



LARGE BUSINESS AND
INTERNATIONAL DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

July 23, 2025

Control Number: LB&I-04-0725-0008
Effective Date: August 1, 2025
Expiration Date: August 1, 2027
Affected IRMs: 4.46.4
4.46.5
4.51.4

MEMORANDUM FOR: ALL LB&I EMPLOYEES

FROM: Ronald H. Hodge II /s/ *Ronald H. Hodge II*
Assistant Deputy Commissioner Compliance Integration
Large Business and International (LB&I) Division

SUBJECT: Interim Guidance on Reinforcing the Customer Focused,
High Efficiency LB&I Examination Process

This memorandum provides guidance for the elimination of the Acknowledgement of Facts (AOF) Information Document Request (IDR), an update to the pilot program changes to Fast Track Settlements (FTS), and clarification on the applicability of Accelerated Issue Resolution (AIR) to Large Corporate Compliance (LCC) cases.

Purpose: As an enforcement division, our customer service includes efficient, effective examinations and a continued culture of collaborative issue resolution. We continue to seek opportunities to improve cycle time, particularly in large corporate cases.

A tailored audit scope and a commitment from taxpayers and IRS to be aligned to execute the process in accordance with an established exam plan and timeline is essential to efficiency in examinations. Examination managers should work closely with their teams on scope and timelines so that we can be as efficient as possible.

A more efficient and current examination posture advances both taxpayer service and effective tax administration in several ways. It reduces staffing burden, preserves examination resources, improves access to tax records, facilitates discussions of current issues, reduces the cost of interest, expedites tax certainty, and reduces the exposure to future deficiencies.

Background: In furtherance of our customer-driven, effective and efficient examination resolutions, below are three modifications to existing policies and practices that we will implement in 2025 and 2026. These changes will improve issue resolution consistency and reduce examination timelines. Throughout implementation of these changes, we welcome and encourage both internal and external feedback. Contact information is located at the end of this memorandum.

Procedural Change: The following IRM sections are updated as shown in the attachments.

- [Attachment 1](#) – List of IRMs affected by the AOF IDR elimination
- [Attachment 2](#) – IRM 4.46.5, Resolving the Examination
- [Attachment 3](#) – IRM 4.51.4, LB&I/Appeals Fast Track Settlement (FTS) Program
- [Attachment 4](#) – IRM Exhibit 4.51.4-2

Elimination of the AOF IDR process with a transition period

Taxpayers have noted that the AOF process adds time but little value to the exam process. The purpose of the AOF is to make sure all relevant facts, both favorable and unfavorable, are known and mutually agreed upon before a Form 5701, Notice of Proposed Adjustment (NOPA) is issued. However, taxpayers have expressed reluctance to engage in the AOF process because it is difficult to evaluate the relevance or completeness of the facts apart from the government's intended application of the facts to the law. Taxpayers often decline to respond to the AOF which may extend the exam without producing meaningful engagement or collaboration at that stage.

The AOF process will be eliminated in 2026. Prior to that, LB&I will collect feedback from internal and external stakeholders to inform the 2026 implementation. Effective as of the date of this memorandum through December 31, 2025, all in progress and new start cases will continue to offer the AOF process as an option for the taxpayer to elect or decline. Each AOF discussion and the taxpayer's decision should be documented in the case activity record. It is critical, whether a case is proceeding with an AOF or not, that we are communicating with the taxpayer and holding issue discussions throughout the issue development process. All team members have the responsibility to be open, transparent and communicative throughout the examination process. The team will continue to conduct issue discussions, share the proposed tax determination, and solicit feedback on the taxpayer's position before issuing a final NOPA.

The core value of collaborative examinations is unchanged. Factual development and other issue resolution guidance remains in effect. To maintain our ongoing emphasis on collaborative examinations and issue resolution processes, managers and examination teams should continue using the following guidance while working with their taxpayers on developing relevant facts and effecting case resolution:

- [IRM 4.46.4.7 – Information Document Request Process](#)
- [IRM 4.46.4.7.1 – General IDR Procedures](#)

- [IRM 4.46.5.2 – Issue Resolution](#)
- [IRM 4.46.5.2.1 – Factual Development](#)

Applicability of AIR to LCC cases

The authority for using AIR is set forth in [Rev. Proc. 94-67](#) and uses a legacy term, Coordinated Examination Program (CEP). This has led to confusion regarding its availability and suppressed its use by the field. As a successor to CEP, LCC cases remain an appropriate work stream for AIR. AIR is a very effective approach for getting current on issues where teams have done a thorough evaluation for one or more tax periods that can be applied to similar positions on other filed returns with agreement of the taxpayers. This reduces taxpayer and IRS burden and expedites tax certainty.

Coordination of FTS denials and consideration of applicable issues

In February 2025, LB&I announced pilot program changes to FTS to facilitate broader use of the program. We encourage you to use FTS to resolve issues and cases early in the process. Under the pilot, recommendation to deny FTS required written DFO concurrence, a verbal explanation to the taxpayer, and a notification to the LB&I Fast Track mailbox.

This memorandum will serve to replace and supersede the February memorandum. It will include all the changes announced previously and updates to FTS considerations and collaboration among issue and case executives. All senior directors must apprise the LB&I deputy commissioner of a proposed FTS denial before informing the taxpayer. In addition, if the FTS issue under consideration is owned by an Issue Manager different than the Case Manager, then the respective area DFOs must coordinate with each other regarding a proposed denial prior to informing the taxpayer. The decision whether to accept or deny a taxpayer's request to participate in the FTS program is a business decision, not a legal decision.

Effect on Other Documents: This memorandum will be incorporated into IRMs 4.46.4 and 4.46.5 as shown in Attachments 1 and 2 within two years from the date of this memorandum. This memorandum supersedes LBI-04-0225-0002, Interim Guidance for LB&I Pilot Program Changes to Fast Track Settlement (FTS). These piloted procedure changes for FTS may be extended, modified, or made permanent and incorporated into IRM 4.51.4, LB&I/Appeals Fast Track Settlement Program (FTS) as shown in Attachment 3 within two years from the date of this memorandum.

Contact: For questions or comments about this guidance, contact the LB&I Policy Office through the LB&I Policy Gateway. Public comments related to this memorandum may be submitted to LBI.Policy.Feedback@irs.gov through December 31, 2025.

Attachments (4)

Distribution: www.irs.gov

Attachment 1 – List of IRM Sections Affected by the AOF IDR Elimination

(List may not be all-inclusive)

IRM Cite	Chapter Title	Section Title
4.23.4	Employment Tax	General procedures and Workpapers
4.24.5	Excise Tax	Large Business and International (LB&I) Examination Program Procedures for Excise Employees
4.30.2	LB&I General Procedures	Other Technical Issues
4.46.1	LB&I Examination Process	General Information and Definitions
4.46.3	LB&I Examination Process	Planning the Examination
4.46.4	LB&I Examination Process	Executing the Examination
4.46.5	LB&I Examination Process	Factual Development
4.48.1	Engineering Specialty	Overview of Engineering Program
4.51.4	LB&I Case Management	LB&I/Appeals Fast Track Settlement (FTS) Program
4.61.3	International Program Audit Guidelines	Development of IRC 482 Cases

Attachment 2 – Revisions to IRM 4.46.5, Resolving the Examination

The following changes are effective 08/01/2025.

4.46.5.4.2.4 (08-01-2025)

Accelerated Issue Resolution (AIR)

- (1) Accelerated Issue Resolution (AIR) allows LCC teams to apply the resolution of the same or similar issues from one tax period to another filed tax period.
- (2) The authority for using AIR is set forth in [Rev. Proc. 94-67](#), and although it uses a legacy term, Coordinated Examination Program (CEP), it is applicable to LCC examinations. Examination teams should also refer to [Rev. Proc. 68-16](#) when considering AIR.
- (3) AIR can be a very effective approach for getting current on issues. Teams should thoroughly evaluate prior tax period resolutions to identify those that can, with the taxpayer's agreement, be applied to other filed returns.
- (4) The following factors should be considered.
 - a. AIR does not include settlement authority for managers.
 - b. AIR does not alter in any way the authority case managers have to resolve issues.
 - c. Counsel assistance is mandatory when using AIR.
 - d. An AIR agreement is generally limited in scope to issues on filed returns arising from an audit of specific taxpayers under the jurisdiction of the Director of Field Operations. Certain issues are excluded or require additional approvals. See [Rev. Proc. 94-67](#), SECTION 3, SCOPE OF AN AIR AGREEMENT.
- (5) The AIR process does not constitute an examination of books and records. The taxpayer can request AIR, but LB&I examination teams can also evaluate cases that may benefit from an AIR agreement and offer it to the taxpayer.

Note: For non-filed years, a taxpayer must request a Pre-Filing Agreement (PFA).

Attachment 3 – Revisions to IRM 4.51.4, LB&I/Appeals Fast Track Settlement (FTS) Program

The following changes are effective 08/01/2025.

4.51.4.4.1 (08-01-2025)

General Considerations

- (1) The LB&I issue manager (in collaboration with the case manager) and the taxpayer will evaluate their circumstances to determine if this process meets their needs to bring the case to a conclusion within the agreed upon time frames.
- (2) Fast Track Settlement may not be the appropriate dispute resolution process for all cases.
- (3) The LB&I issue manager (in collaboration with the case manager) and the taxpayer should explore other dispute resolution options if a case is ineligible or inappropriate for FTS.
- (4) The greatest opportunity to reduce administrative burden and costs for all parties using FTS exists in cases where:
 - a. All issues are raised, and the examination process is nearly complete
 - b. All claims are timely filed and examined
 - c. Issues are fully developed
 - d. Taxpayer has stated its position in writing
 - e. Unagreed issues are limited in number
- (5) FTS process works best in cases where all unagreed issues are included in the application, however individual unagreed issues or groups of issues will be accepted for FTS in cases where it is determined to be in the best interest of tax administration.

Note: A taxpayer's request to use FTS indicates their willingness to compromise or reach a mutual concession on the issue.
- (6) If FTS is unsuccessful, the taxpayer will be offered the opportunity to pursue resolution through traditional Appeals.
- (7) If the taxpayer pursues the traditional Appeals process, Appeals management will ensure a fair and impartial hearing. [IRM 8.26.1.12.5](#), Terminating the LB&I FTS Session, states that the traditional appeal will not be assigned to the same ATCL or AO that heard the FTS session, unless concurrence is received in writing from the taxpayer and LB&I prior to assignment. This policy should be made clear to the taxpayer at the beginning of the process, and if the taxpayer is unable to accept this policy, the taxpayer may decide to forego the Fast Track option and go to traditional Appeals.

Note: Participation in FTS will not disqualify a taxpayer from using Post Appeals Mediation (PAM).

4.51.4.4.3 (08-01-2025)

Cases and Issues Not Appropriate for FTS

(1) The following issues are generally not appropriate for the Fast Track Settlement Program:

- a. Docketed issues
- b. Issues challenging the constitutionality of tax laws
- c. Issues for which the taxpayer has expressed unwillingness to compromise or explore a mutual concession resolution

Note: Per IRM 4.51.4.5.1, FTS must be considered when there are unagreed issues. A taxpayer's willingness to compromise may shift throughout the examination and their request to use FTS is indicative of their willingness to compromise or reach a mutual concession on the issue.

(2) The following issues will be excluded from FTS:

- a. Issues designated for litigation
- b. Issues under consideration to be designated for litigation
- c. Issues for which the taxpayer has requested competent authority assistance
- d. Issues for which the taxpayer has requested the simultaneous Appeal/Competent Authority procedure described in section 6.03 of [Rev. Proc. 2015-40](#).
- e. Issues that are part of a whipsaw transaction
- f. Issues for which mediation would not be consistent with sound tax administration
- g. Issues that have been identified in a Chief Counsel Notice, or equivalent publication, as excluded from the FTS process
- h. Issues raised by taxpayers challenging the validity of a regulation

(3) Issues for which the IRS is establishing a uniform settlement position (e.g., - certain listed transactions) may be excluded from FTS.

(4) Only the issues listed above are prohibited from participating in FTS. All other issues should be considered by the examination team for FTS.

4.51.4.5.1 (08-01-2025)

Consideration of Fast Track Settlement

(1) Fast Track Settlement is premised on the basis that the LB&I issue and case managers and taxpayer have exhausted existing issue resolution strategies available within LB&I.

- (2) Fast Track Settlement is an ADR initiative that must be considered by the LB&I issue and case managers when there are unagreed issues that cannot be resolved between the taxpayer and the examination team. FTS consideration and conclusions reached will be documented in the case activity record. See IRM 4.51.4.4.1 for General Considerations and IRM 4.51.4.4.3 for Cases and Issues Not Appropriate for FTS.

Reminder: A taxpayer's request to use FTS indicates their willingness to compromise or reach a mutual concession on the issue.

- (3) The taxpayer must either be provided with a copy of the Fast Track Settlement Pub 4539 at the opening conference, or they may be directed to obtain a copy at <https://www.irs.gov/pub/irs-pdf/p4539.pdf>.
- (4) Consideration of FTS could occur at any phase of the examination process when LB&I anticipates disagreement on an issue.
- (5) At a minimum, the potential use of Fast Track must be discussed and documented at the following points in the examination process where applicable:
- a. Opening conference (meeting) (documented within the agenda and/or corporate interview)
 - b. Mid-cycle risk analysis (documented within Form 9984, Examining Officer's Activity Record)
 - c. When potentially unagreed issues are proposed (documented within Form 5701 and/or Form 886-A)
 - d. Update to document and upload documents in IMS per [IRM 4.51.4.1.4](#)
- (6) To ensure that the taxpayer understands the FTS process, the LB&I team should provide a copy of [Rev. Proc. 2003-40](#) before the taxpayer submits its application for FTS.
- (7) Participation in FTS does not preclude the taxpayer from requesting traditional Appeals consideration if the FTS process is unsuccessful in resolving the case. See [IRM 8.26.1.12.5](#), Terminating the LB&I FTS Session.

4.51.4.5.2 (08-01-2025)

Determining Eligibility and Suitability

- (1) The LB&I issue and case managers will explain the Fast Track Settlement process to the taxpayer and determine whether the case qualifies for Fast Track Settlement using the case eligibility and exclusion criteria of [IRM 4.51.4.4](#).
- (2) The case manager should ensure the issue is fully developed by discussing it with the agent and others who participated in examining the issue.

- (3) The LB&I and Appeals program managers are available to assist the parties in determining whether the case is suitable for the FTS process.
 - (4) If the case does not qualify for FTS, the standard examination procedures and closing process are to be followed.
 - (5) Any request for FTS made by the taxpayer and denied by the LB&I issue or case manager, requires concurrence of the LB&I issue or case territory manager. If, after issue or case territory manager review, the recommendation is still to deny FTS, written concurrence is required by the executive that oversees the issue or case territory manager.
 - (6) The case manager will forward a copy of any proposed denial request, along with a brief statement on the reasons for proposing denial, to the LB&I issue and case territory managers. If the recommendation is still to deny FTS, the template memo found in Exhibit 4.51.4-2 must be used to obtain written concurrence from the first-line executive (LB&I DFO) that oversees the issue or case territory manager. In addition, if the FTS issue under consideration is owned by a specialty area DFO, then the specialty DFO and the GPA DFO must coordinate with each other regarding a proposed denial prior to informing a taxpayer. DFOs will apprise the senior directors, and all senior directors must apprise the LB&I deputy commissioner of a proposed FTS denial before informing the taxpayer.
 - (7) To request approval of the proposed denial from the DFO, the case manager will:
 - a. Send the memo to the DFO and copy the LB&I FTS Mailbox.
 - b. If approved, maintain a copy in the case file and also send a copy of the completed memo (with DFO signature) to the LB&I FTS Mailbox.
- Note:** Information on denial requests and approvals will be shared with the Appeals Program Management Office (PMO) to evaluate pilot changes and program improvements.
- (8) If the request for Fast Track Settlement is denied and concurrence is received from the appropriate executive, then the taxpayer and/or representative must be notified. Verbal notification by the case or issue manager is sufficient.

4.51.4.5.3.2 (08-01-2025)

Submission of Application

- (1) When issues are identified as potentially appropriate for FTS by the taxpayer or the examination team, the LB&I issue and case managers will discuss the issues and case with the taxpayer. Discussions should include the following:
 - a. Suitability of issues for the FTS process
 - b. Willingness of both parties to consider alternative resolution options
 - c. Adequacy of issue development
 - d. Ability of both parties to devote resources to the process

- (2) The LB&I issue manager (in collaboration with the case manager) must discuss the case with the LB&I issue and case territory managers, the LB&I FTS program manager and/or the Appeals FTS program manager before initiating the Fast Track application process.
- (3) The LB&I case manager and the taxpayer will identify a preferred conference site, and Appeals will make every attempt to hold the Fast Track session conference at the preferred site but may not be able to honor the taxpayer or LB&I request in every case.
- (4) Upon agreement to participate in the Fast Track Settlement process, the taxpayer and LB&I case manager will jointly complete and sign the [Form 14017](#), Application for Fast Track Settlement.
- (5) When the taxpayer proposes a settlement to an issue being considered under the FTS program, and the LB&I exam team agrees to the proposal, provide notification on Form 14017, Application for Fast Track Settlement, and include the settlement proposal in the LB&I Fast Track Settlement Application Issue Statement (see [IRM 4.51.4.5.3.3\(1\)a](#)).

Note: The Appeals official will perform an independent evaluation of the hazards and consider whether the settlement proposed by the parties reflects the litigating hazards or established settlement guidelines.

- (6) When the [Form 14017](#) is ready for submission and is signed by the appropriate LB&I territory manager, the referring LB&I case manager will email the application to the FTS mailbox at *AP ATCL FTS and email a copy to the LB&I FTS program coordinator at *LB&I Fast Track.
- (7) The Appeals Fast Track program manager will notify the ATM about the application, and the ATM will pre-assign an ATCL or AO to the case.
- (8) Since LB&I retains jurisdiction for the case and responsibility for the statute, the case manager will not forward the case file to Appeals.

4.51.4.5.4.3 (08-01-2025)

Cases Not Accepted for Fast Track

- (1) Issues referred for FTS resolution must be fully developed. Requests for Technical Advice, Field Service Advice, etc. will not be made during the FTS process. Cases requiring further issue development are not ready for FTS and may be rejected accordingly.
- (2) Appeals FTS program manager may concur with the recommended denial of the FTS request or may accept the case and identify necessary resources.
- (3) If the FTS request is recommended for rejection, the Appeals FTS program manager will obtain approval by the Appeals first-line executive and then discuss the rationale

for rejection with the LB&I issue and case territory managers and the LB&I FTS program manager.

- (4) The program managers will discuss the rationale for the denial with the taxpayer and LB&I case and issue managers.

4.51.4.6.3.9 (08-01-2025)

Fast Track Settlement Authority

- (1) Appeals has settlement authority under IRM 1.2.2.9.3, Delegation Order 8-3 (formerly Delegation Order 97, Rev. 34), Closing Agreements Concerning Internal Revenue Tax Liability. Also see Delegation Order 8-9, Authority of Appeals to Administer Alternative Dispute Resolution Procedures.
- (2) An appeals official, such as an ATCL, Appeals team manager, or an appeals officer (no lower than a Grade 14), uses delegated settlement authority to approve and enter into any FTS Agreement that involves hazards of litigation by using a Specific Matters Closing Agreement (Form 906) or a waiver Form 870-AD.
- (3) Appeals makes its evaluation of the hazards on Fast Track issues. LB&I should only commit to a settlement that is within their authority to resolve issues prior to referral to Fast Track settlement.
- (4) Potential settlement positions that may have been discussed with the taxpayer before an FTS referral may be presented to the appeals official for consideration during the Fast Track session. However, Appeals will conduct an independent evaluation of the hazards of litigation and will not execute a settlement that does not fall within such hazard's evaluation or established settlement guidelines for the issue.
- (5) If the appeals official does not accept a settlement proposed between the taxpayer and LB&I, the official will fully explain why it cannot be accepted to both parties.
- (6) If a Joint Committee report is required for the case, Appeals will delay execution of an Appeals prepared closing agreement until LB&I completes the Joint Committee procedures (see [IRM 8.7.9.6.6](#), Closing Agreements Related to JC Cases). For agreements other than closing agreements on Joint Committee cases, see [IRM 8.7.9.6.5](#), Agreements (other than Closing Agreements) on JC Cases. Where Appeals settlement authority has been used on a Joint Committee case, the appeals official involved in the settlement will be available to respond to inquiries from the Joint Committee regarding the settlement.

4.51.4.7 (08-01-2025)

Fast Track Settlement and Joint Committee Cases

- (1) Special procedures must be followed in cases subject to JC reporting requirements. General JC procedures under IRM 4.36, Joint Committee

Procedures, apply to cases utilizing the Fast Track Process. In addition to, and in conformity with the general JC procedures, the following apply to FTS cases.

- (2) The FTS Application form provides for the identification of potential Joint Committee status. If the Joint Committee criteria are met, or will potentially be met upon resolution, the LB&I case manager must indicate this on the FTS Application.
- (3) Upon assignment of a Fast Track case, Appeals must confer with the taxpayer and LB&I to determine whether the case is subject to JC reporting requirements and record the results in the ACDS case activity record.
- (4) After the Fast Track process is complete, the case status relative to JC reporting will be reconfirmed before finalizing the settlement, considering the results of any issue resolutions reached.
- (5) Appeals is responsible for preparing the ACM supporting the basis of any issue settlements reached in Fast Track. Appeals will prepare an ACM that explains ONLY the SETTLED FTS issues in sufficient detail and analysis to apprise the JC of the Appeals evaluation and settlement of the Fast Track issues.
- (6) On the day agreement is reached, the Fast Track Session Report will be completed to document the terms and settlement dollar adjustments. All parties (Appeals, taxpayer and LB&I) will sign off on the Session Report.
- (7) Appeals will explain to the taxpayer that the settlement is treated as final for computation purposes, but subject to review by the congressional Joint Committee on Taxation.
- (8) LB&I may begin preparing the tax computation and the JC Report, incorporating the ACM provided by Appeals.
- (9) Appeals will close the FTS case on Form 5402 and give the ACM to LB&I for inclusion in their JC Report.
- (10) Because the case is in LB&I jurisdiction, LB&I will make the final tax computation, and write the JC Report.
- (11) On the settled issues, Appeals will respond to any concerns raised by the JC regarding the basis for settlement.
- (12) Issues resolved between the taxpayer and LB&I without using Appeals settlement authority (resolved within the LB&I issue manager's authority), will not have an ACM, and LB&I will respond to JC inquiries and concerns for these issues.
- (13) For an Appeals prepared closing agreement on settled issues, Appeals will solicit the taxpayer's signature on the closing agreement, but Appeals shall not execute the closing agreement on behalf of the IRS until the Joint Committee on Taxation clearance letter is received.

- (14) After the Joint Committee on Taxation completes consideration of the settlement, only then will Appeals accept the final settlement by executing the closing agreement.

Attachment 4 – Revisions to Exhibit 4.51.4-2

The following changes are effective 08/01/2025.

Exhibit 4.51.4-2 (08-01-2025) FTS Denial Concurrence Memo



LARGE BUSINESS AND
INTERNATIONAL DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

Date

MEMORANDUM FOR:

FROM:

SUBJECT: Denial of Fast Track Settlement (FTS) Process

I have reviewed all the facts and circumstances of the unagreed issues on the case below and recommend denying taxpayer's request for FTS.

In accordance with IRM 4.51.4.4.2 Determining Eligibility/Suitability, I request you to consider the following and indicate your concurrence by signing and dating below.

Taxpayer Name: XYZ Corporation

Type of Tax Return: 1120

Tax Periods: 201212, 201214

Unagreed Issues, (4 or less)

- 1.
- 2.
- 3.
- 4.

Reasons for recommended denial of FTS:

LB&I EXECUTIVE APPROVAL

I concur with the denial for the reasons stated above.

LB&I Executive Name

Title

LB&I Executive Signature