

IRS News Release

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IRS Reminds Some Businesses of Retirement Plan Deadline

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WASHINGTON — The Internal Revenue Service today reminded approximately 750,000 small and mid-size businesses using “off-the-shelf” retirement plan documents that they must update their plans by Sept. 30, 2003. Businesses must formally adopt updates to maintain the tax benefits associated with retirement plans.

The deadline is a result of rules that apply to so-called Master & Prototype (M&P) plans and Volume Submitter plans. These off-the-shelf retirement plans are IRS-approved templates intended to standardize and simplify the complex employee plan area. Employers who provide such plans for their employees are typically small to mid-size businesses, including self-employed persons, such as some doctors and lawyers.

M&P plans are “off-the-shelf” documents that employers obtain from sponsors such as banks, brokers, insurance companies, lawyers or consultants. Volume Submitter plans are more customized documents usually obtained from lawyers or consultants. Although the sponsors have updated the plan documents, employers still need to formally adopt the updated plans by September 30.

Both businesses and their employees enjoy tax benefits from retirement plans that are in compliance with the law. Failure to act by the deadline could cost a retirement plan its tax-favored status.

“We are concerned that employers may inadvertently miss the deadline,” said Carol Gold, Director of Employee Plans at the IRS. “We urge employers to consult the sponsor of their M&P or Volume Submitter plan document and their pension plan advisor or attorney now. The September deadline will be here before you know it.”

Many employers will only need to make sure they adopt their plan amendments by September 30. But others also have to file the amendments with the IRS by September 30 to keep their plans tax qualified. For example, an employer who adopts a pre-approved M&P plan, but makes changes beyond those allowed by the adoption agreement, must file an application with the IRS for a determination letter by September 30 to keep the plan’s tax benefits.

Employers or plan sponsors who need more information should call toll-free the customer account services at 1-877-829-5500.

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