

1991



Department of the Treasury
Internal Revenue Service

Instructions for Form 5500EZ

Annual Return of One-Participant (Owners and Their Spouses) Pension Benefit Plan

(Section references are to the Internal Revenue Code.)

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to determine whether the plan is operating according to the law.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping. . . . 10 hrs., 17 min.

Learning about the law or the form . . . 1 hr., 4 min.

Preparing the form . . . 2 hrs., 13 min.

Copying, assembling, and sending the form to the IRS . . . 16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0956), Washington, DC 20503. DO NOT send the tax form to either of these offices. Instead, see the instructions below for information on where to file.

Items You Should Note

Electronic Filing of Form 5500EZ.

Qualified tax return filers can file Form 5500EZ via magnetic media (magnetic tapes, floppy diskettes) or electronically. If the plan administrator files the employee plan return electronically or on magnetic tape, he or she must also file **Form 8453-E**, Annual Return/Report of Employee Benefit Plan (With Fewer Than 100 Participants) Electronic/Magnetic Media. This is the declaration and signature form for the electronic/magnetic media return. See **Pub. 1507**, Procedures for Electronic/Magnetic Media Filing of Employee Pension Plan Returns Forms 5500-C/R and 5500EZ for more information.

Purpose of Form

You can use this form only if all the following conditions are met:

1. You are filing this form for plan years starting after December 31, 1990.

2. The plan you are filing for is a one-participant plan; that is, as of the first day of the plan year for which this form is filed the plan covers:

(a) only you, or you and your spouse, and the business (including a corporation) is wholly owned by you, or you and your spouse; or

(b) only partners in a business partnership or the partners and their spouses.

3. The plan must meet the minimum coverage requirements of section 410(b) without being combined with any other plan you may have covering other employees of your business (see instructions for line 11c).

4. The plan does not provide any benefits other than those for you, or you and your spouse, or a partner, or a partner and his or her spouse, or partners and their spouses.

5. The plan does not cover a business that is:

(a) a member of an affiliated service group,

(b) a member of a controlled group of corporations, or

(c) a member of a group of businesses under common control.

6. The plan does not cover a business that leases employees.

See the definitions under General Instruction "H" for an explanation of the technical terms above.

If your plan does not meet the above conditions for a one-participant plan, you must file the Form 5500-C/R.

General Instructions

A. Who Must File.—In general, any employer who has a one-participant pension benefit plan must file an annual information return. See *Plans with \$100,000 or less in assets* below. Types of pension benefit plans include, among others: defined benefit plans, profit-sharing plans, money purchase plans, stock bonus plans, employee stock ownership plans (ESOP), and 401(k) plans.

Plans with \$100,000 or less in assets.—Employers who have: (1) a

one-participant plan with \$100,000 or less in total plan assets at the end of the plan year, or (2) two or more one-participant plans that aggregate \$100,000 or less in total plan assets at the end of the plan year are not required to file Form 5500EZ. All one-participant plans should file a Form 5500EZ for their final plan year even though the plan assets at the end of the year are less than \$100,000.

However, if you have two or more one-participant plans and the total assets of all the plans are more than \$100,000, you must file a Form 5500EZ for each plan.

B. What To File.—One-participant pension benefit plans that are required to file should complete and file Form 5500EZ for the plan's first year and for every plan year thereafter. See page 3 of these instructions for a filled-in sample of Form 5500EZ.

C. When To File.—File the Form 5500EZ and any applicable schedules by the last day of the 7th month following the end of the plan year unless an extension has been granted.

Request for Extension of Time To File.—An extension of time of up to 2½ months may be granted for filing a return if a timely application, **Form 5558**, Application for Extension of Time To File Certain Employee Plan Returns, is filed requesting such an extension.

Exception: One-participant plans are automatically granted extensions of time to file Form 5500EZ until the due date of the Federal income tax return of the employer if all the following conditions are met: (1) The plan year and the employer's tax year are the same. (2) The employer has been granted an extension of time to file its Federal income tax return to a date later than the normal due date for filing the Form 5500EZ. (3) A copy of the IRS extension of time to file the Federal income tax return is attached to the Form 5500EZ filed with IRS. An extension granted by using this exception CANNOT be extended further by filing a Form 5558.

Short Plan Year.—For a short plan year, file a return and all applicable schedules by the last day of the 7th month following the end of the short plan year. Modify the heading of the form to show the beginning and ending dates of your short plan year.

Amended Return.—If you file an amended return, check the box at the top of the return. Be sure to put a circle around the item numbers that have been amended.

D. Where To File.—Please file the return with the Internal Revenue Service Center, Andover, MA 05501

E. Signature and Date.—The plan administrator or employer must sign and date Form 5500EZ.

F. Penalties.—The Internal Revenue Code imposes a penalty of \$25 a day (up to \$15,000) for not filing returns in connection with pension, profit-sharing, etc., plans by the required due date.

G. Schedule B (Form 5500).—Defined benefit plans must attach **Schedule B (Form 5500)**, Actuarial Information, to Form 5500EZ. See the instructions for Schedule B (Form 5500).

H. Definitions.—(Organizations defined in (A) and (C) may not file Form 5500EZ.)

(A) Affiliated service group.—In general, two or more businesses may be an affiliated service group if: (1) one or more of the businesses (or the shareholders, officers or highly compensated employees of one or more of the businesses) has an ownership interest in any of the other businesses, and (2) any of the businesses provide services to any of the other businesses (or are associated for the purpose of providing services to third parties). If this applies to your business, read the rest of this definition for more details.

Section 414(m)(2) defines an affiliated service group as a group consisting of a service organization (referred to below as the “first service organization” (FSO)) and:

(1) a service organization (A-ORG) that is a shareholder or partner in the FSO and that regularly performs services for the FSO or is regularly associated with the FSO in performing services for third persons, and/or

(2) any other organization (B-ORG) if:

(a) a significant portion of the business of that organization consists of performing services for the FSO or A-ORG of a type historically performed by employees in the service field of the FSO or A-ORG, and

(b) 10% or more of the interest of the B-ORG is held by persons who are officers, highly compensated employees, or owners of the FSO or A-ORG.

An affiliated service group also includes a group consisting of: (a) an organization whose principal business is performing management functions on a regular and continuous basis for another organization (or one organization and other related organizations), and (b) the organization for which such functions are so performed. See section 414 (m)(5).

(B) Leased employee.—A leased employee under section 414(n) is an individual who is not your employee but someone you have contracted for through a leasing organization, and who has performed services for you on a substantially full-time basis for a period of at least one year, and such services are of a type historically performed, in your field of business, by employees. If more than 20% of the nonhighly compensated individuals performing substantial services for you are leased

employees, you must treat all leased employees as your employees for purposes of coverage under your pension benefit plan.

(C) Controlled group of corporations and a group of trades or businesses under common control.—These are corporations or unincorporated businesses in which there is common ownership by one or more individuals or persons. See sections 414(b) and 414(c).

(D) Party-in-interest.—Generally, a party-in-interest in the case of a sole proprietorship or partnership includes you, your partners, relatives of you and your partners, and other businesses in which you, your partners, or the partnership have an interest. In the case of a corporation, another corporation in which your corporation has an interest may be a party-in-interest. Section 4975 prohibits dealing between the plan and parties-in-interest (disqualified persons) in most instances and imposes an excise tax on the prohibited transaction. NOTE: This tax is to be paid with the filing of the **Form 5330**, Return of Excise Taxes Related to Employee Benefit Plans. References to party-in-interest transactions refer to all such transactions, not only those that are prohibited. Specifically, the term party-in-interest means:

(A) any fiduciary (including, but not limited to, any administrator, officer, trustee, or custodian), counsel, or employee of such employee benefit plan;

(B) a person providing services to such plan;

(C) an employer any of whose employees are covered by such plan;

(D) an employee organization any of whose members are covered by such plan;

(E) an owner, direct or indirect, of 50% or more of: (i) the combined voting power of all classes of stock entitled to vote or the total value of shares of all classes of stock of a corporation, (ii) the capital interest or the profits interest of a partnership, or (iii) the beneficial interest of a trust or unincorporated enterprise, which is an employer or an employee organization described in paragraph (C) or (D);

(F) a relative of any individual, described in paragraph (A), (B), (C) or (E);

(G) a corporation, partnership, or trust or estate of which (or in which) 50% or more of: (i) the combined voting power of all classes of stock entitled to vote or the total value of shares of all classes of stock of such corporation, (ii) the capital interest or profits interest of such partnership, or (iii) the beneficial interest of such trust or estate is owned directly or indirectly, or held by persons described in paragraph (A), (B), (C), (D), or (E);

(H) an employee, officer, director (or an individual having power or responsibilities similar to those of officers or directors), or a 10% or more shareholder, directly or indirectly, of a person described in paragraph (B), (C), (D), (E), or (G), or of the employee benefit plan; or

(I) a 10% or more (directly or indirectly in capital or profits) partner or joint venturer of a person described in paragraph (B), (C), (D), (E), or (G).

Specific Instructions

(References are to line items on the form.)

Line 1a. Enter the name and address of the employer. Include the suite, room, or other unit number after the street address.

If the postal service does not deliver mail to the street address and the employer has a P.O. box, show the P.O. box number instead of the street address.

Line 1b. Enter the nine-digit employer identification number (EIN) assigned to the employer. For example, 00-1234567.

Do Not Enter Your Social Security Number.

Employers who do not have an EIN should apply for one by attaching a completed **Form SS-4**, Application for Employer Identification Number, to this form when it is filed. You may also apply for an EIN before you are required to file Form 5500EZ by filing a completed Form SS-4, with the IRS Service Center, Andover, MA 05501. If you do not receive your EIN in time to enter it on the Form 5500EZ you file, enter “Applied For” on line 1b.

Line 2a. Enter the formal name of the plan or sufficient information to identify the plan.

The plan name should not be longer than 70 characters including blank spaces. If your plan name is more than 70 characters please abbreviate it so that it only takes up 70 characters of space.

Line 2b. Enter the date the plan first became effective.

Line 2c. Enter the three-digit number the employer assigned to the plan. Plans should be numbered consecutively starting with 001.

Once a plan number is used for a plan, it must be used as the plan number for all future filings of returns for the plan, and this number may not be used for any other plan even after the plan is terminated.

Lines 3a–3c. If you have adopted a master or prototype plan, enter “N/A” on lines 3a and 3c and enter the date of the sponsor’s most recent IRS opinion letter on line 3b.

Line 3a. Enter "N/A" if no amendments have been adopted.

Line 3b. Enter "N/A" if no determination letter has been received.

Line 5. Check one box on this line. Profit-sharing, employee stock ownership (ESOP), stock bonus, and money purchase plans are types of defined contribution plans. A *defined contribution plan* is a plan which provides for an individual account for each participant and for benefits based solely on the amount in such account. If a plan is not a defined contribution plan, it is a defined benefit plan.

Line 7. In general, distributions received by a participant from any qualified plan prior to attainment of age 59½, death, or disability will be subject to a 10% tax on the amount of the distributions. In addition, individuals generally must begin to receive distributions from qualified plans by April 1 of the calendar year following the calendar year in which they become age 70½ or (except in the case of a 5% owner) retire, whichever is later. See sections 72(m)(5), 72(t), and 401(a)(9) for the specific rules that apply for these situations.

Line 8b. Enter the amount of contributions received by the trust during the year or the contributions owed to the trust at the end of the year.

Line 8d. Enter the amount of the distributions made by the trust that are to be included in the participant's income this year. If distributions include securities or other property, include the current value at the date distributed in this amount.

Line 9b. Do not include the value of future distributions that are to be made to participants.

Line 10. See **H. Definitions**—definition (D) for the meaning of "party-in-interest."

Line 11b. Count your spouse and your partners' spouses only if they work in the business.

Note: You cannot use Form 5500EZ if your plan covers employees other than the owners of the business and their spouses, or if you have employees covered by another plan upon which this one-participant plan relies for qualification.

Line 11c. For purposes of Form 5500EZ, your plan meets the coverage test if your business's only employees (other than the owners and their spouses) are:

1. covered by a collective bargaining agreement,

2. nonresident aliens who receive no earned income from United States sources, or

3. not eligible because they do not meet the minimum age or years-of-service requirements of the plan.

Line 12. Generally, within the 90 days prior to the date of any benefit payment or prior to making a loan to a participant, you must get the spouse's consent to the payment of the benefit or the loan. However, there are some circumstances where obtaining this spousal consent is not required. The following is a partial listing of circumstances where spousal consent is not required:

(1) The participant is not married and no former spouse is required to be treated as a current spouse under a qualified domestic relations order issued by a court.

(2) The participant's accrued benefit in the plan never had a present value of more than \$3,500.

(3) The benefit is paid in the form of a qualified joint and survivor annuity (i.e., an annuity for the life of the participant, with a survivor annuity for the life of the spouse which is not less than 50% of (and is not greater than 100% of) the amount of the annuity which is payable during the joint lives of the participant and the spouse). See section 417(b).

(4) The payout is from a profit-sharing or stock bonus plan that pays the spouse the participant's full account balance upon the participant's death and an annuity payment is not elected by the participant and the plan is not a transferee plan with respect to a participant. A profit-sharing or stock bonus plan is a transferee plan (with respect to a participant) if it had received a transfer from a plan that was subject to the consent requirements with respect to the participant.

(5) The participant has no service under the plan after August 22, 1984.

1991 Form 5500EZ Example

Example. The pension plan started in 1987. Mr. John Jones wholly owns a business (J & J Repair Service). Mr. Jones' wife is also employed in his business. The business has a money

purchase pension plan adopted in 1987 with an effective date (beginning date) of January 1, 1987.

Mr. Jones applied for and received a determination letter from IRS stating that Mr. Jones' plan was a plan that qualified under Code section 401(a). The determination letter was dated March 17, 1987. This is Mr. Jones' only pension plan. Mr. Jones was born July 4, 1935, and Mrs. Jones was born April 5, 1937.

Contributions to the pension plan for 1991 were \$20,000. The income earned for 1991 was \$10,000. The bank charged Mr. Jones' plan a \$100 maintenance fee for 1991.

Mr. Jones would complete and file a Form 5500EZ for 1991 as shown in the following sample of a filled-in Form 5500EZ.

Supplemental explanation:

Line 2c. Mr. Jones, doing business as (DBA) J & J Repair Service, has only this pension plan. Therefore, he will number the pension plan "001."

Line 3a. Since the plan was not amended, Mr. Jones writes in "N/A" for not applicable.

Line 4a. Mr. Jones has only one pension plan, so line 4a is "0."

Line 8a. Since Mr. Jones' plan is not an annuity plan with an insurance company, this line is left unanswered.

Line 9a. The total assets at the end of the plan year were equal to the contributions to the plan for the year (\$20,000) plus the earnings for the year (\$10,000) less the expenses for the year (\$100) plus assets at the end of 1990 of \$78,590 for a total of \$108,490.

Line 9b. There were no plan liabilities at the end of the year, so Mr. Jones enters -0- on line 9b.

Lines 10a through 10d. Since neither Mr. nor Mrs. Jones had any of the listed transactions with the plan, these items are all checked "No."

Lines 11a through 11c. Since Mr. Jones and his wife are the only employees of the business, 11a is checked "No" and 11b and 11c are not answered.

Lines 12a through 12c. There were no distributions from the plan for the year, so line 12 is not answered.

Signature and date. Mr. Jones signs and dates the return.

This return is: (i) ☐ the first return filed (ii) ☐ an amended return (iii) ☐ the final return

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Date ►

Form **5500EZ** (1991)