



Flashpoint: IRS Representatives Say No Imminent VCP Changes

IRS representatives attending the TE/GE Council meetings this week have confirmed that there is no significant action being taken by the IRS at this time to modify the Voluntary Correction Program (VCP) program.

On February 25, 2020, the American Retirement Association (ARA) reported in its online newsletters that, according to an IRS whistleblower, the IRS was intending to change the VCP program and its administration in the near future to assist in cleaning up its case backlog. In particular, the ARA report indicated that there would be several circumstances under which current cases in VCP would be transferred or referred to the IRS Examinations Group, essentially converting the voluntary cases to plans under audit.

IRS TE/GE attendees at the TE/GE Council acknowledged that there is some intention to require stricter compliance by practitioners who have been abusing the current VCP procedures. For example, the IRS is intending to enforce the 21-day period it provides for practitioners to respond to requests for additional information.

IRS TE/GE attendees expressed that the Service is concerned about cases where the applications are revoked by practitioners from VCP without resolution; action needs to be taken, the IRS indicated, to do something to repair these plans' problems. The VCP procedures have always permitted the referral of unresolved cases to Examinations. This is the main reason why practitioners use the IRS's anonymous filing procedure for cases for which correction methods are not clearly defined or the ability to correct under VCP is questionable. Under that procedure, a practitioner files the plan under VCP, withholding the names of the plan sponsor and plan until resolution is reached with the IRS. This enables the filer to revoke the submission if resolution cannot be reached without subjecting the client to the risk of referral to Examinations. If the IRS intends to more readily refer unresolved cases to Examinations, it is likely that the frequency of anonymous filings will increase.



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