

10.10. Compensation - Including Calculations for Self Employed Individuals

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Adjusted Compensation

The system is set up so that compensation on the census will be entered as statutory compensation (compensation as used for 415 limits and other testing).

All employees will be assigned a compensation amount adjusted for the 401(a)(17) limit ("Compensation_Statutory_Adj") once the census data scrub is run.

Self Employed Individuals" adjusted compensation will generally be further adjusted for their share of employer contributions to the plan (based on ownership, "Compensation_NonElective_DeductShare"), their half of the deduction for the self-employment tax as determined on line 6 of Schedule SE (shown in Compensation_NonElective_SEDeduction") and their personal contributions to the plan (elective deferrals, match and/or nonelective contributions) once "Do Allocations" is run. (Self-employed individuals must be marked as "Self Employed" in the "Employee_Class" field.)

If the plan provides for nonelective and/or matching contributions and the self-employed individual is eligible for those contributions, their employer contributions generally need to be determined based on the self-employed person's compensation adjusted for employer contributions to the plan. Since the data is inter-related, when "Do Allocations" is run for a self-employed individual, the system will run a series of iterations to determine the proper employer contribution and adjusted compensation for the self-employed individual.

Compensation for Allocations

Each contribution type has a corresponding compensation field that will be used when determining allocations ("Compensation_XXX", where XXX is the type of contribution and could be "Matching", "NonElective" or "ElectiveDeferral"). As a default, these will all be mapped to "Compensation_Statutory" but these can be collected on the census grid or custom calculated under the [Plan Set Up - Work With Data Entry Grids](#) menu.

The compensation fields used for allocations may also need to be adjusted for 401(a)(17). The field "Compensation_XXX_Adj" (where XXX is the type of contribution and could be "Matching", "NonElective" or "ElectiveDeferral") will be the same as the "Compensation_XXX" field but adjusted for 401(a)(17) if applicable.

Note that self-employed individuals" compensation for allocation purposes will be mapped from "Compensation_Statutory_Adj" and this definition of compensation will always be used to determine self-employed individuals" allocations under the plan (this is required under Code section 401(c)(2)).

414(s) compensation test

We suggest using the "Sample Census exclude certain comp(414s comp test) (6642cbb)" grid to upload the census data. There are three compensation columns in the grid: Statutory Compensation, Statutory Compensation from Entry Date and Plan Compensation. Enter full year statutory compensation in the Statutory Compensation column. Enter compensation earned from the entry date to the end of the plan year in the Compensation from Entry Date column. Enter compensation to be tested in the Plan Compensation column. Please note that all three columns

MUST be completed. If your plan does not use compensation from entry date just complete the compensation from entry date column with the statutory compensation. If the plan does use compensation from entry date, please be sure the plan specifications permit excluding compensation before entry. To verify, go to Plan Specifications, click General Features/Sources and Inv Accounts, scroll all the way to the bottom of the screen and confirm that "Exclude pay earned before participation in Plan from definition of Compensation:" is set to yes and the following questions regarding match and nonelective are also set to yes (as applicable). Below is some information regarding the fields the compensation test uses and how the mapping works.

- Using full year compensation only - The compensation test will use the "Compensation_Statutory_Adj" field. Any comp field that ends in _Adj is ALWAYS computed in the scrub from the field without the _Adj. The field that ends in _Adj is the same as the field without the _Adj with a max of the 401(a)(17) limit. Compensation_Statutory will either be on the grid or mapped from another field - see Work with Data Entry Grids to determine.
- If plan excludes compensation before entry - The compensation test will use Compensation_Statutory_FromEntry_Adj. Any comp field that ends in _Adj is ALWAYS computed in the scrub from the field without the _Adj. The field that ends in _Adj is the same as the field without the _Adj with a max of the 401(a)(17) limit. Compensation_Statutory_FromEntry field will either be on the grid or mapped from another field - see Work with Data Entry Grids to determine.

The field "Compensation_Deduction" (and "Compensation_Deduction_Adj" if over the 401(a)(17) limit) is used for the 404 test (mapped from "Compensation_Statutory" as a default).

Top Heavy Testing. The field "Compensation_TopHeavy" will be used for determine whether the top heavy minimum allocation is met. This must be full year compensation and will be mapped from "Compensation_Statutory" as a default.
