Retirement News for Employers

February 24, 2014 Edition

Retirement plans for your small business – Links to types of plans, a publication with a comparison chart, a webcast and an interactive website to help you choose

SEP Plans

- You can still set up a SEP by the due date (including extensions) of your 2013 business income tax return
- Employees for SEP plans includes those of all related employers – SEP Fix-It Guide

SIMPLE IRA Plans

- Tips for the sole proprietor – where to deduct, when to contribute and how to calculate the owner's contributions
- 3% matching contribution is based on unlimited compensation but 2% nonelective is limited to annual amount

Saver's Credit – You may qualify for the Saver's Credit of up to $2,000 for contributing to an IRA or company retirement plan, and you have until April 15, 2014, to make 2013 IRA contributions

Safe-harbor 401(k) notice – How to correct if you've either failed to give participants the annual notice or didn't give it to them on time

Mark your calendar – retirement plan deadlines

Roth account in your retirement plan – if you participate in a 401(k), 403(b) or governmental 457(b) plan, consider your Roth options

Four Ways to Get IRS Forms and Publications

***My*RA** program information Fact Sheet, FAQs and video in English and Spanish

It’s Not Too Late for a Tax Break - Start a SEP Retirement Plan for 2013

If you own a business, you still have time to set up a Simplified Employee Pension (SEP) plan for 2013. If you set up and fund your SEP by the due date of your 2013 business return (including extensions), you can still take a deduction for 2013.

If your business uses the calendar year for its tax year, the deadline to set up and contribute to a SEP plan for 2013 depends on the type of your business organization:

- If your business is a corporation, filing Form 1120 or 1120S, you have until March 15, 2014 (September 15, 2014, if you file for an extension).
- If your business is a partnership, filing Form 1065, you have until April 15, 2014 (September 15, 2014, if you file for an extension).
- If your business is a sole proprietorship, reported on Schedule C of Form 1040, you have until April 15, 2014 (October 15, 2014, if you file for an extension).

You can set up a SEP plan for little or no cost at a bank, investment firm or insurance company.

SEP plans offer high contribution and deduction limits, minimal paperwork and no annual Form 5500 filing. You can contribute to a SEP plan even if you participate in an unrelated employer’s plan (for example, a 401(k) plan). Contributions to a SEP plan are subject to the SEP contribution limits.

Other kinds of business-sponsored retirement plans must have been established before the end of 2013 in order for the business to get a deduction for 2013.

Additional resources:
Publication 560, *Retirement Plans for Small Business*
Publication 4333, *SEP Retirement Plans for Small Businesses*
SEP Plan FAQs
SEP Checklist
SEP Plan Fix-It Guide

SIMPLE IRA Tips for the Sole Proprietor

If you are a Schedule C filer (a sole proprietor) and have a SIMPLE IRA plan, you are treated as both an employer and an employee when calculating and reporting your own plan contributions and limits. Here are some tips.

Where do I report the contributions I make for myself to my SIMPLE IRA?

Report both your salary reduction contributions and employer contributions (non-elective or matching) for yourself on line 28 of Form 1040.

This is different from reporting employer contributions (non-elective or matching) for your common-law employees, which you would do as a business expense on your Schedule C.

When must I deposit the contributions I make for myself to my SIMPLE IRA?

You must deposit your salary reduction contributions within 30 days after the end of the tax year. For most people, this means salary reduction contributions for a year must be made by January 30 of the following year.

You must deposit your employer contributions by the due date (including extensions) of your federal income tax return for the tax year that includes the last day of the calendar year for which you made the contributions. For most people, this means employer contributions for a year must be made by April 15 of the following year, or by October 15 if on extension.

What is the maximum contribution I may make for myself to my SIMPLE IRA?

Salary reduction contributions

You may defer up to $12,000 in 2014 (adjusted for cost-of-living in later years). However, you may not exceed your net earnings from self-employment from the business sponsoring the SIMPLE IRA plan. If you are age 50 or over, you can make a catch-up contribution of up to $2,500 in 2014 (adjusted for cost-of-living in later years).

Employer contributions

Employer contributions for yourself must be the same type and rate as the contributions you make for your common-law employees. You must either:

- match your salary reduction contributions dollar-for-dollar up to 3% of your net earnings from self-employment; or
- make a non-elective contribution of 2% of your net earnings from self-employment that do not exceed $260,000 for 2014. This amount was $255,000 for 2013, and it is adjusted for cost-of-living in later years.

Your net earnings from self-employment are the amount you report on line 4 of Short Schedule SE or line 6 of Long Schedule SE (Form 1040) before you subtract any SIMPLE IRA plan contributions you make for yourself.

Example

Your business sponsors a SIMPLE IRA plan. In 2013, your employee, John, earned $25,000 and chose to defer 5% of his salary. Your **net earnings from self-employment** were $40,000 (as reported on your Form 1040, Schedule SE), and you chose to defer 10% of your earnings to your SIMPLE IRA. You elected to make 3% matching contributions for 2013 for all your employees.

The total SIMPLE IRA plan contribution for John is $2,000.

John's salary reduction contributions ($25,000 × 5%)	$1,250
Employer matching contribution ($25,000 × 3%)	$ 750
Total contributions	**$2,000**

You deduct John's contribution on your Form 1040, Schedule C. You must deposit John's $1,250 salary reduction contributions to his SIMPLE IRA:

- at the earliest date on which you can reasonably segregate them from your business' general assets, but no later than 30 days following the month in which John would have otherwise received the money; or
- within 7 business days after John would have otherwise received the money, to meet the Department of Labor's 7-day safe harbor for SIMPLE IRA plans with fewer than 100 participants.

You must deposit the $750 employer matching contribution no later than the due date of your federal income tax return, including extensions.

Your total plan contribution is $5,200.

Salary reduction contributions ($40,000 × 10%)	$4,000
Employer matching contribution ($40,000 × 3%)	$1,200
Total contributions	**$5,200**

You deduct the plan contributions for yourself on line 28 of your Form 1040. You must deposit your $4,000 salary reduction contribution to your SIMPLE IRA no later than January 30, 2014. You must deposit the $1,200 employer matching contribution no later than the due date of your federal income tax return, including extensions.

Additional resources

- Self-Employed Individuals – Calculating Your Own Retirement-Plan Contribution and Deduction
- Publication 560, *Retirement Plans for Small Business*
- Publication 590, *Individual Retirement Arrangements (IRAs)*
- FAQs – SIMPLE IRA Plans

Retirement Topics - Retirement Savings Contributions Credit (Saver's Credit)

You may be able to take a tax credit for making eligible contributions to your IRA or employer-sponsored retirement plan.

Who's eligible for the credit?

You're eligible for the credit if you're:

1. Age 18 or older;
2. Not a full-time student; and
3. Not claimed as a dependent on another person's return.

See the instructions for Form 8880, *Credit for Qualified Retirement Savings Contributions*, for the definition of a full-time student.

Amount of the credit

The amount of the credit is 50%, 20% or 10% of your retirement plan or IRA contributions up to $2,000 ($4,000 if married filing jointly), depending on your adjusted gross income (reported on your Form 1040 or 1040A). Use the chart below to calculate your credit.

2013 Saver's Credit			
Credit Rate	**Married Filing Jointly**	**Head of Household**	**All Other Filers***
50% of your contribution	AGI not more than $35,500	AGI not more than $26,625	AGI not more than $17,750
20% of your contribution	$35,501 - $38,500	$26,626 - $28,875	$17,751 - $19,250
10% of your contribution	$38,501-$59,000	$28,876 - $44,250	$19,251 - $29,500
0% of your contribution	more than $59,000	more than $44,250	more than $29,500

*Single, married filing separately, or qualifying widow(er)

2014 Saver's Credit			
Credit Rate	**Married Filing Jointly**	**Head of Household**	**All Other Filers***
50% of your contribution	AGI not more than $36,000	AGI not more than $27,000	AGI not more than $18,000
20% of your contribution	$36,001 - $39,000	$27,001 - $29,250	$18,001 - $19,500
10% of your contribution	$39,001-$60,000	$29,251 - $45,000	$19,501 - $30,000
0% of your contribution	more than $60,000	more than $45,000	more than $30,000

Retirement savings eligible for the credit

The Saver's Credit can be taken for your contributions to a traditional or Roth IRA; your 401(k), SIMPLE IRA, SARSEP, 403(b), 501(c)(18) or governmental 457(b) plan; and your voluntary after-tax employee contributions to your qualified retirement and 403(b) plans.

Rollover contributions aren't eligible for the Saver's Credit. Also, your eligible contributions may be reduced by any recent distributions you received from a retirement plan or IRA.

Example: Jill, who works at a retail store, is married and earned $30,000 in 2013. Jill's husband was unemployed in 2013 and didn't have any earnings. Jill contributed $1,000 to her IRA in 2013. After deducting her IRA contribution, the adjusted gross income shown on her joint return is $29,000. Jill may claim a 50% credit, $500, for her $1,000 IRA contribution.

Additional resources

Publication 4703, *Retirement Savings Contributions Credit*
Publication 590, *Individual Retirement Arrangements (IRAs)*
Form 8880, *Credit for Qualified Retirement Savings Contributions*

Mark Your Calendar - February - April 2014

Listed below are some important dates for retirement plans and plan administrators for the upcoming months. Most are for calendar-year plans; you must adjust some dates for non-calendar-year plans.

February 28:

- File paper Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, and Form 1096, Annual Summary and Transmittal of U.S. Information Returns, for 2013

March 15:

- Apply for waiver of 2013 minimum funding standard for single-employer defined benefit plans if the sponsor won't be able to make the required contribution and will meet the conditions to qualify for a funding waiver
- Distribute 2013 ADP/ACP excess amounts, with earnings, to highly compensated employees to avoid 10% excise tax (June 30, for certain eligible automatic contribution arrangements)
- Make 2013 corporate employer contributions to be eligible to take a tax deduction for 2013 (if no extension was filed for tax return)
- Set up SEP plan for 2013 if your business is a corporation (September 15, 2014, if you file for an extension for your Form 1120)

March 17:

- File Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*, and Form 1042, *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*, with the IRS to report retirement plan distributions and income tax withheld from distributions to nonresident aliens

March 31:

- Have a single-employer defined benefit plan actuary certify Accumulated Funding Target Attainment Percentage for 2014 to avoid potential 10% decrease in presumed AFTAP effective April 1
- Electronically file Form 1099-R with the IRS for 2013 distributions

April 1:

- Pay required minimum distributions to participants who either retired in 2013 after age 70½ or turned 70½ in 2013 and didn't receive their first RMD in 2013 (see plan terms to determine which employees must start receiving required minimum distributions at age 70½)
- Implement any changes in benefit restrictions under Internal Revenue Code Section 436 that may result from a decrease in the presumed AFTAP

April 15:

- Return 2013 participant salary deferrals, with earnings, in excess of $17,500 ($23,000, if age 50 or older)
- Make first quarterly contribution installment for single-employer defined benefit plans for the 2014 plan year
- Make 2013 self-employed, including partnership, employer contributions to be eligible to take a tax deduction for 2013 (if no extension was filed for tax return)
- Set up SEP plan for 2013 if your business is a partnership (September 15, 2014, if you file for an extension for your Form 1065)
- Set up SEP plan for 2013 if you are self-employed (October 15, 2014, if you file for an extension for your Form 1040)

Roth Account in Your Retirement Plan

If you participate in a 401(k), 403(b) or governmental 457(b) retirement plan that has a designated Roth account, you should consider your Roth options. With a designated Roth account, you can:

- make designated Roth contributions to the account; and
- if the plan permits, roll over certain amounts in your other plan accounts to the Roth account.

Designated Roth contributions

Unlike pre-tax salary deferrals, which are not taxed when you contribute them to the plan, you have to pay taxes on your designated Roth contributions. This means your gross income for the year you make designated Roth contributions will be higher than if you had made only pre-tax salary deferrals.

However, any pre-tax salary deferrals and related earnings are taxable when you withdraw them from the plan. Roth contributions, on the other hand, are not taxed when you withdraw them from the plan. Earnings on Roth contributions are also not taxed when they are withdrawn from the plan if your withdrawal is a qualified distribution. A “qualified distribution” is a distribution that is made:

- at least 5 years after the first contribution to your Roth account; and
- after you’re age 59½ or on account of your being disabled, or to your beneficiary after your death.

In-plan Roth rollovers

Your plan may allow you to transfer amounts to your Roth account in the plan if the amounts are:

- eligible rollover distributions from your other plan accounts; or
- any amounts, including those not otherwise eligible for a distribution, from your other plan accounts.

You must include in gross income in the year of transfer any previously untaxed amount you roll over to your designated Roth account.

You don’t include in gross income any withdrawal of the amount you rolled over to the Roth account. However, you may have to pay:

- a special recapture tax; and
- tax on the earnings on the rolled over amounts that are withdrawn, unless the withdrawal is a qualified distribution.

Check with your employer to find out if your plan has a Designated Roth account and whether it allows in-plan Roth rollovers.

Additional resources

- Designated Roth accounts
- FAQs: Designated Roth Accounts
- Roth Comparison Chart, Comparison of Roth 401(k), Roth IRA, and Traditional 401(k) Retirement Accounts
- Roth IRA/Account Chart - Top Ten Differences Between A Roth IRA And A Designated Roth Account
- Publication 4530, *Designated Roth Accounts under 401(k), 403(b) or governmental 457(b) plans*