

Part IV --- Items of General Interest

Announcement 97-121

Employee Plans Compliance Programs

The Office of the Assistant Commissioner, Employee Plans and Exempt Organizations of the Internal Revenue Service (Service) has established and is committed to the enhancement of a number of programs to enable sponsors of qualified retirement plans and tax-sheltered arrangements to maintain the tax-favored status of these plans without risking the tax consequences of plan disqualification. In addition to the Closing Agreement Program (CAP), for plans under examination, there is the Administrative Policy Regarding Self-Correction (APRSC), the Standardized (SVP) and regular Voluntary Compliance Resolution (VCR) Programs, the Tax Sheltered Annuity Voluntary Compliance (TVC) Program, and the Voluntary Closing Agreement Program (Walk-in CAP).

APRSC is the self-correction program that encourages employers to monitor their plans and correct any operational defect or violation they find as soon as possible. Under APRSC, if defects are discovered and corrected within a short time following the year of the qualification error, there is no need to contact the Service, no compliance fee and no tax sanction with respect to the error. APRSC, as published in January 1997, allows plan sponsors one year to correct defects without penalty. Based on our experience to date with this well-received and increasingly used program, the Service is extending the self-correction period from one to two years following the year in which the operational violation occurs. As we continue to gain experience, we anticipate that this program will continue to evolve in order to best facilitate compliance.

The Service is about to issue a field directive that will provide additional insight on the self-correction program and clarify certain issues including, for example, timing for correction. In addition, in early 1998, the Service will publish a consolidated guide to the compliance programs for plan sponsors and their advisors. Since all of these programs operate out of each of the EP/EO Key District Offices as well as Employee Plans Division in Washington, communication to achieve consistency and coordination in the programs is essential. The following information about how to contact the appropriate office for information and assistance will be included in the consolidated guide.

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Drafting Information

The principal author of this announcement is Carlton Watkins of the Employee Plans Division. For further information regarding this announcement, call (202) 622-6074/622-6075 between 1:30 and 3:30 p.m. Eastern time (not a toll-free number). Mr. Watkins' number is (202) 622-6214 (also not a toll-free number).