Roth Catch-Up Deduction for High Earners

Document #:	3480	Product:	CenterPoint Payroll®

In CenterPoint, a 401K can be set up so that when the pretax limit is hit on employees that are high wage earners, the standard 401K will stop and a Roth Catch-Up deduction will start calculating up to the annual limit (both deductions then stop). For employees who are not high earners and do not have the Roth Catch-Up deduction, the standard 401K will stop at the pretax limit.

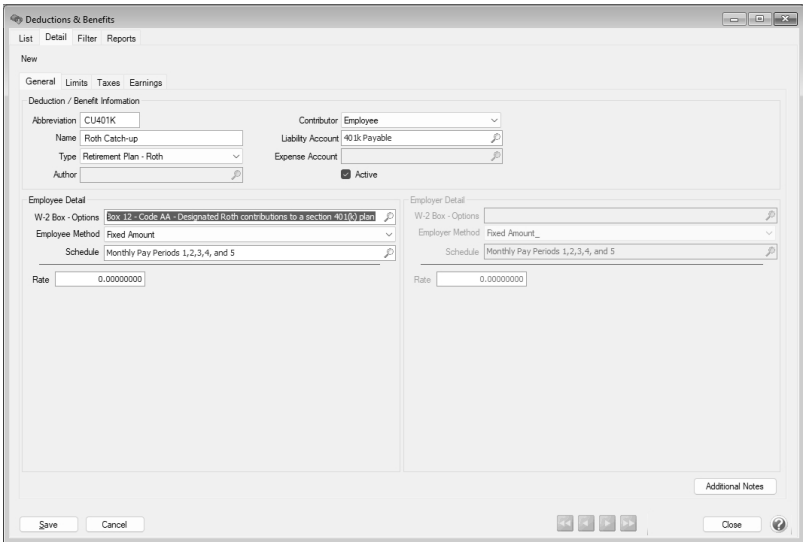
Step A: Create a new Roth Catch-Up Deduction

Step B: Edit the Standard 401K Deduction

Step C: Add the Roth Catch-Up Deduction to High Wage Earners (In the Catch-up Age Range)

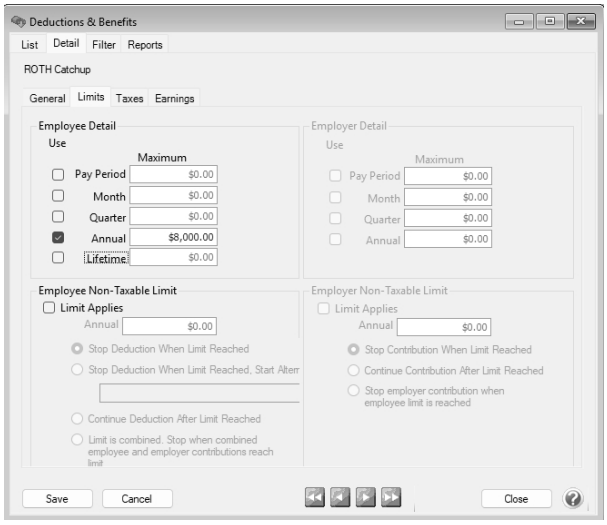
Step A: Create a new Roth Catch-Up Deduction (one-time setup)

1. Select **Setup > Payroll Details > Deductions & Benefits**.
2. Click **New**.
3. Enter an **Abbreviation** and **Name** to easily identify this deduction.
4. In the **Type** box, select **Roth Retirement Plan**.
5. In the **Contributor** box, select **Employee**.
6. In the **Liability Account** box, select the liability account this deduction should post to. The Liability Account also controls who the deduction will be paid to.



7. In the **W-2 Options** box, select the appropriate W-2 box option; it is usually the same box and code as the regular Roth deduction, for example, Box 12 Code AA - Designated Roth contributions to a section 401(k) plan for a 401K Roth.
8. Select the **Limits** tab.
9. Under Employee Detail, select the **Use** check box next to the Annual box and enter the **Annual** limit.

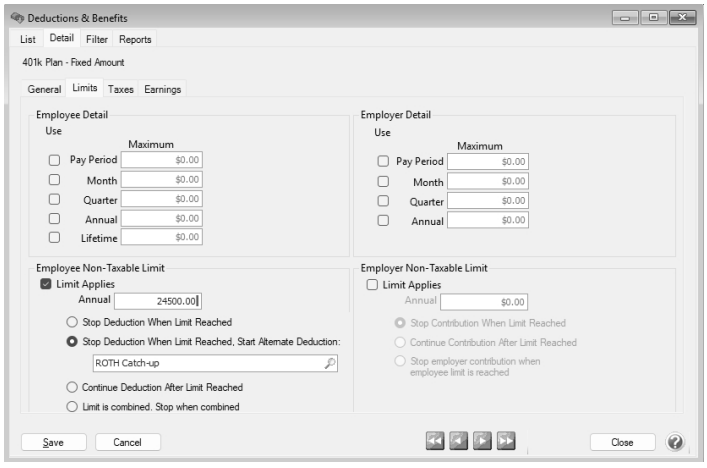
This documentation is for informational purposes only. For specific accounting guidance, please contact your accountant.



10. Select the **Taxes** tab, verify the tax setup by selecting the **The tax setup for this deduction/benefit has been reviewed and verified** check box.
11. At the *Do you want to add this Deduction/Benefit to Employees?* message, click **No**.
12. If you offer both Fixed Amount and Percent of Wages 401K plans, repeat Steps 1-10 for each type of 401K plan.

Step B: Edit the Standard 401K Deduction

1. Select **Setup > Payroll Details > Deductions & Benefits**.
2. Select your **Standard 401K deduction** and then click **Edit**.
3. Click the **Limits** tab.
4. Select the **Stop Deduction When Limit Reached, Start New Deduction** option and then select the **Roth Catch-Up** deduction created in Step A.

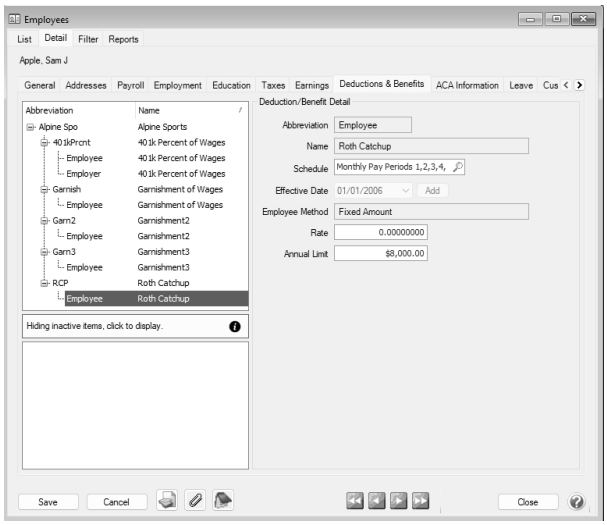


5. Click **Save.**
6. If you offer both Fixed Amount and Percent of Wages 401K plans, repeat Steps 1-5 and select a different Roth Catch-up deduction created in Step A.

Step C: Add the Roth Catch-Up Deduction to High Wage Earners in the Catch-up Age Range

Note: There is no need to make changes to employees that are not high wage earners other than to verify they have the correct Non-taxable Limit for 2026 based on age.

1. Select **Setup** > **Employees**.
2. Select a high wage earner and click **Edit**. Then select the **Deductions/Benefits** tab.
3. In the lower left portion of the screen, select the **Roth Catch-Up** deduction from the list. Once selected it will display in the upper left portion of the screen, below the employer.
4. On the right side of the screen, enter the **Rate** (the same as the Standard 401K) and the **Annual Limit** for the catch-up (limits vary by employee age).



5. From the upper-left side of the screen, select the **Standard 401K deduction** and verify/enter the **Non-taxable Limit** for 2026 based on the employee's age.
6. Click **Save**.

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