

# **SEPs**

## **The Last-Minute Retirement Plan and Tax Deduction**

### **Definitions**

**SEP** — SEP is the acronym for Simplified Employee Pension plan. In order to have a SEP, two requirements must be met. First, an employer must sign a SEP plan document which may be: (1) the IRS model Form 5305-SEP; (2) a SEP prototype; or (3) a SEP plan as written specifically for that employer by an attorney. The employer may be a gigantic corporation or a self employed person. Second, all eligible employees must establish (or have established for them) a SEP-IRA.

**SEP-IRA** — A SEP-IRA is a standard, traditional IRA established with a financial institution to which an employer has made a SEP-IRA contribution. The IRA custodian is required to report SEP-IRA contributions in box 8 on Form 5498. In all other respects, the standard, traditional IRA rules will apply to administering SEP-IRAs. Contributions to SEP-IRAs are always owned by the employee, once the funds have been contributed to the employee's SEP-IRA.

### **Discussion**

SEP plans may be established and funded by the normal tax deadline, plus extensions. A person may come into your institution in July of 2016, and make a SEP contribution of \$53,000, for tax year 2015. If an individual has the proper extension(s) a SEP contribution may be made as late as October 15 of 2016, for tax year 2015.