

WHAT TAXPAYERS ARE SAYING:

“This PFA provides the company and our shareholders a level of financial certainty that has traditionally not been available to a company until it has been audited by the IRS.”

“I compliment the IRS on the creation of a process that can be a winner for both the taxpayer and the government.”

Taxpayers participating in PFAs estimate savings of 48 percent of the time they would have spent on the same issue in a post-filing audit. The IRS estimates a time savings of 30 percent.

On a scale of 1 to 5 (with 5 being the highest), taxpayers rate the PFA process as follows:

- * 4.7 on overall level of satisfaction
- * 4.6 on likelihood of recommending to others

USER FEES:

The user fee is \$50,000 for taxpayers selected to participate in the LMSB PFA program. Payment is due within 15 business days of notification that the issue is accepted.

CONTACTS:

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FIND OUT MORE:

Go to www.irs.gov/businesses and click on Information for Large and Mid-Size Businesses. Look for Pre-Filing Agreement Program to get all the information on the PFA process and what is required.



Pre-Filing Agreement Program

Providing Certainty



Department of the Treasury
Internal Revenue Service

www.irs.gov

Pub. 4527 (Rev. 6-2006)
Catalog Number 48469N



LMSB

Large and
Mid-Size Business

PFA PROGRAM:

The Pre-Filing Agreement (PFA) program enables taxpayers to request consideration of tax issues before filing a return. Both taxpayers and the Internal Revenue Service (IRS) work together to resolve potential disputes earlier in the pre-filing process instead of during post-filing examinations.

All taxpayers under the jurisdiction of the IRS Large and Mid-Size Business (LMSB) Division are eligible to apply for a PFA. Both Coordinated Industry and Industry cases are eligible.

A PFA can address an issue for the current taxable year plus the four next years, and even a prior year for which the return is not yet due and filed. It can also address a methodology or certain international issues. Eligible tax issues generally include those that are factual in nature and governed by well-established law.

The LMSB Industry Director or the Director of Field Operations will make the decision whether to accept or decline a taxpayer's request for a PFA. Once accepted, a closing agreement is executed, which is a binding agreement as to the treatment of that issue.

A taxpayer whose request for a PFA is declined may not appeal that decision. However, a taxpayer not selected for the PFA program remains eligible for other early issue resolution procedures including the Accelerated Issue Resolution (AIR) Program or Early Referral to Appeals.

The PFA program is taxpayer initiated and LMSB Industry driven. Oversight is provided by the Director, Pre-Filing and Technical Guidance.

BENEFITS TO THE TAXPAYER:

- Pre-filing audits are quicker than post-filing audits.
- Records are current and people are readily available who worked on the transaction.
- Cooperative relationship develops between the taxpayer and the IRS.
- Tax treatment of the issue will be certain to both parties at the end of the process.

BENEFITS TO THE IRS:

- Records are current and complete for examination purposes.
- Individuals who worked on the transaction are available for interview.
- Cooperative relationship develops between the audit team and the taxpayer.
- Disputable issues are removed from future audit cycles allowing for shorter taxpayer examinations later on.
- Resource allocation improves.

PFA PROCESS:

Revenue Procedure 2005-12 gives detailed information taxpayers must include in a request for a Pre-Filing Agreement. The following are key points:

- Must contain basic identification and other information as outlined in the Revenue Procedure.
- Must contain a separate written statement for each potential issue, providing specific details as outlined in the Revenue Procedure.
- Must include a standard perjury statement.
- Must include a statement of agreement indicating that the PFA inspection of records will not preclude or impede the IRS from later examining any return or inspecting any records.
- Must be signed by the taxpayer or Power of Attorney (POA).
- Must submit the request to the LMSB Team Manager if an examination is currently underway. Otherwise, mail or fax requests to the PFA Program Manager as instructed in the Revenue Procedure.