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Major Changes in IRS Qualified Retirement Plan Determination Letter Procedure Announced

The Internal Revenue Service (IRS) has announced that, effective January 1, 2017, the existing procedure for issuance of favorable IRS determination letters for qualified pension, profit-sharing and 401(k) plans will be changed.

In Announcement 2015-19, July 19, 2015, the IRS stated the present staggered 5-year determination letter remedial amendment cycles for individually designed plans will be eliminated. The scope of the IRS determination letter program for individually designed plans will be limited to determination letters for initial plan qualification and qualification upon plan termination. A transition rule will be provided, and comments have been requested. The IRS announcement indicates that, effective immediately, it will generally no longer accept "off-cycle" determination letter applications.

The changes to the determination letter filing procedures will be published by the IRS in an update to Rev. Proc. 2007-44, 2007-2 C. B. 54, and in a successor to Rev. Proc. 2015-6, 2015-1 I. R. B. 194.

The IRS stated that it and the Department of the Treasury are considering ways to make it easier for plan sponsors to comply with the qualified plan document requirements. This may include, in appropriate circumstances, providing model amendments, not requiring certain plan provisions or amendments to be adopted if and for so long as they are not relevant to a particular plan (for example, because of the type of plan, employer, or benefits offered), or expanding plan sponsors' options to document qualification requirements through incorporation by reference.

If you have questions about these new IRS procedures please contact us at any time.

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