

**Office of Management and Budget
Clearance Package**

Survey Assessment of the
Employee Plans Compliance Resolution System
Voluntary Correction Program

Internal Revenue Service
Tax Exempt and Government Entities Division
February 3, 2021

Introduction

Background

A qualified retirement plan must satisfy the requirements of Internal Revenue Code § 401(a) both in form and in operation in order to maintain its qualified status. When a plan fails to do so, the plan becomes subject to disqualification. The trust could lose its tax-exempt status and valuable tax benefits are lost by both the employer and employees.

As an alternative to plan disqualification and revocation of the tax exempt status of the trust, the IRS has developed a comprehensive system of correction programs called the Employee Plans Compliance Resolution System (EPCRS). One component of this system, the Voluntary Correction Program (VCP), permits retirement plan sponsors to make a submission to the IRS pay a fee and receive the IRS' approval for correction of plan failures any time before an audit.

In December of 2009 the Treasury Inspector General for Tax Administration (TIGTA) released a report of an audit they conducted on the VCP. One recommendation of this report was, "To ensure the VCP provides timely service to those in the retirement plan community who are attempting to bring their retirement plans into compliance with tax-exempt laws, the Director, Employee Plans, should survey retirement plan sponsors upon completion of the VCP process to determine what components of the program worked well and how it could be improved."

Objectives of Data Collection

The purpose of this study is to obtain feedback, via a paper survey, from retirement plan sponsors and power of attorneys who participated in the voluntary correction program. Individuals will be asked to give their opinions on a range of topics including, but not limited to, the ease of use of the forms and instructions, professionalism of IRS staff, communications with the IRS, and likelihood of using the correction program again. Information obtained from this survey will be used by EPCRS in seeking improvements to the voluntary correction program.

While the data collected will be used to improve the voluntary correction program, the feedback will not institute new policy. It will assist EPCRS in meeting taxpayer needs.

Methodology

Sample Design

The content of the proposed survey has been developed by members of the EPCRS team and members of TE/GE Research and Analysis. Participants for the survey will be randomly selected as cases are closed through a systematic random sample, using recent closure rates to determine sampling rates.

Each month, approximately 200-300 VCP cases are closed, but past data indicate that the number of closures and cycle time varies monthly. In order to best control for this variation and obtain a representative sample, we propose using the best estimate for predicted closures for the year and a sampling rate of every third case to achieve our target sample size of 400 responses.¹

¹ Closure rates have been steadily increasing over the past three fiscal years (2561, 3065, and 4017 for 2008, 2009, and 2010, respectively), and EPCRS currently estimates the closure population to be approximate 5200 for FY2011. The statistics was secured from EPCRS Reporting and Inventory

The managers will be instructed to insert the survey instrument into every third closing package issued. Linking the survey with the closure letter will be more efficient, less costly, and should increase the response rate as well.

Data Collected

A copy of the survey is included in Appendix 1. The content of the survey will include questions regarding the following:

- Ease of use of Pre-formatted documents and instructions
- Professionalism and fairness of IRS staff
- Communications with the IRS
- If practitioner is selected will they use program again?

IRS employees handling the mailing will also indicate on the survey instrument the cycle time and type of closing letter issued. This information will be transcribed along with the survey results and will enable us to correlate satisfaction with these conditions, where sufficient responses are received.

How Data Is Collected and Used

The survey will be piloted with a group of nine retirement plan sponsors approximately one month before the first round of the survey is launched. The purpose of running a pilot is to correct any unforeseen problems with the survey before it goes live to the public.

Once the pilot is completed and successful, EP managers will begin to administer the survey as casework is completed. The survey will be paper-based and the package will include a stamped return envelope.

Returned survey data will be transcribed in TEGE. Results will be analyzed and summarized by EP and TEGE Research employees. A report will be provided as to the results of the survey. EP will use the results of the study to make an assessment of the program based on the respondents of the survey.

Survey Dates

The survey will be launched after OMB approval and will continue until all 1600 surveys have been sent out, using the sampling method described above. The data collection is expected to be completed within 12 months of launch. The start date of the survey will be June 11, 2011 and the end date will be June 12, 2012. The analysis of the survey results is expected to take approximately four months, so the final report will be finished by October 12, 2012.

Who is Conducting the Research

EP, with the assistance of TE/GE Research and Analysis, will be conducting this study.

Results of the Study

The following information will be provided to OMB in order to satisfy all OMB requirements. It will be provided within 60 days after the completion of our final report, targeted for October 12, 2012:

- Findings –a brief summary of the significant findings that were discovered in the

- results.
- Actions taken or lessons learned –a brief summary of any actions taken or lessons learned as a result of the findings.
- Taxpayer participations
 - o Number of survey requests sent to taxpayers and practitioners.
 - o Number of survey respondents.
- Date the data collection began.
- Date the data collection ended.
- Cost – All cost associated with the administration of the online survey (not including salaries of regular IRS employees).

Cost of Study

The survey will be enclosed with the closure letters already being sent to the customers. The costs will involve printing costs associated with the survey, additional postage for those letters with surveys, and postage costs for the return envelope to be enclosed with the survey.

Below are the estimated costs associated with this study:

Postage: $1600 \times 0.44 = \$704$

Paper for surveys: One case multipurpose HP color paper (5000) = \$62.01

Envelopes for returning survey: 4 boxes (500 per box) $\$39.60 \times 4 = \157.60

Total = \$924

Recruitment Efforts

Special language will be created to encourage participation in the survey. The language will help potential participants understand the importance of the survey to the enhancement of the program and potential expansion. The recruitment language is as follows:

Tell us what you think about our Voluntary Correction Program!

We are looking for feedback on the Employee Plans Compliance Resolution System (EPCRS). IRS Employee Plans is conducting a short, voluntary survey designed to gauge the usefulness of the Voluntary Correction Program (VCP). Your participation in this survey will greatly assist us in making our programs more responsive to the needs of plan sponsors, employees, and beneficiaries of the retirement plan system.

The questionnaire should take approximately five minutes to complete. We thank you in advance for your participation and look forward to future improvements that work for you! Once you have completed this survey, please mail it back using the enclosed self-addressed stamped envelope.

The Paperwork Reduction Act requires that the IRS display an OMB control number on all public information requests. The OMB Control Number for this study is 1545-1432. Also, if you have any comments regarding the time estimates associated with this study or suggestions on making this process simpler, please write to the, Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, Washington, DC 20224.

Expected Response Rate

Based on previous experience with mail-in surveys of the Employee Plans community, the group is expecting a response rate of about 25%. This estimate is approximately the average response rate for organizations for mail-in surveys, which previous research has shown is usually between 16.9-53.4%.² **The anticipated response rate is approximately 25%, and with a goal for a sample size of 400, 1600 customers will be sampled.** Given such a low anticipated response rate, the IRS will assume that all data collected from this survey is **qualitative in nature**, and that no critical decisions will be made by this office solely from the analysis of data from this survey. The results from this survey are simply one piece of a larger set of information required to assess the Voluntary Correction Program.

Methods to Maximize Response Rate

The short amount of time involved to complete the survey encourages a greater response rate as individuals are more willing to complete surveys that take up less of their time. Furthermore, participants will likely use the program again in the future. Therefore, they are likely to have a vested interest in improving the program and should be motivated to complete the survey. This survey is anonymous and we will not be issuing reminder notifications.

Participant Criteria

All participants in the Voluntary Correction Program are eligible to participate in this study, and will be selected for inclusion as discussed in the Sample Design section of this report. Responses will include data enabling us to determine what aspect of the program was utilized. Participants will be plan sponsors or practitioners, as determined by the mail recipient.

Privacy/Disclosure/Security Issues

The survey is anonymous and will not contain any information that will allow identification of the respondent. The survey instrument will inform potential respondents of their anonymity.

The Paperwork Reduction Act Statement & OMB Control Number will be provided on the actual survey.

Burden Hours

Participants in the study will be required to spend approximately five minutes or less answering questions on the survey. EPCRS expects a response rate of 25%.

Individuals will receive an initial survey and invitation which is expected to take two minutes to read. The survey is expected to take five minutes to complete. The breakdown of burden hours for each task, and a final total, are provided below:

- The survey will be sent to 1,600 individuals. At an estimate of 2 minutes to read the letter = 53 Burden Hours.
- We estimate 400 individuals will complete the survey. At 5 minutes a survey = 33 Burden Hours
- The total estimated burden for this study is 86 hours.

Study Contact

For questions regarding the study, contact:

² Baruch, Yehuda and Brooks C. Holtom. "Survey response rate levels and trends in organizational research," *Human Relations* August 2008 vol. 61 no. 8 1139-1160.

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