



**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 WORKSHEET TO THE IRS)**

**Every year it is important that you review the requirements for operating your Simplified Employee Pension (SEP). This Checklist is a "quick tool" to help you keep your plan in compliance with many of the important tax rules. Underlined text below will link you to Internet information.**

**1. Are all eligible employees participating in the SEP?** Yes No

Any employee who is at least 21 years of age, was employed by you for 3 of the immediately preceding 5 years, and received compensation from you of at least \$450 during the year (subject to cost-of-living adjustments after 2004) is eligible to participate in a SEP.

**2. Is the business that the SEP covers the only business that you and/or your family members own?** Yes No

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

**3. Have you given all of your eligible employees information about the SEP?** Yes No

You must give your employees certain information about the SEP, including a copy of the SEP document. Form 5305-SEP is your SEP document if you use the model form.

**4. Are you determining each eligible employee's compensation using an appropriate definition in accordance with your SEP document?** Yes No

Compensation used to determine contributions is limited to \$200,000 for 2003, 205,000 for 2004, and is subject to cost-of-living adjustments in later years.

**5. Are contributions made only to a traditional IRA?** Yes No

All SEP contributions must go to traditional IRAs set up for the eligible employees.

**6. Are SEP contributions to each employee's IRA limited as required by law?** Yes No

Contributions to a SEP-IRA are limited to the lesser of 25% of the employee's compensation for the year or \$40,000 for 2003 (\$41,000 for 2004, and subject to cost-of-living adjustments for later years).

**7. Are employer contributions immediately 100% vested?** Yes No

Employer contributions cannot be conditioned on anything. Once made, the employee owns all contributions.

**8. Have you made required top-heavy minimum contributions to the SEP?** Yes No

If a SEP is top-heavy or deemed top-heavy, contributions must be made for the non-key employees equal to the lesser of 3% of compensation or a percentage equal to the highest contribution rate of any key employee.

**9. Have you deposited employer contributions timely?** Yes No

Employers have until the due date, including extensions, of their tax return to deposit employer contributions in order to obtain a deduction.

**10. If the model Form 5305-SEP was used to set up the plan, is this SEP your business's only employee retirement plan?** Yes No

A sponsor of a SEP established using model Form 5305-SEP cannot sponsor another retirement plan, such as a 401(k) plan.

**If you answered "No" to any of the above questions, you may have a mistake in the operation of your SEP. Many mistakes can be corrected easily, without penalty and without notifying the IRS.**

- contact your benefits professional
- visit the IRS at [www.irs.gov/ep](http://www.irs.gov/ep)
- call the IRS at (877) 829-5500