

## Building a Main Street Friendly Workforce: Expanding access to retirement savings for small business owners and their employees

While small businesses employ nearly half of all U.S. employees and make up over 99% of all U.S. businesses, more than 40% of small businesses don't offer retirement savings plans to their employees.<sup>1</sup> Small businesses have an opportunity to help more employees save for the future but face significant challenges in providing common retirement savings options like 401(k) plans to their employees. Small Business Majority research found that perceived cost and an overall lack of administrative capacity remain the largest barriers for small businesses in administering employer-sponsored retirement plans. In fact, **78% of workers employed at businesses with fewer than 10 employees do not have access to a workplace retirement plan.**<sup>2</sup> Given that 90% of employees at firms with 500 or more workers have access to employer-sponsored retirement benefits, it's clear that Main Street businesses face an uphill battle competing with larger firms for qualified and skilled workers.<sup>3</sup> While Congress has taken action to incentivize smaller businesses to adopt workplace retirement benefits for their employees and several states have implemented state-sponsored savings plans, more must be done to ensure small businesses, their employees, and entrepreneurs have access to affordable and flexible retirement savings options.

### SECURE 2.0 and additional opportunities to enact meaningful reforms at the federal level

In 2022, Congress passed the Setting Every Community Up for Retirement Enhancement Act of 2022, better known as **SECURE 2.0**, which made expansive updates to our nation's retirement system, including a host of provisions designed to make it easier and more affordable for small businesses to offer employer-sponsored retirement plans. Notable SECURE 2.0 provisions for small businesses include:

- **Increases the retirement plan startup tax credit:** Under SECURE 2.0, businesses with 50 or fewer employees can claim a tax credit covering 100% (up from 50%) of administrative costs, up to \$5,000 annually, associated with establishing a retirement plan. The credit is available for the first three years of a new plan. Employers with 51–100 employees remain eligible for a 50% credit.
- **Establishes a new employer contribution tax credit:** SECURE 2.0 created a new tax credit for small businesses that make employer contributions to a retirement plan. Employers with 50 or fewer employees can claim a credit of up to \$1,000 per employee for employer contributions, phased down over five years: 100% in years one and two, 75% in year three, 50% in year four, and 25% in year five. Employers with 51–100 employees are eligible for a reduced credit.
- **Establishes starter 401(k) plans:** Small businesses who do not already offer retirement plans can now offer starter 401(k) plans which do not require businesses to match contributions. These starter plans also have lower employee salary-deferral limits compared to traditional 401(k) plans.

While SECURE 2.0 expanded incentives for small businesses to provide retirement plans, the smallest businesses still may not be able to justify the costs associated with administering a retirement plan, especially if only a handful of employees elect to enroll. Small Business Majority urges Congress to consider proposals that prioritize the smallest businesses, including the **Retirement Investment in Small Employers (RISE) Act** which would make further expansions to the startup tax credit to ensure that small businesses with under 10 employees would receive at least a \$2,500 tax credit to help pay for the costs of creating retirement accounts.

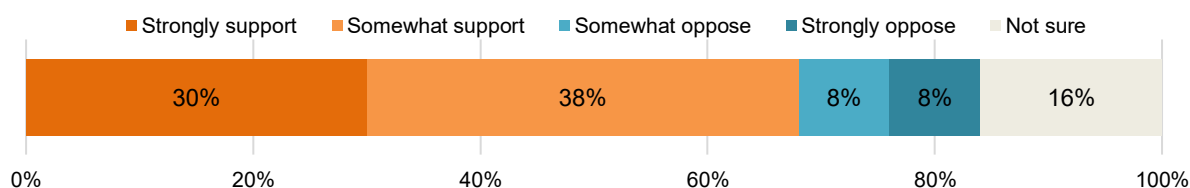
### How state-facilitated plans are supporting increased retirement savings for the small business ecosystem

To increase access to retirement savings plans for the millions of entrepreneurs, freelancers, and employees without workplace retirement plans, several states have implemented their own respective state-facilitated retirement plans. While the requirements and guidelines of each respective program

differ from state to state, most state-facilitated plans are designed as Roth individual retirement accounts (IRAs) and require businesses (based on employee size) who do not offer private retirement plans to automatically enroll their employees in the state-facilitated plan. This model not only provides a retirement savings vehicle for employees but significantly reduces the cost and administrative burdens of administering a private plan for the business owner.

As of January 2026, 20 states have enacted legislation to create state-facilitated programs, 17 of which are auto-IRA programs. 17 of these 20 state programs are currently open to all eligible employers and workers, including 15 auto-IRA programs.<sup>4</sup> Our research found that 68% of small business owners support state-facilitated IRA plans in which they can automatically enroll their employees.<sup>5</sup>

**Figure: Small businesses strongly support auto-IRA programs**



Small Business Majority has played a leading role in both the passage and implementation of several state-facilitated retirement programs, most notably in California, Colorado, and Illinois.

- **California’s CalSavers Program:** Small Business Majority has worked extensively with CalSavers, the California Treasurer’s Office and statewide partners, including United Way and AARP, to raise awareness about the program during the three phases of employer onboarding. The first businesses to enroll in CalSavers were part of the Small Business Majority network.
- **Colorado’s SecureSavings Program:** Over a five-year period, Small Business Majority led efforts to pass the SecureSavings program and has since worked closely with the Colorado Treasurer’s Office and SecureSavings to ensure program implementation prioritizes outreach and education among small businesses across Colorado.
- **Illinois Secure Choice Program:** Small Business Majority has partnered with stakeholders since 2014 to educate small business owners on Illinois’ Secure Choice Savings Program Act, which then created the Illinois Secure Choice Retirement Savings Program. Small Business Majority also weighed in on the legislative process via state-wide polling which found that 63% of small businesses believed the state should do more to help small businesses prepare for retirement.

As states continue to enact and implement their own plans, it will become increasingly important for Congress to consider how proposals for a national retirement framework can work in unison with established and successful state plans. When asked what additional provisions would make it more likely for them to offer retirement plans to their employees, small business owners cited greater transparency around fees and costs, reduced financial and fiduciary, simpler administrative requirements, increased tax credits for plan administration, and plans that would allow small businesses to join multiemployer plans, among other features.

<sup>1</sup> “Small Employers’ Economics of Offering Retirement Savings Plans” The Pew Charitable Trusts. July 25, 2024. <https://www.pewtrusts.org/en/research-and-analysis/articles/2024/07/25/reports-highlight-challenges-small-businesses-face-in-offering-retirement-benefits>

<sup>2</sup> “The Retirement Plan Access Gap.” Bipartisan Policy Center. November 2024. <https://bipartisanpolicy.org/report/retirement-plan-access-gap/>

<sup>3</sup> “Employee Benefits In The United States – March 2025.” U.S. Department of Labor Bureau of Labor Statistics. September 25, 2025. <https://www.bls.gov/news.release/pdf/ebs2.pdf>

<sup>4</sup> “State Programs 2026: Partnerships Expand, More Programs Launch, and the Focus Will Be the Enactment of More New State Programs and Initiatives.” Georgetown University Center for Retirement Initiatives. <https://cri.georgetown.edu/states/>

<sup>5</sup> “Opinion Poll: Small businesses, freelancers need novel retirement options” Small Business Majority. July 12, 2018. <https://smallbusinessmajority.org/our-research/retirement-security/small-businesses-freelancers-need-novel-retirement-options>