



Tax Credits may be available to you for starting a plan

Eligible employers may be able to claim a tax credit of up to \$5,000, for three years, for the ordinary and necessary costs of starting a SEP, SIMPLE IRA or qualified plan (like a 401(k) plan.) A tax credit reduces the amount of taxes you may owe on a dollar-for-dollar basis.

If you qualify, you may claim the credit using Form 8881, Credit for Small Employer Pension Plan Startup Costs.

Eligible employers:

You qualify to claim this credit if:

- You had 100 or fewer employees who received at least \$5,000 in compensation from you for the preceding year;
- You had at least one plan participant who was a non-highly compensated employee (NHCE); and
- In the three tax years before the first year you're eligible for the credit, your employees weren't substantially the same employees who received contributions or accrued benefits in another plan sponsored by you, a member of a controlled group that includes you, or a predecessor of either.

Amount of the credit

- The credit is 50% of your eligible startup costs, up to the greater of:
- \$500; or
- The lesser of:
- \$250 multiplied by the number of NHCEs who are eligible to participate in the plan, or
- \$5,000

Eligible startup costs

- You may claim the credit for ordinary and necessary costs to:
- Set up and administer the plan, and
- Educate your employees about the plan

Eligible tax years

- You can claim the credit for each of the first 3 years of the plan and may choose to start claiming the credit in the tax year before the tax year in which the plan becomes effective.

No deduction allowed

- You can't both deduct the startup costs and claim the credit for the same expenses. You aren't required to claim the allowable credit.

Auto-enrollment tax credit

- An eligible employer that adds an auto-enrollment feature to their plan can claim a tax credit of \$500 per year for a 3-year taxable period beginning with the first taxable year the employer includes the auto-enrollment feature.

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