



# DISCRIMINATION TEST WORKSHEET (for use with Salary Deferral SEP Plans only)

Before completing, please read the instructions on the back of this form.

Column a	Column b	Column c	Column d
Non-Highly Compensated Employees	Elective Deferrals/Year	Unreduced Compensation/Year	Deferral Percentage = b/c
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
13.			
14.			
15.			
16.			
17.			
18.			
19.			
20.			
<b>TOTAL</b>			

Total from Column d \_\_\_\_\_ ÷ Number of Employees in Column a \_\_\_\_\_ = \_\_\_\_\_ = ADP

Column A	Column B	Column C	Column D	Column E	Column F	
Highly Compensated Employees	Elective Deferrals/Year	Unreduced Compensation/Year	Deferral Percentage = B/C	Limit = ADP x 1.25	Test: D ≤ E?	
					YES	NO
1.						
2.						
3.						
4.						
5.						

## INSTRUCTIONS FOR COMPLETING DISCRIMINATION TEST WORKSHEET

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This worksheet is to be used by an Employer who has adopted a salary deferral SEP plan to determine whether Elective Deferrals made under the Plan comply with Section 408(k)(6) of the Internal Revenue Code. This testing procedure should be performed when the Plan is initially set up (by using estimated figures), at each enrollment date (by using estimated or actual figures) and at the end of each Plan Year (by using actual figures). If the test results reveal that the antidiscrimination rules have been violated for a Plan Year, the Employer must follow the correction procedure found in Section 7.04 of the Plan. This worksheet is furnished as a service to the Adopting Employer by the Prototype Sponsor. The Prototype Sponsor is not obligated to conduct this discrimination test on behalf of the Adopting Employers nor is it obligated to amend this worksheet to incorporate changes to the anti-discrimination rules brought about by changes in the law.

- Column a** List all Employees who are eligible to become Contributing Participants (under Section Three of the Adoption Agreement) and who are not Highly Compensated Employees as defined below under Column A.
- Column b** List the Elective Deferrals actually made by each non-Highly Compensated Employee for the Plan Year.
- Column c** List the unreduced Compensation (Compensation paid during the Plan Year plus Elective Deferrals made for the Plan Year) for each non-Highly Compensated Employee.
- Column d** For each non-Highly Compensated Employee, divide the amount in Column b by the amount in Column c and list the quotient here (expressed as a percentage).
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**Column A** List all Employees who are eligible to become Contributing Participants (under Section Three of the Adoption Agreement) and who are Highly Compensated Employees. An Employee is a Highly Compensated Employee if he or she:

1. Was a five-percent owner of the Employer at any time during the year or the preceding year; or
2. During the preceding year earned more than \$80,000 (as indexed) in annual Compensation from the Employer and, if elected by the Employer, was a member of the top-paid group of Employees (the top 20 percent of Employees by pay during the same year).

- Column B** List the Elective Deferrals actually made by each Highly Compensated Employee for the Plan Year.
- Column C** List the unreduced Compensation (Compensation paid during the Plan Year plus Elective Deferrals made for the Plan Year) for each Highly Compensated Employee.
- Column D** For each Highly Compensated Employee, divide the amount in Column B by the amount in Column C and list the quotient here (expressed as a percentage).
- Column E** Calculate the Deferral Percentage limit which will apply to each Highly Compensated Employee by multiplying the Actual Deferral Percentage (ADP) for the non-Highly Compensated Employees by 1.25.
- Column F** Indicate whether each Highly Compensated Employee has satisfied the test by checking the appropriate box.