



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

May 8, 2023

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Affected IRM: 4.70, 4.71.3, 4.75.25,
4.75.37, 4.75.40.12,
4.75.40.13, 4.81.6,
4.86.5, 7.2.3, 7.11.8

MEMORANDUM FOR TAX EXEMPT AND GOVERNMENT ENTITIES (TE/GE) EMPLOYEES

FROM: Edward T. Killen /s/ *Edward T. Killen*
Commissioner, Tax Exempt and Government Entities

SUBJECT: Change in Closing Agreement Requirements

This memo issues guidance on closing agreements until we publish the affected IRM sections. Please distribute this information to all affected employees within your organization.

Purpose:

This memo changes the requirement for processing triplicate, original, paper closing agreements. These changes create a streamlined, consistent TE/GE-wide process, ensuring effective, efficient use of resources and compliance with current fully electronic (100% paperless) case procedures. The changes to the closing agreements procedures include:

- Reducing the requirement for three completed agreements to only one.
- Permitting delegated IRS management officials to digitally sign the agreements.
- Keeping an electronic agreement for record keeping purposes.
- Merging the document transmittal letters requesting taxpayer review and signatures.

Background/Sources of Authority:

TE/GE's various affected IRM sections require examiners and managers to:

- Create and mail three original closing agreements to taxpayers for them to sign.
- Request three original "wet ink" taxpayer signatures.
- Have a delegated IRS manager countersign the three originals.
- Return the approved, executed agreement to the taxpayer.

- Keep the original paper (and electronic) agreements with the examination case file.

The following functions in TE/GE use various transmittal letters when sending closing agreement documents to taxpayers for signature.

Function	Closing Agreement Transmittal Letters	Related IRMs
EP Exam	L-1595, L-1595-A, L-1595-B, L-1595-C, L-1595-D,	IRM 4.71.3
EP Determinations	L-1595-F	IRM 7.11.8
EO Exam	L-5469, L-5463	IRM 4.75.25
TEB	L-5565, L-5987	IRM 7.2.3 IRM 4.81.6 IRM 4.82.3
FSL/ET	L-5090 L-5155	IRM 4.75.40.12 IRM 4.75.40.13
ITG	L-5155	IRM 4.86.5

Note: IRM 4.81.6 doesn't refer to a specific transmittal letter for closing agreements.

The TE/GE functions listed above use the following forms for closing agreements:

- Form 866, Agreement as to Final Determination of Tax Liability
- Form 906, Closing Agreement on Final Determination Covering Specific Matters
- Form 14490, Closing Agreement On Final Determination Covering Specific Matters For Taxpayers Entitled To Section 530 Relief
- Form 14491, Closing Agreement On Final Determination Covering Specific Matters Regarding Worker Classification
- Form 14492, Closing Agreement On Final Determination Covering Specific Matters Regarding The Classification Of Workers Currently Treated As Employees

TE/GE relies on the following guidance for closing agreement procedures:

- Form 866 and Form 906 have instructions requiring three signed agreements.
- IRM 4.23.6 instructs employees to prepare Form 14490, Form 14491 or Form 14492 in triplicate and secure the taxpayer's signature on all three copies of the agreement.
- Rev. Proc. 68-16, 1968-1 C.B. 770, Sections 6.09 and 6.10 say that closing agreements will "ordinarily" be prepared in triplicate.
- IRC 7121(b) notes that closing agreements may only be set aside upon a showing of fraud, malfeasance, or misrepresentation of material facts.

- Treas. Reg. 301.7121-1(d)(1) states that all closing agreements “shall be executed on forms prescribed by the Internal Revenue Service” and that “the procedure with respect to requests for closing agreements shall be under such rules as may be prescribed from time to time by the Commissioner in accordance with the regulations under this section.”

Note: Neither the Internal Revenue Code nor the regulations require us to prepare and execute closing agreements in triplicate.

- IRM 8.13.1.3.5(2) says “the IRS can accept by fax taxpayer closing agreements involving any amount of tax.”

As Rev. Proc. 68-16 doesn’t explicitly require triplicate agreements, we’re opting to change the procedure to execute just one copy.

Procedural Change:

Examiners:

- 1) Prepare just one original closing agreement for taxpayer and IRS execution.
- 2) Secure the taxpayer’s “wet ink” signature. (IRS signatures may be digital.)

Note: Accept taxpayer images of signatures or digital signatures until interim guidance memo [NHQ-01-1121-0004](#) expires on October 31 2023, or if the Deputy Commissioner Services and Enforcement issues further superseding guidance to extend or make permanent the acceptance of digital signatures.

- 3) Store all TE/GE closing agreements electronically.
- 4) See the chart below as to which letters to use during the closing agreement process.

Letter:	Use as a cover letter when you:
Letter 1595, Closing Agreement Request for Taxpayer Signature Transmittal Letter	Send a draft or final closing agreement to a taxpayer.
Letter 1595-B, Closing Agreement Return for Correction Transmittal Letter	Return a closing agreement to the taxpayer because of errors.
Letter 1595-D, Final Signed and Approved Closing Agreement Transmittal Letter	Send an executed closing agreement. Choose the proper selectable paragraphs for your function.

Note: We will add these letters to the TE/GE RCCMS Workcenter. Letters 1595-A, 1595-C, 1595-F are obsolete. We combined Letters 5463, 5469, 5565, 5987 into Letters 1595 and 1595-D, and they will be obsoleted. TE/GE examiners should stop using Letters 5090 and 5155.

- 5) Employee Plans examiners should enclose an Operational Compliance Statement when selecting paragraph E or enclose Pay.gov instructions when selecting paragraph H on Letter 1595.
- 6) Tax-exempt Bond examiners should enclose Form 15094 when selecting paragraph G on Letter 1595.

BSP will soon add the revised electronic files for Letters 1595, 1595-B, and 1595-D to the RCCMS Forms, Letters, and Template Repositories for all TE/GE functions. In the meantime, examiners can access the letters from the [Publishing Repository Catalog](#).

Effect on Other Documents:

We'll incorporate this guidance into the affected IRMs within two years from this memo's date.

Effective Date:

This memo is effective when issued.

Contact:

For questions about these procedures, please contact [George Brim](#) (EP) at (609) 858-7979, [Brett Dietrich](#) (EO) at (801) 620-4313 and [Mildred Jordan](#) (GE) at (321) 441-2645.

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