



## IRS modifies Voluntary Correction Program user fees

On January 2, 2018, the Internal Revenue Service (IRS) issued its [annual revenue procedure](#) that includes revised procedures regarding determination letters, letter rulings, and advisory letters, as well as updated user fee schedules. Revenue Procedure 2018-4 made significant changes to the user fees for submissions made under the Voluntary Correction Program (VCP) of the IRS's Employee Plans Compliance Resolution System (EPCRS).

### Background

Previously, the VCP fee structure consisted of six different fees, depending on the number of plan participants. Fees ranged from \$500 for a plan with 20 or fewer participants to \$15,000 for a plan with more than 10,000 participants. Additionally, the prior fee structure provided reduced fees for certain situations, including required minimum distribution failures, certain plan loan failures, and certain plan document non amender failures.

### Updated user fees

Under Revenue Procedure 2018-4, user fees for VCP submissions are now based on total plan assets. The following user fees apply to regular VCP submissions, including Anonymous Submissions, sent to the IRS on or after January 2, 2018:

- \$1,500 for plans with assets of \$500,000 or less;
- \$3,000 for plans with assets over \$500,000 and up to \$10,000,000; and
- \$3,500 for plans with assets over \$10,000,000.

Plan assets are determined based on the end of year net assets reported on the plan's most recently filed Form 5500. For plans not required to file a Form 5500, net assets are generally determined as of the last day of the most recently completed plan year preceding the date of the VCP submission.

The user fees for Group Submissions remain unchanged with an initial fee of \$10,000 for the first 20 plans and an additional fee of \$250 for each additional plan with a maximum fee of \$50,000. The special fee waiver for terminating Orphan Plans also remains unchanged.

Other reduced or alternative fees included in prior guidance no longer apply. This includes reduced fees for certain nonamender failures, required minimum distribution failures, and plan loan failures. As a result, the cost of correcting these types of failures may increase for employers.

### Revisions to IRS Form 8951

The IRS is currently revising Form 8951, "User Fee for Application for Voluntary Correction Program (VCP)," which must be included with a VCP submission. Until the revised form is available, the current Form 8951 (9-2016 version) should continue to be used.

### Next steps

Plan sponsors should carefully review the information included in this publication and on the [IRS website](#) to ensure that appropriate user fees are included with VCP submissions. Additional information regarding the Employee Plan Compliance Resolution System (EPCRS) can be found in [Prudential's May 2017 Pension Analyst publication](#).

#### Compliance Bulletin by Prudential Retirement

The Pension Analyst is published by Prudential Retirement, a Prudential Financial business, to provide clients with information on current legislation and regulatory developments affecting retirement plans. This publication is distributed with the understanding that Prudential Retirement is not rendering tax or legal advice. Plan sponsors should consult their attorneys about the application of any law to their retirement plans.

©2018 Prudential Financial, Inc. and its related entities.

Prudential, the Prudential logo, the Rock symbol and Bring Your Challenges are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.