

# IRS Recently Updated System to Correct Retirement Plan Errors

Retirement plans must operate in compliance with the Internal Revenue Code that govern them. If they don't operate accordingly plans can become disqualified and lose the important tax benefits they provide creating severe for tax consequences for both employers and employees.

## Common Operational Errors

Some common operational errors include: failing to allow eligible employees to contribute or applying eligibility provisions incorrectly; miscalculating contributions; not making timely deposits; vesting errors; making participant plan loan errors; nondiscrimination testing errors; and overpaying benefits to employees.

To allow employers to fix certain retirement plan operational errors and avoid losing tax benefits, the IRS has created the Employee Plans Compliance Resolution System (EPCRS).

## Overview of the Resolution System

EPCRS allows retirement plan sponsors (including SEP and SIMPLE IRA plans) to correct plan failures via one of three ways:

- **Self-Correction Program (SCP):** corrects certain plan failures without contacting the IRS or paying a user fee
- **Voluntary Correction Program (VCP):** corrects failures not eligible for SCP and to get the approval of the IRS that the failures were properly corrected
- **Audit Closing Agreement Program (CAP):** resolves failures discovered during an IRS audit that can't be corrected using SCP

In July 2021, the IRS made significant updates to EPCRS [Read the Rev. Proc. 2021-30 update here](#). This update modifies and supersedes Rev. Proc. 2019-19.

## Summary of IRS Revenue Procedure Updates

- **Elimination of the VCP anonymous submission procedure,** effective Jan. 1, 2022
- **Addition of an anonymous, no-fee, VCP pre-submission conference procedure,** effective Jan. 1, 2022
- **Expanded correction** by plan amendment under SCP
- **Extended the SCP correction period** by a year for significant failures
- **Extended the sunset of the safe harbor correction method** by three years for certain missed elective deferrals for eligible employees who are subject to an automatic contribution feature in a Section 401(k) plan or Section 403(b) plan (from Dec. 31, 2020, to Dec. 31, 2023)
- **Expanded guidance** on the recoupment of overpayments of defined benefit plan benefits

## Next Steps

Preventing plan errors is the best way to avoid having to use any EPCRS corrective measure all together. The IRS has compiled the following resources to assist plan sponsors with some best practices:

- [Retirement plan operation and maintenance](#)  
Responsibilities and duties in keeping your retirement plan in compliance.
- [Fix-It Guides](#)  
Tips on avoiding errors in 401(k), SEP, SIMPLE IRA and SARSEP plans.
- [Checklists](#)  
A quick review to help you avoid some common mistakes in operating your 401(k), 403(b), SEP, SIMPLE IRA and SARSEP plans.
- [Fixing common plan mistakes](#)  
Common mistakes that happen in retirement plans and how to correct the problem.
- [Avoiding compensation errors in retirement plans](#)  
Areas affected by your plan's definition of compensation and tips for getting it right.
- [A guide to common qualified plan requirements](#)  
A list of some important retirement plan requirements to help you implement practices, procedures and internal controls to monitor plan operations.

## Reach Out to the RPS Team

If you think your retirement plan has an operational error, addressing it as soon as possible is the best solution. Feel free to reach out to your Retirement Plan Solutions team at Mariner Wealth Advisors for guidance to determine whether you need to seek the services of an ERISA attorney to help make corrections.



For more information visit: [marinerwealthadvisors.com](https://marinerwealthadvisors.com)

### Source:

["IRS Makes Significant Changes to EPCRS Correction Program"](#)

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