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Employee Plans' 401(k) Interim Report Due by Fiscal Year-End, IRS Official Says

LOS ANGELES—Information gleaned from the Internal Revenue Service's 401(k) Compliance Check Questionnaire, sent out to 1,200 employee plans, is being analyzed and an interim report on the findings should be issued by the end of the fiscal year in September, Monika A. Templeman, IRS director of employee plans examinations, told a conference June 3.

IRS's Employee Plans Division intends to use the information on tax code Section 401(k) tax code Section 401(k) plan compliance behavior to identify education and outreach needs, expand enforcement efforts, and enhance its voluntary compliance program, Templeman said, adding that a final report will be published and posted sometime in fiscal year 2012.

However, the questionnaire has already pointed to a number of common problems with employers' Section 401(k) programs, including what Templeman termed "document failures," such as late filings, failure to amend when there is a need, and failure to follow the terms of the plan.

More than half of the plans surveyed had errors related to the definition of compensation; other common errors were excluding eligible employees, and problems related to plan loans.

"It's amazing how many plans that don't allow loans give them," she told a session at the annual ERPA Conference, sponsored by IRS and the American Institute of Retirement Education. That is important because the economic downturn has made plan loans more prevalent than ever, she added.

The survey also pointed to problems with the timeliness of employer deposits into employees' Section 401(k) plans, Templeman added.

The response rate to the questionnaire was more than 95 percent, but IRS plans to follow up with nonresponders, she said.

Forthcoming Revenue Procedure

Andrew E. Zuckerman, IRS director of employee plans rulings and agreements, said the agency is "far along" with a revenue procedure covering church plans, and has in the works further guidance for cash-balance plans, as well as for rules governing multiemployer plans. He said, however, that he could not predict when the guidance would be forthcoming.

By **Tom Gilroy**

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