



Employee Plans

Internal Revenue Service

Update: What Is Happening at IRS
Employee Plans?



Mission Statement

- ✓ The mission of the Tax Exempt and Government Entities Operating Division is to provide our customers top quality service by helping them understand and comply with applicable tax laws and to protect the public interest by applying the tax law with integrity and fairness to all.



Mission Statement Explained

- ✓ Facilitate public policy of tax laws
- ✓ Encourage employers to help employees
- ✓ By providing of retirement benefits
 - Make plans easier to adopt
 - Make operation less burdensome
 - Make provision of benefits more direct
- ✓ Tell us when we are off course!

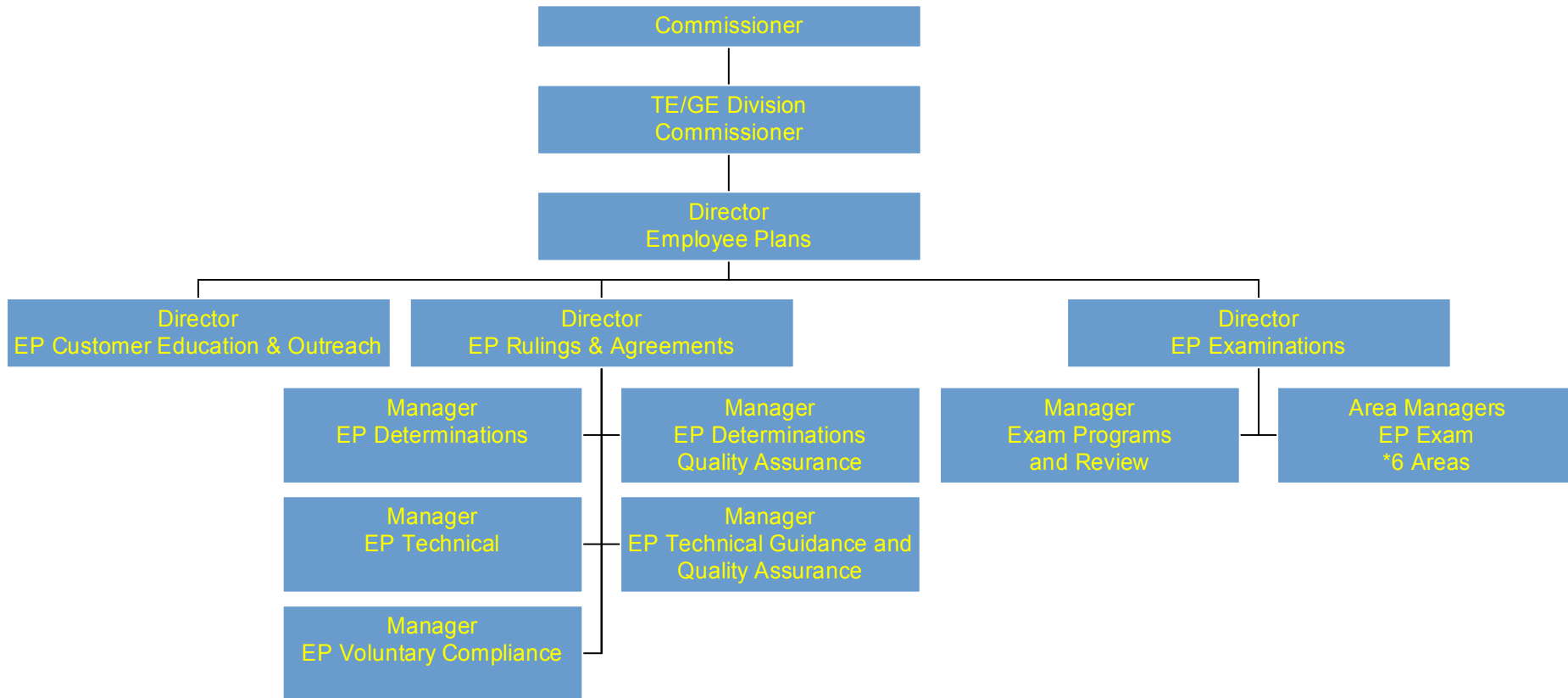


Mission Statement Explained

- ✓ New IRS: Customer Focus
- ✓ EP is organized to respond to identified customer needs:
 - Assurance
 - Rulings & Agreements
 - Compliance
 - Examinations
 - Communication
 - Customer Education & Outreach

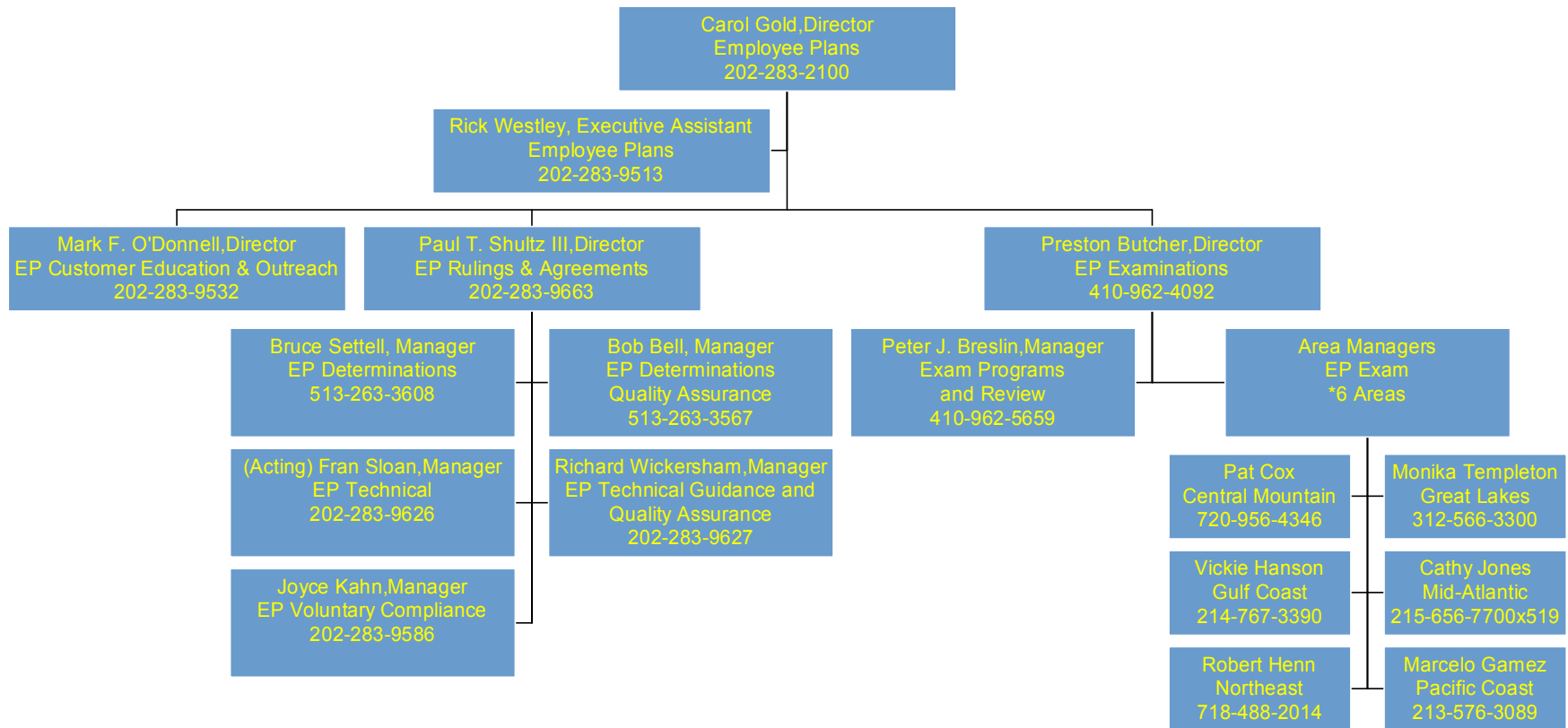


Employee Plans Organization, Within TE/GE





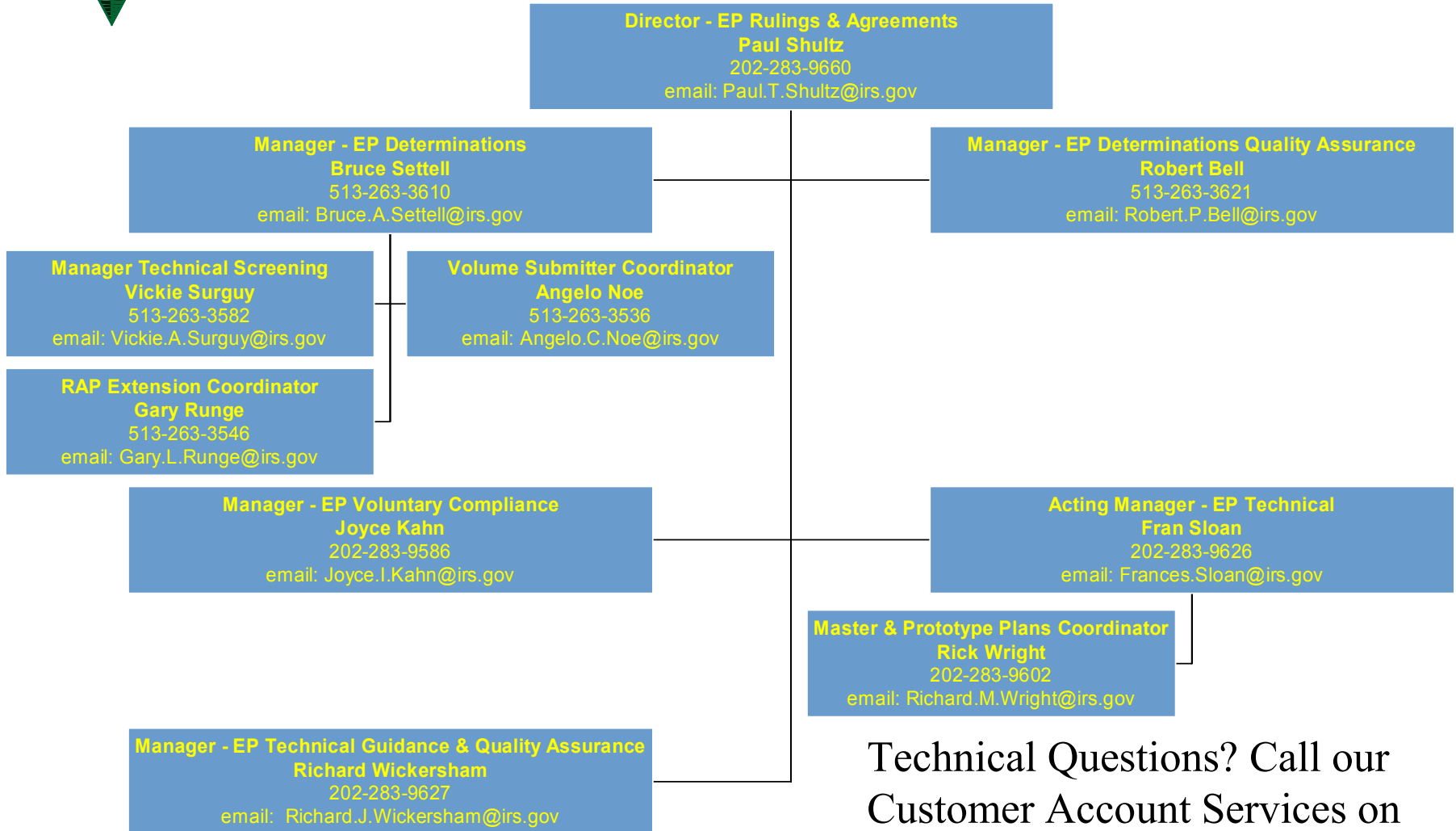
Employee Plans Organization Chart





Employee Plans

EP – Rulings and Agreements



Technical Questions? Call our
Customer Account Services on
1-877-829-5500



Rulings & Agreements -- Highlights

- ✔ New simpler minimum distribution rules
- ✔ Determination letter process streamlined
 - Pre-approved plan word for word adopters applications optional
 - Nondiscrimination tests optional
- ✔ Clarified cross-testing rules -- broader coverage





Rulings & Agreements -- Highlights

- ✔ Helped employers adopt EGTRRA changes through sample amendments
- ✔ Responded to 9/11 disasters with easing of reporting and funding requirements
- ✔ Major focus: Determination letter applications for GUST





R&A -- GUST Determination Letters -- Filing Deadlines

- ✓ M&P & Volume Sub. Sponsors: 12/31/00
- ✓ Individually Designed Plans: 2/28/02/end of '01 PY
- ✓ M&P & VS Adopters: Later of 12/31/02 or 12 months after last letter for all sponsor's plans is received. Automatic for adopters.
- ✓ IDP or adopter of other pre-approved plan could certify by 2/28/02/end of '01 PY, and get 12 month rule.





R&A -- DL Receipts through May 24, 2002 (52,647)

Forms 5300/5303	33,223
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Forms 5307/6406	13,909
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Form 5310	5,515
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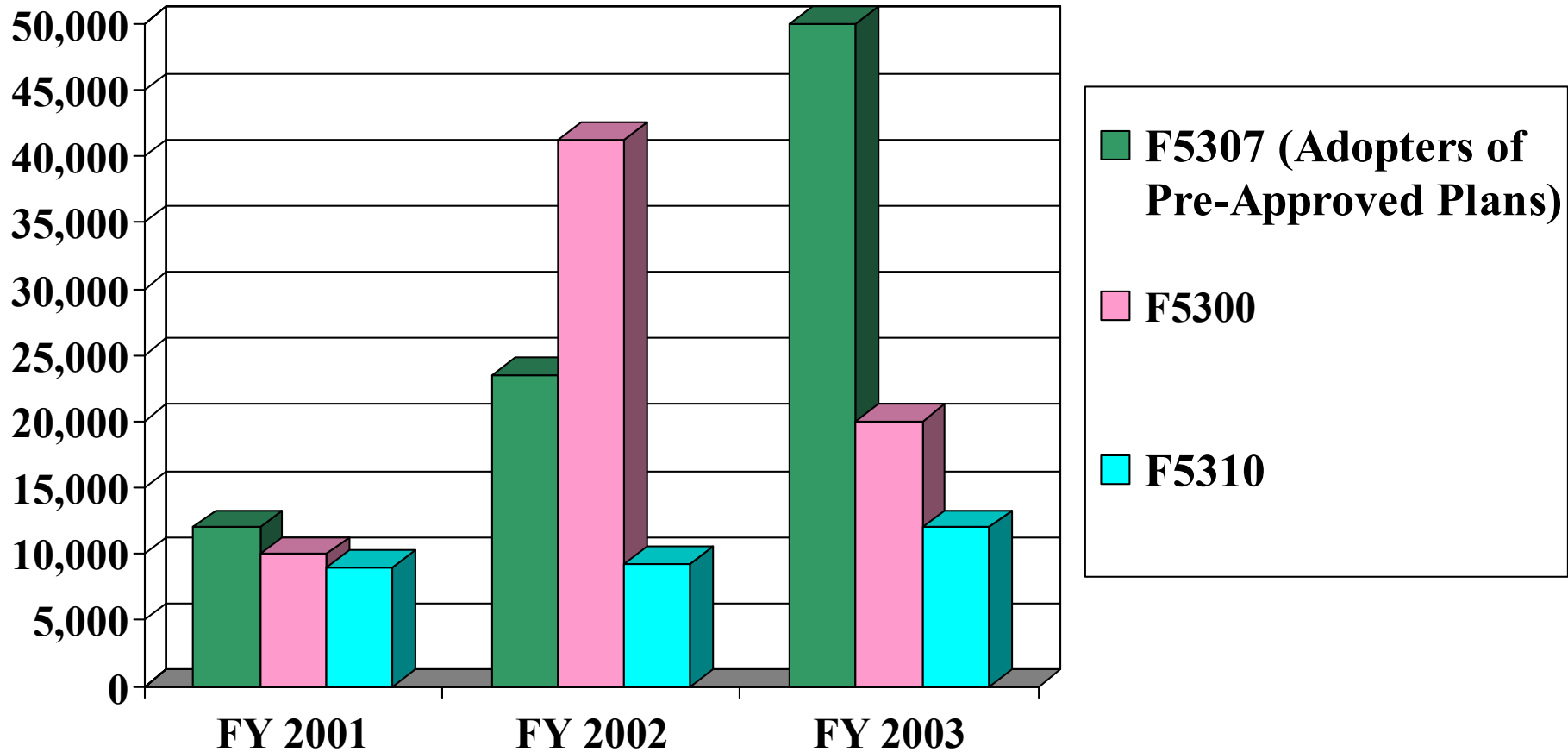
Rulings & Agreements -- Determination Letter Program

- ✓ GUST RAP -- Fourth since ERISA
 - Total Applications Expected over FYs 2002 & 2003
 - Normal 30K
 - Expected 275K
 - Now 160K
 - IDPs (on 5300)
 - Expected 100K
 - Now 60K
 - So far 35K
 - Pre-approved Plans
 - Expected 175K
 - Now 75K





R&A -- “GUST” Projected Receipts





Rulings & Agreements -- Determination Letter Program

✓ Why fewer applications?

– IDPs:

- Migration to pre-approved plans
- Disaster delays to 6/30
- Certificate usage

– Pre-approved plans:

- Optional filing for word for word adopters





R&A -- IRS Pre-Approved Plans (Listed at www.irs.gov/ep)

Master & Prototype Specimens

- 214 sponsors submitted plans by 12/31/00 for GUST
- 955 plans total
- Reviewed in Washington D. C.
- Projected adopting employers seeking a determination letter – 35,000
- Number of adopting employers: More than one half million (primarily standardized plans)

Volume Submitter Plans

- 350 sponsors submitted plans by 12/31/00 for GUST
- 1,000 plans total
- Reviewed in Cincinnati and the areas
- Projected adopting employers seeking a determination letter – 45,000



R&A -- DL Staffing for FY 2001 & 2002

FY 2001

- 150 Agents Total
 - 50 Agents in Cincinnati
 - (35 doing technical screening)
 - 100 Agents working determinations in their respective geographic locations

FY 2002 (Projected)

- 288 Agents Total
 - 60 Agents in Cincinnati
 - (25 doing technical screening)
 - 228 Agents working determinations in their respective geographic locations
 - (75 doing technical screening)

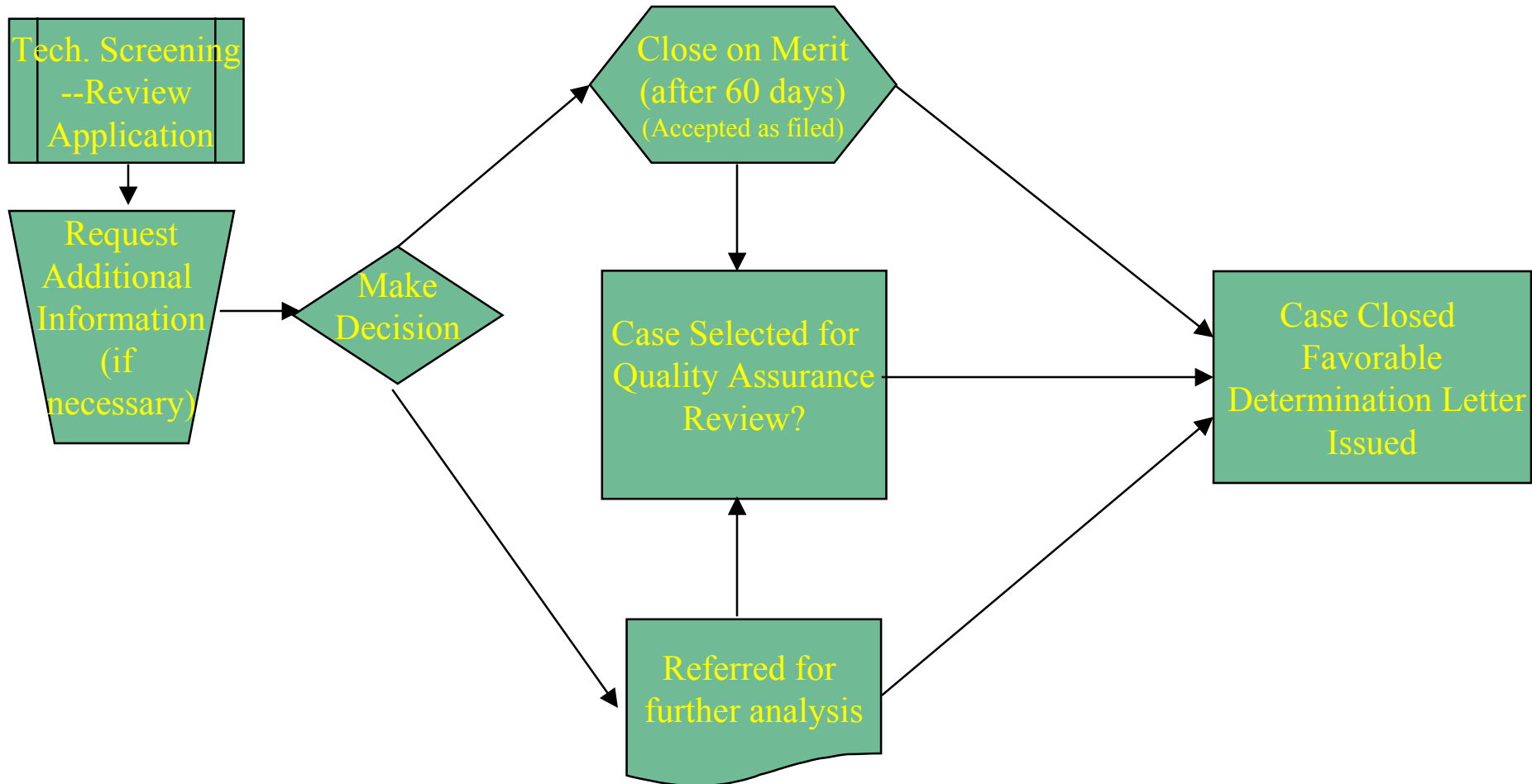


R&A -- Determination Letter Application Workflow

- Processed at the Covington Processing Service Center and forwarded to Cincinnati
- Technically Screened
 - Accepted as filed
 - Referred for further analysis
- Closed
- Files stored at Federal Records Center (10 years)



R&A -- Determination Letter Application Workflow Process





Rulings & Agreements -- Determination Letter Program

- ✓ What has EP done to ease the job of filing applications?
 - Soft guidance (in newsletter and on website)
 - Qs & As on website
 - Screening process
 - Made nondiscrimination testing optional
 - New forms





Rulings & Agreements -- Determination Letter Program

- ✓ What else has EP done to ease the job of filing applications?
 - Guidance on late filers/non-amenders
 - Guidance on mergers of money purchase plans into profit sharing plans





Rulings & Agreements -- Determination Letter Program

- ✔ What more help is coming?
 - Soft guidance on 401(a)(26)





R&A -- Integrating GUST-Related Amendments into DL Application

- Plans *may* include amendments implementing final cross-testing Regs. (eff. PYs 1/1/2002 and later) – acceptable in all plans, including VSs, but not M&Ps
- Elective Transportation Fringe Benefits (IRC 132(f)) included in compensation per CRA '00 – Notice 2001-37 provides model amendment -- mandatory amendment!
- Minimum Distribution Final/Temp. & Prop. Regs. (IRC 401(a)(9)) -- Rev. Proc. will provides model amendment to comply with IRC 401(a)(9)



R&A -- EGTRRA's Impact during the GUST RAP

➤ EGTRRA

- IRS will not rule on EGTRRA changes now -- but IDPs may include EGTRRA amendments in GUST plan documents
 - Pre-approved plans may include EGTRRA amendments, but must be in the form of a separate, clearly identified addendum to the plan
- Notice 2001-42 explains the term “timely adoption of good faith amendments”
- Notice 2001-57 provides IRS sample “good faith” amendments
- Separate 401(b) period for EGTRRA (last day of 2005 PY)



Rulings & Agreements -- Determination Letter Program

- ✓ Why not file and move cases electronically?
 - Major systems redesign
 - Releases over next few years
 - Start with 5307 this year
 - Capture data, maintain electronic file of plan and application that would be available for assignment, review and status updates
 - Eventually, self-service check on and filing





Rulings & Agreements -- Determination Letter Program

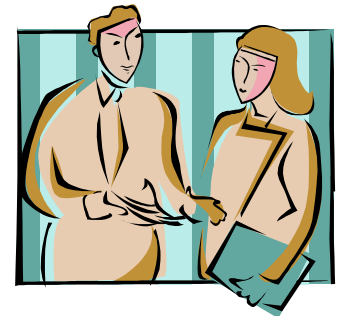
- ✓ What is the future of the program?
 - Brainstormed over past year
 - Asked “Is there a better way?”
 - Published white paper
 - Comments by 7/1
 - Game plan to update paper and continue dialogue
 - Please join in!





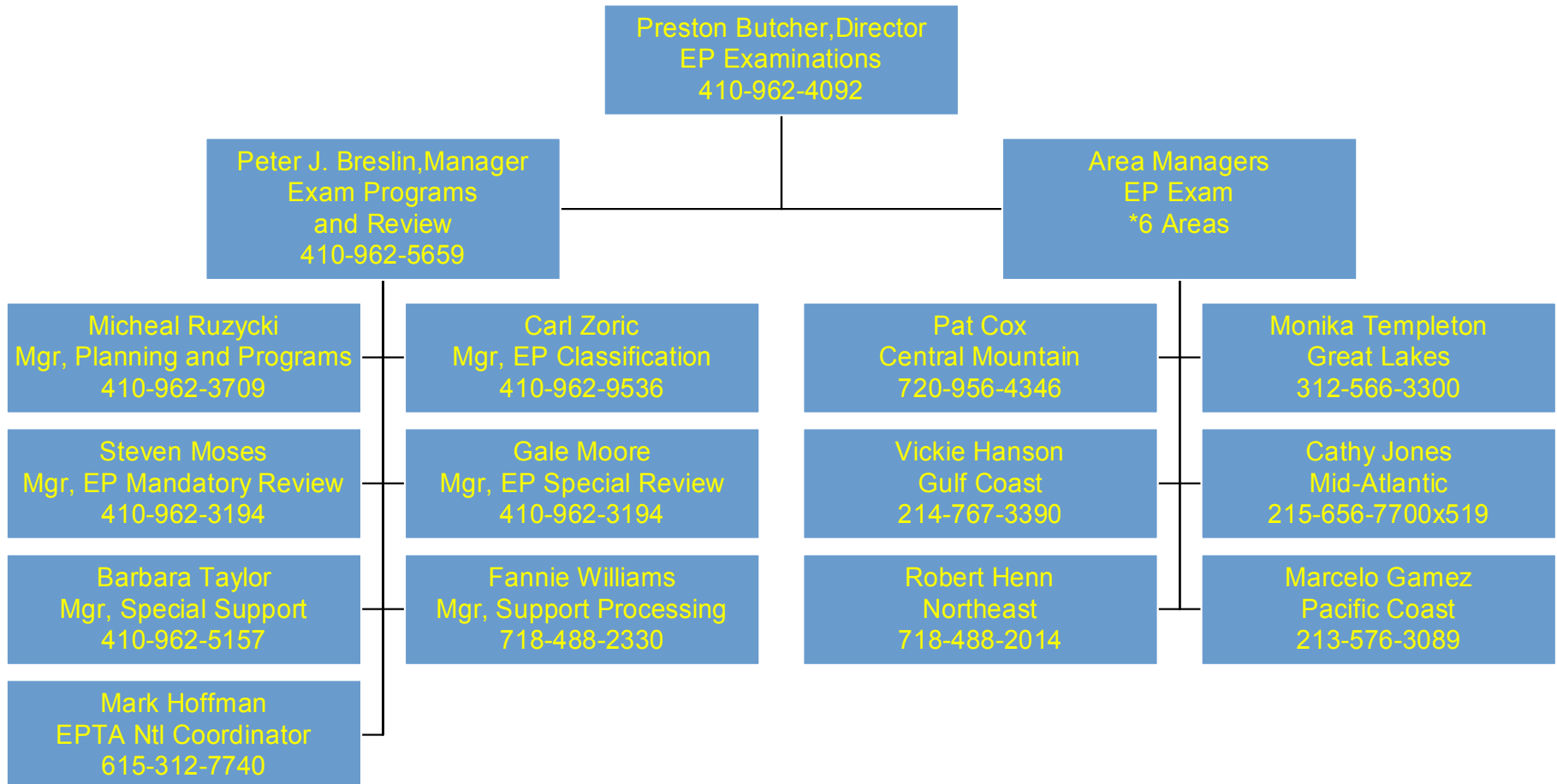
Rulings & Agreements -- Voluntary Compliance Prog.

- ✔ “Stood up” -- 4 managers, 3 national coordinators, 40 employees across U.S.
- ✔ Coordinates closely with exams -- 6 area audit coordinators
- ✔ Transfer of cases from technical and other groups to VC
- ✔ VC Council; Coordination Committee





Examination Organization Chart





Examinations

- ✓ Resources (228 employees) loaned to R&A/Determinations
- ✓ Remaining 320 applied to specific areas
 - Tax sheltered annuities (403(b)s)
 - 401(k) plans
 - Multi-employer plans
 - Very large plans
 - (EPTA or Team Audits)

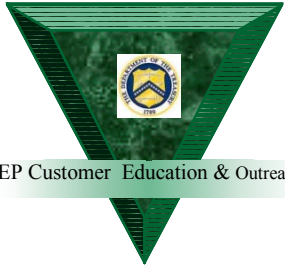




Examinations

- ✓ Refining case selection techniques
- ✓ Developing risk assessment analysis:
 - 19 industries, 10 sizes each
 - Reward those who voluntarily comply

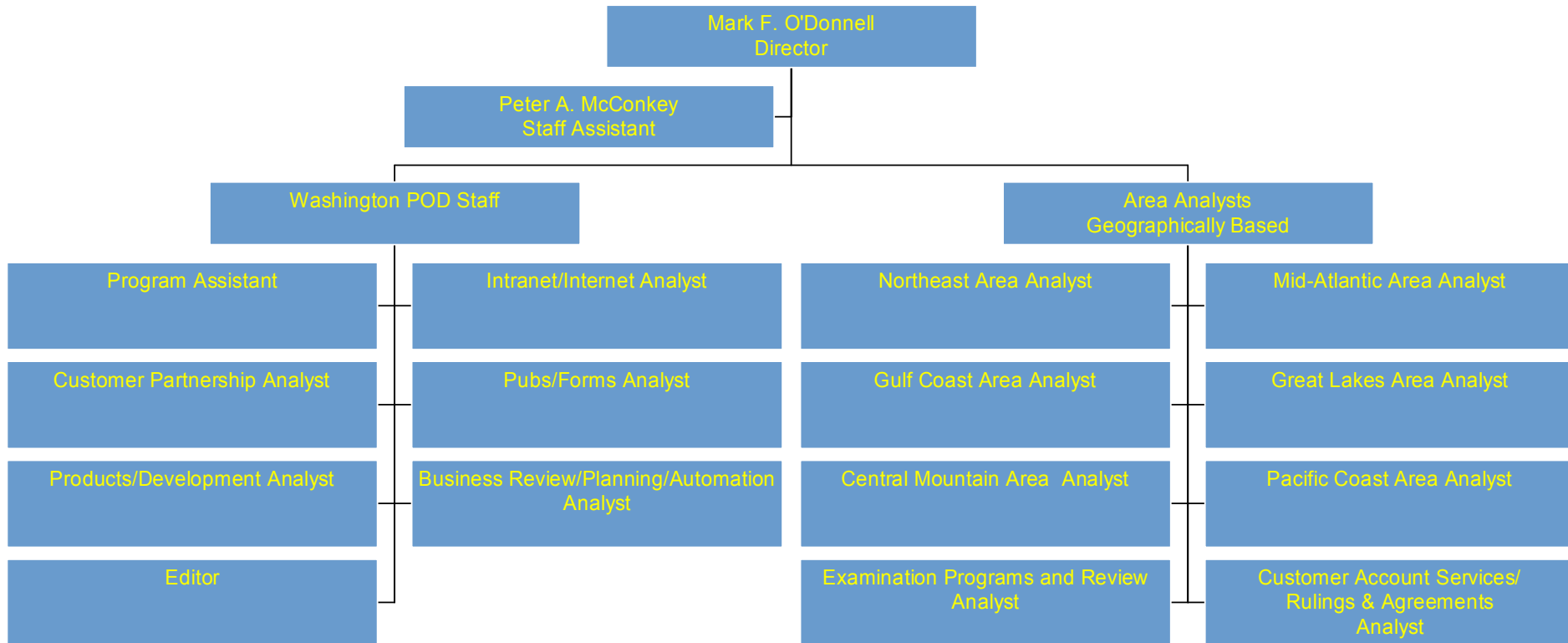




EP Customer Education & Outreach

EP CE & O Organization Chart

Employee Plans, Customer Education and Outreach





Customer Education & Outreach Function

- ✔ EP CE & O helps Employee Plans external customers understand their tax responsibilities by achieving the following objectives:
 - Develop a tailored education program focused on customer sub-segments
 - Monitor non-compliance trends to design proactive outreach products for use by customers
- ✔ Team of employees in six geographical areas across U.S.

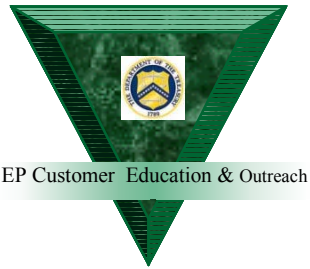




Customer Education and Outreach Program (continued)

- ✔ Employee Plans compliance activities relating to CE & O include both direct and indirect contacts with external customers
- ✔ The two avenues to reach these activities are:
 - Customer Education Program, and
 - Outreach





Customer Education and Outreach Program (continued)

✓ Customer Education Program

- Involves the direct contact with customers through Internal Revenue Service participation at conferences/seminars/workshops,
- The delivery of speeches either individually or as part of a panel, and
- Through exhibiting at conferences and seminars





Customer Education and Outreach Program (continued)

✓ Outreach

- Involves indirect contact with customers, via
 - Newsletters
 - Publications
 - Includes educational videos and interactive CDs
 - Video on TSAs & 457s
 - Websites
 - www.irs.gov/ep
 - Customer Partnerships





TE/GE Advisory Council

- ✓ 18 Members
- ✓ Met first June 2001
- ✓ Six EP members:
 - Brian Anderson -- Madison WI
 - Mary Beth Braitman -- Indianapolis IN
 - Jonathan Forman -- Norman OK
 - Craig Hoffman -- Jacksonville FL
 - John Schroeder -- Santa Clara CA
 - Donald Segal -- New York NY (ACT chair)





Recent Guidance

- DOL's DFVC Prog. -- penalties not apply
- DOL's Fiduc. Correct. Prog. -- excise tax not apply
- 5500 Sched. F suspended
- 30-year Treasury suspension addressed
Proposed 457 Regulations
- Rev. Rul. re 125/415 & health care elections





Current/Pending Projects

- Re-visiting the proposed 401(k) and 401(m) Regs, including plan merger issues
- Guidance for cash balance plans
- Loans under 72(p)
- 10-or-more Employers under 419A(f)(6)
- Meaningful benefits under 401(a)(26)





Current/Pending Projects continued

- EPCRS Rev. Proc. -- June likely
 - Streamlined treatment for non-amenders, including appendix with form, reduced fee, easier and better than if we find non-amendment
 - Other changes reflecting comments from customers
 - Not a major rewrite of program this year





EGTRRA Guidance

EGTRRA:

- Plan amendments and determination letter program - Notice 2001-42
- Effective dates of increase in 401(a)(17) limit, top-heavy changes, and 401(k) hardship distribution suspension period - Notice 2001-56
- Sample “good faith” amendments - Notice 2001-57





EGTRRA Guidance continued



EGTRRA

- Age 50 Catch-up Contributions - proposed regulations under IRC 414(v)
- Dollar limitations including EGTRRA limits and cost-of-living allowances - Notice 2001-84
- No user fee for new plans of small employers (EGTRRA 620) – Notice 2002-1 modifies the annual user fee Rev. Proc. (2002-8) & the annual DL Rev. Proc. (2002-6)



EGTRRA Guidance continued



EGTRRA

- Sample notice to employees regarding the nonrefundable “Saver’s Credit” - Announcement 2001-106
- DB 415/417 Issues – Rev. Rul. 2001-62
- IRC 404(k) and 409(p) (changes to ESOP plans) – Notice 2002-2
- IRC Notice 2002-4 includes language under which IRS will interpret “severance from employment” consistent with GCM 39824