



SARSEP CHECKLIST

Every year it's important that you 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 of the important rules. Check the box if you can answer "yes" to the question. For additional information (including examples) on how to find, fix and avoid each mistake, click on "More →."

Was your SARSEP established prior to January 1, 1997, and subsequently amended for current law?

No new SARSEPs can be established after 1996; however, existing plans need to be updated for new law. [More →](#)

Do you have 25 or fewer eligible employees?

Only businesses with 25 or fewer eligible employees can contribute to a SARSEP. [More →](#)

Are all eligible employees (those who are at least age 21, worked for you in at least 3 of the last 5 years and received at least \$650 during the year in compensation) participating in the plan?

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 →](#)

Are you determining each participant's compensation using the definition in your SARSEP document?

A plan's definition of compensation must satisfy applicable rules for determining the amount of contributions. [More →](#)

Are all employee elective deferrals within the Internal Revenue Code Section 402(g) limit for the calendar year (\$19,500 in 2021) and have any excess deferrals been distributed?

Employees age 50 or over may make additional catch-up contributions of up to \$6,500 in 2021. [More →](#)

Do 50% or more of all eligible employees make elective deferrals?

At least half of your eligible employees must make elective deferrals to the SARSEP. [More →](#)

Are total employee elective deferrals and nonelective employer contributions limited as required by the Internal Revenue Code?

For 2021, contributions are limited to the lesser of 25% of compensation or \$58,000. SARSEPs don't permit employers to make matching contributions to participants' accounts. [More →](#)

Did you deposit employee elective deferrals timely?

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 →](#)

Did the SARSEP pass the annual deferral percentage test?

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 →](#)

Have you made required top-heavy minimum contributions to the SARSEP?

Refer to plan document for information. Most plans are deemed top-heavy, but some require annual testing. [More →](#)

If you didn't check all boxes, you may have a mistake in the operation of your plan. This list is only a guide to a more compliant plan, so checking all boxes may not mean your plan is 100% compliant. This list doesn't contain all plan requirements and shouldn't be used as a substitute for a complete plan review. Learn how to correct mistakes without penalty and without notifying the IRS at www.irs.gov/fixmyplan. Don't send this checklist to the IRS.

See www.irs.gov/retirement and click "Types of Retirement Plans" for Fix-It Guides and other resources for SARSEP and other plan types.

■ Contact your tax advisor

■ www.irs.gov/retirement

■ Call the IRS at 877-829-5500