Small Business Owners Face Retirement Affordability Crisis Over Hidden Retirement Plan Penalties

Retirement expert Brett Goldstein launches The 5500 Project, which is a petition to urge Congress to lower six figure penalties for late 401(k) tax filings.

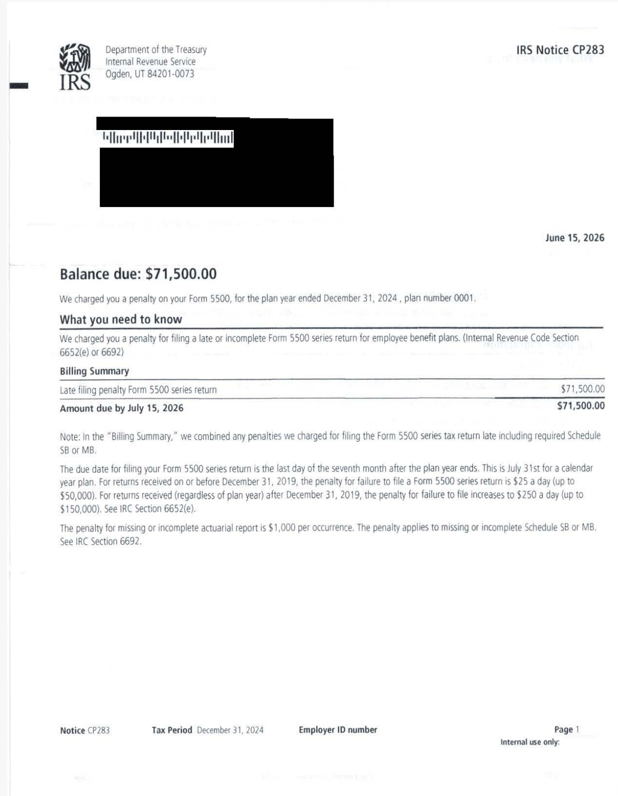
MELVILLE, NY, UNITED STATES, August 4, 2026 /EINPresswire.com/ -- Small business owners are being hit with hidden retirement plan penalties that can climb into six and seven figures for late 401(k) paperwork, creating a quiet affordability crisis on top of rising costs for wages, rent, and benefits. The 5500 Project, launched by retirement expert Brett Goldstein, warns that the proposed Form 5500 Filing Simplification Act extends deadlines but does nothing to fix the unaffordable penalty structure behind these fines.

> A retirement system that punishes a business more severely for failing to file Form 5500 than it punishes actual tax evaders is not protecting retirement savers; it is just a broken system.”
>
> *Brett Goldstein*

Brett Goldstein, President of The Pension Department, Inc., a Melville, New York–based third party administrator and creator of The 5500 Project, says, "Now that the July 31 Form 5500 deadline has passed, any small business that missed the filing date may already be exposed to a penalty notice. For some employers, that notice can quickly grow into a financial threat that reaches six or seven figures. This is no longer a future concern — it is happening now.

The Form 5500 Filing Simplification Act is a proposed bill that changes when retirement plan reports are due and how they are filed. It replaces the current rule—where most plans must file about seven months after year end and then request an extension—with a single, later deadline so that calendar year plans can file closer to October. It also formally allows electronic signatures and is described as a way to “modernize and streamline” the annual reporting process for retirement plans.

The new law is intended to make retirement plan reporting easier by extending deadlines and modernizing how filings are submitted. However, in a time of broad affordability concerns, it leaves in place a penalty system that can quietly devastate the very small business owners who sponsor these plans. “When an honest employer can receive a 71,500 dollar penalty for being 10 months late on a 401k form, that is not simplification—it is a financial shock that most families and businesses cannot absorb,” says Goldstein. “With the IRS cap now at $150,000 for a single late filing—that's more than many general and operations managers earn in an entire year. To add insult to injury, the Department of Labor can also add a $2739 per day penalty to the IRS penalties. This proposed law risks promoting ‘modernization’ on paper while doing nothing to prevent real world affordability crises for small employers and their employees.”


Department of the Treasury
Internal Revenue Service
Ogden, UT 84201-0073

IRS Notice CP283

[redacted]

June 15, 2026

Balance due: $71,500.00

We charged you a penalty on your Form 5500, for the plan year ended December 31, 2024 , plan number 0001.

What you need to know

We charged you a penalty for filing a late or incomplete Form 5500 series return for employee benefit plans. (Internal Revenue Code Section 6652(e) or 6692)

Billing Summary

Late filing penalty Form 5500 series return	$71,500.00
Amount due by July 15, 2026	**$71,500.00**

Note: In the “Billing Summary,” we combined any penalties we charged for filing the Form 5500 series tax return late including required Schedule SB or MB.

The due date for filing your Form 5500 series return is the last day of the seventh month after the plan year ends. This is July 31st for a calendar year plan. For returns received on or before December 31, 2019, the penalty for failure to file a Form 5500 series return is $25 a day (up to $50,000). For returns received (regardless of plan year) after December 31, 2019, the penalty for failure to file increases to $250 a day (up to $150,000). See IRC Section 6652(e).

The penalty for missing or incomplete actuarial report is $1,000 per occurrence. The penalty applies to missing or incomplete Schedule SB or MB. See IRC Section 6692.

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Internal use only:

71,500 penalty for filing form 5500 late

Senators Jim Banks (R-IN) and Cory Booker (D-NJ) have proposed legislation that would simplify the deadline for Form 5500 reporting by creating a single, later filing date for retirement plan annual reports. The 5500 Project is now urging small business owners and their supporters to sign and share its Change.org petition calling on Congress to amend the Form 5500 Filing Simplification Act.

The petition asks lawmakers to: add a one time 750 dollar amnesty cap that reduces a first time small business penalty from 150,000 dollars to 750 dollars, end disqualification from the Delinquent Filer Voluntary Compliance Program after a government notice is received, and require a mandatory 90 day warning period before the 250 dollar per day penalties are allowed to compound. By signing the petition, supporters can help ensure that “modernization” of retirement plan reporting also includes real penalty relief for the small employers who are trying to do the right thing for their employees.

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