

RETIREMENT PLAN SALES WEBINAR

BOOKLET

September 5, 2024

NH HICKS

LEGAL AND PENSION CONSULTANTS

Experience Counts

RETIREMENT PLAN SALES BOOKLET

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NH HICKS

Legal and Pension Consultants
www.nhhicks.com

Who we are:

NH HICKS is a multi-generational company with one goal: To provide the best service, value and price in the retirement plan industry.

Each client is assigned an administrator and a consultant. Our administrators have over 250 years of combined experience. This provides administrative support by which we can ensure that all plan administration is performed in a timely manner, with a high degree of expertise. Our consultants assure a presence for one-on-one meetings to design and explain a plan that best fits a company's business and its retirement goals.

What we do:

NH HICKS specializes in quality pension plan administration with local service at a reasonable cost. We are a fee only third party pension administration and consulting firm that does not handle any investments or insurance. We offer flexibility through individually designed retirement plans and self-directed retirement accounts. Self-directed gives clients freedom to choose their own investments.

We currently administer over 1000 retirement plans for our clients primarily throughout California and the western United States. Our goal is to provide excellent service to all clients by working closely with their tax and financial advisors.

Given the continuous stream of regulations, our firm and legal department are unsurpassed in experience and constantly updating and adapting to today's regulatory environment. Our annual plan review keeps our clients up to date with the best possible plan options along with keeping your plan in compliance with the latest IRS and DOL regulations.

www.nhhicks.com:

Our website is being updated daily with the newest regulations, common trends and articles from leaders in the financial industry. We have adapted to new technology, gone paperless, added value to our website and brought value through actively participating in numerous social media forums. You will also be able to find our complete staff biographies, email addresses, fees, forms, FAQ's and other vital information.

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RETIREMENT PLAN SALES WEBINAR

AGENDA

1. Getting Started Financial Advisor Questions
2. Importance Of Plan Reviews
3. Every Plan Starts With A Design
4. Understanding Plan Design
5. Raise Your Proposal Expectations
6. Insights Of MEPs, PEPs, & Other Platforms
7. Navigating The Fiduciary Landscape
8. New Plan Set Up Deadlines
9. Key Secure 2.0 Sales Information
10. Working With NH Hicks Team

GENERAL OVERVIEW

401(k) PROFIT SHARING PLAN

(For plan years beginning in 2024)

A profit sharing 401(k) plan allows contributions through three different methods: employer profit sharing, matching and employee 401(k) salary deferrals.

Profit Sharing

Contrary to what the name may imply, contributions to a profit sharing plan are not based on the profitability of the company. Contributions can be allocated based on the amount of each participant's compensation, job class, and/or age. The employer may vary the contributions year to year, ranging from 0 to 25% of eligible compensation, considering no more than \$345,000 (2024 index) individually as compensation. The deadline for company contributions is the company's year-end tax return deadline including extensions.

For eligibility, the employer may be more lenient, but not stricter than excluding any employee: under age 21, less than 1 year of service (may be 2 years if 100% vested), under 1,000 hours per year and union employees. There may also be a class exclusion of 30% of the eligible non-highly compensated employees. Generally, the only class excluded is employees not employed on the last day of the plan year. Once an employee meets the eligibility requirements, they will typically enter the plan the first day of the plan year or seventh month (January 1 or July 1).

Employer contributions may come under a vesting schedule. Vesting is the employees' right to the employers' contribution. The most common schedule is 20% per year up to six years and goes 0-20-40-60-80-100%. Vesting may start at date of hire or for new plans, everyone may start at 0% vesting. The forfeitures under vesting may be reallocated to the remaining employees as a percent of compensation or used to reduce employer contributions.

401(k) / ADP Test

Employees may contribute 100% of compensation up to \$23,000 (2024 index). All employee contributions will be 100% vested. There are no Federal or State income taxes on 401(k) contributions. The Actual Deferral Percentage (ADP) test must be passed where the average of the non-highly compensated employees is calculated, and the highly compensated employees may contribute a slightly higher average. Either the current or prior years' non-highly compensated average should be elected at plan set up. In 2024, highly compensated is defined as: over 5% owner, compensation over \$150,000 in 2023 (may limit to top 20%), or a spouse or linear relation.

Individuals' age 50 or older may contribute an additional catch-up contribution of \$7,500 in 2024. This will not be subject to any tests (ADP) or limits.

Employers may amend their plan to allow for Roth 401(k) contributions. These contributions are after-tax and therefore not taxed at retirement. Employees are not limited by the IRA compensation limits. Roth and regular 401(k) contributions are combined for testing and limited to \$23,000 (\$30,500 if age 50). Separate accounting is required for the Roth 401(k).

Employers may require an Automatic Enrollment provision with a 30 day employee notice. This usually deducts about 3-10% of compensation unless employees opt out within 90 days after the first salary deferral.

Match

The employer may offer a match, to increase participation, which can come under a vesting schedule. For example, 25¢ on the \$1 up to 4% of pay. The match may be discretionary, if the employer allows the employees to change their 401(k) election if the match is changed.

Top-Heavy Test

If your plan is top-heavy (the total of the accounts of all key employees exceeds 60% of the total of the accounts of all employees) you are required to make a minimum contribution to non-key employees equal to the lesser of 3% of compensation or the highest contribution percentage rate for a key employee. You may also contribute the same percentage for the key employees. This contribution will come under the vesting schedule. If the plan is top-heavy a contribution can be avoided if none of the key employees use the 401(k) in that year.

For 2024, key employees are defined as: over 5% owner, a >1% owner with compensation at or above \$150,000, an officer with compensation at or above \$220,000, or a spouse or linear relation.

Safe Harbor Options

An employer may choose to make a 100% vested contribution (except auto enroll) to the employees to pass the ADP and top-heavy tests. This must include eligible employees who terminate before the end of the year. New plans must be in place for at least 90 days. These options are:

- 1) 3% contribution to all eligible non-highly compensated employees (may also include highly compensated). 3% may do "double duty" counting as a basis for new comparability plans based on job class. Final notice due 30 days prior to plan year-end.
- 2) Match non-highly compensated employees \$1 for \$1 up to 3%, plus 50¢ on the \$1.00 from 3% to 5% (may increase match to \$1 for \$1 up to 6% of pay and include highly compensated). Final notice due 30 days prior to plan year beginning.
- 3) Automatic Enrollment provision at 6% of compensation over 4 years and a \$1 for \$1 match up to 3 ½% with vesting after 2 years. Final notice due 30 days prior to plan year beginning.

Limits

No more than \$345,000 (2024 index) may be considered as a basis of compensation. The most an individual may receive from the three sources (profit sharing, match and 401(k)) is 100% compensation up to \$69,000 (\$76,500 if age 50).

The plan is still a profit sharing plan that has matching and 401(k) provisions within. Therefore, the employer match and profit sharing (401(k) excluded) plan contributions are limited to 25% of eligible compensation. Since this is an average of all employer contributions (401(k) excluded), some individuals may receive 100% while the total employer contribution is still under the 25% limit.

Investments

The plans are self-trusted so the employer can choose any legal non-foreign investment. Typically, the employer will control the profit sharing contribution as it comes under the vesting schedule, and therefore may not yet be owned by the employee.

The employees usually control their own 401(k) contribution. Each employee can have their own segregated account where they can obtain their balance at any time as well as trade the account within a menu of funds. Employees should be given the choice of at least four investments, ranging from conservative to aggressive.

If you have any questions or would like to meet with a plan consultant, please call NH HICKS.

OUTLINE

401(k) PROFIT SHARING PLAN

(For plan years beginning in 2024)

401(k) / Roth
100% up to \$23,000
(age 50 - \$7,500 catch-up)

MATCH
Limit combined with
Profit Sharing

PROFIT SHARING
0-25%
eligible compensation

ADP TEST
Usually NHC avg. + 2% = HC max avg.

NHC %

5
10
0
5

5% avg. + 2% = 7% max HC avg.

Prior yr. method on first plan yr.
3% assump. + 2% = 5%

TOP-HEAVY TEST
Keys own 60% of trust
May require 3% PS contrib.

SAFE HARBOR
Auto. pass ADP and top-heavy test
100% vested / includes term. emp. / exist 90 days

- 1) 3% non-elective contribution
- 2) Match roughly \$1 for \$1 up to 4% pay (6% max)
- 3) Auto Enroll with 3½% match (vesting)

TRUST

- Deposits not taxed to employee
- Tax deferred growth
- Protected from creditors

ALLOCATION
Proportional
SS Integration
New Comparability

ELIGIBILITY
Age 21
1 yr.
1,000 hrs. yr.
Union emp.
30% NHC job class

VESTING
Effec. DOH or plan start
401(k) – 100%
PS / Match - usually:
0 – 20 – 40 – 60 – 80 - 100%

INDIVIDUAL LIMIT
100% up to \$69,000
(\$76,500 if age 50)

COMPENSATION LIMIT
\$345,000

Owner Only 401(k) Plan

Owner only 401(k) Plans are a new retirement plan for sole practitioners and other owner-only businesses including their spouse. These plans allow larger contributions than previously available through profit sharing plans, SEPs, and SIMPLE plans. They offer several other advantages including participant loans and catch-up contributions.

Why Choose a 401(k)?

- **Easy to Setup and Operate.** These plans are easy to setup and operate. Our trained consultants and administrators can help you every step of the way.
- **You're in Control.** Because contributions are discretionary, you can decide how much you want to contribute each year.
- **Tax Savings.** Get immediate tax savings. Contributions are tax deductible and grow tax-deferred.
- **Access to Your Money.** You can borrow from your account balance, and the loan is tax free, as long as it is paid back in a timely manner.
- **Self-Directed Investments.** You and your financial consultant choose the investments that are right for you within the law. Beware of self-dealing rules. Avoid prohibited transactions and issues of UBTI.
- **IRS Approved Documents.** We use prototype plan documents that have been pre-approved by IRS.
- **Inexpensive.** 401(k) Plans are inexpensive to setup and operate.
- **Consolidate Your Retirement Savings.** Consolidate all retirement savings with rollovers from your IRAs.
- **Technical and Legal Answers.** We are here to help and answer questions regarding all aspects of the operation of your plan.

How Much Does It Cost?

- Installation/Documents \$550
(Takeover - no charge)
- Annual Administration:
Assets less than \$250,000 \$300 (contribution calculations, asset follow-up and questions)
Assets \$250,000 and more \$750 (full administration including form 5500)

GENERAL OVERVIEW

DEFINED BENEFIT PENSION PLAN

What is a Defined Benefit Pension Plan (DB)?

A Defined Benefit Pension Plan (DB) is a qualified retirement plan where contributions to the plan are based on a participant's age and compensation. While eligibility and distribution options are the same as other qualified plans, an actuary calculates how much a company must contribute to meet the 'benefit defined' in the plan document.

How does a Defined Benefit Pension Plan work?

A DB plan provides a specific benefit at a participant's retirement age. The plan's actuary determines the value of that benefit in the form of a single sum. The DB plan must accumulate the funds to provide that benefit by the time the participant reaches retirement age. The plan accumulates funds through contributions and earnings. An older participant has less time until retirement and therefore less time for the plan to accumulate the funds required to provide his/her retirement benefit. Accordingly, the contribution on behalf of the older participant must be relatively high compared to those required for a younger participant.

Here is a simple example:

Participant	Age	Compensation	Annual Contribution	Benefit at Retirement
Owner	55	\$345,000	\$328,511	\$2,351,062
Employee	21	\$24,000	\$5,102	\$304,181

How can the IRS allow such disparity between the owners and employees contributions?

It only appears there is disparity between the benefits being provided to the two individuals in the example above. The plan is providing the same benefit to both participants. The plan is providing a similar retirement annuity as a percentage of income to both participants. The perceived disparity exists because the owner's compensation is much larger than the employee's compensation and the owner is older than the employee.

This fact pattern is not unusual among small employers. Accordingly, the DB plan can be an extremely powerful tool enabling the small business owner to make large contributions, while minimizing employee cost.

Flexibility

DB plans are much more flexible than the typical business owner might think. With a valid business reason, these Plans can be terminated in as few as three years after inception (assuming a minimal contribution of \$5,000 per year). Proper plan design and effective funding strategies can provide owners with the flexibility they need to annually contribute their desired amount. If the investments underperform, contributions should increase and likewise contributions will decrease if funds exceed plan expectations. Furthermore, if an owner's contribution objectives change considerably, the plan can be amended to provide the needed additional flexibility.

Defined Benefit/Defined Contribution Combo Plan

A Defined Benefit/Defined Contribution Combination Plan (DB/DC) offers owners a two-plan approach to saving for retirement. Since the Pension Protection Act, many plans now allow owners an additional DC contribution and individual 401(k) salary deferrals of \$23,000 (\$30,500 if age 50).

A general example of a DB/DC Combo Plan is outlined below followed by an explanation of each combination types:

Participant	Age	Compensation	Defined Benefit Contribution	DB/DC Combo Contribution
Owner	57	\$100,000	\$366,296	\$396,796
Spouse	57	30,000	117,778	148,278
Employee 1	30	50,000	60,284	6,850
Employee 2	25	50,000	44,282	6,850

1. Turbo-charge any Defined Benefit Plan (maximizes benefits for all participants)

In addition to the DB plan contribution, owners may contribute up to 6% to a DC plan. Individuals may also contribute an additional \$23,000 pre-tax into a separate 401(k) Profit Sharing Plan (\$30,500 if age 50). This will work well for an employer without employees; otherwise, the plan must satisfy the 401(k) ADP test (a safe harbor may be used).

2. Floor Offset (good for PBGC covered plans)

The Floor Offset establishes a DB Plan for owners and a DC Plan for employees. The benefits provided under the DB Plan are reduced by the value of the participant's account in the DC Plan. The DC Plan participants receive an estimated 5 – 10% of pay contribution.

3. Super Combo (good for non-PBGC covered plans)

This design establishes both plans, and all participants receive benefits in both plans. In the DC Plan, 6% of total compensation is allocated using tiers; where the employees receive an estimated 7.5% and owners receive the remainder. In the DB Plan, owners receive the maximum benefit, and the employees receive the smallest benefit permitted.

4. Carve-Out (good for several owners with only 3 or fewer employees)

This design establishes a DB Plan for owners and a DC Plan for employees. It is a great way to maximize contributions for owners while controlling the employee cost. There are requirements which must be considered including at least 2 participants in the DB Plan, 40% of the participants are in the DB Plan, and there are no common participants between the DB and DC company contributions (except 401(k)).

5. Cash Balance Plans (good for company with multiple owners)

This is a DB Plan that specifies both the contribution to be credited to each participant account (such as a percentage of pay or a flat dollar amount) and the investment earnings to be credited on those contributions. Each participant has an account that resembles those in the 401(k) plan. The advantage of this DB Plan is you know what is going into the plan for each participant and what will be paid out when they leave. A 401(k) Plan may also be added.

If you have any questions or would like to meet, please call NH HICKS.

DEFINED BENEFIT CONTRIBUTIONS

**Effective for Plan Years Ending in 2024
With NRA 62 and 5 Years of Participation**

Ages/Comp	30,000	50,000	70,000	90,000	110,000	130,000	150,000	170,000	190,000
32	45,127	75,212	91,579	91,579	91,579	91,579	91,579	91,579	91,579
34	49,403	82,338	100,969	100,969	100,969	100,969	100,969	100,969	100,969
36	54,083	90,139	111,328	111,328	111,328	111,328	111,328	111,328	111,328
38	59,207	98,679	122,755	122,755	122,755	122,755	122,755	122,755	122,755
40	64,817	108,029	135,351	135,351	135,351	135,351	135,351	135,351	135,351
42	70,992	118,320	149,248	149,248	149,248	149,248	149,248	149,248	149,248
44	77,787	129,646	164,595	164,595	164,595	164,595	164,595	164,595	164,595
46	85,217	142,028	181,541	181,541	181,541	181,541	181,541	181,541	181,541
48	93,339	155,566	200,253	200,253	200,253	200,253	200,253	200,253	200,253
50	102,220	170,366	220,910	220,910	220,910	220,910	220,910	220,910	220,910
52	111,928	186,548	243,717	243,717	243,717	243,717	243,717	243,717	243,717
54	122,543	204,239	268,985	268,985	268,985	268,985	268,985	268,985	268,985
56	134,148	223,580	296,955	296,955	296,955	296,955	296,955	296,955	296,955
58	137,621	229,369	310,921	310,921	310,921	310,921	310,921	310,921	310,921
60	131,385	218,976	301,092	301,092	301,092	301,092	301,092	301,092	301,092
62	124,894	208,158	291,420	319,960	319,960	319,960	319,960	319,960	319,960
64	118,125	196,876	275,625	341,887	351,937	351,937	351,937	351,937	351,937

- Net Comp is W-2 wages, or self-employment income less self-employment tax deduction and pension deduction for the self-employed and his/her share of any employee cost.
- The individual is assumed to have been in business for at least three years.
- Contribution amounts may be less when using a DB/DC Combination design.
- For owner only plans, increase the amount shown by 1.25 due to the granting of past service.

PLAN TYPE COMPARISONS (For plan years beginning in 2024)

Assumptions			Plan Types				
Participants	Age	Compensation	25% SEP	3% Match SIMPLE	401(k) PS	DB	DB Combo
Owner	57	\$100,000	\$25,000	\$3,000 + 19,500	\$46,000 + 30,500	\$366,296	\$366,296 + 30,500
Spouse	57	30,000	7,500	900 + 19,500	10,500 + 27,000	117,778	117,778 + 30,500
Employee 1	30	50,000	12,500	1,500 + (0 - 16,000)	2,500 + (0 - 23,000)	60,284	6,850 + (0 - 23,000)
Employee 2	25	50,000	12,500	1,500 + (0 - 16,000)	2,500 + (0 - 23,000)	44,282	6,850 + (0 - 23,000)
Contribution To Owners			\$32,500	\$42,900	\$114,000	\$484,074	\$545,074
Contribution To Employees			\$25,000	\$3,000	\$5,000	\$104,566	\$13,700
Owners %			57%	93%	96%	82%	98%

The figures illustrated are dependent on many factors.
Please consult with qualified advisors to determine applicable limits.

Owner Only – Defined Benefit Plans

Owner only Defined Benefit Plans (DB) are a great way to for sole practitioners and other owner only businesses to create big contributions, tax deductions and savings for retirement. While a traditional 401(k) or SEP is limited to \$69,000 annually (\$76,500 if age 50+), contributions in a DB plan can go as high as \$300,000 or more per year.

Why Choose an Owner Only Defined Benefit Plan?

- **Easy to Setup and Operate.** These plans are easy to set up and operate. Our trained consultants and administrators can help you every step of the way.
- **Tax Savings.** Get immediate tax savings. Contributions are tax deductible and grow tax deferred.
- **Larger Contributions.** For example:
 - 40 year old making \$90,000 can make a \$135,000 contribution.
 - 50 year old making \$90,000 can make a \$220,000 contribution.
 - 60 year old making \$90,000 can make a \$300,000 contribution.

If you need an estimate, contact us. We will prepare a proposal reflecting maximum contributions available at no cost.

- **Access to Your Money.** You can borrow from your account balance, and the loan is tax free, as long as it is paid back in a timely manner.
- **Self-Directed Investments.** You and your financial consultant choose the investments that are right for you within the law. Beware of self-dealing rules. Avoid prohibited transactions and issues of UBTI.
- **IRS Approved Documents.** We use prototype plan documents that have been pre-approved by IRS.
- **Inexpensive.** Less actuarial reporting allows us to keep fees lower than DB plans with employees.
- **Add to an Existing Plan.** A Defined Benefit Plan may be added to an existing 401(k) or Defined Contribution Plan to increase annual deductions.
- **Technical and Legal Answers.** We are here to help and answer questions regarding all aspects of the operation of your plan.

How Much Does It Cost?

	DB Only	DB & 401(k)
• Installation/Documents: (Takeover - no charge)	\$1,500	\$1,900
• Annual Administration:	\$2,100	\$2,500

TABLE OF VARIOUS LIMITS AND THRESHOLDS

	2023	2024
<u>COMPENSATION LIMIT</u> - <i>plan year beginning</i>	330,000	345,000
<u>DC ANNUAL ADDITION LIMIT</u> - <i>plan year ending</i>	66,000	69,000
<u>401(k) DEFERRAL LIMIT</u> – <i>calendar, not plan year</i>	22,500	23,000
<u>CATCH-UP DEFERRAL LIMIT</u> – <i>calendar, not plan year</i>	7,500	7,500
<u>DB ANNUAL BENEFIT LIMIT</u>	265,000	275,000
<u>HIGHLY COMPENSATED EMPLOYEE</u>		
<i>Employees are considered highly compensated if owner in current or prior plan year. Compensation definition only required to be met in prior plan year.</i>		
1) Over 5% owner		
2) Any employee (may limit to top 20%)	150,000	155,000
3) Spouse or linear relation		
<u>KEY EMPLOYEE</u>		
<i>Employees are considered key if meet definition in current plan year.</i>		
1) Over 5% owner		
2) Over 1% owner	150,000	150,000
3) Officer (count at least 1)	215,000	220,000
4) Spouse or linear relation		
<u>TAXABLE WAGE BASE</u>	160,200	168,600

SECURE ACT 2.0

SUMMARY OF MANDATORY AND OPTIONAL PROVISIONS

PROVISION	DESCRIPTION
Provisions Effective by January 1, 2023	
Required Minimum Distributions (RMD) Age Increases	The required minimum distribution (RMD) beginning age increases to 73 starting on January 1, 2023, and to 75 starting on January 1, 2033.
RMD Excise Tax Reduction	Excise tax reduced from 50% to 25% and to 10% if the correction is made in a timely manner.
Expansion of Credits for Small Employer Startup Costs	Provides additional financial incentives for small employers to offer retirement plans through Start-up Credit and Employer Contribution Credit
Treatment of Employer Contributions as Roth Contributions	An employer may give participants the option of receiving matching and nonelective contributions on a Roth contributions if the participant is fully vested.
Self-certification of Hardship and Unforeseen Emergency Withdrawals	A plan administrator may rely on a participant's certification that the hardship withdrawal or unforeseen emergency distribution is based on an immediate and heavy financial need as described in IRS regulations.
Terminal Illness Distributions	Allows terminally ill employees penalty-free distributions, subject to a physician's certification. May be repaid within 3 years.
Qualified Birth & Adoption Distributions (QBAD)	A participant who has taken a QBAD may repay the distribution to a plan accepting rollovers during the three-year period beginning on the day after the date on which the QBAD is received.
Federally Declared Disaster Distributions/Loans	Allows up to \$22,000 to be distributed from 401(k) plans, penalty free, for affected individuals in the case of a federally declared disaster. May be repaid within 3 years. Also can permit temporary increase to loan limits and extended loan terms.
Small Financial Incentives for Participation	Employers can offer de minimis financial incentives, not paid for with plan assets, such as low-dollar gift cards, to boost employee participation in the plan.
Provisions Effective by January 1, 2024	
Roth Plan Distribution Rule	Pre-death RMDs from Roth accounts in 401(k) plans has been eliminated.
Surviving Spouse Election to be treated as an Employee for RMDs	If the participant dies before their required beginning date and the spouse is the sole beneficiary, the spouse may defer the RMD until the year in which the spouse attains their RMD age and have the RMD calculated under life expectancy tables.
Safe Harbor for Corrections of Employee Elective Deferral Failures	Provides a safe harbor rule for the correction of a reasonable administrative error involving automatic contribution or automatic escalation.

Increase in Dollar Limit for Mandatory Distributions	The dollar amount which a plan may authorize a distribution of a terminated participant's vested account without the participant's consent increased from \$5,000 to \$7,000.
Withdrawal for Emergency Personal Expenses	Provides an exception to the 10% early withdrawal penalty for distributions up to \$1,000 annually used for emergency expenses. Participant has the option to repay the distribution within 3 years.
Emergency Savings Accounts under 401(k) Plans	Employers may offer to their non-highly compensated employees' plan-linked emergency savings accounts. Contributions are treated as Roth and cease once the account balance meets or exceeds \$2,500. Eligible for employer match.
Penalty-free Withdrawals for Victims of Domestic Abuse	Permits participants who self-certify they experienced domestic abuse to withdraw the lesser of \$10,000 or 50% of the vested balance within one year of incident. The withdrawal is not subject to the 10% early withdrawal penalty and can be repaid with three years.
Starter 401(k) Plans	Permits employers who do not sponsor a retirement plan to offer a starter 401(k) or 403(b) plan. The plan has only deferrals provided through default enrollment with deferral limits the same as IRAs.
Student Loan Payments for Matches	Permits an employer to make matching contributions with respect to "qualified student loan payments."

Provisions Effective by January 1, 2025

Automatic Enrollment and Increases for New Plans	Unless employees opt out, new 401(k) plans must automatically enroll participants in the plan starting with a deferral of 3-10%. Deferrals must increase 1% per year. Exemptions include small employers (10 or less employees), businesses less than 3 years old, and church and government plans. Plans in existence prior to December 30, 2022 are also exempt.
Coverage for Long-Term Part-time Employees	Part-time employees are eligible to make deferrals if they work more than 500 hours in three consecutive years starting on January 1, 2021. Secure Act 2.0 reduces the years from 3 to 2 for years starting on January 1, 2023.
Increased Catch-up Contribution Limits	Increases catch-up limits to the greater of \$10,000 or 50% more than the regular catch-up amount for individuals who have reached ages 60, 61, 62, and 63.

Provisions Effective by January 1, 2026

Roth Catch-up Contributions	All catch-up contributions can only be made as Roth contributions if the participant's prior year compensation is greater than \$145,000.
Paper Benefit Statements	Requires a defined contribution provide at least one paper benefit statement to participants annually and one paper benefit statement every three years to participants in a defined benefit plan, unless a participant elects otherwise.

HICKS NOTES

NH **HICKS** Experience Counts

Legal and Pension Consultants

(800) 310-4975 | www.nhhicks.com

October 2023

By Tom Hicks, Attorney At Law

SECURE ACT 2.0: WHAT YOU NEED TO KNOW

On December 29, 2022, President Biden signed the Consolidated Appropriations Act, 2023. The SECURE Act 2.0, as it's known, expanded and clarified the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) of 2019. The SECURE Act created and gave additional incentives for employers and employees to participate along with provision providing COVID-19 relief on distribution. For a summary of the SECURE Act, [click here](#).

The SECURE Act 2.0 contains over 90 provisions expanding coverage and increasing retirement savings, simplifying, and clarifying retirement plan rules, making technical amendments to the original SECURE Act, and changing some administrative, revenue, and tax court retirement provisions. Some provisions are mandatory, some are optional and all available for different years.

The key to understanding the many provisions is to first find out what year the provisions are effective and if the provisions are mandatory. Finally, understanding the optional provisions and whether your client will want to add them to their existing or new plans. In addition, there are rules and incentives for new plans.

Given the size and scope of this law, we have created a useful [chart](#) which shows the requirements for each provision by effective date.

PROVISIONS FOR NEW PLANS

Solo 401(k) Plans. Self-employed individuals (Sole Proprietors and Partnerships) now have until they file their tax returns to adopt and fund contributions including 401(k) salary deferrals. Prior to the change, they could only fund employer contributions when their plan was adopted after the end of the plan year.

Small Employer Start-up Tax Credits. The existing new plan Start-up Tax Credit for employers with 1 to 50 employees increased from 50 to 100% of plan expenses with an annual cap of \$5,000. The SECURE Act 2.0 establishes an Employer Contribution Tax Credit for plan contributions made by the employer. The credit is a percentage of the employer contribution up to \$1,000 per employee, provided the employee earned \$100,000 or less during the plan year. The percentages are 100% for the first two years, 75% for the third year, 50% for the fourth year, and 25% for the fifth year.

Automatic Enrollment. For plan years beginning after December 31, 2024, an employer who has been in existence for at least three years with more than 10 employees must automatically enroll participants unless the employee opts out when starting a new 401(k) plan. Under these rules, employees will start with a salary deferral of at least 3% of compensation. The rate of salary deferral increases annually by 1% of compensation until reaching at least 10%, but no more than 15% of compensation.

PROVISIONS FOR ALL PLANS

Here is a quick explanation of the various provisions available to all plans.

Roth accounts. Designated Roth accounts in employer plans are encouraged under the new law. These accounts within 401(k) plans are no longer subject to required minimum distribution (RMD) rules. This change mirrors the provisions of Roth IRAs.

Coverage of Long-Term Part-time Employees. In 2019, the SECURE Act changed provision to allow long-term part-time employees with three consecutive years of service of at least 500 hours to enter a 401(k) plan. They would only be eligible for 401(k) salary deferrals. No employer contribution is required. Under the SECURE Act 2.0, only two consecutive years of service of 500 hours are required. For transition purposes, pre-2021 service employees are disregarded for eligibility and

vesting rules. The participant will receive one year of vesting service for each plan year in which they work at least 500 hours.

Incentives to Participate. Prior to the SECURE Act 2.0, an employer could not offer incentives to encourage employees to contribute to a retirement savings plan. For plan years beginning after December 29, 2022, an employer is allowed to offer de minimis, immediate financial incentives to encourage employees to join retirement plans. De minimis is not defined in the new code so we will have to await further guidance on what is allowed. Time will tell.

Overfunded Defined Benefit Plans. Many employers have overfunded defined benefit plans and find it beneficial to transfer excess assets to an account to pay retiree health benefits. Those provisions, which would have expired after 2025, have been relaxed and extended until 2032.

Correcting Errors. The SECURE Act 2.0 greatly expands methods and reasons for self-corrections. For existing programs, click (correction programs) . Administrative errors that include over payments, along with vesting, participation and other errors may be self-corrected as opposed to getting IRS approval. Retroactive amendments are allowed to fix the errors made. The law provides a grace period for making corrections of nine and a half months after the end of the plan year in which the mistake was made for any error occurring after 2023.

Required Minimum Distribution (RMD) Rules. Individuals turning age 72 during 2023 or later will start their required minimum distributions at age 73. For those reaching age 74 after December 31, 2032, their RMD starts at age 75.

RMD Penalty Relief. If required minimum distributions are not taken, the excise tax penalty is reduced from 50 to 25% for taxable years beginning in 2023. The penalty is further reduced to 10% if correction is made within two years after the end of the taxable year in which the distribution was missed.

Catch-up Contributions. Individuals age 50 and older can contribute a salary reduction catch-up contribution. The current catch-up contribution is limited to \$7,500 annually. For tax years beginning after 2024, employees who are 60-63 years old can contribute a higher catch-up contribution of the greater of \$10,000 or 50% more than the regular catch-up limit.

Annuity Investment Option. Annuity Contracts will be more readily available within employer plans. Plan participants in account balance plans may want to use a portion of retirement plan savings to purchase annuities.

Student Loan Repayment. Beginning in 2024 with the SECURE Act 2.0, an employee's student loan debt repayment can be treated as the employee's salary deferral to a 401(k) plan. This is an option that an employer can add to their retirement plan.

Emergency and Disaster Relief. The new law clarifies early ones that allowed employers to add provisions to their plans to help non-highly compensated employees save for emergencies. Employee contributions to these new emergency savings accounts are generally limited to no more than \$2,500. The SECURE Act 2.0 also allows plan participants to withdraw up to \$1,000 annually for meeting unforeseeable emergencies. These distributions are not subject to the 10% penalty for early withdrawal. Only one distribution can be made per year. An employee can repay the amount to the plan within three years.

Effective for disasters after December 27, 2020, The SECURE Act 2.0 permanently exempts plan distributions from the 10% penalty for early withdrawal of up to 22,000 for bona fide disaster losses. In addition, a participant can borrow from the qualified plan up to a maximum of \$100,000 for disaster relief. A qualifying disaster-related distribution can be repaid over three years.

In conclusion, it appears the IRS and DOL are trying to increase participation in small employer plans by offering increased tax incentives, more uses of 401(k) money, auto-enrollment, increased catch-up contributions and emergency relief distributions. Corrective relief will be a great help in fixing mistakes and moving on. Tracking distributions for disaster and emergency relief can be problematic.

Understanding which provisions apply when and what benefits they can provide is crucial to understanding how the SECURE Act 2.0 will affect our clients.

Please note this is a brief summary and not an exhaustive list. For more information, check out our additional articles [here](#).

NEW TAX CREDITS FOR SMALL EMPLOYER RETIREMENT PLAN STARTUPS

New plan startup costs have always been a major hurdle for small business owners. These tax credits started with a law change in 2019 and have been enhanced with the passage of the Secure Act and Secure Act 2.0.

There are now 3 different tax credits for plan fees or contributions paid by small businesses. Here is a summary of each to help you determine if your business is eligible and for how much. The tax credits are:

- Start-up Credit,
- Employer Contribution Credit and
- Automatic Enrollment Credit.

Start-up Tax Credit

The credit reduces the amount of taxes a small business may owe during the first 3 years of the retirement plan. An owner can claim by starting a new SEP, SIMPLE IRA, or qualified retirement plan.

For 2023 the start-up credit has been increased. It covers 100% of the employer's out-of-pocket plan costs up to the annual limit, if 50 or fewer employees. The annual limit is the greater of \$500; or \$250 multiplied by the number of non-highly compensated employees who are eligible in the plan, up to \$5,000. Plan Costs include set up and administration fees.

Please note that the employer cannot claim both the tax credit and the deduction for the same plan expense.

Employer Contribution Tax Credit

An additional credit is provided for employer contributions into a defined contribution plan equal to 100% in the year the plan is established. This credit is available for employers with 50 or fewer employees. It is capped at \$1,000 per employee and excludes contributions made for employees earning \$100,000 or more. After the first year, the credit percentage is reduced by 25%: 75% in year 2, 50% in year 3, 25% in year 4.

The contribution tax credit applies to 401(k), Profit Sharing, SEP, and SIMPLE plans along with the first three years an employer starts or joins a MEP or PEP.

Automatic Enrollment Tax Credit

Employers can also earn a tax credit for adding or, in the case of a new plan, including an automatic enrollment feature as part of their plan. The credit is \$500 per year for the first three years. It is only available to employers who had no more than 100 employees with at least \$5,000 compensation in the preceding year. This plan feature must be structured as an Eligible Automatic Contribution Arrangement (EACA).

If you believe that these tax credits may apply to your (or your client's) company, be sure to further discuss it with a qualified accountant or tax professional.

A SIMPLE IRA PLAN TERMINATION

The SECURE Act 2.0 made a number of changes impacting SIMPLE IRA plans. Most important, effective January 1, 2024, an employer can now choose when to terminate their SIMPLE. The plan can be terminated as of December 31st (old rules) or any time during the calendar year if it is replaced with a safe harbor 401(k) plan. The effective date of the safe harbor plan must be the day after the SIMPLE's plan termination date. The employer cannot maintain these two plans at the same time.

Terminating the SIMPLE IRA Plan

The employer must prepare a written action including the termination date of the SIMPLE plan. Then the employees must be notified of the employer's intent to terminate the SIMPLE. The notice is required to:

- Be provided at least 30 days before the proposed termination date.
- Specify that salary reduction contributions will cease on the termination date.
- Indicate that any SIMPLE employer contributions will be made based on compensation up to the termination date.

The employer must also notify the plan's financial institution and payroll company that the SIMPLE IRA plan is being terminated and contributions will cease as of the termination date. The employer must keep records of their plan termination actions. However, there is no need to notify the IRS of the plan termination.

Mid-Year Conversion from SIMPLE to Safe Harbor 401(k) Plan

The mid-year change only works if the replacement plan is a safe harbor 401(k) plan. That means it can be a traditional safe harbor or a QACA (Qualified Automatic Contribution Arrangement), match or non-elective. The employer cannot add a Defined Benefit or Cash Balance plan in the year of the SIMPLE termination.

Special Contribution Limit in Replacement Year

In the replacement year, the aggregate 401(k) deferral deposited into both the SIMPLE and the safe harbor 401(k) plan are based on the termination date. The total deferral calculation is as follows:

SIMPLE IRA Deferral Limit (plus catch-up if eligible)	Times	<u># of days in SIMPLE year</u> 365
	Plus	
401(k) Deferral Limit (plus catch-up if eligible)	Times	<u># of days in 401(k) year</u> 365

This combined total deferral, less the actual deferral made into the SIMPLE, equals the maximum allowable deferral into the 401(k) plan.

For example, with a September 30 termination date, the combined total deferral is \$17,745 or \$22,242 if age 50 or older.

Distribution of SIMPLE IRA Accounts

Normally, under a SIMPLE Plan a participant with fewer than 2 years of participation would be ineligible to roll over their distribution to a qualified plan and it would be subject to an increased 25% additional tax. Under the SECURE Act 2.0, as long as the SIMPLE rollover goes to the 401(k) replacement plan, the 2 year restriction and the increased tax does not apply.

Restrictions within the 401(k)

When a company decides to terminate its SIMPLE mid-year, a short plan year occurs within the 401(k). As a result, some of the contribution limits are pro-rated. The three main items are:

1. Only compensation earned after the effective date of the 401(k) may be used to determine contributions.
2. The annual contribution limit (415) must be prorated based on the months the 401(k) is in effect.
3. The annual compensation limit (401(a)(17)) must be prorated.

Using the example of the 401(k) effective October 1, the 2024 annual contribution limit is reduced to \$17,250 (\$69,000 times 3/12) with maximum annual compensation of \$86,250 (\$345,000 times 3/12).

Replacing the SIMPLE IRA with a 401(k) takes Planning

Given the complexity of the mid-year plan termination and the reduction of contributions, make sure this actually benefits the client. Run the numbers. Contact NH Hicks for additional information and help in making this decision.

NH Hicks

Legal and Pension Consultants

2024 Compliance Calendar

For Calendar Plan and Fiscal Years

January 1

- Ensure payroll calculations are correct for the 2024 limits which are as follows:

Compensation Limit	\$345,000
DC Annual Addition Limit	\$69,000
401(k) Contribution Limit	\$23,000
Catch-up Contribution Limit	\$7,500

January 31

- Send Form 1099-R to participants who received distributions during 2023.
- File Form 945 to report nonpayroll taxes withheld but not paid in full, from participants who received distributions during 2023.

February 12

- File Form 945 for 2023 nonpayroll withholding if taxes were paid in full and deposited on time.

February 14

- Distribute 4th quarter 2023 benefit statements for participant-directed plan and 4th quarter fee disclosures.

February 28

- File Forms 1099-R with IRS (if paper) to report participant distributions made during 2023.

March 15

- Process corrective distributions for failed 2023 ADP/ACP tests without 10% excise tax.
- File partnership or s-corporation tax returns, and contribution deadline for deductibility (without extension).
- Request for automatic extension to September 15 to file tax returns.

April 1

- Electronic Filing of Forms 1099-R with IRS to report participant distributions made during 2023.
- First Required minimum distribution (RMD) to participants attaining age 72 or retiring after age 72 during 2023.

April 15

- Process corrective distributions for excess 2023 salary deferrals.
- File individual or c-corporation tax returns; contribution deadline for deductibility (without extension).
- Request automatic extension of returns to October 15.

May 15

- Distribute 1st quarter 2024 benefit statements and 1st quarter fee disclosures to participants.

June 30

- Process corrective distributions for failed 2023 ADP/ACP tests for Eligible Automatic Contribution Arrangement (EACA) Plans without 10% excise tax.

2024 Compliance Calendar

July 29

- Send Summary of Material Modification if amendments were adopted in 2023.

July 31

- File 2023 Form 5500 (without extension).
- File 2023 Form 8955-SSA (without extension).
- File Form 5558 to request extension of time to file Forms 5500 or 8955-SSA (to October 15).

August 14

- Distribute 2nd quarter 2024 benefit statements and 2nd quarter fee disclosures to participants.

September 15

- Minimum funding deadline for defined benefit, cash balance and money purchase plans.

September 16

- Extended deadline to file s-corporation and partnership tax returns; contribution deadline for deductibility

September 30

- Distribute Summary Annual Report (SAR) to participants, provided deadline for Form 5500 was not extended (later of 9 months after close of plan year or two months after due date of Form 5500)

October 3

- Earliest date for providing the annual 401(k) safe harbor, QACA safe harbor, EACA, ACA, and QDIA notice (no earlier than 90 days before the beginning of the plan year)

October 15

- Extended deadline to file Forms 5500, 8955-SSA and PBGC Premium Form 10.
- Adopt a retroactive amendment to correct a 410(b) coverage or 401(a)(4) nondiscrimination failure for 2023.
- Extended deadline to file c-corporation and individual tax returns; contribution deadline for deductibility.
- Deposit contributions correcting 2023 ADP/ACP test failures.

November 14

- Distribute 3rd quarter 2024 benefit statements and 3rd quarter fee disclosures to participants.

December 2

- 401(k) safe harbor, QACA safe harbor, EACA, ACA, and QDIA notice due (30 days before the beginning of the plan year). After December 2nd, plans can change to non-elective safe harbor plans for 2024 by amending before December 31, 2025, but percentage must increase from 3% to 4%.

December 16

- Extended deadline to distribute 2023 Summary Annual Report to participants.

December 31

- Process corrective distributions for failed 2023 ADP/ACP testing with 10% excise.
- Depositing any accrued Safe Harbor contributions for the prior year.
- Correcting a failed 2023 ADP/ACP test with a qualified non-elective contribution.
- Process Required Minimum Distributions (RMDs) due for applicable participants over age 72.
- Amending plan for discretionary changes implemented during plan year.
- Amending plan to change Safe Harbor status for 2024 plan year.

LIST OF PLAN CHARACTERISTICS CODES FOR LINES 9a AND 9b

CODE	Defined Benefit Pension Features
1A	Benefits are primarily pay related.
1B	Benefits are primarily flat dollar (includes dollars per year of service).
1C	Cash balance or similar plan – Plan has a “cash balance” formula. For this purpose, a “cash balance” formula is a benefit formula in a defined benefit plan by whatever name (for example, personal account plan, pension equity plan, life cycle plan, cash account plan, etc.) that rather than, or in addition to, expressing the accrued benefit as a life annuity commencing at normal retirement age, defines benefits for each employee in terms more common to a defined contribution plan such as a single sum distribution amount (for example, 10% of final average pay times years of service, or the amount of the employee’s hypothetical account balance).
1D	Floor-offset plan – Plan benefits are subject to offset for retirement benefits provided by an employer-sponsored defined contribution plan.
1E	Code section 401(h) arrangement – Plan contains separate accounts under Code section 401(h) to provide employee health benefits.
1F	Code section 414(k) arrangement – Benefits are based partly on the balance of the separate account of the participant (also include appropriate defined contribution pension feature codes).
1H	Plan covered by PBGC that was terminated and closed out for PBGC purposes – Before the end of the plan year (or a prior plan year), (1) the plan terminated in a standard (or distress) termination and completed the distribution of plan assets in satisfaction of all benefit liabilities (or all ERISA Title IV benefits for distress termination); or (2) a trustee was appointed for a terminated plan pursuant to ERISA section 4042.
1I	Frozen plan – As of the last day of the plan year, the plan provides that no participant will get any new benefit accrual (whether because of service or compensation).
CODE	Defined Contribution Pension Features
2A	Use this code if employer contributions in the return year were based on one of the following allocation types: Age/service weighted or new comparability or similar plan – Age/service weighted plan: Allocations are based on age, service, or age and service. New comparability or similar plan: Allocations are based on participant classifications and a classification(s) consists entirely or predominantly of highly compensated employees; or the plan provides an additional allocation rate on compensation above a specified threshold, and the threshold or additional rate exceeds the maximum threshold or rate allowed under the permitted disparity rules of Code section 401(l).
2B	Target benefit plan.
2C	Money purchase (other than target benefit) plan.
2D	Offset plan – Plan benefits are subject to offset for retirement benefits provided in another plan or arrangement of the employer.
2E	Profit Sharing plan.
2F	ERISA section 404(c) plan – This plan, or any part of it, is intended to meet the conditions of 29 CFR 2550.404c-

	1.
2G	Total participant-directed account plan – Participants have the opportunity to direct the investment of all the assets allocated to their individual accounts, regardless of whether 29 CFR 2550.404c-1 is intended to be met.
2H	Partial participant-directed account plan – Participants have the opportunity to direct the investment of a portion of the assets allocated to their individual accounts, regardless of whether 29 CFR 2550.404c-1 is intended to be met.
2J	Code section 401(k) feature – A cash or deferred arrangement described in Code section 401(k) that is part of a qualified defined contribution plan that provides for an election by employees to defer part of their compensation or receive these amounts in cash.
2K	Code section 401(m) arrangement – Employee contributions are allocated to separate accounts under the plan or employer contributions are based, in whole or in part, on employee deferrals or contributions to the plan. Not applicable if plan is a Code section 401(k) plan with only QNECs and/or QMACs. Also not applicable if plan is a Code section 403(b)(1), 403(b)(7), or 408 arrangement/ accounts annuities.
2L	An annuity contract purchased by Code section 501(c)(3) organization or public school as described in Code section 403(b)(1) arrangement.
2M	Custodial accounts for regulated investment company stock as described in Code section 403(b)(7).
2N	Code section 408 accounts and annuities.
2R	Participant-directed brokerage accounts provided as an investment option under the plan.
2S	401(k) plan or 403(b) plan that provides for automatic enrollment in plan that has elective contributions deducted from payroll.
2T	Total or partial participant-directed account plan – plan uses default investment account for participants who fail to direct assets in their account.
2U	Multiple-employer pension plan sponsored by a bona fide group or association of employers that is an Association Retirement Plan that meets all the conditions under 29 CFR 2510.3-55(b).
2V	Multiple-employer pension plan that is a Professional Employer Organization Plan (PEO Plan) that meets all the conditions under 29 CFR 2510.3-55(c).
2X	Multiple-employer defined contribution pension plan that does not fall under characteristics codes 2U or 2V and is not a pooled employer plan as defined in ERISA section 3(43).
CODE	Other Pension Benefit Features
3B	Use this code if the plan covered self-employed individuals in the return year.
3C	Plan not intended to be qualified – A plan not intended to be qualified under Code sections 401, 403, or 408.
3D	Pre-approved pension plan – A pre-approved plan under sections 401, 403(a), and 4975(e)(7) of the Code that is subject to a favorable opinion letter from the IRS.

LIST OF PLAN CHARACTERISTICS CODES FOR LINES 9a AND 9b (Continued)

3F	Plan sponsor(s) received services of leased employees, as defined in Code section 414(n), during the plan year.	4K	Scholarship (funded).
3H	Plan sponsor(s) is (are) a member(s) of a controlled group under Code section 414(b) or (c) or of an affiliated service group under section 414(m).	4L	Death benefits (include travel accident but not life insurance).
3J	U.S.-based plan that covers residents of Puerto Rico and is qualified under both Code section 401 and section 1165 of the Internal Revenue Code of Puerto Rico.	4P	Taft-Hartley Financial Assistance for Employee Housing Expenses.
CODE	Welfare Benefit Features	4Q	Other.
4A	Health (other than vision or dental).	4R	Unfunded, fully insured, or combination unfunded/fully insured welfare plan that will not file an annual report for next plan year pursuant to 29 CFR 2520.104-20.
4B	Life insurance.	4S	Unfunded, fully insured, or combination unfunded/fully insured welfare plan that stopped filing annual reports in an earlier plan year pursuant to 29 CFR 2520.104-20.
4C	Supplemental unemployment.	4T	10 or more employer plan under Code section 419A(f)(6).
4D	Dental.		
4E	Vision.		
4F	Temporary disability (accident and sickness).		
4G	Prepaid legal.		
4H	Long-term disability.		
4I	Severance pay.		
4J	Apprenticeship and training.		

**Forms 5500, 5500-SF, and
5500-EZ Codes for Principal
Business Activity**

This list of principal business activities and their associated codes is designed to classify an enterprise by the type of activity in which it is engaged.

These principal activity codes are based on the North American Industry Classification System.

Code	Code	Code	Code
Agriculture, Forestry, Fishing and Hunting	Specialty Trade Contractors	Printing and Related Support Activities	Computer and Electronic Product Manufacturing
Crop Production	238100 Foundation, Structure, & Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, & siding)	323100 Printing & Related Support Activities	334110 Computer & Peripheral Equipment Mfg
111100 Oilseed & Grain Farming	238210 Electrical Contractors	Petroleum and Coal Products Manufacturing	334200 Communications Equipment Mfg
111210 Vegetable & Melon Farming (including potatoes & yams)	238220 Plumbing, Heating, & Air-Conditioning Contractors	324110 Petroleum Refineries (including integrated)	334310 Audio & Video Equipment Mfg
111300 Fruit & Tree Nut Farming	238290 Other Building Equipment Contractors	324120 Asphalt Paving, Roofing, & Saturated Materials Mfg	334410 Semiconductor & Other Electronic Component Mfg
111400 Greenhouse, Nursery, & Floriculture Production	238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry)	324190 Other Petroleum & Coal Products Mfg	334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg
111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming)	238900 Other Specialty Trade Contractors (including site preparation)	Chemical Manufacturing	334610 Manufacturing & Reproducing Magnetic & Optical Media
Animal Production	Manufacturing	325100 Basic Chemical Mfg	Electrical Equipment, Appliance, and Component Manufacturing
112111 Beef Cattle Ranching & Farming	Food Manufacturing	325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg	335100 Electric Lighting Equipment Mfg
112112 Cattle Feedlots	311110 Animal Food Mfg	325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg	335200 Major Household Appliance Mfg
112120 Dairy Cattle & Milk Production	311200 Grain & Oilseed Milling	325410 Pharmaceutical & Medicine Mfg	335310 Electrical Equipment Mfg
112210 Hog & Pig Farming	311200 Grain & Oilseed Milling	325500 Paint, Coating, & Adhesive Mfg	335900 Other Electrical Equipment & Component Mfg
112300 Poultry & Egg Production	311300 Sugar & Confectionary Product Mfg	325600 Soap, Cleaning Compound, & Toilet Preparation Mfg	Transportation Equipment Manufacturing
112400 Sheep & Goat Farming	311400 Fruit & Vegetable Preserving & Specialty Food Mfg	325900 Other Chemical Product & Preparation Mfg	336100 Motor Vehicle Mfg
112510 Aquaculture (including shellfish & finfish farms & hatcheries)	311500 Dairy Product Mfg	Plastics and Rubber Products Manufacturing	336210 Motor Vehicle Body & Trailer Mfg
112900 Other Animal Production	311610 Animal Slaughtering and Processing	326100 Plastics Product Mfg	336300 Motor Vehicle Parts Mfg
Forestry and Logging	311710 Seafood Product Preparation & Packaging	326200 Rubber Product Mfg	336410 Aerospace Product & Parts Mfg
113110 Timber Tract Operations	311800 Bakeries, Tortilla & Dry Pasta Mfg	Nonmetallic Mineral Product Manufacturing	336510 Railroad Rolling Stock Mfg
113210 Forest Nurseries & Gathering of Forest Products	311900 Other Food Mfg (including coffee, tea, flavorings & seasonings)	327100 Clay Product & Refractory Mfg	336610 Ship & Boat Building
113310 Logging	Beverage and Tobacco Product Manufacturing	327210 Glass & Glass Product Mfg	336990 Other Transportation Equipment Mfg
Fishing, Hunting and Trapping	312110 Soft Drink & Ice Mfg	327300 Cement & Concrete Product Mfg	Furniture and Related Product Manufacturing
114110 Fishing	312120 Breweries	327400 Lime & Gypsum Product Mfg	337000 Furniture & Related Product Manufacturing
114210 Hunting & Trapping	312130 Wineries	327900 Other Nonmetallic Mineral Product Mfg	Miscellaneous Manufacturing
Support Activities for Agriculture and Forestry	312140 Distilleries	Primary Metal Manufacturing	339110 Medical Equipment & Supplies Mfg
115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)	312200 Tobacco Manufacturing	331110 Iron & Steel Mills & Ferroalloy Mfg	339900 Other Miscellaneous Mfg
115210 Support Activities for Animal Production	Textile Mills and Textile Product Mills	331200 Steel Product Mfg from Purchased Steel	Wholesale Trade
115310 Support Activities for Forestry	313000 Textile Mills	331310 Alumina & Aluminum Production & Processing	Merchant Wholesalers, Durable Goods
Mining	314000 Textile Product Mills	331400 Nonferrous Metal (except Aluminum) Production & Processing	423100 Motor Vehicle, & Motor Vehicle Parts & Supplies
211120 Crude Petroleum Extraction	Apparel Manufacturing	331500 Foundries	423200 Furniture & Home Furnishings
211130 Natural Gas Extraction	315100 Apparel Knitting Mills	Fabricated Metal Product Manufacturing	423300 Lumber & Other Construction Materials
212110 Coal Mining	315210 Cut & Sew Apparel Contractors	332110 Forging & Stamping	423400 Professional & Commercial Equipment & Supplies
212200 Metal Ore Mining	315220 Men's & Boys' Cut & Sew Apparel Mfg.	332210 Cutlery & Handtool Mfg	423500 Metal & Mineral (except petroleum)
212310 Stone Mining & Quarrying	315240 Women's, Girls' and Infants' Cut & Sew Apparel Mfg.	332300 Architectural & Structural Metals Mfg	423600 Household Appliances and Electrical & Electronic Goods
212320 Sand, Gravel, Clay, & Ceramic & Refractory Minerals Mining, & Quarrying	315280 Other Cut & Sew Apparel Mfg	332400 Boiler, Tank, & Shipping Container Mfg	423700 Hardware, Plumbing, & Heating Equipment & Supplies
212390 Other Nonmetallic Mineral Mining & Quarrying	315990 Apparel Accessories & Other Apparel Mfg	332510 Hardware Mfg	423800 Machinery, Equipment, & Supplies
213110 Support Activities for Mining	Leather and Allied Product Manufacturing	332610 Spring & Wire Product Mfg	423910 Sporting & Recreational Goods & Supplies
Utilities	316110 Leather & Hide Tanning, & Finishing	332700 Machine Shops; Turned Product; & Screw, Nut, & Bolt Mfg	423920 Toy, & Hobby Goods, & Supplies
221100 Electric Power Generation, Transmission & Distribution	316210 Footwear Mfg (including rubber & plastics)	332810 Coating, Engraving, Heat Treating, & Allied Activities	423930 Recyclable Materials
221210 Natural Gas Distribution	316990 Other Leather & Allied Product Mfg	332900 Other Fabricated Metal Product Mfg	423940 Jewelry, Watch, Precious Stone, & Precious Metals
221300 Water, Sewage & Other Systems	Wood Product Manufacturing	Machinery Manufacturing	423990 Other Miscellaneous Durable Goods
221500 Combination Gas & Electric	321110 Sawmills & Wood Preservation	333100 Agriculture, Construction, & Mining Machinery Mfg	Merchant Wholesalers, Nondurable Goods
Construction	321210 Veneer, Plywood, & Engineered Wood Product Mfg	333200 Industrial Machinery Mfg	424100 Paper & Paper Products
Construction of Buildings	321900 Other Wood Product Mfg	333310 Commercial & Service Industry Machinery Mfg	424210 Drugs & Druggists' Sundries
236110 Residential Building Construction	Paper Manufacturing	333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg	424300 Apparel, Piece Goods, & Notions
236200 Nonresidential Building Construction	322100 Pulp, Paper, & Paperboard Mills	333510 Metalworking Machinery Mfg	424400 Grocery & Related Products
Heavy and Civil Engineering Construction	322200 Converted Paper Product Mfg	333610 Engine, Turbine & Power Transmission Equipment Mfg	424500 Farm Product Raw Materials
237100 Utility System Construction		333900 Other General Purpose Machinery Mfg	424600 Chemical & Allied Products
237210 Land Subdivision			
237310 Highway, Street, & Bridge Construction			
237990 Other Heavy & Civil Engineering Construction			

Forms 5500, 5500-SF, and 5500-EZ Codes for Principal Business Activity (continued)

<p>Code</p> <p>424700 Petroleum & Petroleum Products</p> <p>424800 Beer, Wine, & Distilled Alcoholic Beverages</p> <p>424910 Farm Supplies</p> <p>424920 Book, Periodical, & Newspapers</p> <p>424930 Flower, Nursery Stock, & Florists' Supplies</p> <p>424940 Tobacco & Tobacco Products</p> <p>424950 Paint, Varnish, & Supplies</p> <p>424990 Other Miscellaneous Nondurable Goods</p> <p>Wholesale Electronic Markets and Agents and Brokers</p> <p>425110 Business to Business Electronic Markets</p> <p>425120 Wholesale Trade Agents & Brokers</p>	<p>Code</p> <p>448140 Family Clothing Stores</p> <p>448150 Clothing Accessories Stores</p> <p>448190 Other Clothing Stores</p> <p>448210 Shoe Stores</p> <p>448310 Jewelry Stores</p> <p>448320 Luggage & Leather Goods Stores</p> <p>Sporting Goods, Hobby, Book, and Music Stores</p> <p>451110 Sporting Goods Stores</p> <p>451120 Hobby, Toy, & Game Stores</p> <p>451130 Sewing, Needlework, & Piece Goods Stores</p> <p>451140 Musical Instrument & Supplies Stores</p> <p>451211 Book Stores</p> <p>451212 News Dealers & Newsstands</p> <p>General Merchandise Stores</p> <p>452200 Department Stores</p> <p>452300 General Merchandise Stores incl. Warehouse Clubs & Supercenters</p>	<p>Code</p> <p>Support Activities for Transportation</p> <p>488100 Support Activities for Air Transportation</p> <p>488210 Support Activities for Rail Transportation</p> <p>488300 Support Activities for Water Transportation</p> <p>488410 Motor Vehicle Towing</p> <p>488490 Other Support Activities for Road Transportation</p> <p>488510 Freight Transportation Arrangement</p> <p>488990 Other Support Activities for Transportation</p> <p>Couriers and Messengers</p> <p>492110 Couriers</p> <p>492210 Local Messengers & Local Delivery</p> <p>Warehousing and Storage</p> <p>493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)</p>	<p>Code</p> <p>Securities, Commodity Contracts, and Other Financial Investments and Related Activities</p> <p>523110 Investment Banking & Securities Dealing</p> <p>523120 Securities Brokerage</p> <p>523130 Commodity Contracts Dealing</p> <p>523140 Commodity Contracts Brokerage</p> <p>523210 Securities & Commodity Exchanges</p> <p>523900 Other Financial Investment Activities (including portfolio management & investment advice)</p> <p>Insurance Carriers and Related Activities</p> <p>524130 Reinsurance Carriers</p> <p>524140 Direct Life, Health, & Medical Insurance Carriers</p> <p>524150 Direct Insurance (except Life, Health & Medical) Carriers</p> <p>524210 Insurance Agencies & Brokerages</p> <p>524290 Other Insurance Related Activities (including third-party administration of insurance and pension funds)</p>
<p>Retail Trade</p> <p>Motor Vehicle and Parts Dealers</p> <p>441110 New Car Dealers</p> <p>441120 Used Car Dealers</p> <p>441210 Recreational Vehicle Dealers</p> <p>441222 Boat Dealers</p> <p>441228 Motorcycle, ATV, and All Other Motor Vehicle Dealers</p> <p>441300 Automotive Parts, Accessories, & Tire Stores</p> <p>Furniture and Home Furnishings Stores</p> <p>442110 Furniture Stores</p> <p>442210 Floor Covering Stores</p> <p>442291 Window Treatment Stores</p> <p>442299 All Other Home Furnishings Stores</p> <p>Electronics and Appliance Stores</p> <p>443141 Household Appliance Stores</p> <p>443142 Electronics Stores (including Audio, Video, Computer, and Camera Stores)</p> <p>Building Material and Garden Equipment and Supplies Dealers</p> <p>444110 Home Centers</p> <p>444120 Paint & Wallpaper Stores</p> <p>444130 Hardware Stores</p> <p>444190 Other Building Material Dealers</p> <p>444200 Lawn & Garden Equipment & Supplies Stores</p> <p>Food and Beverage Stores</p> <p>445110 Supermarkets and Other Grocery (except Convenience) Stores</p> <p>445120 Convenience Stores</p> <p>445210 Meat Markets</p> <p>445220 Fish & Seafood Markets</p> <p>445230 Fruit & Vegetable Markets</p> <p>445291 Baked Goods Stores</p> <p>445292 Confectionery & Nut Stores</p> <p>445299 All Other Specialty Food Stores</p> <p>445310 Beer, Wine, & Liquor Stores</p> <p>Health and Personal Care Stores</p> <p>446110 Pharmacies & Drug Stores</p> <p>446120 Cosmetics, Beauty Supplies, & Perfume Stores</p> <p>446130 Optical Goods Stores</p> <p>446190 Other Health & Personal Care Stores</p> <p>Gasoline Stations</p> <p>447100 Gasoline Stations (including convenience stores with gas)</p> <p>Clothing and Clothing Accessories Stores</p> <p>448110 Men's Clothing Stores</p> <p>448120 Women's Clothing Stores</p> <p>448130 Children's & Infants' Clothing Stores</p>	<p>Miscellaneous Store Retailers</p> <p>453110 Florists</p> <p>453210 Office Supplies & Stationery Stores</p> <p>453220 Gift, Novelty, & Souvenir Stores</p> <p>453310 Used Merchandise Stores</p> <p>453910 Pet & Pet Supplies Stores</p> <p>453920 Art Dealers</p> <p>453930 Manufactured (Mobile) Home Dealers</p> <p>453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)</p> <p>Nonstore Retailers</p> <p>454110 Electronic Shopping & Mail-Order Houses</p> <p>454210 Vending Machine Operators</p> <p>454310 Fuel Dealers (including Heating Oil and Liquefied Petroleum)</p> <p>454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)</p>	<p>Information</p> <p>Publishing Industries (except Internet)</p> <p>511110 Newspaper Publishers</p> <p>511120 Periodical Publishers</p> <p>511130 Book Publishers</p> <p>511140 Directory & Mailing List Publishers</p> <p>511190 Other Publishers</p> <p>511210 Software Publishers</p> <p>Motion Picture and Sound Recording Industries</p> <p>512100 Motion Picture & Video Industries (except video rental)</p> <p>512200 Sound Recording Industries</p> <p>Broadcasting (except Internet)</p> <p>515100 Radio & Television Broadcasting</p> <p>515210 Cable & Other Subscription Programming</p> <p>Telecommunications</p> <p>517000 Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, other telecommunications, & internet service providers)</p> <p>Data Processing Services</p> <p>518210 Data Processing, Hosting, & Related Services</p> <p>Other Information Services</p> <p>519100 Other Information Services (including news syndicates, libraries, internet publishing & broadcasting)</p>	<p>Funds, Trusts, and Other Financial Vehicles</p> <p>525100 Insurance & Employee Benefit Funds</p> <p>525910 Open-End Investment Funds (Form 1120-RIC)</p> <p>525920 Trusts, Estates, & Agency Accounts</p> <p>525990 Other Financial Vehicles (including mortgage REITs & closed-end investment funds)</p> <p>"Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under Management of Companies (Holding Companies).</p>
	<p>Transportation and Warehousing</p> <p>Air, Rail, and Water Transportation</p> <p>481000 Air Transportation</p> <p>482110 Rail Transportation</p> <p>483000 Water Transportation</p> <p>Truck Transportation</p> <p>484110 General Freight Trucking, Local</p> <p>484120 General Freight Trucking, Long-distance</p> <p>484200 Specialized Freight Trucking</p> <p>Transit and Ground Passenger Transportation</p> <p>485110 Urban Transit Systems</p> <p>485210 Interurban & Rural Bus Transportation</p> <p>485310 Taxi Service</p> <p>485320 Limousine Service</p> <p>485410 School & Employee Bus Transportation</p> <p>485510 Charter Bus Industry</p> <p>485990 Other Transit & Ground Passenger Transportation</p> <p>Pipeline Transportation</p> <p>486000 Pipeline Transportation</p> <p>Scenic & Sightseeing Transportation</p> <p>487000 Scenic & Sightseeing Transportation</p>	<p>Finance and Insurance</p> <p>Depository Credit Intermediation</p> <p>522110 Commercial Banking</p> <p>522120 Savings Institutions</p> <p>522130 Credit Unions</p> <p>522190 Other Depository Credit Intermediation</p> <p>Nondepository Credit Intermediation</p> <p>522210 Credit Card Issuing</p> <p>522220 Sales Financing</p> <p>522291 Consumer Lending</p> <p>522292 Real Estate Credit (including mortgage bankers & originators)</p> <p>522293 International Trade Financing</p> <p>522294 Secondary Market Financing</p> <p>522298 All Other Nondepository Credit Intermediation</p> <p>Activities Related to Credit Intermediation</p> <p>522300 Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting)</p>	<p>Real Estate and Rental and Leasing</p> <p>Real Estate</p> <p>531110 Lessors of Residential Buildings & Dwellings (including equity REITs)</p> <p>531120 Lessors of Nonresidential Buildings (except Miniwarehouses) (including equity REITs)</p> <p>531130 Lessors of Miniwarehouses & Self-Storage Units (including equity REITs)</p> <p>531190 Lessors of Other Real Estate Property (including equity REITs)</p> <p>531210 Offices of Real Estate Agents & Brokers</p> <p>531310 Real Estate Property Managers</p> <p>531320 Offices of Real Estate Appraisers</p> <p>531390 Other Activities Related to Real Estate</p> <p>Rental and Leasing Services</p> <p>532100 Automotive Equipment Rental & Leasing</p> <p>532210 Consumer Electronics & Appliances Rental</p> <p>532281 Formal Wear & Costume Rental</p> <p>532282 Video Tape & Disc Rental</p>

Forms 5500, 5500-SF, and 5500-EZ Codes for Principal Business Activity (continued)

Code 532283 Home Health Equipment Rental 532284 Recreational Goods Rental 532289 All Other Consumer Goods Rental 532310 General Rental Centers 532400 Commercial & Industrial Machinery & Equipment Rental & Leasing Lessors of Nonfinancial Intangible Assets (except copyrighted works) 533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)	Code Administrative and Support and Waste Management and Remediation Services Administration and Support Services 561110 Office Administrative Services 561210 Facilities Support Services 561300 Employment Services 561410 Document Preparation Services 561420 Telephone Call Centers 561430 Business Service Centers (including private mail centers & copy shops) 561440 Collection Agencies 561450 Credit Bureaus 561490 Other Business Support Services (including repossession services, court reporting, & stenotype services) 561500 Travel Arrangement & Reservation Services 561600 Investigation & Security Services 561710 Exterminating & Pest Control Services 561720 Janitorial Services 561730 Landscaping Services 561740 Carpet & Upholstery Cleaning Services 561790 Other Services to Buildings & Dwellings 561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers) Waste Management and Remediation Services 562000 Waste Management and Remediation Services	Code Medical and Diagnostic Laboratories 621510 Medical & Diagnostic Laboratories Home Health Care Services 621610 Home Health Care Services Other Ambulatory Health Care Services 621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks) Hospitals 622000 Hospitals Nursing and Residential Care Facilities 623000 Nursing & Residential Care Facilities Social Assistance 624100 Individual & Family Services 624200 Community Food & Housing, & Emergency & Other Relief Services 624310 Vocational Rehabilitation Services 624410 Child Day Care Services	Code Other Services Repair and Maintenance 811110 Automotive Mechanical, & Electrical Repair & Maintenance 811120 Automotive Body, Paint, Interior, & Glass Repair 811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes) 811210 Electronic & Precision Equipment Repair & Maintenance 811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance 811410 Home & Garden Equipment & Appliance Repair & Maintenance 811420 Reupholstery & Furniture Repair 811430 Footwear & Leather Goods Repair 811490 Other Personal & Household Goods Repair & Maintenance Personal and Laundry Services 812111 Barber Shops 812112 Beauty Salons 812113 Nail Salons 812190 Other Personal Care Services (including diet & weight reducing centers) 812210 Funeral Homes & Funeral Services 812220 Cemeteries & Crematories 812310 Coin-Operated Laundries & Drycleaners 812320 Drycleaning & Laundry Services (except Coin-Operated) 812330 Linen & Uniform Supply 812910 Pet Care (except Veterinary) Services 812920 Photofinishing 812930 Parking Lots & Garages 812990 All Other Personal Services Religious, Grantmaking, Civic, Professional, and Similar Organizations 813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations (including condominium and homeowners associations) 813930 Labor Unions and Similar Labor Organizations 921000 Governmental Instrumentality or Agency
Professional, Scientific, and Technical Services Legal Services 541110 Offices of Lawyers 541190 Other Legal Services Accounting, Tax Preparation, Bookkeeping, and Payroll Services 541211 Offices of Certified Public Accountants 541213 Tax Preparation Services 541214 Payroll Services 541219 Other Accounting Services Architectural, Engineering, and Related Services 541310 Architectural Services 541320 Landscape Architecture Services 541330 Engineering Services 541340 Drafting Services 541350 Building Inspection Services 541360 Geophysical Surveying & Mapping Services 541370 Surveying & Mapping (except Geophysical) Services 541380 Testing Laboratories Specialized Design Services 541400 Specialized Design Services (including interior, industrial, graphic, & fashion design) Computer Systems Design and Related Services 541511 Custom Computer Programming Services 541512 Computer Systems Design Services 541513 Computer Facilities Management Services 541519 Other Computer Related Services Other Professional, Scientific, and Technical Services 541600 Management, Scientific, & Technical Consulting Services 541700 Scientific Research & Development Services 541800 Advertising & Related Services 541910 Marketing Research & Public Opinion Polling 541920 Photographic Services 541930 Translation & Interpretation Services 541940 Veterinary Services 541990 All Other Professional, Scientific, & Technical Services	Educational Services 611000 Educational Services (including schools, colleges, & universities) Health Care and Social Assistance Offices of Physicians and Dentists 621111 Offices of Physicians (except mental health specialists) 621112 Offices of Physicians, Mental Health Specialists 621210 Offices of Dentists Offices of Other Health Practitioners 621310 Offices of Chiropractors 621320 Offices of Optometrists 621330 Offices of Mental Health Practitioners (except Physicians) 621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists 621391 Offices of Podiatrists 621399 Offices of all Other Miscellaneous Health Practitioners Outpatient Care Centers 621410 Family Planning Centers 621420 Outpatient Mental Health & Substance Abuse Centers 621491 HMO Medical Centers 621492 Kidney Dialysis Centers 621493 Freestanding Ambulatory Surgical & Emergency Centers 621498 All Other Outpatient Care Centers	Arts, Entertainment, and Recreation Performing Arts, Spectator Sports, and Related Industries 711100 Performing Arts Companies 711210 Spectator Sports (including sports clubs & racetracks) 711300 Promoters of Performing Arts, Sports, & Similar Events 711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures 711510 Independent Artists, Writers, & Performers Museums, Historical Sites, and Similar Institutions 712100 Museums, Historical Sites, & Similar Institutions Amusements, Gambling, and Recreation Industries 713100 Amusement Parks & Arcades 713200 Gambling Industries 713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers) Accommodation and Food Services Accommodation 721110 Hotels (except Casino Hotels) & Motels 721120 Casino Hotels 721191 Bed & Breakfast Inns 721199 All other Traveler Accommodation 721210 RV (Recreational Vehicle) Parks & Recreational Camps 721310 Rooming and Boarding Houses, Dormitories, and Workers' Camps Food Services and Drinking Places 722300 Special Food Services (including food service contractors & caterers) 722410 Drinking Places (Alcoholic Beverages) 722511 Full-Service Restaurants 722513 Limited-Service Restaurants 722514 Cafeterias and Buffets 722515 Snack and Non-alcoholic Beverage Bars	