



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

8.26.8

APRIL 4, 2025

EFFECTIVE DATE

(04-04-2025)

PURPOSE

- (1) This transmits revised IRM 8.26.8, Alternative Dispute Resolution Program, Compliance Assurance Process (CAP) - Fast Track Settlement.

MATERIAL CHANGES

- (1) Added new IRM 8.26.8.1, Program Scope and Objectives, and related subsections to address internal controls as required by IRM 1.11.2.2.4, Address Management and Internal Controls. The original content of IRM 8.26.8.1 was incorporated into the internal controls.
- (2) Included in new IRM 8.26.1.1.1, Background, information on the Taxpayer Bill of Rights (TBOR), based on guidance from the Division Counsel/Associate Chief Counsel (National Taxpayer Advocate Program) and Branch 3 of the Associate Chief Counsel (Procedure and Administration).
- (3) Updated organizational title Case & Operations Support to Operations Support.

EFFECT ON OTHER DOCUMENTS

This supersedes IRM 8.26.8 dated October 1, 2012.

AUDIENCE

Appeals employees

Patrick E. McGuire
Acting Director, Operations Support

8.26.8

Compliance Assurance Process - Fast Track Settlement

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8.26.8.1
(01-15-2009)
Program Scope and Objectives

- (1) *Purpose:* This IRM provides guidance for the Fast Track Settlement (FTS) process specifically for Compliance Assurance Program (CAP) issues.
- (2) *Audience:* Independent Office of Appeals (Appeals) and Large Business and International (LB&I) employees.
- (3) *Policy Owner:* Policy, Planning, Quality and Analysis (PPQ&A) is under the Director of Operations Support.
- (4) *Program Owners:* Appeals Policy is the program office responsible for providing technical and procedural guidance to the Appeals organization and is under the Director of PPQ&A. Appeals Policy and the Strategy, Policy and Governance Office (SPG) of the LB&I Assistant Deputy Commissioner Compliance Integration (ADCCI) jointly manage and administer the LB&I FTS Program.
- (5) *Contact Information:* Appeals employees should follow established procedures on *How to Contact an Analyst*. Other employees should contact the "Content Point of Contact" shown on the Product Catalog Information page for this IRM.

8.26.8.1.1
(04-04-2025)
Background

- (1) The CAP pilot was designed to evaluate a process for achieving tax compliance through pre-filing review and resolution of issues.
- (2) The CAP Program is a method LB&I uses to identify and resolve tax issues through open, cooperative and transparent interaction between the IRS and LB&I taxpayers prior to the filing of a return. LB&I FTS is available for CAP cases on an issue-by-issue basis.
- (3) The IRS expects CAP to improve issue resolution by working with the taxpayer to determine the tax treatment of items and transactions prior to filing.
 - a. Specific corporations are assigned an Account Coordinator (AC), who works with the taxpayer and coordinates additional IRS resources as needed, to review items, events and material tax transactions in a contemporaneous manner to resolve issues prior to filing.
 - b. The Account Coordinator and the taxpayer identify and resolve material issues during the tax year rather than several years after a return is filed.
 - c. When agreement on the proper tax treatment is reached, the Taxpayer receives an acceptance letter from the IRS, minimizing the need for post-filing review of specific items, transactions or issues.
- (4) FTS was developed as an alternative dispute resolution (ADR) process to resolve tax controversies at the lowest level without sacrificing the quality and integrity of those determinations. FTS improves business practices by addressing disputes as early as possible to expedite case closing and reduce taxpayer burden.
- (5) For LB&I FTS, an Appeals Official uses dispute resolution techniques to promote issue resolution while the case remains in LB&I's jurisdiction.
- (6) The Appeals Official, serving as a neutral participant, assists LB&I and the taxpayer to understand the nature of the dispute and to reach a mutually satisfactory resolution consistent with applicable law. The Appeals Official also may recommend a settlement proposal.
- (7) Appeals' mission is to resolve tax controversies without litigation on a basis which is fair and impartial to both the Government and the taxpayer, promotes

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a consistent application and interpretation of, and voluntary compliance with, the Federal tax laws, and enhances public confidence in the integrity and efficiency of the Service. See IRC 7803(e)(3), Purpose and Duties of Office.

- (8) Appeals accomplishes this mission in a manner that ensures Appeals employees act in accord with the Taxpayer Bill of Rights (TBOR) in every interaction with taxpayers. See IRM 8.1.1.2, Accomplishing the Appeals Mission. The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For additional information about the TBOR, see <https://www.irs.gov/taxpayer-bill-of-rights>.

8.26.8.1.2 (04-04-2025) Authority

- (1) A primary objective of the Service is to resolve tax controversies at the lowest level without sacrificing the quality and integrity of those determinations. Alternative Dispute Resolution (ADR) programs achieve this objective. See IRM 1.2.1.9.1, Policy Statement 8-1, Appeals Administrative Dispute Resolution Process.
- (2) The IRS Restructuring and Reform Act of 1998 (RRA 98), P.L.105-206 directs the IRS to implement procedures that allow broader use of early Appeals programs and to establish procedures that allow alternative dispute resolution including mediation and arbitration.
- (3) The Commissioner granted Appeals authority to administer Alternative Dispute Resolution Procedures. See IRM 1.2.2.9.9, Delegation Order 8-9, Authority of Appeals to Administer Alternative Dispute Resolution Procedures. For Appeals settlement authority, see IRM 1.2.2.9, Delegations of Authority for the Appeals Process, and its related subsections.
- (4) Rev. Proc. 2003-40 establishes the LB&I FTS program specifically for cases in LB&I with the goal of expediting case resolutions and expanding the range of dispute resolution options available to taxpayers.
- (5) The IRS announced the CAP pilot in Announcement 2005-87, IRB 2005-50. This announcement allows the use of existing issue resolution processes. Accordingly, FTS under Rev. Proc. 2003-40 is available when the parties are unable to resolve a dispute. *IRS News Release IR 2011-32* expanded and made permanent IRS' CAP for large corporate taxpayers.

8.26.8.1.3 (04-04-2025) Responsibilities

- (1) Appeals Policy and LB&I ADCCI SPG jointly manage and administer the LB&I FTS Program.
- (2) The Policy Analyst shown on the Product Catalog Information page as the point of contact (POC) is the assigned author of this IRM.

8.26.8.1.4 (04-04-2025) Program Reports

- (1) PPQ&A provides ADR trend and data analyses and detailed summary reports for Appeals and other IRS Operating Divisions.

8.26.8.1.5 (04-04-2025) Terms and Acronyms

- (1) See IRM Exhibit 8.1.1-1, Common Terms Used in Appeals for common terms and definitions used in IRM Part 8. Terms listed in the exhibit are not included in the table.

- (2) The table lists commonly used acronyms and their definitions as used in this IRM:

Acronym	Definition
AC	Account Coordinator
CAP	Compliance Assurance Process
IRA	Issue Resolution Agreement
ADR	Alternative Dispute Resolution

8.26.8.1.6
(04-04-2025)
Related Resources

- (1) This IRM is the primary source of guidance on this program for Appeals.
- (2) Appeals *Fast Track Settlement Program* SharePoint site
- (3) IRM 8.26.1, Alternative Dispute Resolution, Fast Track Settlement for Large Business and International (LB&I) Taxpayers
- (4) IRM 4.51.4, LB&I/Appeals Fast Track Settlement Program (FTS), provides additional procedures for LB&I employees
- (5) IRM 4.51.8, Compliance Assurance Process (CAP)
- (6) *Compliance Assurance Process (irs.gov)*
- (7) *Compliance Assurance Process (CAP) Overview and Contacts*

8.26.8.2
(01-15-2009)
Compliance Assurance Key Components

- (1) CAP is comprised of several key components:
 - a. Collaborative relationship between the taxpayer and the AC, the IRS point of contact to identify and resolve issues during the year.
 - b. Comprehensive and contemporaneous disclosure environment to identify issues.
 - c. Issue-driven approach focusing on significant items and events, and material tax transactions. Timely identification, evaluation and resolution of issues prior to filing the tax return.
 - d. Determination of acceptance prior to filing. e) Joint post-filing review of return.

8.26.8.3
(10-01-2012)
Issue Resolution

- (1) Issues that arise in the CAP process are resolved by the CAP Team and the taxpayer using Issue Resolution Agreements (IRA). See
- (2) Fast Track Settlement is available as an Alternative Dispute Resolution (ADR) program during CAP on an issue by issue basis. See Rev. Proc. 2003-40, 2003-1 C.B. 1044, for the Fast Track Settlement procedures.
 - a. Fast Track Settlement is designed to help Large Business and International (LB&I) taxpayers expeditiously resolve disputes during an examination while their case is still in LB&I jurisdiction. Fast Track Settlement brings Appeals resources to the audit site to resolve the disputed tax treatment of identified transactions.

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- b. Rev. Proc. 2003-40 provides that the FTS Appeals Official, serving as a neutral participant in the FTS process, assists LB&I and the taxpayer to understand the nature of the dispute and to reach a mutually satisfactory resolution consistent with applicable law.
 - c. In the FTS process, a specially trained Appeals Official facilitates the Fast Track settlement discussions between the taxpayer and LB&I, to reach and execute a settlement with which both agree.
 - d. The prohibition against ex parte communications between Appeals employees and other Service employees provided by section 1001(a)(4) of the Internal Revenue Service Restructuring and Reform Act of 1998 does not apply to the communications when facilitating an agreement between the taxpayer and LB&I during Fast Track Settlement because the Appeals employees are not acting in their traditional Appeals settlement role.
 - e. The Team Manager starts the process by submitting the Application for Fast Track Settlement to the LB&I and Appeals Fast Track Settlement Program Managers.
 - f. In addition to the LS feature code, Appeals uses the CP feature code on Appeals Centralized Database System (ACDS) for CAP cases requesting Fast Track Settlement. The feature codes are selected from a drop down menu on ACDS. Appeals Officers (AOs) or Appeals Team Case Leaders (ATCLs) add the feature code to the case on ACDS, either by adding it themselves through the update function in CARATS or by requesting Account and Processing Support (APS) add the feature code. The feature code field in ACDS is critical for Appeals data accuracy on all cases.
 - g. If the parties reach agreement, Form 906, Closing Agreement on Final Determination Covering Specific Matters, is executed to finalize the resolution.
- (3) If the Fast Track Settlement Program is used in a CAP case, the Account Coordinator (AC) should follow the procedures outlined in Rev. Proc. 2003-40.
- a. The AC prepares the application package and forwards it to the Team Manager for approval. The Team Manager reviews, approves, signs the application and obtains the taxpayer's signature and forwards it to the LB&I and Appeals Fast Track Settlement Program Managers.
 - b. The AC forwards the issue positions for both parties to Appeals for consideration, prior to the opening conference and arranges any meetings. The Team Manager and appropriate team personnel, including specialists, their managers and Technical Advisors from LB&I participate in the Fast Track Settlement process with taxpayers, which includes attending meetings, discussions, and providing necessary information to achieve a comprehensive understanding of the issue.
 - c. If necessary, the appropriate Territory Manager and Director, Field Operations - LB&I, participates in the Fast Track Settlement process.
 - d. If an issue is resolved during Fast Track Settlement, the agreed resolution is incorporated into the applicable closing agreement.
 - e. Fully developed but unagreed issues not resolved using Fast Track Settlement during pre-filing are incorporated into a 30-day letter once the return is filed and the case is forwarded through the traditional Appeals process.
- (4) Binding arbitration is not an option that is available in CAP.

- (5) If Fast Track Settlement does not occur prior to return filing, taxpayers have the option of electing to use Fast Track Settlement during the post-filing examination process. Once the taxpayer elects Fast Track Settlement in CAP, the taxpayer retains all of its otherwise available appeal rights; however, FTS number can not be used for the same issue. An exception is a change in facts and circumstances that the parties subsequently agree merits the use of Fast Track Settlement.

8.26.8.4
(10-01-2012)
**Closing Agreements
Upon Completion of
Fast Track Settlement**

- (1) Upon completion of the Fast Track Settlement in a CAP case, the FTS Appeals Official prepares a Fast Track Settlement Session Report, to be signed by the parties.
- (2) If an issue is settled during Fast Track Settlement, the agreed settlement is documented in Form 14000, Fast Track Session Report, and the applicable Form 906, Closing Agreement on Final Determination Covering Specific Matters, is prepared by Appeals. The FTS Appeals Official also prepares a brief Appeals Case Memorandum (ACM).
- (3) If an issue is resolved using LB&I resolution authority during Fast Track Settlement, the original IRA is attached to the final signed Fast Track Settlement Session Report. The FTS Appeals Official does not prepare an Appeals Case Memorandum. If the parties desire, the agreed resolution is incorporated into the applicable Form 906 prepared by the AC and executed by the appropriate LB&I official upon completion of CAP. Appeals assists the parties in drafting the Form 906.
- (4) Where a Joint Committee report is required for a CAP case, Appeals delays execution of the closing agreement until LB&I completes the Joint Committee procedures. LB&I is responsible for preparing the Joint Committee report. When Appeals settlement authority is utilized on a Joint Committee case, the Appeals Official involved in the settlement is available to respond to inquiries from the Joint Committee regarding the settlement.
- (5) Appeals follows the established closing procedures for Fast Track Settlement.
- (6) Appeals sends a closing letter and copies of the Fast Track Settlement closing documents to the taxpayer, AC and LB&I Team Manager.

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