



RETIREMENT PLAN FOR SMALL BUSINESSES

Savings Incentive Match Plan (SIMPLE)

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AGENDA

- SIMPLE IRA overview
- SIMPLE IRA establishment
- Eligible employers
- Employee participation requirements
- Contributions
- SIMPLE IRA portability
- Plan termination

SIMPLE IRA Overview

- A SIMPLE IRA plan provides small employers with a simplified method to contribute toward their employees' and their own retirement savings in lieu of a 401(k) plan
- Employees may choose to make salary reduction contributions
- Employer is required to make either matching or non-elective contributions
- Contributions are made to a SIMPLE Individual Retirement Account or Annuity set up for each employee (a SIMPLE IRA)

Employer Benefits

- Contributions are tax deductible to the employer
- Employer tax credit of the greater of:
 - (1) 50% of the start up expenses up to \$500.00 or (2) the lesser of \$250.00 for each eligible rank and file employee or \$5,000
 - Must not have maintained a plan 3 year prior to the establishment of a brand-new SIMPLE Plan
 - Employer must have at least 1 rank and file employee
 - An additional \$500.00 tax credit is available if the employer adopts an Eligible Automatic Contribution Arrangement
 - Tax credit is available for three years
- Attracts employees as part of the benefit package
- Owners are treated as employees – can make contributions on own account

Establishment Steps

- Employer adopts a SIMPLE IRA plan document
 - Must be signed by employer and trustee/custodian by deadline (DFI)
 - Employer must choose a Designated Financial Institution (DFI) or a Non-Designated Financial Institution (Non DFI)
- Provide each eligible employee with the required notices 60 days prior to effective date of plan
 - 60 days prior to effective date of new plan or
 - 60 days prior to January 1 (November 2) for existing plans

Establishment Steps

Continued

- Set up a SIMPLE IRA that will receive contributions for each eligible employee
 - Employer has option to establish SIMPLE IRA on behalf of employee
 - Work with payroll department (DFI or Non DFI)

SIMPLE Plan Documents

- IRS model SIMPLE IRA plan using either:
 - Form 5305-SIMPLE (Designated Financial Institution)
 - Requires all contributions to be deposited initially at a designated financial institution
 - Must have one investment option that allows for transfer without fees
 - Form 5304-SIMPLE (Non-Designated Financial Institution)
 - Permits each employee to choose the financial institution to receive contributions
 - IRS-approved prototype SIMPLE IRA plan

Form 5304-SIMPLE (Rev. March 2012) Department of the Treasury Internal Revenue Service	Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)—Not for Use With a Designated Financial Institution	OMB No. 1545-1502 Do not file with the Internal Revenue Service
Name of Employer _____ establishes the following SIMPLE		
IRA plan under section 408(p) of the Internal Revenue Code and pursuant to the instructions contained in this form.		
Article I—Employee Eligibility Requirements (complete applicable box(es) and blanks—see instructions)		
1 General Eligibility Requirements. The Employer agrees to permit salary reduction contributions to be made in each calendar year to the		

SIMPLE Plan Documents

Continued

- SIMPLE IRA
 - Established by each **participant** to receive the contribution
 - Form 5305-S (a trust account) or
 - Form 5305-SA (a custodial account) or
 - Prototype

Employee Notices

- Employer must provide each eligible employee with certain information about the SIMPLE IRA plan:
 - The employee's opportunity to make or change a salary deferral decision
 - Financial institution where deposits will be made for employee's contributions
 - Type/amount of employer contribution for the year (Summary Description)
 - Trustee/custodian's contact information for distributions
 - Written notice that the employee can transfer his or her balance without cost or penalty (if you are using a designated financial institution)

IRS Model - Notification

Form 5305-SIMPLE (Rev. 3-2012) Page 3

Model Notification to Eligible Employees

I. Opportunity to Participate in the SIMPLE IRA Plan

You are eligible to make salary reduction contributions to the _____ SIMPLE IRA plan. This notice and the attached summary description provide you with information that you should consider before you decide whether to start, continue, or change your salary reduction agreement.

II. Employer Contribution Election

For the _____ calendar year, the Employer elects to contribute to your SIMPLE IRA (*employer must select either (1), (2), or (3)*):

- (1) A matching contribution equal to your salary reduction contributions up to a limit of 3% of your compensation for the year;
- (2) A matching contribution equal to your salary reduction contributions up to a limit of _____ % (*employer must insert a number from 1 to 3 and is subject to certain restrictions*) of your compensation for the year; or
- (3) A nonelective contribution equal to 2% of your compensation for the year (limited to compensation of \$250,000*) if you are an employee who makes at least \$ _____ (*employer must insert an amount that is \$5,000 or less*) in compensation for the year.

III. Administrative Procedures

To start or change your salary reduction contributions, you must complete the salary reduction agreement and return it to _____ (*employer should designate a place or individual*) by _____ (*employer should insert a date that is not less than 60 days after notice is given*).

IRS Model - Salary Reduction Agreement

Model Salary Reduction Agreement

I. Salary Reduction Election

Subject to the requirements of the SIMPLE IRA plan of _____ (name of employer) I authorize _____ % or \$ _____ (which equals _____ % of my current rate of pay) to be withheld from my pay for each pay period and contributed to my SIMPLE IRA as a salary reduction contribution.

II. Maximum Salary Reduction

I understand that the total amount of my salary reduction contributions in any calendar year cannot exceed the applicable amount for that year. See instructions.

III. Date Salary Reduction Begins

I understand that my salary reduction contributions will start as soon as permitted under the SIMPLE IRA plan and as soon as administratively feasible or, if later, _____. (Fill in the date you want the salary reduction contributions to begin. The date must be after you sign this agreement.)

IV. Duration of Election

This salary reduction agreement replaces any earlier agreement and will remain in effect as long as I remain an eligible employee under the SIMPLE IRA plan or until I provide my Employer with a request to end my salary reduction contributions or provide a new salary reduction agreement as permitted under this SIMPLE IRA plan.

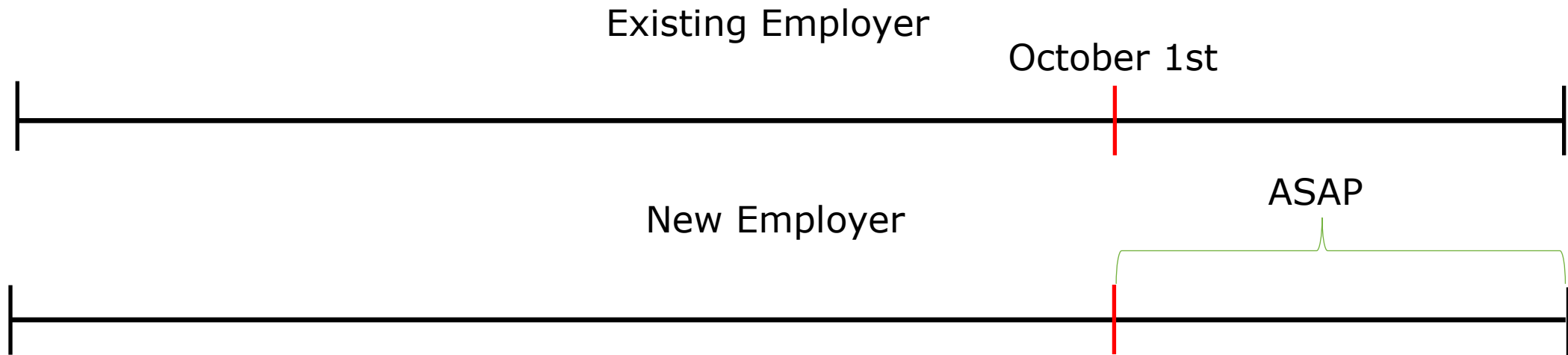
Signature of employee _____ Date _____

* This is the amount for 2012. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS website at IRS.gov.

Form **5305-SIMPLE** (Rev. 3-2012)

Deadline to Establish Plan

- Existing employers can set up a new SIMPLE IRA plan effective on any date between January 1 and October 1
- New employers (that came into existence after October 1 of the year) can establish the SIMPLE IRA plan as soon as administratively feasible



Eligible Employers

- For-profit entities
 - Sole proprietors
 - Partnerships
 - Corporations (C-Corps and S-Corps)
- Tax-exempt entities
- State and local governments
- Controlled group rules apply

100-Employee Limitation

- Employer must have no more than 100 employees who earned \$5,000 (unreduced) or more in compensation during the preceding calendar year
- Employer must take into account all employees employed at any time during the calendar year, including those employees who have not met the plan's minimum eligibility requirements
- The employer may continue to maintain the plan for an additional 2 years after the 100-employee limit is exceeded

Exclusive Plan Rule

- Cannot contribute to a SIMPLE IRA plan for a calendar year if the employer maintains a qualified plan under which any employee receives (for any plan year beginning or ending within that calendar year):
 - an allocation of contributions in a defined contribution plan, or
 - an accrual in a defined benefit plan
- “Qualified plan” includes any plan qualified under Internal Revenue Code sections 401(a), 403(b) or 457(b) plan, a SEP, a trust described in section 501(c)(18), and a SIMPLE IRA plan

Employer Income Consideration

- Schedule C and F (Profit and Loss)
- Partnerships IRS Form 1065 or (K-1):
 - Only self-employed income may be used
 - Pass-through income not eligible for contribution
- Corporations (W-2 Wage):
 - C-Corp
 - S-Corp
- LLC:
 - Depends on how the entity files return
 - Sole proprietor, partnership or corporation

Employer's Tax Filing Due Date for tax year 2022

Type of Organization	Tax Return Deadline	Extension Deadline*
Sole proprietor-Corporations	April 18,2023	October 16 (6 mo.)
Partnerships and S-Corporations	March 15,2023	September 15 (6 mo.)

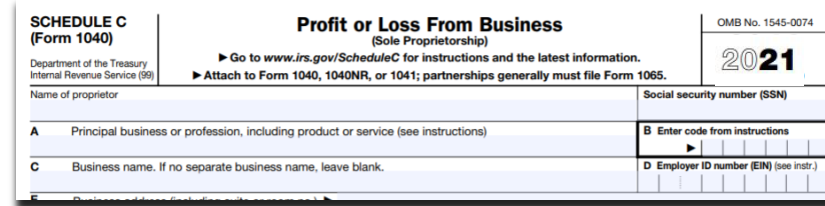
**Employer must physically file for an extension to file their return*

Employee Participation Requirements

- Basic SIMPLE IRA requirements for employees:
 - Must have received at least \$5,000 in compensation from the employer during any 2 preceding calendar years, and
 - Must be reasonably expected to receive at least \$5,000 in compensation during the current calendar year
- Requirements may be reduced or eliminated
- May exclude:
 - Union employees covered by a collectively-bargained plan
 - Non-resident aliens and those who have no U.S. source of earned income
- May not impose an age restriction

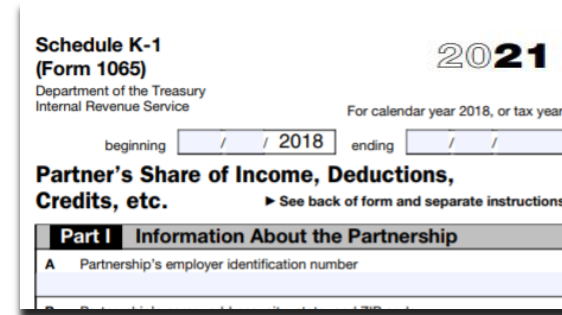
Contributions

- Employee deferrals:
 - \$14,000 [2022]
 - \$3,000 [2022]
- Employer mandatory contribution:
 - Matching contribution formula - dollar for dollar, up to 3% of compensation
 - Matching contribution may be reduced to 1% for 2 of the immediate 5 preceding years (rolling years)
 - Non-elective contribution formula - 2% of each eligible employee's compensation



Deferrals

- Only from earned income
- Must come from payroll
 - Sole proprietor - Schedule C
 - Partnership line 14 of IRS Form 1065 (K-1)
 - Safe harbor wage - W-2 income
- May not defer more than total wages for the year
- Deferrals are subject to FICA and FUTA



14	Self-employment earnings (loss)

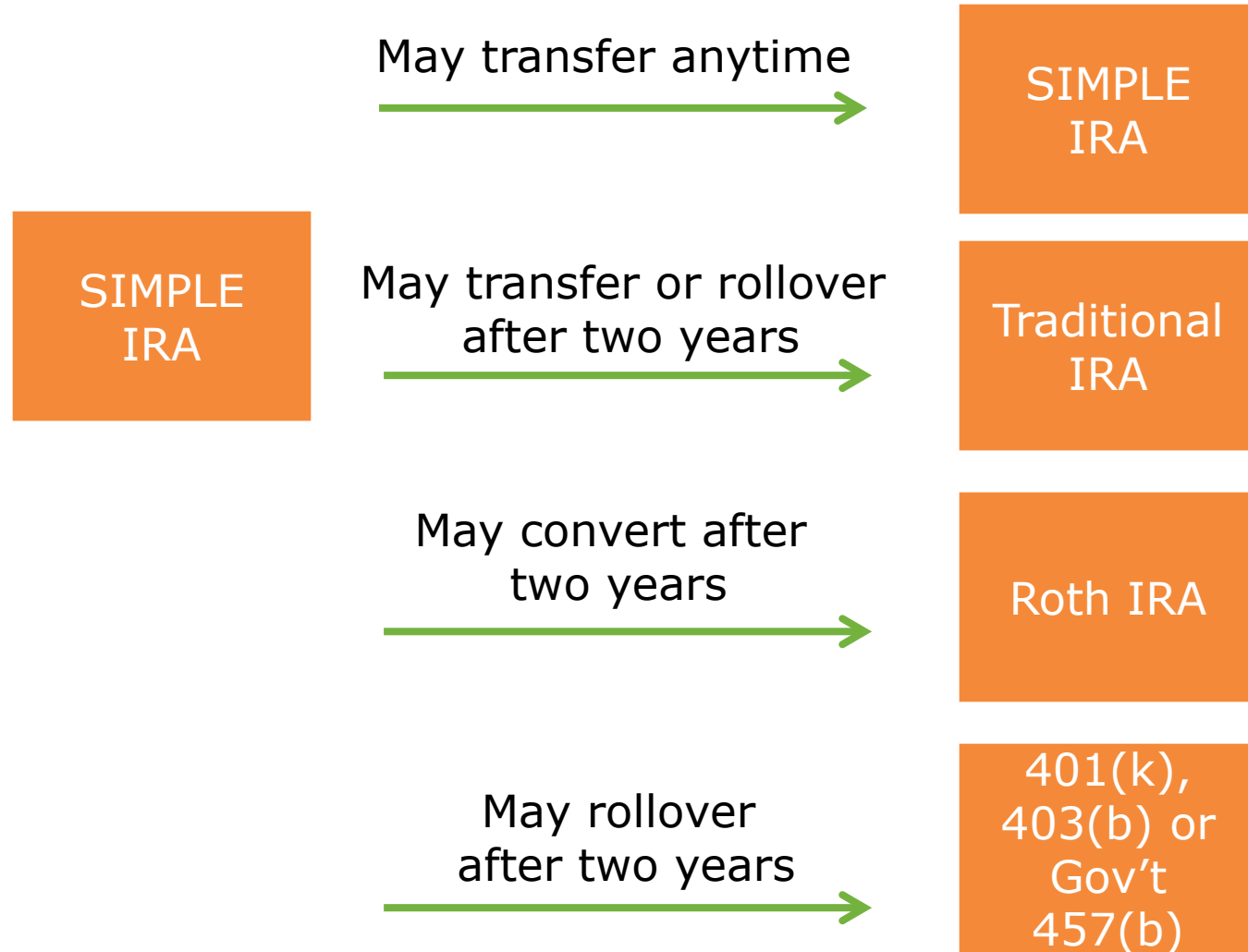
Deferrals

- Generally, must be deposited no later than 30 days after the month in which the deferral was taken from an employee's paycheck
- Safe harbor rule for plans with less than 100 employees
 - Deposit within 7 business days

Matching Contributions

- Dollar-for-dollar match up to 3% of compensation
- Capped by amount of deferrals
- Match percentage may be lowered to a percentage not to go under 1% for 2 years out of a rolling 5 year period
- No contribution is made to those who do not defer into the plan
- Employer may include an Eligible Automatic Contribution Arrangement (EACA)
 - Automatically deducts a certain uniform percentage from employees to fail to respond to the employer
 - Employee must be allowed to distribute the automatic deferred amount within 30-90 days after the first deferral

Portability



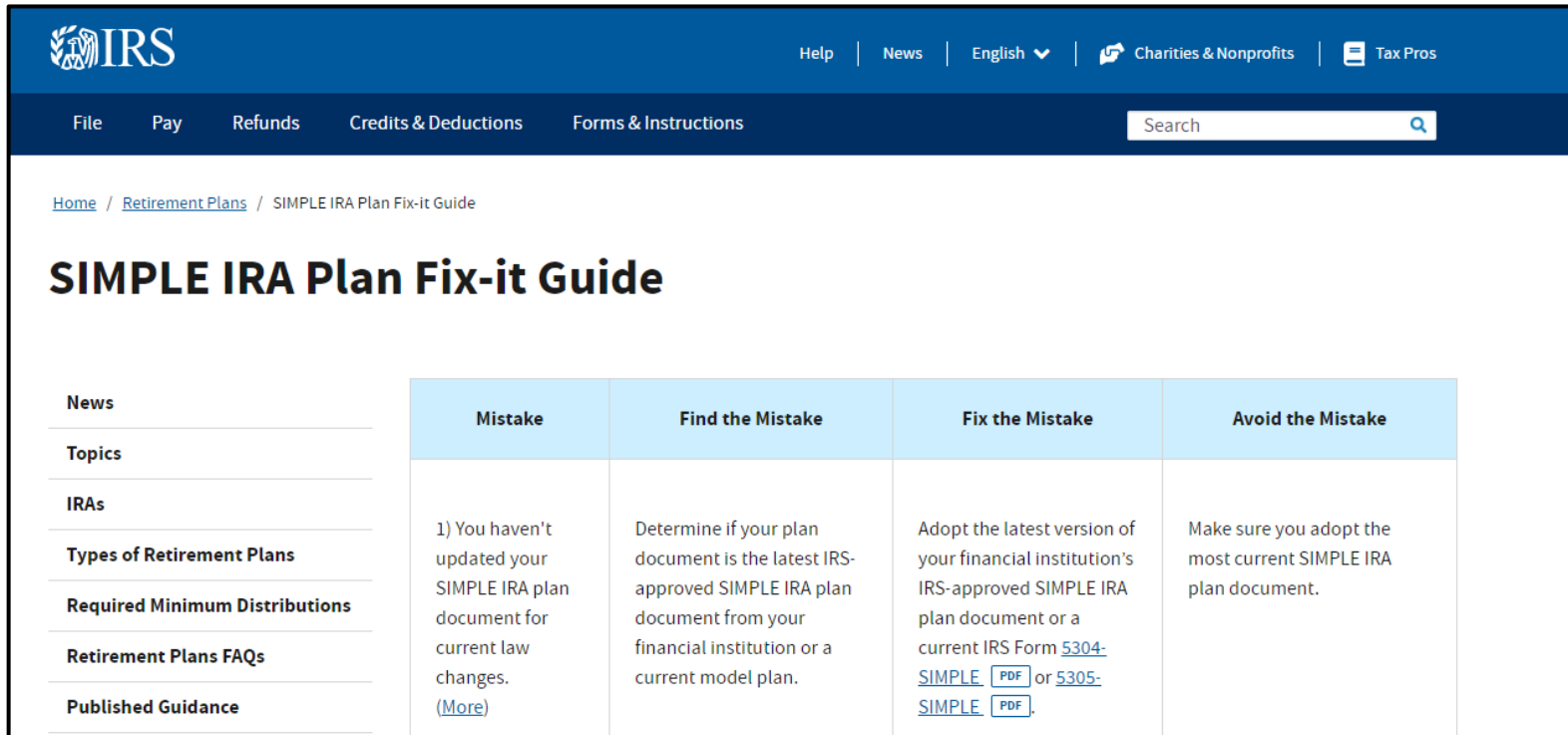
IRS Correction Programs

Employee Plans Compliance Resolution Program (EPCRS)

Three IRS Correction Programs - Rev. Proc. **2021-30**

- **Self-correction Program**- may be used if there is not a significant number of employees affected by the error
 - IRS Fix-it guide
- **Voluntary Compliance Program (VCP)**- is the program used to correct errors that are not found under the self-correction program
- **Audit Closing Agreement Program (Audit CAP)**- when there are errors discovered during an audit

SIMPLE Fix It Chart Example



Home / Retirement Plans / SIMPLE IRA Plan Fix-it Guide

SIMPLE IRA Plan Fix-it Guide

	Mistake	Find the Mistake	Fix the Mistake	Avoid the Mistake
<p>News</p> <hr/> <p>Topics</p> <hr/> <p>IRAs</p> <hr/> <p>Types of Retirement Plans</p> <hr/> <p>Required Minimum Distributions</p> <hr/> <p>Retirement Plans FAQs</p> <hr/> <p>Published Guidance</p>	<p>1) You haven't updated your SIMPLE IRA plan document for current law changes. (More)</p>	<p>Determine if your plan document is the latest IRS-approved SIMPLE IRA plan document from your financial institution or a current model plan.</p>	<p>Adopt the latest version of your financial institution's IRS-approved SIMPLE IRA plan document or a current IRS Form 5304-SIMPLE PDF or 5305-SIMPLE PDF.</p>	<p>Make sure you adopt the most current SIMPLE IRA plan document.</p>

SIMPLE Plan Checklist



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 CHECKLIST 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. See www.irs.gov/retirement and click on "Types of Plans" for online versions of this checklist, Fix-It Guides and other resources for SIMPLE IRA and other plan types. For additional information (including examples) on how to find, fix and avoid each mistake, click on "(More)" on the online version of this checklist.

<p>1. Has your SIMPLE IRA plan been amended for current law? Yes No</p> <p style="text-align: right;"><input type="checkbox"/> <input type="checkbox"/></p> <p>Laws related to retirement plans change quite frequently. You must update the plan language and its operation to the current law. (More)</p> <hr style="border: 0.5px solid orange;"/> <p>2. Do you have 100 or fewer employees who earned at least \$5,000 in compensation for Yes No</p> <p style="text-align: right;"><input type="checkbox"/> <input type="checkbox"/></p>	<p>6. Are correct contributions being timely made to each participant's SIMPLE IRA? Yes No</p> <p style="text-align: right;"><input type="checkbox"/> <input type="checkbox"/></p> <p>The required employer contribution must be either 2% of an employee's compensation or up to a 3% matching contribution.</p> <p>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)</p>
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Plan Termination

- The employer must notify employees 60 days prior to the beginning of the following plan year that the SIMPLE plan will no longer be maintained
- No notification requirement to the IRS for SIMPLE IRA plan termination is required
- Mid-year termination is not allowed, therefore, the plan must be maintained for the entire year
- No IRS reporting or D.O.L notification is required

SUMMARY

- SIMPLE IRA plans are for small employers with less than 100 employees
- Always operate on a calendar-year basis
- Two contributions may be made to the SIMPLE IRA, employee deferrals and employer contributions
- The two-year rule must be satisfied before SIMPLE IRAs can be transferred to traditional IRAs
- SIMPLE plans must be maintained for the entire year and may not be terminated mid-year