

# employee plans news

PROTECTING RETIREMENT BENEFITS THROUGH EDUCATING CUSTOMERS

Internal Revenue Service  
Tax Exempt and Government  
Entities Division

A Publication of Employee Plans

## SIMPLE IRA Plan EGTRRA Relief Initiative

Employee Plans (EP) established an examination project on SIMPLE IRA plans in January 2005. During the initial phase of the project, EP examiners discovered that many employers had failed to update their plans for the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Some employers questioned whether there was a need to amend their SIMPLE IRA plans for EGTRRA. The answer is a resounding “Yes,” based on the requirements set out in [Revenue Procedure 2002-10](#).

Examiners were instructed, based on early findings, to check the date on the employers’ plan documents. They were seeing a significant number of SIMPLE IRA plans that had not been updated for EGTRRA. Plans not in compliance with this requirement could lose all the retirement savings and tax benefits that these plans provide to both the employers sponsoring them and the employees participating in them.

Based on these findings, EP is offering employers with SIMPLE IRA plans an extended time to update their plans for the provisions of EGTRRA. Employers that previously failed to amend their SIMPLE IRA plans for EGTRRA have until **December 31, 2006**, to either adopt the latest version of the IRS model SIMPLE IRA plan (revised August 2005) or adopt another SIMPLE IRA plan document that has been updated for EGTRRA.

Through a review of 2004 Form W-2 information, EP identified approximately 190,000 employers with SIMPLE IRA plans. EP is planning on sending these employers a letter informing them of this limited relief opportunity so they can update their SIMPLE IRA plans for EGTRRA if they have not already done so.

EP has information on the [Retirement Plans Community web page](#) on this initiative with links to:

- SIMPLE IRA Plan Relief for Employers ([Letter 4083](#));
- SIMPLE IRA Plan Relief — Pension/IRA Department ([Letter 4084](#));
- Relief for SIMPLE IRA Plans [FAQs](#);
- [EGTRRA Background Paper](#); and
- [Form 5304-SIMPLE](#) and [Form 5305-SIMPLE](#).

The mail-out effort will start in early March, with an initial test mailing of 1,000 letters. Subsequent mailings will start in early April, with a plan to mail out between 10,000 and 15,000 letters a week until all 190,000 have been mailed out.

The IRS recognizes that many self-employed individuals with SIMPLE IRA plans will not be reached by the mail out. EP has sent letters to approximately 185 drafters of prototype SIMPLE IRA plans, giving them a heads-up on this relief, and asking them to help get the word out to their clients on this opportunity to update SIMPLE IRA plans for EGTRRA. •

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