



IRS Introduces Pre-Examination Compliance Pilot Program

On June 3, 2022, the IRS introduced a new 90-day Pre-Examination Compliance Pilot Program. The goal of the program is to reduce taxpayer burden and the amount of time spent on retirement plan audits. At the end of the pilot, the IRS will evaluate the effectiveness of the program and determine if it should continue to be part of the overall IRS compliance strategy. Here is how the pilot program will work:

The IRS will notify a Plan Sponsor by letter that their retirement plan was selected for an upcoming audit. The IRS letter gives a Plan Sponsor a 90-day window to review their plan's document and operations to determine if they meet current tax law requirements. If the Plan Sponsor does not respond within 90 days, the IRS will schedule an audit of the plan.

If the Plan Sponsor's review identifies mistakes in the plan's documents or operations, the Plan Sponsor may be able to self-correct the mistakes using the correction procedures in the IRS Voluntary Correction Program (VCP). The procedures are described in Revenue Procedure 2021-30.

If the Plan Sponsor finds mistakes that cannot be self-corrected, the Plan Sponsor can request a closing agreement with the IRS. In this case, the IRS will use the fees outlined in the Voluntary Correction Program fee structure to determine the sanction that will need to be paid under a closing agreement. Next, the IRS will review documentation provided by the Plan Sponsor and determine if they agree with the conclusions provided by the Sponsor and determine if the Sponsor has appropriately self-corrected any mistakes. Once this is done and approved, the IRS will issue a closing letter or conduct either a limited or full scope audit.

In our view, this pilot program is a step in the right direction in the effort to minimize the time, effort and expense of an IRS audit. This program attempts to work with Plan Sponsors to provide an end result that is beneficial to Plan Participants, as well as to Plan Sponsors with respect to maintaining the qualified status of their retirement plan. We will be looking closely at the operational effectiveness of this program and it is our hope that this program works well, and provides Plan Sponsors with a reasonable way to solve compliance and operations issues with their plan.

Contact the Pentegra Solutions Center at solutions@pentegra.com
or 855-549-6689 for expert guidance on how to make the most of the new rules.

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