



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

APPEALS

July 5, 2018

Control No. AP-08-0718-0011  
Expiration Date: 07-11-2019  
Affected IRMs: IRM 8.6.4  
IRM 8.20.7

MEMORANDUM FOR APPEALS EMPLOYEES

FROM: Anita M. Hill /s/ *Anita M. Hill*  
Director, Case and Operations Support

SUBJECT: Reissuance of Interim Guidance on Specific Dollar Settlements

This memorandum reissues guidance in AP-08-0716-0005, *Interim Guidance on Specific Dollar Settlements*, issued on July 12, 2016.

**Purpose:** This memorandum provides interim guidance to implement specific dollar settlements for Appeals resolutions.

**Background:** [Policy Statement 8-48 \(Rev. 1\)](#) (approved by the Commissioner on June 2, 2016), states that Appeals may consider and accept proposals for “specific dollar” settlements. A specific dollar settlement is the settlement of a case for a percentage or stipulated amount of the tax in controversy that approximates the amount that would have been reached by computing the tax.

**Procedural Change:** The attachment provides guidance for the specific dollar settlement procedures.

**Effect on Other Documents:** The specific dollar settlement procedures will be incorporated into IRMs 8.6.4, *Conference and Settlement Practices, Reaching Settlement and Securing an Appeals Agreement Form*, and 8.20.7, *Closing Procedures*, by the expiration date of this memorandum.

**Effective Date:** This memorandum is effective as of the date of this memorandum and supersedes AP-08-0716-0005, *Interim Guidance on Specific Dollar Settlements*.

**Contact:** If you have any questions, please follow established procedures on [How to Contact an Analyst](#).

cc: [www.irs.gov](http://www.irs.gov)

## Interim Guidance for Specific Dollar Settlements

**8.6.4.1.3 (MM-DD-YYYY)  
Specific Dollar Settlements**

- (1) Policy Statement 8-48 (Rev. 1) states that Appeals may consider and accept proposals for “specific dollar” settlements. See IRM 1.2.17.8.
- (2) A specific dollar settlement is the settlement of a case for a percentage or stipulated amount of the tax in controversy that approximates the amount that would have been reached by computing the tax.
- (3) Specific dollar settlements are appropriate when:
  - The case is a small tax case. The term “small tax case” means a non-docketed or docketed case that would qualify for “S” case procedures, if docketed.
  - There are nonrecurring issues.
  - The settlement only affects years under Appeals’ jurisdiction.
  - There is a single entity/taxpayer.
- (4) Specific dollar settlements are not appropriate in cases involving issues affecting prior or subsequent tax periods not included in the settlement, such as adjustments to depreciation/depletion, carryovers, carrybacks, or other reoccurring issues.
- (5) The following is a list of some of the issues where a specific dollar settlement would not be appropriate:
  - Earned Income Credit (EIC) banned for 2 years
  - Adjustments to Self-Employment (SE) tax
  - Passive activity and carryovers/carrybacks
  - Contributions carryovers
  - Capital losses and carryovers/carrybacks
  - Net operating losses and carryovers/carrybacks
  - Depreciation/depletion
  - Employment taxes
  - Affordable Care Act (ACA) Marketplace provisions (Premium Tax Credit and the Shared Responsibility Payment)

**Example:** In a simple one-year case where the hazards indicate several issues might be resolved overall for 60% in favor of the government and 40% for the taxpayer, the Appeals Officer could take the amount of tax at issue in the RAR and split it 60/40. In this specific dollar settlement, the taxpayer would be charged with 60% of the proposed deficiency.

**Example:** In a multiple year case where the negligence penalty was asserted on the treatment of Schedule C business expenses and the business no longer exists, the Appeals Officer could propose a specific dollar settlement. The penalty issue is nonrecurring and a specific dollar settlement may be appropriate.

- (6) The Appeals Officer should explain to the taxpayer and in the ACM his/her rationale for using a specific dollar settlement.
- (7) Prepare Form 5402, *Appeals Transmittal and Case Memo*, with special instructions:
  - a) Include this statement: **THIS IS AN APPEALS SETTLEMENT FOR A SPECIFIC DOLLAR AMOUNT. THERE IS NO AUDIT STATEMENT OR SCHEDULE OF ADJUSTMENTS, AND THE CHANGE TO AGI AND TXI CAN'T BE DETERMINED.**
  - b) Include the tax settlement amount.
  - c) Include the penalty settlement amount, if any.
- (8) If a Statement of Account and/or an IRC 6404(g) and/or May Sequa worksheet(s) is needed, submit the case to TCS. Refer to IRM 8.2.1.9, *Requesting Work from Tax Computation Specialist*, for the procedures for requesting TCS assistance.
- (9) Do not provide Form 5403, *Appeals Closing Record*, instructions to APS. APS will follow guidance in IRM 8.20.7.7, *Form 5403 Instructions to APS Worksheet*.
- (10) Submit the case to the ATM for approval.