



# TaxNewsFlash

United States



No. 2020-538  
August 27, 2020

## IRS opens application period for 2021 Compliance Assurance Process (CAP) program

The IRS today announced the opening of the application period for the Compliance Assurance Process (CAP) program for 2021.

The application period begins September 1, 2020, and ends November 13, 2020.

According to today's IRS release—[IR-2020-193](#)—the IRS will inform taxpayers if they are accepted into the program in February 2021. New corporate applicants can apply for the CAP program if they meet certain eligibility requirements including:

- They have assets of \$10 million or more.
- They are a U.S. publicly traded corporation with a legal requirement to prepare and submit SEC Forms 10-K, 10-Q, and 8-K.
- They are not under investigation by, or in litigation with, any government agency that would limit the IRS's access to current tax records.

To be eligible to participate in the CAP program, taxpayers must adhere to CAP program limits on the number of open years. For 2021, the IRS modified the open-year criteria, updated its requirements for the "tax control framework" questionnaire, and established a limit on the duration of the "bridge phase." Additional information about the CAP program is available on a dedicated [IRS webpage](#).

### 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 provides for "real-time audits" of taxpayers—i.e., the review and resolution of tax issues through open, cooperative, and transparent interactions between the IRS and taxpayers before the filing of a return.

From its inception some 15 years ago, the CAP program was intended for a select group of taxpayers under the jurisdiction of the IRS's Large Business & International (LB&I) division.

## **KPMG observation**

From the taxpayer's perspective, a principal benefit of CAP is obtaining earlier certainty on the proper treatment of material positions. This permits the taxpayer company to avoid having to set up financial statement reserves. Contemporaneous resolution of tax issues can in some instances also afford competitive advantages vis-à-vis competitors that are not part of CAP.

The "real time" resolution of issues was originally designed with the expectation that the process would create earlier certainty at a reduced cost to both the taxpayer and the government. However, in the review of CAP that resulted in its "recalibration," the IRS found that the current CAP engagements were generally taking longer and costing more than anticipated. As a result, much of the additional information now required as part of the application process is aimed at better evaluating whether a taxpayer's circumstances will be best addressed within CAP or through more traditional post-filing processes.

The IRS, too, benefits from CAP. By reducing the time and expense required to identify, audit, and resolve issues, the CAP can free up resources for the IRS to use for other audits while ensuring compliance among participating taxpayers. The program also provides the IRS with a clear line of sight into emerging activities and issues, thereby potentially giving the IRS advance notice of issues requiring either guidance or specially tailored enforcement action.

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](#)