

THE PROGRAM:

The PFA program is a process, which enables both taxpayers and the IRS to resolve, *before the filing of a return*, the treatment of issue(s) otherwise likely to be disputed in post-filing audits through executing a closing agreement.

Revenue Procedure 2001-22 provides the guidelines and jurisdiction of LMSB that permits a taxpayer to request the examination of specific issues relating to a tax year before the return is timely filed.

All taxpayers under the jurisdiction of LMSB are eligible to apply for a PFA. Both Coordinated Industry and Industry cases are eligible.

Eligible tax issues generally include those that are factual in nature and governed by well-established law.

Revenue Procedure 2001-22 provides a list of possible domestic issues, an exclusive list of international issues, and a list of examples of excluded issues.

The Industry Director or the Director of Field Operations will make the final decision whether to accept or decline a taxpayer's request for a PFA.

A taxpayer may not appeal a decision not to go forward with a requested PFA.

A taxpayer not selected for the PFA program, or where no PFA Agreement is reached, remains eligible for other early issue resolution procedures including the Accelerated Issue Resolution (AIR) Program or Early Referral to Appeals.

The PFA program is taxpayer initiated and LMSB Industry driven. Oversight is provided by the Director, Pre-Filing and Technical Guidance.

THE BENEFITS TO THE TAXPAYER:

- Prefiling audits are quicker than postfiling audits.
- Records are current and people are readily available who worked on the transactions.
- A cooperative IRS relationship forms because of the PFA process.
- Tax treatment of the issue will be certain to both parties at the end of the process.
- Financial presentation of the issue will be correct.

BENEFITS TO THE IRS:

- Records are current and complete for examination purposes.
- Individuals who worked on the transaction are available for interviewing purposes.
- There is a spirit of cooperation between the audit team and the taxpayer.
- Contentious issues are removed from future audit cycles allowing for shorter examinations of the taxpayer in the future
- The above will lead to better resource allocation.

THE PROCESS:

Revenue Procedure 2001-22 contains detailed information to be used by the taxpayer in completing a Pre-Filing Agreement application. The following are key points to the application:

- There is no prescribed format for a PFA request. It must however contain basic identification and other information as outlined in the Revenue Procedure 2001-22.
- The PFA request must contain a separate written statement for each issue that describes the issue and provides the information as outlined in the Revenue Procedure.
- The request must include a standard perjury statement.
- The request must include a statement of agreement regarding the subsequent examination or inspection of records. This statement indicates that the PFA inspection of records will not preclude or impede a later examination of a return or inspection of records related to the tax year in question.
- The taxpayer or Power of Attorney (POA) must sign the request.
- Submission of a PFA should be made to the LMSB Team Manager if a current examination is being conducted or a team is on site. Otherwise requests can be mailed or faxed by the taxpayer to the PFA Program Manager (see specific instructions in the Revenue Procedure).

USER FEES:

Taxpayers are subject to a user fee only if they are selected to participate in the LMSB PFA program. These fees are based on amount of assets reflected on the taxpayer's balance sheet, and are as follows:

- \$10,000 for taxpayers having \$250,000,000 or more in assets.
- \$5,000 for taxpayers having at least \$50,000,000 but less than \$250,000,000 in assets.
- \$1,000 for taxpayers having at least \$10,000,000, but less than \$50,000,000 in assets.

CONTACTS:

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Additional information may be found on the IRWeb site under LMSB/Pre-Filing & Technical Guidance



Pre

Filing

Agreement

Program