



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

4.51.8

AUGUST 7, 2025

## EFFECTIVE DATE

(08-07-2025)

## PURPOSE

- (1) This transmits revised IRM 4.51.8, LB&I Case Management, Compliance Assurance Process (CAP).

## MATERIAL CHANGES

- (1) Changes to this IRM are summarized in the following table:

IRM Citation	Title	Change
4.51.8.1	Program Scope and Objectives	Added Contact Information.
4.51.8.1.1	Background and Authority	Updated list of CAP program announcements.
4.51.8.1.4	Program Controls	Added CAP MOU and the recommendation form to the list of documents that the CAP Tracking System maintains.
4.51.8.1.5	Terms and Acronyms	Added Cross Border Activities Questionnaire (CBAQ) and Uncertain Tax Position (UTP).
4.51.8.2	The Three Phases of the Program	Updated Bridge Phase to Bridge Plus Phase
4.51.8.3.1(1)	Eligibility and Suitability Criteria	Expanded the eligibility to a U.S. privately held C corporation and updated the auditing standard for the annual financial statements.
4.51.8.3.1(2)	Eligibility and Suitability Criteria	Added Inflation Reduction Act and Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act Exception.

<b>IRM Citation</b>	<b>Title</b>	<b>Change</b>
4.51.8.3.1(5)	Eligibility and Suitability Criteria	Added failure to provide the Material Intercompany Transaction Template (MITTs) or the CBAQs and failure to disclose a Schedule UTP item to the examples of significant or material failures.
4.51.8.3.2	Application and Selection Process	Updated evaluation authority and forms attached to the list of designated personnel.
4.51.8.3.3	Issue Identification Process	Expanded the 30-day rule for full disclosure.
4.51.8.3.4	Issue Development Process	Added filing requirement for a privately held U.S. C corporation and the requirement to send Letter 2205-L to the taxpayer prior to the issuance of a summons.
4.51.8.3.5	Issue Resolution Process	Updated requirement of issuing IRAs during issue resolution process.
4.51.8.3.6	Post-Filing Representation	Added reference to Form 14234-F, Post-Filing Representation by Taxpayer.
4.51.8.3.7	Post-Filing Full and Partial Acceptance Letters	Added reference to Form 14234-F.
4.51.8.3.9	Miscellaneous	Added wholly-owned entities of the CAP taxpayer for CAP program and CAP MOU.
4.51.8.3.10	Credit for Increasing Research Activities and Amortization of Research and Experimental Expenditures	Updated risk and other research issues to research credit review.
4.51.8.3.11	Transfer Pricing Transactions	Added Form 14234-B for material transfer pricing transactions disclosure and updated communication process when a material risk is (or is not) identified.

<b>IRM Citation</b>	<b>Title</b>	<b>Change</b>
4.51.8.3.13	Cross Border Activities Transactions	Added disclosure requirement for taxpayer's material cross border activities transactions (Form 14234-E) and CBAQ Team's responsibilities for review and assessing risk.
4.51.8.5	Bridge Phase	Update on Bridge Plus phase replacing Bridge phase starting with the 2024 CAP cycle.
4.51.8.6	Bridge Plus Phase	Modified Bridge phase to Bridge Plus phase program with additional requirements.
4.51.8.7	Termination or Withdrawals	Added example of failure for not providing the MITTs or CBAQs timely.

- (2) Editorial changes have been made throughout this IRM for spelling, grammar, punctuation, links, formatting, titles, and citations.

**EFFECT ON OTHER DOCUMENTS**

IRM 4.51.8 dated September 7, 2023 is superseded.

**AUDIENCE**

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4.51.8

Compliance Assurance Process (CAP)

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4.51.8.1  
(08-07-2025)  
**Program Scope and Objectives**

- (1) **Purpose:** The Compliance Assurance Process (CAP) is a method of identifying and resolving tax issues through open, cooperative and transparent interaction between the IRS and LB&I taxpayers prior to the filing of a return. Through the CAP, the taxpayer should achieve tax certainty sooner and with less administrative burden than conventional examinations. The CAP seeks to identify, develop and resolve the material issues before the return is filed. It relies on the transparent and cooperative interaction of the parties and the contemporaneous exchange of information. The CAP does not provide taxpayers with guidance on, or resolution of, prospective or incomplete transactions outside of existing procedures.
- (2) The goals of the CAP program include:
  - a. Improve tax compliance by enhancing the efficiency and effectiveness of the issue identification, development, and resolution processes and procedures;
  - b. Increase transparency and cooperation between the IRS and taxpayers; and
  - c. Reduce burden of tax administration and compliance.
- (3) **Audience:** The primary users are LB&I employees.
- (4) **Policy Owner:** Assistant Deputy Commissioner Compliance Integration (ADCCI), LB&I Division.
- (5) **Program Owner:** Strategy, Policy and Governance within the ADCCI organization.
- (6) **Primary Stakeholders:** The primary stakeholders are LB&I employees and taxpayers who participate in the program.
- (7) **Contact Information:** To recommend changes or to make any other suggestions to this IRM section, contact the IRM author or see SPDER's IMD Contacts list by referencing guidelines provided in IRM 1.11.6.5, Providing Feedback About an IRM Section - Outside of Clearance. A request or inquiry can also be made using the *LB&I Policy Gateway*.

4.51.8.1.1  
(08-07-2025)  
**Background and Authority**

- (1) On December 12, 2005, the IRS announced that it was initiating the CAP pilot for large business taxpayers. The objective of this pilot was "to reduce taxpayer burden and uncertainty while assuring the Service of the accuracy of tax returns prior to filing, thereby reducing or eliminating the need for post-filing examinations." See Announcement 2005-87, 2005-50 IRB 1144.
- (2) Subsequent significant announcements about the CAP program are listed here to document the history of the program:
  - a. On March 31, 2011, the IRS announced that the six-year old CAP pilot for large business taxpayers was being made permanent and expanded to include the Compliance Maintenance phase. See News Release IR-2011-32.
  - b. On August 29, 2016, the IRS announced that it was considering changes to its CAP program and that no new taxpayers would be accepted for the 2017 application period. See News Release IR-2016-384.
  - c. On August 28, 2018, the IRS announced changes to its recalibrated CAP program for the 2019 CAP year and that new taxpayers may be accepted for the 2020 CAP year. See News Release IR-2018-174.

- d. On August 15, 2024, the IRS announced the opening of the application period for the 2025 CAP program with expanded eligibility criteria. See New Release IR-2024-211.

4.51.8.1.2  
(04-16-2020)  
**Responsibilities**

- (1) See IRM 4.46.1.1.3, General Information and Definitions, Roles and Responsibilities.

4.51.8.1.3  
(04-16-2020)  
**Program Management and Review**

- (1) The CAP program tracks and captures CAP case data from the geographic practice areas on a monthly basis in two reports. The reports (CAP Summary and CAP Measures) are provided to Portfolio Management.

4.51.8.1.4  
(08-07-2025)  
**Program Controls**

- (1) The CAP program uses the LB&I CAP Application and Recommendation Tracking System (CAP Tracking System) to provide consistency to the application and recommendation process. The CAP Tracking System maintains a record of current and historical taxpayers in the CAP program, the required application, the risking forms, the recommendation form, and the CAP Memorandum of Understanding (MOU). The CAP Tracking System is also used to maintain updated taxpayer and IRS contact information.

4.51.8.1.5  
(08-07-2025)  
**Terms/Definitions/  
Acronyms**

- (1) Commonly used acronyms are listed below.

Acronym	Definition
AC	Account Coordinator
APA	Advance Pricing Agreement
APMA	Advance Pricing and Mutual Agreement
CAP	Compliance Assurance Process
CBAQ	Cross Border Activities Questionnaire
CRCQ	CAP Research Credit Questionnaire
DFO	Director of Field Operations
FTS	Fast Track Settlement
IRA	Issue Resolution Agreement
JCT	Joint Committee on Taxation
MITT	Material Intercompany Transactions Template
MOU	Memorandum of Understanding
PFA	Pre-Filing Agreement
RT	Research Risk Review Team
TAIT	Treaty Assistance and Interpretation Team
TPRA	Transfer Pricing Risk Assessment
UTP	Uncertain Tax Position



4.51.8.1.6  
(04-16-2020)

**Related Resources**

- (1) See *Compliance Assurance Process website on IRS.gov* for application forms, FAQs and additional information.

4.51.8.2  
(08-07-2025)

**The Three Phases of the Program**

- (1) The CAP program consists of three phases: CAP, Compliance Maintenance and Bridge Plus.
- (2) In the CAP phase, a taxpayer is expected to make open, comprehensive and contemporaneous disclosures of its material issues in writing. The taxpayer is also expected to provide a full description of its material issues to include the relevant facts and circumstances and the proposed tax positions. If, after the receipt and review of the Post-Filing Representation, the IRS determines that all material issues have been disclosed and resolved, the taxpayer will receive a Full Acceptance Letter. This letter constitutes written confirmation that, subject to the completion of the post-filing review of the return, the IRS will accept the return as filed. Any material issues that were not disclosed or resolved and any resolved issues that were not reported as agreed before the return is filed may be resolved through the post-filing examination process.
- (3) A taxpayer with a limited number of material issues, that continues to satisfy the CAP eligibility and suitability requirements, and has completed at least one complete CAP phase, may progress, if approved, to the Compliance Maintenance phase. In the Compliance Maintenance phase, the IRS reduces the level of review based on the complexity and number of issues, and the taxpayer's history of cooperation and transparency in the CAP. As with the CAP phase, a taxpayer is expected to make open, comprehensive, and contemporaneous disclosures of its material issues in writing. If, after the receipt and review of the Post-Filing Representation, the IRS determines that all material issues have been disclosed and resolved, the taxpayer will receive a Full Acceptance Letter. Any material issues that were not disclosed or resolved and any resolved issues that were not reported as agreed before the return is filed may be resolved through the post-filing examination process.
- (4) A taxpayer with few, if any, material issues, that continues to satisfy the CAP eligibility and suitability requirements, and has participated in a Compliance Maintenance phase (or at least one complete CAP phase when in the best interest of sound tax administration), may progress, if approved, to the Bridge Plus phase. In the Bridge Plus phase, the IRS performs a risk assessment of taxpayer provided documentation. Low risk taxpayers may receive assurance if their tax return is filed consistently with their submitted documentation.
- (5) A taxpayer may withdraw from any phase of the CAP during the pre-filing period by submitting a written request. Additionally, the IRS may terminate a taxpayer's participation in any phase during the pre-filing period when the taxpayer fails to adhere to the terms of the CAP Memorandum of Understanding (MOU).

4.51.8.3  
(04-16-2020)

**The CAP Phase**

- (1) The CAP phase employs real-time issue resolution to improve tax compliance. The IRS and taxpayer work together to achieve this goal by identifying, developing and resolving the material issues prior to the filing of the return. A successful conclusion of the CAP allows the IRS to achieve an acceptable level of assurance regarding the accuracy of the taxpayer's filed return and to substantially shorten the length of any post-filing examination.

4.51.8.3.1  
(08-07-2025)

**Eligibility and Suitability  
Criteria**

- (1) To be eligible for participation in the CAP program, a taxpayer must meet the following criteria:
  - a. Have assets of \$10 million or more;
  - b. Be a U.S. publicly traded C-corporation with a legal requirement to prepare and submit Forms 10-K, 10-Q and 8-K to the Securities & Exchange Commission, or a U.S. privately held C-corporation, including foreign owned, that agrees to timely provide the IRS with unaudited quarterly financial statements and audited annual financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP), International Financial Reporting Standards (IFRS) or another permissible method, as deemed appropriate by the IRS, or a grandfathered partnership that had continually been in the CAP program prior to and post Recalibration and agrees to timely provide the IRS with unaudited quarterly financial statements and audited annual financial statements prepared in accordance with U.S. GAAP. The audited financial statements must be specific to the taxpayer applying to the CAP program. As such, related entity and/or parent audited financial statements will not be allowed;
  - c. Not be under investigation by, or in litigation with, the IRS or other government agency that would limit the IRS' access to current corporate tax records; and
  - d. If currently in the CAP program, must not have more than one open filed return and one open unfiled return on the first day of the CAP applicant's tax year.
- (2) A return is treated as closed for purposes of the open return criterion if it has been "closed in examination" with Status Code 90 or qualifies for one or more of the following exceptions:
  - a. Previously Closed Exception: Any previously closed return with Status Code 90 that has been reopened to process a claim or other adjustment;
  - b. LB&I Suspense Exception: Any return that has been placed in LB&I Suspense for a Tax Equity and Fiscal Responsibility Act (TEFRA) Linkage with Status Code 14, or for an Advance Pricing Agreement, Competent Authority Assistance, or Fast Track Settlement with Status Code 15;
  - c. Inflation Reduction Act (IRA) and Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act Exception: Any return open due to an outstanding IRA and/or CHIPS tax issue;
  - d. National Office Exception: Any return that is waiting for the National Office to issue published guidance or a ruling, such as Chief Counsel Advice, Private Letter Ruling, or Change in Accounting Method review;
  - e. Joint Committee on Taxation (JCT) Review Exception: Any return that has been sent to the JCT for review with Project Code 0077 and ARC 027;
  - f. Closed from Group Exception: Any return that has been closed from group and sent to Technical Services with Status Code 20 to 39, Centralized Case Processing with Status Code 50-59, or Appeals with Status Code 80-89.
- (3) All new CAP taxpayers under examination can have no more than three tax years open for examination on the first day of the taxpayer's CAP year and all parties concur that these open years must close from the examination group no later than 12 months after the first day of the taxpayer's CAP year. For all

new taxpayers, any unexamined return with an open statute will be risk assessed as part of the required compliance check for the first CAP year. If the examination team determines that a material issue should be examined, the return with that issue may be placed under examination. Any unexamined returns that are placed under examination will be treated as “one filed” return for purposes of the return criterion. These returns must be closed by the end of the second CAP year or the taxpayer may not be eligible to participate in future CAP years.

- (4) Because the CAP program is based on the transparent and cooperative interaction between the taxpayer and the IRS, a taxpayer that does not exhibit this type of behavior is not suitable for the CAP.
- (5) Examples of significant or material failures to exhibit transparent and cooperative behavior include, but are not limited to:
  - a. Not adhering to IDR response times or providing incomplete IDR responses;
  - b. Not engaging in meaningful or good faith issue resolution discussions;
  - c. Failing to thoroughly disclose a material issue in a timely manner;
  - d. Failing to provide the Material Intercompany Transaction Templates (MITTs) or the Cross Border Activities Questionnaires (CBAQs) by the due dates or providing MITTs or CBAQs that are incomplete or do not adhere to the instructions;
  - e. Failing to disclose a Schedule Uncertain Tax Positions (UTP) item or reportable transaction;
  - f. Failing to disclose an investigation or litigation that limits IRS access to current corporate records;
  - g. Frequently filing claims or requesting appeals; and
  - h. Not adhering to the terms of the CAP MOU.

4.51.8.3.2  
(08-07-2025)  
**Application and  
Selection Process**

- (1) A taxpayer interested in participating in the CAP program that meets the eligibility and suitability criteria must complete the CAP application form and any related documents for acceptance into the CAP.
- (2) The application must be submitted annually during the application period immediately preceding the CAP year. The application period is generally from September 1st to October 31st but may be subject to change on a year-to-year basis. The application period for each year will be announced in advance of the application period opening.
- (3) The application is available on IRS.gov and should be submitted by one of the following methods:
  - a. If a taxpayer is a returning CAP applicant, submit the application to the account coordinator (AC) or case manager.
  - b. If the taxpayer is a new CAP applicant, email the application to *lbi.irs.cap.program@irs.gov*. Enter “CAP Application” and the tax year in the subject line.
- (4) The CAP team members assigned to the taxpayer will evaluate the application to determine if the taxpayer meets the eligibility and suitability criteria and will forward a recommendation to the LB&I Geographic Compliance Practice Area Director through the Specialist and Geographic Directors of Field Operations (DFOs) with jurisdiction over the taxpayer.

- (5) In evaluating an application, the IRS will consider factors such as:
  - a. Number of open examinations
  - b. Number and complexity of issues worked in prior examinations
  - c. Level of cooperation and transparency in prior examinations
  - d. Adherence to the terms of the CAP MOU in prior CAP years
  - e. Effectiveness of internal controls
  - f. Occurrence of an ownership change or a financial restatement
  - g. Availability of IRS and taxpayer resources
- (6) If a taxpayer's application is approved by the IRS, the taxpayer will be notified, in writing, via a Notification of Acceptance Letter signed by the territory manager assigned to the taxpayer, that it was accepted into the CAP program and selected for one of the three phases of the CAP.
- (7) After receiving the Notification of Acceptance Letter, the taxpayer must execute a standardized CAP MOU that outlines the CAP requirements and establishes the agreement to meet the requirements. The MOU must be executed by the taxpayer and returned to the AC by the requested date to secure its participation in the CAP program. Once the MOU is executed by the IRS and taxpayer, the taxpayer will be accepted into the CAP program. The CAP MOU is available on IRS.gov.

**Note:** The CAP MOU is applicable to a single tax year, known as the CAP year. A new MOU is executed for each CAP year. To continue in the CAP program, a taxpayer must reapply, be accepted and execute a new MOU for the CAP year.

- (8) The IRS, in its sole discretion, may decline to approve a taxpayer's application whenever warranted by the facts and circumstances of the application or in the interest of sound tax administration. If a taxpayer's application is not approved by the IRS, the taxpayer will be informed, in writing, by the territory manager assigned to the taxpayer, that it was not accepted into the CAP program and the reason or reasons why it was not accepted.
- (9) Adherence to the processes and procedures established by the CAP MOU is an integral part of identifying, developing and resolving issues, and assuring the IRS of the accuracy of the return. Failure to comply with the terms of the MOU will result in removal of the taxpayer from the CAP program.
- (10) Once a taxpayer is accepted into the CAP program, the IRS will assign an AC to the taxpayer. The AC serves as the primary IRS representative, facilitates tax compliance and provides a single point of contact for all federal tax matters.
- (11) The IRS will also provide a list of additional IRS participants on the CAP team to the taxpayer. The IRS team members will include, but may not be limited to, the team manager, the territory manager and the director of field operations (DFO). Similarly, the taxpayer must provide a list of designated personnel to act as points of contact for gathering information, answering questions and resolving issues by attaching a Form 2848, Power of Attorney and Declaration of Representative.

4.51.8.3.3  
(08-07-2025)  
**Issue Identification  
Process**

- (1) The taxpayer is expected to make open, comprehensive and contemporaneous disclosures of the material issues.
- (2) A material issue is defined as any recurring or repeating issue that has a change exceeding the materiality threshold, any new issue that exceeds the materiality threshold, or any other issue that is required to be reserved or reported on Schedule UTP. An issue is defined as a completed business transaction, an item, a change in accounting method or any other issue with material tax impact.
- (3) To be considered comprehensive, the material issue must be disclosed in writing and the full disclosure must include the historical facts, surrounding circumstances and proposed tax position to include the law relied upon to develop the position.
- (4) To be considered contemporaneous, the material completed transaction or item affecting the taxpayer's income tax liability must be disclosed within 30 days of its completion. If the taxpayer is unable to provide a full disclosure by the 30-day mark, they may meet the contemporaneous requirement if they provide as much information as available within the 30 days and a full disclosure within 90 days of the completed transaction or of learning of an issue that may affect the taxpayer's income tax liability.
- (5) To allow sufficient time for issue resolution in pre-filing, the latest date for the taxpayer to submit disclosures is 90 days after the end of the tax year. Disclosures received after this date will be accepted but may not be reviewed in pre-filing.
- (6) The AC will maintain an issues list which contains the material issues disclosed by the taxpayer or identified by the IRS that will be reviewed by the IRS. Any disputes regarding which material issues will be included on the issues list will be elevated to the territory manager. However, the ultimate decision regarding which material issues will be reviewed remains within the discretion of the IRS.
- (7) The taxpayer will submit an initial issues list with the CAP application. By the date of the opening conference, the parties will jointly determine which material issues will be included on the initial issue list. Additional material issues may be added to the issues list during the CAP year by taxpayer disclosure or IRS identification, but may only be added with the approval of the territory manager.
- (8) If issues are added to the issues list without consultation with the taxpayer, the taxpayer should elevate this situation to the DFO.
- (9) The parties will jointly determine the scope of the CAP review by setting materiality thresholds that will be a guide to selecting issues for disclosure and review. The parties will openly discuss where exceptions to the materiality thresholds may be warranted. However, the IRS retains final discretion for identifying issues. In addition, materiality thresholds may be reconsidered during the CAP year.
- (10) Materiality thresholds are used in the CAP for the taxpayer to know which issues should be disclosed. They are not relevant to the adjustments that may be made regarding the tax consequences of such issues. Therefore, adjustments to issues may be made that are below the relevant materiality thresholds.

- (11) The materiality thresholds will be documented in the CAP Plan and apply only to the relevant CAP year. The CAP Plan will be discussed during the opening conference and a copy provided to the taxpayer at this time or shortly thereafter.
- (12) Notwithstanding the materiality thresholds and issue identification process discussed above, the IRS may consider the following items for compliance review regardless of when or how they are identified:
  - a. Form 8886, Reportable Transaction Disclosure Statement, including transactions of interest, listed transactions, confidential transactions and transactions with contractual protection
  - b. Schedule UTP items
  - c. Emerging issues
  - d. LB&I directives/compliance initiatives
  - e. Statutory and correlative adjustments
  - f. Fraudulent transactions
- (13) In addition, obvious computational/mathematical or accounting errors/omissions that are not technical or legal in nature may be corrected.

4.51.8.3.4  
(08-07-2025)  
**Issue Development  
Process**

- (1) Taxpayers will provide information and documentation proactively and as requested by the AC and other team members. The team will promptly review all relevant information provided and will communicate to the taxpayer whether:
  - a. Additional information is required.
  - b. The IRS disagrees with the taxpayer's proposed tax treatment.
  - c. The proposed tax treatment is appropriate.
- (2) Taxpayers will provide the IRS with:
  - a. Industry overviews
  - b. Current legal, accounting and tax organizational charts reflecting all related entities and the flow of relevant information involving those entities
  - c. Financial performance information
  - d. Information on any anticipated significant events that will affect the reporting for the tax year
  - e. Access to accounting records (as needed)
  - f. Necessary resources for disclosure of requested information
- (3) Privately held U.S. C-corporations, including foreign owned, must timely provide the IRS with unaudited quarterly and audited annual financial statements for the entity in the CAP program. These financial statements must be prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP), International Financial Reporting Standards (IFRS) or another permissible method, as deemed appropriate by the IRS. Grandfathered partnerships must provide financial statements prepared in accordance with U.S. GAAP on the same timeline.
- (4) Taxpayers will provide the AC with tax schedules and computations for all rollover and recurring adjustments from any previously examined and closed period that impact the CAP year, including the impact of any closing agreements or Appeals settlements. The taxpayer will provide these initial



disclosures by the date of the opening conference. The parties will discuss the effect of such adjustments on the CAP year and any unexamined year and incorporate any changes as appropriate.

- (5) The taxpayer will provide notice and documentation of any subsequent issue resolutions from a prior examination within 15 business days of the resolutions. The parties will discuss the effect of such resolutions on the CAP year and any unexamined year and incorporate any changes as appropriate.
- (6) The taxpayer will immediately notify the AC of any investigation initiated on the taxpayer by a federal or state agency. The notification should include:
  - a. A detailed explanation of the investigation
  - b. An evaluation of whether access to corporate books and records could be limited
  - c. Any material issues that could result from the investigation
- (7) The taxpayer will notify the AC of any foreign initiated examinations or assessments that may impact income, expenses or credits reported in the United States, for the current or prior tax years, and will update this information on a quarterly basis as the information becomes available.
- (8) All information provided to the IRS in connection with the CAP is return information protected from disclosure by the confidentiality provisions of IRC 6103.
- (9) Ordinarily, a formal Information Document Request (IDR) should not be necessary in CAP and informal requests should be sufficient. However, if it is necessary to issue an IDR, the scope of the IDR should be discussed and the parties should reach a mutually agreed upon due date for the response.
- (10) The requirements for issuing IDRs, outlined in IRM Exhibit 4.46.4-1 , apply to both the pre-filing and post-filing periods of CAP. However, the IDR enforcement process outlined in IRM Exhibit 4.46.4-2, applies only to filed returns and a delinquency notice and subsequent summons may only be issued during the post-filing period of CAP.
- (11) The IRS will promptly evaluate the IDR response for completeness and, after a thorough analysis of the response, will discuss the results of the review with the taxpayer. The parties must strive for urgency during this real-time compliance review process to meet the CAP program goals.
- (12) The IRS and taxpayers should interact on a regular basis. Calls and meetings should be held as needed to discuss and provide relevant information and documentation, and to discuss the status of the CAP and resolve concerns as they arise during the CAP. The parties should have in attendance representatives with sufficient authority to resolve any concerns being addressed.
- (13) Since the CAP program relies on the transparent and cooperative interaction of the parties, the IRS and taxpayer should meet as needed to evaluate and document the transparency and cooperation of the parties.
- (14) Typically, in the CAP, summons are not necessary but may be issued in the post-filing period only. Letter 2205-L , LB&I Initial Contact, must be issued to the taxpayer prior to the issuance of a summons.

4.51.8.3.5  
(08-07-2025)  
**Issue Resolution  
Process**

- (1) Once both parties agree that an issue has been fully disclosed, the IRS will ordinarily have 90 days to resolve the issue during the pre-filing period. If additional time is required, the case territory manager, in collaboration with the issue territory manager, may approve additional time. The IRS will promptly inform the taxpayer of any approved time extensions.
- (2) The IRS and taxpayer should regularly engage in discussions for resolving any factual or technical differences related to the identified material issues.
- (3) The CAP team member must draft and provide the taxpayer with an Issue Resolution Agreement (IRA) during the pre-filing period as the issues are completed in the following circumstances:
  - After the completion of the review of the technical, tax or accounting aspects of an issue and the IRS agrees with the taxpayer's position
  - After the completion of the review of the technical, tax or accounting aspects of an issue and the IRS does not agree with the taxpayer's position
  - When the IRS deems a Form 906, Closing Agreement, imperative

**Note:** An IRA is not required for a mere clarification of facts.

- (4) As stated above, agreed issues require preparation of an IRA. However, for agreed issues, the IRS may use an IRA that includes only a brief description of the issue on the IRA form.
- (5) For pre-filing unagreed issues, the IRS must attach a Form 886-A, Explanation of Items, following the format and components used in regular examinations. See IRM 4.46.6.10.

**Note:** The taxpayer does not have to agree with the IRS' position on the IRAs. Any unagreed issues will require a Form 5701, Notice of Proposed Adjustment (NOPA), in the post-filing period.

- (6) During the post-filing period, use an IRA if the return amount on the IRA is equal to the amount reported on the tax return. This shows there is no proposed adjustment to the filed tax return.
- (7) Upon the issuance of an IRA, the parties will mutually agree to a timely response date. In the response, the taxpayer will indicate its agreement or disagreement with the IRA. If the taxpayer disagrees with the IRA, the taxpayer will state, in writing, the relevant facts and legal arguments for its position.
- (8) If for any reason the taxpayer is unable to comply with the due date of an IRA response, the taxpayer will notify the IRS immediately, explain the circumstances for the delay, and the parties will agree to a revised due date.
- (9) Ordinarily an IRA is sufficient for documenting the resolution of most material issues. However, as deemed appropriate, the IRS may prepare a Form 906, Closing Agreement, based on the completed IRA. Issues resolved using closing agreements may be, but are not limited to, large or controversial issues.
- (10) If the issue is eligible for the Fast Track Settlement (FTS) process and still unresolved after 90 days or a different period if an extension is approved, the IRS



will initiate the FTS process and the taxpayer must agree to participate in the process. If the issue is still unresolved after the FTS process, the taxpayer retains its traditional appeal rights.

4.51.8.3.6  
(08-07-2025)  
**Post-Filing  
Representation**

- (1) Within 30 days of the date the return is filed, the taxpayer will provide the IRS Form 14234-F, Post-Filing Representation by Taxpayer, executed by an officer of the taxpayer with authority to sign the return. The Form 14234-F, Post-Filing Representation by Taxpayer, includes:
  - a. A statement that all material issues were disclosed and resolved as of the date that the return was filed or a full description of the material issues that were not disclosed or resolved as of that date;
  - b. A statement that all resolved issues were reported as agreed as of the date that the return was filed or a full description of the resolved issues that were not reported as agreed as of that date; and
  - c. A declaration that "Under penalties of perjury, I declare that I have examined this representation and accompanying documents, if any, and that, to the best of my knowledge and belief, this representation contains all relevant information, and that the representation made is true, correct, and complete"

4.51.8.3.7  
(08-07-2025)  
**Post-Filing Full and  
Partial Acceptance  
Letters**

- (1) If, after the receipt and review of Form 14234-F, Post-Filing Representation by Taxpayer, the IRS determines that all material issues have been disclosed and resolved through simple factual clarification, issue resolution agreement or closing agreement, the IRS will provide the taxpayer with a Full Acceptance Letter.
- (2) The Full Acceptance Letter constitutes written confirmation that, subject to the completion of the post-filing review of the return, the IRS will accept the taxpayer's return if it is filed consistent with the resolutions of the resolved issues and no additional material issues or correlative adjustments are discovered during the post-filing review that were not previously disclosed.
- (3) If, after the receipt and review of Form 14234-F, Post-Filing Representation by Taxpayer, the IRS determines that the taxpayer did not disclose all material issues or that the IRS and the taxpayer did not resolve all identified material issues, the IRS will provide the taxpayer with a Partial Acceptance Letter.
- (4) The Partial Acceptance Letter constitutes written confirmation that, subject to the completion of the post-filing review of the return, the IRS will accept the taxpayer's return, but for the undisclosed and unresolved material issues and correlative adjustments, if the return is filed consistent with the resolutions of the resolved issues and no additional material issues and correlative adjustments are discovered during the post-filing review that were not previously disclosed.

4.51.8.3.8  
(04-16-2020)  
**Post-Filing Review**

- (1) After a taxpayer files its return, the AC will secure a copy of the return and initiate the post-filing review. The goal for completing this review when a Full Acceptance Letter has been issued is within 60 days of the filing of the return.
- (2) During the post-filing review, the IRS and the taxpayer will jointly review the filed return to verify that all material issues were disclosed and resolved and that all resolved issues were reported as agreed.

- a. If the review verifies that all material issues were disclosed and resolved and that all resolved issues were reported as agreed, the IRS will issue a no-change letter concluding the examination of the taxpayer's books of account for purposes of IRC 7605(b).
- b. If there are material issues that were not disclosed and resolved or there are resolved issues that were not reported as agreed, the IRS may examine any such issues through the post-filing examination process.

4.51.8.3.9  
(08-07-2025)  
**Miscellaneous**

- (1) The pre-filing review during the CAP does not constitute an examination or inspection of the taxpayer's books of account for purposes of IRC 7605(b).
- (2) Wholly owned entities of the CAP taxpayer are included in the CAP program and deemed covered by the CAP MOU.
- (3) Non-income tax returns, such as, Forms 940, 941, 5500, 720 and 1042 are not included in the CAP and may be the subject of post-filing examinations.
- (4) In addition, partnerships and other entities that are not 100% owned by members of the taxpayer's consolidated group are not included in the CAP and may also be the subject of post-filing examinations.
- (5) The procedures of Rev. Proc. 2022-39 are not applicable to CAP taxpayers.

4.51.8.3.10  
(08-07-2025)  
**Credit for Increasing  
Research Activities and  
Amortization of  
Research and  
Experimental  
Expenditures**

- (1) The taxpayer will make open, comprehensive and contemporaneous disclosures of its research activities.
- (2) The taxpayer will prepare and submit Form 14234-A, CAP Research Credit Questionnaire (CRCQ) in accordance with the form instructions and other guidance posted to the CAP page on IRS.gov.
- (3) The AC will review the completed CRCQ and prepare the Account Coordinator Evaluation of the form.
- (4) The Research Risk Review Team (RT) will review the completed CRCQ and risk assess the taxpayer's research credit and amortization of research and experimental expenditures.
- (5) The RT will communicate the results of its risk assessment to the AC during the planning phase of the pre-filing review.
- (6) If consensus is not reached between the RT and CAP teams regarding the scope of the review of the research credit and amortization of research and experimental expenditures, the matter will be elevated to the next level of management.

4.51.8.3.11  
(08-07-2025)  
**Transfer Pricing  
Transactions**

- (1) The taxpayer will make open, comprehensive and contemporaneous disclosures of its material transfer pricing transactions.
- (2) The taxpayer will disclose its material transfer pricing transactions by preparing Form 14234-B, Material Intercompany Transactions Template (MITT) in accordance with the form instructions and other guidance posted to the CAP page on IRS.gov.
- (3) The Transfer Pricing Risk Assessment (TPRA) team will review the completed MITT and assess the taxpayer's transfer pricing risk.

- (4) If a material risk is identified, the TPRA team will communicate the results of its risk assessment to the Transfer Pricing Practice (TPP) Practice Network program manager during the planning phase of the pre-filing review.
- (5) If a material risk is not identified, the TPRA team will send a transfer pricing deselection notice to the AC during the planning phase of the pre-filing review.
- (6) If consensus is not reached between the CAP team and TPRA team and TPP Practice Network regarding the scope and depth of the transfer pricing transaction review, the matter will be elevated to the next level of management.

4.51.8.3.12  
(04-16-2020)  
**Advance Pricing  
Agreements**

- (1) A taxpayer that has already submitted a request for, or renewal of, an Advance Pricing Agreement (APA) under Rev. Proc. 2015-41 (or successor thereto) and/or a request for assistance from the U.S. Competent Authority under Rev. Proc. 2015-40 (or successor thereto) will notify the AC of the existence of such request and provide a copy of the request or renewal. The AC will then contact the appropriate Advance Pricing and Mutual Agreement (APMA) team or the Treaty Assistance and Interpretation Team (TAIT) lead or analyst to ensure ongoing coordination between the CAP and APMA/TAIT programs.
- (2) The taxpayer is encouraged, and may be required, to seek an APA to cover a recurring controlled transaction. A taxpayer with ongoing transfer pricing issues may contact, or may be contacted by, the AC to request a meeting with APMA to discuss the benefits and/or requirement of entering into an APA. The taxpayer will provide notice and documentation of any subsequent resolutions of items or issues in prior examination cycles within 15 business days of the agreed determinations. The parties will discuss the effect of such resolutions on any unexamined tax years and on the CAP year and incorporate the changes as appropriate.
- (3) The taxpayer will notify the AC of any foreign initiated examinations, pending adjustments or assessments that may impact income, expenses and/or credits reported in the United States, for the CAP year or any prior tax years, and will update such information on an as-needed basis to report any changes as the information becomes available.

4.51.8.3.13  
(08-07-2025)  
**Cross Border Activities  
Transactions**

- (1) The taxpayer will make open, comprehensive and contemporaneous disclosures of its material cross border activities transactions by preparing Form 14234-E, Cross Border Activities Questionnaire (CBAQ), in accordance with the form instructions and other guidance posted to the CAP page on IRS.gov.
- (2) The CBAQ team will review the completed CBAQ and assess the taxpayer's cross border activities risk.
- (3) The CBAQ team will communicate the results of its risk assessment to the AC during the planning phase of the pre-filing review.
- (4) If consensus is not reached between the CAP and CBAQ teams regarding the scope and depth of the cross border transaction review, the matter will be elevated to the next level of management.

4.51.8.4  
(04-16-2020)  
**Compliance  
Maintenance Phase**

- (1) A taxpayer with a limited number of material issues that continues to satisfy the CAP eligibility and suitability requirement, and has completed at least one complete CAP phase, may progress, if approved, to the Compliance Maintenance phase.

- (2) In the Compliance Maintenance phase, the IRS, at its discretion, will reduce the level of review based on the complexity and volume of issues, and the taxpayer's history of compliance, cooperation and transparency in the CAP.
- (3) The taxpayer continues to make open, comprehensive and contemporaneous disclosures of its material issues.
- (4) In evaluating a taxpayer's eligibility for the Compliance Maintenance phase, the IRS will consider the following factors:
  - a. The taxpayer continues to satisfy the eligibility and suitability criteria.
  - b. The taxpayer has completed at least one full CAP phase.
  - c. The taxpayer has effective internal controls.
  - d. Historically, the taxpayer has a limited number of issues that are usually resolved before the tax return has been filed, and has been consistently compliant, cooperative and transparent in the prior phases.

**Note:** The remaining processes and procedures for the Compliance Maintenance phase are fundamentally the same as for the CAP phase. Therefore, to avoid duplication, they have not been listed here. Refer to IRM 4.51.8.3 for more information.

4.51.8.5  
(08-07-2025)  
**Bridge Phase**

- (1) The Bridge Plus phase replaced the Bridge phase starting with the 2024 CAP cycle and became permanent for the 2025 CAP cycle.
- (2) The IRS team must timely review the filed Bridge phase tax return for any large, unusual or questionable (LUQ) items requiring examination prior to closing from the exam group. To examine any identified issues, the IRS team must secure management approval. If no LUQs are identified, the IRS team will close the tax year as a Survey After Assignment with 12 months remaining on the statute of limitations. Joint committee on Taxation Review procedures may apply. Refer to IRM 4.51.8.9, Joint Committee on Taxation (JCT) Review.

4.51.8.6  
(08-07-2025)  
**Bridge Plus Phase**

- (1) A taxpayer with few, if any, material issues that continues to satisfy the CAP eligibility and suitability requirements, and has participated in a Compliance Maintenance phase may progress, if approved, to the Bridge Plus phase.

**Exception:** A taxpayer that has completed one CAP phase may progress to the Bridge Plus phase if the IRS deems it to be in the best interest of sound tax administration.

- (2) In the Bridge Plus phase, taxpayers are required to provide book-to-tax reconciliations, credit utilization and other supporting documentation (known as a documentation package) by the end of the fourth month following the tax year end. AC will send a list of the current documentation package requirements to the taxpayer when sending the Notification of Acceptance to the Bridge Plus Phase. AC will remind taxpayers 30-40 days prior to the due date of the documentation package of the due date and will address any concerns. The Bridge Plus Risk Team (BPRT) and CAP team will conclude the risk assessment of the documentation package within 60 days after the fourth month following the tax year end.

- (3) Taxpayers are required to submit a draft return 30 days before the filing of their tax return with the IRS. The BPRT and CAP team will review the draft return for consistency with the taxpayer's prior submissions.
- (4) If the draft return is consistent, the taxpayer will be instructed to file a return. If the filed return is consistent with prior submissions, the CAP team will issue a Full or Partial Acceptance Letter as appropriate.
- (5) The eligibility and suitability criteria are the same as in the CAP phase. Refer to IRM 4.51.8.3.1, Eligibility and Suitability Criteria.
- (6) The application and selection process is the same as in the CAP phase. Refer to IRM 4.51.8.3.2, Application and Selection Process.
- (7) The Post-Filing Representation is the same process as in the CAP phase. Refer to IRM 4.51.8.3.6, Post-Filing Representation.
- (8) The post-filing Full and Partial Acceptance Letters processes are the same as in the CAP phase. Refer to IRM 4.51.8.3.7, Post-Filing Full and Partial Acceptance Letters.
- (9) The post-filing review is the same process as in the CAP phase. Refer to IRM 4.51.8.3.8, Post-Filing Review.
- (10) The pre-filing review during Bridge Plus does not constitute an examination or inspection of the taxpayer's books and records for purposes of IRC 7605(b).
- (11) In evaluating a taxpayer's eligibility for the Bridge Plus phase, at a minimum, the IRS will consider the following factors:
  - a. The taxpayer continues to satisfy the eligibility and suitability criteria.
  - b. The taxpayer has participated in a Compliance Maintenance phase. When in the interest of sound tax administration, the taxpayer has completed one CAP phase.
  - c. The taxpayer has effective internal controls.
  - d. The taxpayer and the IRS have an effective pre-filing process in place and have a history of concluding post-filing examinations timely.
  - e. Historically, the taxpayer has few, if any, material issues that are usually resolved before the tax return has been filed, and has been consistently compliant, cooperative and transparent in the prior phases.
- (12) If consensus is not reached between the BPRT and CAP team regarding the scope and depth of the risk assessed review, the matter will be elevated to the geographic Director of Field Operations.

4.51.8.7  
(08-07-2025)  
**Terminations or  
Withdrawals During the  
Pre-Filing Period**

- (1) If the taxpayer or the IRS is unable or has failed to comply with the terms of the CAP MOU, the parties will attempt to resolve these concerns on a contemporaneous basis. The parties will meet to discuss, and the concerns and resolution efforts will be documented using the Evaluation of Cooperation and Transparency Form.
- (2) If the concerns are not resolved and the IRS determines that the taxpayer has failed to adhere to the terms of the MOU, the geographic territory manager assigned to the case will issue the taxpayer a written notice that informs the taxpayer of the IRS' concerns.

- (3) If the concerns are not resolved within 30 days of receiving such notification, the geographic DFO assigned to the case will issue the taxpayer a Termination Letter and its participation in the CAP program will cease. The IRS may then conduct a post-filing examination of the taxpayer's open filed return.
- (4) Examples of significant or consistent failures to adhere to the terms of the CAP program that may result in the issuance of a Termination Letter include:
  - a. Not adhering to IDR response times or providing incomplete IDR responses.
  - b. Not engaging in meaningful or good faith issue resolution discussions.
  - c. Failing to thoroughly disclose a material issue in a timely manner.
  - d. Failing to provide the Material Intercompany Transaction Templates (MITTs) or Cross Border Activities Questionnaires (CBAQs) by the due dates or providing MITTs or CBAQs that are incomplete or do not adhere to the instructions.
  - e. Failing to disclose a Schedule UTP item or reportable transaction.
  - f. Failing to disclose an investigation or litigation that limits IRS access to current corporate records.
  - g. Frequently filing claims or requesting appeals.
  - h. Not adhering to the terms of the CAP MOU.
- (5) If at any time the taxpayer determines that it no longer wants to participate in the CAP program, the taxpayer may provide the IRS a written request to withdraw from the program. Upon receipt of such request, the IRS will issue the taxpayer a Termination Letter that terminates its participation in the CAP program. The IRS may then conduct a post-filing examination of the taxpayer's open filed return.

4.51.8.8  
(04-16-2020)  
**Claims**

- (1) All potential claims for credit or refund must be brought to the attention of the AC as soon as the taxpayer becomes aware that it has potential claims.
- (2) All claims or requests for tentative refunds affecting federal income tax liability must be filed using Form 1120X or Form 1139 . The claims must meet the standards of Treas. Reg. 301.6402-2, which states that if a taxpayer is required to file a claim for refund or credit on a particular form, then the claim, together with appropriate supporting evidence, will be filed in a manner consistent with such form, form instructions, publications and other guidance found on IRS.gov.

4.51.8.9  
(09-07-2023)  
**Joint Committee on  
Taxation (JCT) Review**

- (1) If it is determined that the filed return will result in a refund claim subject to review by the JCT, any associated closing agreements cannot be executed on behalf of the government until they have been reviewed and approved by the JCT. The closing agreements signed by the taxpayer will be submitted with the Joint Committee report and if the JCT takes no exception to the report and agreements, the DFO assigned to the case may sign the agreements. Please refer to IRM 4.36.3, Joint Committee Procedures, Examination Team Responsibilities.
- (2) If the IRS CAP team issues a Full Acceptance Letter and the post-filing review confirms that all material issues were disclosed and resolved, and all resolved issues were reported as agreed, the IRS CAP team will submit a referral to the Joint Committee Review (JCR) program and forward the Full Acceptance



Letter to the JCR program. When the JCT has completed its review and sends the Release Letter to the IRS, the IRS will execute any applicable closing agreements.

- (3) If the IRS CAP team issues a Partial Acceptance Letter, once all the remaining issues have been fully resolved, the IRS CAP team should submit a referral to the JCR program. When the JCT has completed its review and sends the Release Letter to the IRS, the IRS will execute any applicable closing agreements.

4.51.8.10  
(09-07-2023)  
**Transition Rule**

- (1) As part of the CAP recalibration, significant changes were made to the CAP program starting in the 2019 CAP year.
- (2) The review for any CAP year should be conducted under the provisions of the MOU that was executed for that CAP year.

