

# employee plans news

PROTECTING RETIREMENT BENEFITS THROUGH EDUCATING CUSTOMERS

Internal Revenue Service  
Tax Exempt and Government  
Entities Division

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## New User Fee Schedule for 2006

There's a new user fee schedule for 2006. In [IR 2005-144](#), the IRS announced increases in selected user fees – including fees for letter rulings and determination letters for Employee Plans (EP) and Exempt Organizations (EO) – for 2006.

The Office of Management and Budget has directed federal agencies to charge user fees reflecting the full cost of providing goods or services when the benefits to the recipient otherwise exceed those received by the general public. Many IRS user fees had remained unchanged for years; the new fee structure will more accurately reflect the resources expended. Although the fees have increased, the IRS continues to be sensitive to the financial resources of smaller organizations.

The new fee schedule takes effect in two phases.

Phase one – Effective February 1, 2006:

- EP letter rulings fees, which currently range from \$95 to \$5,415, will increase to \$200 to \$14,500.
- EO letter ruling fees, which previously ranged from \$155 to \$2,570, will increase to \$275 to \$8,700.

Phase two – Effective July 1, 2006:

- Under the revised and centralized EP determination letter program, fees for opinion and advisory letters and determination letters involving Forms 5300, 5307 and 5310, which currently range from \$125 to \$6,500, will increase to \$200 to \$15,000.
- EO fees for determination letters and requests for group exemption letters, which currently range from \$150 to \$500, will increase to \$300 to \$900.

Other information to note:

- EP compliance fees and compliance correction fees under the Employee Plans Compliance Resolution System (EPCRS) are not included in this procedure and remain at their current levels.
- EO will not be issuing rulings on:
  - EO joint ventures with a for-profit organization
  - Qualifications of state run programs under Code section 529.
- More information on increases in user fees will be published in Revenue Procedures 2006-1 and 2006-8, which will appear in Internal Revenue Bulletin 2006-1 on January 3, 2006.

See comparison charts for more information on how the old and new user fees differ for [exempt organizations](#) and [retirement plans](#).

## Relief for Relative Value Disclosures

Here's a description of the relief that is expected to be given for 2006 for plan sponsors that must provide relative value disclosures required under section 1.417(a)(3)-1 of the Income Tax Regulations. These **regulations** are effective for annuity starting dates on or after October 1, 2004 for certain distributions and for annuity starting dates on or after February 1, 2006 for other distributions. This relief is needed because the issuance of final amendments to these regulations will not occur by the end of 2005.

Code section 417(a)(3) provides that a plan must provide a written explanation to each participant, within a reasonable period before the annuity starting date, that includes, among other information, the terms and conditions of a qualified joint and survivor annuity (QJSA). Final regulations under section 417(a)(3) regarding disclosure of the relative value and financial effect of optional forms of benefit as part of QJSA explanations were published on December 17, 2003. The 2003 regulations are generally effective for QJSA explanations provided with annuities starting on or after October 1, 2004.

**Announcement 2004-58** postponed the effective date of the 2003 regulations for certain QJSA explanations. **Proposed regulations** issued on January 28, 2005 relating to the postponement provide that the 2003 regulations are generally effective for QJSA explanations provided for annuities starting on or after February 1, 2006. However, the proposed regulations retained the October 1, 2004, effective date under the 2003 regulations for explanations with respect to any optional form of benefit that is subject to the requirements of section 417(e)(3) if the actuarial present value of that optional form of benefit is less than the actuarial present value of the QJSA. Thus, the reasonable, good faith standard described in the following paragraph is not available for such optional forms of benefit that are less valuable than the QJSA.

Regulations which finalize the 2005 proposed regulations are not expected to be published before the end of 2005. Therefore, the final regulations when published are expected to provide that a reasonable, good faith effort to comply with the final regulations will be deemed to satisfy the requirements of the regulations for QJSA explanations provided before January 1, 2007 (other than those cases where the actuarial present value of any optional form of benefit that is subject to the requirements of section 417(e)(3) is less than the actuarial present value of the QJSA). The final regulations are expected to provide that, for this purpose, a reasonable, good faith effort to comply with the final regulations includes substantial compliance with the provisions of the 2003 regulations. Accordingly, any QJSA explanation provided before January 1, 2007 will be deemed to satisfy the provisions of the final regulations if it is in compliance with the 2003 regulations. •

*Practitioners have asked how to comply with the relative value disclosure rules in 2006.*

*Reasonable, good faith compliance with the 2003 Relative Value Regulations is expected to be allowed for 2006, under regulations to be published in early 2006.*