

July 2015

Major Changes Coming to IRS Determination Letter Program for Individually Designed Plans

On July 21, 2015, the Internal Revenue Service (IRS) announced dramatic changes to its determination letter program for individually designed retirement plans. Announcement 2015-19 reports the official adoption of changes that had been previously discussed in informal remarks made by IRS personnel. Under the revised program, individually designed plans will only be permitted to file for a favorable determination as to a plan's tax-qualified status upon adoption of a new plan and plan termination. The IRS has noted that there may be other circumstances, which will be announced at a later date, under which a determination letter application will be accepted. The current program, which allows plan sponsors to file determination letter applications every five years, will end with Cycle A, which will open on February 1, 2016, and end on January 31, 2017.

Time will tell exactly what impact these changes will have on sponsors of individually designed retirement plans. It seems clear, however, that plan sponsors will no longer have the comfort of receiving regular favorable determination letters throughout a plan's lifecycle. Forthcoming IRS guidance will provide valuable insight as to how plan sponsors may keep their plans in compliance with future changes in the law and other required plan amendments. Plan sponsors and their advisors may want to carefully consider how these changes will affect a wide variety of plan-related functions, from plan design to plan correction, and how the lack of a current determination letter will affect audits, reporting obligations, and due diligence in corporate transactions.

If you have any questions or would like to discuss this update further, please contact one of the following members of our [Employee Benefits and Compensation Group](#):

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