



TaxNewsFlash

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Rev. Proc. 2021-30: Employee plans correction methods, updated

The IRS today released an advance version of Rev. Proc. 2021-30 as an update of a comprehensive system of correction programs for sponsors of retirement plans that are intended to satisfy the requirements of sections 401(a), 403(a), 403(b), 408(k) and 408(p), but that have not met these requirements for a period of time.

The correction system—the Employee Plans Compliance Resolution System—permits plan sponsors to correct these failures and thereby continue to provide their employees with retirement benefits on a tax-favored basis under the Self-Correction Program (SCP), the Voluntary Correction Program (VCP), and the Audit Closing Agreement Program (Audit CAP).

[Rev. Proc. 2021-30](#) [PDF 736 KB] (140 pages) adds two new benefit overpayment correction methods that encourage employers to avoid seeking recoupment of benefit overpayments made to participants and beneficiaries, either by not requiring correction if the plan satisfies a specified funding level, or by limiting the amount to be recouped under certain circumstances.

In addition, Rev. Proc. 2021-30:

- Eliminates the VCP anonymous submission procedure and adds an anonymous, no-fee, VCP pre-submission conference procedure
- Expands correction by plan amendment under SCP, extends the end of the SCP correction period for significant failures by one year, and extends the sunset of the safe harbor correction method for certain missed elective deferrals by three years

As briefly explained in a related [IRS transmittal message](#), Rev. Proc. 2021-30 includes:

- **Overpayments correction options**—The revenue procedure includes expanded correction principles to allow plan sponsors to fix operational failures when plan participants or beneficiaries receive payments from defined benefit plans that exceed what is permitted by the terms of the plan, effective July 16, 2021. The new principles reduce the need to seek repayment from

participants or beneficiaries who received overpayments, and in some cases, do not require the plan sponsor to reimburse the plan for overpayments to participants.

- **Expansion of self-correction for significant operational failures**—The revenue procedure extends the correction period of significant operational failures to three years (from two years) effective July 16, 2021.
- **Expansion of self-correction for retroactive plan amendments**—The revenue procedure makes it easier to use retroactive plan amendments to correct operational failures by removing the requirement that all participants in the plan benefit by the retroactive amendment, effective July 16, 2021.
- **Anonymous VCP submissions**—Rev. Proc. 2021-30 eliminates anonymous submissions under VCP, effective January 1, 2022.
- **Anonymous pre-submission conferences**—Effective January 1, 2022, the IRS will permit plan sponsors or their representatives to make an anonymous written request for a pre-submission conference to discuss a potential VCP submission at no cost to the plan sponsor. Following the pre-submission conference, if the plan sponsor submits a VCP request, it can no longer be anonymous.
- **Extension of automatic enrollment failures**—The revenue procedure extends the sunset of the safe harbor correction method to correct missed elective deferrals for eligible employees subject to an automatic contribution feature in Section 401(k) or 403(b) plans.
- **Increased threshold for de minimis correction amounts**—The threshold amount is increased to \$250 (from \$100) for certain de minimis amounts for which a plan sponsor is not required to implement correction.

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