

SARSEP CHECKLIST



This checklist isn't a complete description of all plan requirements, and shouldn't 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's important to review the requirements for operating your Salary Reduction Simplified Employee Pension (SARSEP) plan. Use this checklist to help you keep your plan in compliance with many important rules. For additional information (including examples) on how to find, fix and avoid each mistake click on "(More)." See www.irs.gov/retirement and click on "Types of Retirement Plans" for Fix-It Guides and other resources for SARSEPs and other plan types.

1. Was your SARSEP established prior to January 1, 1997, and subsequently amended for current law? Yes ☐ No ☐

No new SARSEPs can be established after 1996, however, existing plans need to be updated for new law.

[\(More\)](#)

2. Do you have 25 or fewer eligible employees? Yes ☐ No ☐

Only businesses with 25 or fewer eligible employees can contribute to a SARSEP.

[\(More\)](#)

3. Are all eligible employees (those who are at least age 21, worked for you in at least 3 of the last 5 years and have received at least \$550 during the year in compensation) participating in the plan? Yes ☐ No ☐

Employees of other businesses you or your family members own may have to be treated as employees when determining who is an eligible employee under the SARSEP.

[\(More\)](#)

4. Are you determining each eligible employee's compensation using the definition in your SARSEP document? Yes ☐ No ☐

A plan's definition of compensation must satisfy applicable rules for determining the amount of contributions.

[\(More\)](#)

5. Are all employee elective deferrals within the Internal Revenue Code Section 402(g) limit for the calendar year (\$17,500 in 2014) and have any excess deferrals been distributed? Yes ☐ No ☐

Employees age 50 or over may make additional catch-up contributions of up to \$5,500 in 2014.

[\(More\)](#)

6. Do 50% or more of all eligible employees make elective deferrals? Yes ☐ No ☐

At least half of your eligible employees must make elective deferrals to the SARSEP.

[\(More\)](#)

7. Are total contributions (employee elective deferrals and nonelective employer contributions) limited as required by the Internal Revenue Code? Yes ☐ No ☐

For 2014 contributions are limited to the lesser of 25% of compensation or \$52,000. SARSEPs don't permit employers to make matching contributions to participants' accounts.

[\(More\)](#)

8. Did you deposit employee elective deferrals timely? Yes ☐ No ☐

Employee elective deferrals must be remitted to the appropriate financial institution as soon as possible, but no later than 15 days following the month in which the employee would have otherwise received the money.

[\(More\)](#)

9. Did the SARSEP pass the annual deferral percentage test? Yes ☐ No ☐

The amount deferred each year by each highly compensated employee as a percentage of pay (the deferral percentage) can't exceed 125% of the average deferral percentage of all eligible nonhighly compensated employees.

[\(More\)](#)

10. Have you made required top-heavy minimum contributions to the SARSEP? Yes ☐ No ☐

Refer to your plan document for information. Most plans are deemed top-heavy, but some plans require annual testing.

[\(More\)](#)

If you answered "No" to any of the above questions, you may have a mistake in the operation of your SARSEP. 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](#)

■ www.irs.gov/retirement

■ [call the IRS at \(877\) 829-5500](tel:8778295500)