

Frequently Asked Questions

Form 5500 BORSA

1. What type of return has to be filed for the 401(k) retirement account?

Form 5500 – the Annual Return/Report of Employee Benefit Plan.

It is an information-only return, meaning no tax is due.

2. When is the Form 5500 due?

The Form 5500 is due every July 31st, unless that day falls on a weekend or holiday. Then it will be due the next business day.

3. Can an extension be filed?

Yes, there is only one extension, Form 5558, that can be filed. It is due by July 31st. The extension allows 2 ½ additional months to file the return, bringing the due date for Form 5500 to October 15th.

4. What are the penalties for filing Form 5500 late or not at all?

a. Administrative penalties that may be assessed by the IRS:

i. Penalty of up to \$1,100 a day for failure or refusal to file a complete report.

5. How much does it cost for DRDA, PLLC to prepare Form 5500?

The preparation fee for the Form 5500 is \$800 for 1-5 participants in the plan. For each participant over five, there is an additional \$40 fee.

6. When is the fee due?

The fee is due when your information is submitted to our office. Work will only begin after we receive the payment.

7. What types of payment does DRDA, PLLC accept?

a. A check mailed to 1120 Bay Area Blvd. Houston, TX 77058

b. Call Sarah at 281-954-6033 with a credit card number (MC, VISA, AMEX, Discover)

c. Pay on-line using the following link: <http://www.drdacpa.com/PaymentForm.htm>

8. What information is needed for DRDA, PLLC to prepare the return?

The accountants at DRDA, PLLC will need:

a. A copy of the corporate return, if not prepared by us.

b. Employee Census form that lists all employees that worked for your company during the tax year whether they participated in the plan or not.

(NOTE: The person who rolled over funds will always be considered an employee of the company.)

c. A year-end valuation. (A list of approved appraisers is available.)

d. Year-end summary statement from the investment firm or bank where the 401(k) monies are deposited.

9. When is the information due to DRDA, PLLC?

- i. The information in the above answer is due to DRDA, PLLC's office no later than three weeks before the filing deadline (July 10th or September 24th, if extended).
- ii. This deadline allows us to complete the return in a timely fashion.
- iii. If all information is available except for the valuation, please send it to us. You can then forward the valuation as soon as it is ready.

10. How is Form 5500 filed?

- a. Form 5500 is required to be filed electronically with the Department of Labor.
- b. Registration with the DOL's EFAST2 system is mandatory. Once registered, you will receive an identification number, password, and PIN from the DOL. (The identification number and PIN are used to electronically sign the return when it is ready for filing. These are confidential – DO NOT SEND TO DRDA).
- c. DRDA, PLLC will submit the return to our software vendor.
- d. An e-mail from our vendor will be forwarded to you with a link to the e-signature page.
- e. After you enter your identification number and PIN, the vendor will submit the return the Department of Labor.
- f. It takes approximately two (2) hours to verify whether the return was accepted or rejected by the Department of Labor.

11. Why is a yearly valuation necessary?

A yearly valuation is necessary per the Internal Revenue Service Technical Advice Memorandum issued in October 2008. (Copy available upon request)

12. Why is an outside appraiser needed for the yearly valuation?

The law stipulates that the trustee can establish a value that is fair market, however since the trustee is usually a related party, there is possible manipulation of value which could potentially affect the benefits, rights, and features of the other participants. In order to avoid this issue, the trustee should use an outside qualified third party appraiser as meeting the standard arms length fair market value (FMV). If no outside appraiser is used, the trustee will have to prove that they appropriately derived the FMV and convince the IRS that their valuation was correct.

13. Why must a Form 5500 be filed and not the Form 5500EZ?

- a. The Form 5500EZ instructions on page 2 state that you and your partners must own the entire business. The 401(k) holds ownership in the business because it holds common stock of the corporation. Therefore, you do not own the entire business.
- b. Since one of your investment options is to purchase the common stock of the company with your rollover funds, the plan must file Form 5500. This is due to ERISA Section 404(c).
- c. The 401(k) is not set up as a one-participant plan. These types of plans are usually set up for self-employed individuals.

14. What if there was no activity in the business?

If funds were rolled into the participant's account in the 401(k), then a Form 5500 is required, even if there was no activity in the corporation.

15. Who can I contact at DRDA, PLLC with questions?

Depending on the question(s), the following are a list of people to contact:

- i. Suzy Granger – Business Development Officer
First point of contact to acquire more information on the BORSA process
- ii. Darci McCloskey – BORSA Client Services Coordinator
Prepares the legal documents for the corporation and 401(k) including stock certificates
- iii. Sarah Harmeyer – Executive Administrative Assistant
Processes client payments; answers questions concerning invoice(s) and outstanding balances
- iv. Bonnie Keith - Tax Administrator
E-mail reminders for quarterly payroll tax reports, corporate and 401(k) returns; receives tax information to log in and pass along to accountants; prints and e-files returns; files extensions; updates client contact information
- v. Heather Jones – Accountant
Prepares BORSA clients' quarterly payroll tax reports, corporate and 401(k) returns
- vi. Kyla O'Dell – BORSA Manager/CPA
Final process of going through paperwork with client in acquiring business (called closing), reviews all BORSA corporate and 401(k) returns; can answer all technical questions
- vii. Necole Craft – BORSA CPA
Final process of going through documents with client in acquiring business (called closing), can answer all technical questions

16. How can I contact the above people?

Call DRDA, PLLC's main number: 281-488-2022

E-mail: Use person's first name@drdacpa.com