

SIMPLE IRA PLAN CHECKLIST



This checklist is *not* a complete description of all plan requirements, and should *not* be used as a substitute for a complete plan review.

For Business Owner's Use

(DO NOT SEND THIS WORKSHEET TO THE IRS)

Every year it is important that you review the requirements for operating your Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA plan. Use this checklist to help you keep your plan in compliance with many of the important rules. Click on "[\(More\)](#)" in any of the following questions for additional information (including examples) on how to find, fix and avoid each mistake. See www.irs.gov/ep for online versions of the checklists, Fix-It Guides and other resources for SIMPLE IRA and other plan types.

1. Do you have 100 or fewer employees who earned at least \$5,000 in compensation for the prior year? Yes No

Businesses with more than 100 employees (including full-time, part-time, and seasonal employees) with individual earnings of at least \$5,000 yearly cannot establish a SIMPLE IRA plan.

[\(More\)](#)

2. Does your business only sponsor this SIMPLE IRA plan? Yes No

A business with a SIMPLE IRA plan generally cannot also sponsor any other retirement plan, such as a 401(k) plan.

[\(More\)](#)

3. Does the plan document reflect the recent SIMPLE IRA law changes? Yes No

Recent law changes must always be reflected in your SIMPLE IRA plan document. See the IRS Model plan (Form 5304-SIMPLE or Form 5305-SIMPLE) or an IRS approved SIMPLE IRA prototype plan.

[\(More\)](#)

4. Were all eligible employees allowed to participate according to the SIMPLE IRA plan's eligibility requirements? Yes No

An employee who had compensation of at least \$5,000 in any 2 prior years and who is expected to earn at least \$5,000 in the current year is eligible to participate in a SIMPLE IRA plan.

[\(More\)](#)

5. Were correct employer contributions made on behalf of the eligible employees? Yes No

The required employer contributions must be either 2% of an employee's compensation or up to a 3% matching contribution.

[\(More\)](#)

6. Is the plan's definition of compensation for all deferrals and allocations used correctly? Yes No

Generally, compensation means the sum of wages, tips and other compensation subject to federal income tax withholding and the employee's salary deferral contributions made to the SIMPLE IRA plan.

[\(More\)](#)

7. Were employee salary deferral contributions timely deposited to employees' SIMPLE IRAs after withholding from the employees' salary? Yes No

You must deposit employees' deferrals in the IRA as soon as possible, but no later than 30 days following the month in which the employee would have otherwise received the money.

[\(More\)](#)

8. Were employer contributions made timely to the employees' SIMPLE IRAs? Yes No

Matching contributions or nonelective contributions must be deposited to the SIMPLE IRA account on or before the due date of your business's tax return, including extensions.

[\(More\)](#)

9. Have all SIMPLE IRA plan notification requirements been satisfied? Yes No

Requirements include providing employees with the opportunity to make a salary deferral election, informing employees of the ability to select a financial institution for their SIMPLE IRAs, providing employees with a summary plan description and notifying employees of the employers decision whether to make matching or nonelective contributions.

[\(More\)](#)

10. Did you make employer contributions to all eligible employees whether or not they terminated during the plan year? Yes No

A SIMPLE IRA plan cannot require employment on a particular day, such as the last day of the year, in order to receive matching or nonelective contributions.

[\(More\)](#)

If you answered "No" to any of the above questions, you may have a mistake in the operation of your SIMPLE IRA plan. This list is only a guide to a more compliant plan, so answering "Yes" to each question may not mean your plan is 100% compliant. Many mistakes can be corrected easily, without penalty and without notifying the IRS.

■ contact your tax advisor

■ visit the IRS at www.irs.gov/ep

■ call the IRS at (877) 829-5500