



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.22.2

MAY 3, 2023

EFFECTIVE DATE

(05-03-2023)

PURPOSE

- (1) This transmits revised IRM 4.22.2, National Research Program (NRP), NRP Case Building.

BACKGROUND

- (1) Information contained in this document will be used during both the classification and examination of tax returns in the National Research Program (NRP). This information describes research material that will be included in NRP case files.

MATERIAL CHANGES

- (1) IRM content was revised and sections were removed to reflect current NRP case building processes and procedures.
- (2) Throughout this IRM section, editorial changes were made to add clarity, correct punctuation, and to update or add citations and references.
- (3) Removed LB&I and TE/GE from Audience.
- (4) 4.22.2.1(2) - Removed bullet list and studies that are not active.
- (5) 4.22.2.1.1 - Added language to include “electronic” case building.
- (6) 4.22.2.1.2 - Added a new subsection titled “Authority” to provide source authorities for the program.
- (7) 4.22.2.1.3 - Added “and Responsibilities” to the title and added detail for each role. Also removed LB&I and TE/GE as stakeholders.
- (8) 4.22.2.1.4 - Added a new subsection titled “Program Management” to provide a general description on how the program is managed, and how effectiveness and objectives are measured.
- (9) 4.22.2.1.5 - Removed items to update the list of Terms and Acronyms.
- (10) 4.22.2.2(1) - Updated and added language detailing the NRP classification process regarding case building and paper returns.
- (11) 4.22.2.2(4)(5) - Switched the order of these paragraphs for clarity and a more accurate order.
- (12) 4.22.2.2(4) - Added direction for electronic case files and also managing and building cases with paper files.
- (13) 4.22.2.2(7) - Removed bullet list and studies that are no longer active.
- (14) 4.22.2.2.1(1) - Updated the list of case building elements by removing language and deleting items.
- (15) 4.22.2.3(2) - Added a paragraph describing NRP Case Stuffer.
- (16) 4.22.2.3(3) - Updated language for IDRS command codes. Added language to clarify paper returns that are scanned to an electronic image. Added taxpayer submitted amended returns and correspondence records as items included in an electronic case file.

- (17) 4.22.2.3(4) - Removed paragraph and list.
- (18) 4.22.2.3(5) - Removed incorrect IDRS command codes for primary taxpayer. Added “selected tax year plus 3 prior years” language to IDRS command codes where applicable. Added IDRS command codes for secondary taxpayer, dependent children, Schedule C and Schedule F.
- (19) 4.22.2.4 - Removed entire subsection discussing a study that is not active.
- (20) 4.22.2.5 - Removed entire subsection discussing a study that is not active.
- (21) 4.22.2.6 - Removed entire subsection discussing a study that is not active.
- (22) 4.22.2.7 - Removed entire subsection discussing a study that is not active.

EFFECT ON OTHER DOCUMENTS

This supersedes IRM 4.22.2 dated September 27, 2017.

AUDIENCE

RAAS and Compliance employees participating in NRP studies from SB/SE.

Erik Ogilvie
Chief, National Research Program
Knowledge, Development and Application
Research, Applied Analytics and Statistics

4.22.2

NRP Case Building

Table of Contents

4.22.2.1 Program Scope and Objectives

4.22.2.1.1 Background

4.22.2.1.2 Authority

4.22.2.1.3 Roles and Responsibilities

4.22.2.1.4 Program Management

4.22.2.1.5 Terms and Acronyms

4.22.2.1.6 Related Resources

4.22.2.2 Case Building Process

4.22.2.2.1 Case Building Elements

4.22.2.3 Form 1040 Study Case Building Elements

Exhibits

4.22.2-1 IDRS Command Codes for NRP Case Studies

4.22.2.1
(05-03-2023)
Program Scope and Objectives

- (1) *Purpose.* This IRM section describes the case building process for tax returns selected for a National Research Program (NRP) study.
- (2) The information contained in this IRM provides case building guidance on the Form 1040 - Individual Income Tax study.
- (3) *Audience.* This information applies to IRS employees who participate in an NRP study, including:
 - Classifiers
 - Examiners
 - Group managers
 - Reviewers
 - NRP staff
- (4) Director, Data Management Division (DMD) under Research, Applied Analytics and Statistics (RAAS) is the policy owner.
- (5) NRP is the program office responsible for oversight of the NRP studies.
- (6) For information about the National Research Program, visit the NRP website at: <https://nrp.web.irs.gov>.

4.22.2.1.1
(05-03-2023)
Background

- (1) One of the hallmarks of any NRP study is an enhanced focus on electronic case building. Case building is the process of adding information to the case file, from both IRS and non-IRS sources, prior to classification. Use of this information during the classification process will identify or eliminate potential issues prior to contacting the taxpayer. The NRP approach maximizes the use of data available to the IRS and, to the extent possible, minimizes intrusiveness and taxpayer burden.
- (2) Case building data provides:
 - a. Taxpayer specific research to identify possible compliance issues for examination.
 - b. A broader working knowledge of the taxpayer's financial activities to make an informed decision to accept or examine specific items on the return.
 - c. Data which can corroborate items on the return to reduce redundancy.

4.22.2.1.2
(05-03-2023)
Authority

- (1) By law, the Service has the authority to conduct examinations under Title 26, Internal Revenue Code, Subtitle F – Procedure and Administration, Chapter 78, Discovery of Liability and Enforcement of Title, Subchapter A, Examination and Inspection, which includes, but is not limited to, the following IRC sections:
 - IRC 7602, Examination of books and witnesses
 - IRC 7605, Time and place of examination

Note: Additional information related to conducting examinations is contained in 26 CFR 601.105, Examination of returns and claims for refund, credit or abatement; determination of correct tax liability.
- (2) Under the Reform and Restructuring Act of 1998 (RRA '98), Congress mandated the IRS to deliver service to taxpayers at a new and much higher level of performance in the most cost-effective and least burdensome manner

possible. Data from NRP examinations enable the IRS to operate as a more efficient and effective tax administration organization.

4.22.2.1.3
(05-03-2023)

Roles and Responsibilities

- (1) Director, Research Applied Analytics and Statistics (RAAS) has overall responsibility for all of RAAS operations and its' variety of services.
- (2) Director, Knowledge, Development, and Application has overall responsibility for the KDA division within RAAS and is the policy owner.
- (3) Chief, National Research Program oversees all aspects of NRP examinations. The NRP chief manages and monitors NRP operations and provides guidance. This is the office with primary responsibility for administering the NRP program.
- (4) Director, Data Management Division (DMD) oversees the Compliance Data Warehouse (CDW).
- (5) Compliance employees under Small Business and Self Employed (SB/SE) perform the examination.

4.22.2.1.4
(05-03-2023)

Program Management

- (1) NRP is a comprehensive effort by the IRS to measure compliance for different types of taxes and various sets of taxpayers. NRP will provide a statistically valid representation of the compliance characteristics of taxpayers. Types of voluntary compliance include filing compliance, payment compliance, and reporting compliance. Payment and filing compliance data is generated annually.
 - a. The measure of filing compliance is the percent of reported tax on returns that are timely filed. The IRS measures filing compliance by comparing known filers (using IRS records) with expected filers using Census Bureau current population surveys. The IRS receives no taxpayer specific data from the Census Bureau.
 - b. The measure of payment compliance is the percent of reported tax on returns that are timely filed and paid and is generated annually. NRP measures payment by analyzing IRS Master Files for timely payment of taxes.
 - c. The measure of reporting compliance is the percent of true tax liability that is correctly reported on timely filed returns.
- (2) Emphasis in this IRM is given to measuring reporting compliance as it is the most sensitive, presents the most challenges, and represents the largest share of the gap between what the IRS estimates is owed to the Treasury and what is actually collected. Similarly, the IRS reporting compliance measures and tax gap estimates depend on proper accounting of both accurately reported returns and returns with adjustments. The tax gap does not arise solely from tax evasion or cheating. It includes a significant amount of noncompliance due to tax law complexity that results in errors of ignorance, confusion, and carelessness. This distinction is important even though, at this point, the IRS does not have sufficient data to distinguish clearly the amount of noncompliance that arises from willful intent, as opposed to unintentional mistakes. Moreover, the line between intentional and unintentional mistakes is often a grey one. See *Reducing the Federal Tax Gap: A Reporting on Improving Voluntary Compliance*, IRS, August 2, 2007, Page 6.

- (3) The data compiled from the studies are housed on the Compliance Data Warehouse (CDW) where IRS and external researchers analyze the data. This data helps produce tax gap and Discriminant Function (DIF) formulas.

4.22.2.1.5

(05-03-2023)

Terms and Acronyms

- (1) Following is a list of the defined terms applicable to case building:
- a. **Case building** is the process of collecting information for classification and adding information to the case file from both IRS and non-IRS sources. Use of this information during the classification process will help identify or eliminate potential issues and provide the examiner with the maximum amount of information to guide the examination activity.
 - b. **Classified Issue List** is a list of the classified issues identified during classification and included in each electronic case file. For NRP, each issue includes the IMF/SAIN code, issue name, per return amount, form/schedule, line number and any issue-related comments entered by the classifier. Any case related comments entered by the classifier will also be included at the bottom of the document.
 - c. **Classification** is the process of identifying cases and issues for examination.
 - d. **Compliance Data Environment (CDE)** is a security-certified, menu driven database that contains a combination of all transcribed lines from returns and selected entity information for IMF. CDE does *not* include all the line items of the return; it's limited to what is transcribed for RTVUE. CDE generates three years of tax return data in a side-by-side tax return format so returns are easy to compare.
 - e. **Integrated Data Retrieval System (IDRS)** is an internal database accessed by various command codes, each of which provides specific information about the return and return activity.
 - f. **Report Generation Software (RGS)** is a comprehensive software program used throughout the examination process to perform a variety of audit and review tasks. In addition to computing tax, penalties and interest on the examination report, RGS generates correspondence, work papers and case closing documents.
- (2) Following is a list of acronyms relating to case building:
- a. AIMS – Audit Information Management System
 - b. BMF – Business Master File
 - c. BOD – Business Operating Division
 - d. CDE – Compliance Data Environment
 - e. CP – Computer Paragraph
 - f. DCI – Data Capture Instrument
 - g. IDRS – Integrated Data Retrieval System
 - h. IMF – Individual Master File
 - i. MFT – Master File Transactions
 - j. RGS – Report Generation Software
 - k. SAIN – Standard Audit Index Numbers
 - l. SB/SE – Small Business and Self Employed Division
 - m. SSA – Social Security Administration
 - n. TIN – Taxpayer Identification Number
- (3) See Exhibit 4.22.2-1 for a list and description of the IDRS command codes referred to in this IRM.

- (4) For additional information on the terms and acronyms relating to the NRP program, refer to IRM 4.22.1.

4.22.2.1.6
(05-03-2023)

Related Resources

- (1) IRM 4.22.1, National Research Program Overview
- (2) IRM 4.22.3, Classification
- (3) IRM 2.3, IDRS Terminal Responses, for command code information
- (4) IRM 2.4, IDRS Terminal Input

4.22.2.2
(05-03-2023)

Case Building Process

- (1) Case building is the process of adding information from IRS sources to the case file prior to classification and/or examination. Upon completion of the case building process, NRP selected returns are run through the NRP classification process which applies consistent classification criteria developed by NRP and SBSE analysts to determine which issues on the return to examine. As discussed in IRM 4.22.3, the NRP classification program will select any and all required items to be examined. Once selected, the examiner may not de-classify that item.
- (2) Case building tools help determine which issues to examine. The tools provide a current overall picture of the taxpayer based on the case building and other known data.
- (3) Case building information is organized in a uniform manner to increase efficiency and effectiveness during classification and examination. With the number of NRP case files undergoing examination, it is important the information under review is presented in a consistent and consolidated format.
- (4) NRP provides a fully electronic case file with case building information and will no longer compile paper case files. Should a paper case file be necessary examiners will be responsible for building the paper file according to existing paper file guidelines found in IRM 4.10.9, Workpaper System and Case File Assembly. Any paper file for an NRP Key case must be built using a purple file folder.
- (5) The assembled case files are forwarded to the designated Business Operating Division (BOD) for assignment to the groups and NRP trained examiners for audit.
- (6) The following subsections identify the case building items that will be included in the NRP case files for the Form 1040 Individual Income tax study.

4.22.2.2.1
(05-03-2023)

Case Building Elements

- (1) Following is information about each of the key case building elements applicable to specific NRP case study files.
 - a. **Original Tax Return** - Each case file contains a facsimile of the original tax return, an imaged copy of the original tax return, or a return facsimile, if e-filed.
 - b. **Classified Issue List** - Each case file contains a list of the classified issues identified during the classification and included in each electronic case file. This list identifies the issues the examiner is required to examine.

- c. **Information Data Retrieval System (IDRS)** - A database, accessed by various command codes, containing return information that, when compared against the filed return, will identify any discrepancies or questionable items.
- d. **Compliance Data Environment (CDE)** - CDE generates three years of tax return data in a side-by-side tax return format so returns are easy to compare. Three year comparison data enables the examiner to readily see changes from year to year but only for identical tax return forms. The CDE print also provides helpful and informative specially calculated fields. Variances and trends (in income, deductions or other information) can be detected through correlation of CDE with other case building data.
- e. **Taxpayer Correspondence (letters, notices, publications)** - Letters, notices and publications sent to taxpayers as part of the initial taxpayer contact in every examination.
- f. **Data Capture Instruments (DCI) and NRP Lead Sheets** - DCI and lead sheets are used to collect taxpayer and examination data. They are developed by NRP with assistance from subject matter experts.
- g. **Examiner Case Closing Checksheet** - This document serves as a guide for examiners to ensure that all NRP-specific elements of a case are completed. A completed checksheet is a required part of the case file on all NRP cases.
- h. **Manager Case Closing Checksheet** - This document serves as a guide for managers to ensure the quality of the audit and adherence to NRP-specific guidelines. A completed checksheet is a required part of the case file on all NRP cases.
- i. **Transcript of Summary Data for Schedule E** - This document displays the calculated Per Return amounts used in the NRP RGS case data for the summary of all Schedule E Rental Real Estate income and expense line items, as part of the Form 1040 case study.

4.22.2.3
(05-03-2023)
**Form 1040 Study Case
Building Elements**

- (1) This subsection identifies the case building elements to include in the individual Form 1040 NRP case file. These items will be used as investigative tools to facilitate improved analysis and enhanced decision making by NRP classifiers and examiners.
- (2) The **NRP Case Stuffer** for the respective tax year is included in the RGS case file as part of the case building. This includes the Study information such as Source, Project, and Tracking Codes as well as training requirements.
- (3) The Form 1040 NRP electronic case study files include:
 - a. IDRS command codes (applicable to Form 1040 returns for the primary taxpayer, the secondary taxpayer, and dependent children identified)
 - b. An imaged copy of the original NRP Individual key case tax return. This includes either a paper filed return that has been scanned to an electronic image or a return facsimile, if e-filed.
 - c. Compliance Data Environment (CDE) 3-year return data comparison, if available.
 - d. Letters, notices, and publications
 - e. Classified Issue List
 - f. Transcript of Summary Data for Schedule E
 - g. NRP lead sheets (see IRM 4.22.6.3, Individual Examination Guidelines)
 - h. Examiner case closing checksheet
 - i. Manager case closing checksheet
 - j. Amended returns filed by the taxpayer, if available

k. Correspondence submitted by the taxpayer, if available

(4) IDRS command codes applicable to the Form 1040 NRP case study include:

Primary Taxpayer

- DDBKD
- DDBOL
- IMFOLA
- IMFOLT - selected tax year plus 3 prior years
- IMFOLI
- IMFOLE
- IMFOLR
- INOLES
- IRPTR - selected tax year plus 3 prior years
- RTVUE - selected tax year plus 3 prior years

Secondary Taxpayer

- DDBKD
- DDBOL
- IMFOLI
- INOLES
- IRPTR - selected tax year plus prior tax year

Dependent Children

- DDBKD
- DDBOL
- IRPTR - selected tax year plus prior tax year

EITC only Children

- DDBKD
- DDBOL

Schedule C/Schedule F

- INOLES
- IRPTR - selected year
- BMFOLI
- PMFOLS - Schedule C/F from the selected year and 3 prior years

(5) Letters, notices and publications include:

- Letter 2205-B
- Letter 3572-B
- Letter 3624
- Notice 609
- Notice 1332
- Pub 1
- Pub 4134

Exhibit 4.22.2-1 (05-03-2023)**IDRS Command Codes for NRP Case Studies**

The following information provides a brief summary of IDRS command codes.

Note: Additional information on IDRS command codes may be found in IRM 2.3, IRM 2.4 and for command code AMDIS, IRM 2.8.3.

1. **AMDIS** – Provides a summary of all MFT's and Tax Periods established on AIMS for this TIN.
2. **AMDISA** – Provides AIMS examination information for a specific MFT and Tax Period on AIMS.
3. **BMFOL** – Provides research of nationwide entity and tax data information posted to the BMF. Several definers can be used to access specific tax information from the BMF.
4. **BMFOLA** – Displays information summarizing adjustments made to the original BMF tax return (examinations, adjustments, amended returns, etc.).
5. **BMFOLE** – Displays entity information for a BMF TIN (name, address, filing requirements, historical information of changes to this data, etc.).
6. **BMFOLI** – Displays a summary of all current BMF tax modules for all tax types (income, employment, excise taxes). The summary includes data such as the MFT, tax period, if a return was filed, account balance and freeze codes.
7. **BMFOLR** – Displays BMF return information summarized (return filing DLN, cycle posted, income, taxable income, credits, etc.).
8. **BMFOLT** – Displays BMF Tax Module (transcript) information including general tax information and tax transactions for a specific TIN, MFT and Tax Period. Use to analyze the return filing and historic information.
9. **BMFOLU** – Displays a reconciliation of the filed 941/945/Schedule H wages and tax to the W-2s filed with Social Security and 1099-Rs that show taxes withheld. This command code provides a 941 reconciliation report when MFT 88 is input.
10. **BMFOLZ** – Displays a summary of audit history information.
11. **BRTVU** – Displays BMF return information. BRTVU provides a display of the transcribed line items on all business tax returns and their accompanying schedules or forms as the returns are processed at the campuses.
12. **DDBKD** – Displays information from the SSA, HHS and the IRS for a dependent's SSN. Displays the person who may be entitled to claim the child indicated on the return, who actually claimed the child, the number of returns on which the child was claimed, and if the child filed a return and claimed their own exemption.
13. **DDBOL** – Displays information from the SSA, HHS and the IRS for the possible erroneous claim of a person receiving public assistance.
14. **IMFOLA** – Displays information summarizing adjustments made to the original IMF tax return (examinations, adjustments, amended returns, etc.).
15. **IMFOLE** – Displays entity information for a IMF SSN (name, address, filing status, historical information of changes to this data, etc.).
16. **IMFOLI** – Displays a summary of all current IMF tax modules for the SSN requested. The summary includes data such as the MFT, tax period, if a return was filed and how (electronic/paper), filing status, account balance, freeze codes etc.
17. **IMFOLR** – Displays IMF return information summarized (return filing DLN, cycle posted, income, taxable income, credits, etc.).
18. **IMFOLT** – Displays IMF Tax Module (transcript) information including general tax information and tax transactions for a specific TIN, MFT and Tax Period. Use to analyze the return filing and historic information.
19. **INOLES** – Displays entity information (names, address, cross reference TIN's, filing requirements, filing status, etc.).
20. **INOLEX** – Displays Social Security Administration (SSA) name controls, any cross reference information and merge transaction information (request tax payer spouse's SSN and it provides the primary SSN).

Exhibit 4.22.2-1 (Cont. 1) (05-03-2023)**IDRS Command Codes for NRP Case Studies**

21. **IRPTRL** – Displays IRP (income) information: W-2s, K-1s, 1099s, etc., online based on a summary of income reported by the payer
22. **PMFOLB** – Displays a summary of CP 2100 notices used in back-up withholding tax cases.
23. **PMFOLS** – Displays Payer Master File (PMF) data for 1099s, W-2s, etc., issued and total dollars reported. The summary screen shows all sources of income and amounts, withholdings and the number of payer documents filed by the payer as shown on Form 1096.
24. **RTVUE** – Displays return line items transcribed from Forms 1040 and their accompanying schedules and/or forms as the returns are processed at the Campus. The summary screen shows schedules/forms for a specific SSN, MFT and tax period and their respective definer/document codes. It also shows information about income, filing status, tax and payments.
25. **SUMRY** – Displays a summary screen showing all modules on IDRS. Use for determining if Collection, the Campus or Criminal Investigation is actively working a case.