



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

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MEMORANDUM FOR: AREA DIRECTORS, SB/SE FIELD EXAMINATION

FROM: Heather J. Yocum /s/ *Heather J. Yocum*
Director, Examination Field and Campus Policy

SUBJECT: Interim Guidance for SB/SE Team Audits

Purpose: This memorandum provides interim guidance for using a team audit to conduct examinations until IRM 1.4.40, *SB/SE Field and Office Examination Group Manager*; IRM 4.10.3, *Examination Techniques*; and IRM 4.10.5, *Required Filing Checks*, are published. Please ensure this information is distributed to all affected employees within your organization.

Background: As part of the IRS Inflation Reduction Act Strategic Operating Plan, the IRS is increasing audit coverage of taxpayers with complex returns such as of high-income and high-wealth (HIHW) individuals and large corporations. Given the volume and complex nature of tax filings associated with large corporations, HIHW individuals, and entities they control, these audits often require specialized approaches, such as a team audit, in which multiple examiners work together to audit related returns and/or complex issues.

Procedural Change: See attachments for procedural changes.

Effective Date and Effect on Other Documents: This guidance is effective immediately and will be incorporated into the impacted IRMs listed above within two years from the date of this memorandum.

Contact: Ronald Zarriello, Program Manager, Examination Field and Campus Policy, Field Examination General Processes.

Distribution: IRS.gov (<https://www.irs.gov>)

Attachments:

Attachment 1 – IRM 1.4.40

Attachment 2 – IRM 4.10.3

Attachment 3 – IRM 4.10.5

Attachment 1 – IRM 1.4.40, SB/SE Field and Office Examination Group Manager

1.4.40.4.6.3.1 Group Manager Risk Analysis

- (1) Prior to assignment of a "non-mandatory" return or amended return, the group manager must conduct a thorough review of the return and case file information to complete a risk analysis and determine if the return should be assigned to an examiner (or examiners), transferred to another group, or closed survey before assignment.
- (2) No change
- (3) After the risk analysis, if the group manager determines the return:
 - a. Warrants further review by an examiner (or examiners as part of a team audit), it will be assigned or transferred.
 - b. Should be closed survey before assignment, the group manager must follow the procedures in IRM 1.4.40.4.6.3.2 to document the reason for the survey.
- (4) Prior to assignment, the group manager should consider the potential benefit of assigning a case or group of related cases to multiple examiners as a team audit. (Per IRM 4.10.9.12(2), *Case File Assembly for Closing Physical Administrative Case Files*, a case constitutes all examined returns and workpapers with the same type of tax for the same taxpayer.) See IRM 4.10.3.20, *SB/SE Team Audit*. Considerations include:
 - a. Complexity of issues (i.e., where a more experienced examiner can provide assistance).
 - b. Training needs
 - c. Resource constraints
 - d. Large enterprise structures requiring expansion to multiple related returns.

Note: An enterprise consists of a group of related entities, which may include partnerships, trusts, subchapter S corporations, C corporations, and estates, in which an individual or related individuals have a controlling interest. Controlling interest can include significant ownership of or significant influence over an entity or multiple entities within the enterprise.

Attachment 2 – IRM 4.10.3, Examination Techniques

- 4.10.3.20 SB/SE Team Audit
 - 4.10.3.20.1 Applicability
 - 4.10.3.20.2 SB/SE Team Audit Roles and Responsibilities
 - 4.10.3.20.2.1 SB/SE Group Manager Roles and Responsibilities
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 - 4.10.3.20.3 Internal Team Communication (SB/SE Only)
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 - 4.10.3.20.3.2 Progress Discussions
 - 4.10.3.20.3.3 Plan to Close Discussion
 - 4.10.3.20.4 File Sharing in SB/SE Team Audits
 - 4.10.3.20.5 External Communications with Taxpayer(s)/Representative(s) (SB/SE Only)
 - 4.10.3.20.5.1 Meetings with Taxpayer(s)/Representative(s)
 - 4.10.3.20.6 Report Generation Software (RGS) for SB/SE Team Audits

4.10.3.20 SB/SE Team Audit

- (1) In certain situations, multiple SB/SE examiners may be assigned to work a case and/or related cases as a team audit. A team audit approach is intended to facilitate decision making in a collaborative environment where all team members work together to resolve issues at the earliest point in an examination.

Note: Examiners must ensure their time is properly charged to the cases they work on, even if they don't have AIMS/ERCS control of the case. In addition, time charges on ERCS must match time charges on Form 9984.

- (2) The size of the team will vary depending on the complexity of the examination and/or issue(s). At a minimum, the team is comprised of a group manager and two examiners.

Note: The assignment of a specialist to a case with a single examiner will not prompt the use of SB/SE team audit procedures. However, if multiple SB/SE examiners are assigned a group of cases as a team audit and a specialist is assigned, the specialist is treated as an issue team member (IRM 4.10.3.20.2.4, *SB/SE Issue Team Member Roles and Responsibilities*).

4.10.3.20.1 Applicability

- (1) SB/SE examiners and their managers must follow a risk-based approach to determine whether a team audit is appropriate. The decision to use a team audit may be made by the manager before or after assignment, or when an examiner brings the recommendation to their manager's attention and obtains their concurrence.
- (2) The following should be considered when determining when to use a team audit:
 - a. Complexity of issues (i.e., where a more experienced examiner can provide assistance)
 - b. Training needs

- c. Resource constraints
- d. Large enterprise structures requiring expansion to multiple related returns

Note: An enterprise consists of a group of related entities, which may include partnerships, trusts, subchapter S corporations, C corporations, and estates, in which an individual or related individuals have a controlling interest. Controlling interest can include significant ownership of or significant influence over an entity or multiple entities within the enterprise.

4.10.3.20.2 SB/SE Team Audit Roles and Responsibilities

(1) Potential team members include:

- a. Group manager
- b. Team lead
- c. Related case team member
- d. Issue team member

4.10.3.20.2.1 SB/SE Group Manager Roles and Responsibilities

(1) The group manager's role in a team audit is generally consistent with their role in all other examinations, as outlined in IRM 1.4.40, *SB/SE Field and Office Examination Group Manager*. Normal risk analysis responsibilities per IRM 1.4.40.4.6.3.1, *Group Manager Risk Analysis*, apply, including evaluating cases for potential assignment to multiple examiners as a team audit prior to case assignment.

(2) Additional group manager responsibilities related to team audits include:

- a. Assign specific issues and other tasks, as warranted, to issue team members (or delegate assignment of work to the team lead and related case team member).
- b. Attend meetings with taxpayer(s)/representative(s) when appropriate.
- c. Participate in internal team meetings when appropriate.
- d. Meet with the team lead quarterly to discuss case progress, barriers, etc.
- e. Resolve differences that may arise among team members (e.g., examination procedures/audit techniques to use, technical issues, the nature of a team member's assignment or how the assignment is to be completed, etc.).

4.10.3.20.2.2 SB/SE Team Lead Roles and Responsibilities

(1) The team lead is the revenue agent (RA) responsible for coordination of the team audit. The team lead is responsible for conducting the audit following IRM procedures for the cases they control on AIMS/ERCS, with the addition of the following team lead responsibilities:

- a. Oversee risk analyses of the full enterprise structure to determine potential examination issues.

Note: All team members should participate in the risk analysis, but the team lead must apply a comprehensive approach to assess the primary case and

related cases, identify LUQs, and ensure the scope of the examination is appropriate.

- b. Give specific work assignments to issue team members, in collaboration with the group manager or as the manager's delegate.
- c. Ensure solicitations of statute extensions are coordinated with the audit team as needed.
- d. Set the mutual commitment date (MCD) for the primary and related cases based on the team's issues, scope of the examination, and discussion with the taxpayer(s)/representative(s).
- e. Schedule and participate in internal team meetings to monitor progress on the team's cases. See IRM 4.10.3.20.3, *Internal Team Communication (SB/SE Only)*.
- f. Schedule meetings with the group manager at least quarterly to provide updates on case progress.
- g. Coordinate the flow of information between the IRS and the taxpayer. See IRM 4.10.3.20.5, *External Communication with Taxpayer(s)/Representative(s) (SB/SE Only)*.
- h. When the taxpayer/representative requests consolidation of examination activities as discussed in IRM 4.10.3.20.5, *External Communication with Taxpayer(s)/Representative(s) (SB/SE Only)*, schedule and coordinate meetings with taxpayer(s)/representative(s) (which includes determining the appropriate team member attendees) as the central point of contact.
- i. Review all team members' IDRs to ensure uniformity and clarity and to avoid duplication of requests.

Note: If examination activities in the field are not consolidated (i.e., related case team members conduct field appointments separately from the team lead), a related case team member may issue a follow-up IDR while in the field **without** the team lead's review, however an effort should be made to discuss the IDR with the team lead (i.e., via phone call, email, Teams chat) before issuance.

- j. Review all team members' proposed adjustments prior to their discussing with the taxpayer(s)/representative(s).
- k. Perform other duties as determined appropriate by the group manager.

4.10.3.20.2.3 SB/SE Related Case Team Member Roles and Responsibilities

- (1) Related case team members are RAs or tax compliance officers (TCO) who control one or more cases included in the team audit. They are assigned the AIMS/ERCS controls and are responsible for creating and maintaining the RGS case file(s) for the cases assigned to them.

Example: A team lead is assigned the Form 1040 examination of Tom Pine and expands the audit to the 50% owned partnership, Pine Partnership. A related case team member is assigned a C Corporation (Pine Corp) owned 100% by Tom Pine. The related case team member controls the AIMS/ERCS modules and RGS case file for Pine Corp. The team lead and related case team member coordinate on issues examined (to ensure consistent tax treatment and address whipsaw issues), communication with the taxpayers (i.e., scheduling appointments and issuing IDRs, etc.), and the timing of case closure.

(2) Related case team members follow IRM procedures for their assigned cases, including statute responsibilities (in coordination with the team lead). Additional responsibilities of the related case team member in team audits include:

- a. Recommend or request additional resources (i.e., assignment of issue team members), in collaboration with the team lead and group manager.
- b. Participate in the team's ongoing risk analysis.
- c. Participate in internal team meetings (IRM 4.10.3.20.3, *Internal Team Communication (SB/SE Only)*).
- d. Collaborate with the team in communications with the taxpayer(s)/representative(s) (i.e., issue joint correspondence and IDRs when appropriate).
- e. Attend field appointments and/or meetings with the taxpayer(s)/representative(s) as part of the team when appropriate; see IRM 4.10.3.20.5, *External Communication with Taxpayer(s)/Representative(s) (SB/SE Only)*.
- f. Coordinate closing of assigned cases with the other team members' case closures.
- g. Perform other duties as determined appropriate by the group manager or team lead.

(3) Unlike audits where a single examiner controls the primary and all related cases, in a team audit, the team member that controls the primary case may not control the related cases. Despite not controlling the primary case, a team member may refer to the primary case in the workpapers to meet IRM 4.10.9, *Workpaper System and Case File Assembly*, documentation requirements (e.g., required filing checks, evaluation of audit potential, etc.), as the related cases will still be linked to the primary case when closed (see IRM 4.10.3.20.6(6)). Care must be taken to refer only to cases/returns that have a relationship to the return under examination.

Reminder: Required filing checks for related returns being examined must be documented in the same manner as required filing checks for the primary return, following the requirements in IRM 4.10.5.2.4, *Case File Documentation*. Required filing checks documentation from the primary case file may be applicable to the related cases. Therefore, when documenting required filing checks for related cases, examiners may reference the relevant documentation from the primary case (or include copies of the documentation from the primary case) in the related return case file to meet case file documentation requirements.

4.10.3.20.2.4 SB/SE Issue Team Member Roles and Responsibilities

(1) Issue team members are RAs and TCOs who assist with the development of an issue (or issues), but they do not have AIMS/ERCS controls, nor do they have the case(s) in their RGS inventory. Their time is charged to the case(s) controlled by the related case team member(s) or team lead. An issue team member may be another SB/SE examiner, or a specialist assigned to the case (e.g., Computer Audit Specialist, international, engineer, etc.).

Example: A team lead is assigned the Form 1040 examination of Bob Spruce and a 100% owned C Corporation, Spruce Corp. During risk analysis, the team lead noted

a complex research credit issue on the Spruce Corp return. The team lead determined the involvement of an examiner trained and experienced in research credits would be helpful and held a discussion with the group manager. An examiner with research credit experience was assigned as an issue team member to help develop specific research credit issues.

(2) Responsibilities include:

- a. Participate in team meetings to discuss issue development (for assigned issues).
- b. Attend field appointments and/or meetings with taxpayer(s)/representative(s) as part of the team (when issue(s) assigned are the subject of the field appointment and/or meeting).
- c. Accurately document activities performed on lead sheet 100-01, *Form 9984 Activity Record*, and ensure time is charged to the appropriate case(s).
- d. Complete issue lead sheets and workpapers in accordance with IRM 4.10.9, *Workpaper System and Case File Assembly*, for assigned issues and provide to the team lead and/or related case team member for inclusion in the RGS case file(s).
- e. Perform other duties as determined appropriate by the group manager, team lead, or related case team member.

4.10.3.20.3 Internal Team Communication (SB/SE Only)

(1) The team members assigned to the case must have formalized internal discussions throughout the examination. These internal discussions include:

- a. The initial internal discussion.
- b. Progress discussion(s).
- c. Plan to close discussion.

(2) The team lead will coordinate each internal discussion and notify all team members of the following:

- a. The date, time, and method (e.g., Teams meeting, in-person meeting, etc.) of the internal discussion.
- b. The agenda, which should include an outline of the objectives for the internal discussion.

(3) The team lead will coordinate with the group manager for their involvement in internal discussions depending on the complexity of the return.

(4) The team lead must prepare meeting minutes (or delegate to another team member) for each internal discussion by summarizing the discussion outcome in a narrative form. The agenda may be used as a template to prepare the meeting minutes. The meeting minutes should generally be saved in the RGS case file of the primary case, and the related case files should reference the primary case. If specific sections of the minutes are only relevant to a related case, they should be saved in the RGS case file of the case to which they relate.

Caution: Team members must ensure meeting minutes saved to their case file(s) only disclose information relevant to that specific case to prevent unauthorized disclosure. See IRM 11.3.2, Disclosure of Official Information.

4.10.3.20.3.1 Initial Internal Discussion

- (1) The initial internal discussion is mandatory and must include all team members including the group manager. The initial internal discussion should generally take place prior to any initial appointments.
- (2) Agenda topics should generally include:
 - a. Introduction of team members.
 - b. Roles, responsibilities, and expectations of each team member.
 - c. Review of taxpayer information.
 - d. Issue identification/risk analysis.
 - e. Enterprise structure.
 - f. Resource needs and utilization (e.g., specialist referrals, team member schedules, etc.).
 - g. Potential Mutual Commitment Date (MCD).
 - h. Preparation for meetings and discussions with taxpayer(s)/representative(s) (e.g., determine which team members will attend the initial appointment and/or participate in the initial interview, coordinate topics/questions to discuss with the taxpayer(s)/representative(s) at the initial appointment, etc.).
- (3) The team members will assess and discuss items with respect to their specific assignment.

4.10.3.20.3.2 Progress Discussions

- (1) Progress discussions should be held as needed, or on a quarterly basis at a minimum. The purpose of the progress discussions is to discuss progress of issue development, issue-specific information obtained from the taxpayer(s), additional information needed, etc.
- (2) At a minimum attendance should include team members with cases or issues pending resolution.

4.10.3.20.3.3 Plan to Close Discussion

- (1) The plan to close discussion is held after issue development is substantially complete. All team members should attend the plan to close discussion. The group manager's attendance is optional.
- (2) The plan to close discussion should address:
 - a. When issue team members exist, completion and submission of remaining lead sheets, workpapers, and other pertinent case documents.
 - b. Issue resolution options and potential barriers to closure.
 - c. Timing of closing conference and report issuance.

- d. Closing conference techniques (see IRM 4.10.7.5.1, *Closing Phase of the Examination*).
- e. Case closure.

4.10.3.20.4 File Sharing in SB/SE Team Audits

- (1) Team audits often require the management of large amounts of electronic files consisting of IRS and taxpayer data. This data must be securely maintained at all times.
- (2) When sending electronic records internally to other team members, follow the privacy policy regarding **internal** transmission of SBU data (including PII and tax information), outlined in the following IRMs:
 - a. IRM 10.5.1.6.8.3, *Emails to IRS Accounts*, and
 - b. IRM 10.5.1.6.18.3, *Shared IRS Storage (OneDrive, SharePoint, Teams, and Other IRS Collaborative Sites)*.

4.10.3.20.5 External Communication with Taxpayer(s)/Representative(s) (SB/SE Only)

- (1) The team lead must discuss the communication preferences of the taxpayer(s)/representative(s) during the initial telephone conversation (or at the earliest opportunity). For example, the taxpayer(s)/representative(s) may prefer to have IDRs for the primary case and all related cases issued on the same day in a consolidated fashion (e.g., mailed in a single envelope) and have appointments/meetings conducted concurrently (i.e., at the same time, date, and location).

Caution: When correspondence, IDRs, and meetings are consolidated into single mailings/meetings, the examiner must confirm the representative on the primary case is also the representative on all related cases.

- (2) The team lead is responsible for communicating the taxpayer(s)/representative(s)' communication preferences to the entire team (including group manager) and is generally the central point of contact between the team and the taxpayer(s)/representative(s).

4.10.3.20.5.1 Meetings with Taxpayer(s)/Representative(s)

- (1) Depending on the taxpayer(s)/representative(s)' preferences for correspondence and appointments (IRM 4.10.3.20.5), the team lead must determine which members of the team are required to attend and participate in meetings with the taxpayer(s)/representative(s).

Note: If the taxpayer(s)/representative(s) prefer to keep related cases separate, the audit team is still required to collaborate via internal audit team meetings to ensure consistent application of tax law, address whipsaw issues, coordinate timing of closure, etc.

- (2) Team members who attend the initial appointment must prepare initial interview questions specific to their entity(ies)/issue(s) and should conduct the interview for their respective entity(ies)/issue(s).

Reminder: Prior to the initial appointment, the team must conduct an initial internal discussion per IRM 4.10.3.20.3.1, *Initial Internal Discussion*.

- (3) The role of each team member must be explained to the taxpayer(s)/representative(s) as early as possible in the examination. This includes information as to who will request and secure information, develop examination issues, etc.

Reminder: The examiner must confirm the taxpayer and/or representative is authorized to discuss specific case details disclosed during conversations. When multiple representatives are involved in an examination and the representatives' authorizations are not consistent across all cases under audit (i.e., all representatives aren't authorized to discuss all taxpayers), the examiner must take extra precaution to ensure SBU/PII/FTI is protected.

4.10.3.20.6 Report Generation Software (RGS) for SB/SE Team Audits

- (1) The team lead and related case team member(s) are responsible for creating, maintaining, and closing the RGS case files for the primary case and related cases assigned to them on AIMS/ERCS. RGS does not allow more than one examiner to access or work in a case file; therefore, all entries and document uploads in RGS must be completed by the team lead and related case team member(s) who have the cases in their RGS inventory. See IRM 4.10.15, *Report Generation Software*, for RGS requirements.

Note: An examiner's CEAS inventory must match their ERCS inventory. See IRM 4.10.15.3.1(1), *CEAS Inventory Management*.

Note: Team members without access to the RGS case file can use CEAS View Case to view case documents that have been backed up to the CEAS file server. See IRM 4.10.15.11, *CEAS Tools*, and CEAS View Case.

- (2) Issue team members' information must be added in the RGS "Contacts" screen for the specific case(s) to which they are assigned to work. Each issue team member must be added as an "Examination Team Member" contact. See the RGS article, *Contacts*, for instructions.

Example: A team audit is being conducted on Jill Salmon and three related entities, Salmon Inc., Salmon LLC, and JS Enterprises. An examiner is assigned to work as an issue team member on the Salmon, LLC and JS Enterprises cases, but not on the Jill Salmon and Salmon, Inc. cases. The examiner is added as a contact in the RGS case files for Salmon LLC. and JS Enterprises only.

- (3) In the RGS "Issues" screen for each issue examined, the "Proposed by" field should reflect the name of the team member assigned to develop the issue and propose adjustments (if warranted). This applies to cases with issue team members assigned;

otherwise, the “Proposed by” field should always reflect the name of the team lead or related case team member who controls the case, similar to non-team audits.

Note: RGS defaults to the name of the user adding the issue (i.e., team lead or related case team member), but can be changed by clicking the drop-down list and selecting the name of the assigned issue team member. An issue team member must be added as a contact in RGS “Contacts” for their name to appear in the drop-down list.

- (4) All information critical to the case or that supports an adjustment must be maintained **contemporaneously** in the RGS electronic case file (see IRM 4.10.9.8.5(1), *Workpapers: Documenting Issues*). Therefore, issue team members with responsibility for creating and/or securing documents pertinent to the case (e.g., team members’ activity record, lead sheets, workpapers, copies of taxpayer documents used to support an issue or adjustment, information from third parties, etc.) must provide the documents to the team lead and/or related case team member in a timely manner once the documents are finalized or secured so the documents can be saved in the applicable RGS case file (see IRM 4.10.3.20.4, *File Sharing in SB/SE Team Audits*).
- (5) The team lead and related case team member must save all case documents in the RGS case files following the guidance in IRM 4.10.15.10, *Office Documents (OD) and Case File Documents (CFD)*.
- (6) Generally, the case files for the primary case and related cases must be closed out of the examination group(s) at the same time.

Attachment 3 – IRM 4.10.5, Required Filing Checks

4.10.5.2.4 Case File Documentation

- (1) No change
- (2) No change
- (3) No change
- (4) No change
- (5) If the audit is expanded to include related returns and/or spin-off returns, required filing checks for the related and/or spin-off case must be documented in the same manner as required filing checks for the primary case, following the requirements in this subsection. Required filing checks documentation from the primary case may be applicable to the related case. Therefore, when documenting required filing checks for related cases, examiners may reference the relevant documentation from the primary case (or include copies of the documentation from the primary case) in the related case file in order to meet case file documentation requirements.

Example: An examiner is auditing the Form 1040 tax return of John Birch and expands the audit to include the taxpayer's wholly owned C Corporation, Birch, Inc. Since the filing compliance of John Birch is relevant to required filing checks for Birch Inc, the examiner documents lead sheet 200-01 (related income tax return section) for Birch Inc. as follows, *"The audit of Birch Inc. is related to the audit of John Birch. The corporation is 100% owned by John Birch. Refer to lead sheet 200-01 in the RGS/CEAS case file for Birch, John (Tax Year 2022, MFT 30) for required filing checks completed for John Birch."*