

**TAX CREDIT FOR A NEW PENSION PLAN**

Generally, the employer costs related to installing and administering a retirement plan are tax deductible by the employer as ordinary and necessary expenses in carrying on a trade or business. In addition, Internal Revenue Code Section 45E provides that a tax credit can be claimed if a new retirement plan is adopted. This credit equals \$500 (or 50% of the fees paid to set up and administer the plan if less). The credit may be claimed for each of the first three plan years. The amount taken as a credit cannot also be taken as a deduction. This credit is only available if the following three conditions are satisfied:

1. at least one non-highly compensated employee is covered by the Plan;
2. the employer employs less than 100 employees; and
3. the employer did not sponsor another plan during the preceding three plan years which covered substantially the same employees.

Contact us if you have any questions.