



November 4, 2024

Internal Revenue Service
CC:PA:01:PR (Notice 2024-65)
Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

Re: IRS Request for Comments Regarding Implementation of Saver's Match Contributions (Notice 2024-65)

Dear Mr. Morgan:

We write to offer public comment on the implementation of the Saver's Match, related to sections 103 and 104 of Division T of the Consolidated Appropriations Act, 2023, Public Law 117-328, 136 Stat. 4459 (2022), known as the SECURE 2.0 Act of 2022 (SECURE 2.0 Act). We are employees of the Urban Institute with research and policy expertise in financial well-being, economic mobility, retirement security, and racial equity. The views expressed here are our own and should not be attributed to the Urban Institute, its Board of Trustees, or its funders.

We would like to provide supporting evidence regarding the Saver's Match. This submission contains responses to many, but not all 29 questions. Rather than responding to the questions in order, we organize the evidence into principles that we encourage the IRS and Treasury to consider when making implementation decisions regarding the Saver's Match. We reference question numbers where applicable. The resources that we cite and to which we link are a part of this comment and should be part of the administrative record.

For questions or to schedule a follow-up dialogue, please contact Justine Davenport, senior federal government affairs advisor, at jdavenport@urban.org.

Sincerely,

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Retirement Savings as a Component of Financial Well-Being

In the United States, retirement assets are the single largest component of a household's wealth after homeownership.¹ Saving for the long-term is also essential to financial well-being. The Urban Institute defines financial health as people's ability to manage their daily finances, be resilient to economic shocks, and pursue opportunities for upward mobility.² Household wealth, in the form of liquid savings, retirement savings, homeownership, and business ownership, is essential to advancing these conditions for financial well-being. Research shows that liquid savings of just \$250 to \$749 can substantially buffer households from financial hardship, including the risk of eviction and food insecurity.³ While there is no minimum savings threshold for financial well-being, evidence shows that a month of income saved can be sufficient for a household to sustain a typical period of unemployment or an emergency expense.⁴

Balances in employer-based plans, like 401ks and personal tax-preferred accounts like IRAs, totaled \$37.8 trillion in 2022.⁵ The US retirement savings system has historically been a "three-legged stool," made up of federal Social Security retirement benefits, employer-based retirement savings, and personal savings.⁶ Sufficient long-term savings allow people to retire out of need or want and still maintain financial well-being and dignity. Financial security later in life is linked to longevity and quality of life in later years.⁷ Meaningful retirement savings are linked to lower senior poverty, less reliance on the social safety net, and receiving Social Security benefits later in life. Retirement security also accrues to multiple generations, as retirees are often caregivers for others, including spouses, friends, children, and grandchildren.⁸ There is also evidence that older Americans are increasingly investing in wealth-building opportunities for younger generations, including cosigning loans for education and housing.⁹

¹ Aditya Aladangady, Jesse Bricker, Andrew C. Chang, Sarena Goodman, Jacob Krimmel, Kevin B. Moore, Sarah Reber, Alice Henriques Volz, and Richard A. Windle, *Changes in U.S. Family Finances from 2019 to 2022: Evidence from the Survey of Consumer Finance* (Washington, DC: Board of Governors of the Federal Reserve System, 2023), <https://doi.org/10.17016/8799>.

² "Financial Health and Wealth Dashboard," Urban Institute, October 2022, <https://apps.urban.org/features/financial-health-wealth-dashboard/>.

³ Signe-Mary McKernan, Caroline Ratcliffe, Breno Braga, and Emma Cancian Kalish, *Thriving Residents, Thriving Cities: Family Financial Security Matters for Cities* (Washington, DC: Urban Institute, 2016), <https://www.urban.org/research/publication/thriving-residents-thriving-cities-family-financial-security-matters-cities>

⁴ Consumer Financial Protection Bureau (CFPB), *Emergency Savings and Financial Security: Insights from the Making Ends Meet Survey and Consumer Credit Panel* (Washington, DC: CFPB, 2022), <https://www.consumerfinance.gov/data-research/research-reports/emergency-savings-financial-security-insights-from-making-ends-meet-survey-and-consumer-credit-panel/>; Jorge Sabat and Emily A. Gallagher, *Does Short-term Emergency Savings Translate into Longer-term Financial Wellness?* (Washington, DC: AARP Public Policy Institute, 2020), <https://www.aarp.org/pri/topics/work-finance-retirement/financial-security-retirement/short-term-emergency-savings/>.

⁵ Congressional Research Service (CRS), *U.S. Retirement Assets: Data in Brief* (Washington, DC: CRS, 2023).

⁶ James M. Poterba, "Retirement Security in an Aging Population." *American Economic Review* 104, no. 5 (2014): 1–30, DOI: 10.1257/aer.104.5.1.

⁷ Ellen Seidman and Diana Elliott, "Financial Security and Longevity Go Hand in Hand", *Urban Wire* (blog), Urban Institute, June 8, 2016, <https://www.urban.org/urban-wire/financial-security-and-longevity-go-hand-hand>.

⁸ Susan C. Reinhard, Selena Caldera, Ari Houser, and Rita Choula, *Valuing the Invaluable 2023 Update: Strengthening Supports for Family Caregivers* (Washington, DC: AARP Public Policy Institute, 2023), <https://www.aarp.org/pri/topics/ltss/family-caregiving/valuing-the-invaluable-2015-update/>.

⁹ Mingli Zhong, Jason Cohn, and Catherine Harvey, "Ensuring Americans Can Retire Free from Student Loan Debt," *Urban Wire* (blog), Urban Institute, July 24, 2024, <https://www.urban.org/urban-wire/ensuring-americans-can-retire-free-student-loan-debt>.

Barriers to Saving for Retirement and Resulting Disparities for People of Color and Small Business Employees

Despite the importance of retirement savings to financial well-being, survey data suggests that about 33 percent of people at or near the typical retirement age do not think they will have enough savings for retirement.¹⁰ Taking into account the degree to which retirement income replaces pre-retirement income, a projected two-fifths of households will be unable to maintain their pre-retirement standard of living after retirement.¹¹ More than half of people over age 50 report having no designated emergency savings account, leaving them especially vulnerable to expense shocks in retirement.¹² Among those who hold retirement assets (including 401(k)s, 403(b)s, and IRAs), disparities have increased fivefold over the past three decades. In 1989, white families had about \$50,000 more in average retirement savings than Black families and about \$35,000 more than Hispanic families. In 2022, white families had about \$260,000 more in average retirement savings than both Black and Hispanic families and about \$20,000 more than Asian families.¹³

Structural barriers to saving for retirement are driven by access to retirement savings plans—related directly to underlying factors driving disparities in access to “good quality” jobs that offer sustaining wages and a retirement savings plan, plan design, and savings incentives. The Saver’s Credit is designed to address the third challenge, which is missing or misaligned incentives to save for retirement.

Disparities in access to workplace retirement savings programs are a major driver of disparities in retirement savings by race and ethnicity. According to the AARP Public Policy Institute, nearly half (48 percent) of private sector workers are employed by a business that does not offer a tax-advantaged retirement savings plan, such as a 401(k) or a 403(b). Black, Hispanic, small business employees, and younger workers, are less likely to have access to these pre-tax payroll deduction savings accounts.¹⁴ This divide is because of, in part, occupational crowding by race and ethnicity and structural changes to the private retirement system.¹⁵ In recent years, 20 states and two cities have enacted programs to cover workers whose employers do not offer a retirement plan; 17 of these programs are automatic payroll

¹⁰ S. Kathi Brown, *AARP Financial Security Trends Survey* (Washington, DC: AARP Research, 2024), <https://doi.org/10.26419/res.00525.040>.

¹¹ Yimeng Yin, Anqi Chen, and Alicia H. Munnell, “The National Retirement Risk Index: An Update from the 2022 SCF,” Issue in Brief 24-5 (Chestnut Hill, MA: Center for Retirement Research at Boston College, 2024), <https://crr.bc.edu/the-national-retirement-risk-index-an-update-from-the-2022-scf/#:~:text=The%20National%20Retirement%20Risk%20Index%3A%20An%20Update%20from%20the%202022%20SCF,-February%2027%2C%202024&text=The%20brief's%20key%20findings%20are,47%20percent%20to%2039%20percent>.

¹² Catherine Harvey, *Unlocking the Potential of Emergency Savings Accounts* (Washington, DC: AARP Public Policy Institute, 2019), <https://www.aarp.org/pri/topics/work-finances-retirement/financial-security-retirement/unlocking-the-potential-of-emergency-savings-accounts/>.

¹³ “Nine Charts about Wealth Inequality in America,” Urban Institute, April 2024, <https://apps.urban.org/features/wealth-inequality-charts/>.

¹⁴ John, David, Gary Koenig, and Marissa Malta, *Payroll Deduction Retirement Programs Build Economic Security* (Washington, DC: AARP Public Policy Institute, 2022), <https://doi.org/10.26419/ppi.00164.001>.

¹⁵ Ofronama Biu, Batia Katz, Afia Adu-Gyamfi, Molly M. Scott, “Getting a Good Job Depends More on Race and Gender than Education,” Urban Institute, January 2024, <https://apps.urban.org/features/job-quality-segregation-race-gender/>; C. Eugene Steuerle, Benjamin H. Harris, and Pamela J. Perun, “Entitlement Reform and the Future of Pensions,” In *Reimagining Pensions: The Next 40 Years*, eds. Olivia Mitchell and Richard Shea (Oxford, UK: Oxford University Press, 2014), <http://dx.doi.org/10.2139/ssrn.2523088>.

deduction IRA plans. Today, these state-facilitated retirement savings programs have \$1.79 billion in assets.¹⁶

Account design also influences how individuals with access to employer-based retirement savings programs participate and save in meaningful sums. Racial disparities in retirement diminish, but not entirely, between workers in similar income groups when retirement plan design affords them access and rewards their participation.¹⁷ The Pension Protection Act of 2006 removed several barriers to enrollment and default investments in 401(k) plans. Importantly, automatic enrollment of workers in these plans at a set rate, typically 3 percent of payroll, while allowing workers to opt-out, has been shown to significantly increase participation and retirement savings across income, age, race, and ethnicity.¹⁸

Finally, incentives also play a role in retirement savings disparities. Both employers and the federal government offer incentives to save. About eight in ten employees who have access to workplace retirement savings plans, both defined contribution plans like 401(k)s and defined benefit pension plans, have an employer contribution or match.¹⁹ The primary government incentive for saving for retirement is the tax treatment of retirement savings accounts. Existing federal tax incentives for retirement are heavily skewed toward wealthier individuals. More than 80 percent of federal spending on retirement tax subsidies accrue to the top 40 percent of the income distribution, while the bottom 20 percent receive 0.4 percent of these benefits, following an ongoing trend.²⁰

How the Saver's Match Improves Upon the Saver's Credit

The Saver's Match is designed to incentivize lower-income workers to save in qualified retirement savings accounts through a match from the US Treasury Department, up to \$1,000 for every \$2,000 saved in a year. The Saver's Match improves upon an existing policy intended to incentivize low- to moderate-income workers to contribute to retirement savings accounts, the Saver's Credit. While the Saver's Credit had similar policy goals, it was largely ineffective. The IRS estimates that only 5.7 percent of taxpayers claimed the credit, and the average credit was \$191. Barriers to claiming the credit included limited eligibility, a requirement of having income tax liability, and high friction for claiming.²¹

The Saver's Match offers several advantages to the Saver's Credit.²² First, more people will be eligible for the Saver's Match than for the old Saver's Credit. This is partly the case because the Saver's Match is refundable, meaning that eligible individuals need not owe federal income tax. Compared to the expiring Saver's Credit, refundable tax credits like the popular Earned Income Tax Credit have an 80 percent

¹⁶ "State Programs 2024: Optimism More Programs Enacted While Several Newer Programs Will Partner with Existing Programs to Launch in 2024," Georgetown Center for Retirement Initiatives, accessed October 14, 2024, <https://cri.georgetown.edu/states/>.

¹⁷ Jack VanDerhei, *How Large are Racial and Gender Disparities in 401(k) Account Balances and What is Causing Them?* (Chicago, IL: Morningstar Investment Management LLC, 2024), <https://www.morningstar.com/business/insights/research/cfers-racial-gender-disparities-401k-plans>.

¹⁸ Brigitte C. Madrian and Dennis F. Shea. "The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior." *The Quarterly Journal of Economics* 116 no. 4 (2001): 1149–87. <http://www.jstor.org/stable/2696456>.

¹⁹ Pew Charitable Trusts, "Retirement Plan Access and Participation Across Generations," Issue Brief (Washington, DC: Pew Charitable Trusts, 2017), <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/02/retirement-plan-access-and-participation-across-generations>.

²⁰ "T22-0264 - Tax Benefit of Retirement Savings Incentives (Present Value Approach), Baseline: Current Law, Distribution of Federal Tax Change by ECI Percentile, 2022," Tax Policy Center, accessed October 28, 2024, <https://taxpolicycenter.org/model-estimates/individual-income-tax-expenditures-december-2022/t22-0264-tax-benefit-retirement>.

²¹ Congressional Research Service (CRS), *The Retirement Savings Contribution Credit and the Saver's Match*. (Washington, DC: CRS, 2023), <https://crsreports.congress.gov/product/pdf/IF/IF11159>.

²² Pew Charitable Trusts, *Federal Saver's Match Could Benefit Million of Low- to Moderate-Income Americans* (Washington, DC: Pew Charitable Trusts, 2024), https://www.pewtrusts.org/-/media/assets/2024/04/4018_federal_savers_match_could_benefit_millions_fact_sheet_v3.pdf.

participation rate, largely due to its refundability.²³ Eligibility for the Saver's Match is broader because the match will gradually phase out as income exceeds the modified adjusted gross income (MAGI). For example, a joint tax filer who earns \$41,000 and contributes \$2,000 to a qualified retirement savings account would earn a \$1,000 match. As joint filers earn more than \$41,000, the match would gradually decline until their earnings reach \$71,000. Estimates are that 69 million tax filers would be eligible based on income alone; of that figure, 21.9 million would likely qualify for the Saver's Match based on historical trends in retirement account contributions in these income groups.²⁴

The Saver's Match is also more generous than the Saver's Credit, which should incentivize more people to contribute to their accounts to maximize the match. An instructive analogy is the employer match in retirement savings accounts, which increases the likelihood that people will participate in a retirement savings plan at all—by 15 to 16 percentage points—and increases their overall contributions.²⁵ Indeed, the Collaborative for Equitable Retirement Savings estimates that among savers eligible for the Saver's Match, projected retirement account balances at age 65 would increase by about 10 percent among Asian women and by more than 20 percent among Black women, assuming people adjust their saving behavior to maximize the Saver's Match, compared to the status quo.²⁶

Another reason to expect the Saver's Match to be more effective at incentivizing low- to moderate-income people to save for retirement is that the statute explicitly directs the Treasury to promote the Saver's Match to potentially eligible savers. Awareness campaigns that are well-resourced and incorporate best practices for reaching their target populations have shown promise in increasing the uptake of other refundable tax credits, particularly among new tax filers.

Addressing Barriers to Access and Participation in Saver's Match Implementation

The following principles should help guide the IRS and Treasury in decisions about how to implement and promote the Saver's Match.

1. Maximize the eligibility of populations with the greatest barriers to saving for retirement.

On the whole, SECURE 2.0 has the potential to promote racial equity in retirement security outcomes.²⁷ However, effective implementation will determine whether the Saver's Match narrows racial disparities in retirement savings and incentivizes low- and moderate-income individuals to save for retirement. Bearing this in mind, regulators and congressional oversight of the Saver's Match program should measure successful implementation primarily by the degree to which Black, Latino, and low-income people who have been previously excluded or overlooked by the retirement savings system benefit from the Saver's Match. The number and share of eligible individuals who claim the Saver's Match is a primary benchmark. Supplemental research to quantify positive behavior changes in response to the match—including opening

²³ "EITC Participation Rate by States Tax Years 2014 through 2021," Internal Revenue Service, accessed October 28, 2024, <https://www.eitc.irs.gov/eitc-central/participation-rate-by-state/eitc-participation-rate-by-states>.

²⁴ Craig Copeland, "Sizing the Market for the Saver's Match," Washington, DC: Employee Benefits Research Institute, 2024), <https://www.ebri.org/retirement/publications/issue-briefs/content/sizing-the-market-for-the-saver-s-match>.

²⁵ Pew Charitable Trusts, "Retirement Plan Access and Participation Across Generations," Issue Brief (Washington, DC: Pew Charitable Trusts, 2017), <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/02/retirement-plan-access-and-participation-across-generations>.

²⁶ Jack VanDerhei, *How Effective Might the Saver's Match Be in Mitigating Race/Gender Disparities in 401(k) Plans: Evidence from the Collaborative for Equitable Retirement Savings Project*, (Chicago, IL: Morningstar Investment Management LLC, 2024), <https://www.morningstar.com/business/insights/research/cfers-savers-match>.

²⁷ Mingli Zhong, Marokey Sawo, Karishma Furtado, and Rekha Balu. 2024. Does the SECURE 2.0 Act Improve Equity in Workers' Access to Retirement Accounts? Washington, DC: Urban Institute, 2024), <https://www.urban.org/research/publication/does-secure-20-act-improve-equity-workers-access-retirement-accounts>.

a qualifying account and increasing eligible contributions over time—would illustrate the efficacy of the policy as implemented.

To the extent possible, the program should enable universal access among eligible savers. As drafted, it appears that among the populations who are ineligible for the match are those individuals whose employers do not offer a retirement plan but have helped them enroll in state-facilitated retirement plans that use Roth IRAs.²⁸ Also excluded are individuals who save in ABLE accounts, which are federal tax-preferred savings accounts for individuals with disabilities. It is imperative that the IRS and Treasury urgently explore solutions to ensure eligibility for these populations (Question 12).

Given that a large segment of the target population of the Saver's Match may owe no federal income tax, and therefore may not otherwise file taxes, the IRS and Treasury could replicate the success of alternatives to Form 1040 for claiming the Saver's Match (Question 6, 7). For instance, in 2020 and 2021 the IRS implemented a "simplified filing process" to deliver stimulus payments and the expanded Child Tax Credit to eligible households. Code for America partnered with the White House to release and later evaluate the GetCTC.org portal, which offers relevant lessons to the forthcoming Saver's Match.²⁹ Such a system could greatly aid individuals in determining their eligibility prior to claiming the match.

Finally, savers should in no way be penalized for claiming the Saver's Match. Elsewhere in SECURE 2.0, the statute allows employers to provide a pension linked emergency savings account, enabling savers to access up to \$2,500 in liquid assets in emergencies. It would seem contradictory for the IRS and Treasury to allow these same savers to be charged a fee to file a form separate from the 1040 to demonstrate eligibility for the Saver's Match, which is capped at \$1,000.

2. Make the Saver's Match automatic.

Simplifying the process for eligible individuals to claim the Saver's Match is essential to successful implementation. Historically, the administrative burden of securing a benefit for which an individual qualifies has fallen disproportionately on low-income individuals and people of color.³⁰ Two facets of the Saver's Credit offer an opportunity to minimize the burden on individual savers and improve the likelihood of ensuring eligible savers secure the match (Question 5).

First, there are decades of precedent in policy and practice around incorporating principles of behavioral economics into retirement plan design.³¹ These include the aforementioned automatic enrollment or "opt-out" enrollment plan design. Other behavioral design features of employer-based plans include a default contribution rate and automatic escalation of that rate that exist in many employer-based plans.³² These defaults results have significantly boosted participation and savings balances. The

²⁸ "State Programs 2024: Optimism More Programs Enacted While Several Newer Programs Will Partner with Existing Programs to Launch in 2024," Georgetown Center for Retirement Initiatives, accessed October 14, 2024, <https://cri.georgetown.edu/states/>.

²⁹ Code for America, Lessons from Simplified Filing in 2021 Client experience and outreach learnings from the operation of the GetCTC simplified filing tool (San Francisco, CA: Code for America, 2022), <https://files.codeforamerica.org/2022/01/15163938/lessons-from-simplified-filing-in-2021-getctc-report-january-2022.pdf>

³⁰ Pamela Herd and Donald P. Moynihan. 2018. *Administrative Burden: Policymaking by Other Means*. New York, NY: Russell Sage Foundation; Chantel Boyens and Jack Smalligan, "Social Security Customer Service Challenges: Causes, Impacts, and Solutions," (Washington, DC: Urban Institute, 2024), <https://www.urban.org/research/publication/social-security-customer-service-challenges-causes-impacts-and-solutions>.

³¹ Brigitte C. Madrian and Dennis F. Shea. "The Power of Suggestion: Inertia in 401(k) Participation and Savings Behavior."

³² Hannah Gdalan, Riya Patil, Zaan Pirani, and Heidi Johnson, Behavioral Design Guide: A Financial Health Approach to Employer-Sponsored Retirement Savings Plans (Chicago, IL: Financial Health Network, 2024), <https://finhealthnetwork.org/research/behavioral-design-guide-a-financial-health-approach-to-employer-sponsored-retirement-savings-plans/>; Mingli Zhong, "Optimal Default Retirement Saving Policies: Theory and Evidence from OregonSaves," Wharton Pension Research Council Working Paper No. 2020-01 (Washington, DC: National Bureau of Economic Research, 2021), <http://dx.doi.org/10.2139/ssrn.3535881>.

retirement industry, including plan sponsors and recordkeepers, are well accustomed to minimizing savings friction through plan design. In addition, the National Science and Technology Council drafted a Blueprint for the Use of Social and Behavioral Science to Advance Evidence-Based Policymaking to guide implementation design applying principles of behavioral science.³³

Second, these same retirement industry players possess the essential data and reporting channels to regulators to automatically verify eligibility based on income and contributions to a qualifying retirement account and to designate a default account for the Saver's Match on behalf of the saver (Question 8). The only mention of a default election in the Request for Information from the IRS and Treasury (Question 6) pertains to cases in which the eligible contribution is less than \$100 (in which case, it is more practical for the match to be included in the individual's tax refund). Why not also consider the account receiving the eligible contribution to be the default account for all other eligible savers (Question 9, Question 10, Question 17)?

3. Identify and target actionable outreach and assistance to marginalized savers.

In addition to automating aspects of the Saver's Match, the Treasury could reduce the burden on the individual saver to access the match by leveraging the data that the IRS and Treasury have access to and issue notices of potential eligibility to households based on income and ownership of qualifying retirement accounts. Beyond this general outreach, the Treasury should consider prioritizing outreach and assistance efforts to eligible individuals who are least likely to access the Saver's Match by virtue of financial hardship, tax liability, and immigration status. These are many of the same factors that contribute to the racial and ethnic disparities in retirement savings.

A presumption of ineligibility for tax benefits is common among the population that is income-eligible for the Saver's Match, presenting a challenge to proactive claiming. It is well documented that applicants for government benefits and social safety net programs face a myriad of administrative barriers to access, resulting in feelings of disillusionment, shame, and distrust of the government. Low- and moderate-income people may have paid penalties in other government programs, sometimes for administrative errors. For instance, reflecting on a SNAP (food assistance) overpayment, one program participant said of the federal government: "They fail the community...I won't even apply for food stamps or Medicaid because I'm scared that they may say they overcharge me. 'You have to pay this back or we're going to lock you up for this.' That's how I feel about them. It's scary."³⁴ For example, more than a third of eligible adults in families with children under age 18 who did not get the advance Child Tax Credit payments that were part of the American Rescue Plan Act because they did not think they were eligible.³⁵

Individuals unaccustomed to filing taxes due to low earnings ("non-filers") is another subgroup for the Treasury to target in its outreach efforts on the Saver's Match. Efforts to reach non-filers through existing IRS campaigns, supported by governors and state agencies, could reach low-income populations who may be eligible for the match (Question 6).³⁶ However, research suggests that while lack of awareness is a

³³ National Science and Technology Council, Subcommittee on Social and Behavioral Sciences of the Committee on Science. 2024. Blueprint for the Use of Social and Behavioral Science to Advance Evidence-Based Policymaking. (Washington, DC: National Science and Technology Council, 2024), <https://www.whitehouse.gov/wp-content/uploads/2024/05/Blueprint-for-the-Use-of-Social-and-Behavioral-Science-to-Advance-Evidence-Based-Policymaking.pdf>.

³⁴ Eleanor Pratt, Marla McDaniel, Heather Hahn, Jennifer M. Haley, Dulce Gonzalez, Soumita Bose, Sarah Morriss, and Laura Wagner, "Improvements in Public Programs' Customer Service Experiences Could Better Meet Enrollees' Needs and Help Build Trust in Government," (Washington, DC: Urban Institute, 2023), <https://www.urban.org/research/publication/improvements-public-programs-customer-service-experiences>.

³⁵ Michael Karpman and Elaine Maag, "Lack of Awareness and Confusion over Eligibility Prevented Some Families from Getting Child Tax Credit Payments," (Washington, DC: Urban Institute, 2022), <https://www.urban.org/research/publication/lack-awareness-and-confusion-over-eligibility-prevented-some-families-getting>.

³⁶ Marr, Chuck, Kris Cox, Kathleen Bryant, Stacy Dean, Roxy Caines, and Arloc Sherman, Aggressive State Outreach Can Help Reach the 12 Million Non-Filers Eligible for Stimulus Payments (Washington, DC: Center on Budget and

contributing factor to unclaimed tax benefits among non-filers, it is not the primary driver.³⁷ Best practices from the pandemic stimulus payments and expanded Child Tax Credit indicate that a combination of in-person, in-language trusted messengers and outreach through familiar mobile applications are effective at encouraging individuals to file income taxes to claim refundable tax credits (Question 7, Question 29).³⁸ It is important to note, however, that the effect of these efforts in motivating people to file for the Saver's Match may be more muted compared to pandemic-era stimulus refundable tax credit awareness campaigns, since these were cash payments.

Immigrants and members of mixed-status families who make eligible contributions to qualifying retirement accounts require specialized outreach on the Saver's Match. Many immigrants and individuals in mixed-status families avoid participating in or claiming benefits for which they are eligible out of fear of repercussions for their immigration status in light of the so-called "public charge rule," which has since been scaled back but continues to have a chilling effect on immigrants and their families.³⁹ To reassure eligible immigrant savers and their family members, the Treasury could clarify eligibility requirements by immigration status in multiple languages in communications with individual savers, and in partnership with reputable tax preparation sites, community-based organizations, and employers.

The content of direct communications to potentially eligible savers can influence their likelihood to claim the Saver's Credit. In addition to crafting plain language and in-language outreach, communications that contain dollar figures, such as "a match up to \$1,000 for \$2,000 saved this year" could be compelling.⁴⁰ Employing the principle of enhanced active choice in outreach might satisfy the claiming definition in the statute and encourage those who are potentially eligible to make the effort to claim.⁴¹ For example, a message such as "I choose not to claim the Saver's Match, forfeiting the opportunity to receive a matching contribution from the government on money I saved in my retirement account this year" could be effective in encouraging individuals to take the time to report their contributions to qualified accounts to get the match.

Given the hesitancy of the aforementioned subpopulations to proactively claim tax benefits for which they may be eligible, the IRS and Treasury could leverage behavioral tools to design the disclosure of information about Saver's Match Recovery Tax for early withdrawals (Question 17, Question 20). Specifically, while it is important to disclose the consequences of early withdrawal, the headline message about the match could focus on the potential benefit. Ideally, the incidence of early withdrawals declines precipitously as regulators simplify the implementation of the emergency savings provisions elsewhere in SECURE 2.0, minimizing the risk that people would trigger the Recovery Tax.

Policy Priorities, 2020), <https://www.cbpp.org/research/federal-tax/aggressive-state-outreach-can-help-reach-the-12-million-non-filers-eligible>.

³⁷ Gabriel Zucker and Lindsey Wagner, "Talking to Non-Filers: Evidence from Qualitative Research with Families Who Don't Regularly File Taxes," *New America (blog)*, July 16, 2021, <https://www.newamerica.org/new-practice-lab/blog/talking-to-non-filers/>.

³⁸ Nikhita Airi, Luisa Godinez-Puig, and Kim S. Rueben, "Helping New Mothers Understand the Benefits of Filing Taxes," (Washington, DC: Urban Institute, 2022), <https://taxpolicycenter.org/publications/helping-new-mothers-understand-benefits-filing-taxes>.

³⁹ Hamutal Bernstein, Hamutal, Dulce Gonzalez, Sara McTarnaghan, and Sonia Torres Rodríguez, "Three in 10 Adults in California Immigrant Families with Low Incomes Avoided Safety Net Programs in 2020." (Washington, DC: Urban Institute, 2021), https://www.urban.org/sites/default/files/publication/104623/three-in-10-adults-in-california-immigrant-families-with-low-incomes-avoided-safety-net-in-2020_1.pdf; UNIDOSUS, "Hispanic Children and the Child Tax Credit," June 2021, https://unidosus.org/wp-content/uploads/2021/08/unidosus_hispanicchildrenandctc.pdf.

⁴⁰ James Choi, Emily Haisley, Jennifer Kurkoski, and Cade Massey, "Small Cues Change Savings Choices," *Journal of Economic Behavior & Organization* 142 (2017): 378–95. <http://dx.doi.org/10.1016/j.jebo.2017.08.010>.

⁴¹ Punam Keller, Bari Harlam, George Loewenstein, and Kevin G. Volpp, "Enhanced Active Choice: A New Method to Motivate Behavior Change." *Journal of Consumer Psychology* 21, no. 4 (2011), 376–83, <https://doi.org/10.1016/j.jcps.2011.06.003>.

Finally, how the Saver's Match will affect eligibility for public benefits will be an important consideration for prospective savers (Question 21, Question 28). Asset limits, or "means testing" in public benefits programs can discourage lower-income households from savings.⁴² By contrast, Urban researchers found that low-income households in states with no asset limit for SNAP (food assistance) or asset limits higher than the federal limit are five percent more likely to have a bank account and at least \$500 saved than households living in states with asset limits.⁴³ While retirement assets are generally excluded from asset tests, state policies vary. Clarity about how the Saver's Match would affect eligibility for public benefits is critical to uptake by lower-income individuals.

4. Reduce structural barriers to eligible savers claiming the match.

Public education is necessary, but not sufficient, for maximizing uptake of the Saver's Match among low- to moderate-income and marginalized populations described in Principle 3 above. Pairing awareness with assistance to address the underlying barriers to claiming is critical to successful implementation.

A universal principle for maximizing uptake of the Saver's Match among eligible individuals is to meet people where they are. Given the income eligibility criteria for the Saver's Match, a significant share of the eligible population may also qualify for social safety net programs to help defray the cost of food, health care, housing, and child care. To streamline the claiming process, the IRS and Treasury could save money and possibly increase the likelihood of claiming the Saver's Match by integrating technology like integrated web portals and processes, such as simultaneous eligibility determinations for the Saver's Match, with existing public benefits programs systems (Question 24, Question 31).⁴⁴

Other timely opportunities for the IRS and Treasury to reach eligible savers are at the point of hire and during tax filing season. For individuals with access to employer-based retirement plans, regulators could provide people ample time to open accounts and initiate contributions by publicizing the Saver's Match to retirement plan sponsors in time for employer benefits open enrollment season, ideally before calendar year 2026 (Question 28).

The IRS and Treasury have ample opportunities during tax filing season to reach eligible savers and minimize barriers to claiming the Saver's Credit. For instance, the IRS Free File program, which offers free online filing for tax filers earning less than \$79,000 in adjusted gross income could determine potential income-eligibility for the Saver's Match. Integrating eligibility questions into the IRS's Volunteer Income Tax Assistance (VITA) software and volunteer checklist could increase the likelihood that individuals who contributed to a qualifying retirement account that year could claim the match (Question 29).

Partnering with and financially resourcing community-based organizations (who often serve as VITA sites) to promote the Saver's Match could reinforce these campaigns and serve as "navigators" with low-income and immigrant populations.⁴⁵ Trusted messengers, including community-based organizations (CBOs), are key to overcoming skepticism and fear among the subpopulations that may be eligible for the

⁴² Henry Chen and Robert I. Lerman, Do Asset Limits in Social Programs Affect the Accumulation of Wealth?, (Washington, DC: Urban Institute, 2005), <https://www.urban.org/sites/default/files/publication/51686/311223-Do-Asset-Limits-in-Social-Programs-Affect-the-Accumulation-of-Wealth-.PDF>.

⁴³ Caroline Ratcliffe, Signe-Mary McKernan, Laura Wheaton, Emma Cancian Kalish, Catherine Ruggles, Sara Armstrong, and Christina Oberlin, Asset Limits, SNAP Participation, and Financial Stability (Washington, DC: Urban Institute, 2016), <https://www.urban.org/research/publication/asset-limits-snap-participation-and-financial-stability>.

⁴⁴ Heather Hahn and Gina Adams, "Strategies for States to Improve Safety Net Program Access and Efficiency," (Washington, DC: Urban Institute, 2022), <https://www.urban.org/research/publication/strategies-states-improve-safety-net-program-access-and-efficiency>.

⁴⁵ Dulce Gonzalez and Michael Karpman, "As California Expands Safety Net Eligibility for Immigrants, Community Organizations Are Playing a Pivotal Role," *Urban Wire* (blog), August 4, 2022, <https://www.urban.org/urban-wire/california-expands-safety-net-eligibility-immigrants-community-organizations-are-playing>.

Saver's Match.⁴⁶ The IRS could even assist CBOs in prioritizing outreach using up-to-date summary data like zip code, age, and industry.⁴⁷ In addition, the IRS itself could hire personnel with the skills and lived experience to serve these communities. Indeed, Nina Olson, who served as the National Taxpayer Advocate for more than 18 years, argues that the IRS is “the single most critical benefits administrator in the nation for workers and families.”⁴⁸

Inadequate oversight of FreeFile by the IRS and—more importantly—low participation in free tax filing options (on average, 3 percent of eligible taxpayers) mean that a focus on commercial tax preparers deserves greater attention (Question 28, Question 29).⁴⁹ Paid tax preparers are already required to conduct due diligence to check if filers are eligible for refundable tax credits. Adding the Saver's Match to Form 8867, the Paid Preparer's Due Diligence Checklist, would be a first step toward linking eligible savers to the match. While outside the scope of SECURE 2.0, efforts to better regulate paid tax preparers is a necessary companion effort to ensuring low- and moderate-income tax payers save and get the tax benefits they deserve without having to pay a fee.⁵⁰

5. Advance ongoing efforts to improve federal customer experience and service delivery.

In December 2021, the White House released the Executive Order on Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government.⁵¹ The Executive Order states, “Every interaction between the Federal Government and the public, whether it involves renewing a passport or calling for a status update on a farm loan application, should be seen as an opportunity for the Government to save an individual's time (and thus reduce “time taxes”) and to deliver the level of service that the public expects and deserves.” The order requires federal agencies to “provide significant services directly to the public to identify and gather feedback from customers; establish service standards and measure performance against those standards; and benchmark customer service performance against the best customer experience provided in the private sector.”

In line with the aims of the Executive Order, it is our hope and expectation that the IRS and Treasury will proactively seek feedback from prospective eligible savers to inform implementation decisions about the Saver's Match, at conception and in future evaluations.

⁴⁶ Olivia Arena and Kathryn L.S. Pettit, “How NNIP Partners Are Helping Communities Pivot 2020 Census Outreach to Hard-to-Count Groups,” *Urban Wire* (blog), Urban Institute, June 8, 2020, <https://www.urban.org/urban-wire/how-nnip-partners-are-helping-communities-pivot-2020-census-outreach-hard-count-groups>.

⁴⁷ Gabriel Zucker, Cassandra Robertson, and Nina Olson, *The IRS as a Benefits Administrator* An Agenda to Transform the Delivery of EIP, EITC, and CTC (Washington, DC: New America, 2021), <https://www.newamerica.org/new-practice-lab/reports/the-irs-as-a-benefits-administrator/>.

⁴⁸ Zucker, Robertson, and Olson, *The IRS as a Benefits Administrator*.

⁴⁹ Treasury Inspector General for Tax Administration (TIGTA). 2023. Inflation Reduction Act: Assessment of a Free and Electronic Direct Filing Tax Return System (Washington, DC: TIGTA, 2023), <https://www.tigta.gov/reports/audit/inflation-reduction-act-assessment-free-and-electronic-direct-filing-tax-return>; TIGTA, Improvements Are Needed to Ensure Oversight of and Increase Participation in the Free File Program (Washington, DC: TIGTA, 2024), <https://www.tigta.gov/reports/audit/improvements-are-needed-ensure-oversight-and-increase-participation-free-file-program>.

⁵⁰ Paul Weinstein Jr. and Bethany Patten, “The Price of Paying Taxes II: How Paid Tax Preparer Fees are Diminishing the Earned Income Tax Credit,” (Washington, DC: Progressive Policy Institute, 2016), <https://www.progressivepolicy.org/the-price-of-paying-taxes-ii-how-paid-tax-preparer-fees-are-diminishing-the-earned-income-tax-credit-etc/>.

⁵¹ Exec. Order No. 14058. FR Doc. 2021-27380, <https://www.federalregister.gov/documents/2021/12/16/2021-27380/transforming-federal-customer-experience-and-service-delivery-to-rebuild-trust-in-government>.