

Special Edition
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employee plans news

PROTECTING RETIREMENT BENEFITS THROUGH EDUCATING CUSTOMERS

Internal Revenue Service
Tax Exempt and Government
Entities Division

A Publication of Employee Plans

SCP Survey

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It's Here! Revenue Procedure 2008-50 Updates IRS's Employee Plans Compliance Resolution System

On August 14, 2008, [Revenue Procedure 2008-50](#) was published updating the Employee Plans Compliance Resolution System (EPCRS). The revenue procedure contains many additions and clarifications; however, according to Joyce Kahn, Manager, Employee Plans Voluntary Compliance, the following are some of its primary modifications:

- Self-Correction Program - SCP has been expanded with respect to employers who discover failures in their plans and have begun the correction process. The time by which a plan sponsor substantially corrects a significant operational failure, and is thereby entitled to use SCP, has been liberalized ([section 9.04](#)). In addition, sample correction methods for improperly excluded employees for both employer and employee contribution corrections have been added to [Appendix A.05](#). Sample correction methods for failure to implement an employee's elective deferral election and to provide matching contributions have been added to [Appendix B.02](#).
- Correction of §415 failures - For limitation years beginning on or after the effective date of the revenue procedure, the failure to limit annual additions allocated to participants in a defined contribution plan as required in §415 will be corrected in accordance with the provisions of the revenue procedure relating to excess amounts (see section 6.06(2) and (3) and [Appendix A.08](#)).
- Streamlined Voluntary Correction Program Application Procedures - VCP's streamlined procedures in Appendix F have been significantly expanded to include the following failures:
 1. Interim and Certain Discretionary Nonamender Failures
 2. Nonamender Failures (besides those in Schedule 1)
 3. SEP and SARSEP Failures
 4. SIMPLE IRA Plan Failures
 5. Plan Loan Failures
 6. Employer Eligibility Failures
 7. Failure to Distribute Elective Deferrals in Excess of the §402(g) Limit
 8. Failure to Pay Required Minimum Distributions Timely under §401(a)(9)
 9. Correction by Plan Amendment (those listed in Appendix B)

A standardized application form is included with the revised Appendix F, and should be used for all streamlined applications.

- VCP - For all other VCP applications, a sample application form is provided in [Appendix D](#).

“Providing sample application forms and expanding the streamlined application procedures to include several common failures will help ensure that applications are complete and will provide a significant time savings in case processing,” Ms. Kahn said. “We encourage all VCP applicants to use these application formats.”

Other new items in the revenue procedure include:

- The VCP definition of “plan loan failure” includes Code §72(p)(2) violations, even when the plan doesn’t provide for loans.
- Correction methods for not including an eligible employee in a 401(k) plan are modified to account for catch-up, after-tax, and designated Roth contributions.
- Relief from taxes such as the additional tax on early distributions under §72(t) and excise tax under §4973 may be provided under VCP.
- The VCP compliance fee is reduced in certain instances if a plan’s sole failure is that loans do not meet the requirements of §72(p)(2).
- Earnings for corrections may be computed using the Department of Labor’s VFCP Online Calculator under certain circumstances.

Rev. Proc. 2008-50 is effective January 1, 2009. However, plan sponsors are permitted to apply the provisions of the revenue procedure on or after September 2, 2008.

Visit the [Retirement Plans Community](#) web page and select [Correcting Plan Errors](#) for more information including the following:

- [Summary of Significant Changes](#) describing the more significant differences between Rev. Proc. 2008-50 and its predecessor, Rev. Proc. 2006-27.
- [Topical Index to Rev. Proc. 2008-50](#): An index by topic or key term and its related revenue procedure section number.
- “Fix-It Guides” for [SEP](#) and [401\(k\)](#) plans to help plan sponsors find, fix, and avoid common mistakes. Among the helpful features in the “Fix-It Guides” are links to specific correction programs available for each plan error.

What’s Next?

Drafting of the next EPCRS revenue procedure will begin soon. Your input is crucial to the success of this program. You are invited to send comments to:

Internal Revenue Service
Attention: SE:T:EP:RA:VC
1111 Constitution Avenue NW
Washington, D.C. 20224

How Does the Self-Correction Program Work for You? Let Us Hear from You!

We are looking for your feedback on EPCRS’ Self-Correction Program (SCP). IRS Employee Plans is conducting a short, anonymous survey designed to gauge the relevance and usefulness of SCP. Your participation in this survey will greatly assist us in making SCP more responsive to the needs of the retirement plans community. The survey should take less than five minutes to complete. We thank you in advance for your participation and look forward to future improvements that work for you!

To take the survey, click here: <http://guest.cvent.com/v.aspx?1A,Q3,d8a22d3a-6c3b-4d17-a0dc-0ac8081fde8d>.

After completing the survey, you will be given the opportunity to provide additional feedback, including comments and suggestions on how to improve the program. Please take the time to tell us how we may make the program better serve your needs. Thank you.