



TaxNewsFlash

United States

No. 2016-384
August 29, 2016

IRS considering changes to “compliance assurance process” (CAP) program

The IRS Large Business and International (LB&I) division appears to be weighing changes to the “compliance assurance process” (CAP) program.

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 181 taxpayers. The CAP program consists of three phases: CAP, pre-CAP, and Compliance Maintenance phases.

No new CAP applications to be accepted

The LB&I posted a [release](#) (“IRS continues comprehensive assessment of the CAP program”) announcing:

- No new taxpayers will be accepted for the 2017 CAP program application season that begins in September 2016.
- LB&I is in the process of assessing all phases of the CAP program, to determine if any changes are needed.
- The IRS assessment of the CAP program is “...necessary given today’s challenging environment of limited resources and budget constraints, combined with a business need to evaluate existing programs to ensure they are aligned with LB&I’s strategic vision.”

According to the IRS, since no new taxpayers will be accepted into the CAP program for the 2017 application season:

- Only taxpayers currently in the CAP and Compliance Maintenance phases may submit applications to participate in the CAP program.
- Taxpayers currently in the pre-CAP phase will not be accepted into the CAP phase.
- New pre-CAP applications will not be accepted.
- Current pre-CAP taxpayers may remain in the pre-CAP phase.
- Taxpayers currently in the CAP phase may be moved into the Compliance Maintenance phase, as appropriate.

KPMG observation

Since the IRS launch a new issue-focused approach a year ago, LB&I division leaders have made a variety of public comments suggesting that the CAP program would be re-evaluated as part of LB&I's overall shift concerning how it intends to focus its resources. Some commentary has suggested that the CAP program requires a significant investment of IRS resources for fewer than 200 largely compliant taxpayers. Yet, it also seems that the CAP program provides the IRS with extremely useful understanding and visibility concerning the current business and economic environment and transactions that are actually being conducted within specific industries.

Historically non-CAP program large taxpayer audits typically focused on returns filed two or more years earlier. Beyond the obvious benefits of dealing with real-time information, tax professionals have noted that both the IRS and taxpayers have benefited from the earlier certainty of issue resolution under the CAP program.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)