

# **SIMPLE Solutions for SIMPLE IRA Plan Mistakes**

Tax Exempt and Government Entities  
Employee Plans

2010 IRS Nationwide Tax Forum

# Retirement Plan Assistance

- [www.irs.gov/ep](http://www.irs.gov/ep)
  - Fix-It Guides
  - Information on Correcting Plan Errors
- (877) 829-5500
- [RetirementPlanQuestions@irs.gov](mailto:RetirementPlanQuestions@irs.gov)
- Newsletters

# SIMPLE IRA Fix-It Guide

## Common Problems, Real Solutions

- Found @ [www.irs.gov/ep](http://www.irs.gov/ep)
- Common mistakes
- Tips on how to:
  - Find mistakes
  - Fix mistakes (Applicable IRS correction programs)
  - Avoid mistakes
- Click “More” to find examples



# SIMPLE IRA Plan Overview

- What is a SIMPLE IRA plan?
- How is a SIMPLE IRA plan set up?
- Which employees may participate?
- Required contributions?
- Basic distribution rules?
- Filing requirements?

# EPCRS Overview

- Self-Correction Program
  - Insignificant failures only
  - No IRS contact or fee
- Voluntary Correction Program
  - IRS approval of correction, \$250 fee
- Audit Closing Agreement Program
  - Sanction imposed
  - Higher than VCP fee - Ouch!



# Streamlined VCP Submission Available!

- Appendix F Streamlined application
  - Fillable .pdf document
- Common errors in SIMPLE IRA plans
- Easy to fill in and submit
- Visit “Correcting Plan Errors” @ [www.irs.gov/ep](http://www.irs.gov/ep)



# Common Mistake: Ineligible Employer

- More than 100 employees with comp  $\geq$  \$5,000
- Sponsors other retirement plan



# Common Mistake: SIMPLE IRA Plan Not Current

- IRS model plans
- Prototype plans
- Individually designed plans

2010

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**TAX FORUM**



2010

Tax FORUM

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# Common Mistake: Eligible Employees Not Participating

- \$5,000 compensation
  - Current year and
  - Any prior 2 years
- Less restrictive requirements?
  - OK!

# Common Mistake: Required Employer Contributions Not Made

- All eligible employees
- Terminated employees
  - 2% of employee's compensation or
  - Up to 3% employee deferral match



# Common Mistake: Salary Deferrals Not Deposited Timely

Should be made:

- Earliest administratively feasible date
- No later than 30 days following the month in which the deferrals were withheld



# Fix-It Guides - Common Problems, Real Solutions

- 401(k)
- SEP
- SARSEP
- “Correcting Plan Errors” Web page
- [www.irs.gov/ep](http://www.irs.gov/ep)
- Questions?

