

June 26, 2018

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, D.C. 20510-6200

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
United States Senate  
219 Dirksen Senate Office Building  
Washington, D.C. 20510-6200

Re: Senate IRS Reform Proposal

Dear Chairman Hatch and Ranking Member Wyden:

As organizations interested in ensuring the adequacy of Americans' retirement savings, we thank you for your work on retirement security built through the employer based retirement plan system. We understand the Committee is currently working on bipartisan legislation that would restructure Internal Revenue Service (IRS) operations. We bring to your attention a proposal that would be a good fit in this legislation and has enjoyed bipartisan support.<sup>1</sup>

Compliance with the tax laws when businesses sponsor a retirement plan is challenging due to the numerous and complex rules currently in place, leading to many opportunities for mistakes. The ability to voluntarily correct these mistakes in a timely way at a reasonable cost is critically important to a business that finds a mistake.

The proposal would direct the IRS to expand the self-correction program (SCP) within the IRS's Employee Plan Compliance Resolution System (EPCRS), to enable businesses with retirement plans to more easily correct common mistakes. Expanding SCP to address common mistakes enables businesses to fix these problems without a submission to the IRS and the payment of a user fee. Timely and efficient correction protects participating employees by providing them with their expected retirement benefits, including favorable tax treatment.

Congress recognized this in 2006 when it included a provision in the Pension Protection Act authorizing EPCRS.<sup>2</sup> The provision included specific language directing the IRS to expand SCP under EPCRS in order to foster retirement plan compliance. Further action is needed by Congress to ensure the self-correction program is expanded and works most effectively.

Plan sponsors favor clear rules and reasonable procedures to correct common mistakes. Without the ability to voluntarily correct errors at a reasonable cost, such "foot faults" can put pressure on the system and discourage interest in plan sponsorship. Expanding the self-correction program, as intended in the 2006 Pension Protection Act, will be a common sense improvement to the current plan administration procedures.

---

<sup>1</sup> SAFE Retirement Act of 2013 (S. 1270, 113<sup>th</sup> Cong., 1<sup>st</sup> Sess.), Retirement Plan Simplification and Enhancement Act of 2017 (H.R. 4524, 115<sup>th</sup> Cong., 1<sup>st</sup> Sess.).

<sup>2</sup> Section 1101 of the Pension Protection Act of 2006 (P.L. 109-280).

We thank the Committee for its work to protect the private-sector retirement system. We appreciate your attention to this issue, and we look forward to working with you.

Sincerely,

American Benefits Council

American Retirement Association

ERISA Industry Committee

Investment Company Institute

Small Business Council of America

Society for Human Resource Management

The SPARK Institute

U.S. Chamber of Commerce