



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

7.2.1

JULY 24, 2024

EFFECTIVE DATE

(07-24-2024)

PURPOSE

- (1) This transmits revised IRM 7.2.1, *TE/GE Closing Agreements, Closing Agreements Originating in EP Technical*.

MATERIAL CHANGES

- (1) Updated IRM 7.2.1.2 to add provisions of TEGE-07-0224-0004, Digital Taxpayer Communications.
- (2) Updated this IRM for plain language and current Revenue Procedures.

EFFECT ON OTHER DOCUMENTS

This document supersedes IRM 7.2.1 dated July 27, 2023 and includes the applicable provisions of TEGE-07-0224-0004, Digital Taxpayer Communications.

AUDIENCE

Taxpayer and Government Entities
Employee Plans

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7.2.1

Closing Agreements Originating in EP Technical

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7.2.1.1
(08-06-2019)
Program Scope and Objectives

- (1) **Purpose:** This IRM discusses the closing agreement process Employee Plans (EP) Technical, Tax Exempt and Government Entities (TE/GE) uses to resolve retirement plan compliance issues.
- (2) **Audience:** The administrative guidelines in this manual apply to employees in EP Technical.
- (3) **Policy Owner:** Director, EP
- (4) **Program Owner:** EP
- (5) **Program Goals:** EP's goal is to provide taxpayers top quality service by helping them understand and comply with applicable tax laws, and to protect the public interest by applying the tax law with integrity and fairness. To protect plan participants and retirement savings, one goal of EP Technical's closing agreement program is avoiding plan disqualification.

7.2.1.1.1
(05-26-2022)
Background

- (1) A plan is qualified if it meets the requirements of Internal Revenue Code (IRC) section 401(a) in form and operation. A qualified plan is entitled to favorable tax treatment.
- (2) To help taxpayers understand the applicable tax laws and ensure their plans comply, EP issues certain letter rulings, determination letters, opinion letters, advisory letters, and approval letters.
- (3) EP may enter a closing agreement with a plan sponsor to resolve compliance failures that become apparent during the process of obtaining a ruling. When plan sponsors use closing agreements, they avoid plan disqualification. The applicable guidance for resolving most compliance failures, including those resolved by closing agreement, is contained at Revenue Procedure 2021-30, 2021-31 IRB 172.

Note: Section 305 of the SECURE 2.0 Act of 2022 directs that Rev. Proc. 2021-30 be revised to allow a plan sponsor to self-correct certain "eligible inadvertent failures" if applicable conditions are satisfied. This revision will expand the types of failures that may be self-corrected and not otherwise require a closing agreement. Notice 2023-43, 2023-24 I.R.B. 919 provides interim guidance in this regard.

- (4) The procedures in this IRM 7.2.1 apply only to closing agreements originating in EP Technical.
- (5) For other closing agreement IRMs see:
 - a. IRM 7.2.2, *TE/GE Closing Agreements, Employee Plans Compliance Resolution System (EPCRS)*.
 - b. IRM 7.11.8, *Employee Plans Determination Letter Program, EP Determinations Closing Agreement Program*.
 - c. IRM 4.70.12, *TE/GE Examinations, Planning the Examination*. See also, Delegation Order 8-3, *Closing Agreements Concerning Internal Revenue Tax Liability* (IRM 1.2.2.9.3)
 - d. IRM 4.70.14, *Resolving the Examination*.
- (6) EP Technical uses closing agreements when we can't satisfactorily resolve cases using other existing and available standard procedures. This IRM explains:

- a. Authority to enter into closing agreements.
- b. When a closing agreement is appropriate.
- c. The difference between a single and mass closing agreement.
- d. How to obtain approval to pursue a closing agreement.
- e. How to negotiate a closing agreement.
- f. How to draft and process a closing agreement.
- g. How to obtain proper signatures for a closing agreement.
- h. How to process remittances under a closing agreement.
- i. How to set aside or clarify a closing agreement.

7.2.1.1.2
(04-10-2020)
Authority

- (1) The IRS Commissioner may approve a written closing agreement with anyone for the liability of that person for any internal revenue tax for any taxable period ending before or after the date of that agreement (IRC section 7121 and related Treasury Regulations).
- (2) The IRS can enter into a closing agreement any time there appears to be an advantage permanently and conclusively closing the case, or if the taxpayer shows good and sufficient reasons for a closing agreement, and the Commissioner determines the United States won't sustain any disadvantage through consummation of an agreement. (Treasury Regulation section 301.7121-1(a)).
- (3) The IRS Commissioner delegates to the TE/GE Commissioner, in cases under his or her jurisdiction, to enter into and approve a written agreement with any person for the internal revenue tax liability of that person, or the person or estates for whom he or she acts (Delegation Order 8-3, IRM 1.2.2.9.3).
- (4) This authority to enter into a closing agreement is further delegated to the Director, EP and the Director, EP Rulings and Agreements (R&A). The authority delegated doesn't include the power to set aside any closing agreement, which is retained by the Commissioner. See IRM 7.2.1.8, Modification of Closing Agreements.
- (5) You can find a complete list of delegation orders governing EP R&A on IRS.gov at <https://www.irs.gov/privacy-disclosure/delegation-orders-and-policy-statements-by-process>.

7.2.1.1.3
(07-27-2023)
Responsibilities

- (1) The Manager, EP Technical supervises group managers and employees in EP Technical.
- (2) The EP Technical group managers supervise employees in EP Technical.
- (3) EP Technical employees work on assignments from their group managers. EP Technical employees who are appointed members of the Joint Board for the Enrollment of Actuaries (Board) also receive work assignments from the Board.
- (4) EP Technical employees are responsible for following the procedures in IRM 10.5.1, Privacy and Information Protection, Privacy Policy.

7.2.1.1.4
(08-06-2019)
Acronyms, Terms and Definitions

- (1) This table lists commonly used terms and provides their definitions.

Term	Definition
Audit CAP	Audit Closing Agreement Program

Term	Definition
IRC	Internal Revenue Code of 1986, as amended
EP	Employee Plans
EPCRS	Employee Plans Compliance Resolution System
POA	Power of Attorney. For purposes of this IRM, an individual designated on a signed and completed Form 2848 as authorized to represent the plan sponsor before the IRS.
R&A	Rulings & Agreements
TDC SM	Taxpayer Digital Communications Secure Messaging
TE/GE	Tax Exempt and Government Entities
VCP	Voluntary Correction Program

7.2.1.2
(07-24-2024)
**Digital Taxpayer
Communications**

- (1) The IRS has implemented Taxpayer Digital Communications Secure Messaging (TDC SM) as a more efficient way for taxpayers and their authorized representatives, to exchange information and documents with the IRS. Taxpayers and representatives will use the TDC SM platform by invitation only. The procedures apply to all compliance activity types (cases) that include taxpayer contact with a start date on or after June 22, 2022. An alternative secure method, the Document Upload Tool for Taxpayer Facing Employees (DUT - TPFE) is now available for use within EO and EP Rulings & Agreements on and after February 22, 2024.
- (2) You must offer either TDC SM or DUT – TPFE to all taxpayers and their representatives with the initial contact letter. If the interaction with the taxpayer is expected to be a series of multiple exchanges of documents or communications, it is recommended that you offer TDC SM at initial contact. If the interaction with the taxpayer is expected to be limited to receipt of certain documents requested, it is recommended that you offer DUT - TPFE at initial contact. If taxpayer interaction changes while working the case, you may use the alternative tool.
- (3) TE/GE has revised many initial contact letters to include language that advises taxpayers and their representatives of the availability of TDC SM and DUT – TPFE to provide a safe means for exchanging information with the IRS online. The revised letters use selectable paragraphs that you must choose. Use the TDC SM or DUT – TPFE paragraph and include a copy of Pub 5295 with the letter on all new contacts.
- (4) Taxpayers and representatives participating in the TDC SM must consent to receive and send information and documents via the TDC SM platform. Secure from taxpayer and their representatives electing to participate with the TDC SM platform a signed Form 15314, *TE/GE Secure Messaging Taxpayer Agreement Authorization of Disclosure to Designated Users*. When returned, submit the

signed form to the BSP shared mailbox (*TEGE TDC TP Provisioning) for taxpayer and representative account creation. Once established, the system will notify the taxpayer and their representative through email with instructions on how to access their TDC SM account. Send a welcome message to the taxpayer and their representative.

- (5) Document your invitation to use TDC SM or DUT – TPFE and the response of the taxpayer and their representative in your CCR.
- (6) Upon closure of your case, send a message to the taxpayer that you are closing your case and future communications within TDC SM or DUT – TPFE will not be possible for this case.
- (7) To offer use of the DUT - TPFE, after a phone conversation or through correspondence, provide the taxpayer or their representative an access code and URL, granting access to the upload tool. The user can upload and submit information to the TE/GE employee through DUT - TPFE. Once submitted, the taxpayer receives a confirmation, and the employee can review the transmitted documents.
- (8) To offer the DUT - TPFE, use the following language with the request for information:
 - a. IRS Documentation Upload Tool provides a safe means for exchanging information with IRS online at www.IRS.gov/sendmyreply.
 - b. Your unique one-time use code is: [insert code].
- (9) The unique access code expires after 70 days. If you need another code relating to this case, contact the specialist listed in the top right corner of the letter.

7.2.1.3
(09-17-2014)
Entering into Closing Agreements

- (1) A closing agreement may be appropriate when the government's interests are served by closing the case permanently and conclusively, and no other method is adequate for this result. This may occur:
 - a. When a technical matter is ambiguous, and no specific treatment is the only reasonable outcome given the facts.
 - b. Upon a taxpayer's request, a showing of good and sufficient reasons for desiring a closing agreement and the interests of the government won't be prejudiced.
- (2) Do not use a closing agreement to:
 - a. Circumvent a tax liability, regardless of the type or amount of tax.
 - b. Allow a taxpayer to reduce the amount of a tax or penalty.
 - c. Bypass an existing standard procedure (for example, IRC section 7805(b) relief).

7.2.1.3.1
(09-17-2014)
Single Versus Mass Closing Agreements

- (1) Closing agreements involving the same issue may impact a single taxpayer or many taxpayers.
 - a. A taxpayer may request closing agreements for up to 25 taxpayers, IRM 7.2.1.3, *Obtaining Approval to Pursue a Closing Agreement*.
 - b. In mass closing agreements, the issues and holdings are identical for all of the taxpayers if there are more than 25 taxpayers. See IRM 7.2.1.3.2, *Mass Closing Agreements*.

7.2.1.3.2
(09-17-2014)
**Mass Closing
Agreements**

- (1) A Mass Closing Agreement is when a single agreement is prepared on behalf of a group of taxpayers. It's similar to a single taxpayer closing agreement except the first paragraph doesn't typically contain the names, addresses, and Employer Identification Numbers (EIN) of all parties to the agreement.
- (2) The names and addresses of the taxpayers who authorize the principal taxpayer to execute the agreement on their behalf are often unknown. Ask the taxpayer to prepare two copies of a list, identifying each affected taxpayer (including name, address, EIN and, if applicable, plan number), and attach one copy to each copy of the closing agreement when they execute and return it for approval.

7.2.1.3.3
(08-06-2019)
**Processing Rulings
Accompanied by
Closing Agreement
Requests**

- (1) When a taxpayer requests a ruling and a closing agreement, use the procedures as described in Rev. Proc. 2024-4, (revised annually).
- (2) The EP Technical employee prepares the closing agreement, which accompanies the ruling letter.
- (3) See Exhibit 7.2.1-1, *Closing Agreement on Final Determination Covering Specific Matters*, for help preparing the closing agreement.
- (4) Inform the taxpayer of the procedures for executing the agreement and returning it for approval.
- (5) Prepare the ruling letter for the group manager's signature. If your proposed ruling:
 - a. Isn't according to the taxpayer's request, a closing agreement isn't necessary, and the adverse ruling letter is signed according to established procedures.
 - b. Is according to the taxpayer's request but denies the request for a closing agreement, the ruling letter must be signed by the Director, EP R&A or above.
- (6) The Assistant Secretary for Tax Policy must review a closing agreement if it is based on a proposed ruling requiring EP Technical's determination of an important question of tax policy (and not a statement of the IRS position on a tax matter). A reference to the closing agreement must be included in the memo for the proposed ruling:
 - a. Prepare a memo for the signature of the Commissioner, TE/GE to refer the policy question.
 - b. State the policy question involved and the proposed interpretation, and request concurrence.
 - c. As appropriate, obtain concurrence from the Division Counsel or Associate Chief Counsel.

7.2.1.4
(09-17-2014)
**Obtaining Approval to
Pursue a Closing
Agreement**

- (1) Before considering a closing agreement:
 - a. Assess the technical aspects of the case.
 - b. Determine the IRS position.
 - c. Discuss the IRS position on the issue(s) with the taxpayer.
 - d. Establish the taxpayer's position on the issue(s).
 - e. Determine the effect adverse actions would have on the public interest.
 - f. Clarify whether the plan can correct organizational and/or operational deficiencies.

- g. Decide if the IRS will sustain any disadvantages by entering into a closing agreement.
- (2) Consult with your group manager. Determine whether a closing agreement is worth pursuing.
- (3) Ask the taxpayer if they'd consider a closing agreement. Don't guarantee that IRS will offer a closing agreement, or that it would resolve all issues.
- (4) If the taxpayer agrees, consult your manager. If your manager agrees a closing agreement is warranted, get approval to negotiate.
- (5) The Director, EP R&A must approve any closing agreement negotiations and resolutions.
- (6) Write a short memo to the Director, EP R&A explaining:
 - a. The facts.
 - b. The technical analysis.
 - c. The taxpayer's proposal, if any.
 - d. Potential subjects to negotiation.
 - e. Reasons why it's best for the IRS and the taxpayer to participate in a closing agreement.
- (7) Prepare a routing sheet or email, as appropriate, for individuals to initial and date for the approval:
 - a. Group manager
 - b. Manager, EP Technical
 - c. Director, EP R&A
- (8) Once you've received approvals for all, begin to negotiate the closing agreement.

7.2.1.4.1
(04-10-2020)

Overview of Closing Agreement Negotiations

- (1) In negotiations, the goal is collaboration, not just compromise. Consider taking the *Conflict Management Skills Workshop* (Catalog number 15780) before negotiating with the taxpayer.
- (2) Negotiation is a four-step process:
 - a. Preparation
 - b. Information exchange
 - c. Bargaining
 - d. Commitment

7.2.1.4.2
(08-06-2019)

Preparing for Negotiations

- (1) Determine:
 - a. Who should be present for the negotiation (for example, within the scope of a POA or appointment). The taxpayer's representatives may be present. In some situations, the entire board of an organization may be present during negotiations. Many practitioners try to negotiate without their client present, which can prolong the negotiation process.
 - b. Whether you'll call or meet in person.
- (2) The following may participate in the negotiations:
 - a. EP Technical employee(s), as appropriate

- b. Manager, EP Technical
 - c. EP Technical group manager
 - d. Director, EP R&A
 - e. Chief Counsel
 - f. Employees impacted by the negotiations
- (3) Determine the time, location and method of negotiation. Consider the following issues:
- a. Are the negotiations in person or by conference call?
 - b. If negotiating in person, who will physically attend the negotiation?
 - c. What's the negotiation's session duration?
 - d. When should subsequent sessions be held?
 - e. Should taxpayer records be on hand for the negotiations?
- (4) Determine and agree on any ground rules.
- (5) Prepare a checklist of issues. Make notes of items you'll address in the negotiation.
- (6) Review the case information, including documents you secured from the taxpayer, correspondence, and any memoranda or other documents in the case file.
- (7) Calculate the sanction based on the maximum payment amount. The maximum payment amount approximates the amount of tax the IRS could collect if the plan is disqualified. See Rev. Proc. 2021-30, Sections 13, and 14, and IRM 4.71.3.5.2 for provisions relating specifically to Audit CAP.
- (8) Determine our best alternative to a negotiated agreement if we can't arrive at a closing agreement.

7.2.1.4.3
(08-27-2015)

**Information Exchange at
Negotiations**

- (1) Determine whether you need additional information and, if so, request it.
- (2) During the negotiation, either side may request additional items. If the taxpayer asks for additional information, promptly provide it, unless prohibited by disclosure laws (confidential informant identity, other taxpayer's tax return information, etc.).

Example: During the negotiation, if the taxpayer asks what the tax consequences of taking a particular action would be, calculate the tax and give it to the taxpayer.

- (3) Set mutually agreed deadlines to provide/receive information. If the taxpayer requests time extensions, document the request and the reason.

7.2.1.4.4
(08-27-2015)

**Bargaining Over Terms
of Closing Agreement**

- (1) The manager is generally the lead negotiator. At the start of negotiations, the lead negotiator advises the taxpayer:
- a. A closing agreement is an attempt to fashion an equitable resolution of the differences.
 - b. The parties are under no obligation to continue the process if they can't reach an agreement.
 - c. The taxpayer doesn't waive any rights under any applicable appeals procedure if the parties fail to reach an agreement.

- (2) Document all sessions held with the taxpayer and their representative. Track each issue discussed. Document agreed issues.
- (3) For unresolved issues, determine whether you must include them in the closing agreement. Consider conceding on proposals not critical to the agreement.
- (4) When both parties agree to issue resolutions, draft the closing agreement.
- (5) Regardless of whether the case results in a closing agreement, include these in the administrative case file:
 - a. Negotiations with the taxpayer and/or representative.
 - b. Terms offered if the negotiations aren't successful.
 - c. The reason a closing agreement is or isn't in our best interest.
- (6) Discuss sanction amount with group manager and determine acceptable payment ranges you'll consider in negotiation.

Note: The payment or "consideration" may be a percentage of the tax liability that the taxpayer would have owed if they didn't enter into a closing agreement.

7.2.1.5 (08-27-2015)

Drafting and Processing Closing Agreements

- (1) Use these guidelines when drafting a closing agreement.
 - a. Fully develop the facts of the case. State issues clearly, so they are reasonably interpreted only one way. Although the material in the file may adequately explain the intent of the agreement, the agreement itself is the legal document.
 - b. Carefully assess the legal aspects of the case. Don't overlook essentials. The agreement should state to whom the income pertains and clearly identify property. To avoid ambiguity in descriptive terms, use statutory terms where applicable.
 - c. Ensure you protect the statute of limitations on all affected returns. Carefully consider your determination's direct or indirect impact on other years or related cases.
 - d. Determine the taxability of the various parties.
 - e. After negotiating the specific terms of the closing agreement, prepare a draft closing agreement for all parties to review.
- (2) Generally, in accordance with the closing agreement, the sanction must be paid through the Pay.gov website in return for the plan or organization not having its qualified status revoked. The payment isn't deductible for federal tax purposes and must be made at the time the agreement is executed.
- (3) EP employees shouldn't ask the taxpayer to waive his or her right to bring a civil or other non-tax action against the government. The closing agreement shouldn't contain any statement that a taxpayer releases any right of action against the IRS or its employees under the IRS Restructuring and Reform Act of 1998 Section 3468 for:
 - a. Civil rights violations.
 - b. Any other action taken in connection with the federal tax laws.

- (4) If a taxpayer has a POA and the Form 2848 is invalid or limited, explain why Form 2848 isn't valid to the taxpayer. Include your explanation in the case history sheet.

7.2.1.5.1
(09-17-2014)

Preparing the Closing Agreement Document

- (1) Prepare the closing agreement. See Exhibit 7.2.1-1, *Closing Agreement on Final Determination Covering Specific Matters*, for the format.
- The opening paragraph states that the agreement, pursuant to IRC section 7121, is made between the taxpayer(s) and the Commissioner. This paragraph contains the taxpayer's name, address and identifying number (EIN) of each taxpayer that is a party to the agreement.
 - The "Whereas" paragraphs describe the facts you and the taxpayer agreed to.
 - Following "Now it is Hereby Determined and Agreed for Federal Tax purposes," list the items to which the parties are agreeing, including the amount of consideration.
 - The execution paragraph is the last paragraph in the agreement.
 - The date and signature lines follow the execution paragraph.
- (2) Prepare four originals if the POA requests an original.
- (3) Place this header on the original and all copies of each page other than page 1, in the upper left corner as "Closing Agreement - (name of taxpayer)."
- (4) Number each additional page in the center of the bottom as (Page of).
- (5) For cases in which separate closing agreements are requested by or on behalf of fewer than 25 taxpayers and the agreements are identical except for the taxpayer names and addresses consider preparing a closing statement for only one of them and request the other taxpayers or their representatives to prepare similar agreements for the remainder.

7.2.1.6
(09-17-2014)

Obtaining the Taxpayer's Signature

- (1) When the draft closing agreement is ready for signature, send a letter to the taxpayer with instructions on executing the closing agreement - see IRM 7.2.1.5.1, *Taxpayer Instructions*. Enclose three copies of the closing agreement. If the POA requests an original, enclose four copies.

7.2.1.6.1
(09-17-2014)

Taxpayer Instructions

- (1) Provide instructions on the proper procedure for executing the agreement and returning it to the appropriate office for approval under the following circumstances:

Circumstances:	Actions:
Taxpayer's current address unknown when you prepare the closing agreement	Leave a space for the address in the first paragraph of the agreement and instruct the taxpayer (or the taxpayer's representative) to insert their current address.

Circumstances:	Actions:
Taxpayer is a corporation	Enter the corporate name on the agreement, followed by the signature and title of an authorized officer, or officers, or by the signature of an authorized representative.
Agreement is signed by an authorized representative for the taxpayer	Attach to the original agreement a properly executed POA which specifically authorizes the representative to enter into such an agreement on behalf of the taxpayer.
Mass Closing Agreement	<p>Ask the taxpayer designated to sign for the group to date and sign all copies of the agreement.</p> <p>a. Ask the taxpayer (or representative) to prepare and attach to each copy of the agreement a list of the names, addresses, EINs, and, if applicable, plan number of the taxpayers in the group on behalf of whom the designated taxpayer is executing the agreement.</p> <p>b. Attach to the original agreement, if applicable, properly executed powers of attorney for all listed taxpayers, authorizing the designated taxpayer (or representative) to execute the agreement on their behalf.</p> <p>c. Instruct the taxpayer to date and sign all copies of the closing agreement.</p>

7.2.1.7
(08-27-2015)
**Procedure for Executed
Closing Agreements**

- (1) When a taxpayer or authorized representative executes and returns the closing agreement, you can't change or add anything to the agreement.
 - a. If the taxpayer or authorized representative made additions or corrections, ensure that they've initialed the changes. Any additions or corrections should be limited to clerical or typographical deficiencies.
 - b. If the taxpayer or authorized representative substituted a new page, they must initial and date the bottom of the page.
- (2) The group manager determines if other TE/GE officials and/or any other office should review the agreement before all parties finalize it.

- (3) Ensure the closing agreement is executed by the applicable taxpayer(s) and secure the total amount due.
 - a. All payments must be made through the Pay.gov website. If the sanction is \$25,000 or more, it must be paid via direct debit of a bank account on Pay.gov.
- (4) Send a signature package containing the closing agreement(s) executed by the taxpayer(s) to the EP R&A Director.
- (5) When you receive the signed closing agreement and are satisfied the file is in proper order, document the case history sheet and prepare the case for closing.

7.2.1.7.1
(09-17-2014)
**Signature and Closing
Procedures**

- (1) Use these procedures to obtain the EP R&A Director's signature:
 - a. Prepare a signature package per EP office procedures.
 - b. Forward the signature package to the group manager.
 - c. The group manager reviews the agreement, signs and dates on the signature of the sign-off copy as Reviewing Officer and forwards the signature package to the EP R&A Director.
- (2) After the EP R&A Director, signs copies of the closing agreement, follow these procedures:
 - a. Group manager: sign and date the letter transmitting an original closing agreement to the taxpayer (and/or the taxpayer's representative) and the memo transmitting an original closing agreement to the EP R&A Director.
 - b. Group manager: send to the EP R&A Director with original closing agreement and a copy of each of the following: taxpayer's request for ruling and closing agreement, related ruling letter (if applicable), and transmittal letter to taxpayer.
 - c. EP R&A Director's office: keep the original closing agreement and copies of the related ruling and transmittal letter.
 - d. EP R&A Director's office: return the signature package to the group to mail the closing agreement and/or letter ruling.
 - e. EP Technical employee: close the case file according to closing procedures.

7.2.1.8
(08-27-2015)
**Finality of Closing
Agreements**

- (1) Once the EP R&A Director approves an agreement, it's final and conclusive. We can't reopen the closing agreement as to the matters agreed upon or modified. We may not annul, modify, set aside, or disregard the closing agreement (or any legal action in accordance with it) in any suit, action or proceeding unless there is a showing of fraud, malfeasance or misrepresentation of material fact.
- (2) Any change in or modification of applicable statutes will render an agreement originating in EP ineffective. Future compliance is dependent upon those statutes.
- (3) Because of the finality of these agreements, you must carefully draft closing agreements.

7.2.1.9
(08-27-2015)

**Modification of Closing
Agreements**

- (1) The Commissioner may set aside agreements made under IRC section 7121(b) upon a showing of fraud or malfeasance, or misrepresentation of a material fact. This authority hasn't been delegated; therefore, the Commissioner must approve any of these actions.

Note: We don't treat simple unintentional errors as fraud, malfeasance, or misrepresentation that allow reopening of an agreement, Policy Statement 4-3, IRM 1.2.1.5.1.

- (2) If a provision of a closing agreement is reasonably subject to more than one interpretation and the parties have reasonably differed in their interpretation of the provision, the Commissioner may execute a new agreement restating more clearly, in terms acceptable to all parties, the intended meaning of the disputed provision.

Exhibit 7.2.1-1 (08-27-2015)**Closing Agreement on Final Determination Covering Specific Matters**

CLOSING AGREEMENT ON FINAL DETERMINATION COVERING SPECIFIC MATTERS
Under section 7121 of the Internal Revenue Code (the "Code"), [Name of Taxpayer, Tax Identification Number, address], (the "Taxpayer"), and the Commissioner of Internal Revenue make the following agreement (the "Closing Agreement"):
WHEREAS, and
WHEREAS, and
WHEREAS, the Taxpayer has determined that this Closing Agreement set forth herein is in the Taxpayer's best interests; and
WHEREAS, \$_____ will be paid by the Taxpayer to the United States Treasury in consideration of this Closing Agreement; and
WHEREAS, the Service, on behalf of the Secretary of the Treasury, through its authorized representative, has determined that this Closing Agreement is also in its best interest and in the best interests of the Taxpayer;
NOW IT IS HEREBY DETERMINED AND AGREED for Federal income tax purposes that the above representations are material to this Closing Agreement that and:
<ol style="list-style-type: none"> 1. [state conditions] 2. This agreement constitutes a resolution under the Code solely of the specific matters discussed herein. No inference shall be made as to the application of the Code under any facts and circumstances outside this Closing Agreement. No inference shall be made with respect to whether this resolution satisfies other Federal law, including Title I of the Employee Retirement Income Security Act of 1974.
<p>This Closing Agreement is final and conclusive except:</p> <ol style="list-style-type: none"> a. the matter it relates to may be reopened in the event of fraud, malfeasance, or misrepresentation of material fact; b. it is subject to the Code sections that expressly provide that effect be given to their provisions notwithstanding any other law or rule of law; and c. if it relates to a tax period ending after the date of this agreement, it is subject to any law, enacted after the agreement date, that applies to that tax period.
By executing this Closing Agreement, the above parties certify that they have read and agreed to the terms of this document
[Name of Taxpayer, SSN]
By: _____ Date: _____
Commissioner of Internal Revenue on behalf of the Secretary of the Treasury
By: _____ Date: _____
Director, Employee Plans Rulings and Agreements Tax Exempt and Government Entities

