

1993



Department of the Treasury
Internal Revenue Service

Instructions for Form 5500-EZ

Annual Return of One-Participant (Owners and Their Spouses) Pension Benefit Plan

Section references are to the Internal Revenue Code.

Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to determine whether the plan is operating according to the law.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	10 hr., 46 min.
Learning about the law or the form	1 hr., 4 min.
Preparing the form	2 hr., 13 min.
Copying, assembling, and sending the form to the IRS	16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Attention: Reports Clearance Officer, PC:FP, Washington, DC 20224; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0956), Washington, DC 20503. DO NOT send your return to either of these offices. Instead, see **Where To File** below.

General Instructions

Item To Note

Electronic Filing of Form 5500-EZ.— Qualified tax return filers can file Form 5500-EZ by magnetic media (magnetic tapes, floppy diskettes) or electronically. If the plan administrator files the employee plan return electronically or on magnetic media, he or she must also file **Form 8453-E**, Employee Benefit Plan Declaration and Signature for Electronic/Magnetic Media Filing. This is the declaration and signature form for the electronic/magnetic media return. See **Pub. 1507**, Procedures for Electronic/Magnetic Media Filing of Employee Benefit Plan Returns Forms 5500, 5500-C/R, and 5500-EZ, for more information.

Purpose of Form

Form 5500-EZ can be used by any employer who has a one-participant pension benefit plan that is required to file an annual information return. See **Who May File** for the conditions that must be met to file this simpler form. A plan that does not meet the required conditions must file **Form 5500-C/R**, Return/Report of Employee Benefit Plan (With fewer than 100 participants).

Pension benefit plans can be either defined contribution plans (which include profit sharing plans, money purchase plans, stock bonus plans, and employee stock ownership plans (ESOPs)) or defined benefit plans.

Who May File

Use Form 5500-EZ **only** if you meet **all** the following conditions:

1. You are filing this form for plan years starting after December 31, 1992.
2. The plan you are filing for is a one-participant plan; that is, as of the first day of the plan year for which this form is filed:
 - a. The plan covers only you, or you and your spouse, and your business (either incorporated or unincorporated) is wholly owned by you, or you and your spouse; or
 - b. The plan covers only a partner or a partner and his or her spouse, or partners and their spouses, in a business partnership.
3. The plan must meet the minimum coverage requirements of section 410(b) without being combined with any other plan you may have covering other employees of your business (see the instructions for line 11c).
4. The plan does not provide any benefits other than those for you, or you and your spouse, or a partner, or a partner and his or her spouse, or partners and their spouses.
5. The plan does not cover a business that is:

- a. A member of an affiliated service group,
- b. A member of a controlled group of corporations, or
- c. A member of a group of businesses under common control.

6. The plan does not cover a business that leases employees.

7. The plan(s) has more than \$100,000 in total plan assets at the end of the plan year. See instructions for line **4b** if you have more than one pension benefit plan and the combined total of all plan assets exceeds \$100,000.

See **Definitions** on page 2 for an explanation of the technical terms above.

Plans Excluded From Filing

You are not required to file Form 5500-EZ for:

1. A one-participant plan with \$100,000 or less in total plan assets at the end of the plan year, or
2. Two or more one-participant plans that together have \$100,000 or less in total plan assets at the end of the plan year. However, all one-participant plans should file a Form 5500-EZ for their final plan year even if the

total plan assets at the end of the plan year are \$100,000 or less.

What To File

One-participant pension benefit plans that are required to file should complete and file Form 5500-EZ for the plan's first year and for every plan year thereafter. See page 4 of these instructions for a filled-in sample of Form 5500-EZ.

When To File

File Form 5500-EZ and any applicable schedules by the last day of the 7th month following the end of the plan year, unless you were granted an extension of time to file.

Extension of Time To File

A one-time extension of time to file Form 5500-EZ (up to 2½ months) may be granted if **Form 5558**, Application for Extension of Time To File Certain Employee Plan Returns, is filed timely and approved by the IRS. **Attach a copy of the approved extension of time to file to Form 5500-EZ.**

Exception. One-participant plans are automatically granted an extension of time to file Form 5500-EZ until the extended due date of the Federal income tax return of the employer (and are not required to file Form 5558) if all the following conditions are met: **(1)** the plan year and the employer's tax year are the same, **(2)** the employer has been granted an extension of time to file its Federal income tax return to a date later than the normal due date for filing the Form 5500-EZ, and **(3)** a copy of the IRS extension of time to file the Federal income tax return is attached to the Form 5500-EZ filed with the IRS. An extension granted by using this exception CANNOT be extended further by filing a Form 5558 after the normal due date (without extension) of Form 5500-EZ.

Short Plan Year

For a short plan year, file a return and all applicable schedules by the last day of the 7th month following the end of the short plan year. Modify the heading of the form to show the beginning and ending dates of your short plan year and check the box for a short plan year. If this is also the first or final return, check the appropriate box.

Amended Return

If you file an amended return, check the box at the top of the return. Be sure to circle the amended item numbers.

Where To File

File Form 5500-EZ with the Internal Revenue Service Center, Andover, MA 05501.

Signature and Date

The plan administrator or employer (owner) must sign and date Form 5500-EZ.

Penalties

The Internal Revenue Code imposes a penalty of \$25 a day (up to \$15,000) for not filing returns in connection with pension, profit-sharing, etc., plans by the required due date.

Schedules

- Defined benefit plans must attach **Schedule B (Form 5500)**, Actuarial

Information, to Form 5500-EZ. See the instructions for Schedule B (Form 5500).

• **Schedule P (Form 5500)**, Annual Return of Fiduciary of Employee Benefit Trust, can be filed as an attachment to Form 5500-EZ by any fiduciary (trustee or custodian) to start the running of the statute of limitations for the trust. See the instructions for Schedule P.

Definitions

Organizations defined in **Affiliated Service Group and Controlled Group of Corporations and a Group of Trades or Businesses Under Common Control** below may not file Form 5500-EZ.

Affiliated Service Group

In general, two or more businesses may be an affiliated service group if: **(a)** one or more of the businesses (or the shareholders, officers or highly compensated employees of one or more of the businesses) has an ownership interest in any of the other businesses, and **(b)** any of the businesses provide services to any of the other businesses (or are associated to provide services to third parties). If this applies to your business, read the rest of this definition for more details.

Section 414(m)(2) defines an affiliated service group as a group consisting of a service organization (referred to below as the "first service organization" (FSO)) and:

1. A service organization (A-ORG) that is a shareholder or partner in the FSO and that regularly performs services for the FSO or is regularly associated with the FSO in performing services for third persons, and/or

2. Any other organization (B-ORG) if:

a. A significant portion of the business of that organization consists of performing services for the FSO or A-ORG of a type historically performed by employees in the service field of the FSO or A-ORG, and

b. 10% or more of the interest of the B-ORG is held by persons who are officers, highly compensated employees, or owners of the FSO or A-ORG.

An affiliated service group also includes a group consisting of: **(a)** an organization whose principal business is performing management functions on a regular and continuous basis for another organization (or one organization and other related organizations), and **(b)** the organization (and related organizations) for which such functions are performed. See section 414 (m)(5).

Leased Employee

Under section 414(n), a leased employee provides employee services for you that are historically provided by employees in your business field, although the person is not your employee. These services must be provided by that individual on a substantially full-time basis for at least a year under an agreement between you and a leasing organization.

Controlled Group of Corporations and a Group of Trades or Businesses under Common Control

These are corporations or unincorporated businesses in which there is common

ownership by one or more individuals or persons. See sections 414(b) and 414(c).

Party-in-Interest

Generally, a party-in-interest in the case of a sole proprietorship or partnership includes you, your partners, your relatives and your partner's relatives, and other businesses in which you, your partners, or the partnership have an interest. In the case of a corporation, another corporation in which your corporation has an interest may be a party-in-interest.

Specifically, the term "party-in-interest" means:

1. Any fiduciary (including, but not limited to, any administrator, officer, trustee, or custodian), counsel, or employee of the employee benefit plan;
2. A person providing services to the plan;
3. An employer any of whose employees are covered by the plan;
4. An employee organization any of whose members are covered by the plan;
5. An owner, direct or indirect, of 50% or more of: **(a)** the combined voting power of all classes of stock entitled to vote or the total value of shares of all classes of stock of a corporation, **(b)** the capital interest or the profits interest of a partnership, or **(c)** the beneficial interest of a trust or unincorporated enterprise, which is an employer or an employee organization described in paragraph 3 or 4;
6. A relative of any individual, described in paragraph 1, 2, 3, or 5;
7. A corporation, partnership, or trust or estate of which (or in which) 50% or more of: **(a)** the combined voting power of all classes of stock entitled to vote or the total value of shares of all classes of stock of such corporation, **(b)** the capital interest or profits interest of such partnership, or **(c)** the beneficial interest of such trust or estate is owned directly or indirectly, or held by persons described in paragraph 1, 2, 3, 4, or 5;
8. An employee, officer, director (or an individual having power or responsibilities similar to those of officers or directors), or a 10% or more shareholder, directly or indirectly, of a person described in paragraph 2, 3, 4, 5, or 7 of the employee benefit plan; or
9. A 10% or more (directly or indirectly in capital or profits) partner or joint venturer of a person described in paragraph 2, 3, 4, 5, or 7.

Specific Instructions

Line 1a

Enter the employer's name and address. Include the suite, room, or other unit number after the street address.

If the post office does not deliver mail to the street address and the employer has a P.O. box, show the box number instead of the street address.

Line 1b

Enter the employer's nine-digit employer identification number (EIN). For example, 00-1234567. **Do Not Enter Your Social Security Number.**

Employers who do not have an EIN should apply for one by attaching a completed **Form**

SS-4, Application for Employer Identification Number, to this form when it is filed. You may also apply for an EIN before you are required to file Form 5500-EZ by filing a completed Form SS-4 with the IRS Service Center, Andover, MA 05501. If you do not receive your EIN in time to enter it on the Form 5500-EZ you file, enter "Applied For" on line 1b.

Note: *Although EINs for funds (trusts or custodial accounts) associated with plans are generally not required to be furnished on the Form 5500 series returns/reports (except on Schedule P (Form 5500)), the IRS will issue EINs for such funds for other reporting purposes. EINs may be obtained by filing Form SS-4 as explained above.*

The plan administrator or employer should use the trust's EIN described in the **Note** above when opening a bank account or conducting other transactions for a plan that requires an EIN.

Line 2a

If the employer is also the plan administrator, check "Yes." If the employer is not the plan administrator, check "No" and, at the bottom of Form 5500-EZ, write in the plan administrator's name and EIN.

Line 2b

Enter the formal name of the plan or sufficient information to identify the plan.

The plan name should not exceed 70 characters including blank spaces. If your plan name is more than 70 characters, please abbreviate it.

Line 2c

Enter the date the plan first became effective.

Line 2d

Enter the three-digit number the employer assigned to the plan. Plans should be numbered consecutively starting with 001.

Once a plan number is used for a plan, it must be used as the plan number for all future filings of returns for the plan, and this number may not be used for any other plan even after the plan is terminated.

Line 3a

Enter the date the most recent amendment to the plan was adopted, if applicable, regardless of the effective date of the amendment. Enter "N/A" if no amendments have been adopted.

Line 3b

If you have received a determination letter from the IRS, enter the date of your most recent determination letter.

Note: *A plan must satisfy certain requirements to receive the tax advantages of qualification. If requested, the IRS will issue a determination letter to the adopting employer of the plan as to whether the plan is qualified.*

If you have adopted a master or prototype plan, enter the date of the most recent determination letter or opinion letter issued for the plan. If your plan is a regional prototype plan, enter the date of the most recent notification letter or determination letter issued for the plan. An opinion letter or notification letter is issued to the sponsor of the plan by the IRS.

Enter "N/A," if a determination, opinion, or notification letter was not issued for the plan.

Line 3c

Check "Yes" if you have applied for a determination letter from the IRS but have not yet received a reply. Otherwise, check "No."

Line 4b

File a separate Form 5500-EZ for each plan if you have two or more one-participant plans with combined total plan assets that exceed \$100,000.

Line 5

Check one box on this line. Profit-sharing, employee stock ownership (ESOP), stock bonus, and money purchase plans are types of defined contribution plans. A "defined contribution plan" is a plan that provides for an individual account for each participant and for benefits based solely on the amount in such account. If a plan is not a defined contribution plan, it is a defined benefit plan.

Line 7

In general, distributions received by a participant from any qualified plan prior to attainment of age 59½, death, or disability will be subject to a 10% tax on the amount of the distributions. In addition, individuals generally must begin to receive distributions from qualified plans by April 1 of the calendar year following the calendar year in which they reach age 70½.

For more details on early distributions and excess accumulations in qualified retirement plans, see **Pub. 560**, Retirement Plans for the Self-Employed, and **Pub. 590**, Individual Retirement Arrangements. In addition, **Form 5329**, Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs), Annuities, and Modified Endowment Contracts, contains detailed information on how to report any excise tax or additional income tax in connection with your plan.

Line 8b

Enter the amount of contributions received by the plan during the year or the contributions owed to the plan at the end of the year. Do not include amounts rolled over during the plan year.

Line 8d

Enter the amount of the distributions made by the trust that are to be included in the participant's income this year. If distributions include securities or other property, include the current value of the securities or other property at the date these assets were distributed.

Line 9b

Do not include the value of future distributions that are to be made to participants.

Line 10

Section 4975 prohibits dealing between the plan and parties-in-interest (disqualified

persons) in most instances and imposes an excise tax on the prohibited transaction.

The section 4975 tax is to be paid with the filing of **Form 5330**, Return of Excise Taxes Related to Employee Benefit Plans. References to party-in-interest transactions refer to all such transactions, not only those that are prohibited.

See **Definitions** for the meaning of "party-in-interest."

Line 11b

Count your spouse and your partners' spouses only if they work in the business.

Line 11c

Your plan meets the minimum coverage requirements of section 410(b), for purposes of Form 5500-EZ, if the employees of your business (other than the owners and partners of the business and their spouses) are:

1. Covered by a collective-bargaining agreement,
2. Nonresident aliens who receive no earned income from U.S. sources, or
3. Not eligible because they do not meet the plan's minimum age or years-of-service requirements.

Note: *You cannot use Form 5500-EZ if you have employees covered by another plan upon which this one-participant plan relies to meet the minimum coverage requirements.*

Line 12

Generally, within the 90 days prior to the date of any benefit payment or prior to making a loan to a participant (if part or all of the participant's accrued benefit is to be used as security for the loan), you must get the spouse's written consent to the payment of the benefit or the loan. However, there are some circumstances where spousal consent is not required. The following is a partial listing of circumstances where spousal consent is not required:

- a. The participant is not married and no former spouse is required to be treated as a current spouse under a qualified domestic relations order issued by a court.
- b. The participant's accrued benefit in the plan never had a present value of more than \$3,500.
- c. The benefit is paid in the form of a qualified joint and survivor annuity (i.e., an annuity for the life of the participant, with a survivor annuity for the life of the spouse that is not less than 50% of (and is not greater than 100% of) the amount of the annuity that is payable during the joint lives of the participant and the spouse). See section 417(b).
- d. The payout is from a profit-sharing or stock bonus plan that pays the spouse the participant's full account balance upon the participant's death, an annuity payment is not elected by the participant, and the plan is not a transferee plan with respect to a participant. A profit-sharing or stock bonus plan is a transferee plan (with respect to a participant) if it had received a transfer from a

plan that was subject to the consent requirements with respect to the participant.

e. The participant has no service under the plan after August 22, 1984.

1993 Form 5500-EZ Example

Example

The pension plan started in 1987. Mr. John Jones wholly owns a business (J & J Repair Service). Mr. Jones' wife is also employed in his business. The business has a money purchase pension plan adopted in 1987 with an effective date (beginning date) of January 1, 1987.

Mr. Jones applied for and received a determination letter from the IRS stating that his plan was a plan that qualified under Code section 401(a). The determination letter was dated March 17, 1987. This is Mr. Jones' only pension plan. Mr. Jones was born July 4, 1935, and Mrs. Jones was born April 5, 1937.

Contributions to the pension plan for 1993 were \$20,000. The income earned for 1993 was \$10,000. The bank charged Mr. Jones' plan a \$100 maintenance fee for 1993.

Mr. Jones would complete and file a Form 5500-EZ for 1993 as shown in the following sample of a filled-in Form 5500-EZ.

Supplemental Explanation

Line 2a.—Mr. Jones is the plan administrator so line 2a is checked "Yes." If Mr. Jones was not the plan administrator he would check "No," and would enter the plan administrator's name and EIN at the bottom of Form 5500-EZ.

Line 2d.—Mr. Jones, doing business as (DBA) J & J Repair Service, has only this pension plan. Therefore, he will number the pension plan "001."

Line 3a.—Because the plan was not amended, Mr. Jones writes in "N/A" for not applicable.

Line 4a.—Mr. Jones has only one pension plan, so line 4a is "-0-."

Line 8a.—Because Mr. Jones' plan is not an annuity plan with an insurance company, this line is left unanswered.

Line 9a.—The total assets at the end of the plan year were equal to the contributions to the plan for the year (\$20,000) plus the earnings for the year (\$10,000) less the expenses for the year (\$100) plus assets at the end of 1992 of \$78,590 for a total of \$108,490.

Line 9b.—There were no plan liabilities at the end of the year, so Mr. Jones enters zero on line 9b.

Lines 10a–10d.—Because neither Mr. nor Mrs. Jones had any of the listed transactions with the plan, these items are checked "No."

Lines 11a–11c.—Because Mr. Jones and his wife are the only employees of the business, 11a is checked "No" and 11b and 11c are not answered.

Lines 12a–12c.—There were no distributions from the plan for the year, so line 12 is not answered.

Signature and Date

Mr. Jones signs and dates the return.

Annual Return of One-Participant (Owners and Their Spouses) Pension Benefit Plan

1993

Department of the Treasury Internal Revenue Service

This form is required to be filed under section 6058(a) of the Internal Revenue Code.

This Form Is Open to Public Inspection

Please type or print

See separate instructions.

For the calendar plan year 1993 or fiscal plan year beginning, 1993, and ending, 19

This return is: (i) the first return filed (ii) an amended return (iii) the final return (iv) a short plan year (less than 12 mos.)

1a Name of employer: John Jones DBA J & J Repair Service
1b Employer identification number: 00-1234567
1c Telephone number of employer: (518) 999-1234
1d If plan year has changed since last return, check here

2a Is the employer also the plan administrator? [X] Yes [] No
2b (i) Name of plan: J & J Repair Service Pension Plan
2c Date plan first became effective: Month 01 Day 01 Year 87
2d Enter three-digit plan number: 0 0 1

3a Enter the date the most recent plan amendment was adopted: N/A
3b Enter the date of the most recent IRS determination letter: Month 03 Year 87
3c Is a determination letter request pending with the IRS? [] Yes [X] No

4a Enter the number of other qualified pension benefit plans maintained by the employer: 0
4b If you have more than one plan and the total assets of all plans are more than \$100,000, check this box []
5 Type of plan: a [] Defined benefit pension plan b [X] Money purchase plan
c [] Profit-sharing plan d [] Stock bonus plan e [] ESOP plan
6 Were there any noncash contributions made to the plan during the plan year? [] Yes [X] No

Table with 3 columns: Category (7a, 7b, 7c), Description (Under age 59 1/2, Age 59 1/2 or older, Age 70 1/2 or older), and Number (2, 0, 0)

8a Check this box if this is a fully insured pension plan (with no trust), which is funded entirely by allocated insurance contracts that fully guarantee the amount of benefit payments and skip lines 8c through 10d. []
8b Contributions received for this plan year: 20,000
8c Net plan income other than from contributions: 10,000
8d Plan distributions: 0
8e Plan expenses other than distributions: 100

9a Total plan assets at the end of the year: 108,490
9b Total plan liabilities at the end of the year: 0

Table with 4 columns: Transaction type (10a-10d), Yes, No, and Amount. All 'No' boxes are checked.

11a Does your business have any employees other than you and your spouse (and your partners and their spouses)? [] Yes [X] No
11b Total number of employees:
11c Does this plan meet the coverage requirements of Code section 410(b)? [] Yes [X] No

12 Answer these questions only if there was a benefit payment, loan, or distribution of an annuity contract made during the plan year and the plan is subject to the spousal consent requirements (see instructions).
12a Was there consent of the participant's spouse to any benefit payment or loan within the 90-day period prior to such payment or loan? [] Yes [X] No
12b If "No," check the reason for no consent: (i) [] the participant was not married (ii) [] the benefit payment made was part of a qualified joint and survivor annuity (iii) [] other
12c Were any annuity contracts purchased by the plan and distributed to the participants? [] Yes [X] No

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature of employer (owner) or plan administrator: John Jones Date: 7/20/94

