

Part IV – Items of General Interest

Pilot Program Changes to Fast Track Settlement

Announcement 2025-6

This announcement describes a pilot program testing changes to Fast Track Settlement (FTS) programs currently available to taxpayers under examination in the Large Business and International (LB&I), Small Business/Self-Employed (SB/SE), and Tax Exempt/Government Entities (TE/GE) operating divisions (collectively, Exam).

FTS enables taxpayers that have unagreed issues in at least one open taxable year under examination to work together with Exam and the IRS Independent Office of Appeals (Appeals) to resolve outstanding disputed factual and legal issues while the case is still in Exam's jurisdiction. LB&I, SB/SE, and TE/GE each jointly administer FTS with Appeals. FTS is optional for taxpayers and does not eliminate or replace existing dispute resolution options, including taxpayers' opportunities to request Appeals consideration or a conference with an Exam manager.

This announcement also describes pilot program changes to Post Appeals Mediation (PAM) procedures and introduces a "Last Chance FTS" pilot program for SB/SE taxpayers.

BACKGROUND

FTS began as a pilot program in 2001 with the goal of successfully using dispute resolution techniques to promote issue resolution at earlier stages. See Notice 2001-

67, 2001-2 C.B. 544 (December 3, 2001). In 2003, the IRS formally established FTS for taxpayers under the jurisdiction of the Large and Mid-Size Business division, a predecessor to LB&I. The IRS also allowed the use of Appeals' alternative dispute resolution (ADR) settlement authority in certain cases under the jurisdiction of SB/SE. See Rev. Proc. 2003-40, 2003-25 I.R.B. 1044 (June 23, 2003). In 2012, the IRS permanently established the FTS program for taxpayers under the jurisdiction of TE/GE. See Announcement 2012-34, 2012-36 I.R.B. 334 (September 4, 2012). Thereafter, Rev. Proc. 2017-25, 2017-14 I.R.B. 1039 (April 3, 2017), formally established the SB/SE FTS program.

The PAM program allows a taxpayer and Appeals to resolve disputes through mediation while a taxpayer's case is still under consideration by Appeals. Both the taxpayer and Appeals must agree to mediation, which is not binding. The PAM procedures are described in Rev. Proc. 2014-63, 2014-53 I.R.B. 1014 (December 29, 2014). See *also* section 7123(b)(1) of the Internal Revenue Code (Code). Both FTS and PAM operate in accordance with these authorities as well as applicable portions of the Internal Revenue Manual (IRM).

FTS AND PAM PILOT PROGRAM CHANGES

The changes being piloted under FTS and PAM incorporate and rely upon all existing FTS and PAM guidance except for that which is the subject of specific pilot revisions. All existing procedures for commencing and conducting FTS and PAM not specifically modified by this announcement remain in place and continue in operation.

Under the pilot program, FTS can be applied to one or more issues in a case. Previously, if a taxpayer had one issue that was ineligible for FTS, the entire case was

ineligible. In addition, participation in FTS will not disqualify a taxpayer from PAM. Requests to participate in FTS and PAM will not be denied without the approval of a first-line executive. These first line executives include but are not limited to:

- For Appeals: Director Examination Appeals, Director Collection Appeals, Director Specialized Examination Program & Referrals.
- For LB&I: Director, Field Operations.
- For SB/SE: Area Director, Field Examination; Director, Specialty Tax.
- For TE/GE: Director Exempt Organizations (EO) Examinations; Director EO Rulings & Agreements; Director Government Entities; Director Employee Plans (EP) Examinations; Director EP Rulings & Agreements.

When requests for FTS or PAM are formally denied, taxpayers will receive an explanation for the denial. Finally, the pilot program removes the pre-FTS managerial conference requirements for SB/SE and TE/GE taxpayers. See IRM 8.26.2.5(1) (06-23-2017); IRM 8.26.7.2.1(1) (03-28-2014).

These changes are intended to extend the provisions of the current FTS and PAM programs to a wider range of cases and to increase usage and oversight of ADR within the IRS. These piloted changes will be evaluated after a two-year test period to determine the degree to which they should be discontinued, adjusted, or made permanent. Among other factors, this evaluation will be based on usage data, experiences of IRS personnel, and taxpayer satisfaction. The FTS pilot will be available to any taxpayer under the jurisdiction of Exam. The PAM pilot will likewise be available to taxpayers nationwide who have non-docketed cases before Appeals.

LAST CHANCE FTS PILOT PROGRAM

The IRS will also undertake a limited-scope Last Chance FTS pilot program. Under this program, when a taxpayer submits a protest in response to a 30-day or equivalent letter issued at the conclusion of an examination under SB/SE's jurisdiction, the SB/SE Group Manager overseeing the case will ask Appeals to contact the taxpayer to inform the taxpayer of the FTS option. The designated Appeals point-of-contact will act as a neutral resource independent of the SB/SE examination staff proposing the adjustment or enforcement action and will provide the taxpayer with information regarding FTS. If the taxpayer requests FTS and the SB/SE examination team consents to participate, the rules of traditional FTS, as modified by the FTS pilot described in this announcement, will apply. If the taxpayer chooses not to request FTS, the case will be transferred by SB/SE to Appeals using currently existing procedures.

The Last Chance FTS pilot program, which is intended to further publicize availability of FTS, will initially be limited to select cases under examination by SB/SE revenue agents and tax compliance officers. The Last Chance FTS pilot program will not impact a taxpayer's eligibility for FTS. Instead, the IRS's objective is to determine whether participation in FTS increases when taxpayers are reminded of their FTS options immediately prior to the case entering Appeals' jurisdiction.

EFFECTIVE DATE AND EXPIRATION

The FTS and PAM pilot program changes described in this announcement are effective for all requests for FTS made on or after January 15, 2025 and expire on January 15, 2027. The Last Chance FTS pilot program is effective beginning on January 15, 2025 and expires on January 15, 2027.

COMMENTS

The IRS encourages taxpayers to submit written comments on the changes being piloted, including suggested improvements to make FTS and PAM more useful and effective. Comments may be submitted electronically via the Federal eRulemaking Portal at <https://www.regulations.gov> (type “IRS Announcement 2025-6” in the search field on the Regulations.gov home page to find this notice and submit comments).

Alternatively, comments may be submitted by mail to: Internal Revenue Service, Attn: CC:PA:LPD:PR (Announcement 2025-6), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, D.C. 20044. Comments may be submitted at any point during the pilot period.

DRAFTING INFORMATION

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