

# IRS Expands Fast Track Settlement Nationwide For More Taxpayers

By Robert W. Wood and Scott B. Weese

What's better than an end to an IRS audit? A quick, or at least quicker, one. Recently, the IRS issued Revenue Procedure 2017-25, formally expanding a program that has the potential to speed up the long, arduous, expensive slog through the administrative process. It's called "Fast Track Settlement." While it isn't new, its availability to millions more taxpayers is.

Fast Track Settlement offers the potential to resolve audit disagreements with the IRS in as little as 60 days, rather than the potential years it can take to wind through the full process. Fast Track Settlement, sometimes called FTS, is an alternative dispute resolution mechanism within the IRS. Normally, if you don't agree with the results of an audit you must "protest," in writing.

The protest stage can take months or years just waiting to be assigned to the IRS Appeals division. There, you must wade through a hearing with the Appeals Officer and try to settle, or else move on to U.S. Tax Court. The Appeals process can be tedious, and you often find yourself re-hashing much of what was discussed with the original IRS auditor.

In the past, Fast Track Settlement has been available for complex audits — handled by the IRS's Large Business & International Unit (LB&I) which deals with large companies and high net worth individuals. Since the mid-2000s, smaller taxpayers in certain cities have also been able to participate. But now, the IRS expanded the program to cover all taxpayers audited by the Small Business/Self-Employed (SBSE) division. This is the part of the IRS that handles most audits of small businesses and individuals, and the wider availability of this program can be a valuable opportunity to achieve a better, or at least quicker, end.

Fast Track Settlement is an option that requires cooperation throughout the audit. If you and the IRS auditor can agree on the issues in dispute, a mediator from the IRS Appeals Office can hear both sides and help work out a resolution. While it may not sound like much, this can be a huge cost savings to the taxpayer, and time savings to the government.

Generally, IRS auditors are not permitted to settle issues. If they think you owe \$500,000 and you think you owe nothing, they have no leeway to split the baby. That power usually belongs to IRS Appeals. IRS Appeals Officers are still IRS employees, but they generally try to resolve disputes along lines that all parties can live with. To get a settlement, though, you usually must trudge all the way through the audit, lose, protest, and wait your turn to have your issues heard.

But if you and your auditor can agree on what issues could be settled before the end of the examination, Fast Track Settlement is intended to resolve your audit within sixty days from the date the IRS accepts you and the auditor into the program. No need for appeal, no need for litigation, and no need for more lawyer and accounting fees that can add up in those extra phases.

Fast Track Settlement is not a short cut for the audit, just for the resolution. You still have to respond to IRS requests for documents and information. And you may need, and definitely want, a good working relationship with the auditor.

Both you and the auditor (and the auditor's manager) need to agree to the process. Together, you and the auditor prepare the Fast Track application packet, IRS Form 14017, along with a list of specific issues for possible settlement.

If you are accepted, the IRS mediator will review both sides and usually set up a conference to discuss the issues. You and the IRS agent will present your positions, and the resolutions you each think are appropriate. At the end, the mediator can propose a settlement for discussion and hopefully for agreement.

You do not have to agree. You can leave the process at any time. And if you leave, you simply go through the normal protest process. But if you do agree with some or all of the settlement, you may be able to walk away with a better result in terms of time, expenses, and taxes.

There are downsides, of course. The most obvious one is that it may not work and you have to go the protest stage, or litigation, anyway. But in many cases, the IRS is just as eager to move on as you are, and they may be willing to consider a reasonable compromise.

A more subtle downside is that Fast Track Settlement is only available if the IRS agent agrees. If you have a poor relationship with the auditor, or the auditor's manager, one of them may say no. That is why cooperation with the IRS process is helpful to the audit.

Plainly, your interests may be at odds with the IRS's. They do want your money, after all. Yet a positive working relationship with the auditor can lead to a smoother process. What's more, it can lead to a better result and fewer surprises long-term.

Fast Track Settlement does close one door no matter what, though. Any issues that are certified for settlement cannot then be considered in another IRS expedited resolution process called Post Appeals Mediation (PAM). PAM is, essentially, a last chance before going to court.

Fast Track Settlement may be an appealing option for some taxpayers, particularly where the taxpayer needs a quick resolution. Many more taxpayers, and their representatives, can now make use of this alternative process to hopefully bring some IRS audits to a quicker end.

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