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IRS Initiates 5500EZ Penalty Relief Program

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The Internal Revenue Service has introduced a temporary one-year pilot program that will potentially enable certain small businesses with retirement plans to avoid penalties for not filing a Form 5500-EZ, and certain Forms 5500.

In an effort to encourage employers and plan administrators to “come clean”, the prescribed penalties of \$25 per day and up to \$15,000 per return can be avoided. For those who have already been assessed a penalty, this new procedure unfortunately doesn’t apply. No user fee is being assessed for participating in this program.

A Form 5500-EZ is filed for one-participant plans (and their spouses, if applicable), and is exempt from Title I of ERISA. Prior to 2009 plan years, a Form 5500 was required for these small plans. This new pilot program does not apply to plans that are **not** exempt from Title I. However, these plans may still request relief from penalties under the existing DFVC (Delinquent Filer Voluntary Compliance) program. IRS does not assess a late filing penalty for any plan that uses the DFVC.

This program is set to expire on June 2, 2015. In order to take advantage of this relief, a Form 5500-EZ (or 5500, if prior to the 2009 plan year) must be filed for each delinquent year. The words “Delinquent return submitted under Rev. Proc. 2014-32, Eligible for Penalty Relief” must be written in red ink in the top margin of page one of the return. Finally, a completed Transmittal Schedule needs to be attached to the front of each late filed return. This form may be found on the IRS website.

If you have any questions regarding this program, or would like to discuss retirement plan issues in more detail, please call one of the tax professionals at Zinner & Co. LLP.

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