

MEMO# 8882

May 12, 1997

IRS PROPOSES NEW AUDIT GUIDELINES FOR SEPS

May 12, 1997 TO: PENSION COMMITTEE No. 11-97 RE: IRS PROPOSES NEW AUDIT GUIDELINES FOR SEPS

_____ The Internal Revenue Service has published proposed examination guidelines for employee plan examiners to use when examining Simplified Employee Plans (SEPs). The guidelines provide technical background and guidance on issues that should be considered by IRS plan examiners when examining SEPs. These guidelines are not intended to be all inclusive and may be modified based upon actual issues encountered during an examination. The guidelines do not address the Small Business Job Protection Act of 1996, which prohibited the establishment of salary reduction SEPs (SARSEPs) after 1996. SARSEPs established prior to 1997 may continue to receive contributions. Specifically, the guidelines address the following areas: (1) SEP Requirements; (2) Contributions; and (3) Distributions, Withdrawals and Reporting Requirements. For each of the three areas, the guidelines provide an overview of applicable requirements as well as a description of appropriate examination steps. Comments on the proposed examination guidelines must be submitted to the IRS on or before July 28, 1997. If you have any comments that you would like the Institute to address in a comment letter, please forward them to me by Wednesday, July 16. Kathryn A. Ricard Assistant Counsel - Pension Enclosure

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