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**From:**

**Sent:** Thursday, August 02, 2012 9:56:29 AM

**To:**

**Cc:**

**Subject:** RE: 481 adjustment after a closing agreement--IMPORTANT

I agree with that the key is determining what the closing agreement addresses.

The key controlling authority is Reg. § 301.7121(c), which provides that, in general, a closing agreement is final. However, a closing agreement with respect to a taxable period ending subsequent to the date of the agreement is subject to any change in, or modification of, the law enacted subsequent to the date of the agreement and made applicable to such taxable period (and each such closing agreement shall so recite, as your agreement does).

If subsequently effective regulations changed or modified the law regarding an issue covered in the closing agreement, the closing agreement would no longer be binding with regard to that issue. A change could be imposed to bring the taxpayer into compliance with the changed or modified law, and a § 481(a) adjustment would be calculated in the normal manner, which would take into account a taxpayer's prior position with regard to the issue in earlier years.