Section 414A final regulations: automatic enrollment rules for new 401(k) plans

27 November 2026 · 5 min read · blogs.iictp.org/automatic-enrollment-final-regulations-section-414a

Short answer: the automatic enrollment final regulations under Section 414A, published by the US Treasury and IRS on 18 November 2026, explain how many newer 401(k) and 403(b) plans must enrol eligible employees by default. The regulations take effect on 19 January 2027 and generally apply to plan years beginning after 31 December 2027. It matters because the statute already applies, so employers need a good faith approach in the meantime.

TL;DR The short version

- Treasury and the IRS published final regulations under Section 414A on 18 November 2026 on how many newer 401(k) and 403(b) plans must enrol employees by default.
- They take effect on 19 January 2027 and generally apply to plan years beginning after 31 December 2027.
- The statute already applies, so employers need a good faith approach now; check which client plans are covered.

Read online, listen to it, or change the text size: https://blogs.iictp.org/automatic-enrollment-final-regulations-section-414a

What is Section 414A?

Section 414A was added to the Internal Revenue Code by the SECURE 2.0 Act of 2022. A covered cash or deferred arrangement or salary reduction agreement must be an eligible automatic contribution arrangement, under which employees are enrolled unless they opt out or choose another rate.

How the requirements work

- The default contribution is a uniform percentage from 3% to 10%.
- It rises by at least one percentage point each plan year after the initial period until it reaches at least 10%, and automatic increases cannot continue beyond 15%.
- Employees may opt out or elect a different percentage, and there is a limited window to withdraw default contributions.
- Without an investment choice, amounts follow the Department of Labor qualified default investment rules.
- The arrangement must cover all employees eligible to make deferrals, not only new hires.

What the final regulations add

- Annual increases may be applied before, but no later than, the first day of the plan year and may exceed one point.
- Exceptions are clarified for qualifying small and new businesses, governmental plans, church plans and SIMPLE 401(k) plans.
- Guidance covers plan mergers and when an employer may keep relying on an exemption.
- Certain notices may be combined, and annual notices are reduced for some unenrolled employees who receive an annual reminder.

Dates and estimates

- The statute applies to plan years beginning after 31 December 2024.
- For years before the regulations apply, a reasonable, good faith interpretation standard applies.
- Plans established before 29 December 2022 are outside the requirement, as are businesses in existence under three years or normally employing ten or fewer people, while those conditions hold.
- The Journal of Accountancy reports Treasury estimates of about 2.2 million taxpayers and 31,600 plans affected each year, participation rising from roughly 70% to 77%, and about $4.2 billion a year in added retirement savings.

Limitations and open questions

- This is a summary. Exceptions, mergers and multiple employer arrangements have detailed conditions.
- Correction of operational failures is handled under other guidance.
- The estimates are government projections.
- This is not tax advice.

Sources were read on 27 November 2026. Products, rules and data change, so check the linked originals before you rely on any detail.

How to check client plans

1. Record when each 401(k) or 403(b) arrangement was established.
2. Test each exception with evidence, including employee counts and business age.
3. Confirm that every eligible employee is covered by the automatic arrangement.
4. Set the default rate, escalation date and cap in payroll.
5. Review notices and the withdrawal window.
6. Document the good faith position for years before 2028.

What it means for accountants and payroll teams

Growth can end a small business exception, so add the test to the annual review. Payroll configuration is where escalation errors usually surface, since the rate must change on time for each participant. Reconcile elections, defaults and deposits as part of plan audit preparation.

Frequently asked questions

- **When do the automatic enrollment final regulations apply?** Generally to plan years beginning after 31 December 2027.
- **What is the starting contribution rate?** A uniform rate between 3% and 10%.
- **Are older plans covered?** Plans established before 29 December 2022 are outside the requirement.
- **Can employees opt out?** Yes, or choose a different rate.

Related reading

- IRS advisory council on AI in tax preparation
- Companies House mandatory iXBRL accounts
- SOC 2 description criteria draft
- Certified Technical Practitioner

Related credential: Certified Technical Practitioner. Explore the exam facts and syllabus.

Sources and further reading

1. US Treasury and Internal Revenue Service. Automatic Enrollment Requirements Under Section 414A. Final regulations. Federal Register, 18 November 2026. federalregister.gov/documents/2026/11/18/2026-23530/automatic-enrollment-requirements-under-section-414a
2. Martha Waggoner, Journal of Accountancy. IRS finalizes retirement plan auto-enrollment rules. 17 November 2026. journalofaccountancy.com/news/2026/nov/irs-finalizes-retirement-plan-auto-enrollment-rules

Published by IICTP, an independent technical credential body, on 27 November 2026. The current version of this post is at https://blogs.iictp.org/automatic-enrollment-final-regulations-section-414a. More guides: blogs.iictp.org.