

Publications

IRS Expands Determination Letter Program for Two Groups of Plans – Considerations for Plan Recordkeepers

ATTORNEYS & PROFESSIONALS

Kim Boberg

kboberg@groom.com

202-861-2606

Elizabeth Thomas Dold

edold@groom.com

202-861-5406

David Levine

dlevine@groom.com

202-861-5436

Louis T. Mazawey

lmazawey@groom.com

202-861-6608

David Ashner

dashner@groom.com

202-861-6330

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In response to periodic requests to expand the determination letter program, the Internal Revenue Service (“IRS”) recently issued welcome guidance in Revenue Procedure 2019-20 (May 1, 2019). The guidance opens up the determination letter program for statutory hybrid plans (e.g., cash balance plans) and merged plans, and provides helpful relief from document failures identified and corrected as part of those determination letter applications. As explained below, under the new IRS guidance, clients that maintain cash balance or other hybrid formula defined benefit plans (even frozen plans) have a unique opportunity to submit the plan to the IRS for a determination letter from September 1, 2019 through August 31, 2020.

Moreover, starting September 1, 2019 and on an ongoing basis, plan sponsors of merged plans (defined benefit or defined contribution) will be able to submit the merged plan for a determination letter application within a limited period after the corporate transaction and plan merger. This is an important due diligence step for the client to ensure that the form of the merged document complies with the complex plan qualification rules under the Internal Revenue Code of 1986, as amended.