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IRS Extends Pre-Audit Compliance Pilot Program

by R. Sterling Perkinson

The IRS announced on February 7, 2024, that it is moving into the second phase of its Pre-Examination Retirement Plan Compliance Program pilot, which is discussed in our prior blog post.

Under the initial phase, the IRS sent pre-audit letters to 100 plan sponsors who had been selected for an audit, giving them 90 days to review plan records and self-correct any errors that were identified. If errors were identified that were not eligible for self-correction, plan sponsors could request a closing agreement upon payment of a user fee that is based on the Voluntary Correction Program (VCP) user fee schedule, which currently has a maximum user fee of $3,500.

The IRS's announcement reported that 72% of the 100 plan sponsors who received these letters responded, which indicated to the IRS that "plan sponsors are eager to take advantage of this program".

No substantive changes in how the program operates have been announced. Although the pilot is being extended, the IRS still intends to evaluate its effectiveness in determining whether it should be made permanent.