



Employee Benefits Plan Newsletter

IRS Voluntary Correction Program (VCP) User Fee Changes Effective in 2018

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Effective January 2, 2018, the Internal Revenue Service (IRS) simplified the user fees charged for most submissions made under the Voluntary Correction Program (VCP). The total amount of net plan assets determines the applicable user fee. Most alternative or reduced fees that were part of previous revenue procedures no longer apply.

Background

The IRS Employee Plans Compliance Resolution System (EPCRS) is a comprehensive system of correction programs for sponsors of many types of retirement plans [i.e., qualified retirement plan, 403(b), SEPs, SARSEPs, SIMPLE IRAs, and in certain cases a 457(b) plan]. EPCRS allows the plan sponsor to correct the plan defects by either:

- satisfying a self-correction program criteria to fix certain defects of plan operations, or
- submitting an application with an applicable user fee to the IRS to request a compliance statement indicating the proposed correction has been accepted by the IRS and the plan is able to maintain its tax qualified status.

Certain situations mandatorily require IRS involvement (i.e., plan document or demographic failures). The EPCRS system has other useful features which are not addressed in this article.

Determining the Amount of the User Fee

The determination of the amount of the plan's net assets is from its most recently filed Form 5500-series return. If your plan is not required to file a Form 5500-series return (SEP/SARSEP/SIMPLE IRA plans), the amount of plan assets is the total value of all plan participants' IRA account balances associated with the plan.

Plan Assets	User Fee
Up to \$500,000	\$1,500
Over \$500,000 to \$10 million	\$3,000
Over \$10 million	\$3,500

Previously, the IRS had issued temporary or other user fee structures which had a lower fee structure than the 2018 lowest fee of \$1,500. For example, the correction involving a loan program that had only a few participant loans that required a correction could have ranged from \$300 to \$3,000 regardless of the asset size of the plan.

Conclusion

Although the new IRS user fee program has eliminated a few of the lower fee structures for certain situations, plans that are eligible to correct under the EPCRS – VCP application process for \$1,500-\$3,500 are still able to obtain 100% relief for the identified issues when the agreed-upon correction is negotiated through the IRS's application process. An additional benefit of the filing of a VCP application with the IRS is: after it is submitted, the IRS is precluded from selecting the plan for an examination.

Contact Us

Our Employee Benefit Services Practice has completed, and currently has several VCP applications in process or awaiting review at the IRS, as plan sponsors have increasingly contacted us for assistance with the process as they have become more aware of the risk reduction benefit that the EPCRS program can provide. Plan sponsors are able to take advantage of our Group's expertise with these types of applications and working with IRS representatives.

We provide a full spectrum of compliance services for qualified, non-qualified, and welfare benefit plans. For more information, please email Tim Desmond at tdesmond@pkfod.com or Louis F. LiBrandi at lbrandi@pkfod.com or telephone 646.449.6327.

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