Voya Alert!

November 2026

IRS Updates the Employee Plans Compliance Resolution System and Creates the IRA Compliance Resolution System

On October 22, 2026, the Department of the Treasury and the Internal Revenue Service (collectively, "IRS") issued two new revenue procedures. Revenue Procedure 2026-34 modifies and supersedes Revenue Procedure 2021-30 and consolidates statutory and interim guidance changes to the Employee Plans Compliance Resolution System (EPCRS). The updated procedure significantly expands self-correction, incorporates SECURE 2.0 Act rules for elective deferral failures and inadvertent benefit overpayments, and revises several correction methods and administrative procedures.

In a companion release, Revenue Procedure 2026-33 establishes the IRA Compliance Resolution System (ICRS), a new correction program for individual retirement accounts and annuities that is modeled on EPCRS. ICRS implements SECURE 2.0 Act authority permitting IRA custodians and IRA owners to request IRS approval to correct certain eligible inadvertent failures attributable to service-provider errors while preserving the IRA's tax-favored status.

EPCRS Background

EPCRS is the IRS's comprehensive correction framework for retirement plans intended to satisfy Internal Revenue Code (Code) sections 401(a), 403(a), 403(b), 408(k), or 408(p). It allows plan sponsors to correct plan qualification and operational failures while preserving tax-favored retirement benefits. EPCRS consists of the Self-Correction Program (SCP), the Voluntary Correction Program (VCP), and the Audit Closing Agreement Program (Audit CAP).

Revenue Procedure 2026-34 reflects changes made by sections 301, 305, and 350 of the SECURE 2.0 Act of 2022 and incorporates interim guidance from Notices 2023-43, 2024-2, and 2024-77 modifying and superseding those notices to the extent addressed within the new procedure.

Prominent Changes in Revenue Procedure 2026-34

Expanded Self-Correction

- Introduces the defined term Eligible Inadvertent Failure and generally permits these failures to be corrected through SCP if the plan sponsor maintained reasonable compliance practices and procedures.
- Eliminates the requirement that a qualified plan or Code section 403(b) plan have a favorable determination, opinion, or advisory letter to use SCP.
- Extends SCP to certain plan document, demographic, employer eligibility, and plan loan failures, and broadens SCP availability for qualifying SEP arrangements and SIMPLE IRA plans.
- Requires correction within a reasonable period after identification. Correction is deemed timely if completed by the later of the last day of the third plan year following the year of the failure or 18 months after failure identification.
- For an employer eligibility failure, contributions generally must cease as soon as reasonably practicable and no later than the last day of the sixth month after failure identification.
- Requires documentation substantiating self-correction if requested while the plan or plan sponsor is under examination.

Limits on SCP During Examination and Determination Letter Review

Once a plan or plan sponsor is under examination, SCP generally remains available only for an insignificant operational failure or when the plan sponsor has demonstrated a specific commitment to correction before the examination began. A specific commitment is determined from all facts and circumstances and requires active pursuit of the correction. Failures discovered by the IRS during the determination letter process generally may be self-corrected only if they are insignificant operational failures.

Elective Deferral Failure Safe Harbors

- Makes permanent the safe harbor correction method for certain automatic enrollment failures and keeps the correction option for failures that do not exceed three months that may be corrected without a qualified nonelective contribution (QNEC) under certain conditions.
- Eliminates the Brief Exclusion Rule which provided for a zero-dollar QNEC if the error occurred during the first three months of a plan year and the participant was provided the opportunity to make contributions under the plan for at least nine months.
- Clarifies that the reduced-QNEC safe harbor for failures extending beyond three months is only available if the correction is completed no later than the last day of the third plan year following the plan year in which the failure occurred.
- Provides that corrective matching contributions made by the last day of the 12th month following the month in which correct deferrals begin are deemed timely.
- Extends these safe harbors to SEP arrangements, SIMPLE IRA plans, missed after-tax employee contributions (with adjusted QNEC rates), and terminated employees.

Inadvertent Benefit Overpayments

- Defines an Inadvertent Benefit Overpayment and generally provides that no corrective payment to the plan is required when the overpayment does not result from a Code section 401(a)(17), 415, or 436 failure.
- Explains an Inadvertent Benefit Overpayment does not include an overpayment made to a disqualified person as defined in Code section 4975(e)(2) or an owner-employee as defined in Code section 401(c)(3).
- Requires a corrective payment for unrecouped overpayments arising from Code section 401(a)(17), 415, or 436 failures, but adds an exception for payments of $250 or less.
- Generally, treats an Inadvertent Benefit Overpayment for which recoupment is not sought as an eligible rollover distribution. If recoupment is sought, the recipient must be notified that an unreturned amount is not eligible for rollover.
- Treats an Inadvertent Benefit Overpayment amount that is transferred back to the originating plan (after recoupment was sought) as an eligible rollover distribution from the originating plan and as an eligible rollover distribution transferred back to the originating plan.
- Allows a plan amendment to accommodate increases to past and future benefit payments if the amendment does not violate any applicable Code limitations.

Additional Correction and Administrative Changes

- Clarifies the limited circumstances in which a retroactive amendment that is less favorable to participants may be accepted under VCP or Audit CAP, including a clear-and-convincing documentary evidence standard.
- Requires correction of certain spousal consent failures in a manner that ensures the spouse receives the benefit required under Code sections 401(a)(11) and 417.
- Updates plan document failure definitions to align with the current determination and opinion letter programs.

- Explains that a failure to initially adopt a written plan, which is not eligible for SCP, does not include a failure to adopt the plan as a participating employer provided the plan sponsor has already adopted the plan.
- Clarifies that failures in fully insured Code section 412(e)(3) defined benefit plans generally are not eligible for SCP, VCP, or Audit CAP.
- Eliminates the rollover notice requirement for excess amounts of $250 or less and revises procedures for locating missing participants.
- Revises VCP group-submission procedures and Audit CAP sanctions for Nonamender Failures discovered during the determination letter process.
- Adds a safe harbor correction method for failures to provide required suspension-of-benefits notices under defined benefit plans.
- Combines the prior Appendix A and Appendix B into one appendix, removes duplicative provisions, updates examples, and reorganizes correction guidance.

New IRA Compliance Resolution System (ICRS)

- Provides a formal IRS process for resolving specified IRA compliance failures, including certain required minimum distribution, IRA establishment, nonspouse beneficiary distribution, or rollover failures that satisfy the procedure's eligibility requirements.
- Allows eligible applicants to propose correction methods designed to restore the IRA and affected parties to the position they would have occupied absent the failure.
- Creates a process for retirement plan participants and IRA owners to request a waiver of the 60-day rollover deadline. These waiver requests, which currently are submitted through the private letter ruling process, will transition to ICRS during 2027 and 2028.
- Does not replace existing automatic-waiver and self-certification relief under Revenue Procedures 2003-16, 2016-47, and 2020-46; qualifying taxpayers may continue to use those no-cost procedures.

Effective Dates and Request for Comments

The EPCRS Revenue Procedure 2026-34 dealing with employer sponsored retirement plan corrections is effective immediately as of October 22, 2026. Whereas the ICRS Revenue Procedure 2026-33 dealing with IRA corrections is effective May 1, 2027.

The Treasury Department and IRS invite comments on both EPCRS and ICRS by January 20, 2027. Specifically related to EPCRS, the request for comments includes possible expanded use of the Department of Labor's Voluntary Fiduciary Correction Program Online Calculator and a potential minimum earnings floor for certain defined contribution plan corrections. The ICRS revenue procedure specifically requests comments on additional failures that could be corrected in future versions.

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