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Changes to “Compliance Assurance Process” (CAP) program for 2019

The IRS today announced changes to the “Compliance Assurance Process” (CAP) program for 2019. The IRS will shift the start of the application period to October 1, 2018, and it will close on November 30, 2018.

As noted in the IRS release ([IR-2018-174](#)), the proposed changes are designed to improve operation of the program, make the best use of limited government resources, and to ensure the sustainability of the program. Changes will be effective for the upcoming 2019 application period, with additional changes expected the following year and into the future.

Background

The CAP program allows large corporate taxpayers to work collaboratively with an IRS team to identify and resolve potential tax issues before tax returns are filed. The CAP program began as a pilot program in 2005 with 17 taxpayers. It was made permanent in 2011, and now includes 169 taxpayers. The CAP program consists of three phases: CAP, pre-CAP (provides interested taxpayers with a roadmap of the steps required for gaining entry into CAP), and the Compliance Maintenance program (for taxpayers who have been in CAP, have fewer complex issues, and have established a track record of working cooperatively and transparently with the IRS).

Changes for 2019 application season

The changes and reinforcement of existing policies are intended to ensure that engagement by taxpayers and the IRS are consistent with the original objectives of the program.

- The 2019 application period will open October 1, 2018 for existing CAP taxpayers who meet the program eligibility requirements, including suitability criteria.

- As part of the application, taxpayers will be required to provide a preliminary list of material issues for the year, and, if applicable, specified transfer pricing issue information and research credit information.
- As part of the Large Business and International (LB&I) division's overall efforts to ensure that resources are deployed appropriately, the resources devoted to the CAP program will be allocated as part of annual planning.
- Effective communication and prompt resolution of issues are key components of CAP. Both taxpayers and LB&I will be subject to additional requirements in these areas.
- To promote timely resolution of each year's issues, taxpayers will be required to provide a representation letter within 30 days of return filing and timeframes will be implemented for IRS post-file review. Taxpayers and the IRS will jointly monitor progress metrics and provide input for subsequent year cycles.
- A Compliance Maintenance phase of CAP will continue, but will be modified. As part of Compliance Maintenance, some taxpayers determined to be lowest risk may continue in the program without IRS review of a particular year.

Additional changes are anticipated for the following CAP cycle and into the future.

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