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# Torrillo & Associates

Benefit Plan Audit Specialists

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## Voluntary Correction Program Changes User Fees



## Voluntary Correction Program Changes

Effective January 2, 2018, the IRS simplified the user fees charged for most submissions made under the Voluntary Correction Program (VCP). The total amount of net plan assets determines the applicable user fee. Most alternative or reduced fees that were part of previous revenue procedures no longer apply. Refer to [Revenue Procedure 2018-4](#), Appendix A.09 for details.

Retirement plan sponsors make submissions under VCP to resolve problems with their tax favored retirement plans (see [Revenue Procedure 2016-51](#) for VCP details). VCP fees are:

- user fees (see Internal Revenue Code (IRC) Section 7528),
- published annually, and
- subject to change.

Generally, you use net plan assets to determine the applicable user fee. Effective for VCP submissions mailed to the IRS on or after January 2, 2018, the user fees based on net plan assets are as follows:

\$0 to \$500,000	\$1,500
Over \$500,000 to \$10,000,000	\$3,000
Over \$10,000,000	\$3,500

## Determining net plan assets

In many cases, you determine the amount of plan's net assets from its most recently filed Form 5500-series return. If your plan is not required to file a Form 5500-series return (see Rev. Proc. 2018-4, Appendix A.09 for additional information). For SEP/SARSEP/SIMPLE IRA plans, the amount of plan assets is the total value of all plan participants' IRA account balances associated with the plan.

## Exceptions to Asset Based VCP fees

The new fee schedule doesn't apply to Group VCP submissions,

or submissions for Orphan or 457(b) plans (see Rev. Procs. 2018-4 and 2016-51).

The fee for a group submission is based on the number of plans affected by the failure as described in the compliance statement. The initial fee is due at the time of submission. An additional fee is due equal to the product of the number of plans in excess of 20 multiplied by \$250. The maximum fee for a group submission is \$50,000. If additional plans are added following the group submission, the additional fee is paid subject to the \$50,000 maximum. With respect to pre-approved plans, the fee is determined based on the number of basic plan documents submitted and the number of employers who have adopted each basic plan document by using an adoption agreement associated with that basic plan document. (Form 8951, Rev Proc 2016-51, Sec. 10.10, Rev Proc 2016-51, Sec. 11.06)

## **Reporting fees on Form 8951**

The IRS is revising Form 8951, Compliance Fee for Application for Voluntary Correction Program (VCP). Until a revised form is available:

- Continue to use Form 8951 (9-2016 version)
- Ignore the information on the form that suggests VCP fees are determined based upon the number of plan participants
- Don't check boxes on Lines 8(a) through 8(c) because they no longer apply
- Attach a check for the fee amount specified in Rev. Proc. 2018-4, Appendix A.09

The IRS won't:

- apply the new fee structure to VCP submissions made prior to January 2, 2018, or
- issue refunds for pre-January 2, 2018 VCP submissions that are withdrawn and then resubmitted under the new

fee schedule.

## Additional resources for Voluntary Correction Program Changes



- [Voluntary Correction Program \(VCP\) Fees](#)
- [Revised Form 8950, Application for Voluntary Correction Program \(VCP\) Submission](#)
- [Voluntary Correction Program \(VCP\) – General Description](#)
- [Correcting Plan Errors](#)



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## Who We Are

Torrillo & Associates, LLC specializes in employee benefit

plan audits including 401k audits, 403b audits, pension plan audits, and other retirement plan audits. We are licensed in 10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

## Recent Articles

- [Executive Order Issued to Expand Access to Alternative Assets for 401\(k\) Investors](#)
- [DOL Promotes New On-Line Self-Correction Program](#)
- [DOL Files Amicus Brief Supporting Use of Forfeitures to Reduce Employer Contributions](#)
- [US Department of Labor Rescinds 2022 Guidance on Cryptocurrency in 401\(k\) Plans](#)

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