

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

June 5, 2018

Ms. Sunita B. Lough
Project Director, Tax Reform Implementation Office
Commissioner, Tax-Exempt and Government Entities Division
Internal Revenue Service
United States Department of the Treasury
1111 Constitution Avenue
Washington, DC 20224

Dear Ms. Lough:

On Tuesday, April 17, 2018, you testified before the Subcommittee on Economic Growth, Tax, and Capital Access of the Committee on Small Business. The hearing explored the importance of small business retirement plans and the recent changes made by the Internal Revenue Service (IRS) through Revenue Procedure 2018-4.¹

With two out of every three new private sector jobs created by small businesses, Main Street companies play an oversized role in our economy. From rural neighborhoods to coastal communities to city blocks, small businesses, entrepreneurs, and startups employ nearly half of the private sector workforce. While operating on the margins, small businesses utilize a number of benefits to hire and retain quality employees. It is for these reasons that small business retirement plans are instrumental to the health of the nation's economy and to ensure retirement security for the nation's workers.

The performance of these plans is important for small businesses. Additionally, the compliance burden associated with offering these plans also plays a heightened role in whether plans are offered to employees. Too often, compliance and regulatory burdens limit a small firm's activities. The Employee Plans Compliance Resolution System (EPCRS) seeks to reduce some of these burdens, which it has successfully done for years.

¹ Rev. Proc. 2018-4, 2018 I.R.B. 1.

The discussion during the hearing suggested further actions were being taken by the IRS with regard to EPCRS and specifically the Self Correction Program (SCP) and the Voluntary Compliance Program (VCP). As you know, these two programs help businesses of all sizes with complicated compliance requirements. The Committee would like to follow up on a number of the matters discussed during the hearing.

No later than June 29, 2018, please respond the Committee in writing with the following information:

1. In your testimony, you stated:

“The IRS is continuing to work with the small-business community to find ways within the scope of the law to expand and improve SCP. For example, we will be meeting with several key small-business organizations, including the Small Business Council of America, in early May to discuss such improvements.”

- a) Please provide an update on whether this May meeting with the small business community occurred. If it did, please provide the names of the organizations that attended, an overview of the topics discussed, the outcome of the meeting, and anticipated next steps.
- b) Aside from this May meeting, have there been other examples of outreach to the small business community with regard to the Rev. Proc. 2018-4? If so, please describe the outreach to the small business community. If not, please state why not.

2. You responded to a question during the hearing with the following statement:

“So, we are doing two things. We are going to see if we can increase the Self-Correction Program in instances. But it can't be all Self-Correction, because there are certain things that can't go into the Self-Correction Program because of, you know, real tax consequences to the participants. But we are also looking to see how we can streamline the Voluntary Compliance Program so we don't spend as much time.”

- a) Please provide an update to whether the IRS will expand the Self Correction Program, and if so, how will it be expanded and when will it happen. If not, please state why not.
- b) Please explain how the Self Correction Program is limited because of “real tax consequences to the participants.”
- c) Please provide an update on whether the Voluntary Compliance Program will be streamlined, and if so, how will it be streamlined and when will it happen. If not, please state why not.
- d) If as a result of the streamlining, the time to process submissions is decreased, how will the IRS adjust the user fee structure to reflect the lower costs?

If you have any questions regarding this request, please contact Robert Yavor, Senior Professional Staff to the Committee for the Majority, at (202) 225-5821 or Melissa Jung, Deputy Staff Director to the Committee for the Minority, at (202) 225-4038.

Sincerely,



Dave Brat
Chairman
Subcommittee on Economic Growth,
Tax, and Capital Access



Dwight Evans
Ranking Member
Subcommittee on Economic Growth,
Tax, and Capital Access