taxnotes® international

Volume 119, Number 4 ■ July 28, 2025

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IRS APA Statistics Highlight Key Country-Specific Trends

by Mark R. Martin, Cameron Taheri, Mark J. Horowitz, Thomas D. Bettge, Caroline Conway, and Caleigh Wallace

Reprinted from *Tax Notes International*, July 28, 2025, p. 559

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Mark R. Martin

Cameron Taheri

Mark J. Horowitz

Thomas D. Bettge

Caroline Conway

Caleigh Wallace

Mark R. Martin is principal in charge of the economic and valuation services and tax controversy and dispute resolution groups of the Washington National Tax practice of KPMG LLP. Cameron Taheri is a principal in the tax controversy and dispute resolution group of the Washington National Tax practice and the global leader of transfer pricing dispute resolution. Mark J. Horowitz is a principal in the tax controversy and dispute resolution group of the Washington National Tax practice. Thomas D. Bettge is a senior manager and Caroline Conway and Caleigh Wallace are senior associates in the economic and valuation services group of the Washington National Tax practice.

In this installment of Practically Speaking: Tax Controversy, the authors outline the IRS's annual report on advance pricing agreements and offer country-specific insights for taxpayers navigating the evolving global tax landscape.

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The IRS's advance pricing and mutual agreement program released its annual report on advance pricing agreements, "Announcement and Report Concerning Advance Pricing Agreements," March 27.[1] This report outlines the APMA program's activities in negotiating and executing APAs, which offer taxpayers a proactive

[1] Announcement 2025-13, 2025-13 IRB 909.

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approach to resolving transfer pricing issues with the IRS. In this article, we delve into a multi-year analysis of the APA statistics. By integrating OECD statistics on mutual agreement procedures, we aim to uncover insights into the dynamics between the United States and its trade partners. Overall, the 2024 APA statistics highlight significant achievements, including a notable surge in bilateral APAs with India, continuing success with Italy, high staffing levels, and improved processing efficiency.

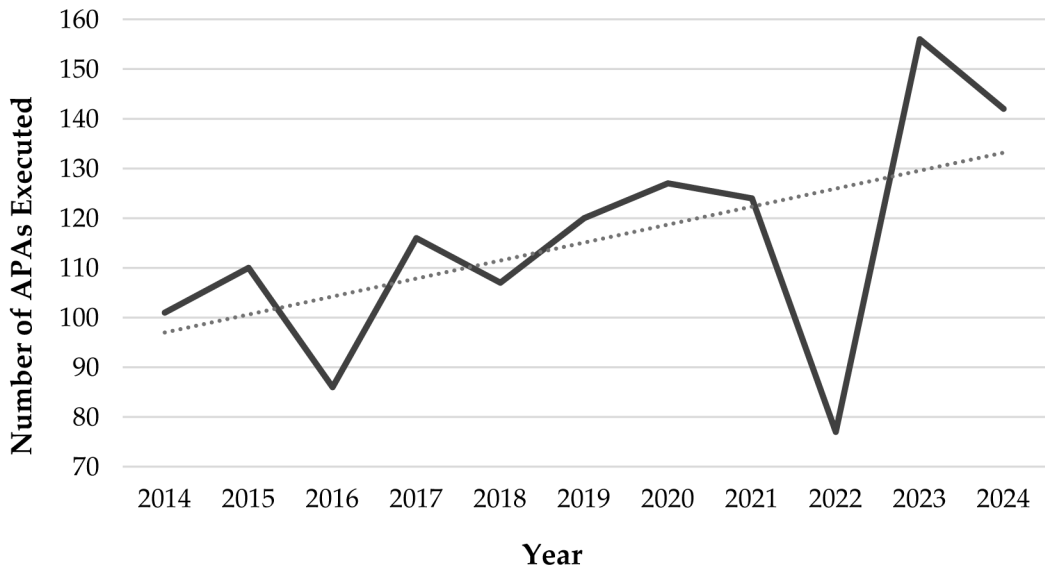
APAs Filed and Executed, Processing, and Staffing

Last year saw the execution of 142 APAs. While this is down from the historic high of 156 APAs executed in 2023, it is the second highest number of APAs executed in a single year over the past decade. Moreover, last year's record high of 156 APAs executed followed immediately on the heels of a dip to only 77 executed APAs in 2022, highlighting the shortcomings inherent in reporting single-year statistics for a program that takes multiple years to resolve issues and that is prone to clustering resolutions following negotiating sessions with major treaty partners. The scheduling of a competent authority meeting in November or December may not make a material difference in terms of the timeframe needed to resolve the underlying APAs, but it can make a significant difference in whether those resolutions are reflected in one year or the next — and hence in the statistics reported by APMA.

Despite some fluctuations, particularly a drop in 2022 when the effects of the COVID-19 pandemic became evident, the trendline in Figure 1 indicates a steady increase in executed APAs over the decade. In many ways, the widespread adoption of videoconferencing technology during the pandemic has made the APA program more efficient, allowing for more frequent touchpoints with treaty partners between in-person negotiating sessions.

There were 169 total APA filings in 2024, a modest increase from 167 in 2023, though slightly down from 183 in 2022. Over the past four years, APA filings have generally increased compared with pre-2022 levels, as illustrated in Figure 2. This reflects strong abiding interest in the APA program, with tax certainty taking on new importance for many companies in light of both the complexities of accounting for prior-year transfer pricing adjustments under the pillar 2 minimum tax rules and the increasing number of large transfer pricing-related audit adjustments globally.

Figure 1. Number of APAs Executed



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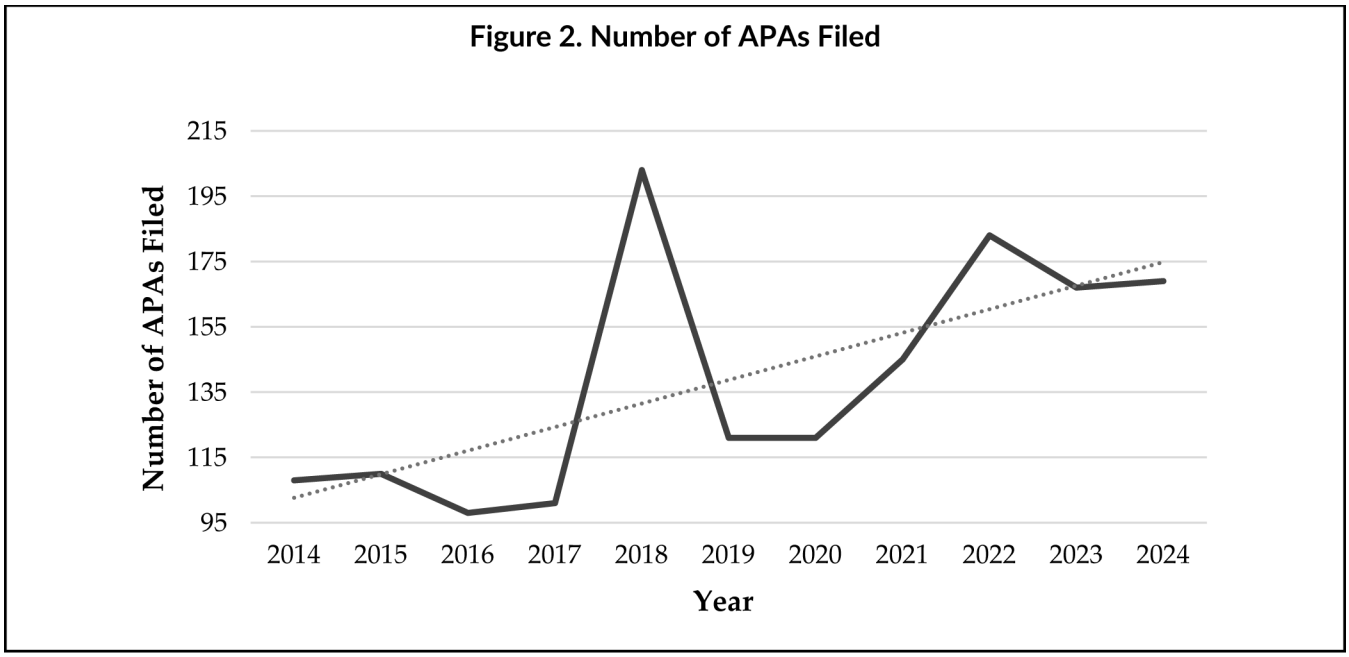

The heightened need for certainty following the 2017 Tax Cuts and Jobs Act and other international developments, combined with the near doubling of APA user fees, resulted in an unprecedented surge in APA filings in 2018. In line with its mandate to review user fees biennially to ensure they align with associated costs, the IRS announced its first fee increase since the publication of Rev. Proc. 2015-41, 2015-35 IRB 263, in February 2018. This adjustment raised new APA application fees from $60,000 to $86,750 for requests filed after June 30, 2018, with a further increase to $113,500 for requests filed after December 31, 2018. As of January 1, 2024, the new APA application fee was raised to $121,600.[2] Analyzing the trendline of APAs filed over the past decade, as illustrated in Figure 2, reveals a consistent rise in the number of APAs filed between 2014 and 2024. This trendline indicates that the overall increase in filings has been more consistent and enduring than the one-time acceleration of filings in 2018 driven by the user-fee increases.

The overall median processing time for APAs decreased significantly to 33.5 months in 2024, down from 49.4 months in 2023. Although this remains above the aspirational 24-month and 30-month timelines envisioned by the OECD's manual on bilateral APAs, it represents the most efficient processing time since 2020 and the fourth shortest since 2014.[3] This improvement may be partly because of the interim guidance released by APMA on April 25, 2023, which aimed to streamline the IRS's review process for prefiling memorandums and APA submission, potentially leading to more efficient filings.[4] The interim guidance was subsequently replaced by guidance issued on April 22, which simply restated the earlier guidance while extending the timeline for its incorporation in the Internal Revenue Manual.[5] Figure 3 illustrates the median processing time for new and renewal APAs between 2014 and 2024.

[2]For more details, see Mark Martin and Thomas Bettge, "IRS User Fees for APAs Increase but Remain Attractive," Procedurally Taxing (Feb. 23, 2024).

[3]OECD, *Bilateral Advance Pricing Arrangement Manual* (2022).

[4]Memorandum for Treaty and Transfer Pricing Operations Employees, "Interim Guidance on Review and Acceptance of Advance Pricing Agreement (APA) Submissions," LB&I-04-0423-0006 (Apr. 25, 2023).

[5]Memorandum for Treaty and Transfer Pricing Operations Employees, "Reissue Interim Guidance on Review and Acceptance of Advance Pricing Agreement (APA) Submissions," LB&I-04-0425-0005 (Apr. 22, 2025).

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Figure 3. Median New and Renewal APA Processing Time

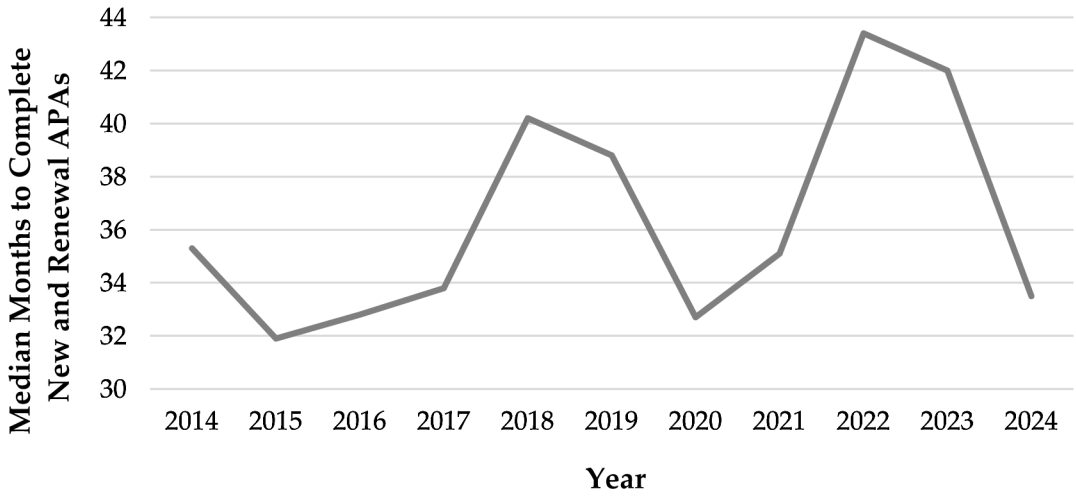

Figure 3 highlights a notable reduction in APA processing times during the COVID-19 pandemic. This decline was likely caused by what appears to have been a strategic emphasis on resolving simpler cases during this period, leading to a temporary decrease in processing times in 2020. Further evidence of this trend is seen from 2021 through 2023, when processing times significantly increased despite augmented staffing levels, suggesting a backlog of more complex cases that accumulated after the IRS prioritized simpler cases in 2020.

The decrease in processing times from 2023 to 2024 can be partly attributed to APMA's initiatives to establish resolution frameworks with various competent authorities. These frameworks are informal agreements that guide competent authorities when applying a standardized mechanism, set, or range of solutions for specific case types. Some examples of these frameworks are those employed in collaboration with the Italian competent authority for distribution and retail activities, the Indian competent authority for IT-enabled services transactions, and the Japanese competent authority for intercompany transactions involving the distribution of automotive parts in the United States. While these informal framework agreements expedite the resolution of APAs, they also constrain the range of possible outcomes for these specific case types because the results are largely standardized. Consequently, we find that the best practice is to inquire at or before the prefiling stage about whether there is a current or contemplated framework agreement and whether the particular APA being proposed would be subject to such an agreement. Then the taxpayer can move forward with better knowledge about the likely results of the APA negotiations.

Also, the reduction in APA processing times in 2024 is likely partly because of high staffing levels. As of December 2024, APMA reached a staffing level of 126 personnel, up from 114 in the previous year, marking a historic high. Unfortunately, this increase was reversed in early 2025 when the IRS laid off probationary employees, which for APMA meant those with less than a year's tenure. Although the number of employees laid off will not necessarily correspond with the increase of 12 during 2024 (for example, more employees could have been hired and partially offset by departures for a net increase of 12), we understand that approximately 12 probationary APMA employees were initially laid off. While the IRS later reinstated probationary employees following developments in litigation, we understand that not all the probationary hires opted to return. At this point APMA personnel have been designated essential and will not experience the same voluntary attrition seen elsewhere in the IRS. At this point it

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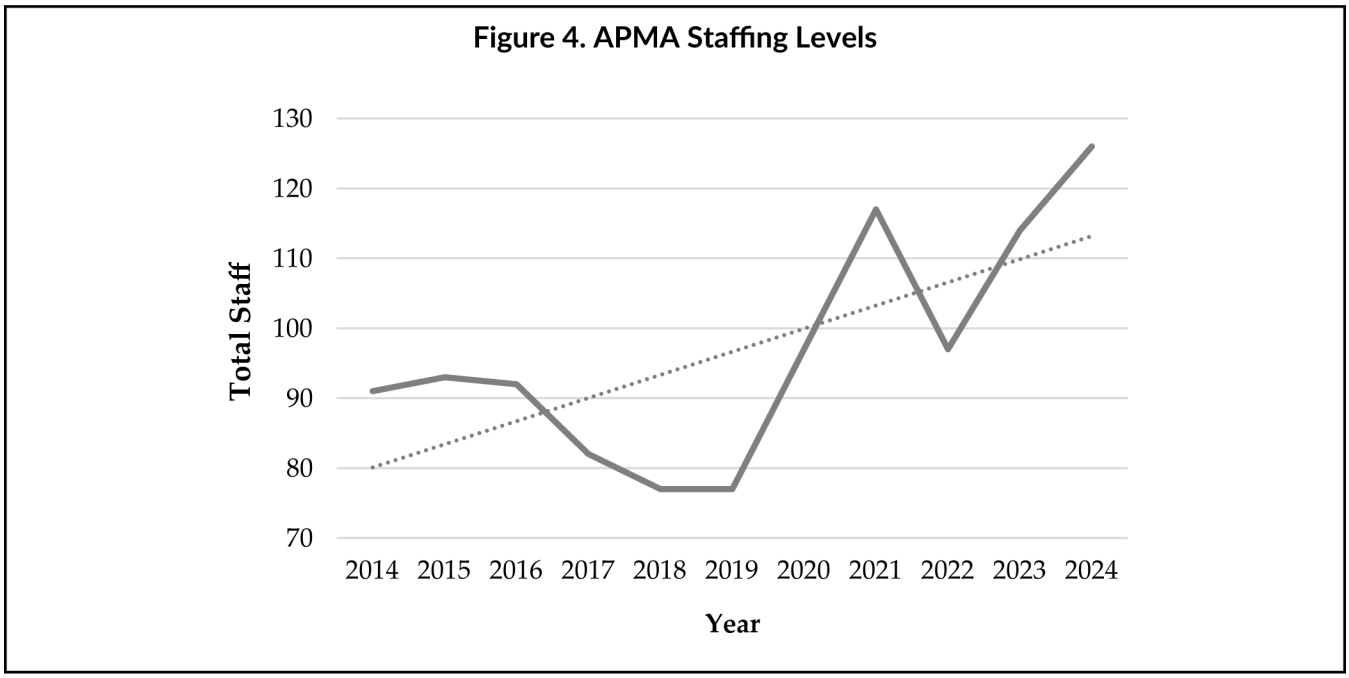

does not appear that nonvoluntary cuts to APMA are imminent, reflecting its important role in the global tax system and thus the global economy.

Accordingly, it appears that APMA retains a robust staff relative to average historical levels. Apart from cases assigned to probationary employees, we have not encountered material staffing disruptions in the APA program to date. Because its high staffing level presumably contributed to the decrease in median processing time achieved by APMA in 2024, it is hoped that APMA can maintain and, over time, increase its staffing notwithstanding recent events.

The staffing trends from 2014 to 2024 are illustrated in Figure 4. This figure does not include personnel with the Treaty Assistance and Interpretation Team, which is the branch of the U.S. competent authority tasked with handling issues other than transfer pricing and profit allocation. The most recent OECD MAP statistics reported that, in addition to the 126 APMA employees noted above, the U.S. competent authority employed a further 14 individuals handling non-transfer pricing cases.[6]

Also significant is the expansion of the APMA program's personnel locations in recent years. The 2024 annual report lists offices in the District of Columbia, northern and southern California, Miami, Boston, Chicago, Denver, New York, and Seattle metropolitan areas. Just two years before, offices were reported only in the District of Columbia, California, Chicago, and New York. It's important to note that "offices" should be understood loosely, as the IRS has a presence in all these cities (and many more). Thus, a reported office location for the APMA program often simply reflects personnel being formally based in that city, rather than the APMA program having a large presence there. This increase in locations means taxpayers attending APMA conferences have more potential destinations and the chance of having a team leader and economist in the same location is less than before the pandemic. In 2024 there was a material likelihood of taxpayers having a hybrid meeting, especially because the APMA program largely returned to its historical practice of conducting in-person prefiling conferences for many APA requests (though videoconferencing remains common for more routine cases, like renewals involving the comparable profits method, as well as for more ad hoc meetings). However, in the near term, restriction of travel expenses for the IRS may make in-person meetings impracticable.

[6]OECD, "Making Dispute Resolution Mechanisms More Effective — Consolidated Information on Mutual Agreement Procedures 2024."

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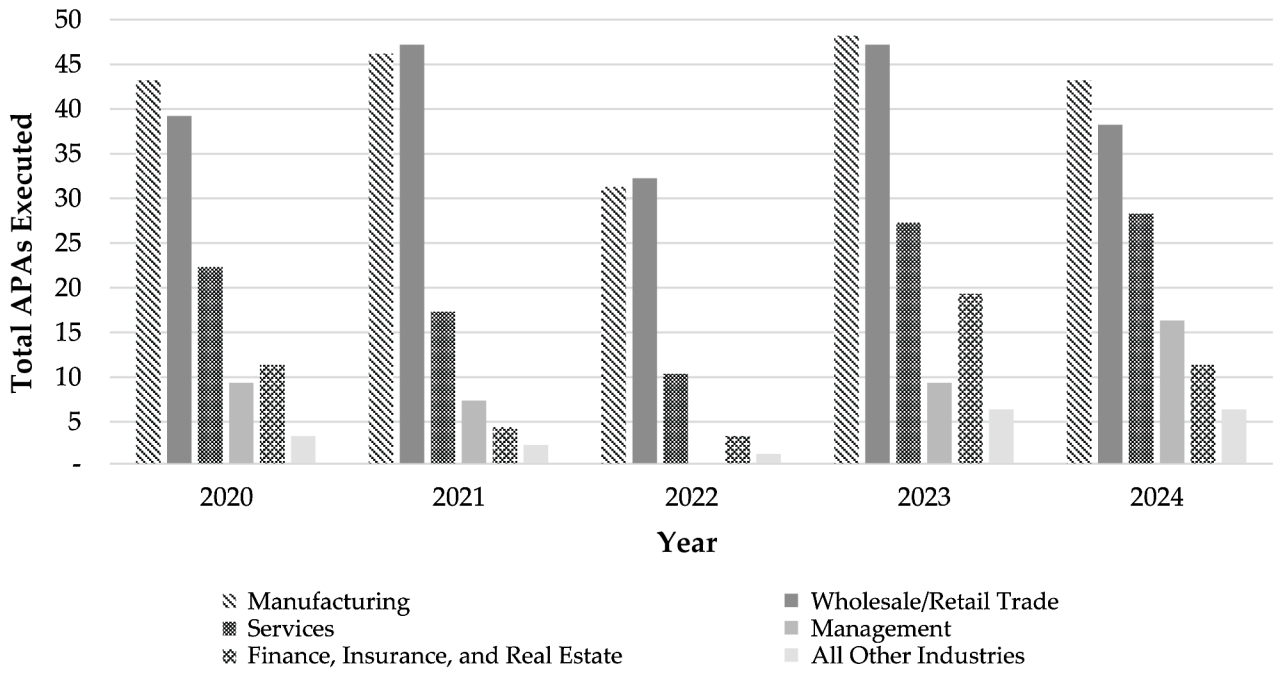
Figure 5. APAs Executed by Industry



APA Substance: Industries and Transactions

Manufacturing and wholesale/retail trade remained dominant in 2024, constituting 30 percent and 27 percent, respectively, of total APAs executed, trailed by services (20 percent), management (11 percent), and finance, insurance, and real estate (8 percent). All other industries made up the remaining 4 percent of APAs executed in 2024. In contrast, in 2022 manufacturing and wholesale/retail trade accounted for 82 percent of all APAs executed. This indicates that, in the past two years, taxpayers are seeking transfer pricing certainty in a growing number of industries. Figure 5 shows the percentage of APAs executed in each industry from 2020 to 2024.

Interestingly, despite the higher recent number of APAs executed for taxpayers in the finance, insurance, and real estate sector, the number of intercompany lending transactions covered in APAs executed has not increased. Specifically, transactions involving the sale of tangible property, use of intangible property, and provision of services accounted for approximately 98 percent of all transactions covered in the APAs executed in 2024. Financial transactions like intercompany loans (together with any types of transactions in the catchall bucket) accounted for less than 2 percent of all covered transactions in APAs executed in 2024, the same as in the past five years. More generally, the composition of the types of covered transactions in APAs has been relatively stable over the past five years, as demonstrated in Figure 6.

The introduction of new guidance from the OECD and heightened scrutiny from global tax authorities have led to an increase in audits and adjustments for financial transactions, particularly intercompany lending transactions. Issues around intercompany financing will likely continue; however, this increase in audit activity has not yet led to a higher number of APAs focusing on these transactions, which presents a largely untapped opportunity for taxpayers in the right circumstances.[7]

[7] *See* Tianying He et al., "Seeking Certainty in an Uncertain Era for Financial Transactions," *Tax Notes Int'l*, May 12, 2025, p. 817.

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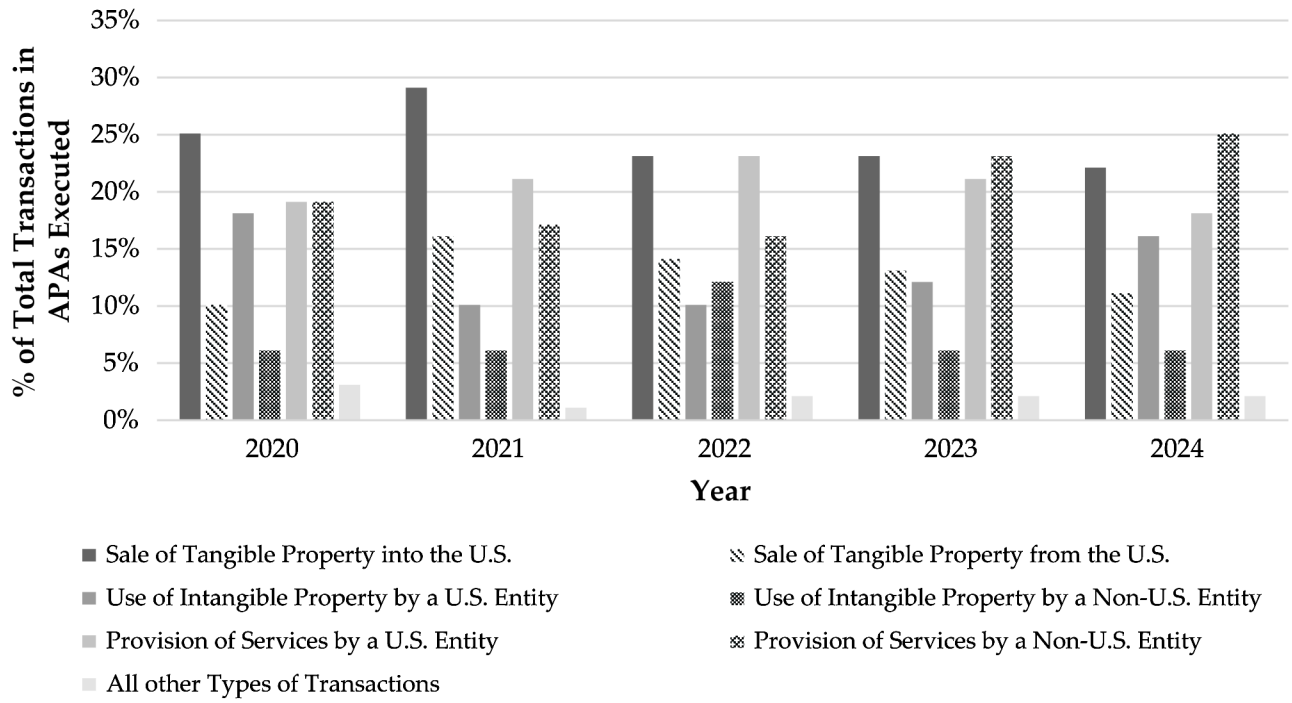
Figure 6. Covered Transactions in APAs Executed by Type of Covered Transaction



Comparative Analysis of APAs and MAPs

The composition of executed bilateral APAs shows India leading with 29 percent of all bilateral APAs executed with the United States in 2024, followed by Japan at 23 percent and Italy at 11 percent. Canada, contributing 6 percent, remains a significant player but has seen a decrease in its share of overall inventory in recent years. Figure 7 illustrates the number of total bilateral APAs executed by the United States with select countries over the past five years.

As highlighted in figures 7, 8, and 9, the number of bilateral APAs executed between the United States and India has risen significantly in the past five years. This surge indicates effective negotiations between the competent authorities of both nations. Also, this upward trend is anticipated to persist as U.S. companies increasingly offshore operations to India.

The OECD publishes annual statistics for MAPs for participating jurisdictions, including the United States.[8] Comparing these statistics with APMA's APA data offers valuable insights into the relationships between the IRS and the tax authorities of its key trading partners. Table 1 compares the volume of executed APAs and MAPs between the United States and a selection of its major trading partners from 2020 to 2024. The following MAP outcomes were included in the count for executed MAPs: unilateral relief granted, agreement fully eliminating double taxation/fully resolving taxation not in accordance with tax treaty, agreement partially eliminating double taxation eliminated/partially resolving taxation not in accordance with tax treaty, and no agreement including agreement to disagree. For executed APAs, a country's percentage of the total executed APAs is multiplied by the total number of executed APAs in a given year to determine the country-specific

[8]For further discussion of the OECD's statistics for MAPs and APAs, see Cameron Taheri et al., "KPMG Picks Its 2023 Advance Pricing Agreement Award Winners," *Tax Mgm't Int'l Journal* (Dec. 10, 2024).

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Figure 7. Total Bilateral APAs Executed — Select Countries

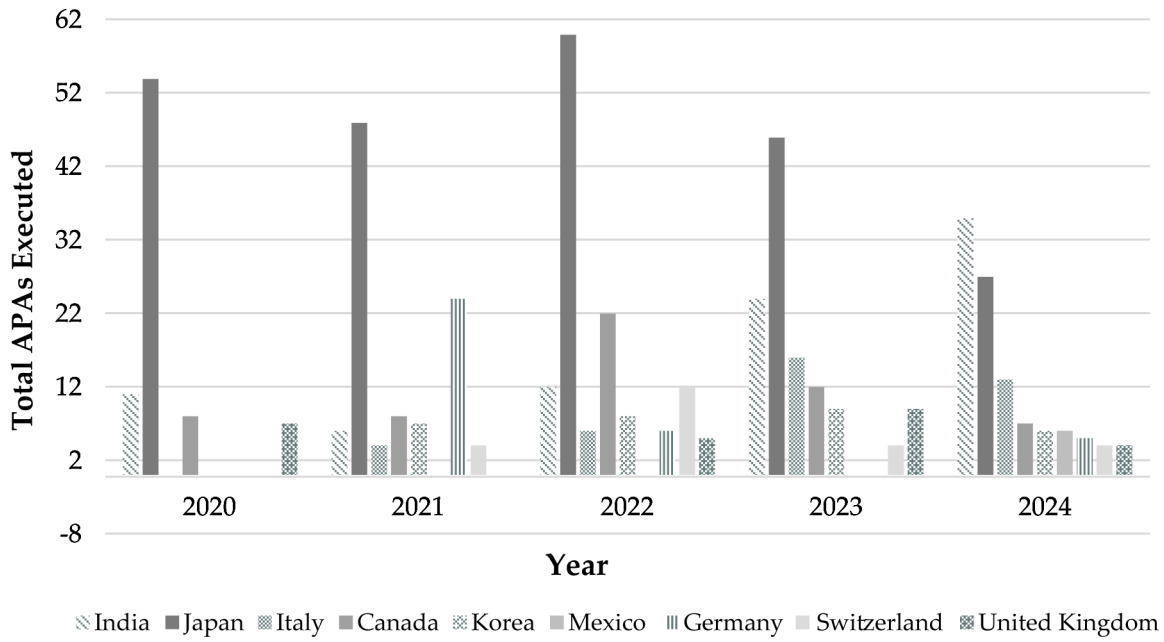
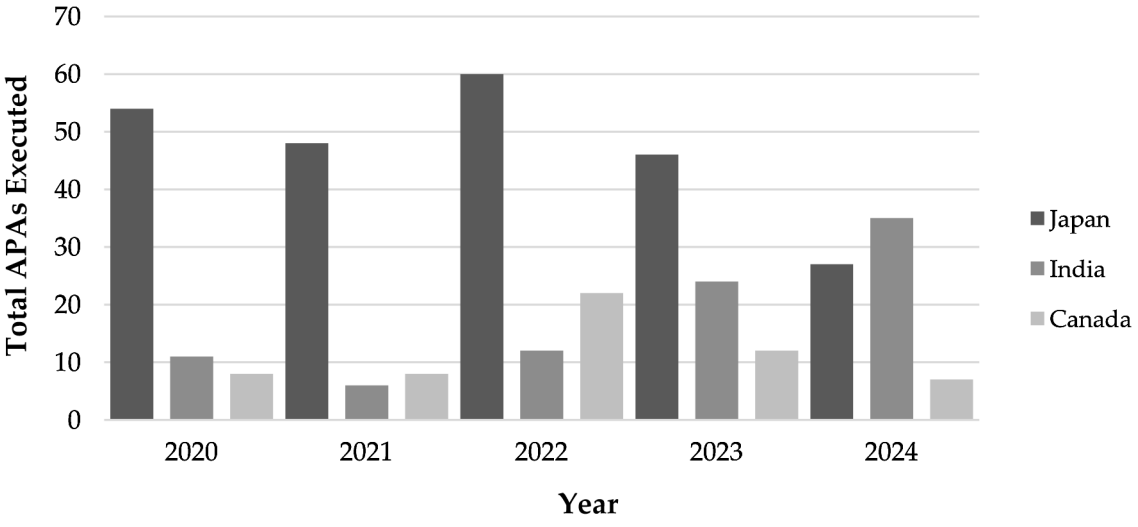


Figure 8. Bilateral APAs Executed With Japan, Canada, and India



count. The reporting frameworks for both the APA and MAP statistics employ de minimis categories to group countries without significant numbers of executed APAs or MAPs. If a country lacks separately reported statistics for a given year, its count of MAPs or APAs may be included in the de minimis category; therefore, the absence of data does not necessarily mean there were zero executed MAPs or APAs for that country in that year.

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Figure 9. Bilateral APAs Executed With India

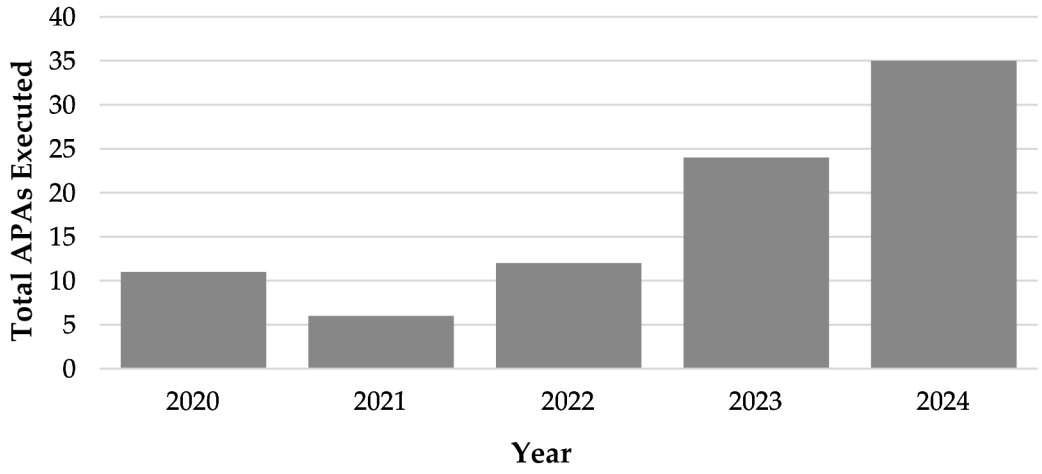

Table 1. APAs Executed and MAPs Resolved With the United States by Country

Treaty Partner	MAP					APA					
	2020	2021	2022	2023	2020 – 2023 Total	2020	2021	2022	2023	2024	2020 – 2023 Total
India	23	28	25	23	99	11	6	12	24	35	53
Japan	2	5				54	48	60	46	27	208
Canada	32	30	13	22	97	8	8	22	12	7	50
Italy	1	9	10	6	26		4	6	16	13	
Korea	1	0	6	4	11		7	8	9	6	
China	0	0	0	3	3		4	5			
Mexico	0	2	6	3	11					6	
Germany	11	32	6	11	60		24	6		5	
United Kingdom	3	23	5	10	41	7		5	9	4	
Switzerland	6		0	6			4	12	4	4	
Netherlands							4			5	
Australia			0	1							

Note: Cells shaded in gray denote the absence of specific data for the respective country in the annual MAP or APA statistics.

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From 2020 to 2023, the number of resolved MAPs between the United States and India remained largely consistent, while the volume of executed APAs increased significantly. In 2023 the number of executed APAs surpassed that of resolved MAPs for the first time. Although India is not among the top 10 U.S. trading partners by volume of goods and services, it has emerged as a crucial APA partner, in large part because of the local transfer pricing enforcement environment. Japan also remains a crucial APA partner of the United States, showing significant APAs executed in each year between 2020 and 2024. Accordingly, the number of resolved MAPs between the United States and Japan is small because of the maturity of the Japan-U.S. APA program, which many large, multinational taxpayers participate in.

In contrast, Mexico and China's APA and MAP activity with the United States has generally been less than their importance as trading partners may suggest. For Mexico, this is somewhat deceptive: the long-standing cooperation of the U.S. and Mexican competent authorities regarding maquiladoras historically yielded high volumes of unilateral APA activity in Mexico that were respected by the IRS under the qualified maquiladora approach. Although the unilateral APA alternative for maquiladoras is no longer available, and although these unilateral APAs do not show up in the U.S. statistics, they do reflect an important bilateral investment in tax certainty.[9] There were only three MAP resolutions between the United States and China between 2020 and 2023. Further, only nine APAs were reported to be executed between the United States and China between 2020 and 2024, which is the same number as between the United States and the Netherlands, despite the Netherlands being a much smaller trading partner.

Canada, one of the United States' largest trading partners by volume of goods and services, stands out as one of the United States' top trading partners for executed MAPs and APAs since 2020. The United States' executed bilateral APAs with Canada saw a substantial increase in 2022 but have since returned to levels similar to 2020 and 2021, which remain low compared with the levels of U.S.-Canada APA activity observed a decade ago. The recent decline in executed Canadian bilateral APAs appears to be consistent with the Canada Revenue Agency's more selective approach in accepting APAs in recent years. Specifically, the CRA has been requiring more extensive due diligence before accepting APA submissions, contributing to the decrease in both filed and executed agreements. In contrast, MAP activity with Canada has remained more common.

The trend of executed APAs with Italy has been on the rise over the past four years, while MAP resolutions have decreased following peaks in 2021 and 2022. Although Italy is not one of the largest U.S. trading partners, more bilateral APAs were executed with Italy in 2024 than with Mexico, China, or Canada. The steady increase in executed Italian APAs indicates a promising relationship between Italy and the United States, increasing tax certainty for taxpayers.

Conclusion

The 2024 statistics can boast many high points: a remarkable increase in Indian APAs, strong growth in the relationship with Italy, and sustained high staffing levels leading to significant achievements in both the number of APAs executed and their processing times. This year promises to bring many challenges, not only regarding the personnel issues discussed above but also in the broader tax environment, with tariff and trade developments looming alongside significant U.S. tax legislation, as well as the implementation of pillar 2. In this uncertain world, APAs continue to offer a welcome haven for tax certainty.[10] ■

[9] *See* Eduardo Méndez et al., "Reconsidering Maquiladoras in Light of Recent Reforms," *Tax Notes Int'l*, Sept. 9, 2024, p. 1643.

[10] The above information 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. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser. This article represents the views of the authors only and does not necessarily represent the views or professional advice of KPMG LLP.

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