Significant Index No. 4971.08-00

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND GOVERNMENT ENTITIES DIVISION

AUG 14 2025

Release Number: 202552042
Release Date: 12/26/2025

Re: Request for a waiver of the IRC §4971(f) Excise Tax

Taxpayer =
EIN: -

Plan =
EIN: - ; PN:

Dear :

This letter constitutes notice that a waiver of the 10% excise tax due under section 4971(f)(1) of the Internal Revenue Code ("Code") has been granted with respect to the liquidity shortfall experienced by the Plan for the quarters ended December 31, 2023, March 31, 2024 and June 30, 2024 (the "Impacted Quarters").

The waiver of the 10 percent taxes has been granted in accordance with section 4971(f)(4) of the Code. For the Impacted Quarters for which this waiver has been granted, the amount of the waiver is equal to 10 percent of the amount of the excess of:

1) the liquidity shortfall of the Plan (as determined under section 430(j)(4)(E) of the Code and section 1.430(j)-1(d) of the Treasury Regulations ("Regulations")) for each quarter, over
2) the aggregate amount of any contributions paid in the form of liquid assets which served to reduce the liquidity shortfall for such quarter, and which was paid to the Plan between the last day of the quarter and the due date of the required installment under section 430(j) of the Code for such quarter.

The following facts and representations have been submitted under penalties of perjury in support of the rulings requested.

Taxpayer is a manufacturing company with a focus on
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The Plan is a single employer defined benefit plan. The Plan has a January 1st to December 31st plan year.

Taxpayer represents that the liquidity shortfall the Plan experienced was due to a series of risk transfer activities completed during the second half of 2023. The first of two annuity purchases was completed in September 2023. This was a "buy-out" of a previous annuity purchase "buy-in". The second annuity purchase was completed during November 2023. In addition to the annuity purchases, Taxpayer offered a lump sum window to the Plan's terminated vested participants, and the lump sums were distributed in December 2023.

Collectively, Taxpayer settled approximately 42% of the Plan's liabilities in the three transactions. The transactions also reduced the Plan's future payout requirements by a comparable percentage.

Taxpayer determined that there was no liquidity shortfall for the quarter ending September 30, 2024. Therefore, Taxpayer concluded that the 100% excise tax described in section 4971(f)(2) of the Code does not apply because the liquidity shortfall persisted for only 3 quarters.

Section 430(j)(4)(A) of the Code provides that an employer maintaining a plan that is subject to the accelerated quarterly installment payment requirement described in section 430(j)(3) of the Code with 100 or more participants shall be treated as failing to have made a required quarterly installment payment to the extent that the value of the liquid assets, as defined in section 430(j)(4)(E)(v) of the Code, is less than the liquidity shortfall for the quarter.

Section 430(j)(4)(E) of the Code provides the calculation methodology and definitions for the liquidity shortfall, base amount, disbursements, liquid assets and quarter.

Section 4971(f)(1) of the Code provides that in the case of a plan to which section 430(j)(4) of the Code applies, the employer maintaining such plan shall be subject to an excise tax equal to 10 percent of the excess, if any of:

A) The amount of the liquidity shortfall for any quarter, over
B) The amount of such shortfall which is paid by the required installment under section 430(j) of the Code for such quarter (but only if such installment is paid on or before the due date for such installment).

Section 4971(f)(4) of the Code provides all or part of the excise tax imposed under section 4971(f) of the Code may be waived by the Secretary if the taxpayer establishes to the satisfaction of the Secretary that:

A) the liquidity shortfall described in paragraph 4971(f)(1) was due to reasonable cause and not willful neglect, and
B) reasonable steps have been taken to remedy such liquidity shortfall.

Section 1.430(j)-(1)(d)(3)(i) of the Regulations provides that if an employer fails to satisfy the additional requirement with respect to a required installment for a quarter under paragraph (d)(1) of this section, the portion of that required installment that is treated as not paid by reason of paragraph (d)(1) of this section (the unpaid liquidity amount for that quarter) is treated as an underpayment of the required installment.

Taxpayer represents that excise taxes due under section 4971(f)(1) are as follows[1]:

- $ for the quarter ending December 31, 2023
- $ for the quarter ending March 31, 2024
- $ for the quarter ending June 30, 2024

The Internal Revenue Service (the "Service") has reviewed the methods used to determine the liquidity shortfall and associated excise taxes and concluded that the calculations were performed in accordance with section 430(j)(4) of the Code and section 1.430(j)-1(d) of the Regulations.

Taxpayer asserts that they satisfy the conditions under section 4971(f)(4) for a waiver of the excise tax because the liquidity shortfall was due to reasonable cause and not due to Taxpayer's willful neglect. Taxpayer believes they satisfy the reasonable cause criteria because the liquidity shortfall was primarily a result of the annuity purchases and lump sum window performed in September 2023 through December 2023 which settled both assets and liabilities from the Plan. Taxpayer also represents that they hired a third-party consulting firm to perform a feasibility study for the risk transfer activities and the consulting firm never warned Taxpayer of the risk of triggering a liquidity shortfall. Once Taxpayer was made aware of the liquidity shortfall requirements by the Plan's actuary, Taxpayer quickly addressed the shortfall's effect on the minimum required contribution for the plan year beginning January 1, 2023.

The Service agrees with Taxpayer's conclusion that the liquidity shortfalls satisfy the criteria under section 4971(f)(4)(A) of the Code because the shortfalls were due to reasonable cause and not due to Taxpayer's willful neglect for the reasons stated above. Furthermore, the exhibits provided along with the waiver request show that the while the Plan's funded status as a percentage has declined, the Plan's funding shortfall as of January 1, 2024 was reduced from the funding shortfall measured as of January 1, 2023 before the annuity purchase[2].

Taxpayer further asserts that reasonable steps have been taken to remedy the liquidity shortfalls. Taxpayer noted that all the Plan's assets are liquid assets and all benefits due have been able to be paid. The Plan's assets as of September 30, 2024, were approximately 8 times its ongoing annual disbursements. Taxpayer also represents that there is no liquidity shortfall as of the quarter ending September 30, 2024, and none is expected in the future.

The Service agrees with Taxpayer's conclusion that the liquidity shortfalls satisfy the criteria under section 4971(f)(4)(B) of the Code since reasonable steps have been taken to remedy the liquidity shortfalls. In addition to the reasons listed above, the supporting materials provided with the waiver request show that Taxpayer made several contributions which improved the funded status of the Plan, including a contribution on September 13, 2024, to address the interest penalties associated with the liquidity shortfall.

Based on the information above, we conclude that the liquidity shortfalls experienced by the Plan for the Impacted Quarters were due to reasonable cause and not willful neglect and that reasonable steps were taken to remedy such liquidity shortfalls. Therefore, we conclude that

[1] Based on the information provided in the exhibits attached to the waiver request letter.
[2] As measured under section 430(c)(4) of the Code and section 1.430(a)-1(f)(2) of the Regulations.

the excise taxes imposed under section 4971(f) of the Code meet the criteria for a waiver under section 4971(f)(4) of the Code.

Approval of the waiver of the excise taxes under section 4971(f) of the Code for the Impacted Quarters is granted.

In granting this approval, we have considered only the acceptability of the excise tax waiver under section 4971(f)(4) of the Code. Accordingly, we are not expressing any opinion as to the accuracy or acceptability of any calculations or other material submitted with your request. Specifically, we are not expressing any opinion with regard to the accuracy of the disbursements, liquid assets or the Funding Target Attainment Percentages that were used in the calculation of the liquidity shortfall. The Service is also not expressing an opinion regarding the determination of whether any accelerated forms of payments were prohibited under the off-Code section 206(e) of ERISA or section 436 of the Code.

This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

This letter ruling may be revoked or modified retroactively if there was a misstatement or omission of controlling facts, the facts at the time of the transaction are materially different from the controlling facts on which the letter ruling was based, or the transaction involves a continuing action or series of actions, and the controlling facts change during the course of the transaction.

We have sent a copy of this letter to your authorized representatives, pursuant to the Power of Attorney and Declaration of Representative (Form 2848) on file with the Internal Revenue Service. Additionally, a copy of this letter ruling is being sent to the Manager, Classification Group 4 in Houston, Texas.

If you require further assistance in this matter, please contact (ID#) at ( ) - .

Sincerely,

David M. Ziegler, Manager
Employee Plans Actuarial Group 2

Enclosures
Notice 437, Notice of Intention to Disclose (Rulings)
A deleted copy of the ruling

cc: