



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

4.1.1

SEPTEMBER 25, 2020

## EFFECTIVE DATE

(09-25-2020)

## PURPOSE

- (1) This transmits a revision of IRM 4.1.1, Planning and Special Programs, Planning, Monitoring, and Coordination.

## MATERIAL CHANGES

- (1) This IRM updates references and clarifies duties for various PSP coordinators.
- (2) Following is the list of changes:

Reference	Change Details
IRM 4.1.1.1.2	Updated references.
IRM 4.1.1.1.4	Updated reference in paragraph 3.
IRM 4.1.1.5.1	Updated reference in paragraph 5.
IRM 4.1.1.5.2	Updated reference in paragraph 2.
IRM 4.1.1.6	Changed Exam Plan to SB/SE Focus Guide in paragraph 5.
IRM 4.1.1.6.1	Updated references in paragraph 1g 1h, and 1i and added a duty to review all returns for potential SEP/Fraud possibility.
IRM 4.1.1.6.3	Updated reference in paragraph 4.
IRM 4.1.1.6.4	Updated procedures for Bankruptcy Coordinators. Updated references throughout section.
IRM 4.1.1.6.5	Updated reference in paragraph 4.
IRM 4.1.1.6.5.1	Updated reference in paragraph 1f.
IRM 4.1.1.6.7.1	Updated referral source in paragraph 1a and reference in paragraph 1f.
IRM 4.1.1.6.7.2	Updated reference in paragraph 9.
IRM 4.1.1.6.7.3	Clarified the years that should be opened in paragraph 2a.
IRM 4.1.1.6.7.4	Updated references in paragraph 5.
IRM 4.1.1.6.9.3	Updated title throughout
IRM 4.1.1.6.11	Updated how referrals will be screened.
IRM 4.1.1.6.11.2	Updated reference in paragraph 5.
IRM 4.1.1.6.13	Updated reference in paragraph 3.
IRM 4.1.1.6.14.1	Added electronic delivery.
IRM 4.1.1.6.15	Added title in paragraph 3.

<b>Reference</b>	<b>Change Details</b>
IRM 4.1.1.6.16.1	Updated OIC Coordinator duties.
IRM 4.1.1.6.17	Added VDP Directions
IRM 4.1.1.6.18	Updated reference in paragraph 8.
IRM 4.1.1.6.18.1	Updated Rev Proc. reference.
IRM 4.1.1.6.19	Added: What issue(s) should be classified?
IRM 4.1.1.6.19.1	Updated reference in paragraph 1p and added duty to work with exam groups to fulfill the needs of the group.
IRM 4.1.1.6.21	Updated SNiF criteria.
IRM 4.1.1.6.23	Updated reference in paragraph 3b.
IRM 4.1.1.6.24	Updated when to remove the aging reason code on a training return.
IRM 4.1.1.6.25	Updated references in paragraphs 5 and 6.
IRM 4.1.1.7.3	Added additional audit code references.
IRM 4.1.1.7.12.3	Updated reference in paragraph 1.
Old 4.1.1.17	Deleted section on referrals of multi-state inventory.
Exhibit 4.1.1-1	Removed reference to exhibits 4.1.2-5, 4.1.2-11, and 4.1.2-12 as those reports are no longer available. Renumbered the remaining.
Throughout IRM	IRS Style changes - mainly removing italics from citations.

## EFFECT ON OTHER DOCUMENTS

This document supersedes IRM 4.1.1 dated 10-25-17.

## AUDIENCE

Planning and Special Programs (PSP) in SB/SE Examination - Field

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Small Business/Self-Employed

4.1.1

Planning, Monitoring, and Coordination

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4.1.1.1  
(10-25-2017)  
**Program Scope and Objectives**

- (1) *Purpose.* This IRM Section provides guidance for the area Planning and Special Programs (PSP) function in planning, monitoring, and coordinating identification of tax returns for field exam groups. PSP must balance the workload to support meeting the exam plan.
  - The PSP Territory Manager (TM) works closely with the Area Director to provide feedback related to the exam plan, area staffing, and the area accomplishments.
  - The area PSP staff coordinates many types of national programs and serves as a liaison between Headquarters Examination and area examination staff.
  - Area PSP coordinator duties are included in this section.
- (2) *Objective.* Ensure examinations are initiated based on indicators of non-compliance or on other criteria (such as selection for the National Research Program), identified in the Internal Revenue Manual. In addition, ensure a review of the decisions to survey a return (i.e., not initiate an examination) are based upon factors outlined in the Internal Revenue Manual and approved by an appropriate level of management.
- (3) *Audience.* These procedures apply to SB/SE Field Exam employees who are responsible for return identification and delivery in PSP.
- (4) *Policy Owner.* Exam Case Selection (ECS) is under Headquarters Examination.
- (5) *Program Owner.* Exam Case Selection is the office responsible for the selection of cases and delivery of inventory.
- (6) *Contact Information.* To recommend changes or make any other suggestions to this IRM section contact the senior program analyst in Field Case Selection (FCS) responsible for the PSP IRM Update. See <http://mysbse.web.irs.gov/examination/examorg/hq/ecs/fieldexamretsel/10461.aspx> for list of analysts in FCS.

4.1.1.1.1  
(10-25-2017)  
**Background**

- (1) PSP is responsible for identifying and delivering returns to SB/SE field exam. Those returns can come from a variety of sources. This section details the planning, monitoring, and coordination of the exam plan inventory.

4.1.1.1.2  
(09-25-2020)  
**Authority**

- (1) IRM 1.1.16.3.5.3, Exam Case Selection.
- (2) IRM 1.2.1.2.36, Policy Statement 1-236, Fairness and Integrity in Enforcement Selection.
- (3) IRM 1.2.1.5.7, Policy Statement 4-9, Highest Integrity Expected.
- (4) IRM 1.2.1.5.10, Policy Statement 4-21, Selection of Returns for Examination.

4.1.1.1.3  
(10-25-2017)  
**Responsibilities**

- (1) Director, Exam Case Selection (ECS) is the executive responsible for providing policy guidance on the selection of cases and delivery of inventory for SB/SE Examination.

- (2) Program Manager, Field Case Selection (FCS) is the program manager responsible for providing policy guidance on the selection of cases and delivery of inventory for SB/SE field exam.
- (3) The PSP Territory Manager is the territory manager responsible for the selection of cases and delivery of inventory within an SB/SE Exam Area.
- (4) The Program Manager, Field Exam Workload Planning and Analysis develops the Field Exam work plan.

#### 4.1.1.1.4 (09-25-2020)

#### Program Reports

- (1) The following are systems and or reports that may be used to monitor the identification and selection of inventory.
  - A-CIS
  - Aging of Status 08 and 10 inventory (A-CIS)
  - Average cycle time for closed cases (A-CIS)
  - Average days in group statuses (A-CIS)
  - Average days in process for open cases (A-CIS)
  - CDE Inventory Report
  - Classification select rates for returns ordered through the campus
  - Compliance Data Environment (CDE) select rates (CDE Select Rate Report)
  - Delivery of returns for classification (Tables 1040–2, 1041–2, 1065–2, 1120–2, 1120–3)
  - New starts (A-CIS Open and Closed Case databases or ERCS Tableau)
  - Started returns (Status 12 and above) by status code, Tables 36 and 37, SSIVL, or ERCS Tableau.
  - “Status 06” report of CDE inventory
  - Statutes (Tables 4.0, 4.1 and ERCS Reports)
  - Unstarted (Status 10 and below) returns by status code, Tables 36 and 37, SSIVL, or ERCS Tableau.
  - Volume and timing of return orders (Classification Plan)
- (2) At a minimum, PSP should monitor the following results while adhering to the guidelines outlined in IRM 1.5, Managing Statistics in a Balanced Measurement System:
  - Closed cycle time (A-CIS)
  - Dollars per hour by activity code (A-CIS or Tables 36 and 37)
  - Dollars per return by activity code (A-CIS or Tables 36 and 37)
  - No change rates (A-CIS or Table 37)
  - Open cycle time (A-CIS)
  - Return accomplishments (A-CIS or Tables 36 and 37)
  - Table 10.1(B) Assessments Over \$100,000
  - Time applied by exam class (A-CIS or Table 37)
- (3) Some inventory comes into PSP without AIMS/ERCS or other controls or tracking system. This type of inventory is required to be entered into the PSP Program Control database:
  - Domestic voluntary disclosures
  - Foreign collaterals
  - Form 5213, Election to Postpone Determination as To Whether the Presumption Applies That an Activity Is Engaged in for Profit
  - Form 8023, Elections Under Section 338(g) for Corporations Making Qualified Stock Purchases



- Identity Theft Cases
- Inadequate records notices
- Information referrals

4.1.1.1.5  
(10-25-2017)  
**Acronyms**

(1) This is a list of acronyms and their definitions.

Acronym	Definition
AAC	AIMS Assignee Code
AAR	Administrative Adjustment Request
A-CIS	AIMS Centralized Information System
AIMS	Audit Information Management System
AIS	Automated Insolvency System
AMDIS	Displays a summary of the Audit Information Management System (AIMS) File. Refer to IRM 2.8.3-4, Command Code AMDIS.
AMDISA	Displays up to six screens of information about the taxpayer's account for a specific tax period. Refer to IRM 2.8.3-7, Command Code AMDISA.
AOIC	Automated Office-In-Compromise
ARC	Aging Reason Code
AT	Abusive Transactions
ATSU	Abusive Transaction Support Unit
ATTI	Abusive Transaction and Technical Issues
BMF	Business Master File
BMFOLE	Requests the BMF entity screen information. Refer to IRM 2.3.59-12, Command Code BMFOL Entity Display.
BMFOLI	Requests the BMF summary screen information. Refer to IRM 2.3.59-10, Command Code BMFOL Summary Display.
BMFOLR	Requests BMF return screen information. Refer to IRM 2.3.59-36, Command Code BMFOL Return Display (Except CAWR).
BOD	Business Operating Division
BRTVU	BRTVU summary screens display associated returns/schedules/forms submitted by a specific filer. Refer to IRM 2.3.57-1, Command Code BRTVU.
BSA	Bank Secrecy Act
CAF	Centralized Authorization File
CCISO	Cincinnati Centralized Innocent Spouse Operation
CCP	Centralized Case Processing
CDE	Compliance Data Environment
CI	Criminal Investigation

<b>Acronym</b>	<b>Definition</b>
CIC	Coordinated Industry Cases
CIO	Centralized Insolvency Operation
CIP	Compliance Initiative Project
CPA	Certified Public Accountant
CRU	Centralized Reconsideration Unit
CTS	Case Tracking System
DATC	Doubt as to Collectibility
DATL	Doubt as to Liability
DC	Disposal Code
DCC	Detroit Computing Center
DESY	Direct Examination Staff Year
DIF	Discriminant Function
DITA	Designated Identity Theft Adjustment
DOJ	Department of Justice
ECC	Electronic Classification Checksheet
ECC	Employee Category Code
ECS	Exam Case Selection
EGC	Examination Group Code
EIN	Employer Identification Number
EITC	Earned Income Tax Credit
ENMOD	Displays name, address, and other entity information. Refer to IRM 2.3.15-1, ENMOD Request.
EOAD	Examination Operational Automation Database
EQ&TS	Exam Quality and Technical Support
ERCS	Examination Returns Control System
ERO	Electronic Return Originator
ETC	Employee Tax Compliance Coordinator
FCS	Field Case Selection
FinCEN	Financial Crimes and Enforcement Network
FTA	Fraud Technical Advisor
GLDEP	Governmental Liaison Data Exchange Program
HINF	High Income Non-Filer
HQ	Headquarters

Acronym	Definition
ICE	Informants' Claim Examiner
IDRS	Integrated Data Retrieval System
IDSE	Integrated Document Solutions Enterprise
IMF	Individual Master File
IMFOLE	Displays posted entity information. Refer to IRM 2.3.51-13, Command Code IMFOL Output Display - Entity.
IMFOLR	Displays the posted return for the specified tax module. Refer to IRM 2.3.51-15, Command Code IMFOL Output Display - Return Page 1.
IMFOLT	Displays various module amounts and dates along with a listing of posted transactions for the specified tax module. Refer to IRM 2.3.51-14, Command Code IMFOL Output Display - Tax Module.
INOLES	Displays specific data for the account addressed. Refer to IRM 2.3.47-1, Command Code INOLE Input Screen.
INOLEX	Displays Social Security Administration (SSA) name controls, cross-reference, and merge transaction information. Refer to IRM 2.3.47-1, Command Code INOLE Input Screen.
IPSU	Identity Protection Specialized Unit
IRN	Inadequate Records Notice
IRP	Information Reporting Program
IRPTRO	Requests on-line payee transcripts of income reported on various document types. Refer to IRM 2.3.35.9.4.1, Validated Fields for Payee online Transcript Command String.
ISC	Innocent Spouse Coordinator
ISTS	Innocent Spouse Tracking System
IVL	Inventory Validation Listing
LB&I	Large Business and International
LB&IIC	Large Business and International Individual Compliance
LDC	Lead Development Center
LIHC	Low Income Housing Coordinator
LUQ	Large, Unusual, or Questionable items
LWOP	Leave Without Pay
MCC	Martinsburg Computing Center
MeF	Modernized E-File
MFT	Master File Tax Code
MFTRA	Requests a complete account of all active modules. Refer to IRM 2.3.32-2, Command Code MFTRA Input Examples - Request Types.

Acronym	Definition
NAMES	Researches the National Name Search Facility (NSF) at Martinsburg Computing Center (MCC) for a taxpayer's Social Security Number (SSN). Refer to IRM 2.3.60-1, Command Codes NAMES/NAMEE Input Screen.
NARA	National Archives and Records Administration
NMFS	National Marine Fisheries Services
NRP	National Research Program
OAR	Operation Assistance Request
OCC	Ogden Compliance Center
OIC	Offer-In-Compromise
OJT	On the Job Training
OPR	Office of Professional Responsibility
OTSA	Office Tax Shelter Analysis
OVDI	Offshore Voluntary Disclosure Initiative
OVDP	Offshore Voluntary Disclosure Program
PAC	Program Action Case
PAIR	Planning, Analysis, Inventory and Research
PICF	Partnership Investor Control File
PII	Personally Identifiable Information
PMFOL	Payor Master File research. The display for PMFOL will depend on the PMFOL Request. There are three basic request types: Summary, Detail Page, and Backup Withholding. Refer to IRM 2.3.53.2, Command Code PMFOL.
POD	Post of Duty
PPA	Performance, Planning, and Analysis
PSC	Preparer Steering Committee
PSP	Planning and Special Programs
RA	Revenue Agent
RAAS	Research, Applied Analytics, and Statistics
RCS	Document 12990, Records and Information Management Records Control Scheduled (RCS)
RGS	Report Generation Software
ROTERRs	Records of Tax Enforcement Results
RPC	Return Preparer Coordinator
RPP	Return Preparer Program
RTVUE	Requests the transcribed line-by-line tax return information, which posted to the IMF.

Acronym	Definition
SARP	State Audit Report Program
SBC	Secondary Business Code
SB/SE	Small Business Self-Employed
SC	Source Code
SDT	Secure Data Transfer
SEP	Special Enforcement Program
SFR	Substitute for Return
SLA	Service Level Agreement
SNiF	Substantial Noncompliance Factors
SPEC	Stakeholder Partnerships, Education and Communication
SPIGOT	Senior Return Classification Specialist
SRFMI	State Reverse File Match Initiative
SSIVL	Statistical Sampling Inventory Validation
SSN	Social Security Number
TAS	Taxpayer Advocate Service
TC	Transaction Code
TCO	Tax Compliance Officer
TEFRA	Tax Equity and Fiscal Responsibility Act of 1982
TE/GE	Tax Exempt and Government Entities
TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number
TIPRA	Tax Increase Prevention and Reconciliation Act
TM	Territory Manager
TPI	Total Positive Income
TRDBV	Retrieves a summary of the available tax information on Tax Return Data Base (TRDB). Refer to IRM 2.3.73-1, Command Code TRDBV.
TSUMY	This process accesses the PICF, to extract the elements of data required to complete the one line summary output screen display, for the line 1 Partnership/ Partner record and each of its linked partner/partnership accounts. Refer to IRM 2.2.9-1, Command Code TSUMY - Input Screen Format.
U&UI	Underreported and Unreported Income (U&UI)
W&I	Wage and Investment
yK-1	A Graphic Search Tool. yK1 is an interactive link analysis tool developed by IRS Research to discover and explore tax entities and their relationships.

4.1.1.1.6  
(10-25-2017)  
**Terms**

- (1) The following are common terms used throughout this IRM, IRM 4.1.2, Workload Identification and Survey Procedures, and IRM 4.1.5, Case Building, Classification, Storage and Delivery.

Term	Definition
Accomplishments	Closed inventory in status 80 or higher.
AIMS Assignee Code (AAC)	Twelve digit code used to determine the location of tax return on AIMS. See IRM 4.4.1-1, Reference Guide, for a full explanation.
Amended Returns Inventory	An inventory of Form 1040, U.S. Individual Income Tax Return, paid claims (Category B). See IRM 4.1.2-4, Individual Amended Returns Inventory and Delivery Report 1040-5.
BOD	Business operating division.
Centralized Files	Computerized central storage of unassigned inventory. The returns are located in the Centralized Files and Scheduling (CF&S) at the campus. Included are unassigned field individual returns, corporate returns through Activity Code 217, and non-tax shelter partnership returns and Form 1120-S, U.S. Income Tax Return for an S Corporation, returns. Central storage of Form 1041, U.S. Income Tax Return for Estates and Trusts, is optional.
Compliance Data Environment (CDE)	An automated compliance tool available in areas and campuses. It contains three years of tax return data and other Master File data for all IMF and BMF income tax return filers in an area office.
Compliance Initiative Project (CIP)	Any projects designed to identify, measure, or analyze taxpayer noncompliance.
Correspondence (CORR) Return	Low and medium non-business individual returns (Examination Classes 270, 271, and 273 DIF returns) which have been computer identified as possibly having issues which may be suitable to correspondence-type examination by the campus.
Current File Year	The current file year is the posting year of returns which currently can be ordered for classification. For example, file year 2016 returns can be ordered for classification as of Cycle 15 in 2017. File year 2015 would be referred to as the prior file year and 2017 would be the subsequent file year.
Delivered	Returns sent to an exam group code (EGC).
DIF	A mathematical technique used to computer score income tax returns as to examination potential. Examination potential is indicated by a numeric score which is assigned to each return by examination class; the greater the score, the greater the examination potential within each examination class.
DIF Regular Return	A DIF return which receives a DIF score above the minimum cutoff score and is not a "DIF special" or "automatic" return.
DIF Return	An income tax return scored by DIF.
DIF Score	The score assigned to a return based on a mathematical technique.
Employee Group Code	Part of the AAC at the group level.
Examination Class	A method used to categorize returns by the amount of income or assets. For corporation returns, examination class is sometimes referred to as asset class.

Term	Definition
File Year	A calendar year in which returns are filed; sometimes referred to as processing year, posting year, DIF file year. All returns when received are maintained, processed, posted, and filed on a calendar-year basis. For example, file year 2016 refers to all returns filed between 1/1/2016 and 12/31/2016.
Inventory	Returns available to be ordered for classification.
Manual Screening	The process of making judgment decisions to accept as filed or select for audit systemically identified DIF returns (otherwise known as “automatics”).
Master File	A computer record containing all information with respect to taxpayers' filing of returns and related documents, both individual and business. Individual return data is stored on the Individual Master File (IMF). Corporate, employment, estate, excise, partnership and fiduciary return data is stored on the Business Master File (BMF).
MCC Processing Cycle	The cycle in which the Martinsburg Computing Center (MCC) posts returns processed by campus and selects returns. The cycle is expressed by a six digit code. The first four digits represent the file year, the second two digits represent the week of that file year (e.g., Cycle 201704 is the fourth week of the 2017 file year).
Minimum Cutoff Score	The lowest DIF score necessary to secure the number of returns required for audit. See IRM 4.1.2.7.7, DIF Cutoff Score.
Non-Business Total Positive Income (NBTP)	This includes all TPI items less: (a) Schedule—C net profits (b) Schedule—F net profits
Primary Business Code	The first three digits of the AAC. Identifies the BOD and the area office or campus controlling a return.
PSP	PSP refers to Planning and Special Programs.
Secondary Business Code	Digits 6, 7, and 8 in the AAC used to identify the territory or PSP office where a return is located.
Special Return	A return which contains one or more of the features identified by audit codes.
Total Gross Receipts (TGR)	This includes the following: (a) Schedule—C gross receipts and, (b) Schedule—F gross receipts
Total Positive Income (TPI)	This includes only total positive values from the income fields listed are used. Losses are treated as a zero. (a) Wages (b) Interest (c) Dividends (d) Other income (e) Distributions (f) Schedule—C net profits (g) Schedule—F net profits



Term	Definition
Work-in-process	Generally refers to returns in Statuses 12 through 59 excluding Status 57 and certain suspense statuses such as Status 30, 31, 35 through 39 and 44.

4.1.1.1.7  
(10-25-2017)  
**Related Sources**

- (1) IRM 4.1.2, Workload Identification and Survey Procedures.
- (2) IRM 4.1.5, Case Building, Classification, Storage and Delivery.

4.1.1.2  
(10-25-2017)  
**Exam Plan**

- (1) The SB/SE exam plan is based on long-range coverage objectives and on resources requested in the Congressional budget. Beginning in FY 2016, the exam plan has two major components: number of return closures and number of return starts. From the approved SB/SE exam plan, staff years are allocated to areas and campuses. Planning and Special Programs (PSP) Territory Managers are responsible for preparing the area response to the draft exam plan following instructions from headquarters.

**Note:** The exam plan can be found on the *WPA - SB Field Exam Workload, Planning and Analysis SharePoint*. The SharePoint requires approval to access.

4.1.1.2.1  
(10-25-2017)  
**Staffing Allocation Methodology**

- (1) The staffing allocation methodology SB/SE uses to prepare the exam plan considers the following factors:
  - Exam priorities
  - Front-loaded programs
  - Historical time charges
  - Historical examination rates and cycle days
  - Current on-board staffing in areas
  - Projected hiring
  - Anticipated attrition
- (2) PSP Territory Managers are responsible for checking the staffing allocated to the area by computing realizable staff years. Realizable staff years are computed as follows:
  - Determine current on-board staffing (as of the pay period specified in Employee Category Code (ECC) analysis from headquarters).
  - Subtract projected losses for the remainder of the current year.
  - Add any projected gains for the remainder of the current year to determine on-board staffing as of October 1st of the new fiscal year.
  - Add any new hires or additions to on-board staffing, remembering to prorate for those on board less than the full year.
  - Subtract expected losses for the fiscal year, prorating for employees lost for less than the entire year.
  - Consider the potential loss of time due to extended leave without pay (LWOP).

4.1.1.2.2  
(10-25-2017)

**Exam Front-Loaded Programs**

- (1) Exam front-loaded programs are those activities headquarters has determined are of such importance time must be allocated to them before resources are committed to other activities. The designation of these programs can be found in the annual exam plan. Past year examples of these programs include:

- National Research Program (NRP)
- Return Preparers
- Abusive Transaction Program (AT)
- Offshore Compliance Initiative
- Underreported and Un-reported Income (U&UI)
- Special Enforcement Program (SEP) & Fraud
- Training

4.1.1.2.3  
(10-25-2017)

**Coverage**

- (1) In order to meet long-range coverage objectives, the SB/SE exam starts and closures plans are focused on specific return categories that fall within the purview of SB/SE and provide a framework for return delivery and allocation of revenue agent (RA) and tax compliance officer (TCO) staffing. Resources, inventory, and starts are aligned to accomplish the direct exam staff years (DESYs) and return closures reflected in each fiscal year's exam plan. Our focus provides coverage across the following categories, but does not preclude examinations of other categories:

- a. Individual returns with Total Positive Income (TPI) less than \$200,000
- b. Individual returns with TPI greater than \$200,000 including those with TPI greater than \$1,000,000
- c. Individual returns with a Schedule C regardless of TPI
- d. Small Business Corporations
- e. Small Business Flow Through Entities - S Corporations, Partnerships, and Fiduciaries

4.1.1.2.4  
(10-25-2017)

**Area Responses**

- (1) In preparing the area response to the SB/SE exam plan, the PSP TM will take the following actions:

- a. Propose adjustments to the exam plan realizable staff years as discussed in IRM 4.1.1.2.1(2), Staffing Allocation Methodology.
- b. Verify operational priorities and front-loaded program time.
- c. Input training time based on the training return plan.
- d. Evaluate and propose adjustments, if necessary, to time and starts allocated to front-loaded programs and examination priorities. PSP should consider work-in-process, time applied in prior years, results of prior audits, and the availability of returns.
- e. Prepare and document comments on proposed changes to the exam plan.

4.1.1.2.5  
(10-25-2017)

**Training Return Plan**

- (1) The RA and TCO exam plans each include a line for training returns. The PSP Territory Manager, will review the training return plan showing the number of returns to be examined by trainees. This plan should show the training phase, number of RAs/TCOs, activity code(s), number of returns, rates, and direct examination staff years (DESYs) to be applied.

4.1.1.3  
(10-25-2017)  
**Grade Structure  
Analysis**

- (1) Headquarters will perform a grade structure analysis, in conjunction with a workload study and/or development of the final exam plan. This information determines the optimum placement of RAs and TCOs by Post Of Duty (POD) and grade.
- (2) Headquarters will provide the grade structure and workload study information to the area PSP for review and comment.

4.1.1.4  
(10-25-2017)  
**PSP Responsibility**

- (1) The PSP Territory Manager is responsible for assessing program effectiveness. The PSP Territory Manager must be familiar with the exam plan because the timing and type of returns entered into the audit stream determine whether the area achieves its goals.

4.1.1.5  
(10-25-2017)  
**Monitoring  
Responsibilities**

- (1) The PSP Territory Manager and the Exam Policy Analyst are responsible for monitoring the accomplishment of exam goals and providing timely reports to the area, territory and group managers to assist in the management of their operations. Performance, Planning, and Analysis (PPA) provides monthly reports on area program accomplishments including efficiency and productivity results which should be used in overall area monitoring. Table 36, Table 37, and the AIMS Centralized Information System (A-CIS) databases are additional monitoring tools.
- (2) PSP may develop new tracking reports using A-CIS databases provided by headquarters or using ERCS (Examination Returns Control System). Before doing so, however, check with headquarters and A-CIS analysts to determine if a report already exists. PSP is encouraged to share reports and monitoring tools with PPA and with other area PSPs.
- (3) Tracking reports should be used for allocation of resources, workload selection, and for assessment of program effectiveness. The area and PSP must stay within the operating guidelines as outlined in IRM 1.5, Managing Statistics in a Balanced Measurement System.

4.1.1.5.1  
(09-25-2020)  
**Classification Monitoring**

- (1) At a minimum, PSP should monitor the following for classification:
  - Delivery of returns for classification (Tables 1040–2, 1041–2, 1065–2, 1120–2, 1120–3)
  - Area select rates
  - “Status 06” report of CDE inventory
  - Volume and timing of return orders (Classification Plan)
- (2) To monitor the delivery of Martinsburg Computer Center (MCC) DIF returns for classification and the volume and timing of return orders, PSP (as outlined below) should maintain a spreadsheet showing the date, cycle, and volume of return orders. When MCC DIF orders are posted to master file, the ordered returns will move from the inventory section to the delivery section of the Inventory and Delivery Reports (1040-1, 1120-1, etc.). Inventory and Delivery Reports can be obtained from the Control D System through Integrated Document Solutions Enterprise (IDSE). The returns will appear in the Inventory/Aging by Class section of Table 37 when the returns are delivered to classification. A-CIS can also be monitored for new returns established on the Audit Information Management System (AIMS) in Status 06.

- (3) To monitor the classification of CDE DIF returns the following reports are available in CDE:

- CDE Inventory Report
- CDE Select Rate Report

A-CIS can also be used for Status 08 and beyond to monitor CDE identified DIF returns as can the Statistical Sampling Inventory Validation (SSIVL).

- (4) If select rates are less than 50% for any class, the PSP Territory Manager or designee will analyze a sample of the accepted returns and review local instructions to determine the reason for the low selection rates.
- (5) PSP should monitor the volume of the surveys and take steps to reduce surveys and/or the number of returns without audit potential entering the examination stream. See IRM 4.1.2.11, Procedures for Surveying Inventory in PSP.

4.1.1.5.2  
(09-25-2020)  
**Inventory Monitoring**

- (1) At a minimum, PSP should monitor the following for inventory:
- New starts (A-CIS Open and Closed Case databases or ERCS Tableau.)
  - Unstarted (Status 10 and below) returns by status code, A-CIS, Tables 36 and 37, SSIVL, or ERCS Tableau.
  - Started returns (Status 12 and above) by status code, Tables 36 and 37, SSIVL, or ERCS Tableau.
  - Statutes (Tables 4.0, 4.1 and ERCS Reports).
  - A-CIS Open Case database.
- (2) PSP monitors new starts to determine return needs and to monitor the progress in meeting the exam work plan. New starts need to be monitored at the group and POD levels, to help determine the number of returns being started and when to order returns. Consideration should be given not only to the number of new starts but also to the types of returns being started. Factors to consider include aging inventory, front-loaded programs, and activity codes, to ensure the appropriate return mix, consistent with the exam plan, are entering the workstream. New starts data can be derived from the A-CIS Open and Closed Case databases, SSIVL, or ERCS Tableau. Refer to IRM 4.1.2.3, Return Starts Analysis, for more information.
- (3) Started and unstarted returns by status code, are shown in the Inventory/Aging Sections of Table 36 (area, territory, and group levels), Table 37 (area level), and can also be shown on the A-CIS Open and Closed Case databases. The PSP TM should determine whether there are adequate returns on hand to accomplish the exam starts plan.
- (4) Selected, not assigned inventories (Status 08) should be maintained at minimum levels. As a general rule, the inventory should not exceed the return needs for 2–3 months.
- (5) Assigned, no time applied inventories (Status 10), should be kept to a minimum to allow for a quicker change of direction to meet program needs. As a general rule, the inventory should not exceed 2 months of new starts.
- (6) PSP is responsible for ensuring statute dates are correctly entered on Examination Records Control System (ERCS) and monitored for statute controls. These roles and responsibilities are listed in IRM 4.7.4.1.3, Responsibilities of

Employees in PSP. Specific instructions for dealing with statutes including approval authority requirements, inventory management procedures, and ERCS reports are in IRM 4.7.3, Examination Returns Control System (ERCS), Statute of Limitations. The procedures for working AIMS Table 4.1 and AIMS Table 4.0 are discussed in IRM 4.4.27.5.1.1, Procedures for Working Statute Control Report. These reports need to be worked on a regular basis.

**Note:** References to AIMS Table 4.0 are used throughout this IRM even though the Statistical Sampling Inventory Validation Listing (SSIVL) program may be used in the area offices to generate the Table 4.0 data as opposed to an AIMS report generator.

- (7) PSP and Field Case Selection (FCS) will analyze program inventory, projected future inventory, and exam plan delivery. If a significant variance is determined in any specific program, the area, Performance, Planning, and Analysis (PPA), FCS and PSP will discuss modifications to workload delivery necessary to achieve the overall exam plan.

4.1.1.5.3  
(10-25-2017)  
**Cycle Time Monitoring**

- (1) At a minimum, PSP should monitor the following for cycle time:
  - Average cycle time for closed cases (A-CIS)
  - Average days in process for open cases (A-CIS)
  - Average days in group statuses (A-CIS)
- (2) Examination and disposition of income tax returns will generally be completed within 26 months (individuals) and 27 months (business) after the due date of the return or the date filed whichever is later. Many returns are exempt from this requirement. Exceptions for cases are listed in IRM 4.10.2.2.2, 26/27 Month Examination Cycle.
- (3) A-CIS Open and/or Closed Case databases can be used to compute all three cycle time measures.

4.1.1.5.4  
(10-25-2017)  
**Results Monitoring**

- (1) At a minimum, PSP should monitor the following results while adhering to the guidelines outlined in IRM 1.5, Managing Statistics in a Balanced Measurement System:
  - Dollars per hour by activity code (A-CIS or Tables 36 and 37)
  - Dollars per return by activity code (A-CIS or Tables 36 and 37)
  - Return accomplishments (A-CIS or Tables 36 and 37)
  - Time applied by exam class (A-CIS or Table 37)
  - No change rates (A-CIS or Table 37)
  - Table 10.1(B) Assessments Over \$100,000
- (2) In addition to the items listed above using Table 37 provides an analysis of results and inventory by strategic priority.
- (3) PSP should closely monitor Table 10.1(B) on a monthly basis to ensure duplications are eliminated and corrections are promptly made. The procedures for working Table 10.1(B) are discussed in IRM 4.4.27.4.1.1, Working Table 10.1(B).

4.1.1.5.5  
(10-25-2017)  
**PSP Program Control  
Database**

- (1) The PSP Program Control database provides a tracking system for monitoring incoming inventory that is uncontrolled in ERCS or AIMS or any other inventory system. The PSP staff in charge of the following programs are required to enter the incoming inventory into this database.
  - Domestic voluntary disclosures
  - Foreign collaterals
  - Form 5213, Election to Postpone Determination as To Whether the Presumption Applies That an Activity Is Engaged in for Profit
  - Form 8023, Election Under Section 338(g) Corporate Qualified Stock Purchase
  - Identity Theft referrals
  - Inadequate records notices
  - Information referrals
- (2) The PSP Program Control Database can be useful for other programs. The use is not limited to those programs listed above.

**Example:** The Program Control Database for Prompt Determinations is available for coordinators to use to track all incoming qualifying and non-qualifying Prompt Determination requests.

4.1.1.6  
(09-25-2020)  
**Program Coordination**

- (1) Exam workload is identified through a variety of sources. Some of the sources require PSP to do additional analysis, classification, or case building. These sources of inventory are listed below starting with IRM 4.1.1.6.2, Abusive Transactions Program (AT). Infrequent workload where PSP acts as a conduit can be found under IRM 4.1.1.7, Infrequent Workload.
- (2) The way workload is identified and selected must be approved by management and any changes to filters or criteria must be approved and documented by management.

***Selection Criteria Documentation***

How is it identified (not including classification)	Example	Required Documentation
<b>Outside of PSP</b> - the identification of potential workload is done outside of PSP. Filtering may or may not be done by PSP.	The identification of non-filer inventory is a result of referrals by Revenue Officers or the CCNIP process. PSP does not create the criteria for identification. The lists are filtered by HQ Analysts for specific RA and TCO criteria to select those with the highest exam potential.	<ul style="list-style-type: none"> <li>• List origination.</li> <li>• Selection methodology and data elements used in identification.</li> <li>• Selection authority - i.e. Compliance Initiative Project, manager, HQ analyst, etc.</li> <li>• Next level manager approval.</li> </ul>



How is it identified (not including classification)	Example	Required Documentation
<b>PSP Identified</b> - PSP is responsible for identifying and filtering the workload.	PSP receives referrals or identifies potential egregious preparers. PSP identifies which preparer to pursue for program action and selects 30 taxpayers. PSP determines both the identification and selection criteria.	<ul style="list-style-type: none"> <li>• How the list was generated.</li> <li>• Identification criteria including data elements used in selection.</li> <li>• Selection authority - i.e. Compliance Initiative Project, manager, HQ analyst, etc.</li> <li>• Next level manager approval.</li> </ul>

**Figure 4.1.1-1**

**Note:** The documentation regarding identification and filtering criteria (including any changes or modifications to the criteria) must be kept for 3 years after the end of the fiscal year it was received as outlined in the National Archives and Records Administration (NARA) approved guidance found in Document 12990, Records and Information Management, Records Control Schedules, (RCS) 23, Tax Administration - Examination, Item 77, Federal, State, and Local Referrals Not Covered By An Agreement.

- (3) Sources listed under Program Coordination may or may not have a headquarters program manager and program analyst assigned. Please check the related websites or contact the program analysts for current trends and updated information. See the Field Case Selection (FCS) website at: <http://mysbse.web.irs.gov/examination/examorg/hq/ecs/fieldexamretsel/default.aspx>
- (4) Headquarters determines a list of aging reason codes, source codes, project codes, and tracking codes that identify specific programs. These codes are used to measure our accomplishments against the exam plan and the operational priorities. See the AIMS/ERCS/Codes/Procedures website at: <http://mysbse.web.irs.gov/exam/mis/data/default.aspx>
- (5) Workload and/or goals are identified annually in the SB/SE Focus Guide which can be found at <http://mysbse.web.irs.gov/default.aspx>. As an example goals might include:
  - Plan Delivery - ensure delivery of certain programs: recognize emerging issues and areas of potential non-compliance within resources available.
  - Innovation - explore areas that can be improved with new or different processes and technologies.
  - Workload Selection - refine and test various workload selection methods to improve the productivity of audits. Emphasis will continue to be placed on creating, expanding, enhancing, and improving analytics to better identify emerging and existing noncompliance, including participating with Research, Applied Analytics, and Statistics (RAAS) in the National Research Program (NRP).

- (6) To ensure workload delivery meets exam needs, all work must be delivered through the PSP office except for related return pickups, multi-year pickups, or PSP approved locally generated work. The field will not generate their own work.
- (7) Case building refers to the process whereby research is performed using various computer systems. This research is printed or electronically included in the case files with the tax return that is under consideration for examination. See IRM 4.1.5, Case Building, Classification, Storage and Delivery. Case building can be performed at the campus, PSP, or HQ functions.

4.1.1.6.1  
(09-25-2020)

**Program Coordinator  
Duties**

- (1) The program coordinator needs to take ownership of all aspects of their assigned programs to make their programs productive and efficient. Some of the general PSP coordinator duties include, but are not limited to the following:
  - a. Maintain an in-depth knowledge of the number of returns needed to meet the exam plan mix for your program for the current and subsequent fiscal years.
  - b. Be a subject matter expert (administrative, procedural, and technical) for your program.
  - c. Monitor the pipeline and timely provide/review reports with analysis and recommendations to your manager.
 

**Example:** Status 06-08 inventory by POD; Status 10-13 inventory by group; surveys, no-changes, and other closures by territory; and number of cases built or received for your program.
  - d. Utilize A-CIS/AIMS/ERCS/SSIVL to gather information on your programs.
  - e. Interact with area group managers, section chiefs, the PSP territory manager, and headquarters staff, etc.
  - f. Attend exam group meetings (approval is needed from your manager).
  - g. Properly identify revenue agent versus tax compliance officer work. See IRM 4.1.5.3.2.6, Revenue Agent versus Tax Compliance Officer.
  - h. Consider collectibility when classifying or selecting for audit. See IRM 4.1.5.3.2.10, Returns with Collectibility Indicators.
  - i. Identify which returns should be surveyed. See IRM 4.1.2.11, Procedures for Surveying Inventory in PSP.
  - j. Coordinate with the returns classification coordinator (aka SPIGOT) on case assignment.
  - k. Respond to inquiries from taxpayers, headquarters, and the field in a timely manner.
  - l. Develop network of contacts including headquarters analysts and program coordinators outside your area.
  - m. Participate in and organize teleconferences, if needed (local/national).
  - n. Create and/or update desk procedures as program assignments and guidance change.
  - o. Communicate program changes and updates to PSP management and the field as needed.
  - p. Notify the PSP section chief of any issues or concerns. When appropriate, the issue should be elevated to the PSP territory manager.
  - q. Prepare and route through PSP management guidance memos to the field as needed.
  - r. Ensure special instructions are included in each case file as required and/or as needed.



- s. Timely acknowledge and return Form 3210, Document Transmittal. Use Form 3210 when sending cases.
- t. Review inventory for SEP/Fraud potential and hand off this inventory to the SEP/Fraud coordinator. The inventory will be screened in PSP office using the procedures and applying the **substantial noncompliance factors (SNiF)** criteria found in IRM 4.1.1.6.21 (2), Special Enforcement Program (SEP).
- u. Perform other duties as assigned.

4.1.1.6.2  
(10-25-2017)  
**Abusive Transactions  
Program (AT)**

- (1) The promoter workload for the area is developed and perfected by the Lead Development Center (LDC) from leads surfaced by the field or other sources. The LDC reviews and approves promoter investigations and assigns a tracking code to the investigation if a client list is case-built. When case building of a client list for an approved promoter investigation is determined to be necessary, the lists are reviewed and filtered by the Abusive Transaction List-keeper. The Listkeeper obtains case building approval from the appropriate management level for all lists recommended for case building.
- (2) The participant workload will generally be developed, perfected, and classified within the Abusive Transaction Support Unit (ATSU). Selected cases are then sent to the area PSP. Please refer to IRM 4.32.2, The Abusive Transactions (AT) Process, for additional information.

4.1.1.6.2.1  
(10-25-2017)  
**AT Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the AT coordinator duties include but are not limited to the following:
  - a. Serve as a resource person and a liaison between the Lead Development Center (LDC), area AT exam team, and HQ FCS AT Program Analyst.
  - b. Ensure the appropriate project and tracking codes are applied to the promoter investigation case before it is assigned to the field.
  - c. Ensure the white paper guidance paper, if applicable, is made available.
  - d. Work with the examiners after they secure the participant list to ensure they forward the lists requiring case building to the Listkeeper.
  - e. Assign the participant cases to the field with the appropriate project and tracking codes after they have been case built.
  - f. If the decision is made during the promoter investigation to perform sample examinations on 30 participants or less, the examiner, group manager, and the PSP coordinator will coordinate with the HQ AT Program Analyst (Listkeeper) to identify the participants' tax returns to be examined in order to establish harm to the government. The selected sample of participants' returns will be case built by the local area PSP office.
  - g. Assist examiners regarding AT administrative, procedural, and technical inquiries.

4.1.1.6.3  
(09-25-2020)  
**Audit Reconsideration**

- (1) The Campus Operation, Centralized Reconsideration Unit (CRU) will screen reconsideration cases for individual income tax returns to determine whether the request meets the exceptions in IRM 4.13.3.1.1, Requests Not To Be Worked. If the audit reconsideration request meets any exception the CRU will forward it to the appropriate location (area office, campus examination function, or appeals) for consideration.

- (2) The campus will ensure the request for audit reconsideration meets the criteria for reconsideration under IRM 4.13.1.4, Criteria for Reconsideration, and that the request is not specifically excludable under the provisions of IRM 4.13.1.8, Non-Acceptance of Request.

- (3) The following situations will be routed to the area PSP:

- a. No-show/no-response cases closed from an area that conducted the audit.
- b. Area audit reconsiderations with any adjustment not addressed in the original examination (if the adjustment is related to the original examination and the disallowance would offset any part of the tax decrease created by the new information provided by the taxpayer).
- c. Area audit reconsiderations in which the taxpayer requests a face-to-face meeting.
- d. Area audit reconsiderations where the case requires an examination of substantive books and records.

**Note:** For purposes of this agreement the term “substantive” means the submission of voluminous documentation through the mail places an undue burden on the taxpayer.

- e. Any audit reconsideration case involving a Business Masterfile (BMF) entity.

- (4) The area office will provide appropriate routing points for the shipment of the area office reconsideration requests.

**Note:** Refer to IRM 10.5.1.6.7.3, Shipping, for information on proper data protection when shipping personally identifiable information.

- (5) If PSP determines the case does not meet audit reconsideration criteria, PSP will update the examination group code (EGC) back to EGC 1093 for revenue agent (RA) and EGC 2093 for tax compliance officer (TCO) and send the case back to the CRU using the address listed on the employee group code listing found at <http://mysbse.web.irs.gov/examination/mis/contacts/default.aspx>. Notification of requests being returned to the campuses should be sent to the campus headquarters (HQ) analyst for audit reconsiderations. Information given should include the campus involved and the reason for the case being returned.

4.1.1.6.3.1  
(10-25-2017)  
**Audit Reconsideration  
Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the audit reconsideration coordinator duties include but are not limited to the following:
- a. The PSP audit consideration coordinator should review the case package sent to determine if the CRU sent it to the correct area, it meets the reconsideration criteria, and all required documentation per IRM 4.13.3.5, Area Office Reconsiderations, is included in the case file.
  - b. Whenever possible, the PSP coordinator should assign the case to the group where the original examiner works or worked.
  - c. Receive audit recon referrals from field for routing to CRU.
  - d. Receive audit recon referrals from the campus.
  - e. Return recons to the CRU that do not meet the requirements.
  - f. Determine if audit assessment has been input.

- g. Coordinate with the CRU if all information is not received (taxpayer correspondence, administrative audit file, tax returns, IDRS research, RGS file). See IRM 4.13.3, Central Reconsideration Unit, for more information.
- h. Ensure cases are established on ERCS using the correct codes: generally source code (SC) 73 and aging reason code (ARC) 053.
- i. Verify statute. Recons can have unique statutes. For assistance see IRM 25.6.1.10, Claims, Abatements and Refunds.
- j. Take into consideration collection due process procedures.
- k. Classify case and timely send to RA or TCO.
- l. If not on AIMS, process abatement, if accepted by using Form 3870, Request for Adjustment, and processing it through CCP via Form 3210, Document Transmittal. See <http://mysbse.web.irs.gov/examination/cp/ccpexamfaq/22504.aspx> for details on Form 3870 and E-fax numbers for CCP.

**Reminder:** Make sure the abatement of penalties is also considered if applicable.

- m. If on AIMS, process abatement, if accepted using Form 4549, Report of Income Tax Changes and Form 5344, Examination Closing Record.

**Reminder:** Make sure the abatement of penalties is also considered if applicable.

- n. For additional information on penalty abatements, including RGS procedures and preparation of Form 5344, examiners should refer to the Penalty Abatement Job Aid: <https://organization.ds.irsnet.gov/sites/SBSEfeMySBSE/ExamGeneralProcesses/Penalties/Penalty%20Abatement%20Job%20Aid.pdf>.

4.1.1.6.4  
(09-25-2020)  
**Bankruptcy Program**

- (1) This subsection outlines the procedures that must be followed to protect IRS deficiency provisions during bankruptcy. The filing of bankruptcy does not preclude the IRS from beginning or proceeding with an examination, however collectibility should always be considered when selecting a return for audit consideration. Insolvency staff uses the Automated Insolvency System (AIS) and several IDRS command codes to reflect bankruptcy filing. AMDISA will reflect a freeze code U or X.
- (2) The PSP bankruptcy coordinator will be coordinating between the field examiner, Technical Services bankruptcy coordinator, and the Collections Insolvency bankruptcy caseworker.

4.1.1.6.4.1  
(09-25-2020)  
**Procedures for  
Bankruptcy Insolvency  
Cases in AIMS Status 06  
or 08**

- (1) The Insolvency bankruptcy caseworker will request the status of cases under PSP control by sending an e-mail to the PSP Coordinator. The e-mail should contain the bar date, taxpayer's name, taxpayer identification number (TIN), tax year(s), statute dates, and the reason for inquiry.
- (2) The PSP bankruptcy coordinator reviews the e-mail and makes a determination based on information received from Insolvency as to whether an examination should be done. The PSP coordinator will notify Insolvency of their determination at least 30 days prior to the bar date.
  - If the case is on AIMS in status 06 and an examination is warranted, the case needs to be retrieved from the campus inventory, associated with the e-mail and forwarded to a group with a cover memorandum that

notes if there is a bar date so the group can provide the estimated tax deficiency to Insolvency at least 30 days prior to the bar date.

- If the case is in status 08 and an examination is warranted, associate the e-mail and forward to a group with a cover memorandum that notes if there is a bar date so the group can provide the estimated tax deficiency to Insolvency at least 30 days prior to the bar date.

- (3) Depending on the urgency of the issue, the PSP bankruptcy coordinator may immediately assign the case to an exam group, or hold the case until an order is placed by the group. If the case will not be immediately assigned to an exam group, the PSP coordinator will provide an estimated deficiency to Insolvency no later than 30 days prior to the expiration of the bar date so Insolvency may include this information in the proof of claim. If this information is not included on the proof of claim, the government may lose the right to collect any deficiency that may be later determined. Opening an examination may not be necessary if the government has lost the right to future collection of any deficiency that might have been determined.
- (4) See IRM 4.27.1.7, Examination Coordination with Insolvency, for additional information addressing PSP office procedures for handling Insolvency inquiries and bankruptcy cases.

4.1.1.6.4.2  
(10-25-2017)  
**Procedures for  
Bankruptcy Insolvency  
Cases in AIMS Status 10  
or 12**

- (1) If a case has already been established on AIMS in status 10 or 12, and PSP receives bankruptcy information, the PSP bankruptcy coordinator will send the information to the group for association with the case file and include a cover memorandum which notes if there is a bar date so the group can provide the estimated tax deficiency at least 30 days prior to the bar date.

4.1.1.6.4.3  
(09-25-2020)  
**Questionable Return  
Referrals**

- (1) Taxpayers may, during the course of bankruptcy proceedings, file a tax return directly with Insolvency. See IRM 4.27.1.7.1, Questionable Returns Filed with Insolvency During Bankruptcy Proceedings.
- (2) If Insolvency finds a return to be questionable, they will submit a copy of the tax return to the PSP office for assignment to an exam group. See IRM 4.27.1.7.1.1, Returns Eligible For Review.
- (3) The PSP coordinator may accept the referral or advise Insolvency that the referral has been rejected. See IRM 4.27.1.7.1.1(2), for additional criteria.
- (4) The PSP coordinator will provide Insolvency with an estimated deficiency at least 15 days before the bar date if the referral is accepted.
- (5) The PSP coordinator may assign the case to an exam group. See IRM 4.27.1.7.2, PSP Classification of Questionable Returns.
- (6) The PSP coordinator may refer the case directly to Technical Services for preparation of a statutory notice of deficiency. See IRM 4.27.1.7.3, Technical Services Review of Questionable Returns.
- (7) The PSP coordinator may survey the return if warranted.

4.1.1.6.4.4  
(09-25-2020)  
**Referrals From  
Department of Justice**

- (1) The Technical Services bankruptcy coordinator reviews referrals from the Department of Justice (DOJ). If Technical Services recommends the case be examined, a Form 3449, Referral Report, will be prepared and forwarded to the PSP bankruptcy coordinator.
- (2) The PSP bankruptcy coordinator will review the case to determine if it warrants examination.
- (3) If examination is warranted, PSP staff will take the following actions:
  - a. Establish the case on AIMS and assign to a group.
  - b. Advise the Technical Services bankruptcy coordinator of the group assignment.
- (4) If the PSP bankruptcy coordinator determines the case does not warrant examination, the coordinator will indicate the reason why the case was not assigned for examination and send the referral back to the Technical Services bankruptcy coordinator.
- (5) Technical Services bankruptcy coordinator will advise DOJ of PSP's decision. See IRM 4.27.1.5.2, Inquiries from Department of Justice.

4.1.1.6.5  
(09-25-2020)  
**Claims**

- (1) A claim for refund is an amended return or written request that asks for some amount of money to be refunded, whether or not it also involves an abatement. A request for abatement is an amended return or request that decreases tax, decreases a penalty, and/or increases a credit. All prior tax and disputed penalty assessments have NOT been fully paid and a reduction of the module balance is requested. If the taxpayer is disputing a prior examination assessment that remains unpaid, the abatement request is known as an "audit reconsideration." An informal claim is a claim for credit or refund that is submitted in a manner other than on the standard forms but contains the required claim elements, i.e. tax year, identification number, refund requested and reason for the refund.

**Reminder:** IRS can only reconsider and allow a refund if the 2 year period to file suit is still open. See IRM 25.6.1.10.2.5.5, Reconsideration of a Disallowed Claim, for more information.

- (2) Claims for refund and abatement requests related to open cases charged to area exam are not classified by the Campus Examination Operations. Per IRM 21.5.3-1, Claims Processing with Examination Involvement, claims not meeting CAT - A criteria in AIMS status of 08 or less will be processed following normal adjustment procedures. Claims for refund or abatement requests meeting CAT - A criteria in AIMS status 08 or less will be forwarded to PSP. For open examinations in AIMS (status 09 to 89) the claim for refund or abatement request will be routed to exam based on the AIMS data. All other claims for refund or abatement request which meet CAT- A criteria outlined in IRM 21.5.3-2, Examination Criteria (CAT-A) – General, are classified by Examination Campus Classification prior to processing. If the claim for refund or abatement request is selected, the original return is secured and forwarded to the appropriate area PSP using Source Code 30.
- (3) Classification checksheets will be prepared by the Campus for returns selected for area examination.

- (4) If a claim is selected by the Campus and later surveyed by the area, the area will process the claim and send Letter 570, Claim Allowed in Full, to the taxpayer, if Letter 86C, Referring Taxpayer Inquiry/Forms to Another Office, or Letter 96C, Acknowledgment for General Use/Inquiry, was sent by the Campus informing the taxpayer of the selection and status of the return.
- (5) **Tentative Carryback Allowance Cases** with related returns (carryback or carryover years) currently open in area exam will be forwarded to the area. The Campus will take necessary action to update or control selected returns on AIMS. The tentative allowance cases will be classified by the Campus.
  - a. If the Campus examination classifier determines additional returns are necessary to complete classification, these returns will be requested.
  - b. For selected returns, all affected carryback returns should be associated prior to shipping to the areas.
- (6) In **Tentative Carryback Allowance Bankruptcy Cases**, the refund application, the loss year return, and any additional returns necessary will be classified by the Campus. Area exam may have already taken action on the bankruptcy case. If not, and the case is selected for examination:
  - a. The loss application(s) will be forwarded immediately to the appropriate area in a folder marked "Bankruptcy—Tentative Carryback Case."
  - b. Upon receipt in the area by PSP, the case will either be associated with other examination activity underway regarding that taxpayer or, if there is no such activity, the PSP TM (or designee) will determine appropriate examination action and assignment.
  - c. All examination action must be completed and the Accounts Management Branch at the Campus notified of the disposition within 90 days from the date the application was received by the IRS.

4.1.1.6.5.1  
(09-25-2020)

**Claims Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the PSP claims coordinator duties include but are not limited to the following:
  - a. Confirm the selected claim received is for the correct PSP area.
  - b. Verify the selected claim is accompanied by a correct Form 3210, Document Transmittal. If the Form 3210 is incorrect inform the PSP section chief and contact the originator. If the Form 3210 is correct it should be signed and mailed to the originator and a copy should be kept on file in PSP.
  - c. The claim should be checked for any Form 895, Notice of Statute Expiration, statute issues. Form 895 statute issues require priority processing.
  - d. Check the claim to verify it is timely filed.
  - e. Identify type of request (claim for refund, abatement request, protective claim, taxable amended) and whether the request has already been acted on.

**Reminder:** Claims for Refund in excess of \$2 million (\$5 million for C corporations) must follow Joint Committee procedures. See IRM 4.1.1.6.13 for joint committee procedures.

- f. Determine if the claim has been previously disallowed by the campus (Letter 105C, Claim Disallowed, or Letter 106C, Claim Partially Disallowed), or the area. Examiners do not typically reconsider disallowed claims for refund; however, unless the claim was closed with "finality" (e.g. closing agreement, Form 870-AD, Offer to Waive Restrictions on Assess-



- ment and Collection of Tax Deficiency and to Accept Overassessment, court order) the claim disallowance can be reconsidered, but only if time remains on the 2 year period of limitations for filing a refund suit started by the issuance of the claim disallowance letter or signing of Form 2297, Waiver of Statutory Notice of Claim Disallowance. See IRM 25.6.1.10.2.5.5, Reconsideration of a Disallowed Claim, as well as IRM 25.6.23.3, Returns Subject to Statute Control for more information.
- g. Forward valid protective claims to Technical Services and update status code, source code, and project code (if necessary). See IRM 21.5.3.4.7.3, Protective Claims, for campus and IRM 4.8.2.11, Suspense Cases, for Technical Services, and IRM 4.19.16, Claims, for more information.
  - h. Source codes and employee group codes (EGC) should be updated correctly for each PSP area and the status code should reflect the current and correct status of the selected claim.
  - i. Ensure all needed documentation is attached with the claim case. The file must include the amended return and a classification sheet. Other information that may be included is the RTVUE, TRDBV, or MeF.
  - j. Form 9984, Examining Officer's Activity Record, should be attached in each claim case file and annotated with case actions.
  - k. Confirm the claim amount shown on AIMS is correct by comparing the amended return to the amount on AIMS; update if necessary.
  - l. Verify the statute dates and check any cases with alpha statutes to verify the codes are applied correctly. Update any statute issues and notate them on the examining officers activity record, Form 9984.
  - m. Verify the correct grade of case and determine if the case should be worked by a RA or a TCO.
  - n. Use AMDISA and/or INOLES to determine the correct POD and group related to the taxpayer's address.
  - o. Determine if the case should be surveyed. If a survey is warranted for the claim, notate the reasoning for the survey on Form 1900, Income Tax Survey After Assignment.
  - p. Prepare the claim case for examination. On the Form 3210, Transmittal Document, list the POD, EGC, the POD group manager's name and any comments related to the case.
  - q. Mail or send in electronic format the completed claim case file to the correct POD and group identified during the claim preparation work following local procedures.
  - r. Return rejected, improper or incomplete claims back to the campus that forwarded the claim to the area. Be sure to indicate why the claim is being returned. If it is a paid claim with no audit potential close the case using disposal code 33.

4.1.1.6.6  
(10-25-2017)  
**Compliance Initiative  
Projects (CIP)**

- (1) Compliance Initiative Project (CIP) procedures ensure conformity with IRS policies and procedures regarding privacy, security and disclosure. See IRM 10.5.1, Privacy and Information Protection, Privacy Policy for more information. CIPs are characterized by the use of internal or external data to identify, quantify, evaluate, and correct areas of noncompliance. They usually involve a study or other analysis of a group of individuals or businesses such as those within an occupation, industry, geographic area or specific economic activity or event.

- (2) CIP procedures do not apply to routine business operations. Refer to IRM 4.17.1.3, Activities Not Subject to CIP Procedures, for a list of activities not subject to CIP procedures.

4.1.1.6.6.1  
(10-25-2017)

**Compliance Initiative  
Projects Coordinator**

- (1) For a complete list of duties see IRM 4.17.2.2, CIP Coordinator. Following are a few of the CIP coordinator duties:
- a. Provide guidance, assistance, oversight, and monitoring for all CIP activity within the area to ensure actions are completed timely, procedures are followed, and objectives are met.
  - b. Review CIPs for content and ensure all appropriate individuals have approved or concurred with the CIP.
  - c. Ensure data used to develop the project is clearly identified, available, and evaluated for accuracy.
  - d. Prepare CIP authorization requests, status reports, and termination reports to ensure requirements are met.
  - e. Request and assign project and tracking codes for monitoring purposes.
  - f. Ensure any data that was obtained throughout the course of the CIP is disposed of according to retentions standards or returned to the originator, if applicable.
  - g. Maintain records of tax enforcement results (ROTERRs) for each project and make them available for status reports, termination reports, and special reports when necessary.
  - h. When required or appropriate, coordinate workload identification and delivery with the SB/SE Headquarters CIP analyst.

4.1.1.6.7  
(10-25-2017)

**Employee Audits**

- (1) Employee audits require expeditious handling at all levels to ensure prompt completion of the examinations.
- (2) Employee audits are usually generated through eight different sources. This section identifies procedures and reporting requirements for the area PSP staff for each of these different sources of employee examinations.
- (3) The examination of an employee's tax return is usually initiated by one of the following eight different sources or events:
- a. New employee examinations.
  - b. Current employees who have not previously held an auditable position and who are newly hired into an auditable position.
  - c. Regularly classified employee examinations (returns classified under regular circumstances, such as DIF or NRP, but happen to be an employee.)
  - d. Executive selections.
  - e. Treasury mandated audits (TIGTA referrals.)
  - f. Criminal Investigation (CI) pre-hire examinations.
  - g. Transfers from the campuses (including non-filers referred from collection via \*SB/SE IRS Employee Nonfiler Referral.)
  - h. Special projects to address identified employee compliance problems.
- (4) All requests (other than regularly classified inventory) for an employee examination will be transmitted to the Director, Examination Case Selection (ECS) or their designee for assignment to the appropriate PSP office.



- (5) The area PSP TM (or designee) will determine if an examination of a manager's return can be conducted impartially and objectively within the area, or if the tax return should be transferred to another area.
- (6) The tax return examination of an executive or senior manager will be forwarded to the Director, ECS or their designee for transfer to an area office outside of the employee's assigned area.
- (7) All other employee tax return examinations will be assigned by the employee tax compliance coordinator (ETC) to an exam group in a post-of-duty (POD) other than where the employee works whenever possible.
- (8) On a quarterly basis the Director, ECS (or designee), will forward a monitoring report to the area PSP ETC coordinator, section chief and territory manager to be completed and returned within 14 days.

4.1.1.6.7.1  
(09-25-2020)  
**Employee Returns  
Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the employee returns coordinator duties include but are not limited to the following
  - a. Receive returns from the Campus or the headquarters senior program analyst for employee audits, review, and place in confidential envelope.
  - b. Verify the statute.
  - c. Classify the return. See IRM 4.1.1.6.7.2, Employee Audit Classification for details.
  - d. Determine if the employee is a manager or executive and route accordingly. IRM 4.1.1.6.7, Employee Audits.
  - e. Use Form 3210, Document Transmittal, to transfer the return to the group's employee group code (EGC).
  - f. Follow IRM 10.5.1.6.7.3, Shipping .
  - g. Confirm source of return (TIGTA, DIF, NRP, etc.)
  - h. Request IDRS security clearance for individuals handling employee returns.
  - i. Assign return to a POD other than where employee works when possible.

4.1.1.6.7.2  
(09-25-2020)  
**Employee Audit  
Classification**

- (1) The impartial and independent character of examinations of IRS employees and officials must be ensured. All employee tax returns should be screened by PSP personnel prior to assignment to an exam group.
- (2) If an employee return is identified during the classification of DIF or Non-DIF workload, follow normal classification procedures. If the employee return does not meet the selection criteria, it may be accepted as filed.
- (3) To ensure impartiality and independence, the classification of employee returns will generally not be performed by subordinates, associates, or co-workers in the same POD as that of the effected employee. See IRM 1.2.1.5.7, Policy Statement 4-9, Highest Integrity Expected.
- (4) If independence of the classification process is in question, the return will be forwarded to the area PSP office geographically closest to the employee's area where independence is not in question for classification.

- (5) Normal classification criteria will be used in screening employee returns. The scope of the examination will not be expanded/contracted merely because the case has been identified as an employee.
- (6) To assist classifiers in identifying employee returns prior to screening, an indicator will be placed on the Form 5546, Examination Return Charge Out Sheet. If the return is known to be or determined to be an employee return and the indicator is not present, write the word "employee" in the information section of the Form 5546. For compliance data environment (CDE) returns, "Employee Return" is at the top of the return when printed or viewed.
- (7) Once an employee return has been selected for examination, on manually classified returns the pre-contact analysis box of Box B on the Form 6754, Examination Classification Checksheet, should be checked.
- (8) For manual classification the employee return and all other related information will be placed in an orange folder. The case file will be stored in a secure file or in virtual inventory if classified through CDE. When the CDE return is delivered it also must be placed in an orange folder.
- (9) For regularly classified employee audits, when the return order has reached the DIF score level of the employee return, the return will be transmitted to the area PSP office in a security envelope. Please refer to IRM 10.5.1.6.7.3, Shipping, for information on proper data protection when shipping personally identifiable information. Regularly classified employee audits should retain its original source code. Source Code 46 is only used when a request is made for an employee audit.

4.1.1.6.7.3  
(09-25-2020)  
**Employee Audit  
Procedures**

- (1) All **requests** for an employee examination, will be routed through the Director, Examination Case Selection (ECS) or their designee for assignment to the area PSP office.
- (2) The PSP coordinator will take the following actions upon receipt of a request.
  - a. Request the tax returns for the open year(s) identified in the employee audit request, case build the file, and classify the returns.
  - b. Request transcripts of account history for the open years.
  - c. Forward the case file to a POD close to the employee's POD. Do **not** send the case file to the employee's POD, whenever possible.

**Note:** Follow IRM 4.1.1.6.7, Employee Audits, regarding assignment of cases.

In situations where new hire audits are required and the closest POD is too far, the case may be worked in the POD where the employee is located. If conducive, the audit may even be performed as a correspondence audit. The area needs to exercise caution in assignment of these cases to protect confidentiality and ensure that no conflict of interest exists.

- d. Examinations may be started using the employee's copy of his or her tax return, a TRDBV print, a MeF print, and/or a CDE facsimile of the return(s).
  - e. Employee tax cases will be kept in orange folders at all times.
- (3) The following codes apply to employee audits:

- a. Source code 46 is used only when an audit request is made specifically because the taxpayer is an employee.
- b. Project code 0206 will be used for executive selection audits.
- c. Project code 0207 will be used for TIGTA referrals (Treasury mandates.)
- d. Project code 0389 will be used for new employee audits.
- e. Project code 0913 will be used for employee audits-transfers from campus.
- f. Project code 1030 will be used for CI pre-hire audits.
- g. Tracking code 7569 may be used to track an employee examination that originated in a source code other than Source Code 46. An example of other possible source codes are DIF, Compliance Initiative Project (CIP), NRP, etc.
- h. Employee indicator of "E" is automatically populated on AIMS.

**Reminder:** Only in unusual circumstances should a case be returned to PSP.

- (4) All employee tax cases are subject to mandatory review by Baltimore Technical Services. Cases should be closed directly to Baltimore Technical Services from the group. Baltimore Technical Services will forward the case to centralized case processing in the Memphis Campus.
- (5) If an employee audit has been in any status for more than 90 days, the coordinator will provide an explanation for the delay. For example, if an employee audit has been in Status 12 for more than 90 days the coordinator will contact the assigned group manager and ask for a case status. This information will be recorded in the quarterly report in the status summary field.

4.1.1.6.7.4  
(09-25-2020)  
**Employee Audit  
Requests From TIGTA**

- (1) The Director, ECS (or designee) will receive memorandums from the Treasury Inspector General for Tax Administration (TIGTA) that request the audit of an employee based upon the investigation of a possible understatement of tax liability. Generally, any TIGTA request received where the statute of any requested audit year will expire in less than twelve months will not be examined.
- (2) The Director, ECS (or designee) will review the TIGTA audit request to determine the statute of limitations and the merits of the referral.
- (3) For those TIGTA audit requests with more than twelve months on the statute, the Field Case Selection (FCS) program manager (or designee) will forward the TIGTA memorandum, using Form 3210, Document Transmittal, to the appropriate area PSP employee audit coordinator for case building and assignment.
- (4) Any TIGTA initiated employee examination received by PSP will be assigned to an exam group and cannot be surveyed.
- (5) Upon receipt of the TIGTA memorandum, the employee audit coordinator will perform the following steps:
  - a. Acknowledge the Form 3210, Document Transmittal, and return the proper copy to the initiator.
  - b. Establish the return on the Examination Returns Control System (ERCS)/AIMS, using Form 5345-B, Examination Request Non-ERCS Users or Form 5345-D, Examination Request-ERCS (Examination Returns Control System) Users, and Source Code 46. In order to expedite the employee

examination, the case file may be sent to the group with a CDE return. The coordinator will forward the original return to the assigned group once received.

- c. If the employee filed a return, build the employee examination case file to include, the CDE facsimile, TRDBV, MeF, or the original return, an AMDISA print, IRPTRO for the employee and any related returns, and an IMFOLT. For a job aid to the most common IDRS command codes visit <http://serp.enterprise.irs.gov/job-aids/command-code/command-code.html>
- d. If the employee did not file a return, build a case file with the TIGTA memorandum and the IRPTRO and IMFOLT information for the current and two prior years. The assigned exam group will interview the employee to determine if a return was required to be filed. The group will follow delinquent return procedures, if necessary, and complete the examination accordingly.
- e. Send the case file in a confidential information envelope (in order to maintain privacy) addressed specifically to the group manager of the group assigned the audit using Form 3210, Document Transmittal. Please refer to IRM 10.5.1.6.7.3, Shipping, for information on proper data protection when shipping personally identifiable information.

4.1.1.6.7.5  
(10-25-2017)  
**Audit Requests From  
Executive Services**

- (1) Requests for executive audits are received by the Director, ECS (or designee). ECS will determine where the executive audit will be assigned. The PSP employee audit coordinator will follow all of the procedures outlined above for employee audits.
- (2) The request for executive audit will be forwarded to the area PSP office for assignment. Any executive services initiated employee examination received by the PSP office will be assigned to an exam group and cannot be surveyed.

4.1.1.6.7.6  
(10-25-2017)  
**New Employee Audits**

- (1) The area PSP TM (or designee) will receive an electronic spreadsheet for new employee examinations from the Director, ECS (or designee).
- (2) New employee examinations will be classified in PSP and may be accepted as filed in limited instances (Disposal Code 20). When an employee's return is accepted as filed, the coordinator will complete a Form 1900, Income Tax Survey After Assignment, to include in the file. The Form 1900 must clearly indicate the reasons for accepting the return.
  - a. After establishing the return on AIMS and completing case building and IDRS research, the PSP coordinator may determine that all items reported on the tax return are verified, there is no apparent unreported income, or there would be only de minimis adjustments based on unreported IRP information. As such, the coordinator may accept the return as filed (Disposal Code 20).
  - b. The decision to accept the return as filed is also subject to mandatory review per IRM 4.8.4, Mandatory Review. The file should be sent directly to Baltimore Technical Services for concurrence.

4.1.1.6.8  
(10-25-2017)  
**Fed-State Program**

- (1) Pursuant to IRC 6103(d), IRS and state tax agencies exchange tax information to aid the tax administration and enforcement processes, which simultaneously contributes to improved voluntary taxpayer compliance and reduces taxpayer burden. The Governmental Liaison Data Exchange Program (GLDEP) administers much of the data exchange activities between the IRS and state tax

agencies through extracts. Extracts are provided electronically via the IRS Secure Data Transfer (SDT) program. Find additional information regarding these extracts in IRM 11.4.2, Governmental Liaison Data Exchange Program (GLDEP).

- (2) The audit reports are sent to the IRS through the Secured Data Transfer (SDT) system electronically by each participating state, except for a couple of states that send hardcopy audit reports. All hardcopy reports are mailed to the Brookhaven Campus where they are scanned for electronic delivery. The audit report files are filtered by a Headquarters Campus Case Selection analyst and delivered electronically to the State Audit Report Program (SARP) shared drive. PSP coordinators go into the SARP shared drive and classify the cases electronically. The coordinator completes a classification spreadsheet indicating the selected and non-selected cases. Non-selected cases will be marked with a reason for non-selection. The selected cases will be case built, established on AIMS and sent out to RA or TCO groups with return orders. Case built selected cases include a classification checksheet, state audit report or SARP checksheet and a SARP white paper if appropriate, and IDRS prints.
- (3) Federal/state initiatives based on data covered by the fed/state agreement signed by the area director do not require a compliance initiative project (CIP). If PSP requests data from a state or other government agency, for example luxury automobile data; this request is considered “ad hoc” and a CIP is required in order to secure the data. See IRM 4.17.4, Compliance Initiative Projects, Procedures, for CIP requirements.

4.1.1.6.8.1  
(10-25-2017)  
**Fed-State Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the fed-state coordinator duties include but are not limited to the following:
  - a. Provide guidance, assistance, oversight, and monitoring for all Fed-State program activity within the area including: State Reverse File Match Initiative (SRFMI), State Audit Report Program (SARP), and referrals from state or other federal agencies.
  - b. At least monthly, the coordinator must access the SARP shared drive and classify the area cases electronically. The coordinator must complete a classification spreadsheet marking each tax period as selected or non-selected. Notify the HQ analyst when the classification has been completed or email the completed spreadsheet to the analyst. All non-selected cases must be marked with non-selection reason codes. See Exhibit 4.1.1-2, Non-Select Reason Codes for SARP Inventory for the legend.
  - c. Review returns for assignment to the groups. Verify the appropriate source codes, project codes and tracking codes. See <http://mysbse.web.irs.gov/exam/mis/data/default.aspx> for a list of current project codes and tracking codes.
  - d. Verify all case building items in the case file including: return (original, MeF, TRPRT or RTVUE), IDRS (note any other open returns or freeze codes), classification check sheet, SARP checksheet and/or report, State Audit Report case white paper, if applicable, any program guidance or other applicable memos.
  - e. Participate in campus coordinated SARP classification details as requested.
  - f. Submit disclosure office requests, as appropriate, using Form 8796, Request for Return/Information (Federal/State Tax Exchange Program), and route through the local Disclosure Office. Advise examiners to request a

copy of the state tax return when a case is closing unagreed. If examiner needs any additional state audit report data, use Form 8796, and route through Disclosure.

4.1.1.6.9  
(10-25-2017)  
**Identity Theft**

- (1) PSP may receive referrals on various forms requesting SB/SE exam to resolve an identity theft issue. If the referral is incomplete or inaccurate, it should be returned to the sender with an explanation that no actions will be taken by SB/SE exam.
- (2) The PSP coordinator should research IDRS to confirm identity of the taxpayer and current status of the identity theft issue. Coordinator's research should include a review of ENMOD and/or IMFOLE. Refer to IRM 25.23.2, Identity Protection and Victim Assistance - General Case Processing, or IRM 4.10.27, Identity Theft Case Processing for Field Examiners, for additional guidance on how to conduct and interpret identity theft research.
- (3) The PSP coordinator will receive referrals from the Identity Protection Specialized Unit (IPSU) via the following forms:
  - a. Form 14027-B, Identity Theft Case Referral
  - b. Form 14103, Identity Theft Assistance Request (ITAR)
  - c. Form 14566, BMF Identity Theft Referral
- (4) PSP Identity Theft Coordinators may be able to resolve a referral without assignment to an examination group if no taxpayer contact is required based on internal research and other documentation within the case file.

4.1.1.6.9.1  
(10-25-2017)  
**Form 14027-B, Identity Theft Case Referral**

- (1) The PSP identity theft coordinator may receive Form 14027-B, Identity Theft Case Referral, from IPSU for assignment to the field on either an open or closed case. Follow the guidance below:

IF Form 14027-B	THEN
An open audit for the year of the ID Theft (below status 90):	<ol style="list-style-type: none"> <li>1. Complete Box 1 of Section V and forwards Form 14027-B, Identity Theft Case Referral, and any supporting documentation to the group with the open controls via Form 3210, Document Transmittal.</li> <li>2. Establish MFT <b>AD</b>. See IRM 4.1.1.6.9.4, Identity Theft Coordinator for specific instructions.</li> </ol>



IF Form 14027-B	THEN
If the controls are in Status 90 for the year of the ID Theft	<ol style="list-style-type: none"> <li>1. Re-establish the controls on AIMS, if warranted. Consider statute protection.</li> <li>2. Secure the administrative file and the report generating software (RGS).</li> <li>3. If the administrative file is not received within 30 calendar days, the PSP identity theft coordinator should send a follow-up e-mail.</li> <li>4. Establish MFT <b>AD</b>. See IRM 4.1.1.6.9.4, Identity Theft Coordinator</li> <li>5. Upon receiving the administrative file, the PSP coordinator will place the referral (i.e. Form 14027-B), substantiation documentation (if received by IRS), and any other documents that were included with the referral, into the administrative case file and forward it to the group via Form 3210.</li> </ol>
If the controls are no longer established on AIMS for the year of the ID Theft	<ol style="list-style-type: none"> <li>1. Secure the administrative file and the report generating software (RGS) via secure e-mail to the Brookhaven Compliance Services-Correspondence Exam Reconsideration Team who will also secure the identity thief's return (the return filed in the name and TIN of the identity thief's victim without the victim's authorization), establish the identity theft impacted tax periods on AIMS, and provide other documents as needed (e.g. TC 150, TC 290, etc.)</li> <li>2. If the administrative file is not received within 30 calendar days, the PSP identity theft coordinator should send a follow-up e-mail.</li> <li>3. Conduct IDRS research to determine the impact. If identity theft can be determined from internal research, PSP can complete Form 4442. Inquiry Referral, and send it to the Designated Identity Theft Adjustment (DITA) Unit and request they make the necessary adjustments, refer to IRM 4.10.27, Identity Theft Case Processing for Field Examiners. PSP will be responsible for returning Form 14027-B to IPSU, as directed above.</li> <li>4. If PSP does not make the corrections, then send the administrative case file ((i.e. Form 14027-B with Box 1 of Section V completed, substantiation documentation (if received by IRS), and any other documents that were included with the referral), to the assigned group via Form 3210.</li> </ol>



4.1.1.6.9.2  
(10-25-2017)  
**Form 14103, Identity Theft Assistance Request (ITAR)**

- (1) The PSP coordinator may receive Form 14103, Identity Theft Assistance Referrals (ITAR), from the IPSU. Follow the guidance below:
  - a. Acknowledge receipt of Form 14103 by completing Section V Boxes 1, 2, and 3 **within 5 business days** via secure email (preferable) to the IPSU employee in Section II Box 1 or the fax number provided in Section II, Box 3 of Form 14103. The e-mail or fax cover sheet should indicate briefly that the case has been received and will be assigned to group XXXX [also indicate employee XXX if known].
  - b. Establish MFT **AD**. See IRM 4.1.1.6.9.4, Identity Theft Coordinator.
  - c. The PSP coordinator should receive an acknowledge receipt of the Form 14103 within 3 business days via secure email from the group.
  - d. The group will address the issues and action with IPSU.
  - e. If there is no open audit or status is in 90 or no longer on AIMS for the year referenced on Form 14103, refer to IRM 4.1.1.6.9.1, Form 14027-B, Identity Theft Case Referral for cases with no controls.

4.1.1.6.9.3  
(09-25-2020)  
**Form 14566, BMF Identity Theft Referral**

- (1) A BMF identity theft referral may be sent from the *BMF ID Theft Liaison* to the area PSP identity theft coordinator. All referrals must be sent through the referring function's liaison prior to being sent to another function. The referrals will be sent via secure e-mail to the appropriate liaison.
- (2) The PSP identity theft coordinator will take the following actions upon receipt of Form 14566:
  - a. Review BMF ID theft referral to ensure all required research has been completed and documented. If the initial research is incomplete or the case does not belong in area, contact the SB/SE field exam *BMF ID Theft Liaison* within three business days of receipt.
  - b. Acknowledge receipt of the referral within three business days and assign to the appropriate group for resolution. If the referral is for assistance, the PSP coordinator will have 30 days to respond to the assistance request. If more time is required, provide the expected time frame to the SB/SE field exam *BMF ID Theft Liaison* for the response.
  - c. The case will remain open in the referring function until notification is received from the accepting function. If the referral is for assistance, the control will remain open in the referring function until the case is resolved.
- (3) The PSP identity theft coordinator will take the following actions if referring a BMF case to another function:
  - a. Review Form 14566 referral to ensure all research has been completed, the case is open and controlled, and the case is documented with the required information.
  - b. Return referral to the group within three business days if the referral is incorrect or incomplete.
  - c. Monitor case for acknowledgement of receipt by the SB/SE field exam *BMF ID Theft Liaison*. If acknowledgement is not received within three business days, send a follow up e-mail to request the status of the determination. Send a follow up e-mail if a response to the assistance referral is not received within 30 days. Return the referral to the group within three business days when the requested assistance has been provided, the case is accepted or the referral is rejected.

4.1.1.6.9.4  
(10-25-2017)  
**Identity Theft  
Coordinator**

- (4) See IRM 25.23.9, BMF Identity Theft Processing, for additional information on BMF identity theft cases.
- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the identity theft coordinator duties include but are not limited to the following:
- Serve as a resource person and a liaison between the field, PSP, Identity Protection Specialized Unit (IPSU), and headquarters analysts.
  - Review all incoming referrals for appropriate routing.
  - Track incoming IMF and BMF referrals in the PSP Program Control database. See IRM 4.1.1.5.5, PSP Program Control Database, for more information.
  - Establish controls on income tax and identity theft modules as warranted.
  - Complete case building and delivery of Identity Theft inventory to the field, as necessary.
  - Monitor inventory (in status 08 or below) for identity theft indicators and ensure appropriate actions are taken.
- (2) Coordinators must establish a separate ERCS control (MFT “AD”) by submitting Form 5345-D, Examination Request-ERCS Users, when the referral is received.
- TIN - Use the primary taxpayer’s TIN. The primary taxpayer’s TIN is used for the MFT **AD** record even if the victim is the secondary taxpayer’s TIN on a return filed jointly.
  - Tax period - Use the tax period impacted by identity theft. Create a separate record for each year.
  - MFT - Use **AD**.
  - Activity Code - Use 557. The second segment of the activity code will be set by ERCS to “000.”
  - Source Code - Use 99.
  - Status Code - Use 10.
  - Aging Reason Code - Use 014 (for each impacted open tax year and the related MFT **AD** record.)

Refer to Chapter 3, section titled “Control of Non-AIMS DET Item” of the *ERCS Group Handbook*, for establishing the ERCS identity theft control record.

- (3) The PSP coordinator should perform monthly monitoring of the identity theft inventory including, but not limited to:
- Reports for 97X transactions, on status 06 through status 08 inventory.
  - Reports for 5xx tracking indicators for status 06 through status 08 inventory.
  - Reports for monitoring inventory for aging reason code 014 or 095.
  - Reports for monitoring MFT AD inventory.

4.1.1.6.10  
(10-25-2017)  
**Inadequate Records  
Notice**

- (1) The PSP TM (or designee) should select for examination all returns with Form 5346, Examination Information Report, attached, indicating the taxpayer did not maintain adequate records of business expenses, unless they lack significant examination potential.
- (2) An Inadequate Records Notice (IRN) coordinator should be established in each area PSP office to monitor the follow-up investigations.

- (3) Returns that are surveyed must have a Form 1900, Income Tax Survey After Assignment, completed and attached to the return.

4.1.1.6.10.1  
(10-25-2017)  
**Inadequate Records  
Notice Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1 Program Coordinator Duties, the inadequate records notice coordinator duties include but are not limited to the following:
- Receive and review Form 5346, Examination Information Report.
  - Input Form 5346 data fields needed to identify the taxpayer into the PSP Program Control database under the program, Inadequate Records Notice. See IRM 4.1.1.5.5, PSP Program Control Database, for more information.
  - Forward a copy of the Form 5346 and Letter 978, Notice of Inadequate Records, or Letter 979, Inadequate Record Notice, to the campus.
  - Order administrative files and returns as needed.
  - Conduct follow-ups regarding response due from taxpayer.
  - Review taxpayer returns to determine if case should be assigned to the field and record selection or non-selection in the PSP Program Control database.
  - Update to group SBC and EGC and send for follow-up examination via Form 3210, Document Transmittal.

4.1.1.6.11  
(09-25-2020)  
**Information Referrals**

- (1) Information reports and referrals are sent to PSP offices by examiners, other business units, and the public. These leads may include information related to returns for tax years not yet required to be filed, also known as intercept files. The referrals may be received by email, a letter from the taxpayer, or on the following forms:
- Form 3449, Referral Report
  - Form 3949, Information Report Referral
  - Form 3949-A, Information Referral
  - Form 4442, Inquiry Referral
  - Form 5346, Examination Information Report
  - Form 5666, TE/GE Referral Information Report
  - Form 14426, Return Preparer Office (RPO) Referral
- (2) The referrals will be screened in PSP office using the procedures and applying the **substantial noncompliance factors (SNIFF)** criteria in IRM 4.1.1.6.21(2). Referrals are also called leads for examination.
- If the referral is received in the Brookhaven or Fresno Campus first, the referral will be screened for potential Field Exam level workload.
  - Fresno campus will forward referrals meeting Field Exam level directly to each Area PSP without AIMS controls.
  - The leads will be screened, case built, and classified in the PSP office and will be considered for SEP group inventory first prior to filling general program group inventory orders.
  - Brookhaven will put the selected referrals on AIMS and send to the appropriate area PSP coordinator.
  - The PSP coordinator will classify and if non-selected, they will need to close the AIMS case as a survey.
  - The coordinator will forward to the SEP/Fraud Coordinator if the referral should be considered for SEP/Fraud level inventory.

- (3) PSP staff must ensure AIMS/ERCS controls have been perfected and the appropriate project code is applied to the case prior to assignment to the field.
- (4) For SEP leads on Form 5346 see IRM 4.1.1.6.21.1, Special Enforcement Program (SEP) Coordinator, for lead processing information.
- (5) Information referrals involving one or more specialty taxes (employment, excise, estate, and gift tax) will be sent to the Cincinnati Campus.
- (6) All approved Form 5346, Examination Information Reports, relating to LB&IIC returns should be referred to LB&I PAIR at the Ogden campus.
- (7) An approved Form 5346 that relates to a non-LB&I taxpayer will be mailed to the appropriate business unit (W&I or TEGE).

4.1.1.6.11.1  
(10-25-2017)  
**Information Referrals  
Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the information referrals coordinator duties include but are not limited to the following:
  - a. Input referral data fields from the various forms or taxpayer letter into the PSP Program Control database.
  - b. Review referral for examination potential.
  - c. Research information referrals (using ERCS/AIMS/IDRS/locator services, etc.)
  - d. File non-selected referrals in a cabinet for the 26 month retention period and then destroy per instructions in Document 12990, Records and Information Management Records Control Schedules, RCS 23 item number 66.
  - e. Receive case built referrals from the Brookhaven Campus and classify the referral.
  - f. Mail or send in electronic format selected referrals to an EGC using Form 3210, Document Transmittal, or place inventory in PSP inventory for assignment by the PSP SPIGOT/Returns Coordinator.

4.1.1.6.11.2  
(09-25-2020)  
**Collection  
Referrals-Form 3031,  
Report of Investigation  
of Transferee Liability**

- (1) The PSP territory manager (or designee) should review for completeness all Form 3031, Report of Investigation of Transferee Liability, referred to exam within 30 days after receipt.
- (2) An INOLE should be obtained to determine the taxpayer's most current address.
- (3) An AMDIS should be secured to determine if there is an open year in Status 10 or 12 in a group. If there is, Form 3031, Report of Investigation of Transferee Liability, should be sent to that group along with a Form 3210, Document Transmittal.
- (4) If there is no open year in Status 10 or 12, the PSP territory manager or designee should requisition the return(s) on ERCS, associate the return(s) with Form 3031 and establish the case on AIMS non-master file and assign to field exam for verification of assets transferred and case write-up. Form 3210, Document Transmittal, will be used to forward the return(s).
- (5) See IRM 4.10.13.3, Transferor-Transferee Liability, for understanding of this issue. For detailed instructions see IRM 4.10.13.3.1.1, Referral From Collection Function.

4.1.1.6.11.3  
(10-25-2017)

**Employment Tax Leads**

- (1) Employment tax has established a centralized workload selection and delivery system at the Cincinnati Campus.
- (2) Employment tax leads or workload received by the PSP office will be forwarded to Cincinnati using a Form 3210, Document Transmittal, via email to *sbse.et.wsd.referral@irs.gov* or mailed to the following address:  
  
SB/SE Employment Tax Policy Analyst  
201 W Rivercenter Blvd  
Stop 5702A/Employment Tax  
Covington, KY 41011
- (3) Please refer to IRM 4.23.3.3.6, Employment Tax Leads, for classification, selection and assignment of employment tax cases.

4.1.1.6.11.4  
(10-25-2017)

**Form 8300 and Title 31  
Program Leads**

- (1) Information referrals are generated from the Bank Secrecy Act (BSA) program about the financial transactions of businesses and individuals that may have material compliance potential. These information leads are forwarded on Form 5346, Examination Information Report, or Form 3949, Information Report Referral.
- (2) All leads are forwarded to the designated BSA staff. BSA staff screens the leads using the SNiF criteria (IRM 4.1.1.6.21(2), Special Enforcement Program (SEP)) and forwards the SB/SE income tax leads to the Brookhaven Campus for case building and distribution to the area PSP offices for classification and assignment of selected referrals to field groups.

4.1.1.6.12  
(10-25-2017)

**Innocent Spouse**

- (1) Under IRC 6015, a spouse may be relieved of income tax liability in some cases when he or she files a joint return but is not aware the return is inaccurate as to items generated by the other spouse. In these cases, "relief from joint and several liability" provisions are applied.
- (2) Taxpayers file the claim using Form 8857, Request for Innocent Spouse Relief.
- (3) Refer to IRM 25.15, Relief From Joint and Several Liability, for detailed procedures.
- (4) Innocent Spouse cases meeting the criteria listed in IRM 25.15.6, Field Examination Procedures, with open field exam controls are transferred to PSP for distribution to the field.

4.1.1.6.12.1  
(10-25-2017)

**Innocent Spouse  
Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the innocent spouse coordinator duties include but are not limited to the following:
  - a. Review Form 8857, Request For Innocent Spouse Relief. Review statutes for correctness, order missing returns, and determine if there is a balance due.
  - b. Conduct initial review of all incoming cases to determine if the case meets innocent spouse criteria and contains all required documents.
  - c. Ensure AIMS controls are on all years meeting innocent spouse criteria. If needed, request cases in status 90, 81, or 82 to be reopened.
  - d. Update status code and project code if necessary. The source code is **NEVER** to be updated. The case should retain the original source code.
  - e. Add national freeze code 12, Innocent Spouse to all returns.

- f. Update to group AAC and send for examination via Form 3210, Document Transmittal.
- g. Update stage coding on Innocent Spouse Tracking System (ISTS). See IRM 25.15.14.4, Processing Stages, for the staging codes.
- h. Complete Inventory Validation Listing (IVL) for ISTS every quarter. See IRM 25.15.14.5, Validating the Inventory Validation Listing (IVL) - Area Offices.
- i. Coordinate with CCP, OIC, Bankruptcy, AIMS, ERCS, Technical Services, Appeals, and other coordinators as necessary.
- j. Answer technical questions regarding innocent spouse from internal customers.
- k. Respond to congressional correspondence and TAS correspondence.
- l. Monitor inventory status, project accomplishments, and identify additional resources needed, if any, to accomplish programs.

4.1.1.6.13  
(09-25-2020)

**Joint Committee Cases**

- (1) A Joint Committee case can arise either from an examination or the campus forwarding to the area PSP office unpaid claims or tentative allowances in excess of the jurisdictional amount. The examiner is responsible for determining whether a case falls under Joint Committee jurisdiction. The examiner can either examine or survey the claim or tentative allowance.
- (2) Joint Committee tentative carryback allowances (in excess of \$5,000,000 for C Corps and in excess of \$2,000,000 for all others) to the same taxpayer will be selected and referred to area exam after the allowance has been made.
- (3) For cases meeting Joint Committee criteria, PSP must ensure all returns in the case file have project code 0077 on ERCS/AIMS.
- (4) Please refer to IRM 4.36, Joint Committee Procedures, for detailed procedures and information. The LB&I Joint Committee website <https://irssource.web.irs.gov/LBI/Lists/KMNECPA/AllItems.aspx> is another excellent resource for up to date information on joint committee cases.
- (5) The area PSP office may need to enlist the cooperation of LB&I to examine returns related to a Joint Committee case in order to address the Joint Committee issues on an SB/SE taxpayer.

4.1.1.6.14  
(10-25-2017)

**National Research Program (NRP)**

- (1) The National Research Program (NRP) is a comprehensive effort by the IRS to measure compliance for different types of taxes and various sets of taxpayers. The NRP approach to measuring reporting compliance balances research quality, efficiency, and the reduction of taxpayer burden. It establishes a tax return sample that is representative of the taxpayer population. NRP uses case building data to determine if the return should be considered accurate as filed. The NRP cases are selected and distributed to the area PSP offices as directed by the NRP Headquarters office. See IRM 4.22, National Research Program (NRP), and the NRP website at <https://nrp.web.irs.gov/>.

4.1.1.6.14.1  
(09-25-2020)

**NRP Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the NRP coordinator duties include but are not limited to the following:
  - a. Coordinate with the area NRP Territory Manager on area issues affecting the program (return assignments, examiner training, communications with the groups, etc.).



- b. Communicate with various HQ NRP analysts on other issues affecting the program (receipt of returns, sensitive cases, issue advice, NRP Report Generation Software (RGS) directives, case closing problems, etc.).
- c. Coordinate the identification of classifiers for the area.
- d. Serve as classification reviewer at NRP classification sessions.
- e. Liaison with servicing Campus on the receipt of cases. Monitor and acknowledge receipt of classified NRP returns.
- f. Maintain the area spreadsheet containing the trained examiners with access to the NRP RGS file server.
- g. Update ERCS/AIMS and assign cases to groups with trained examiners; mail or send in electronic format using Form 3210, Document Transmittal.
- h. Verify cases are updated to the correct status codes on B3 on the NRP RGS file server.
- i. Request access to the NRP Case Tracking System (CTS) maintained at the Detroit Computing Center (DCC).
- j. Approve all return transfers in, out, or within the area.
- k. Locally approve and forward exclusion requests to the NRP office for final approval.
- l. Provide any NRP reports to area management if required.
- m. Meet with and participate on HQ/Area case review teams.
- n. Gather closed NRP returns to be reviewed during the HQ/area case reviews according to directions provided.
- o. Conduct closed case procedural reviews involving the group or examiner if necessary.
- p. Run the EOAD conversion program to extract the EOAD file for each NRP RGS data record. Transmit the EOAD file to DCC.
- q. Correct records that fail DCC consistency tests.
- r. Return cases to the groups that have incorrect or inconsistent EOAD or RGS data that cannot be corrected by the coordinator.
- s. Send perfected cases to Centralized Case Processing (CCP) or Technical Services for closure or further actions.
- t. Coordinate with CCP and Technical Services on return closures. Release freeze codes, as necessary to move cases through the review and closing processes.
- u. Monitor all HQ NRP reports and CTS for inconsistent data. Make all necessary corrections to NRP data for the area.

4.1.1.6.15  
(09-25-2020)

#### **Non-Filers (NF)**

(1) Non-Filer (NF) workload originates from various sources:

- Revenue Officer referrals also known as RO-SFR non-filers. These will come from either the Memphis Campus or the Brookhaven Campus depending on the source of income.
- Case Creation Non-Filer Identification Process (CCNIP) cases. These are cases pulled from the collection queue and will be case built at the Memphis Campus.
- Headquarters identified nonfiler projects.
- Locally identified non-filers. These are non-filers identified by area personnel. IRM 4.1.1.6.15.1, NF Leads, for how to process the non-filer lead.



4.1.1.6.15.1  
(10-25-2017)  
**NF Leads**

- (1) Any leads received in the area during the year meeting NF criteria may be forwarded to the Brookhaven Campus for filtering and case building.
- (2) See IRM 4.1.1.6.15.1.1, NF Lead Criteria, for NF screening criteria for leads sent to the area PSP.
- (3) The information reports and referrals sent to PSP offices also include non-filer leads received from various sources. The PSP coordinator will screen all non-filer leads to ensure they meet NF criteria. The NF criteria are designed to address the filing compliance of taxpayers with potential balance due of at

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sources of income may include IRP documents, or alleged information on an information report.

4.1.1.6.15.1.1  
(10-25-2017)  
**NF Lead Criteria**

least one source of non-employee compensation will be sent to the Brookhaven Campus for case building at the following address:

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Internal Revenue Service  
1040 Waverly Avenue  
P.O. Box 630  
Stop 634 Team 302  
Holtsville, NY 11742

- (2) NF cases built for examination for area offices will be classified, AIMS controls secured, and a substitute for return (SFR) posted. These cases will be forwarded to the area PSP offices for assignment to the exam groups.
- (3) If the lead does not meet the above NF criteria, the leads will be screened using the procedures and **substantial noncompliance factors (SNIFF)** criteria in IRM 4.1.1.6.21(2), Special Enforcement Program (SEP)
- (4) If the lead does not warrant further investigation, follow the records control schedule in Document 12990, Records and Information Management Records Control Schedules (RCS) 23, Item 66 a), Tax Administration - Examination, which says to retain information referrals for 26 months.
- (5) All non-filer cases referred by Collection will reflect Transaction Code (TC) 595. All non-filer disposal codes (DC) generate a TC 59X and closing code (see <https://organization.ds.irsnet.gov/sites/SBSEfeMySBSE/CaseControl/AIMS-ERCS/Disposal%20Codes.xls>) for a list of each DC and the 59X generated to determine why a case was closed.

4.1.1.6.15.2  
(10-25-2017)  
**NF Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1., Program Coordinator Duties, the NF coordinator duties include but are not limited to the following:
  - a. Review locally sourced non-filer leads. Leads with at least one year of
  - NF.
  - b. Review NF cases received from the Memphis and Brookhaven Campuses.

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- c. Perfect and correct inventory controls (AIMS/ERCS).
- d. Perfect case building.
- e. Review IDRS to confirm a SFR Transaction Code 150 has posted and the taxpayer has not filed a return.
- f. Request Correspondence Imaging System (CIS) print when necessary.
- g. Verify project, tracking, and source codes.

- (2) To enhance quality, examination techniques and procedural guidance may be enclosed in each NF case file. Please refer to IRM 4.12, Nonfiled Returns, for additional information.

4.1.1.6.16  
(10-25-2017)  
**Offer In Compromise  
(OIC)**

- (1) Offers In Compromise (OIC) based solely on doubt as to liability (DATL), are filed with Brookhaven Campus on Form 656-L, Offer in Compromise (Doubt as to Liability).
- (2) Offers in compromise (OIC) based solely on doubt as to liability (DATL), are forwarded from the DATL unit in Brookhaven Campus to area examination for investigation. See IRM 5.19.24.6, Processability, for detailed information about requirements for OIC-DATL processability.
- (3) The statute of limitations on offers in compromise is 24 months from the date that IRS receives the offer. This date is known as the Tax Increase Prevention and Reconciliation Act (TIPRA) date.
- (4) OIC-DATL cases must be started as soon as possible due to the 24 month statute.
- (5) All offers in-compromise are mandatory review and must close through Technical Services. Technical Services must issue an offer closing letter prior to the expiration of the TIPRA statute.
  - a. Under IRC 7122(f), if an offer is not resolved prior to the TIPRA date (within 24 months of the IRS received date), it will be deemed accepted. This could result in substantial harm to the government. See IRM 5.8.8.12, 24-Month Mandatory Acceptance under IRC § 7122(f), IRM 5.8.8.7, Required Actions Prior to Closing OIC as an Acceptance, and IRM 5.8.8.9, Public Inspection File, for further information on OIC-DATL acceptance processing.
- (6) There are 3 possible resolutions to an offer in compromise case:
  - a. Withdrawal
  - b. Rejection
  - c. Acceptance
- (7) Acceptances will be **very** rare. Acceptances should only be considered when there is no ability to make a determination of correct tax, e.g. the taxpayer's records were destroyed and cannot be reconstructed. If an examiner reaches out to the coordinator for assistance with an offer acceptance, the coordinator should contact the HQ analyst for guidance. All potential offer acceptances must be reviewed by Collection Policy.
- (8) Generally, offers are either withdrawn or rejected. For withdrawals, the taxpayer and examiner agree to what the correct tax liability should be, and the examiner will request the taxpayer to provide a written withdrawal request. If the taxpayer and examiner do not agree on a corrected liability, the offer is

rejected. Technical Services issues a rejection letter that provides the taxpayer an opportunity to request an Appeals conference.

- (9) Offers are loaded on the Automated Offer in Compromise (AOIC) system - the case management system for both DATL and Doubt as to Collectibility (DATC) offers.
  - a. For both DATL and DATC offers, AOIC uploads information to IDRS which systemically posts transaction code (TC) 480 and a“-Y” freeze, to all offer years.
- (10) Taxpayers cannot file both offer types simultaneously.
- (11) Once IRS has accepted a DATC offer, the tax module is closed for the years covered by the offer, and no further assessments or abatements can be made. See Treas. Reg. section 301.7122-1(e)(5).

**Note:** A TC 780 on the module indicates an accepted DATC offer.

4.1.1.6.16.1  
(09-25-2020)  
**OIC Coordinator**

- (1) Every PSP OIC coordinator needs access to AOIC.
  - a. AOIC access is requested using *OL5081*
  - b. The PSP coordinator will monitor the area OIC-DATL inventory using AOIC.
  - c. The coordinator will update AOIC with case assignment information and case updates.
  - d. PSP coordinators should send reminders to the field examiners for OIC-DATL cases with less than 6 months remaining on the TIPRA statute.
  - e. AOIC is the official record-keeping system for OIC-DATL cases.

**Note:** The coordinator should look to AOIC for the offer statute date (previously referenced as the TIPRA date) rather than to the ASSED on AIMS.
  - f. The coordinator will send letters to taxpayer/POA for perfection of OIC or request additional documentation, as needed.
  - g. The coordinator should research IDRS for all tax periods identified on the OIC.
  - h. If the OIC DATL is based on an exam assessment (TC 300) the PSP coordinator will need to order the administrative file and establish the offer on AIMS. If the offer is on an original assessment, then this may not be applicable.

**Note:** Exam assessments made by a Campus PBC will not have an administrative file. The coordinator must retrieve the RGS files from Campus CEAS.
  - i. OIC cases will have project code 0264 and source code 73 and AIMS freeze code 08.

**Note:** The AIMS freeze code prevents the group from updating the case to a status code other than status 21. This assists in preventing these cases from bypassing Technical Services.
  - j. Determine statutes for assessment. See IRM 25.6.23.5.7.2.1, Offer in Compromise - Doubt as to Liability (OIC-DATL) Exam Statute Controls.

**Note:** OIC-DATL cases should contain a statute date that is two years from the IRS received date (generally, the earliest date stamped on Form 656-L) The statute should also carry an “R” as part of the statute date, e.g. (4-15-2015R) to assist in identifying the TIPRA statute.

- k. A printed copy, from the AOIC system, of the “Exam/Specialty Checklist” should be included in the case file prior to sending to the field. Technical Services will complete this form and return electronically to PSP after the case is reviewed.
- l. Review the AOIC “Remarks” section to determine if the TC 480 has been manually input. If so add that information to the case file (history sheet) so that Technical Services will have that information.

**Note:** Manual input of a TC 480 will require manual input of a TC 48X closing code at the conclusion of the examination.

- m. If the AOIC offer screen shows the taxpayer has made a good faith deposit with the DATL offer, a Form 3040, Authorization to Apply OIC Deposit to Liability, should be included in the case file. At the conclusion of the examination, examiners should ask the taxpayer whether the deposit should be applied or refunded. If deposit is to be applied, the taxpayer must complete and sign the Form 3040.
  - n. Please refer to IRM 4.18, Exam Offer-In-Compromise, for field exam guidance and procedures.
- (2) After Tech Services review is complete, OIC-DATL offers must be closed on AOIC by the PSP coordinator or, if the determination is appealed, updated to Appeals.
- a. Technical Services will send the coordinator a completed “Exam/Specialty Checklist.” See IRM 4.8.8.8.5, Case Closing Procedures, Figure 4.8.8-1 for a copy of the checklist.
  - b. Checklist data should be input in AOIC for each case, even those updated to Appeals.
  - c. If there is a DATL deposit, and information on deposit disposition is not included with the “Exam/Specialty Checklist,” contact the Technical Services OIC reviewer to find out if a Form 3040, Authorization to Apply OIC Deposit to Liability, was processed. A Form 3040 is required to apply a DATL deposit to a tax module. If the taxpayer has asked for a refund, or provided no instructions for disposition, input “R” in the prompt for disposition of the offer on AOIC, to refund the deposit. For further information on DATL deposits and more specific AOIC instructions, see IRM 5.19.24.18, Disposition of DATL Good Faith Deposits, and IRM 5.19.7.2.12.4, Deposit Dispositions for Offers on AOIC.
  - d. Comparison of AOIC offer information with the AIMS status for the offer case will assist the coordinator with finding offers where follow-up with Technical Services or a field group is required.
  - e. Closing an offer case on AIMS is not closing an offer. An offer will remain in open status until AOIC is updated to closed status.

4.1.1.6.17  
(09-25-2020)  
**Voluntary Disclosure  
Program (VDP)**

- (1) The Voluntary Disclosure Practice is a compliance option for taxpayers who may have criminal exposure due to their willful tax and tax-related noncompliance. It has evolved over time, resulting in the updated Voluntary Disclosure Practice per the Interim Guidance Memo ("IGM") dated November 20, 2018. Refer to IRM 9.5.11.9 , Voluntary Disclosure Practice, for submission and eligibility information. Refer to IRM 21.1.3.22 , Voluntary Disclosure Practice, for an overview on issues that come up on general taxpayer contacts.
- (2) Voluntary disclosure cases are identified by the following project, tracking, and source codes:

***Project Code***

1140	Voluntary Disclosure Practice – Rec'd After 9/28/18
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***Tracking Code***

8712	Voluntary Disclosure Practice – Domestic
8369	Voluntary Disclosure Practice – Offshore
8713	Voluntary Disclosure Practice – Estate and Gift
8714	Voluntary Disclosure Practice – Employment Tax
8715	Voluntary Disclosure Practice – Virtual Currency
8716	Voluntary Disclosure Practice – Other

***Source Code***

Filing Status	Type Of Return	Source Code	Push Code
Filed	Primary Case	73	N/A
Nonfiled Return	Primary Case	24	36

- (3) If the voluntary disclosure involves multiple types of disclosure (checked on Form 14457, Voluntary Disclosure Practice Preclearance Request and Application, Part 1, Line 3), the following default rules will apply in determining the tracking code:
  - a. If both domestic and offshore are identified, offshore will be the default tracking code
  - b. If domestic or offshore are identified with another specialized issue (for example, virtual currency), the specialized issue will be the default tracking code
- (4) Project and tracking codes should be applied to all related cases (additional years and related taxpayers).

**Note:** Do not update original project and tracking codes assigned to domestic disclosures received before 9/28/18. Cases received before 9/28/18 should retain Project Code 0997.

4.1.1.6.17.1  
(09-25-2020)

**Voluntary Disclosure  
Practice – Case Building  
and Assignment**

- (1) All voluntary disclosure cases, accepted by Criminal Investigation Division, are centrally processed by LB&I in the Austin Submission Processing Center ("LB&I Austin"). LB&I Austin will consolidate all CI documentation provided. Then, LB&I will forward cases for case building and field assignment to the appropriate Business Operating Division and Exam function for civil examination based on established criteria. All domestic Voluntary Disclosure Practice cases that fall within SB/SE established criteria will be forwarded to PSP for case building. Cases with no income tax issues will be forwarded to the appropriate specialty case selection group. Offshore disclosures will be forwarded to LB&I for case building. For LB&I criteria, refer to IRM 4.50.2.2, Workload Selection Program Areas.
- (2) LB&I Austin will electronically deliver the domestic Voluntary Disclosure Practice CI acceptance packages to PSP via the VDP Shared Drive. An electronic Form 3210 will be included, which must be acknowledged and returned.
- (3) After the CI acceptance package is received, PSP will case build and input all tax years from the voluntary disclosure into the Program Control Database. However, PSP will only establish the most recent tax year. For purposes of this IRM, the use of "tax years" is generic. Employment taxes and other taxes may be reportable based on attributes other than tax years.
- (4) Identify the most recent year listed on the Form 14457, Part II, Line 5. In some cases, the most recent year of the voluntary disclosure will not be the most recent calendar year. Generally, the most recent tax year of the voluntary disclosure period should be established. If the most recent tax year meets the requirements of the 26 months cycle for IMF or 27 months cycle for BMF per IRM 4.10.2.2.2, Examination Cycles, PSP will establish that year on ERCS for examination. If the most recent year of the disclosure period that would normally be established is past this cycle, the prior year may be considered and established under the applicable alpha statute code, per IRM 25.6.23-3, Instructions for Updating the Statute on AIMS. For any tax years of the disclosure period past this cycle but with statutes not yet expired, PSP will notate this in the case file and advise the receiving field group.

**Note:** Examiners are responsible to establish all other years included in the disclosure period.

- (5) **Delinquent Returns.** Taxpayers are instructed to not provide any returns, amended or delinquent, as part of the voluntary disclosure process until contacted by exam. If PSP receives an original signed delinquent return from the taxpayer, as part of the case building documents, the return should be processed and assessed by PSP. See IRM 4.4.9, AIMS Procedures and Processing Instructions, Delinquent and Substitute for Return Processing. PSP will establish all tax years for any delinquent returns received. Form 13133, Expedite Processing Cycle should be attached to the front of the return. See IRM 4.4.9.5.11, Form 13133, Expedite Processing Cycle for form completion instructions. PSP should not assess penalties and should make sure that no penalties are assessed when submitting the Form 13133. Penalties, if applicable, will be determined by the examiner.
- (6) **Nonfilers.** If the most recent tax year is a nonfiled return and the taxpayer has not provided a delinquent return, follow delinquent return procedures to establish controls. See IRM 4.12.1, Nonfiled Returns.



- (7) Voluntary Disclosure Practice cases are mandatory work and PSP may not survey the returns.
- (8) **Statutes.** The Coordinator should identify the statute and establish examination controls for the most recent disclosure year. If the most recent disclosure year has an imminent IRC 6501(a)(1) assessment statute, please consult with your manager for guidance prior to establishing this year. If the normal ASED has expired prior to examination controls being established, refer to IRM 25.6.23-3, Instructions for Updating the Statute on AIMS, for the applicable alpha code.

**Note:** PSP coordinators should consider the use of OO alpha code when appropriate.

- (9) **Payments.** Taxpayers who would like to make advance payments for the voluntary disclosure years should send their payments directly to the LB&I Austin unit. Refer to payment submission procedures at IRM 21.1.3.22, Voluntary Disclosure Practice. If PSP receives an advance payment for the voluntary disclosure years, use Form 3244A to post the payment as a TC640 with .00 next to TC 570, this will prevent the payment from refunding. If the taxpayer does not designate a specific tax, penalty type, or tax year for the payment, the payment should be applied to the most recent tax year identified by the taxpayer on their voluntary disclosure submission (Form 14457).
- (10) **Fraud Suspense Cases.** If there is a TC 914/ -Z Freeze on the module for a CI Investigation, for any year covered by the Voluntary Disclosure, please contact the FCS Analyst for assistance.
- (11) **Taxpayer contacts.** PSP should not communicate with the taxpayer or their representative about the progress of their case assignment. All tax returns, information returns or other documents that the taxpayer would like to submit for consideration should be held by the taxpayer/representative until they are contacted by the examiner.

4.1.1.6.17.2  
(09-25-2020)  
**Voluntary Disclosure  
Practice (VDP)  
Coordinator Duties**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the VDP coordinator duties include but are not limited to the following:
  - a. Obtain access to the VDP Shared Drive from the Field Case Selection Analyst.
  - b. Input information supplied by CI into the PSP Program Control database for all tax years from the voluntary disclosure.
  - c. Identify the most recent year listed on the voluntary disclosure applicant's Form 14457, Part II, Line 5.
  - d. Complete case building, as necessary.
  - e. Provide monitoring reports to the area, as necessary.
  - f. Verify project, tracking, and source codes.
  - g. Perfect and correct inventory controls.
  - h. Update controls to group AAC and send to group via Form 3210, Document Transmittal.

4.1.1.6.18  
(09-25-2020)  
**Prompt Determination  
Requests**

- (1) Rev. Proc. 2006-24 provides the procedures to be followed by a trustee (or debtor-in-possession) representing the bankruptcy estate when requesting a prompt determination by the IRS of any unpaid tax liability of the estate.



- (2) Rev. Proc. 2010-27 provides the procedures to be followed by a trustee (or debtor-in-possession) representing the bankruptcy estate to properly request a tax refund from the IRS.
- (3) Prompt determination requests are received by the Centralized Insolvency Operation (CIO), Philadelphia Campus. All requests should be date stamped by the CIO to reflect the date of receipt. CIO will screen each request to ensure it meets the requirements in Rev. Proc. 2006-24 or Rev. Proc. 2010-27.
- (4) If the prompt determination request package meets the requirements of Rev. Proc. 2006-24 or Rev. Proc. 2010-27, CIO will overnight the package to the appropriate Planning and Special Programs (PSP) office.
- (5) If the prompt determination request package is incomplete, CIO will return the incomplete request package to the trustee and provide them the opportunity to resubmit a completed request package. Once a complete request is received; CIO will forward the completed package to the appropriate PSP office.
- (6) The IRS has 60 days from the date of receipt of a completed request package to advise the trustee of the decision to examine a tax return or accept it as filed.
- (7) The IRS must notify the trustee within 180 days of receipt by IRS of any tax, interest and penalties due or within 120 days for a prompt refund.
- (8) In the case of Chapter 12 Bankruptcy Plan - 11 USC Section 1231(b) requests, if CIO determines the package is processable, they will forward the package to the appropriate PSP office. See IRM 5.9.9.5.1, Determinations of Tax Implications of Chapter 12 Plans, for CIO processing guidelines. The plan proponent must be notified of the determination within 270 days from receipt of a processable application.

4.1.1.6.18.1  
(09-25-2020)  
**Prompt Determination  
Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the prompt determination coordinator duties include but are not limited to the following:
  - a. Review tax return(s) and determination request.
  - b. Conduct IDRS research, and research bankruptcy data.
  - c. Determine whether to accept return as filed or select for examination and send to a group.
  - d. Establish controls on all qualifying prompt determination cases. Use source code 73 and project code 0668.
  - e. Secure a TRDBV print if the return is accepted as filed and close the case with disposal code 20 to indicate it was accepted as filed by classification.
  - f. Notify trustee by form letter within 60 days if selected or accepted as filed. If selected for examination, notify group to complete examination within 180 days of receipt by IRS if tax liability or 120 days if a refund.
  - g. In the case of Chapter 12 Bankruptcy Plan - 11 USC Section 1231(b) Requests, notify the requester within 60 days via mail advising a processable application has been received and the date received per section 3.02 of Rev. Proc. 2006-52. Immediately assign the application to an Exam group for determination with notification of the 270-day timeframe.

4.1.1.6.18.2  
(10-25-2017)

**PSP Processing of  
Prompt Determinations**

- (1) Review the request to determine if it qualifies for a prompt determination.
  - a. In general, an entity qualifies for a prompt determination if it was created pursuant to a bankruptcy plan and the request includes all the requirements in Rev. Proc. 2006-24 or Rev. Proc. 2010-27.
  - b. If an entity does not qualify for a prompt determination, send a denial letter to the trustee or debtor-in-possession. Use Letter 5531, Prompt Determination of Tax Liability, and Letter 5531-A, Prompt Determination of Tax Refund. The PSP coordinator completes the letter by selecting the appropriate paragraph(s) based on the facts of the case and submit it to the manager for review and signature. The coordinator is responsible for completing Form 9856, Attachment Alert, and re-filing the prompt determination request at the appropriate campus location using the Document Locator Number (DLN) of the Transaction Code (TC) 150 or 290 posting. Form 3210, Document Transmittal, should be used to forward the package.
- (2) Review the qualifying request to determine if it is complete based on the requirements of Rev. Proc. 2006-24 or Rev. Proc. 2010-27. If the request is incomplete, the request should be returned to CIO.
  - a. If the request and bankruptcy estate tax return meet the requirements of Rev. Proc. 2006-24 or Rev. Proc. 2010-27, but has an incorrect SSN, TIN, or EIN, PSP is responsible for following up with the trustee or debtor-in-possession to request the correct number or copy of the verification letter from the IRS showing the number is correct. Use Letter 5531, Prompt Determination of Tax Liability, and Letter 5531-A, Prompt Determination of Tax Refund. The PSP coordinator completes the letter by selecting the appropriate paragraph(s) based on the facts of the case and submit it to the manager for review and signature.

**Note:** An incorrect SSN, TIN, or EIN does not make the request package incomplete. The 60 day period to notify the trustee continues to run from the date CIO determined the package to be complete.
  - b. If an incomplete request is received, the 60 day period for notifying the trustee whether the return filed by the trustee is being selected for examination or is being accepted as filed does not begin to run until a complete request is received by the field insolvency office.
- (3) Conduct research as noted in Exhibit 4.1.1-4, Prompt Determination Requests - Research Requirements.
- (4) Classify all qualifying return(s) using Form 10264, Revenue Agent - Classification Checksheet, to determine whether to select the return for exam or accept it as filed.
- (5) All qualifying requests for a prompt determination that are accepted as filed or selected for exam must be controlled on AIMS for each taxable period using:
  - a. Source Code 73
  - b. Master File Tax Code (MFT) for return filed
  - c. Status Code 06 (Awaiting Classification)
  - d. Project Code 0668
- (6) Notify the trustee or debtor-in-possession by mail within 60 days from the date the complete request package was received by CIO of the decision to examine

a tax return or accept it as filed. Use Letter 5531, Prompt Determination of Tax Liability, and Letter 5531-A, Prompt Determination of Tax Refund. The PSP coordinator completes the letter by selecting the appropriate paragraph(s) based on the facts of the case and submit it to the manager for review and signature.

- (7) If selected for exam, place in red folder, update to the correct SBC and EGC, and mail the prompt determination package to the appropriate field group. Notify group to complete the exam within 180 days if tax liability or 120 days if a refund.
- (8) If the return is accepted as filed, secure a RTVUE or BRTVUE print, and close the case with disposal code 20 to indicate it was accepted as filed by classification. The coordinator is responsible for completing Form 5351, Examination of Non-Examined Closings, and mailing the prompt determination documentation within 5 days to the appropriate campus location using Form 3210, Document Transmittal. See IRM 4.4.21.5, Surveys, for additional information.
- (9) In the case of Chapter 12 Bankruptcy plan – 11 USC Section 1231(b) requests, after notifying the requestor by mail of the processable application, PSP will immediately assign the application to an Exam group. The group should be advised of the 270-day timeframe for determination.

4.1.1.6.19  
(09-25-2020)

#### **Return Classification**

- (1) Return Classification for field case selection involves four main decision making steps:
  - 1. Is this return audit worthy? (Should it be selected for examinations or accepted as filed?)
  - 2. What issue(s) should be classified?
  - 3. Is this return best for the TCO or RA program? (Returns should be routed to most cost effective treatment stream.) See IRM 4.1.5.3.2.6, Revenue Agent versus Tax Compliance Officer, for additional classification instructions.
  - 4. If determined to be worked by a TCO then is it a TCO Grade 9 or 11.
- (2) Through this decision making process, return classification conducts the important task of selecting only the best work to proceed to the field for examination, and helps route the return to the most appropriate examiner to handle the identified issues. Thoughtful classification should result in the following:
  - a. Reduced no-change rate by eliminating low audit potential returns from the exam stream.
  - b. Increased return productivity by selecting the best returns.
  - c. Increased audit efficiency by directing returns to the lowest cost resource appropriate.

4.1.1.6.19.1  
(09-25-2020)

#### **Return Classification Coordinator (aka: SPIGOT)**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the return classification (SPIGOT) coordinator duties include but are not limited to the following:
  - a. Prepare area classification plan based on the current work plan available.
  - b. Calculate return orders in accordance with National Return Ordering Standards.
  - c. Update available staffing by grade and POD for orders.

- d. Apply DIF Score cut-off limitations to the return order prior to submission for approval. DIF Score cut-offs are set by HQ Field Case Selection (FCS).
- e. Determine proper order system to use (MCC DIF or CDE).
- f. Prepare MCC order forms for approval.
- g. Submit order to PSP Territory Manager.
- h. Monitor DIF Inventory and Delivery Reports, CDE Reports, and Exam Plan.
- i. Run CDE filters to determine returns available above DIF score cut-offs.
- j. Compute classification detail needs and schedule.
- k. Coordinate with area management to select teams for classification.
- l. Ensure classifiers have access to all information systems for classification including CDE, IDRS, Mod-E, and yK-1.
- m. Monitor classification progress to include verification that at least 10% of the cases are reviewed.
- n. Collect and review team documentation from the classification detail. Compute, maintain, and analyze select rates.
- o. Assist classification team members as needed.
- p. Provide written feedback to each classifier (through their TM) via Form 5126, Classification Quality Review Record. IRM 4.1.5.3.3.2 (2), Review of Performance.
- q. Issue approval guidance memo to campus related to surveying out of cycle inventory.
- r. Ensure the periodic classification of Automatics and Specials. See IRM 4.1.1.7.3, Automatics, Specials and Campus Identified Work.
- s. Work with exam groups to calculate and fulfill the needs of the group in support of the PSP TM's requirements.

4.1.1.6.20  
(10-25-2017)  
**Return Preparer**

- (1) Each area PSP TM will designate staff members to coordinate all SB/SE compliance aspects of the Return Preparer Program (RPP). Please refer to IRM 4.1.10, Return Preparer Program Coordinator, for detailed procedures and information to develop preparer program action cases(PAC) for distribution to the field (RA & TCO) exam groups.
- (2) A preparer program action case (PAC) is a preparer penalty investigation in which clients of a questionable preparer are examined to determine whether preparer penalties and/or an injunction is warranted.

4.1.1.6.20.1  
(10-25-2017)  
**Return Preparer  
Coordinator (RPC)**

- (1) The area Return Preparer Coordinator (RPC) will be responsible for planning and coordinating the implementation of area and National Headquarters Return Preparer Strategy.
- (2) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the return preparer coordinator duties include but are not limited to the following:
  - a. Plan and coordinate compliance activities related to return preparers with other functions, areas, and campuses.
  - b. Provide education, support, and expertise to compliance personnel on penalty issues.
  - c. Monitor activities of the return preparer program and the application of civil preparer penalties, identify problems within the program, and notify area offices and HQ Field Case Selection (FCS) Return Preparer Analyst of appropriate solutions.

- d. Accumulate and maintain files on potentially abusive preparers from referrals received from area office functions, electronic return originator (ERO) site visits, earned income tax credit (EITC) due diligence visits, campus compliance, and Criminal Investigation (CI) both area and campus.
  - e. Accumulate, monitor, and report all on-going penalty investigations.
  - f. Communicate with the examiner and the fraud technical advisor (FTA) when a return preparer is in fraud development status (AIMS status code 17).
  - g. Evaluate referral information for development of program action cases (PAC).
  - h. Ensure the correct people are on the area Preparer Steering Committee (PSC).
  - i. Prepare summarization of potential PAC cases for the area PSC.
  - j. Prepare memo for area director for PAC approval once PSC has approved.
  - k. Coordinate all compliance activity of income tax returns prepared by return preparers approved by PSC for program action cases.
  - l. Review preparer penalty cases closed by exam.
  - m. Serve as the area contact with the Office of Professional Responsibility (OPR).
  - n. Initiate compliance activity for certified public accountants (CPA), attorneys or enrolled agents who misrepresent their status before the IRS.
  - o. Serve as area contact with the Centralized Authorization File (CAF) unit.
  - p. Interact with the Criminal Investigation (CI) Field Office Return Preparer Program (RPP) Coordinator and the Lead Development Center (LDC).
  - q. Initiate compliance activity under Rev. Proc. 81-38.
  - r. Serve as liaison with Stakeholder Liaison and Stakeholder Partnerships, Education and Communication (SPEC) employees on programs and issues that impact return preparers.
- (3) Additional information for return preparer coordinators can be found in IRM 4.1.10.1, Area Return Preparer Program Coordinator (RPC) Responsibilities.

4.1.1.6.21  
(09-25-2020)

**Special Enforcement  
Program (SEP)**

- (1) SEP agents may not develop their own cases from leads received from internal or external sources. SEP leads are forwarded to the SEP coordinator in the area PSP office. Leads will be case built in Brookhaven Service Center (BSC) and classified by Fraud Technical Advisors (FTAs) using a shared drive. All selected leads will go back to BSC and the Area SEP coordinator for assignment. All non-selected referrals will be surveyed by BSC.
- (2) These leads and information items will be screened in the area PSP office using the following **substantial noncompliance factors (SNiF)** criteria. These factors will be considered in selecting a lead to be case built and classified:
  - a. Substantial civil tax potential when considering the estimated time to work the issue and anticipated adjustment based on the information provided.
  - b. Significant dollar amount of the allegation (large, unusual and questionable items based on a review of the reported items).
  - c. Significant potential tax loss and overall impact of noncompliance issue.
  - d. Possible exam sensitive case: e.g., celebrity, unique industry, area news maker likely to attract media or Congressional attention, or affecting a large number of taxpayers.
  - e. Emerging noncompliance promotions.

- f. Substantial amounts of income derived from illegal activity such as drugs or organized crime.
  - g. Allegations of non-tax criminal activity that may have tax implications.
  - h. Significant potential for fraud.
  - i. Significant potential for litigation. Consider issues with conflicting lower court decisions and/or significant gray areas of law.
  - j. Non-filer with known income sources below the high income non-filer criteria but the information contains significant potential for civil tax. Consider the validity of the alleged income not reported and not reflected on an information reporting program (IRP) document.
  - k. Significant potential for underreported income, where amounts reported on the tax return are reflected in the information reporting program (IRP) document; however, the taxpayer is reporting no other sources of income and it appears the taxpayer does not have sufficient funds for even the most minimal personal living expenses (e.g., mortgage(s) payments made and other assets being acquired).
  - l. Businesses that normally lend themselves to large cash receipts and the taxpayer has the ability to restrict the payments to only cash or heavily in cash and it appears there has been no filing or underreporting of this business(es).
  - m. Referral indicates another set of books are being kept or the referral is being reported by an accountant or bookkeeper that indicates the taxpayer is hiding income in various ways.
- (3) Criminal Investigation forwards Form 6544, Request for Cooperating Examiner, directly to the responsible examination territory manager for distribution to SEP or general program groups. These requests are not processed through the area PSP.

4.1.1.6.21.1  
(10-25-2017)  
**Special Enforcement  
Program (SEP)  
Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, other SEP coordinator duties are listed in this subsection.
- (2) Complete preliminary IDRS research for proper screening of the lead to determine:
  - a. If AIMS controls are present, the lead should be associated with the open case file.
  - b. If AIMS controls are not present, the lead should follow the process starting in (5) below.
  - c. If an examination was previously completed, consider reopening procedures.
  - d. If the lead identifies a taxpayer who falls within a strategic priority program or under another Business Operating Division (BOD) contact should be made with the other operating division and the lead should be forwarded, as appropriate.
- (3) Review remaining leads for program priority and audit potential using SNiF criteria as seen in IRM 4.1.1.6.21(2), Special Enforcement Program (SEP) above.
- (4) Request access to the SEP\_InfRef Shared Drive from the HQ SEP Analyst in Field Case Selection (FCS) in order to upload all SEP leads.



- (5) If the lead does not warrant further investigation, complete the electronic SEP Lead Rejected spreadsheet located in the SEP\_InfRef Shared Drive and document the reason on the lead.

**Example:** On a Form 5346, Examination Information Report, the rejection reason would be in the comments section under Record on File.

- (6) Scan all SEP leads and any supporting documentation into a PDF file. Create a separate folder for each PDF lead on the SEP\_InfRef Shared Drive including those **rejected**.

**Note:** For classification and selection, all cases will be in an electronic form.

- (7) Prepare the SEP Lead Spreadsheet as follows:
- Complete columns A through P on the sample spreadsheet found on the SEP\_InfRef Shared Drive. See Exhibit 4.1.1-5, SEP Lead Spreadsheet for required items.
  - The SEP Lead Spreadsheet should be completed on a monthly basis for leads to be forwarded for case building and classification.
  - Once the SEP leads are in folders on the SEP\_InfRef Shared Drive and the monthly spreadsheet is completed, send an email to the Brookhaven case building unit manager with a copy to the FCS HQ SEP Analyst.
- (8) After the cases are built in Brookhaven and classified by the FTAs, they will be returned to PSP for assignment. The SEP coordinator will go into the SEP/Fraud shared drive to retrieve the inventory for SEP group orders. Print any cases where the SEP group will not accept an electronic version of the case. The SEP coordinator should confirm the following codes for SEP group generated leads:
- Status code 08
  - Aging Reason Code 019
  - Project Code 1261
  - Tracking code 8306

For other SEP coding see IRM 4.16.1.5, AIMS.

- (9) Cases should be sent to the SEP groups based on local area procedures. SEP leads should not go to the SEP group who identified the lead.
- (10) Follow the records control schedule of Document 12990, Records and Information Management Records Control Schedules, for how long to maintain the leads.

4.1.1.6.22  
(10-25-2017)  
**Taxpayer Advocate  
Service (TAS)**

- (1) There is a service level agreement (SLA) between the National Taxpayer Advocate and the Commissioner, Small Business/Self-Employed (SB/SE). This agreement outlines the procedures and responsibilities for processing Taxpayer Advocate Service (TAS) casework when the authority to complete case transactions rests outside of the TAS. The SLA identifies the priority of TAS casework and the time frames for assigning TAS cases to exam field groups.
- (2) TAS uses the operation assistance request (OAR) process to refer a case to SB/SE when TAS lacks either the statutory or delegated authority to affect the resolution of the taxpayer's problem. TAS utilizes Form 12412, Operations Assistance Request (OAR), to initiate the OAR process.



- (3) Each area PSP Territory Manager will appoint a taxpayer advocate liaison who will be responsible for accepting the OARs from TAS, acknowledging receipt of the case, reviewing the case for appropriate assignment, assigning the case to the appropriate employee within the function, and monitoring the case through its conclusion.
- (4) Please visit the Taxpayer Advocate website at <http://tas.web.irs.gov/policy/sla/default.aspx> for the current SLA, updated procedures and other information.

4.1.1.6.22.1  
(10-25-2017)  
**TAS Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the TAS coordinator duties include but are not limited to the following:
  - a. Refer TAS to appropriate functions
  - b. Research open cases on AIMS to provide location information for TAS
  - c. Receive and review TAS operations assistance requests (OAR). Check to determine if there is an open exam or collection indicator.
  - d. Input tracking code 7752 on all open tax years sent to the field
  - e. Assign case to groups as appropriate; ensure controls are in the proper SBC and EGC and mail or send in electronic format to group via Form 3210, Document Transmittal
  - f. Provide TAS with the name and telephone number of the SB/SE group manager assigned the case within the prescribed time frame.
  - g. Survey case if appropriate (claims, etc.)

4.1.1.6.23  
(09-25-2020)  
**Transfers**

- (1) Generally, the examination of any income, estate, or gift tax return is the responsibility of the area in which the taxpayer resides, conducts its business, or maintains its principal office. The examination will generally be assigned to an examiner at the post-of-duty nearest to the taxpayer's residence for a non-business return or place of business for a business return.
- (2) Transfer of returns for examination from area to area and between posts-of-duty in the same area will be governed by Treas. Reg. 301.7605-1 (26 CFR 301.7605-1), Time and Place of Examination. By observing the regulatory guidelines on time and place of examination, the convenience of the taxpayer will be balanced with the requirements of sound and efficient tax administration.
- (3) In addition to the general guidelines noted below, examiners must be familiar with all details of Treas. Reg. 301.7605-1.
  - a. Transfers will not be initiated unless the taxpayer requested the transfer with at least thirteen months remaining on the statute of limitations or a valid Form 872, Consent to Extend the Time to Assess Tax, has been signed by the taxpayer when the return is transferred between areas or groups. There should be 12 months or more on the statute when **received** by the receiving area or group.
 

**Reminder:** If the statute of limitations is within the 12-13 month time frame the transferring PSP should contact the receiving PSP and advise the case is on its way.
  - b. Campus transfers to area offices will not be initiated with less than thirteen months remaining on the statute of limitations except for strategic priority workload or a valid Form 872, Consent to Extend the Time to Assess Tax, has been signed by the taxpayer. The campus must include the Transfer Alert Checksheet (IRM 4.19.13-1 for an example) with

## 4.1 Planning and Special Programs

manager's signature. The area PSP Transfer coordinator should verify all documents indicated on the Transfer Alert Checksheet are included. If any documents are missing then return the case to the campus. See IRM 4.19.13.15, Transfers to Area Office Examination or Appeals Office, for detailed campus instructions.

- c. See IRM 4.11.29, Transfer of Returns Open for Examination, for additional guidance.
- (4) When an income, estate, or gift tax return is transferred from one area to another for examination, the following procedures should be followed:
    - a. Form 3185, Transfer of Return, will be used as the transmittal notice.
    - b. All cases will be routed to the PSP staff for review prior to transfer. This requirement will ensure only those cases meeting appropriate criteria are being transferred.
    - c. Transfer the case using disposal code 30.
  - (5) The overall impact on compliance should be considered when determining if a return should be transferred for examination or should be surveyed.
  - (6) Examiners should strictly adhere to the "case-by-case" standard contained in regulation Treas. Reg. 301.7605-1 for determining if a transfer is appropriate. No additional criteria should be developed by examiners or area offices.
  - (7) **Under no circumstances should the case be returned to the transferring area office without prior telephone contact and agreement between the areas.** See IRM 4.11.29, Transfer of Returns Open for Examination, for additional guidance.

4.1.1.6.23.1  
(10-25-2017)

### Transfers Coordinator

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the transfers coordinator duties include but are not limited to the following:
  - a. Determine appropriateness of transfer-in and transfer-out cases.
  - b. Validate statute and ensure IRM guidelines for statute time frames are met.
  - c. Ensure AIMS database is received (transfer-in)/(transfer-out) and contains correct information.
  - d. Within 30 days of PSP receipt of transfer, assign case to group and notify the Return Classification Specialist (SPIGOT) (transfer in).
  - e. Within 30 days of PSP receipt of transfer, forward transfer out cases using Form 3185, Transfer of Return, via Form 3210, Document Transmittal
  - f. Review case to determine if the return still warrants examination. See IRM 4.10.2.5.6, Surveying Returns Transferred From Another Area, for procedures.
  - g. Refer to IRM 4.4.33, Transfers, for specific AIMS instructions on transferring cases.

4.1.1.6.24  
(09-25-2020)

### Training Returns

- (1) Returns identified as training returns may be selected as a normal part of classification and are assigned project code 0204. If the returns were identified using DIF criteria and are not used for training, the project code should be removed. All related, subsequent year, and/or prior year returns secured in connection with the training return will also have project code 0204 assigned, regardless of when the related examination was started. If returns were identi-

fied using criteria other than DIF (such as CDE filters) they cannot be converted to non-training returns. The returns should be surveyed or returned to PSP.

- (2) Training returns are assigned aging reason codes depending on the phase of training. The codes are as follows:

Training Phase	Aging Reason Code
SB/SE Training Returns—Reserved (Do Not Use)	030
SB/SE Training Returns—TCO I	031
SB/SE Training Returns—TCO II	032
SB/SE Training Returns—TCO III	033
SB/SE Training Returns—RA Basic 1	034
SB/SE Training Returns—RA 1040/RA Basic 2	035
SB/SE Training Returns—Corporate	036
SB/SE Training Returns—Flow-Thru	037
SB/SE Training Returns—Reserved (Do Not Use)	038
SB/SE Training Returns—Reserved (Do Not Use)	039

If these are filter returns, the aging reason codes identifying the type of training class should stay on the returns because they can't be used for anything but training. However, if DIF returns are used, and the training project code is removed, the aging reason code also needs to be removed. .

- (3) CDE may be used to secure training returns with specific issues, based on the training needs. A CDE research request form will need to be completed and approved before filtering for training returns.
- (4) Refer to the Field Case Selection site, New Hire Training, at <https://organization.ds.irsnet.gov/sites/SBSEfeEPD/NewHireTraining/SitePages/Home.aspx>.

4.1.1.6.24.1  
(10-25-2017)  
**Training Return  
Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the training coordinator duties include but are not limited to the following:
- Coordinate with the HQ Field Case Selection (FCS) Training Analyst to determine the source code, activity code, number, and delivery date of returns for each training class.
  - Coordinate with the area hiring coordinator to verify the hiring locations.
  - Coordinate with the area training coordinator to confirm who will be attending training.
  - Schedule classification details if necessary.
  - Ensure AIMS/ERCS project codes, source codes, and tracking codes are correct.
  - Coordinate case building either at the campus or locally.
  - Coordinate delivery of the classified case built returns to each POD at least 6 weeks before On Job Training (OJT).

- h. Provide feedback on filters, selection rates, issues, etc. to the HQ FCS Training Analyst.
- i. Monitor training return results to determine areas for improvement.
- j. Coordinate with the SPIGOT and classification coordinator.

4.1.1.6.25  
(09-25-2020)

#### Whistleblower Program

- (1) The PSP TM (or designee) will receive IRC 7623(a) claims through the Informants' Claim Examiner (ICE) at the Ogden Campus. The campus is responsible for establishing on AIMS the returns related to the claim for reward.
- (2) The PSP TM (or designee) will usually receive IRC 7623(b) through the Informants' Claim Examiner at the Ogden Campus. In these situations the campus is responsible for establishing on AIMS the returns related to the claim for reward. In some situations the IRC 7623(b) claims will be received directly from the whistleblower analyst assigned to the claim. When the claim is received in PSP it should be established on AIMS using source code 70 and tracking code 7894.
- (3) Tracking code 7882 has been assigned to IRC 7623(a) claims cases while tracking code 7894 is assigned to IRC 7623(b) claims. The area PSP coordinator will ensure the informant claims (ICE) indicator has been established on these cases by the campus and verify that the applicable tracking code has been placed on the module.
- (4) The PSP TM (or designee) may accept or survey these claim cases if the available information indicates an examination is not warranted. If the claim case is accepted or surveyed, the PSP TM (or designee) should complete a Form 11369, Confidential Evaluation Report on Claim for Reward, and must inform the Ogden ICE Unit expeditiously so the ICE indicator can be released.
- (5) The PSP TM (or designee) will promptly assign any claim cases deemed worthy of examination to the appropriate group. Please refer to IRM 10.5.1.6.7.3, Shipping, for information on proper data protection when shipping personally identifiable information.
- (6) The identity of persons who furnish information regarding possible tax violations **must** be protected. All employees must handle such information in strict confidence. Special handling must be given to avoid disclosure to other than those employees having a "need to know." Follow IRM 10.5.1.3.2.5, Strict Confidentiality, for guidance in disclosing Sensitive But Unclassified (SBU) data to persons with a need to know the information.
- (7) Refer to IRM 25.2, Information and Whistleblower Awards, for detailed procedures.

4.1.1.6.25.1  
(10-25-2017)

#### Whistleblower Coordinator

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the whistleblower coordinator duties include but are not limited to the following:
  - a. Conduct initial screening of all incoming whistleblower cases for examination potential or survey
  - b. Perform IDRS research for case building and open compliance activity
  - c. Ensure whistleblower (ICE) indicator, proper tracking code and project codes are in place
  - d. Consider collectability

- e. Update SBC and EGC on ERCS and ship cases to the exam group via Form 3210, Document Transmittal
- f. Work with the whistleblower coordinator at the campus to have the informant claim indicator removed if necessary
- g. Forward IRC 7623(b) cases received from the whistleblower analyst to the appropriate area Special Enforcement Program (SEP) TM or designee for a taint review. If the case is to be audited, the coordinator will work with the field to establish the case on AIMS/ERCS.

4.1.1.7  
(10-25-2017)  
**Infrequent Workload**

- (1) Infrequent work is work that is low in volume and is usually infrequent in nature compared to the larger volumes of other work. Some infrequent work is just a notification to PSP and no action is required. Some infrequent work is case built and monitored over several years. Other attributes of infrequent workload could be:
  - a. Work is not ordered or requested by PSP.
  - b. Work may not require an evaluation of audit-worthiness to be made by PSP.

4.1.1.7.1  
(10-25-2017)  
**Alien Returns**

- (1) Generally, nonresident alien returns, Form 1040-NR, U.S. Nonresident Alien Income Tax Returns, will be examined by Large Business & International, International Individual Compliance (LB&I:IIC). Under certain circumstances, some may be referred to the appropriate area PSP TM (or designee) for follow-up action. Returns on which an election under IRC 6013(g) (election to treat nonresident alien individual as resident of the United States) or IRC 6013(h) (joint return, etc., for year in which nonresident alien becomes resident of United States) has been taken, and returns falling under IRC 879 (tax treatment of certain community income in the case of nonresident alien individuals), should be examined in the area office having jurisdiction over the spouse who is a resident or citizen of the United States. Exceptions are as follows:
  - a. An exception is made for Form 1040-NR identified for exam when an alien comes to an area office for departing alien clearance. If the exam is made from a retained copy, and TRDBV does not provide the needed information, area exam will promptly request the original return from the Austin Campus. The request will indicate why the return is needed. If a delinquent return is examined or there is a pickup of an unprocessed currently filed return, the return and exam report will be promptly forwarded to Austin Campus for processing.
  - b. Another exception is for Form 1040 or Form 1040A, U.S. Individual Income Tax Return, elected as a part of a regular area examination program when it is determined the taxpayer should have filed Form 1040-NR. In these cases, appropriate adjustments will be made based on nonresident alien rules. Adjustments will be processed on the original filed Form 1040 or Form 1040A. The related return and exam report will be forwarded to the Austin Campus for processing.
- (2) Form 1040 and Form 1040A filed and examined in domestic area offices will not be transferred to LB&I:IIC merely because the taxpayer has left the United States. However, if the examination will need to be conducted overseas, the books and records are maintained overseas, or if the issues are sufficiently complex to warrant an international examination, returns may be transferred. Questions should be directed to the LB&I:IIC Planning & Special Programs (PSP) TM.

4.1.1.7.2  
(10-25-2017)

#### Appeals Referrals

- (1) A case may be referred to exam from appeals (where appeals jurisdiction is not released) where the taxpayer challenges the following:
  - a. Underlying liability as to existence or amount.
  - b. Spousal defenses. Refer to Section 3401 of RRA 98.
- (2) These cases should be assigned for examination within 30 days of receipt. These cases must be worked in the area and cannot be referred to any centralized Audit Reconsideration or Innocent Spouse units in the campus.

4.1.1.7.3  
(09-25-2020)

#### Automatics, Specials and Campus Identified Work

- (1) Certain individual, corporate, partnership, and fiduciary returns are identified as **automatic**. Tax returns designated as “automatic” (Source Code 01) must be classified and either selected for examination or accepted as filed on classification. See IRM 4.19.11, Examination Classification of Work, for the criteria used to categorize these returns.
- (2) Certain individual returns are identified as “specials” (non-automatics) based on specific features on the return. These returns are not put on AIMS but can be ordered by the area PSP. They are then held in the campus for classification. For definitions see IRM 3.11.3-3, Audit Codes for individual, IRM 3.11.14.10.1, Audit Codes for estate or trust, IRM 3.11.15.19.1, Audit Codes for partnership, IRM 3.11.16.9.1, Audit Codes for corporate, and IRM 3.11.217.13.1, Audit Codes for S-corporation.
- (3) The campus may identify other types of cases (special projects) that need further consideration and classification by the area PSP staff. These are forwarded to the area PSP. Please refer to IRM 4.19.10, Examination General Overview.
- (4) Automatics come to PSP in status 06 and should be classified in the same manner as DIF sourced work.

4.1.1.7.4  
(10-25-2017)

#### Change in Accounting Method

- (1) When Chief Counsel issues a letter to a taxpayer authorizing a change in accounting method, a copy is sent to the appropriate Area Director for follow-up action. The PSP territory manager will prepare Form 5346, Examination Information Report, for subsequent (unfiled) years.
- (2) On a quarterly basis, copies of letters issued should be sent via Form 3210, Document Transmittal, to the following address:
 

Internal Revenue Service PIN Unit  
Stop 97  
201 West Rivercenter Blvd.  
Covington, KY 41011
- (3) Follow-up action is necessary when PSP is unable to ascertain the taxpayer is complying with the terms, conditions, and adjustments upon which permission is predicated. If the change in accounting method is denied, the PSP coordinator should review the return to confirm the taxpayer did not implement the change in accounting method. If neither can be confirmed, the return should be assigned for examination.



4.1.1.7.5  
(10-25-2017)  
**Collateral Referrals**

- (1) Sometimes it is necessary to request information from another IRS office or request the examination of another taxpayer in another IRS office in order to properly develop the issues being examined. A collateral request is used for this purpose. This is not intended to replace the specialist referral system, where participation of a specialist, such as an international examiner, engineer, or employee plans specialist is being requested.
- (2) A collateral request is made when an exchange of information between business operating divisions or area offices of the same operating division is essential to resolve issues of material tax consequence. A collateral request is **not** limited to a request for information, but also includes a request for examination of returns that cross area offices or operating divisions.
- (3) A collateral request for exchange of information is used only when the information cannot be obtained from the taxpayer, the taxpayer's representative, or third parties.
- (4) Before making a collateral request, IDRS research must be conducted to determine if the taxpayer located within the jurisdiction of the other office is currently under examination (Status 12 through 18). If the taxpayer is under examination, the examiner located in the other jurisdiction will be contacted directly to exchange information pertinent to the issues.
- (5) Form 6229, Collateral Examination, will be used to make a request for a collateral examination between operating divisions or area offices, or a request for collateral information. All collateral requests must receive priority treatment.
- (6) Coordination and routing of requests for collateral examination will be coordinated through PSP:
  - a. Form 6229, Collateral Examination, is submitted to the appropriate SB/SE Planning and Special Programs (PSP) office having jurisdiction for the out of area/operating division taxpayer.
  - b. All collateral examination requests must receive priority screening by the receiving PSP. A decision will be made within 20 work days of receipt, whether or not the receiving office will work the collateral request.
  - c. If the receiving office rejects the collateral request, a memorandum setting forth the basis of the decision will be attached to the Form 6229 and the declination response forwarded to the initiating office.
  - d. If the collateral request requires an examination of a return(s), the PSP office will secure the relevant returns and establish AIMS controls.
- (7) SB/SE high income individuals related to LB&I cases should be worked by LB&I. See IRM 4.46.3-6, Inspection of Corporate Officers and Key Executive Returns.

4.1.1.7.6  
(10-25-2017)  
**Criminal Investigation  
Inquiries**

- (1) Criminal Investigation (CI) may request information on a taxpayer prior to starting its initial investigative activity. These inquiries generally require an IDRS search to determine whether there is a pending or previous examination or investigation relating to a specific taxpayer.
- (2) PSP office will perform the necessary research and respond to CI regarding its inquiry.



4.1.1.7.7  
(10-25-2017)  
**Expatriate Cases**

- (1) U.S. taxpayers who give up their citizenship to avoid tax are subject to special tax treatment for a 10 year period after expatriation under IRC 877. The Philadelphia Campus maintains a database of taxpayers who have expatriated. Some of these taxpayers meet the tax avoidance criteria based on their assets and prior U.S. tax liability.
- (2) When taxpayers leave the U.S. they are considered non-resident aliens. In the year they relinquish their U.S. citizenship, they file a dual status return. A dual status return contains special rules and is a blend of a regular Form 1040, U.S. Individual Income Tax Return, and a Form 1040-NR, U.S. Nonresident Alien Income Tax Return. In subsequent years, they file a Form 1040-NR.
- (3) The Philadelphia Campus screens the expatriate database and the Form 8854, Initial and Annual Expatriation Information Statement, submitted by the taxpayer. The expatriate cases that meet the IRC 877 definition of tax motivated abandonment of citizenship are sent to Large Business and International Individual Compliance (LB&I, IIC) for classification. The expatriate returns all fall under the jurisdiction of LB&IIC.
- (4) All loose Form 8854, Initial and Annual Expatriation Information Statements, are to be routed to the Philadelphia Campus at the address below. If the taxpayer is required to file a tax return and the Form 8854 is attached to a Form 1040/1040-NR, then the Form 8854 remains attached to the tax return

Internal Revenue Service  
2970 Market Street  
4-E08.142  
Philadelphia, PA 19104

4.1.1.7.8  
(10-25-2017)  
**Fishing Industry -  
Capital Construction  
Fund**

- (1) IRC 7518 authorizes the fishing vessel capital construction fund. This program is co-administered with the Department of Commerce, National Marine Fisheries Services (NMFS) and the Department of Transportation, Maritime Administration.
- (2) IRC 7518 allows owners of eligible vessels, by agreement, to establish a capital construction fund. The owner of the eligible vessel may deposit income from fishing into this account and reduce taxable income by the amount of the contribution. Income can be withdrawn, tax free, to purchase or repair a qualified vessel. A withdrawal for any other purpose is non-qualified and subject to tax at the highest marginal tax rate. The fisher is required to submit an annual report to NMFS.
- (3) The NMFS submits reports to the SB/SE ECS Senior Program Analyst detailing all account activity based on the fishers' report.
- (4) The analyst assigned to the program identifies potential issues. Cases meeting specified criteria are case built and classified in Western Area. Returns selected for examination are sent to the area PSP for assignment to the field. Project code 0120 and tracking code 9599 are used to identify fishing industry capital construction fund cases.

4.1.1.7.8.1  
(10-25-2017)  
**Fishing Industry  
Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the fishing industry coordinator duties include but are not limited to the following:
  - a. Verify incoming cases.
  - b. Review case built files.
  - c. Complete case building, as necessary.
  - d. Perfect and correct inventory controls.
  - e. Update controls to group SBC and EGC and send to group via Form 3210, Document Transmittal.
  - f. Verify project code is present and accurate.

4.1.1.7.9  
(10-25-2017)  
**Foreign Collateral  
Requests - Civil  
Assistance Requested**

- (1) An Exchange of Information analyst will forward foreign initiated requests to the jurisdictional SB/SE examination area for action. These requests are generally referred to the area PSP office for assignment to a revenue agent (RA).
- (2) The foreign collateral is required to be added to the PSP Program Control Database. See IRM 4.1.1.5.5, PSP Program Control Database for more information.
- (3) Please refer to IRM 4.60.1.2.2.3, Procedures for Cases Involving IRS Civil or Criminal Assistance, for specific procedures.
- (4) It is imperative the request is assigned to an examiner on a priority basis. A response to the IRS Tax Attaché or Exchange of Information program analyst is required within 60 days.

4.1.1.7.10  
(10-25-2017)  
**Frivolous Return  
Program**

- (1) The receipt and processing of all frivolous documents has been consolidated Servicewide at the Ogden Compliance Center (OCC).
- (2) The criteria for considering a tax return frivolous is found in IRC 6702 and also listed in IRM 25.25.10-1, Frivolous Arguments.
- (3) Documents deemed frivolous should be referred to OCC as listed in IRM 25.25.10, Frivolous Return Program.

4.1.1.7.11  
(10-25-2017)  
**Tax Incentives for  
Historic Preservation –  
Rehabilitation and  
Easements**

- (1) The rehabilitation tax credit is 20% of qualified rehabilitation expenditures with respect to historic property and 10% for non-historic property as authorized in IRC 47. The National Park Service (NPS) Office of Historic Preservation must certify a rehabilitation of a property to qualify for the historic tax credit on behalf of the Secretary of Interior. Certification is also required for an easement under IRC 170(h). This type of easement is often referred to as a façade easement. A copy of the correspondence sent to the property owner during the certification process is provided to the IRS as well as a copy of the first page of each application part of the NPS Form 10-168. The parts provide the following information:
  - **Part 1** presents information about the significance and appearance of the building.
  - **Part 2** describes the condition of the building and the planned rehabilitation work.
  - **Part 3** of the application is submitted after the project is complete and documents that the work was completed as proposed. National Park

Service approval of the Part 3 certifies that the project meets the Standards and is a “certified rehabilitation”.

The copies are maintained in Midwest Planning and Special Programs (PSP) and will be provided in response to a written request from a IRS employee with a valid business purpose.

- (2) Twice annually the NPS provides a report from their database to the HQ analyst in SB/SE assigned to the credit. The report contains data extracted from the applications. Copies are provided to the Midwest PSP, the manager of the LB&I Energy and Investment Tax Credit Team, and the Technical Services contact assigned to the late certification provision. Annually the SB/SE HQ analyst will:

- Review the data to identify projects under SB/SE jurisdiction for potential non-compliance.
- Attempt to identify the return where the credit originates.
- Order the return for classification if there is apparent non-compliance and the return meets exam criteria.
- Associate returns received with the correspondence and classify for examination.
- Send selected returns to the area PSP offices for assignment to the field.
- Input project code 0082 and tracking code 9633 on selected rehabilitation credit cases.
- Input project code 0042 and tracking code 0634 on selected façade easement cases.

4.1.1.7.11.1  
(10-25-2017)  
**Historic Rehabilitation  
and Easements  
Coordinator**

- (1) The Rehabilitation coordinator’s duties include, but are not limited to the following:
- a. Verify incoming cases
  - b. Review case built files
  - c. Complete case building, as necessary
  - d. Perfect and correct inventory controls
  - e. Update controls to group SBC and EGC and send cases to group via Form 3210, Document Transmittal
  - f. Verify project code is present and accurate.

4.1.1.7.12  
(10-25-2017)  
**IRC 183 Activities Not  
Engaged in for Profit -  
Election to Postpone  
Determination**

- (1) IRC 183(e), Activities Not Engaged in for Profit, suspends a case open on AIMS/ERCS in which the taxpayer has executed Form 5213, Election to Postpone Determination as To Whether the Presumption Applies That an Activity Is Engaged in for Profit. The IRS will generally postpone the determination until after the end of the 4th consecutive tax year (6th consecutive tax year for an activity that consists mainly of breeding, training, showing, or racing horses) after the tax year in which the taxpayer first engaged in the activity. An electing taxpayer may file returns in the interim on the assumption that the activity is conducted for profit.
- (2) Under IRC 183(e)(4), the statute of limitations for the IRC 183 activity (183 issue and any income or expense item within the activity) is extended by the taxpayer executing Form 5213 until 2 years after the due date (determined without regard to extensions) of the last presumptive year’s return. **The extension also applies to partners or shareholders in the activity.**

**Note:** For detailed information regarding IRC 183, see IRM 4.10.13.6, Activities Not Engaged in For Profit - Hobby Loss (IRC Section 183). This IRM details information regarding the factual development of IRC 183 issue, election not to file 183(e) rules, examination reports, and election to postpone. It also details examiners responsibilities before closing a case for suspension. Also review IRM 4.8.2.11.2, IRC 183(e) Hobby Loss Suspension, statute of limitations IRC 183(e)(4), placing returns in suspense, monitoring and closing suspended returns, and IRC 6404(g) statute tolled during IRC 183 suspension.

**Reminder:** The examiner will complete the examination of all open years in the presumption period and forward the case for suspense to Technical Services. All partial assessments or other unagreed issues should be resolved prior to sending the case for suspense. If needed, a statute extension may need to be secured for any non-hobby loss issues.

- (3) The filing of Form 5213 automatically extends the period of limitations for assessing any income tax deficiency specifically attributable to the activity during any year in the presumption period. Non-hobby loss issues are not automatically extended. See IRM 4.1.1.7.12.3, Classify the Return with Form 5213 for IRC 183 Issues and LUQ for more information.

4.1.1.7.12.1  
(10-25-2017)  
**IRC 183 Coordinator  
Duties**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the IRC 183 coordinator duties include but are not limited to the following:
- a. Review Form 5213, Election to Postpone Determination as To Whether the Presumption Applies That an Activity Is Engaged in for Profit, as they are received in PSP and review all tax returns under the presumptive period.
  - b. After each subsequent year is filed, classify the subsequent year returns for Large Unusual, and/or Questionable (LUQ) items not related to the hobby loss activity on IRC 183 returns that are transferred to PSP from Technical Services suspension during the presumptive period.
  - c. As the presumptive period nears completion determine the appropriate action for the return(s). Give consideration to all classification risk factors; DIF cutoff score set by DIF return ordering, collectability, materiality, etc.
  - d. Monitor statutes on any returns in PSP prior to transfer to Technical Services.
  - e. Monitor the statutes of cases in suspense every month. If 210 days or less remain on a statute, prepare Form 895, Notice of Statute Expiration, to update the statute to "MM" with an explanation the return is only open for the IRC 183 issue and the statute for this issue expires two years after the due date (determined without regard to extensions) of the last presumptive year's return. Refer to IRM 25.6.23-3, Instructions for Updating the Statute on AIMS, for further details on updating to alpha codes.
  - f. Process Form 5213 when the case is NOT open on AIMS/ERCS. Technical Services suspends and monitors Form 5213 when the case is open on AIMS/ERCS. See IRM 4.8.2.11.2, IRC 183(e) Hobby Loss Suspension, for more information.
  - g. Enter all pertinent fields from the Form 5213 into the PSP Program Control Database. Determine validity of the taxpayer's election and determine the appropriate action for the return: a. Forward case to

## 4.1 Planning and Special Programs

Technical Services for suspense, **b.** Send selected cases to exam, **c.** Hold non-selected cases using retention standards procedures

- (2) Forms 5213 are received in PSP from various sources in the IRS:
  - a. Campuses will route Form 5213 to the applicable area PSP office (IRM 21.3.3.4.13, Miscellaneous Elections and Forms).
  - b. Technical Services will route Form 5213 to the applicable area PSP office when an open AIMS case has a subsequent return filed during the presumptive period.
  - c. Information referral routed to PSP using Form 5213.

### 4.1.1.7.12.2 (10-25-2017) **Determine if Election Is Valid and/or Form Is Complete**

- (1) Form 5213, Election to Postpone Determination as To Whether the Presumption Applies That an Activity Is Engaged in for Profit is considered valid or timely if it meets certain criteria. Review the form for these factors.
- (2) Form 5213 NOT complete:
  - a. Section 2a and 2b must be completed by the taxpayer.
  - b. If not, return a copy of the original Form 5213 to the taxpayer with a cover letter (notify taxpayer the election was not valid and no postponement will be allowed for the activity in question) and a blank Form 5213 for them to complete and resubmit. See Exhibit 4.1.1-8, Pattern Letter - Form 5213 Request for Postponement of Hobby Loss Determination – Incomplete or Invalid Form 5213.
- (3) Form 5213 NOT timely filed:
  - a. The election to postpone determination generally can be filed anytime within three years after the due date of the return (determined without regard to extensions) for the first year of the activity. If taxpayer was notified the IRS is proposing to disallow deductions attributable to the IRC 183 activity, the Form 5213 must be filed within 60 days after the taxpayer receives written notice from the IRS.
  - b. Return a copy of the filed 5213, and notify taxpayer the election was not timely filed, and no postponement will be allowed for the activity in question. Send cover letter to taxpayer. See Exhibit 4.1.1-7, Pattern Letter - Form 5213 Request for Postponement of Hobby Loss Determination – Not Timely Filed Election
- (4) Invalid Election:
  - a. If a form is filed where the activity listed is not on the tax return, send a letter stating the election is invalid and request additional information if warranted. See Exhibit 4.1.1-8, Pattern Letter - Form 5213 Request for Postponement of Hobby Loss Determination – Incomplete or Invalid Form 5213
  - b. Notify taxpayer the election was invalid, and no postponement will be allowed for the activity in question.
- (5) Form 5213 Timely Filed:
  - Pull AMDISA to determine if case is under audit.
  - If under audit, send Form 5213 to the exam group and mail or fax a copy of Form 5213 to the Technical Services 183 Suspense Coordinator to notify of case assignment.

- If not under audit, pull the following: IMFOLT, IMFOLR, INOLES, INOLEX, RTVUE/TRPRT, and IRPTRL for case building. Print a copy of the return for each tax year.
- Establish controls for the first year of the election and any years filed subsequently. Use source code 73 for the key year and 40 for all subsequent years controlled. Use project code 1197 on the case.
- Using a copy of the return(s), review to determine if there is a hobby loss issue and any other potential audit issues. This is important because the statute will only be open, under “MM”, for the hobby loss activity and any income or expense item within the activity. See IRM 4.1.1.7.12.3, Classify the Return with Form 5213 for IRC 183 Issues and LUQ.
- Attach the Form 5213 to the back of the first year’s original tax return with the form number showing above the tax return. See IRM 4.10.13.6.2.2,(3)(i), Election Not to File.
- Acknowledge the postponement of determination by sending the taxpayer a letter. See Exhibit 4.1.1-6, Pattern Letter - Form 5213 Request for Postponement of Hobby Loss Determination – Acknowledgement Letter If Suspended.

4.1.1.7.12.3  
(10-25-2017)

**Classify the Return With  
Form 5213 for IRC 183  
Issues and LUQs**

- (1) Form 5213, Election to Postpone Determination as To Whether the Presumption Applies That an Activity Is Engaged in for Profit, cases will be screened using the SNI criteria (IRM 4.1.1.6.21 (2), Special Enforcement Program (SEP)) and subjected to the National Classification guidelines if the case meets the SNI criteria or the DIF score of the return is above the DIF cutoff score set by DIF return ordering. Consider the tax consequences when classifying the returns. If the losses are very small and/or the taxpayer is no longer in business, the returns can generally be accepted as filed.
  - If the case is selected for examination, then complete the checklist.
  - If the taxpayer had been examined in the past, send back to the original TCO or RA.
  - Call exam group manager and discuss case.
  - Update controls to the exam group.
  - Attach a cover memorandum to the case explaining a determination should be made on the IRC 183 issue.
  - Update the PSP Program Control Database if the controls were established in PSP.
  - See <http://mysbse.web.irs.gov/examination/tip/classification/default.aspx> for National SB/SE Classification Guidelines.
- (2) Possible Hobby Loss Issue Exists, No Other Audit Issues Present:
  - a. Transfer case to Technical Services for IRC 183 suspense.
  - b. If 210 days or less remain on a statute, prepare Form 895, Notice of Statute Expiration, to update the statute to “MM”. The month and year accompanying the “MM” alpha code will be the date determined under IRC 183(e)(4).

**Example:** If you have a 5 year hobby loss that started with the 2008 tax year, the last year would be 2012. The due date for the final year (2012) involved in an IRC 183 determination is April 15, 2013. The alpha code designation for the tax years held open by IRC 183(e) election would be 04MM2015.



## 4.1 Planning and Special Programs

- c. All subsequent returns in the presumptive period for taxpayers suspended in Technical Services will be reviewed by the PSP coordinator as requested by Technical Services. PSP will also request controls on subsequent return filings and either transfer to the field for non IRC 183 issues that warrant examination or if the only issue is the IRC 183 issue then transfer the controls to Technical Services for association with the primary return in suspense.
  - d. Update Program Control Database.
- (3) Possible Hobby Loss Issue Exists, Other Audit Issues Present:
- a. Classify returns with significant audit potential. Any years that do not show significant audit potential may be forwarded, unaudited to Technical Services for 183 suspense.
  - b. If 210 days or less remain on a statute, prepare Form 895 to update the statute to "MM".
  - c. Call the group manager and discuss case. Update controls to exam group.
  - d. Send case to exam group, per IRM 4.8.2.11.2.3, Closing the Case, attach the cover memorandum from Technical Services explaining a determination needs to be made on the IRC 183 issue.
  - e. Update PSP Program Control Database.
  - f. Attach the Form 5213 to the back of the first year's return with the form number showing above the return. See IRM 4.10.13.6.2.2(3)(i), Election Not to File.
- (4) Hobby Loss DOES NOT Appear to Exist, Other Audit Issue(s) Present:
- a. If the return is the first year of the hobby, follow the suspense procedures so a determination can be made at a later date.
  - b. Classify return(s) for LUQ items.
  - c. Follow normal classification procedures.
- (5) Survey case if established on AIMS:
- a. If you determine the return should be surveyed and it is open on AIMS in a suspense status code, see Section 12 of Document 6209, IRS Processing Codes and Information and Document 6036, Examination Division Reporting Codes Booklet, for the appropriate disposal code.
  - b. Follow AIMS IRM procedures for surveying an open case. See IRM 4.4.21.5.2.1, Paper Case File, for paper cases and attaching the Form 5213, Election to Postpone Determination as To Whether the Presumption Applies That an Activity Is Engaged in for Profit.
- (6) Retention of non-selected returns with Form 5213: If the return is non-selected, attach the Form 5213 to the back of the first year's original tax return with the form number showing above the tax return. Send return to Files. See IRM 4.10.13.6.2.2(3)(i), Election Not on File
- (1) End of the Presumption Period: At the end of the 6th consecutive tax year for an activity that consists mainly of breeding, training, showing, or racing horses or at the end of the 4th consecutive tax year for any other activity, the presumption period ends and a determination of whether the case warrants audit must be made. Returns that need to be examined should go back to the original TCO or RA, if possible.

4.1.1.7.12.4  
(10-25-2017)  
**Cases Returned from  
Technical Services**



- a. If the coordinator determines the IRC 183 issue requires examination, the returns for all the years in the presumption period should already be established, if not request controls.
- b. "MM" is used when a taxpayer makes the election under IRC 183(e) to extend the statute until two years after the due date (determined without regard to extension of time for filing) for filing the last return to be considered in determining whether or not an activity is engaged in for profit. "MM" should **not** be used if there are potential adjustments to tax in addition to the IRC 183 issue.
- c. The month and year accompanying the "MM" alpha code will be the date determined under IRC 183(e)(4).

**Example:** If the due date for the final year involved in an IRC 183 determination is April 15, 2012, the alpha code designation for the tax years held open by the IRC 183(e) election would be 04MM2014.

- d. Classify the return and consider all facts when selecting the return for audit.

4.1.1.7.13  
(10-25-2017)  
**IRC 338 Elections**

- (1) All **IRC 338 Elections**, Certain Stock Purchases Treated as Asset Acquisitions, completed packages should be forwarded to the PSP territory manager by the LB&I Office Tax Shelter Analysis (OTSA) function.
- (2) For all elections on Form 8023, Election Under Section 338(g) Corporate Qualified Stock Purchase, the PSP TM (or designee) in the area where the purchasing corporation is located will be responsible for securing all relevant returns and coordinating examinations of the returns by using collateral requests or support requests on cases with Coordinated Industry Cases (CIC). More detailed information can found on Form 8883, Asset Allocation Statement Under Section 338, a newer form that requires the purchase price, selling price, etc. of the transaction. Request the returns to review Form 8883 for all parties involved in the transaction. Relevant returns include the following:
  - Purchasing Corporation
  - Selling Corporation
  - Target Corporation
  - Deemed Sale Return

4.1.1.7.13.1  
(10-25-2017)  
**IRC 338 Elections  
Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the IRC 338 elections coordinator duties include but are not limited to the following:
  - a. Ensure these returns are classified in the area as a group (purchaser, seller, and target) and where possible, by agents with IRC 338 technical expertise.
  - b. Determine if Form 8023, Election Under Section 338(g) Corporate Qualified Stock Purchase, is timely filed and complete.
  - c. If the acquiring taxpayer's assets are \$10 Million and over the Form 8023, Elections Under Section 338 for Corporations Making Qualified Stock Purchases, should be forwarded to the appropriate LB&I Industry Director.

- d. Research IDRS for SB/SE taxpayers (assets less than \$10 Million) to see if the purchasing corporation's return is open on AIMS. If yes, secure the related returns and forward to an exam group. If no return has been filed, hold until filed.

4.1.1.7.14  
(10-25-2017)  
**Low Income Housing  
Credit (LIHC)**

- (1) Taxpayers may be identified for consideration through internal analyses, referrals, or reports of noncompliance filed by state housing agencies using Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition, which are processed at the Philadelphia Campus.
- (2) Selected Forms 8823 and other information are forwarded to the Midwest Area PSP office where they are associated with the return and classified. If the return is selected for examination, the complete file, (including a LIHC specific classification check sheet and case building information) is sent to the appropriate area PSP office for distribution to the field. The following codes are applicable to LIHC returns:
  - Project Code 0670
  - Tracking Code 6495 should be used to identify audits **involving the disposition** of a low-income building (or interest therein) through a foreclosure or transaction in lieu of foreclosure.
  - Tracking Code 9812 should be used to identify audits involving IRC 42 issues **other than a disposition** of a low-income building (or interest therein) through a foreclosure or transaction in lieu of foreclosure.

4.1.1.7.14.1  
(10-25-2017)  
**Low Income Housing  
Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the low income housing coordinator duties include but are not limited to the following:
  - a. Verify incoming cases
  - b. Review case built files
  - c. Complete case building, as necessary
  - d. Perfect and correct inventory controls
  - e. Update controls to group SBC and EGC on ERCS and send to group via Form 3210, Document Transmittal
  - f. Confirm project code 0670, tracking code 9812 or 6495 are applied correctly to cases
  - g. Technical information, contacts (both headquarters and area) can be found on the IRC 42 website at the following address: <https://portal.ds.irsnet.gov/sites/vl020/lists/realestate/landingview.aspx>.

4.1.1.7.15  
(10-25-2017)  
**Non-Cash Contributions  
- Form 8282**

- (1) Ogden Campus Compliance Examination Field Support Operation conducts the Form 8282, Donee Information Return, Match Program under direction from Exam Case Selection (ECS). Returns are categorized by type of asset donated and are classified by a team of classifiers from SB/SE. Classification assistance may be provided by subject matter experts from LB&I as well as real estate appraisers and business valuations specialists.
- (2) Cases are selected for examination when non-cash contribution deductions do not meet the criteria established for substantiation. Selected cases are sent to area PSP offices directly from the campus.

4.1.1.7.15.1  
(10-25-2017)

**Non-Cash Contributions  
- Form 8282 Coordinator**

- (1) In addition to the duties outlined in IRM 4.1.1.6.1, Program Coordinator Duties, the non-cash contributions coordinator duties include but are not limited to the following:
  - a. Verify incoming cases.
  - b. Review case built files.
  - c. Perfect and correct inventory controls.
  - d. Update controls to group SBC and EGC and send to group via Form 3210, Document Transmittal.
  - e. Verify project code is present and accurate.

4.1.1.7.16  
(10-25-2017)

**Prompt Assessment  
Examination Requests**

- (1) Any returns referenced in a request for prompt assessment or prompt examination selected for examination by the Campus Classification Section will be controlled on AIMS by the Campus to the appropriate Area office. The Campus will use Letter 621C, Prompt Assessment Request; Acknowledgment/Reply/Additional Information Requested, or another appropriate letter, to notify the requester the request has been transferred to the Area for consideration.
- (2) Upon receipt of requests for prompt assessments, Examination will proceed at the earliest possible date to close the returns which have not already been administratively closed. If an Area is not in possession of the original returns for the taxable years needed in a prompt assessment request and such returns have not been administratively closed, the examination should proceed using the taxpayer's retained copies. The original returns should subsequently be requisitioned.
- (3) If the statutory period for assessment as prescribed in IRC 6501(d) is about to expire and the taxable years covered in the request cannot be closed prior to the expiration date, the taxpayer will be given an opportunity to file a consent. In no case should the taxpayer be requested to withdraw the request for prompt assessment.
- (4) When a request is received by an Area involving a case that is pending before Appeals, a copy of the request will be sent to the Appeals office having physical possession of the returns.
- (5) The PSP TM will then assign the return(s) to the appropriate function, Office or Field.

4.1.1.7.17  
(10-25-2017)

**Cases Received From  
Technical Services**

- (1) Technical Services will transfer cases to PSP offices for assignment for field resolution of specific issues.
- (2) These may include the following types of cases:
  - a. Suspended IRC 183 Form 5213, Election to Postpone Determination as To Whether the Presumption Applies That an Activity Is Engaged in for Profit cases. See IRM 4.1.1.7.12, IRC 183 Activities Not Engaged in for Profit - Election to Postpone Determination, for instructions.
  - b. Assigning interest abatement cases such as: an error was made in the computation of interest (IRC 6404(a)), an error was made in the assessment of interest (IRC 6404(a)), or an error was made in the application of interest suspension under IRC 6404(g).
  - c. Civil settlement of criminal investigation cases.
  - d. Suspense cases.

4.1.1.7.18  
(10-25-2017)  
**TEFRA Partnerships**

- (1) Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), may be sent to the area PSP for consideration via the campus.
- (2) Please refer to IRM 4.31.4, Administrative Adjustment Request (AAR), for campus criteria for sending AARs to the area PSP and PSP responsibilities on receipt of the AAR.

4.1.1.8  
(10-25-2017)  
**ZIP POD Tables**

- (1) Examination inventory is assigned to area offices based on ZIP Codes using the ZIP POD Lookup Table at MCC. ZIP POD can be found at: <https://organization.ds.irsnet.gov/sites/SBSEfeMySBSE/WorkloadID/ZipPOD>. Returns filed with a ZIP Code that is not on the ZIP POD lookup table will post to POD 999.

4.1.1.8.1  
(10-25-2017)  
**Updating ZIP POD Tables**

- (1) Each year the PSP Territory Manager or designee may make corrections, deletions, or additions to the ZIP POD lookup table. These corrections, deletions, or additions may be used to realign the area; add, delete, or expand a POD; or correct ZIP Codes designated as POD 999. SB/SE Performance, Planning, and Analysis will make requests for changes to the ZIP POD lookup table.
- (2) Separate Individual Master File (IMF) and Business Master File (BMF) ZIP POD listings are produced annually from the lookup table and distributed to area offices for updating. The validity of these lists must be maintained to accurately identify examination workload by geographic areas. The PSP Territory Manager or designee is responsible for correcting those ZIP Codes which appear in POD 999. If the ZIP Codes are valid, they should be incorporated into regular POD's.
- (3) When the ZIP POD tables are updated the PSP Territory Manager or designee can take the following actions:
  - Add or delete posts of duty.
  - Add or delete ZIP Codes.
  - Change post of duty names.
  - Move ZIP Codes from one POD to another.
  - Align unstaffed PODs to a staffed POD. (This may be different for revenue agents and tax compliance officers).
- (4) Specific instructions for updating the ZIP POD files are provided by Performance, Planning, and Analysis annually.
- (5) The examination POD is assigned based on the taxpayer's zip code. Zip codes and their designated PODs are contained in the zip POD lookup table at <https://organization.ds.irsnet.gov/sites/SBSEfeMySBSE/WorkloadID/ZipPOD>. The POD will be assigned from the zip POD lookup table when a return is initially created on AIMS and will be shown on Form 5546, Examination Charge-Out, or on the CDE Taxpayer Information Sheet.

**Exhibit 4.1.1-1 (09-25-2020)**
**Tables and Reports Important to PSP**

The following tables and reports provide valuable information to PSP for managing return identification, selection, and delivery.

Table 1.5A — NRP Return Listing

Table 4.0 — Returns with Statute Date Pending

Table 4.1 — Returns with Statute Date Pending (Status Codes 10, 12, 13, 17, and 18)

Table 10.1(B) — \$100,000 Cases Listing, \$50,000 or Greater Delete Listing

Table 36 — Examination Program Monitoring (Operations Support Produced)

Table 37 — Examination Program Monitoring (Detroit Computing Center Produced)

Report 1040-1 — Individual Inventory and Delivery Report, IRM Exhibit 4.1.2-1

Report 1040-2 — Individual Inventory and Delivery Analysis, IRM Exhibit 4.1.2-2

Report 1040-3 — Individual Inventory and Delivery Report (Unallowable, Tax Preference, and Self Employment Tax), IRM Exhibit 4.1.2-3

Report 1040-5 — Individual Amended Returns Inventory and Delivery Report, IRM Exhibit 4.1.2-4

Report 1065-3 — Partnership Inventory and Delivery, IRM Exhibit 4.1.2-8

Report 1065-4 — Partnership Inventory and Delivery Analysis, IRM Exhibit 4.1.2-9

Report 1120-4 — Corporate DIF Inventory and Delivery, IRM Exhibit 4.1.2-5

Report 1120-5 — Corporate Inventory and Delivery Analysis, IRM Exhibit 4.1.2-6

Report 1120-6 — AO 1120S DIF Inventory and Delivery, IRM Exhibit 4.1.2-7

### Non-Select Reason Codes for SARP Inventory

[illegible]

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**Exhibit 4.1.1-3 (10-25-2017)****Project Codes and Tracking Codes for State Reverse File Match Initiative (SRFMI) Compliance Programs**

The SRFMI project code is 0911 for all phases for Individual, Corporate, Sales and Withholding unless the data came from an amnesty data extract, then the PC would be 0910 for all except Sales data extract PC would be 0932.

The SRFMI tracking code was changed to a special national office tracking code (TC).

- All cases for Phase 3 have TC equal to 9517.
- All cases for Phase 4 have TC equal to 9519.

The chart below shows the earlier Phase TCs.

SRFMI Phase	Type of SRFMI	Project Code	Tracking Code
Phase 1	Withholding Non-Filer	911	0701
Phase 1	Individual Underreported	911	0702
Phase 1	Individual NF	911	0703
Phase 1	Withholding UR	911	0704
Phase 1	Corporate NF	911	0705
Phase 1	Corporate UR	911	0706
Phase 1	Sales NF	931	0707
Phase 1	Sales UR	931	0708
Phase 2	Withholding NF	911	0711
Phase 2	Individual UR	911	0712
Phase 2	Individual NF	911	0713
Phase 2	Withholding UR	911	0714
Phase 2	Corporate NF	911	0715
Phase 2	Corporate UR	911	0716
Phase 2	Sales NF	931	0717
Phase 2	Sales UR	931	0718
Phase 3	All SRFMI Types	911	9517
Phase 4	All SRFMI Types	911	9519
Phase 4	SRFMI Nationwide Individual NF	911	0733
All Phases	SRFMI Amnesty data apply to all SRFMI Types	910	0732



**Exhibit 4.1.1-4 (10-25-2017)****Prompt Determination Requests - Research Requirements****Research on Forms 1041 - Individual Bankruptcy Chapters 7 and 11****For the bankruptcy estate of an individual (TIN XX-XXXXXXX), order the following:**

<b>IDRS Command Code</b>	<b>Why?</b>
INOLES	to make sure you have the correct TP
AMDIS	to see if AIMS controls are in place
TSUMY	for PCS linkage(s)
BMFOLI	for tax return filing history
MFTRA or BMFOLT and BMFOLR (MFT 05)	for all years of estate's existence

**For the individual taxpayer, the debtor (SSN XXX-XX-XXXX), who filed bankruptcy, order the following after identifying the SSN:**

Identify the debtor's SSN from any of the following sources:

- (a) bankruptcy estate return
- (b) insolvency database - Automated Insolvency System (AIS)
- (c) Bankruptcy Court database
- (d) NAMES command code

<b>IDRS Command Code</b>	<b>Why?</b>
INOLES	to make sure you have the correct TP
AMDIS	to see if AIMS controls are in place
TSUMY	for PCS linkage(s)
IMFOLI	for tax return filing history and freezes to account
MFTRA or IMFOLT and IMFOLR (MFT 30)	for all years beginning the year prior to bankruptcy filing through the present

**Research on Forms 1120****For a bankrupt corporation (Form 1120), order the following:**

<b>IDRS Command Code</b>	<b>Why?</b>
INOLES	to make sure you have correct TP
AMDIS	to see if AIMS controls are in place
TSUMY	for PCS linkage(s)
BMFOLI	for tax return filing history and freezes to account
MFTRA or BMFOLT and BMFOLR (MFT 05)	for all years
PMFOL	for information return filing (Form 1099)

**Exhibit 4.1.1-4 (Cont. 1) (10-25-2017)****Prompt Determination Requests - Research Requirements****Research on Forms 1041 - Individual Bankruptcy Chapters 7 and 11**

ENMOD or BMFOLE	to ensure that corporation is not an S Corporation
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**For shareholders related to the corporation, order the following after identifying the SSNs:**

Identify the SSNs from the appropriate tax return schedules.

IDRS Command Code	Why?
INOLES	to make sure you have the correct TP
AMDIS	to see if AIMS controls are in place
TSUMY	for PCS linkage(s)
IMFOLI	for tax return filing history and freezes to account
MFTRA or IMFOLT and IMFOLR (MFT 30)	for all years beginning the year prior to bankruptcy filing through the present

**Exhibit 4.1.1-5 (10-25-2017)**  
**SEP Lead Spreadsheet**

<b>Mandatory Information</b>	<b>Provide All Available Information for the following:</b>
Filer or Non-Filer (column A)	Comments (column I)
SEID of Referring Agent (column B)	Taxpayer Full Name and Spouse (column J)
SSN/EIN (column C)	Street Address (column K)
Name Control (column D)	City (column L)
MFT (column E)	State (column M)
Tax Period (column F)	5 digit ZIP Code (column N)
Activity Code (column G)	+4 digits of ZIP Code - if known (column O)
Statute Date (column H)	Spouse SSN (column P)

**Exhibit 4.1.1-6 (10-25-2017)****Pattern Letter - Form 5213 Request for Postponement of Hobby Loss Determination – Acknowledgement Letter If Suspended****Form 5213 Request for Postponement of Hobby Loss Determination – Acknowledgement Letter If Suspended**

Address:

Person to Contact:

ID Badge Number:

Telephone Number:

Refer Reply to:

Date:

[Salutation]

On **(MM-DD-YYYY)**, you requested an election to postpone a determination as to whether the presumption applies that an activity is engaged in for profit as shown on Form 5213, for the period ending **(YYMM)**. Your request is being processed.

An election to postpone a determination as to whether the presumption applies that an activity is engaged in for profit, however, it does not prohibit the IRS from auditing your tax return for other issues.

The Form 5213 postpones a determination on the activity that is presumed to be engaged in business for a profit. We will suspend any determination during the suspension period until after the end of the 4th consecutive tax year or 6th consecutive tax year for an activity that consists mainly of breeding, training, showing, or racing horses) after the tax year in which the taxpayer first engaged in the activity. An electing taxpayer may file returns in the interim on the assumption that the activity is conducted for profit.

If you have any questions, please contact the person listed above within ten days of the date of this letter.

Sincerely,

[Signature]

Manager

**Exhibit 4.1.1-7 (10-25-2017)****Pattern Letter - Form 5213 Request for Postponement of Hobby Loss Determination – Not Timely Filed Election****Form 5213 Request for Postponement of Hobby Loss Determination – Not Timely Filed Election**

Address:

Person to Contact:

ID Badge Number:

Telephone Number:

Refer Reply to:

Date:

[Salutation]

On **(MM-DD-YYYY)**, you requested an election to postpone a determination as to whether the presumption applies that an activity is engaged in for profit as shown on Form 5213, for the period ending **(YYMM)**. Your request is being denied for the following reason.

An election to postpone a determination as to whether the presumption applies that an activity is engaged in for profit must be filed no later than the earlier of

- three years after the due date (determined without extensions) for the first tax year in which you engaged in the activity, or
- sixty days after you received a written notice that the IRS proposed to disallow deductions attributable to an activity not engaged in for profit

The Form 5213 for this activity was required to be filed by MM-DD-YYYY. We received the Form 5213 on MM-DD-YYYY. The election was not timely filed and no postponement can be allowed for this activity.

If you have any questions, please contact the person listed above within ten days of the date of this letter.

Sincerely,

[Signature]

Manager

**Exhibit 4.1.1-8 (10-25-2017)**

**Pattern Letter - Form 5213 Request for Postponement of Hobby Loss Determination – Incomplete or Invalid Form 5213**

**Form 5213 Request for Postponement of Hobby Loss Determination – Incomplete or Invalid Form 5213**

Address:

Person to Contact:

ID Badge Number:

Telephone Number:

Refer Reply to:

Date:

[Salutation]

On **(MM-DD-YYYY)**, you requested an election to postpone a determination as to whether the presumption applies that an activity is engaged in for profit as shown on Form 5213, for the period ending **(YYMM)**. Your request is being returned to you for the completion of the following sections of the Form 5213:

- ☐ Section 2 (a) description of activity
- ☐ Section 2(b) first tax year you engaged in the activity described in 2(a)
- ☐ Signature of taxpayer or fiduciary
- ☐ Signature of taxpayer's spouse, if joint return was filed
- ☐ Signature of general partner authorized to sign partnership return
- ☐ Signature and title of officer, if an S Corporation
- ☐ File separate forms 5213 because your activities have different presumptive periods.

We have enclosed a new Form 5213 for your convenience. If you have any questions, please write or call the person named above.

Sincerely,

[Signature]

Manager

