



IRS Changes Direction on New Compliance Questions on Form 5500

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When the Internal Revenue Service (IRS) issued a revised Form 5500 in December 2015, there were several new compliance questions on Schedules H, I, and R relating to retirement plans. The questions required responses relating to:

- 401(k) nondiscrimination testing;
- Coverage testing;
- Dates of recent plan amendments and determination letters;
- In-service distributions; and
- Unrelated business taxable income.

Initially, the questions were marked as "optional." The instructions to Form 5500 stated "You are encouraged to answer these questions though they are optional for the 2015 plan year."

However, the IRS has decided that plan sponsors ***should not complete these questions for returns for the 2015 plan year*** because the Office of Management and Budget did not approve the proposed questions when the 2015 Form 5500 was published.

The IRS revised the instructions to Form 5500 last week. The explanation of the questions and the encouragement to answer them are gone. In their place is a statement that ***The IRS has decided not to require plan sponsors to complete this question for the 2015 plan year and plan sponsors should skip this question when completing the form.***

When completing the Form 5500 for the 2015 plan year, plan sponsors should review the Form 5500 instructions to determine which compliance questions should ***not*** be answered. Plan sponsors should follow the instructions and should ***not*** answer the questions that previously were marked as optional.

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