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IRS Updates VCP User Fees

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The IRS has revised its user fees for the Voluntary Correction Program (VCP) effective for submissions made on or after January 2, 2018. VCP is an IRS program that allows plan sponsors to correct failures involving a qualified plan or a 403(b) plan with IRS approval. The new VCP fees are based on the net assets of the plan as reported on its prior Form 5500, as follows:

Net Assets	VCP Fee
$0-$500,000	$1,500
Over $500,000 to $10,000,000	$3,000
Over $10,000,000	$3,500

Prior to this change, a plan's VCP fees were determined based on the number of plan participants, which could be as high as $15,000 for the largest plans. While this is generally a reduction, there are exceptions. Prior to 2018, the IRS provided lower VCP fees for certain issues for which the IRS offered streamlined correction procedures. For example, plans with limited participant loan failures could be corrected with a VCP fee as low $300. The special VCP fees for streamlined corrections no longer apply. As a result, VCP fees for certain limited circumstances may be increased because they will now be subject to the general VCP fee, but in most cases the cost of correcting under VCP has been reduced.