

Supporting Statement
Internal Revenue Service
Form 5304-SIMPLE, Form 5305-SIMPLE, and Notice 98-4
OMB Control Number 1545-1502

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 1421 of the Small Business Job Protection Act of 1996 established the Savings Incentive Match Plan for Employees of small employers (SIMPLE) plan under the Internal Revenue Code (IRC) section 408(p). Contributions to a SIMPLE plan are made to individual retirement accounts (IRA) or annuities that are established pursuant to the SIMPLE plan adopted by the employer.

Under IRC sections 408(l) & (p), an employer that maintains a SIMPLE IRA plan must notify each eligible employee of the employee's opportunity to enter into a salary reduction agreement or to modify a prior agreement, to select his or her own SIMPLE IRA (or if the employer makes all contributions to a designated financial institution, to transfer his or her balance to another financial institution without cost or penalty), and the employer's election, if any, to make a reduced matching contribution or a nonelective contribution in lieu of a matching contribution. In addition, the employer must provide each employee with a summary plan description. An employee who elects to participate in the SIMPLE IRA plan must notify the employer of his or her election, and if applicable, the SIMPLE IRA he or she has selected.

Under IRC Sections 408(i) & (l), the trustee of a SIMPLE IRA must provide the employer maintaining a SIMPLE IRA plan with a summary plan description each year. In addition, the trustee must provide each SIMPLE IRA participant with an annual account statement. The details of these yearly third-party disclosures and recordkeeping requirements are detailed within IRS Notice 98-4.

Form 5304-SIMPLE is a model SIMPLE IRA agreement that was created to be used by an employer to permit employees who are not using a designated financial institution to make salary reduction contributions to a SIMPLE IRA described in section 408(p) of the Internal Revenue Code.

Form 5305-SIMPLE is a model trust agreement that meets the requirements in Section 408(p) of the IRC. An individual (grantor) and a trustee can use Form 5305-SIMPLE to establish a traditional individual retirement account under Section 408(p).

2. USE OF DATA

The data is used to verify the following information: (1) that the employer has a qualified SIMPLE IRA plan; (2) that the employer may deduct contributions to the SIMPLE IRAs associated with such plan on the employer's income tax return; and (3) that contributions made to the SIMPLE IRA plan on behalf of employees are not includible in income. In addition, the data is used to provide employees with the information they need to make salary reduction contributions and to withdraw or transfer contributions made on their behalf.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

These recordkeeping and third-party disclosure requirements may be completed and stored electronically. Since there are no reporting requirements, the IRS does not have plans for electronic filing.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

Consequences of less frequent collection on federal programs or policy activities would result in inaccurate data used to provide employees with the information they need to make salary reduction contributions and to withdraw or transfer contributions made on their behalf.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

No special circumstances requiring data collection to be inconsistent with guidelines in 5 CFR 1320.5(d)(2).

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

In response to the Federal Register notice (90 FR 27391), dated June 26, 2025, we received one comment letter during the comment period regarding Form 5304-SIMPLE, Form 5305-SIMPLE, and Notice 98-4.

Securities Industry and Financial Markets Association (SIFMA), Investment Company Institute, and PenServ Plan Services, Inc. Comments dated August 20, 2025, Reporting Forms 5304-SIMPLE and 5305-SIMPLE and Notice 98-4

Summary of SIFMA comments	Response to OMB
Request to update address changes on forms made by SECURE 2.0 Act.	The requested changes and clarifications have been forwarded to the IRS Office of Chief Counsel for review and consideration.
Update Notice 98-4 to reflect statutory	

developments and to simplify complex rules.	
Clarification on whether separate forms are needed for employee and employer Roth contributions and on the requirements for tracking the two-year period for transfers and distributions and reporting premature distributions would also be helpful. We also request guidance on rollovers from Roth SIMPLE IRAs to Roth IRAs, including the application of the five-year holding period.	
Our letters in response to Notice 2024-02 also requested clarification regarding the application of the changes to the contribution limits made by Section 117 of the SECURE 2.0 Act, and the Service should update Notice 98-4 to reflect the changes.	
We also request clarification of when it is permissible for a SIMPLE IRA plan to be amended with an effective date other than January 1. Specifically, confirmation that employers may rely on the safe harbor 401(k) and 403(b) guidance on mid-year changes (e.g., Notice 2016-16).	
Employers should be given at least one year to restate the new model plans or one year from a prototype being approved, similar to the last required restatement in 2002. In the interim, we recommend that plan sponsors have the option to make one-time changes during the 2026 calendar year to adopt options relating to Roth provisions.	

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift has been provided to respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

No sensitive personally identifiable information is being collected by the IRS. Information is being shared by the employer and issuer and only provided during an inquiry or audit.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Notice 98-4 provides guidance for approximately 300,000 employers and trustees regarding how they can comply with the notification and reporting requirements in approximately 15 minutes for a total of 75,000 burden hours.

Form 5304-SIMPLE is a model SIMPLE IRA agreement with a response time of 6.4 hours that was created to be used by employers to permit employees (approximately 100,000) who are not using a designated financial institution to make salary reduction contributions to a SIMPLE IRA described in section 408(p) of the Internal Revenue Code. The total annual burden hours is 640,000.

Form 5305-SIMPLE is a model SIMPLE IRA agreement with a response time of approximately 7 hours that was created to be used by an employer to permit employees (approximately 200,000) who are using a designated financial institution to make salary reduction contributions to a SIMPLE IRA described in section 408(p) of the Internal Revenue Code. The total annual burden hours is 1,398,000.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
\$408	Form 5304-SIMPLE	100,000	1	100,000	6.40	640,000
\$408	Form 5305-SIMPLE	200,000	1	200,000	6.99	1,398,000
\$408	Notice 98-4	300,000	1	300,000	.25	75,000
Totals		600,000		600,000		2,113,000

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

From our Federal Register notice dated June 26, 2025, no public comments were received on the estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. As a result, estimates of these cost burdens are considered nominal.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

Cost estimate for product development is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized startup expenses, operating and maintenance expenses, and distribution of the product that collects the information. The costs to the Federal government will vary depending on whether the IRS will incur printing or copying costs for all the materials. These costs do not include any activities such as taxpayer assistance and enforcement. IRS estimates have determined that the cost of developing, printing, distribution and overhead for the form is \$46,512.

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. We are making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

The IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the forms expire as of the expiration date. Taxpayers are not likely to be aware that the IRS intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTION TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.