

**ANNOUNCEMENT AND REPORT  
CONCERNING  
ADVANCE PRICING AGREEMENTS**

March 30, 2026

This Announcement is issued pursuant to § 521(b) of Pub. L. 106-170, the Ticket to Work and Work Incentives Improvement Act of 1999, which requires the Secretary of the Treasury to report annually to the public concerning advance pricing agreements (APAs) and the Advance Pricing and Mutual Agreement Program (APMA Program), formerly known as the Advance Pricing Agreement Program (APA Program). The first report covered calendar years 1991 through 1999. Subsequent reports covered each calendar year 2000 through 2024 separately. This twenty-seventh report describes the experience, structure, and activities of the APMA Program during calendar year 2025. It does not provide guidance regarding the application of the arm's length standard.

Part I of this report includes information on the structure, composition, and operation of the APMA Program; Part II presents statistical data; and Part III includes general descriptions of various elements of the APAs executed in 2025, including types of transactions covered, transfer pricing methods used, and completion time.

John M. Wall  
Director, APMA Program

**Part I. The APMA Program – Structure, Composition, and Operation**  
**[Pub. L. 106-170 § 521(b)(2)(A)]**

The Advance Pricing and Mutual Agreement Program (APMA) is part of the U.S. Competent Authority's Office under Treaty & Transfer Pricing Operations (TTPO) within the Large Business and International Division of the IRS.

As of December 31, 2025, APMA's APA cases were handled by a staff of 108, comprising 63 team leaders, 30 economists, 12 managers, and 3 assistant directors.<sup>1</sup> Each assistant director oversees four managers who lead teams consisting of both team leaders and economists. APMA's main office is in Washington, DC, and it also has offices in northern California, southern California, Florida, and the Boston, Chicago, Denver, New York City, and Seattle metropolitan areas. A list of primary APMA contacts is available at <https://www.irs.gov/businesses/corporations/apma-contacts>.

On August 31, 2015, the current revenue procedure governing APA applications was published in 2015-35 I.R.B. on page 263. Revenue Procedure (Rev. Proc.) 2015-41 provides guidance, information and instructions on APA requests and the administration of APAs. Rev. Proc. 2015-41 updates and supersedes Rev. Proc. 2006-9, 2006-1 C.B. 278, as modified by Rev. Proc. 2008-31, 2008-1 C.B. 1133, which is also superseded.

The model for APAs covered by Rev. Proc. 2006-9 was updated to serve as the current model APA for APAs covered by Rev. Proc. 2015-41 (instead of the model APA that had been issued with Rev. Proc. 2015-41). The model APA that is included as Appendix 1 to this report remains unchanged since last year's report.

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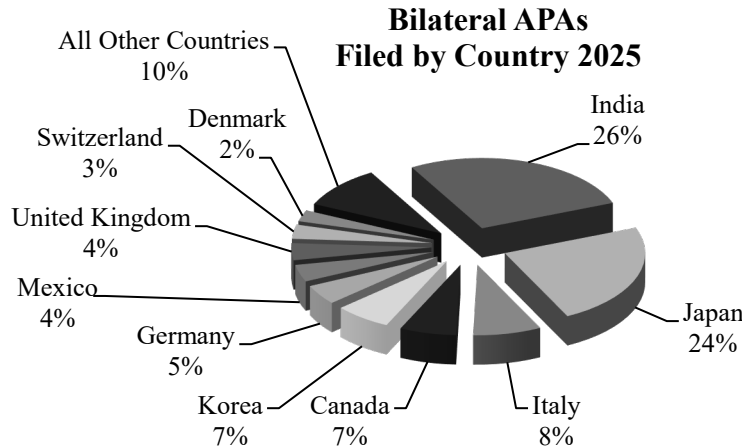
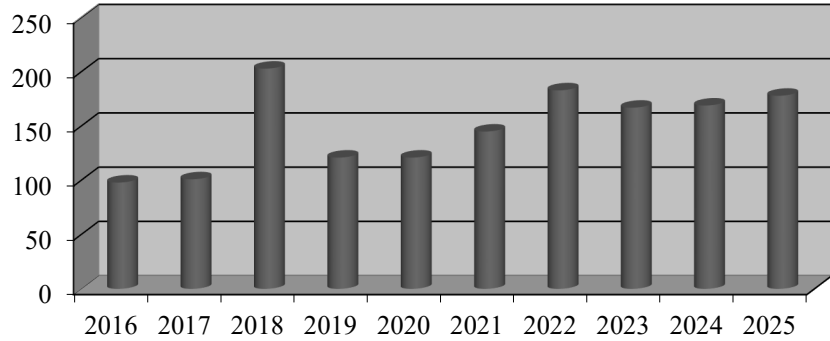
<sup>1</sup> In late 2020, TTPO's Treaty Assistance and Interpretation Team (TAIT) joined APMA, bringing the total number of groups in APMA to four. The three legacy APMA groups have primary responsibility for cases arising under the business profits and associated enterprises articles of U.S. tax treaties. TAIT endeavors to resolve competent authority issues arising under all other articles of U.S. tax treaties including issues arising under U.S. tax treaties relating to estate and gift taxes. As such, TAIT is separate from APMA's APA program, and the total numbers of team leaders and managers handling APA cases do not include TAIT analysts and managers.

**Part II. APMA Program Statistical Data**  
**[Pub. L. 106-170 § 521(b)(2)(C)(i-viii)]**

**Table 1: APA Applications Filed**  
**§ 521(b)(2)(C)(i)**

	<b>Unilateral</b>	<b>Bilateral</b>	<b>Multilateral</b>	<b>Total</b>
Filed 1991-1999 <sup>2</sup>				401
Filed 2000-2024	713	2,285	56	3,054
Filed in 2025	23	153	2	178
<b>Total Filed 1991-2025</b>				<b>3,633</b>

**Applications Filed**  
**2016-2025**



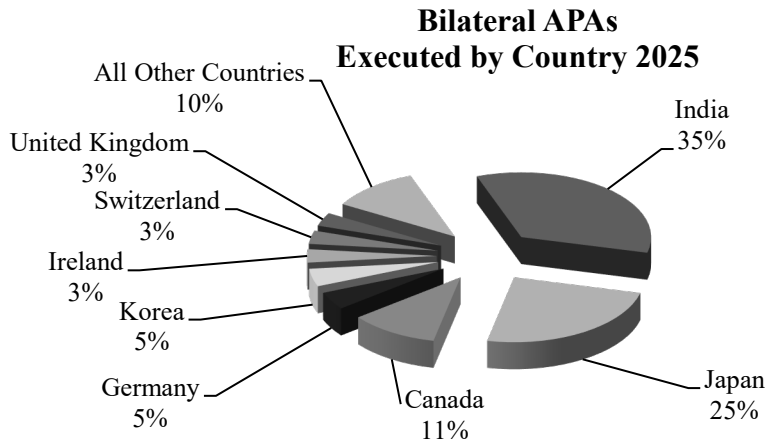
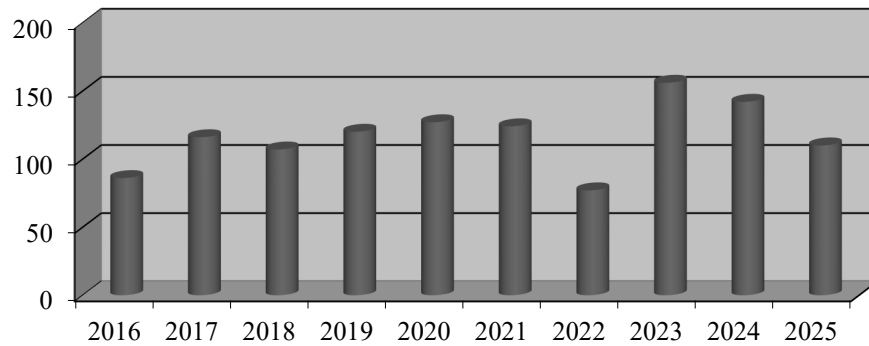
The charts above illustrate the number of complete applications filed per year and the percentage of bilateral requests received in 2025 per foreign country. As of December 31, 2025, APMA had also received 31 user fee filings that were not yet accompanied by a substantially complete APA application, in addition to the 178 complete APA applications.

<sup>2</sup> The first APA Statutory Report, which compiled APA data from 1991-1999, did not report the cumulative number of applications for those years by submission type, so the cumulative totals cannot be reported in that manner.

**Table 2: Executed<sup>3</sup> and Pending APAs  
§ 521(b)(2)(C)(ii-vi)**

	Unilateral	Bilateral	Multilateral	Total
Total Executed 1991-2024	734	1,798	34	2,566
Total Executed in 2025	14	90	6	110
Total Executed 1991-2025	748	1,888	40	2,676
<b>Total Pending as of 12/31/2025</b>	<b>61</b>	<b>543</b>	<b>18</b>	<b>622</b>
<i>Renewals Executed in 2025</i>	<i>13</i>	<i>39</i>	<i>3</i>	<i>55</i>
<i>Renewals Pending<sup>4</sup> as of 12/31/2025</i>	<i>49</i>	<i>256</i>	<i>5</i>	<i>310</i>

**APAs Executed  
2016-2025**

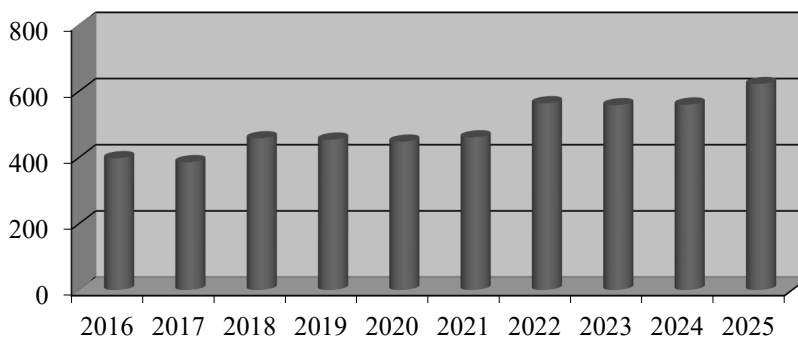


In 2025, the percentage of APA renewals executed decreased (50 percent of all APAs executed in 2025 versus 58 percent of all APAs executed in 2024). The charts above illustrate trends in the number of APAs executed per year and the countries involved in the bilateral APAs that were executed in 2025.

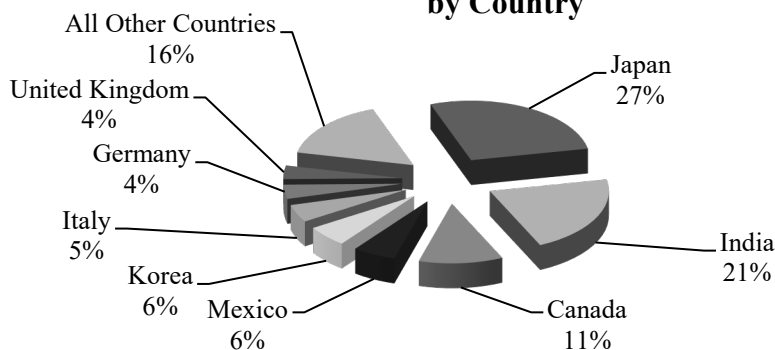
<sup>3</sup> “Executed APAs” refers to APAs that were finalized and includes both initial and renewal APAs.

<sup>4</sup> The number of renewals still pending as of year-end is also included in the total number of pending APAs.

**Pending APAs  
2016-2025**



**Pending Bilateral APAs  
by Country**



As the top chart illustrates, the number of pending requests increased compared to December 31, 2024. As of December 31, 2025, slightly less than half of the pending bilateral APA requests involved either Japan or India.

**Table 3: APAs Revoked or Cancelled and Applications Withdrawn § 521(b)(2)(C)(vii)**

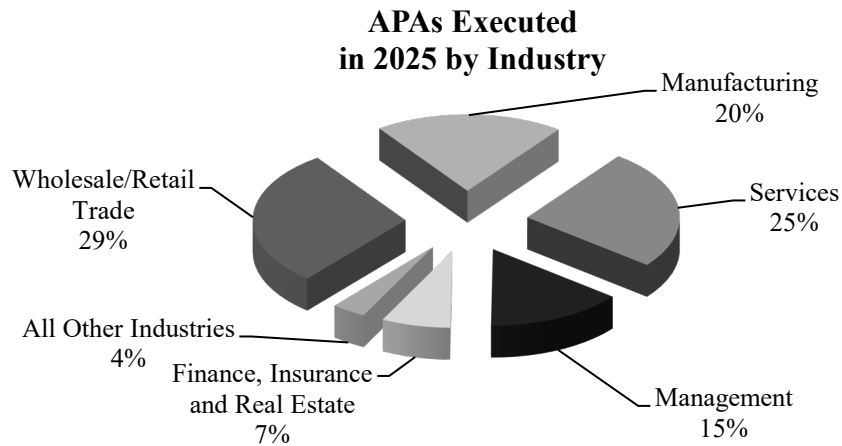
	Unilateral	Bilateral	Multilateral	Total
Revoked or Cancelled 1991-2000 <sup>5</sup>				1
Revoked or Cancelled 2001-2024	8	2	0	10
Revoked or Cancelled in 2025	0	0	0	0
<b>Total Revoked or Cancelled 1991-2025</b>				<b>11</b>
Withdrawn 1991-2000 <sup>6</sup>				49
Withdrawn 2001-2024	80	183	2	265
Withdrawn in 2025	1	9	0	10
<b>Withdrawn 1991-2025</b>				<b>324</b>

<sup>5</sup> The first APA Statutory Report, which compiled APA data from 1991-1999, and the second APA Statutory Report, which compiled APA data for 2000, did not report the cumulative number of applications for those years by submission type, so the cumulative totals cannot be reported in that manner.

<sup>6</sup> See *supra* note 5.

**Table 4: APAs Executed in 2025 by Industry**  
**§ 521(b)(2)(C)(viii)**

Industry	
Wholesale/Retail Trade	32
Services	28
Manufacturing	22
Management	16
Finance, Insurance and Real Estate	8
All Other Industries	4



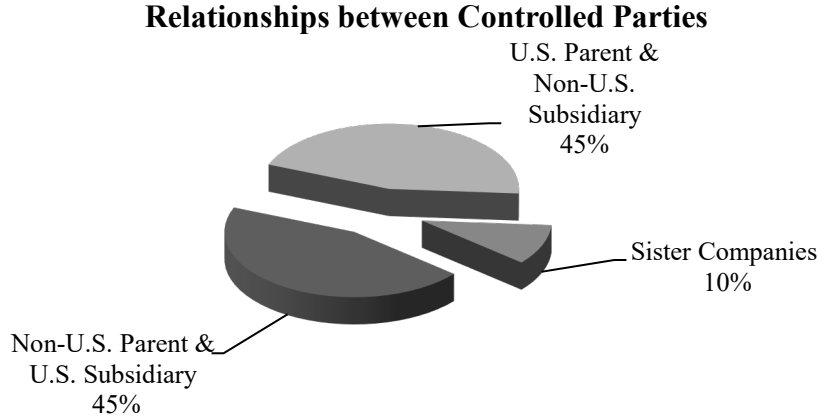
**Table 4a: Wholesale/Retail Trade APAs Executed in 2025**

Type of Wholesale/Retail Trade	
Merchant Wholesalers, Durable Goods	14
Merchant Wholesalers, Nondurable Goods	6
General Merchandise Stores	5
All Other Wholesalers	7



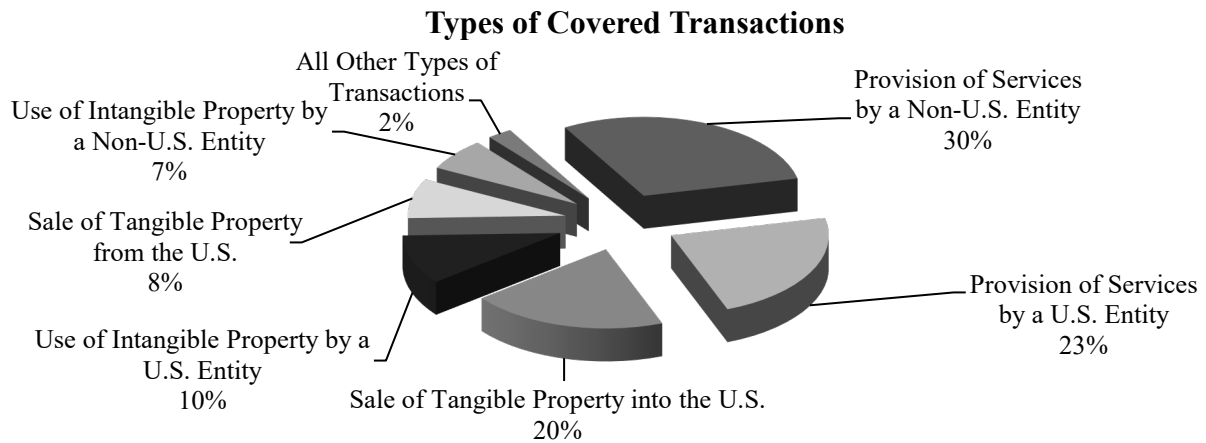
**Part III. General Descriptions of APAs Executed in 2025**  
**[Pub. L. 106-170 § 521(b)(2)(D) and (E)]**

**Nature of the Relationships**  
**§ 521(b)(2)(D)(i)**



In a change from previous years, when more than half of the APAs executed involved transactions between non-U.S. parents and U.S. subsidiaries<sup>7</sup> (for example, 56 percent in 2024), 2025 had as many executed APAs that involved transactions between U.S. parents and non-U.S. subsidiaries as those between non-U.S. parents and U.S. subsidiaries.

**Covered Transactions, Functions and Risks, and Tested Parties**  
**§ 521(b)(2)(D)(ii-iii)**

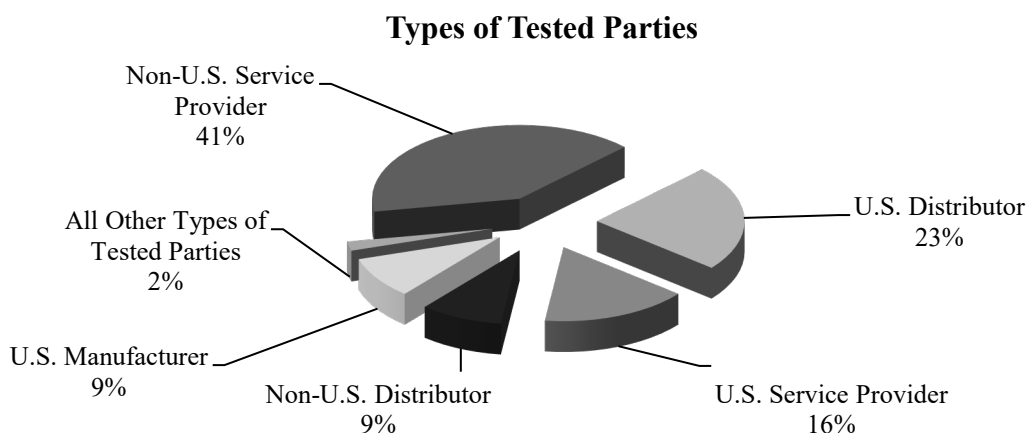


Most of the transactions<sup>8</sup> covered in APAs executed in 2025 involve the provision of services.

<sup>7</sup> The term “subsidiaries,” where used in this report, refers to both direct and indirect subsidiaries.

<sup>8</sup> APAs often cover more than one type of transaction.

In the majority of APAs, the covered transactions involve numerous business functions and risks. For instance, with respect to functions, APAs involving manufactured products typically involve a controlled group that conducts research and development (R&D), engages in product design and engineering, manufactures the product, markets and distributes the product, and performs support functions such as legal, finance, and human resources. Regarding risks, the controlled group may assume a variety of risks, including market risks, R&D risks, financial risks, credit and collection risks, product liability risks, and general business risks. In the APA evaluation process, a significant amount of time and effort is devoted to understanding how functions and risks are allocated among the controlled group of companies that are party to the covered transactions. For methods requiring the selection of a tested party, the tested party chosen generally will be the least complex of the controlled taxpayers.



In a change from previous years, U.S. distributors, U.S. manufacturers, and U.S. service providers combined, comprised less than half of the tested parties<sup>9</sup> i.e., 48 percent (down from 59 percent in 2024), with non-U.S. service providers comprising 41 percent (up from 31 percent in 2024).

### **Transfer Pricing Methods Used § 521(b)(2)(D)(iv)**

In 2025, the most used transfer pricing method (TPM) for both the sale of tangible property and the use of intangible property continued to be the comparable profits method/transactional net margin method (CPM/TNMM). The CPM/TNMM was used for 86 percent of these types of transactions.

As in recent years, for covered transactions involving tangible and intangible property that used the CPM/TNMM, the operating margin (OM) is still the most common profit level indicator (PLI) used to benchmark results. It was used 57 percent of the time. Other PLIs, such as the Berry Ratio and return on sales, made up another 20 percent. As used here, “OM” is defined as the ratio of operating profit to sales,<sup>10</sup> and “Berry Ratio” is defined as the ratio of gross profit to

<sup>9</sup> Not all the executed APAs involve a tested party. Whether an APA involves a tested party would depend on the transfer pricing method used.

<sup>10</sup> See Treas. Reg. § 1.482-5(b)(4)(ii)(A).

operating expenses.<sup>11</sup> Most services transactions (83 percent) also used the CPM/TNMM with the OM and operating profit-to-operating expense ratio being the most common PLIs (used 66 percent of the time).

**Sources of Comparables, Comparables Selection Criteria, and Nature of Adjustments to Comparables or Tested Party Data**  
**§ 521(b)(2)(D)(v-vii)**

For the APAs executed in 2025 that involved the CPM/TNMM with a North American tested party, the most widely used data source for comparables was Standard and Poor’s Compustat/Capital IQ database. Different sources were used in other cases (e.g., where the tested party was not a North American entity or where transaction-based methods were applied). Other commonly used databases are listed in the table below.

**Table 5: Sources of Comparable Data**

Bureau van Dijk (BvD) Orbis	Capitaline TP
Global Vantage	RoyaltySource
ktMINE	RoyaltyStat
Ace TP	

In making comparability adjustments as identified in Treas. Reg. §§ 1.482-1(d)(2) and 1.482-5(c)(2)(iv), typical balance sheet adjustments were made in most cases, including, where appropriate, adjustments for payables, receivables, inventory, and fixed assets. In addition, where appropriate, adjustments for different accounting practices were made to convert from LIFO to FIFO inventory accounting, and a small number of cases involved the accounting reclassification of expenses, e.g., from COGS to operating expenses.

**Ranges and Adjustment Mechanisms**  
**§ 521(b)(2)(D)(viii-ix)**

Most transactions covered by APAs target an interquartile range as described in Treas. Reg. § 1.482-1(e)(2)(iii)(C), a point within the interquartile range, or another targeted arm’s length range. Where the transaction involves a royalty payment for the use of intangible property, both specific royalty rates and ranges have been used. Where the covered transaction is the license of intangible property, and the payment for such transfer could be a royalty based solely on external comparable uncontrolled transactions, a secondary or confirming method, e.g., a test of the post-royalty operating margin or cost-plus mark-up, has sometimes also been used. The testing periods of the APAs executed in 2025 were either a single year, the term of the APA only, or the term of the APA plus rollback years.

APAs executed in 2025 included several mechanisms for adjusting the tested party’s results when the results fall outside the agreed range or do not match the point required by the APA. Examples of the mechanisms used include an adjustment bringing the tested party’s results for a single year to either the closer edge of the range or the median of the range, an adjustment to

<sup>11</sup> See Treas. Reg. § 1.482-5(b)(4)(ii)(B).

bring the results over the APA term to the closer edge of the range or the median of the range, or an adjustment to bring the results to a specified point or royalty rate.

**Critical Assumptions**  
**§ 521(b)(2)(D)(v)**

The model APA used by the IRS (included as Appendix 1 of this report) includes standard critical assumptions that there will be no material changes to the taxpayer’s business or to its tax or financial accounting practices during the APA term. Some bilateral cases have also included critical assumptions tied to the taxpayer’s profitability in a certain year or over the term of the APA. Pursuant to § 7.06(3) of Rev. Proc. 2015-41, APMA will cancel an APA in the event of a failure of a critical assumption unless the parties agree to revise the APA.

**Term Lengths of APAs Executed in 2025**  
**§ 521(b)(2)(D)(x)**

**Table 6: Term Lengths of APAs Executed in 2025**

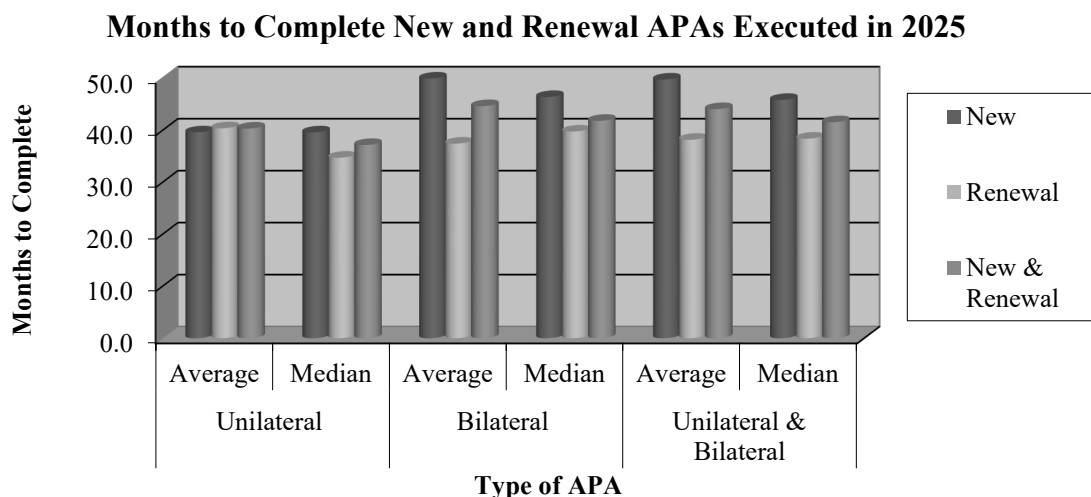
<b>Term Length (years)</b>	<b>Number of APAs</b>
1	2
2	3
3	4
4	4
5	41
6	20
7	15
8	7
9	4
10	2
11	2
15	3
Average	6

As described in § 3.03 of Rev. Proc. 2015-41, taxpayers should request an APA term that will cover at least five prospective taxable years and may also request that the APA be “rolled back” to cover one or more earlier taxable years, although the appropriate APA term is decided on a case-by-case basis. Of the APAs executed in 2025, 23 percent included rollback years. A substantial number of APAs with terms of greater than five years were initially submitted as a request for a five-year term, and the additional years were agreed to between the taxpayer and the IRS (or, in the case of a bilateral APA, between the IRS and the foreign government upon the taxpayer’s request) to ensure a reasonable amount of prospectivity in the APA term.

**Amount of Time Taken to Complete New and Renewal APAs  
§ 521(b)(2)(E)**

**Table 7: Months to Complete New and Renewal APAs Executed in 2025**

	Unilateral		Bilateral		Unilateral & Bilateral	
	Average	Median	Average	Median	Average	Median
New	39.6	39.6	50.0	46.4	<b>49.8</b>	<b>45.9</b>
Renewal	40.4	34.8	37.5	39.8	<b>38.2</b>	<b>38.4</b>
<b>New &amp; Renewal</b>	<b>40.3</b>	<b>37.2</b>	<b>44.7</b>	<b>41.8</b>	<b>44.1</b>	<b>41.6</b>



**Efforts to Ensure Compliance with APAs  
§ 521(b)(2)(F)**

As described in § 7.02(1) of Rev. Proc. 2015-41, taxpayers are required to file annual reports to demonstrate compliance with the terms and conditions of their APAs. The filing and review of these annual reports are critical parts of the APA process. Through annual report review, the APMA Program monitors taxpayer compliance with APAs on a contemporaneous basis. Annual report review also provides current information on the success or problems associated with the various TPMs adopted in the APA process.

**Nature of Documentation Required in Annual Report  
§ 521(b)(2)(D)(xi)**

APAs require taxpayers to file timely and complete annual reports describing their operations and demonstrating compliance with the APA's terms and conditions. Not every annual report will include each of the items listed in Appendix C of the Model APA; items are required to be included where the facts demonstrate a need for such documentation. The requirements for the information to be included in a specific APA annual report is included in Appendix C of the executed APA.

**Approaches for Sharing of Currency or Other Risks**  
**§ 521(b)(2)(D)(xii)**

In appropriate cases, APAs may provide specific approaches for dealing with risks, including currency risk, such as adjustment mechanisms and/or critical assumptions.

**APPENDIX 1– Model APA**

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**ADVANCE PRICING AGREEMENT**  
**between**  
**[Insert Taxpayer’s Name]**  
**and**  
**THE INTERNAL REVENUE SERVICE**

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**PARTIES**

The Parties to this Advance Pricing Agreement (APA) are the Internal Revenue Service (IRS) and [Insert Taxpayer’s Name], EIN \_\_\_\_\_.

**RECITALS**

[Insert Taxpayer Name] is the common parent of an affiliated group filing consolidated U.S. tax returns (collectively referred to as “Taxpayer”) and is entering into this APA on behalf of itself and other members of its consolidated group.

Taxpayer’s principal place of business is [City, State]. [Insert general description of Taxpayer and other relevant parties].

This APA contains the Parties’ agreement on the best method for determining arm’s-length prices of the Covered Issues under I.R.C. section 482, the Treasury Regulations thereunder, and any applicable tax treaties.

{If renewal, add} [Taxpayer and IRS previously entered into an APA covering taxable years ending \_\_\_\_ to \_\_\_\_\_, executed on \_\_\_\_\_.]

**AGREEMENT**

The Parties agree as follows:

1. *Covered Issues.* This APA applies to the Covered Issues, as defined in Appendix A.
2. *Covered Methods.* Appendix A sets forth the Covered Methods for the Covered Issues.
3. *Term.* This APA applies to the APA Term, as defined in Appendix A.

4. *Operation.*

a. Revenue Procedure 2015-41 governs the interpretation, legal effect, and administration of this APA.

b. Nonfactual oral and written representations, within the meaning of sections 6.04 and 6.05 of Revenue Procedure 2015-41 (including any proposals to use particular TPMs), made in conjunction with the APA Request constitute statements made in compromise negotiations within the meaning of Rule 408 of the Federal Rules of Evidence.

5. *Compliance.*

a. Taxpayer must report its taxable income in an amount that is consistent with Appendix A and all other requirements of this APA on its timely filed U.S. Return. However, if Taxpayer's timely filed U.S. Return for any taxable year covered by this APA (APA Year) is filed prior to, or no later than 60 days after, the effective date of this APA, then Taxpayer must report its taxable income for that APA Year in an amount that is consistent with Appendix A and all other requirements of this APA: (i) on a timely-filed U.S. Return, (ii) on an amended U.S. Return filed no later than 120 days after the effective date of this APA, or (iii) by an alternative means (for example, by agreed adjustments with the IRS office with examination jurisdiction over the taxpayer for any APA year currently under examination).

b. *{Use or edit the following when U.S. Group or Foreign Group contains more than one member.}* [This APA addresses the arm's-length nature of prices charged or received in the aggregate between Taxpayer and Foreign Participants with respect to the Covered Issues. Except as explicitly provided, this APA does not address and does not bind the IRS with respect to prices charged or received, or the relative amounts of income or loss realized, by particular legal entities that are members of U.S. Group or that are members of Foreign Group.]

c. The IRS will not reconsider any Covered Method but will instead limit any examination of Taxpayer's treatment of Covered Issues in their U.S. Return for any APA Year to, and may require that Taxpayer establish, the following: (i) Taxpayer's compliance with the terms and conditions of this APA, (ii) the accuracy of material representations included in APA annual reports submitted pursuant to this APA, and (iii) the correctness of the supporting data and computations used to apply the Covered Method. The IRS may audit and propose adjustments to Taxpayer's results as determined under this APA's Covered Method without affecting the APA's validity or applicability. Taxpayer may agree with the proposed adjustments in the same manner as any other adjustment, in which case the IRS will assess any resulting additional tax or refund any resulting overpayment of tax accordingly. If it does not agree with the proposed adjustment, Taxpayer may contest it through available administrative and judicial procedures. Taxpayer must include the audit adjustments as finally determined for the purpose of applying the Covered Method and must then make any resulting APA primary adjustments.

d. If Taxpayer does not comply with the terms and conditions of this APA, then the IRS may:

- i. enforce the terms and conditions of this APA and make or propose allocations or adjustments under I.R.C. section 482 consistent with this APA;
- ii. cancel or revoke this APA under section 7.06 of Revenue Procedure 2015-41; or
- iii. revise this APA, if the Parties agree.

e. Taxpayer must timely file an Annual Report that includes a signed “penalties of perjury” declaration for each APA Year in accordance with Appendix C and section 7.02 of Revenue Procedure 2015-41. The Annual Report may be submitted only by electronic transmission pursuant to paragraph 15 and must include an image of an original signature or a digital signature that uses encryption techniques to provide proof of original and unmodified documentation. Taxpayer must file the Annual Report for all APA Years through the APA Year ending [insert year] by [insert date]. Taxpayer must file the Annual Report for each subsequent APA Year by [insert month and day] immediately following the close of that APA Year. (If any date falls on a weekend or holiday, the Annual Report shall be due on the next date that is not a weekend or holiday.) The IRS may request additional information reasonably necessary to clarify or complete the Annual Report. Taxpayer will provide such requested information within 30 days. Additional time may be allowed for good cause.

f. The IRS will determine whether Taxpayer has complied with this APA based on Taxpayer’s U.S. Returns, the Financial Statements, and other APA Records, for the APA Term and any other year necessary to verify compliance. For Taxpayer to comply with this APA, *{use the following or an alternative}* an independent certified public accountant must render an opinion that Taxpayer’s Financial Statements present fairly, in all material respects, Taxpayer’s financial position under applicable generally accepted accounting standards.

g. In accordance with section 7.04 of Revenue Procedure 2015-41, Taxpayer will (1) maintain the APA Records, and (2) make them available to the IRS in connection with an examination under section 7.03. Compliance with this subparagraph constitutes compliance with the record-maintenance provisions of I.R.C. sections 6038A and 6038C for the Covered Issues for any taxable year during the APA Term.

h. The True Taxable Income within the meaning of Treasury Regulations sections 1.482-1(a)(1) and (i)(9) of a member of an affiliated group filing a U.S. consolidated return will be determined under the I.R.C. section 1502 Treasury Regulations.

i. *{Optional for US Parent Signatories}* To the extent that Taxpayer’s compliance with this APA depends on certain acts of Foreign Group members, Taxpayer will ensure that each Foreign Group member will perform such acts.

6. *Critical Assumptions.* This APA’s critical assumptions, within the meaning of Revenue Procedure 2015-41, section 1.04, appear in Appendix B. If any critical assumption has not been met, then Revenue Procedure 2015-41, section 7.06, governs.

7. *Disclosure.* An APA, any background information relating to the APA, and the taxpayer's APA request and any supplementary materials submitted in conjunction with the APA request are subject to various sections of the I.R.C. and U.S. competent authority treaty obligations as more fully explained in section 9 of Rev. Proc. 2015-41.

8. *Disputes.* If a dispute arises concerning the interpretation of this APA, the Parties will seek a resolution by the IRS's Director, Treaty and Transfer Pricing Operations, to the extent reasonably practicable, before seeking alternative remedies.

9. *Materiality.* In this APA the terms "material" and "materially" will be interpreted consistently with the definition of "material facts" in Revenue Procedure 2015-41, section 7.06(4).

10. *Section Captions.* This APA's section captions, which appear in *italics*, are for convenience and reference only. The captions do not affect in any way the interpretation or application of this APA.

11. *Terms and Definitions.* Unless otherwise specified, terms in the plural include the singular and vice versa. Appendix D contains definitions for capitalized terms not elsewhere defined in this APA.

12. *Entire Agreement and Severability.* This APA is the complete statement of the Parties' agreement. The Parties will sever, delete, or reform any invalid or unenforceable provision in this APA to approximate the Parties' intent as nearly as possible.

13. *Successor in Interest.* This APA binds, and inures to the benefit of, any successor in interest to Taxpayer.

14. *Notice.* Any notices required by this APA or Revenue Procedure 2015-41 must be in writing. Taxpayer will send notices to the IRS at:

Commissioner, Large Business and International Division  
Internal Revenue Service  
1111 Constitution Avenue, NW  
SE:LB:TTPO:APMA:K:APMA Director  
Washington, DC 20224  
(Attention: APMA)

The IRS will send notices to the taxpayer at:

Taxpayer Corporation  
Attn: Jane Doe, Sr. Vice President (Taxes)  
1000 Any Road  
Any City, USA 10000  
(phone: \_\_\_\_\_)

15. *Submission by electronic transmission.* The form of electronic document transmittal will be one of the three alternatives described below. Regardless of the transmittal mode, Taxpayer must contact APMA by email at [lbi.tpo.apma.feedback@irs.gov](mailto:lbi.tpo.apma.feedback@irs.gov) to initiate the mode.

a. *Taxpayer-Licensed Secure Portal.* APMA prefers to send and receive documents to/from taxpayers through a taxpayer-licensed secure portal as this provides the highest degree of protection.

b. *Email with encrypted attachments.* When secure portal mode is not selected, Taxpayer may send and receive documents to and from APMA by email. Before employing this document transmittal mode, an APMA employee will authenticate that Taxpayer initiated the mode at the email noted above. After authentication, Taxpayer must then submit consent to transmit encrypted documents by email in the following form:

"I consent to receive encrypted documents by email from APMA employees for the duration of this APA/MAP request."

c. *Unencrypted email.* Communication by unencrypted email is not secure, and therefore not encouraged. However, if Taxpayer chooses this mode, Taxpayer should:

i. Exclude sensitive information, including portions of Taxpayer's TIN or name, from the subject line and body of emails.

ii. Transmit any potentially sensitive information, including personally identifiable information, only via encrypted, password-protected attachments.

The User Guide at [Sign and Send Documents Electronically | Internal Revenue Service \(irs.gov\)](#) contains additional information about encrypting files and sending documents to IRS by email.

16. *Effective Date and Counterparts.* This APA is effective starting on the date, or later date of the dates, upon which all Parties execute this APA. The Parties may execute this APA in counterparts, with each counterpart constituting an original.

**WITNESS,**

The Parties have executed this APA on the dates below.

**[Taxpayer Name in all caps]**

By: \_\_\_\_\_  
Jane Doe  
Sr. Vice President (Taxes)

Date: \_\_\_\_\_, 202\_\_

**IRS**

By: \_\_\_\_\_  
John M. Wall  
Director, APMA Program

Date: \_\_\_\_\_, 202\_\_

**APPENDIX A**  
**COVERED ISSUES AND COVERED METHOD**

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**1. Covered Issues.**

*[Define the Covered Issues.]*

**2. APA Term.**

This APA applies to Taxpayer's taxable years ending \_\_\_\_\_ through \_\_\_\_\_ (APA Term).

**3. Covered Methods.**

*{Note: If appropriate, adapt language from the following examples.}*

[The Tested Party is \_\_\_\_\_.]

**CUP Method**

The covered method is the comparable uncontrolled price (CUP) method. The Arm's Length Range of the price charged for \_\_\_\_\_ is between \_\_\_\_\_ and \_\_\_\_\_ per unit.

**CUT Method**

The covered method is the CUT Method. The Arm's Length Range of the royalty charged for the license of \_\_\_\_\_ is between \_\_\_\_% and \_\_\_\_% of [Taxpayer's, Foreign Participants', or other specified party's] Net Sales Revenue. [Insert definition of net sales revenue or other royalty base.]

**Resale Price Method (RPM)**

The covered method is the resale price method (RPM). The Tested Party's Gross Margin for any APA Year is defined as follows: the Tested Party's gross profit divided by its sales revenue (as those terms are defined in Treasury Regulations sections 1.482-5(d)(1) and (2)) for that APA Year. The Arm's Length Range is between \_\_\_\_% and \_\_\_\_%, and the Median of the Arm's Length Range is \_\_\_\_%.

### **Cost Plus Method**

The covered method is the cost plus method. The Tested Party's Cost Plus Markup is defined as follows for any APA Year: the Tested Party's ratio of gross profit to production costs (as those terms are defined in Treasury Regulations sections 1.482-3(d)(1) and (2)) for that APA Year. The Arm's Length Range is between \_\_\_% and \_\_\_%, and the Median of the Arm's Length Range is \_\_\_%.

### **CPM with Berry Ratio PLI**

The covered method is the comparable profits method (CPM). The profit level indicator is a Berry Ratio. The Tested Party's Berry Ratio is defined as follows for any APA Year: the Tested Party's gross profit divided by its operating expenses (as those terms are defined in Treasury Regulations sections 1.482-5(d)(2) and (3)) for that APA Year. The Arm's Length Range is between \_\_\_% and \_\_\_%, and the Median of the Arm's Length Range is \_\_\_%

### **CPM using an Operating Margin PLI**

The covered method is the comparable profits method (CPM). The profit level indicator is an operating margin. The Tested Party's Operating Margin is defined as follows for any APA Year: the Tested Party's operating profit divided by its sales revenue (as those terms are defined in Treasury Regulations section 1.482-5(d)(1) and (4)) for that APA Year. The Arm's Length Range is between \_\_\_% and \_\_\_%, and the Median of the Arm's Length Range is \_\_\_.

### **CPM using a Three-year Rolling Average Operating Margin PLI**

The covered method is the comparable profits method (CPM). The profit level indicator is an operating margin. The Tested Party's Three-Year Rolling Average operating margin is defined as follows for any APA Year: the sum of the Tested Party's operating profit (within the meaning of Treasury Regulations section 1.482-5(d)(4) for that APA Year and the two preceding years, divided by the sum of its sales revenue (within the meaning of Treasury Regulations section 1.482-5(d)(1)) for that APA Year and the two preceding years. The Arm's Length Range is between \_\_\_% and \_\_\_%, and the Median of the Arm's Length Range is \_\_\_%.

### **Residual Profit Split Method**

The covered method is the residual profit split method. *[Insert description of routine profit level determinations and residual profit-split mechanism].*

*[Insert additional provisions as needed.]*

## **4. Application of Covered Method.**

For any APA Year, if the results of Taxpayer’s actual transactions produce a [price per unit, royalty rate for the Covered Issues] [or] [Gross Margin, Cost Plus Markup, Berry Ratio, Operating Margin, Three-Year Rolling Average Operating Margin for the Tested Party] within the Arm’s Length Range, then the amounts reported on Taxpayer’s U.S. Return must clearly reflect such results.

For any APA year, if the results of Taxpayer’s actual transactions produce a [price per unit, royalty rate] [or] [Gross Margin, Cost Plus Markup, Berry Ratio, Operating Margin, Three-Year Rolling Average Operating Margin for the Tested Party] outside the Arm’s Length Range, then amounts reported on Taxpayer’s U.S. Return must clearly reflect an adjustment that brings the [price per unit, royalty rate] [or] [Tested Party’s Gross Margin, Cost Plus Markup, Berry Ratio, Operating Margin, Three-Year Rolling Average Operating Margin] to the Median.

For purposes of this Appendix A, the “results of Taxpayer’s actual transactions” means the results reflected in Taxpayer’s and Tested Party’s books and records as computed under applicable generally accepted accounting standards [*insert another relevant accounting standard if applicable*], with the following adjustments:

- (a) [The fair value of stock-based compensation as disclosed in the Tested Party’s audited Financial Statements shall be treated as an operating expense]; and
- (b) To the extent that the results in any prior APA Year are relevant (for example, to compute a multi-year average), such results shall be adjusted to reflect the amount of any adjustment made for that prior APA Year under this Appendix A.

## **5. Conforming Adjustments**

If Taxpayer makes an adjustment under paragraph 4 of this Appendix A (an “APA primary adjustment”, see Revenue Procedure 2015-41, section 7.01(1)), a conforming adjustment will be required as specified in Revenue Procedure 2015-41, section 7.01(2)(a). For this purpose, if there are multiple APA primary adjustments for an APA Year, those adjustments will first be netted to derive a net APA primary adjustment, for which a conforming adjustment will be required. In some cases, the conforming adjustment can be accomplished by a repatriation of funds as specified in Revenue Procedure 2015-41, section 7.01(2). Except as specified in this APA, conforming adjustments (including any repatriation of funds) are governed by the applicable rules under the I.R.C., including Rev. Proc. 99-32, 1992-2 C.B. 296, or successor guidance.

*[Per Revenue Procedure 2015-41, section 7.01(2)(d), the APA “will specify the terms of conforming adjustments, including, but not limited to, the terms of any repatriation of funds.” Also, any deviation from the treatment under the Code (e.g., no interest on repatriation payments) must be specified in the APA and must be pursuant to a competent authority resolution (see Revenue Procedure 2015-41, section 7.01(2)(b)).]*

**APPENDIX B**  
**CRITICAL ASSUMPTIONS**

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This APA's critical assumptions are:

1. The business activities, functions performed, risks assumed, assets employed, and financial and tax accounting methods and classifications [and methods of estimation] of Taxpayer in relation to the Covered Issues will remain materially the same as described or used in Taxpayer's APA Request. A mere change in business results will not be a material change.

*[Insert additional provisions as needed.]*

## APPENDIX C

### APA RECORDS AND ANNUAL REPORT

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#### APA Records

The APA Records will consist of all documents listed below for inclusion in the Annual Report, as well as all documents, notes, work papers, records, or other writings that support the information provided in such documents.

#### Annual Report

The Annual Report will include:

1. A properly completed APA Annual Report Summary in the form of Appendix E to this APA;
2. A table of contents, organized as follows; and
3. Statements that fully identify, describe, analyze, and explain:
  - a. All material differences between the U.S. Group's business operations (including functions, risks assumed, markets, contractual terms, economic conditions, property, services, and assets employed) during the APA Year from the business operations described in the APA Request. If there have been no material differences, the Annual Report will include a statement to that effect.
  - b. All material differences between the U.S. Group's accounting methods and classifications, and methods of estimation used during the APA Year, from those described or used in the APA Request. If any change was made to conform to changes in applicable generally accepted accounting standards (or other relevant accounting standards) Taxpayer will specifically identify the change. If there has been no material change in accounting methods and classifications or methods of estimation, the Annual Report will include a statement to that effect.
  - c. Any change to the Taxpayer notice information in paragraph 14 of this APA.
  - d. Any failure to meet any critical assumption. If there has been no failure, the Annual Report will include a statement to that effect.
  - e. Whether or not material information submitted while the APA Request was pending is discovered to be false, incorrect, or incomplete.
  - f. Any change to any entity classification for federal income tax purposes (including any change that causes an entity to be disregarded for federal income tax purposes) of any

Worldwide Group member that is a party to the Covered Issues or is otherwise relevant to the covered method.

- g. The following regarding any APA primary adjustments made under Appendix A for the APA Year:
  - i. The amounts of any APA primary adjustments;
  - ii. The circumstances that led to such APA primary adjustments being necessary;
  - iii. A calculation of the net APA primary adjustment as defined in Appendix A;
  - iv. A complete description of the means by which the conforming adjustment (see Appendix A) is accomplished, including:
    - A. a description of any accounts payable established in connection with a repatriation of funds pursuant to paragraph 5 of Appendix A and section 7.01(2) of Revenue Procedure 2015-41, including the entities involved and when the payables are established;
    - B. a description of any amounts paid or deemed paid (including amounts paid in satisfaction of such accounts payable), that specifies the entities involved, when the amounts are paid or deemed paid, and by what means any amounts are actually paid;
    - C. the character (such as capital, ordinary, income, expense, dividend, contribution to capital) and country source of any payments and deemed payments, and the specific affected line item(s) of any affected U.S. Return.
- h. The amounts, description, reason for, and financial analysis of any book-tax difference relevant to the covered method for the APA Year, as reflected on Schedule M-1 or Schedule M-3 of the U.S. Return for the APA Year.
- i. Whether Taxpayer contemplates requesting, or has requested, to renew, modify, or cancel the APA.
  - 4. The Financial Statements, and any necessary account detail to show compliance with the covered method, including consolidating financial statements, segmented financial data, records from the general ledger, or similar information if the assets, liabilities, income, or expenses relevant to showing compliance with the covered method are a subset of the assets, liabilities, income, or expenses presented in the Financial Statements.
  - 5. *{Use the following or the alternative prescribed by paragraph 5(f) of this APA:}*  
A copy of the independent certified public accountant's opinion required by paragraph 5(f) of this APA.

6. A financial analysis that reflects Taxpayer's covered method calculations for the APA Year. The calculations must reconcile with and reference the information required under item 4 above in sufficient account detail to allow the IRS to determine whether Taxpayer has complied with the covered method.
7. An organizational chart for the Worldwide Group, revised annually to reflect all ownership or structural changes of entities that are parties to the Covered Issues or are otherwise relevant to the covered method.
8. A copy of the APA and any amendment.
9. A penalty of perjury statement, executed in accordance with Revenue Procedure 2015-41, section 7.02(8) and (9).

**APPENDIX D**  
**DEFINITIONS**

The following definitions control for all purposes of this APA. The definitions appear alphabetically below:

<b>Term</b>	<b>Definition</b>
Annual Report	An APA annual report within the meaning of Revenue Procedure 2015-41, sections 1.04 and 7.02.
APA	This Advance Pricing Agreement, which is an “advance pricing agreement” within the meaning of Revenue Procedure 2015-41, section 1.04.
APA Records	The records specified in Revenue Procedure 2015-41, section 7.04 and Appendix C of this APA.
APA Request	Taxpayer’s request for this APA dated _____, including any amendments or supplemental or additional information thereto.
APA Year	This term is defined in Appendix A of this APA.
Applicable generally accepted accounting standards	As the context requires, United States Generally Accepted Accounting Principles, International Financial Accounting Standards, or similar pronouncements to which reporting enterprises are obliged to conform in preparing financial statements for investors, creditors, and governmental agencies.
Covered Issue(s)	This term is defined in Appendix A of this APA.
Covered Method(s)	Transfer Pricing Method described in Appendix A of this APA.
Financial Statements	As the context requires, those financial statements prepared in accordance with applicable generally accepted accounting standards, and any necessary account detail to show compliance with the covered method, including consolidating financial statements, segmented financial data, records from the general ledger, or similar information if the assets, liabilities, income, or expenses relevant to showing compliance with the covered method are a subset of the assets, liabilities, income, or expenses presented in the Financial Statements.

<b>Term</b>	<b>Definition</b>
Foreign Group	Worldwide Group members that are not U.S. persons.
Foreign Participants	[name the foreign entities involved in Covered Issues].
I.R.C.	The Internal Revenue Code of 1986, 26 U.S.C., as amended.
Pub. L. 106-170	The Ticket to Work and Work Incentives Improvement Act of 1999.
Revenue Procedure 2015-41	Rev. Proc. 2015-41, 2015-35 IRB 263.
Transfer Pricing Method (TPM)	A transfer pricing method within the meaning of Treasury Regulations section 1.482-1(b).
U.S. GAAP	U.S. generally accepted accounting principles.
U.S. Group	Worldwide Group members that are U.S. persons.
U.S. Return	For each taxable year, the “returns with respect to income taxes under subtitle A” that Taxpayer must “make” in accordance with I.R.C. section 6012. <i>{Or substitute for partnership: For each taxable year, the “return” that Taxpayer must “make” in accordance with I.R.C. section 6031.}</i>
Worldwide Group	Taxpayer and all organizations, trades, businesses, entities, or branches (whether or not incorporated, organized in the United States, or affiliated) owned or controlled directly or indirectly by the same interests.

## **APPENDIX E**

### **APA ANNUAL REPORT SUMMARY FORM**

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The APA Annual Report Summary on the next page is a required APA Record. The APA Team Leader supplies some of the information requested on the form. Taxpayer is to supply the remaining information requested by the form and submit the form as part of its Annual Report.

<b>Internal Revenue Service</b>	APMA Case No.	
<b>Large Business and International Division</b>	Reviewer	
<b>Treaty &amp; Transfer Pricing Operations</b>	Team Leader	
<b>Advance Pricing Mutual Agreement Program</b>	Economist	
	Other APA Team Members	

**APA Information**

U.S. Taxpayer's Name	
U.S. Taxpayer's EIN	
U.S. Taxpayer's NAICS	
Unilateral/Bilateral/Multilateral	
Original or Renewal	
APA Common Name, if any	
APA Request Filing Date	
Date APA Executed	
APA Term (date-to-date, inclusive)	
Foreign Country(ies) Involved	
Annual Report Due Dates for years ending on or before [date]:	
Annual Report Due Dates for other years: [last month of tax year] 15 following close of year	
Covered Methods Summary Description	
(e.g., CPM, operating margin 2%-5%)	
Taxpayer's Principal Representative	

**APA Annual Report Information**

Year(s) covered by this Annual Report		
Issues for APMA's special attention (or "None")		
Taxpayer Notice Person	Name	
<i>If necessary, include a current Form 2848 for the Notice Person</i>	Title	
	Address	
	City/State/Zip	
	Phone/Fax	
	Email	
Current Representative, if any	Name	
<i>Include a current Form 2848 for the representative</i>	Title	
	Address	
	City/State/Zip	
	Phone/Fax	
	Email	

**Date Annual Report Filed (to be filled in by APMA):**