

## IRS to issue 401(k) compliance questionnaire



The IRS recently announced that it will be sending compliance questionnaires to a random sample of 1,200 companies that sponsor a 401(k) plan and filed a 2007 Form 5500. Letters were expected to go out by the end of May.

The IRS is undertaking this compliance review initiative in an effort to maintain a high level of compliance in 401(k) plans, the largest segment of the retirement plan market. The questionnaire covers a wide variety of areas, including demographics, participation, contributions, discrimination tests, distributions, and loans. Information gathered from these questionnaires will be published in a report and will be used by the IRS to identify areas where additional education, guidance, and outreach are needed.

This contact is a compliance check. A compliance check is not an audit or investigation under section 7605(b) of the Internal Revenue Code or an audit under section 530 of the Revenue Act of 1978, however, failure to complete the questionnaire will result in further enforcement action. Also, similar inquiries from the IRS in the past have resulted in plan audits, based on the responses provided by the employer.

If you receive one of these questionnaires, we encourage you to contact your Alerus account administrator for assistance in reviewing and completing it. We recommend you answer the questions carefully and consult legal counsel if you discover any compliance issues. Self-correction programs are available that enable plan sponsors to correct operational defects for a reduced fee (or no fee) as long as they are corrected before the IRS discovers the errors under audit.