

IN THE IRS CROSSHAIRS

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The Internal Revenue Service is putting small business owners in their crosshairs. This year, the IRS is planning to heavily scrutinize company pension plans especially small to mid-size businesses due to what they view as increasing amounts of abuse and errors made within pensions. The IRS has expanded its employee plan division this year to allow for more audits for retirement plans. They are calling it their "focused examination initiative."

This new program will include visits from IRS employee-plan examiners who will pose a series of three to five questions to the individuals responsible for administering the retirement plan. The questioning will range from the basic, "Who are the owners of the company?" to more specific "what documentation do you have that shows the number of hours worked by owners family members?" This is going to be a major problem with many small and family-owned businesses.

There are many more small companies than large ones and they are more likely to be targets of an IRS audit. Unfortunately most small companies do not have qualified advisors and accountants to handle the plans.

The bottom line is that the IRS is always looking for abuse, or what they perceive as abuse. Over the past few years defined benefit pension plans with a low number of participants usually five or fewer, have caught their eye. If a pension plan has any faults the penalties will be harsh.

If your plan needs a checkup or you wish to freeze or terminate plans and replace them with simpler, less costly options please feel free to contact us at your convenience.