



Tax-Exempt Organization's Employee Benefit Plans: What To Expect From The IRS

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The IRS's official comments on upcoming audits of benefit and Section 403(b) plans and how it impacts you

In early May, the Internal Revenue Service (IRS) released official comments on upcoming audits of benefit plans and Section 403(b) plans. Here's how it may impact you.

According to the IRS, their goals include the release of new audits of employee benefit plans, such as tax-sheltered annuity and tax-exempt deferred compensation. This change will directly impact not-for-profit organizations and public schools.

The Breakdown: The IRS's Plans

The IRS anticipates increasing outreach to better educate employers and plan sponsors on compliance and plan-related matters. Through the upcoming audits of employee benefit plans, the IRS hopes to achieve the following:

- Communication with plan sponsors and employers concerning how they can qualify for plans and stay compliant
- Bring awareness to the universal availability requirement under Section 403(b), which largely allows all eligible employees to participate in an organization's plan at the start of their employment
- Increase compliance under Savings Incentive Match Plans for Employees (SIMPLE), Simplified Employee Pensions (SEP), and SEP plans
- Promote timely and inclusive adoption of SEPs
 - This includes all employees 21 years or older that have performed services in three of the five preceding years at the organization
- Make sure plan sponsors understand the requirements of Section 457 deferred compensation plans
- Encourage plan sponsors to utilize the IRS's self-correction tool under the Employee Plans Compliance Resolution Systems
 - The IRS recently increased the available self-correction options
 - According to the IRS, employers that take advantage of self-correcting errors will not subject themselves to an audit

Next Steps for Not-for-Profit Organizations

As a result of the IRS's expected plans to increase audits of benefit plans, now is the time for tax-exempt organizations to prepare. We encourage you to work with your audit advisor to identify potential areas of noncompliance and opportunities for your company to join a new plan. In addition, IRS pre-approved plan documents must be adopted by March 31, 2020. We recommend you work with your plan provider to ensure the plan document process is underway and that the new documents are reviewed in detail. This confirms that proper plan provisions are elected and costly compliance errors are avoided. [Contact us](#) today to get started.