim a \$500 tax credit for 2024 and then additional \$500 tax credits for 2025 and 2026 as long as he continues to maintain the solo 401k plan with the auto-contribution feature.

# Solo 401K: Learn More!

- [business@mysolo401k.net](mailto:business@mysolo401k.net)
- **(800) 489-7571**

Follow the conversation at:

[\*https://mysolo401k.net/mycommunity/forums/\*](https://mysolo401k.net/mycommunity/forums/)



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