

# *Ekon Explains - The Dreaded Census Questionnaire*

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## *Part Two. Related Entities*

*Why are you asking so many questions? Is this really necessary?  
Why do I have to do this year after year?*

As a Plan Sponsor, you likely ponder these questions every time your TPA sends out the yearly census questionnaire. The truth is the census questionnaire is a key piece of your Plan's administration and compliance. The information requested is used to help ensure that your Plan's operation conforms to your Plan Document and with current laws and regulations.

*To clarify the significance of the information requested, we are breaking down the census questionnaire piece by piece in our new series, Ekon Explains - The Dreaded Census Questionnaire.*

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## *Part Two. Related Entities*

More than likely, your census questionnaire will ask about additional entities owned by the Employer or entities that have ownership in the Employer Company. Why does this information matter to your TPA?

The underlying question your TPA is attempting to answer is whether or not your company is part of a *controlled group*. A controlled group is defined as two or more companies connected by common ownership. If a company establishes a qualified plan and has controlling interest in another company, the Plan may be required to consider the employees of both companies for plan limits, coverage, and testing. Failure to comply with the rules for controlled groups, as listed in Internal Revenue Code Sections 414(b) & (c), puts the Plan's tax preferred status in jeopardy.

With the information you provide regarding related entities, your TPA can aid in determining if your company is part of a controlled group by testing for the following relationships:

### *Parent-Subsidiary*

A Parent-Subsidiary relationship is formed when one company, the "Parent", owns at least 80% of another company, the "Subsidiary".

### *Brother-Sister*

Brother-Sister controlled groups consist of two or more companies with five or fewer common owners. This type of controlled group must satisfy both the 80% Common Control Test and the 50% Effective Control Test.

### *Combined Group*

A Combined Group is established when the Parent in a Parent-Subsidiary controlled group is also part of a Brother-Sister group.

Would you like more information on Controlled Groups? Check out this [article](#).

### *The Bottom Line*

Your TPA is asking about related entities to identify controlled groups. If a controlled group relationship does exist, all affected employers are treated as one single employer for qualified plan purposes with all employees being considered for eligibility, vesting, accruals, testing, and plan limits. Failure to identify a controlled group and comply with the applicable IRC rules could jeopardize the Plan's tax preferred status. *Aren't you glad your TPA asked about related entities?*

As always, providing accurate and complete census information to your TPA can potentially save you from much bigger headaches in the future.