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IRS Reduces VCP User Fees Effective February 1, 2016

On January 4, 2016, the IRS issued Revenue Procedure 2016-8, which provides guidance for complying with the user fee program of the Voluntary Correction Program (VCP). Effective February 1, 2016, the fees for a VCP filing for most new submissions will be reduced, a change made to encourage employers who sponsor 401(a) and 403(b) plans to correct plan failures through VCP. The following table summarizes the general VCP fee changes:

Number of Plan Participants	Fee Prior to 2/1/2016	Fee as of 2/1/2016
20 or fewer	$750	$500
21-50	$1,000	$750
51-100	$2,500	$1,500
101-500	$5,000	$5,000 (unchanged)
501-1,000	$8,000	$5,000
1,001-5,000	$15,000	$10,000
5,000-10,000	$20,000	$10,000
more than 10,000	$25,000	$15,000

In addition, during 2015, the IRS began classifying VCP fees as “user fees” subject to IRC 7528. As a result, in 2016, plan sponsors will refer to a new annual revenue procedure to determine the appropriate fee when making a VCP submission to the IRS.

Thus, beginning February 1, 2016, plan sponsors should:

-Use Revenue Procedure 2016-8, section 6.08 (and subsequent annual updates), to determine the appropriate fee for most VCP submissions.

-Continue to use Revenue Procedure 2013-12 (as modified by Revenue Procedure 2015-27) for additional guidance on VCP fees and eligibility for reduced fees for certain submissions.

Note that the IRS will not apply the reduced fees for VCP submissions made prior to February 1, 2016, nor will they issue refunds for pre-February 1, 2016 VCP submissions that are withdrawn and then resubmitted under the reduced fee schedule.

To see the complete text of Revenue Procedure 2016-8, click here.