

Talking Points

May 2006

EPCRS Revenue Procedure Issued – [Rev. Proc. 2006-27](#) updates Employee Plans Compliance Resolution System (EPCRS), the comprehensive system of correction programs for sponsors of retirement plans. In conjunction with the issuance of Rev. Proc. 2006-27, EP is introducing a new and improved Corrections page on the **Retirement Plans Community web page** (www.irs.gov/ep) under the new title of “**Correcting Plan Errors.**” This new and improved web page includes a variety of tools designed to highlight the changes in the new procedure: **Summary of Changes** describing the differences between Rev. Proc. 2006-27, and its predecessor, Rev. Proc. 2003-44; **Topical Index to Rev. Proc. 2006-27** (a detailed index with entries keyed to rev. proc. section numbers) and **EPCRS Update Presentation**. Look for a new “Retirement Plan Correction Programs” CD-ROM”, to be issued soon, with video clips and a comprehensive overview of Retirement Plan Correction Programs. See the new web page for complete information.

The new revenue procedure makes several significant improvements, including:

- A **new correction method** that estimates the economic loss to an employee excluded from participating in a 401(k) or 401(m) plan;
- **New correction methods** for certain plan loan failures under the Voluntary Correction Program (VCP);
- Rules on the availability of programs under EPCRS in cases where the plan or plan sponsor is a party to an **abusive tax avoidance transaction**;
- **Expanded availability** of the VCP and the Audit Closing Agreement Program (Audit CAP) to **terminating orphan plans** and, with respect to those plans, more flexibility for the correction of qualifications failures and the payment of a fee;
- A **new streamlined submission process and fee** under VCP for failures to amend a plan timely for good faith and interim amendment requirements;
- An **alternative correction method** for a **failure to obtain spousal consent**;
- A **new correction method** in Appendix B regarding the availability of a **participant loan program**;
- Expanded ability of plan sponsors to **obtain waivers of the section 4974 excise tax** in certain circumstances under Audit CAP;
- The ability under VCP to obtain relief from the **excise taxes under sections 4972 and 4979** in certain circumstances;
- **Reduced VCP compliance fees** for a submission with a request for a **waiver of the excise tax under section 4974** where the sole failure in the submission relates to the violation of the minimum distribution rules and there are 50 or fewer affected participants;
- **Reduced VCP compliance fees** for **SEPs** and **SIMPLE IRA plans**;
- **Elimination of the requirement** under VCP and Audit CAP for submitting a **determination letter application** under certain circumstances;
- A fee schedule for plans submitted under the **determination letter program** which are discovered by EP to be non-amenders of tax law changes; and
- **New various procedural enhancements.**

Rev. Proc. 2006-27 is generally effective September 1, 2006. However, plan sponsors are permitted, at their option, to apply the provisions of the revenue procedure on or after May 30, 2006.