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IRS Issues Revenue Procedure Expanding the Employment Plans Compliance Resolution System

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The SECURE 2.0 Act of 2022 (“SECURE 2.0”) brought significant changes to the correction of inadvertent errors for employer retirement plans, as described in our prior [Legal Alert](#).

On October 22, 2026, the IRS issued [Revenue Procedure 2026-24](#), which expands the Employee Plans Compliance Resolution System (EPCRS). This Revenue Procedure updates the Self-Correction Program (SCP) to comply with SECURE 2.0’s “Eligible Inadvertent Failure” standard, adopts the rules governing the correction of overpayments, and proposes an expansion of the use of the DOL Online Calculator for lost earnings.

Self-Correction Program. SECURE 2.0 greatly expanded the availability of the SCP for employer retirement plans. Notice 2023-43 clarified the scope of the expansion, which we discussed in further detail in our previous [blog post](#). The self-correction rules in the Revenue Procedure substantially implement previous guidance provided by the IRS, with a few notable changes:

- **Correction Period.** In response to comments to Notice 2023-43, the IRS has provided that self-correction that is completed by the later of the last day of the third plan year following in which the failure occurred or 18 months after the indication of the failure is considered to be completed within a reasonable time period. The previous guidance only defined the reasonable period of time for correction as the last day of the 18th month following the date of the failure. Prior to SECURE 2.0, the self-correction period for significant operational failures extended to the last day of the third plan year from when the failure occurred, so the update means that the correction period is not more limited than under the pre-SECURE 2.0 EPCRS.
- **Failures found in determination letter process.** The Revenue Procedure restricts the SCP, so it is only available to insignificant operational failures discovered by the IRS upon review of a determination letter application.
- **Elective deferral failure.** The IRS specified that elective deferral failures may be corrected with a reduced qualified nonelective contribution (“QNEC”) only if the correction is completed no later than the last day of the third plan year following the plan year in which the failure occurred.

Overpayment Corrections. SECURE 2.0 also made significant changes to the rules governing overpayment corrections for employer sponsored plans. The overpayment guidance in Notice 2024-77 was discussed in our prior [blog post](#), which notes some of the key questions that the guidance addressed. In addition to implementing the guidance, the Revenue Procedure makes some changes:

- **New de minimis rule.** Corrective payments are generally required for inadvertent benefit overpayments relating to Section 401(a)(7), 415, or 436 failures that are not recouped from the recipient. However, the Revenue Procedure provides an exception for small payments under \$250.
- **Participant Protections.** Recoveries of overpayments are generally permitted but not required under both the previous SECURE 2.0 guidance and the Revenue Procedure. The previous guidance did not address the limitations ERISA Section 206(h) may place on a plan sponsor's ability to seek recoupment, but the Revenue Procedure notes its applicability. The SECURE 2.0 overpayment recovery rules are addressed in our prior [blog post](#).

DOL Online Calculator. In addition to implementing SECURE 2.0 and previous IRS guidance, the Revenue Procedure proposes an expansion to the use of the DOL Online Calculator for lost earnings. The IRS is concerned that under the current method, plan sponsors are able to pick whether to use the DOL Online Calculator or actual earnings based on whichever method is cheaper.

In response to this concern, the Revenue Procedure sets forth two proposals that the IRS is currently requesting comments on:

- The first proposal would add a new safe harbor method for calculating earnings when correcting an operational failure in a defined contribution plan. The safe harbor method would require the use a higher underpayment rate in Section 6621(c)(1) for all earnings calculations, regardless of the amount of lost earnings. The IRS recognizes that using a higher underpayment rate would require some manipulation of the DOL Online Calculator because this underpayment rate is currently programmed to apply only when lost earnings exceed \$100,000.
- The second proposal would create a mandatory floor (a minimum amount of earnings) based on the DOL Online Calculator underpayment rates.

In the Revenue Procedure, the IRS notes that such an expansion could reduce calculation costs, complexity, and uncertainty. However, the IRS also discusses the potential pitfalls of expanded use of the Online Calculator, such as the Online Calculator rate being too low compared to average rates of return for private contribution plans.

Pending the adoption of either or both of these proposals, the existing guidance regarding use of the DOL Online Calculator and computation of actual earnings may still be relied upon.