

IRS Announces Improvements to Its Pre-Filing Agreement Program

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In this post, the authors discuss the recent changes to the IRS's Pre-Filing Agreement program.



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Introduction

The IRS offers several options for dispute prevention and resolution to assist taxpayers in achieving certainty and finality for their tax return positions. In our May 2025 article,¹ we discussed these options, including the Pre-Filing Agreement ("PFA") program. On the heels of our article, the IRS announced improvements to the PFA program.

In [Notice 2000-12](#),² the IRS announced a pilot program for PFAs for large taxpayers. The purpose of the pilot program was to determine if taxpayers and the IRS could resolve, before a tax return was

filed, issues that were likely to be disputed in a post-filing examination. In other words, the parties could engage in a pre-filing examination designed to be faster and more efficient, providing certainty, before any post-filing examination occurred.

Four cases were in the pilot program — two for the research credit, one for valuation of assets, and one for expense v. capitalization. Three of the four resulted in an executed PFA, leading the IRS in [Rev. Proc. 2001-22](#)³ to make the PFA program permanent.

Changes were periodically made to the PFA program to address certain issues and update procedures.⁴ The process requires the taxpayer to submit a request for a PFA, which generally entails certain required taxpayer information and a description of the issues. Upon receipt of the submission, the IRS will review and determine whether to accept the taxpayers into the program based on several criteria. If accepted, the parties will work together to try and reach agreement on the issue (or issues), with the goal of executing a PFA. Either party may withdraw from the process at any time. The current user fee is \$181,500. Additional detail on the PFA program can be found in Rev. Proc. 2016-30.

Initial returns on the PFA program were positive. However, over time, the number of PFAs declined and the time for completing the process increased. For example, for calendar years 2019 through 2022, 20 applications were received, nine were accepted, seven were rejected, and eight were closed.⁵ During that same time period, the average processing time increased from 256 days for 2019 to 349 days for 2022.

Changes to the PFA Program

On June 17, 2025, the IRS announced changes to the PFA program to provide more certainty to large business and international taxpayers.⁶ The announcement states the following purpose behind the changes and enhancements:

These improvements mark a renewed commitment by the IRS to expand access to cooperative tax compliance strategies that prevent disputes before they arise. The PFA program allows taxpayers under the Large Business and International Division jurisdiction to resolve potential tax issues before filing their return, offering certainty, reducing audit risk, and encouraging voluntary compliance.

Key enhancements to the [Pre-Filing Agreement Program](#) include:

- A redesigned PFA landing page with program statistics, a streamlined process overview and direct navigation to dispute prevention resources.
- New step-by-step instructions to submit a PFA request, including response time expectations and post-submission next steps.
- A dedicated [Pre-Filing Agreement \(PFA\) Likely Suitable Issues and Documentation](#) page will help taxpayers identify if a PFA request is appropriate for their situation.

- Updated program guidelines to help businesses strategically align their PFA submissions with tax filing deadlines.

The list of “like suitable issues,” which is not exclusive, contains 10 issues split evenly between domestic and international issues. Each issue contains a description and identifies items that the IRS will need to review upon acceptance into the PFA program. The IRS recommends submitting a PFA request no later than sixty days after the transaction in question is completed or within thirty days after the close of the tax year (whichever comes first).

Observations

We are optimistic that the changes to the PFA program will be beneficial for taxpayers striving to gain certainty for specific issues. With the recent significant decrease in headcount, the IRS is looking for ways to resolve disputes while managing its current resources. Coupled with the recent changes to the FTS program, the IRS has publicly indicated its commitment in certain situations to try and resolve disputes more quickly and efficiently.

One issue, the research credit, is the first on the list of likely suitable issues. Research credit examinations can be extremely fact intensive and require substantial time and resources for both the taxpayer and the IRS, resulting in disruption to company activities. The IRS recommends attaching five items⁷ to any PFA submission for the research credit and identifies an additional 15 items that will need to be reviewed during the process. Given the potential to resolve a research credit issue for the current tax year and up to four additional tax years, taxpayers with large claims may want to review the items identified by the IRS and consider whether now is the time to explore the PFA program.

FOOTNOTES

¹ See Andrew R. Roberson, Justin Donatello, and Kevin R. Harkins, “[Dispute Prevention and Resolution Options — Which Is Right for You?](#)” *Tax Notes Federal*, May 5, 2025, p. 849.

² 2000-9 IRB 1.

³ 2001-1 C.B. 745.

⁴ See [Rev. Proc. 2007-17](#), 2007-1 C.B. 368; [Rev. Proc. 2009-14](#), 2009-3 IRB 324; [Rev. Proc. 2016-30](#), 2016-21 IRB 981.

⁵ IRS, “[Fact Sheet: Pre-Filing Agreement \(PFA\) Program — January 2023](#)” (last reviewed Nov. 27, 2024).

⁶ [IR-2025-69](#) (June 17, 2025).

⁷ These items include: (1) prior three years of Form 10-K for publicly traded companies or prior three years of audited financial statements, if those financial statements include ASC 730 amounts of an

equivalent statement of research and development expense; (2) prior three years of Form 6765; (3) statement regarding whether the taxpayer anticipates following the ASC 730 directive; (4) for potential qualified research activities performed by third parties, a description of the types of agreements with such parties; and (5) prior three years of any research credit studies.

END FOOTNOTES