



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
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MEMORANDUM FOR EMPLOYEE PLANS (EP) RULINGS & AGREEMENTS STAFF

FROM: Khin M. Chow /s/ *Khin M. Chow*
Director EP Rulings & Agreements

SUBJECT: Changes in Tax Exempt Quality Management System (TEQMS) and
Mandatory Review Standards

This memorandum directs EP Rulings & Agreements staff on the new TEQMS and Mandatory review standards, effective May 1, 2017, for all determination letter applications as set forth below related to review by Quality Assurance (QA).

This is not a pronouncement of law and is not subject to use, citation, or reliance as such. Nothing herein shall affect the operation of any other provision of the IRC, regulations, or guidance thereunder.

Background

Currently, IRM 7.11.3.7, TEQMS Review Process/Quality Standards, provides that QA reviewers review cases in open status, complete the survey and then close the case. The case may be returned to the specialist under IRM 7.11.3.9, Case Return Criteria Overview, after the QA reviewer completes the survey based on his or her initial review. The case will be closed after it is returned to the QA reviewer by the specialist. IRM 7.11.3.9.1, Case Return Criteria, provides that QA reviewers will return cases to specialists for further review if there is:

- a. Clear evidence that an incorrect determination has been reached with regard to the qualification of a retirement plan.
- b. Evidence of fraud, malfeasance, collusion, concealment or misrepresentation by the taxpayer or representative.

QA reviewers also will return cases when there are other circumstances that indicate failing to return them would be a serious administrative omission. For example, cases that would:

- a. Result in serious criticism of the IRS's administration of the tax laws.
- b. Establish a precedent that would seriously hamper subsequent IRS attempts to take corrective action.

- c. Result in inconsistent treatment of similarly situated taxpayers.

Currently, IRM 7.11.9.2(3) Mandatory and TEQMS Case Reviews, provides that QA conduct mandatory review of complex issue cases that require extra review. The following applications are subject to mandatory review:

- a. Foreign plans.
- b. Cash balance conversion plans or pension equity plans.
- c. Volume Submitter and Master & Prototype (M&P) plans initially reviewed by the pre-approved plans cadre. These cases receive second level review per the procedures in IRM 7.11.4, Employee Plans Determination Letter Program, IRC Section 401(a) Pre-Approved Plans Program.
- d. Cases with interested party comments. See IRM 7.11.1.28, Interested Party Comments.
- e. Terminations with reversions of more than \$5,000,000; terminations with over 1,000 participants; and two percent of all other terminations.
- f. Technical advice requests. See IRM 7.11.12, Technical Advice Requests.
- g. Proposed adverse determination cases. See IRM 7.11.11, Proposed Adverse Cases.
- h. Variable annuity plans.
- i. Cases designated by a group manager.
- j. Cases designated by the Manager, EP Determinations or Manager, EP Determinations QA.

New Administrative Guidelines

Effective May 1, 2017, IRM 7.11.3.7, TEQMS Review Process/Quality Standards, will provide that QA reviewers will review cases only in a closed status and then will complete the survey. The case may be returned to the specialist under IRM 7.11.3.9, Case Return Criteria Overview, after the QA reviewer completes the survey based on his or her initial review. IRM 7.11.3.9.1, Case Return Criteria, provides that TEQMS cases are generally not returned for further development; however, reviewers may return a case to the specialist for further review (with EPQA Managerial agreement), if there is:

- Clear evidence that an incorrect determination has been reached with regard to the qualification of a retirement plan having a significant negative impact on participants' benefits.

Effective May 1, 2017, IRM 7.11.9.2(1), Mandatory and TEQMS Case Reviews, will provide the following:

- QA reviewers are responsible for analyzing EP Determinations open mandatory cases and closed TEQMS cases for quality and technical soundness.

Effective May 1, 2017, IRM 7.11.9.2(3), Mandatory and TEQMS Case Reviews, will provide that the following applications are subject to mandatory review:

- a. Cases with interested party comments. See IRM 7.11.1.28, Interested Party Comments.
- b. Terminations with reversions of more than \$5,000,000; and two percent of all other terminations.
- c. Technical advice requests. See IRM 7.11.12, Technical Advice Requests.
- d. Proposed adverse determination cases. See IRM 7.11.11, Proposed Adverse Cases.
- e. Variable annuity plans.
- f. Cases designated by a Determinations Manager, Determinations Area Manager or the Manager, EP Ruling & Agreements QA.

Effect on Other Documents

This guidance will be incorporated into IRM 7.11.3.7, IRM 7.11.3.9., IRM 7.11.9.2(1) and IRM 7.11.9.2(3) by April. 28, 2019.

Effective Date

This memo is effective as of May 1, 2017, and is applicable to all determination letter applications currently in open status including cases in Quality Assurance.

Point of Contact

For questions regarding this memo, contact Christine K. Cipollone, Manager, Ruling & Agreements, Quality Assurance.

Distribution

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