INDEPENDENT OFFICE
OF APPEALS

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

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MEMORANDUM FOR ALL INDEPENDENT OFFICE OF APPEALS EMPLOYEES

FROM: Steven M. Martin */s/ Steven M. Martin*
Director, Operations Support

SUBJECT: Procedural updates for Small Business/Self-Employed (SB/SE) Fast Track Settlement (FTS) Program

This guidance provides current procedures for the Independent Office of Appeals (Appeals) on the **SB/SE FTS Program**, incorporating both temporary and permanent changes. Please distribute this information to all impacted employees within your organization.

Purpose: This guidance is issued to update procedures found in IRM 8.26.2, Fast Track Settlement for Small Business/Self Employed (SB/SE) Taxpayers, to incorporate the following:

- Changes related to the transition of Alternative Dispute Resolution (ADR) program management responsibilities to the ADR Program Management Office (ADR PMO).
- Temporary changes related to Announcement 2025-6, Pilot Program Changes to Fast Track Settlement.

Background/Source(s) of Authority: In March 2024, Appeals established the ADR PMO. The ADR PMO was created to revitalize existing ADR programs, pilot new initiatives, and collaborate with other business units to help taxpayers resolve tax disputes more efficiently. The ADR PMO has primary responsibility for all policy and program management for ADR programs and is supported by Appeals Policy.

On January 15, 2025, the IRS published Announcement 2025-6, Pilot Program Changes to Fast Track Settlement, and related News Release IR-2025-14, on IRS.gov. The announcement introduced a pilot program testing changes to FTS.

The changes to SB/SE FTS include:

- FTS is available for individual issues within a case, even if other issues are ineligible. Previously, if one issue in a case was ineligible for FTS, then all issues in the case were ineligible for FTS.
- FTS requests will not be denied without executive-level concurrence.
- The rationale for denying an FTS request must be explained to the taxpayer.
- The pre-FTS managerial conference requirement is eliminated.

The announcement also launched a second, limited-scope SB/SE FTS pilot—"Last Chance FTS." Under Last Chance FTS, when a taxpayer submits a protest in response to a 30-day letter, SB/SE will ask Appeals to contact the taxpayer or their representative to inform them of the FTS option.

These piloted changes will be evaluated during a two-year period to determine the degree to which the updates should be discontinued, adjusted, or made permanent.

Procedural Change: Specific procedural changes are contained in the attachment.

Effect on Other Documents: This guidance outlines deviations from the procedures in IRM 8.26.2, Fast Track Settlement for Small Business/Self Employed (SB/SE) Taxpayers. Portions of this guidance may be extended or modified through subsequent guidance or made permanent and incorporated into the applicable IRM by the expiration date of this memorandum.

Effective Date: This guidance is effective as of the date of this memorandum.

Contact: Appeals employees should submit questions pertaining to ADR programs to their manager. Managers may submit ADR questions to *AP ADR PMO. Employees can also access ADR information and resources on the Alternative Dispute Resolution (ADR) webpage.

Attachment

cc: FOIA library
www.irs.gov

Revisions to IRM 8.26.2, Fast Track Settlement for Small Business/Self Employed (SB/SE) Taxpayers

8.26.2.1.3 (MM-DD-YYYY)
Responsibilities

(1) The Alternative Dispute Resolution Program Management Office (ADR PMO) and SB/SE Policy jointly administer the SB/SE FTS program. The executives with program oversight are:

- Appeals program oversight – Deputy Chief of Appeals
- Appeals policy oversight – Director, Operations Support
- SB/SE program oversight – Director, Examination Field and Campus Policy (EFCP)

(2) The Director, ADR PMO, is responsible for planning, managing, and directing the nationwide ADR programs for Appeals. See IRM 1.1.7.9, Alternative Dispute Resolution Program Management Office (ADR PMO).

8.26.2.2 (MM-DD-YYYY)
General Provisions

(1) No change.

(2) For eligible cases, FTS allows taxpayers with unagreed examination issues to work with SB/SE Examination and Appeals using mediation to reach resolution.

(3) & (4) No change.

(5) If a taxpayer's request for FTS is denied or withdrawn, or if resolution is not reached through FTS, the taxpayer retains the right to request traditional Appeals consideration and Post-Appeals Mediation (PAM).

8.26.2.5 (MM-DD-YYYY)
Eligibility

(1) FTS is generally available for unresolved issues in non-docketed SB/SE cases with no regard to dollar amount if:

- Disputed issues are fully developed
- Conclusions of both parties are documented and have some basis in fact and/or law
- Necessary referrals, technical advice, Counsel advice, and valuation reports are completed and documented
- SB/SE and the taxpayer both agree to use mediation to reach resolution

Delete (2)

8.26.2.6 (MM-DD-YYYY)
Excluded Cases

(1) No change.

Delete (2) and renumber paragraph (3) as paragraph (2).

(3) No change. Renumber as (2).

8.26.2.7 (MM-DD-YYYY)
Initiating the FTS Process

(1) No change.

(2) Ideally, FTS is initiated on fully developed eligible issues:

a. Field Exam cases: generally, prior to the 30-day letter
b. Office Audit/Exam cases: at the time the taxpayer requests an Appeals conference

In either instance, the FTS case is referred as soon as possible, but ***always*** prior to the issuance of a 90-day letter.

(3) No change.

(4) If the issue meets the requirements in IRM 8.26.2.5, Eligibility, the examiner and/or the GM will discuss FTS with the taxpayer, explain the roles and responsibilities of each party, and the expectations and benefits of the program.

(5) through (8) No change.

8.26.2.7.1 (MM-DD-YYYY)
SB/SE's Role in Determining Eligibility

(1) No change.

(2) If SB/SE has any questions regarding eligibility determination, the GM may contact the ADR PMO by emailing *AP ADR PMO.

(3) The GM may propose denial of an FTS application if the unresolved issues are not eligible for FTS, the taxpayer was uncooperative during the audit process, did not respond to document requests, or did not submit an adequate written response to the proposed issues.

(4) A proposed denial of an FTS application requires first-line executive review and concurrence. The GM will follow procedures in IRM 4.10.7.5.6.3.1, Denied SB/SE FTS Application Package by Group Manager, for requesting executive concurrence using the SB/SE Fast Track Settlement – Approval to Deny Taxpayer's Request template.

(5) If the SB/SE first-line executive does not concur with the denial, the GM will accept the request.

(6) A decision by the SB/SE first-line executive to deny an FTS application is final. SB/SE will discuss the decision to deny the application with the taxpayer.

(7) In any case where the GM proposed denial, regardless of whether the executive concurred with the denial, the GM will email the completed template with all required signatures to *AP ADR PMO.

8.26.2.8 (MM-DD-YYYY)
Receipt of Incoming Cases

(1) When SB/SE accepts an FTS request, the SB/SE GM will send the approved **SB/SE FTS Package** to *AP ADR PMO with the subject line, "Accepted FTS Request XXXX", where XXXX is the employee group code. SB/SE will not send the entire administrative file. The SB/SE FTS Package includes:

- The signed Form 14017, Application for Fast Track Settlement,
- Summary of the issues to be mediated and copies of pertinent lead sheets and workpapers supporting the examiner's position, and
- The taxpayer's written position and response to each of the issues to be mediated.

(2) *No change.*

(3) Generally, within one business day, the ADR PMO will forward the SB/SE FTS Package to the appropriate Area Director (AD), or designee, for assignment to an ATM. The AD, or designee, will make this assignment within three business days.

Delete (4)

8.26.2.8.1 (MM-DD-YYYY)
Determining Acceptance

(1) SB/SE FTS Packages require expedited review to ensure a timely response to the SB/SE GM. Within **three business days** of receiving the SB/SE FTS Package from the AD or designee, the ATM will review the FTS package, determine if the issues are eligible for FTS, and make a preliminary decision on whether to accept the request. If the ATM has any questions regarding acceptance, the ATM may contact the ADR PMO by emailing *AP ADR PMO.

(2) Before accepting the FTS request, the ATM will confirm that all issues and claims were raised, all relevant information disclosed, and the case is ready for resolution. The ATM will also consider whether the issues to be mediated require routing to a specialty team per IRM 8.7, Technical and Procedural Guidelines, such as certain international, estate and gift, excise tax, or Bipartisan Budget Act of 2015 (BBA) issues.

8.26.2.8.2 (MM-DD-YYYY)
Accepting the case

(1) If accepted, the ATM will assign the case to an FTS Official within **five business days** of receipt from the AD or designee and notify the SB/SE GM of acceptance. If there are no available trained mediators on the ATM's team, the ATM may contact other ATMs within their Area to locate an available mediator or contact *AP ADR PMO for assistance.

> **Note:** If the taxpayer's representative signed Form 14017, Application for Fast Track Settlement, the ATM will confirm that the representative who signed is properly authorized to consent to disclosure of the taxpayer's returns and return information by the IRS to third parties. See IRM 8.26.2.14, Confidentiality in FTS.

(2) The ATM will use the Appeals Shared Programs Hub to submit a request for Account and Processing Support (APS) to create a new ACDS case record. Include a copy of the Form 14017, Application for Fast Track Settlement, the name of the FTS Official assigned to the case, and the relevant information in the request. See IRM 8.20.5.26.2, FTS From SB/SE Carding.

8.26.2.8.3 (MM-DD-YYYY)
Cases That Do Not Qualify or are Denied

(1) Executive-level concurrence is required to deny an FTS request.

(2) If the ATM proposes to deny an SB/SE FTS request, the ATM will proceed as follows:

a. Discuss the potential denial with an ADR PMO Analyst within three business days of receipt.
b. If the ATM still recommends denial after consultation with the ADR PMO, the ATM will elevate the decision to the AD by secure email **within three business days** of receipt, including *AP ADR PMO in the cc line. The FTS Executive Concurrence Memorandum may be used to request and document concurrence/non-concurrence.
c. If the AD concurs with the proposed denial, the AD will elevate it to the appropriate first-line executive by secure email.

(3) The first-line executive will indicate concurrence or non-concurrence with the proposed denial to the AD by return email. The AD will notify the ATM of the final decision by secure email, including *AP ADR PMO in the cc line.

(4) Reasons an ATM might propose denial of an SB/SE FTS request:

a. All issues are excluded or ineligible.
b. Numerous issues which will require substantially longer than 60 days to resolve.
c. SB/SE or the taxpayer is unable to meet within 60 days.

(5) If the AD or the first-line executive does not concur with the denial, the ATM will accept the FTS request.

(6) A decision by the first-line executive to deny an FTS request is final and the taxpayer is not entitled to administrative or judicial review of the decision.

(7) The ATM will notify the SB/SE GM of denial within **five business days of receipt**, provide the basis for denial, return the "SB/SE FTS Package" to SB/SE, and include *AP ADR PMO in the cc line. If the concurrence process is not completed within five business days of receipt, the ATM will inform the SB/SE GM by the fifth business day after receipt that additional time is needed to consider whether Appeals will accept the request and provide a timeline for additional response.

(8) If the FTS request is denied because the issues are excluded or ineligible for SB/SE FTS, the SB/SE GM will notify the taxpayer of the reason for denial. If the FTS request is denied for any other reason, the ATM will notify the taxpayer of the reason for denial.

8.26.2.9.1 (MM-DD-YYYY)
Conducting the Session

Insert new (3)

(3) At the conclusion of the session, the FTS Official will provide a copy of Publication 5548, Office of Appeals Survey, to the taxpayer or their representative. The FTS Official will fill in the ACDS work unit number in the password field on Publication 5548, Office of Appeals Survey.

8.26.2.9.3 (MM-DD-YYYY)
Withdrawal

(1) If, after assignment, Appeals or SB/SE determines that the case is not ready for FTS, or there is a change in the status of the case or issues, Appeals and SB/SE will discuss possible withdrawal of the case from FTS. After assignment in Appeals, withdrawals from the FTS process initiated by Appeals require Appeals' first-line executive concurrence.

Insert new (2) through (5)

(2) The ATM will first consult with an ADR PMO Analyst. If, after discussing the proposed withdrawal with an ADR PMO Analyst, the ATM still recommends withdrawal, the ATM will elevate the proposed withdrawal to the AD by secure email, including *AP ADR PMO in the cc line. If the AD concurs with the proposed withdrawal, the AD will elevate it to the appropriate first-line executive by secure email.

(3) The first-line executive will indicate concurrence or non-concurrence with the proposed withdrawal to the AD by return email. The AD will notify the ATM of the final decision by secure email, including *AP ADR PMO in the cc line.

(4) If the AD or the first-line executive does not concur with the withdrawal, the ATE will continue with the FTS process.

(5) A decision by the first-line executive to withdraw from the FTS process is final, and the taxpayer is not entitled to administrative or judicial review of the decision.

Renumber existing (2) and (3) to (6) and (7).

(6) In the event of withdrawal, the FTS Official will notify the taxpayer and SB/SE, return the Application Package to SB/SE, and follow closing procedures in IRM 8.26.2.16, Closing Procedures.

(7) A taxpayer can withdraw from FTS at any time by providing written notice to Appeals and SB/SE.

8.26.2.13 (MM-DD-YYYY)
Unresolved Issues

(1) through (4) No change.

(5) If a resolution is not reached using FTS, a taxpayer retains the right to request traditional Appeals consideration and PAM. See Announcement 2025-6, Pilot Program Changes to Fast Track Settlement.

8.26.2.16.1 (MM-DD-YYYY)
FTS Official

(1) No change.

(2) The FTS Official will:

1. Prepare Form 5402, Appeals Transmittal and Case Memo, and include the following information:
    a. Proposed and Revised FTS Adjustment dollars

   b. Item 11 remarks: SB/SE Fast Track Settlement Case
   c. Closing Codes are as follows:
      - 14 - Fully resolved
      - 15 - Not Resolved - Including taxpayer withdrawal
      - 16 - Partially Resolved
      - 20 - Withdrawn for procedural reasons (further development, bankruptcy)
2. Email a copy of the SB/SE FTS Closing Package to the ATM to input an ACAPDATE and begin the ACDS closing process. The ATM will forward the FTS Closing Package to APS, who will complete the ACDS case closing process. An ATM's signature is not required on Form 5402, Appeals Transmittal and Case Memo.
3. Email a copy of the SB/SE FTS Closing Package to the SB/SE examiner and GM.
4. Email a copy of the SB/SE FTS Closing Package to *AP ADR PMO.
5. If necessary, send a copy of the executed closing agreement to the taxpayer using Letter 1595, Closing Agreement Request for Taxpayer Signature Transmittal.

8.26.2.16.3 (MM-DD-YYYY)
SB/SE FTS Closing Package

(1) The **SB/SE FTS Closing Package** includes the following documents:

- Form 5402, Appeals Transmittal and Case Memo - signed by the FTS Official
- Form 14000, Fast Track Session Report (signed by all parties)
- ACM - Required when the settlement is based on the hazards of litigation
- Special Appeals Agreement Forms (AD) or Form 906, Closing Agreement on Final Determination Covering Specific Matters/Form 866, Agreement as to Final Determination of Tax Liability, (if required)

8.26.2.17 (MM-DD-YYYY)
Last Chance FTS (*New*)

(1) Last Chance FTS is a pilot program limited to select cases in SB/SE Field and Specialty Examination. Procedures in this subsection apply only to cases eligible for participation in the pilot, as identified by SB/SE.

(2) When a taxpayer submits a protest for a case or issue eligible for FTS to a participating GM, the GM must ask the ADR PMO to contact the taxpayer to inform them of the FTS option. The ADR PMO, acting as a neutral resource, will provide the taxpayer with information regarding FTS.

> **Note:** The ADR PMO will attempt to contact a maximum of 15 taxpayers per week. This ceiling may be raised in the future based on agreement between the ADR PMO and SB/SE.

(3) The GM will submit the Last Chance FTS request through the Appeals Last Chance FTS SharePoint Portal (portal). The GM will upload the following documents to the portal as part of the request:

a. Examination report
b. Taxpayer's protest
c. Form 2848, Power of Attorney and Declaration of Representative
d. Rebuttal (if any)

(4) The ADR PMO will contact the taxpayer, or their authorized representative, within three business days and inform the taxpayer of the FTS option. If the taxpayer does not answer the phone call, the ADR PMO will leave a message asking the taxpayer to return the call within three business days.

(5) If the taxpayer does not request participation in FTS or does not return the call within three business days, then, using the portal, the ADR PMO will advise the GM to send the case to traditional Appeals.

(6) If the taxpayer requests participation in FTS, the ADR PMO will use the portal to inform the GM. The GM will contact the taxpayer to secure the FTS application.