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## **AVOID DOL PENALTIES - 401(k) DEPOSIT RULES**

The U.S. Department of Labor (DOL) regulates an employer's payment of 401(k), 403(b) and SIMPLE-IRA retirement plan employee "elective deferrals" to the plan's investment custodian. If payments are not timely made, costly penalties and excise taxes are assessed.

### **DO YOU KNOW THE DEADLINE FOR TRANSMITTING RETIREMENT PLAN FUNDS?**

#### **401(k) AND 403(b) RETIREMENT PLANS**

The DOL rule is somewhat gray. It states that:

**"An employer is required to deposit your money into your retirement account as soon as the employee assets can be reasonably segregated from employer assets, but no later than 15 business days of the month following the month in which the payroll deduction occurred."**

**Based on fact patterns in DOL plan audits and other published commentary, some considerations are as follows:**

- For plans with fewer than 100 participants, the DOL's finalized regulations establish a "safe harbor" of 7 business days following the payroll deduction date. Depositing employee 401(k) and 403(b) payroll deduction funds will be considered timely if this 7 day "safe harbor" test is met; and
- No safe harbor time period exists for plans with 100 or more employee-participants. Commentary suggests funding the retirement plan by the due date of an employer's Form 941 tax deposit will be considered timely (which for very large employers is the next day after payroll).

#### **PRACTICAL CONCLUSIONS**

- For employers with fewer than 100 plan participants, consider using the "7 business day" safe harbor (or sooner) to ensure compliance with DOL funding requirements; and
- For larger employers, consider paying the employee payroll deductions ("elective deferrals") no later than your Form 941 payroll tax deposit date.

#### **SIMPLE-IRA PLANS - DEPOSIT RULE IS SIMPLE!**

The DOL requires that employee payroll deductions for an employer's SIMPLE-IRA retirement plan must be remitted by the 30<sup>th</sup> day following the month in which the "elective deferrals" were withheld from payroll.

### **WHAT ABOUT EMPLOYER SHARE OF FUNDING?**

Employers are not required to transmit employer "matches" and discretionary employer contributions until the due date of the employer's Federal income tax return, including filing extensions. Many employers do choose to transfer matching plan contributions on a more frequent basis to avoid large annual plan payment amounts.

### **REMINDER ABOUT ALLOWABLE EMPLOYEE PLAN FUNDING FOR 2013**

An employee can contribute ("electively defer") up to \$17,500 of wages to a 401(k), 403(b) or government-sponsored 457 plan for 2013. If the employee is at least age 50 by December 31, 2013, they can contribute an additional "catch-up" amount of \$5,500 into those plans for 2013.

Employees who participate in employee-sponsored SIMPLE-IRA plans can contribute \$12,000 via payroll deduction for 2013 plus an additional \$2,500 in "catch-up" funding if at least age 50 by the end of 2013.

### **Are your employees "on track" to meet their retirement plan funding objectives for 2013?**

#### **ACCUPAY CAN HELP!**

We help many of our clients meet their retirement plan funding obligations. Our assistance includes custom reports which detail the amounts of employee "elective deferrals", as well as cutting checks or creating electronic files to assist with the employer's payment of retirement plan funds. Call Lisa Reed, SPHR, AccuPay's Director of Excellence, at 885-7600 with any questions as to how we can help you meet your retirement plan objectives.

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