



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

4.23.1

MAY 22, 2025

## EFFECTIVE DATE

(05-22-2025)

## PURPOSE

- (1) This transmits revised IRM 4.23.1, Employment Tax - Employment Tax Objectives, Organization, and IRM 4.23.

## MATERIAL CHANGES

- (1) This IRM was revised to reflect the following changes:

Number	Subsection	Change
1.	IRM 4.23.1.1.1	Updated paragraph (5) due to changes in SB/SE organizational symbols to reflect the new Chief Tax Compliance Officer Organization.
2.	IRM 4.23.1.1.2	Revised paragraph (2) for clarity. Updated paragraph (3) due to the reorganization that resulted in one Deputy Commissioner.
3.	IRM 4.23.1.1.3	Updated the title to “Roles and Responsibilities” to be consistent with IRM 1.11.2.2.4, <i>Address Management and Internal Controls</i> . Expanded the list to include the Program Manager, Employment Tax Exam Policy; Director, Specialty Exam Case Selection; and Program Manager, Employment Tax Workload Selection and Delivery.
4.	IRM 4.23.1.1.4	Revised the title to “Program Management and Review” to be consistent with IRM 1.11.2.2.4, <i>Address Management and Internal Controls</i> . Updated paragraph (1) for clarity. Added paragraph (4) from with the contents of IRM 4.23.1.1.4.1. Added a new paragraph (5) to be consistent with IRM 1.11.2.2.4.
5.	IRM 4.23.1.1.5	Added a new subsection titled “Program Controls” to document the reviews and quality assurance activities associated with the Employment Tax Program. All subsequent subsections have been renumbered.
6.	IRM 4.23.1.1.6	Revised the title to “Terms and Acronyms” to be consistent with IRM 1.11.2.2.4, <i>Address Management and Internal Controls</i> . Added paragraph (2) with the contents of IRM 4.23.1.1.7.

Number	Subsection	Change
7.	IRM 4.23.1.1.7	Added IRM 1.11 to the table of paragraph (1) as a primary resource for this IRM. Updated paragraphs (2), (3), and (5) for clarity and replaced URL/web address to internal sites with a hyperlink. Revised paragraph (4) with approved Taxpayer Advocate Service language. Added paragraph (6) that provides the responsibility for civil penalty programs is assigned to Office of Servicewide Penalties (OSP). Added paragraph (7) that provides primary resources for TE/GE employees.
8.	IRM 4.23.1.3.2	Updated subsection with the current organization of TE/GE.
9.	IRM 4.23.1.3.3.1	Revised paragraph (2) item c for clarity. Added new item f that states “Employment Tax Policy responsibility for developing, providing oversight, and training on web-based applications.” All subsequent items were renumbered accordingly.
10.	IRM 4.23.1.3.4	Revised paragraph (3) to include consultation services.
11.	IRM 4.23.1.4	Added note to paragraph (2), (3), and (4) that the forms are available in Spanish language translation versions. Removed reference to Form 941 (PR). Added a note that Form 941 (PR) has been replaced by Form 941 (sp), ( <i>Spanish Version</i> ) <i>Employer's QUARTERLY Federal Tax Return</i> , beginning Tax Year 2024. Removed reference to Form 941-SS. Added a note that Form 941-SS will no longer be available to file for quarters beginning after December 31, 2023. Instead, former filers of Form 941-SS will file Form 941 starting with the first quarter of 2024. Added a note that the IRS will decommission Form 944 after tax year 2025.
12.	IRM 4.23.1.4.2	Added a reminder to paragraph (2) to inform that IRM 4.23 is hosted on the Servicewide Electronic Research Program (SERP), thus interim guidance is issued through the SERP IRM Procedural Update (IPU) process. Added paragraph (3) to clarify the intentions of Employment Tax Policy to publish revision to sections of IRM 4.23.
13.	IRM 4.23.1.4.3	Revised the content in the subsection for clarity.
14.	IRM 4.23.1.4.4	Revised the content in the subsection for clarity and replaced URL/web address to internal sites with a hyperlink.

- (2) Moved the content of the following subsections to be consistent with IRM 1.11.2.2.4, **Address Management and Internal Controls**:

Number	Moved subsection	To subsection
1.	IRM 4.23.1.1.4.1	IRM 4.23.1.1.4 paragraph (4)
2.	IRM 4.23.1.1.7	IRM 4.23.1.1.6 paragraph (1)

- (3) Replaced URL/web address to internal sites with a hyperlink.
- (4) Editorial changes made throughout the IRM for clarity. Reviewed and updated grammar, plain language, titles, IRM references, IRS organization, organization terminology, and reorganized content.

#### **EFFECT ON OTHER DOCUMENTS**

IRM 4.23.01 dated February 2, 2022, is superseded.

#### **AUDIENCE**

This section contains instructions and guidelines for all Large Business & International (LB&I), Tax Exempt/Government Entities (TE/GE), and Small Business/Self Employed (SB/SE) employees dealing with employment tax issues.

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4.23.1

Employment Tax - Employment Tax Objectives, Organization, and IRM 4.23

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4.23.1.1  
(05-22-2025)  
**Program Scope and Objectives**

- (1) **Purpose:** This section details the basic structure of the SB/SE Employment Tax organization, including the overview of IRM 4.23, the Employment Tax IRM.
- (2) **Audience:** This section contains instructions and guidelines for all Large Business & International (LB&I), Tax Exempt/Government Entities (TE/GE), and Small Business/Self-Employed (SB/SE) employees dealing with employment tax issues.
- (3) **Policy Owner:** Director, Specialty Examination Policy of the Small Business/Self-Employed Division.
- (4) **Program Owner:** Program Manager - Employment Tax Policy. The mission of Employment Tax Policy is to establish effective policies and procedures, to support compliance with employment tax laws.
- (5) **Primary Stakeholders:**
  - Employment Tax - Workload Selection and Delivery (CT-CO:S:E:HQ:ECS:S:ETEGCS:EWSD)
  - Specialty Examination - Employment Tax (CTCO:S:E:SE:ET)
  - Specialty Examination Policy, Employment Tax Policy (CT-CO:S:E:HQ:SEP:EMTP)
  - Other areas that are affected by these policies and procedures include SB/SE Examination, LB&I, and TE/GE

4.23.1.1.1  
(02-02-2022)  
**Background**

- (1) IRM 4.23 provides Servicewide instructions for all operating divisions with employees involved with the correct filing, reporting, and payment of employment taxes. IRM 4.23 serves as the foundation for consistent administration of employment taxes by various IRS operating divisions. By providing one source of authority for all operating divisions, the IRS greatly reduces philosophical and procedural inconsistencies.

4.23.1.1.2  
(05-22-2025)  
**Authority**

- (1) Employment tax provisions are found at Internal Revenue Code Subtitle C:
  - Chapter 21, Federal Insurance Contributions Act (FICA),
  - Chapter 22, Railroad Retirement Tax Act (RRTA),
  - Chapter 23, Federal Unemployment Tax Act (FUTA),
  - Chapter 24, Federal Income Tax Withholding (FITW), and
  - Chapter 25, General Provisions relating to employment taxes and collection of income taxes at source.
- (2) The Employment Tax Program is governed by Policy Statements and other internal guidance that apply to all IRS personnel regardless of operating division. The Policy Statements found in IRM 1.2.1, **Servicewide Policies and Authorities**, apply to all employment tax issues and examinations. Examiners should review these Policy Statements to properly perform their examination duties.
- (3) A website, *Search Servicewide Delegation Orders*, provides a searchable list of Servicewide Delegation Orders issued by the Commissioner of the Internal Revenue, or on their behalf by the deputy commissioner. Delegation Orders pertaining to each IRS business process can be found in IRM 1.2.2, **Servicewide Delegations of Authority**.

4.23.1.1.3  
(05-22-2025)

**Roles and  
Responsibilities**

- (1) Director, Specialty Examination Policy, is responsible for establishing policies that allow for the effective and fair application of Specialty Tax and Bank Secrecy Act laws.
- (2) Program Manager, Employment Tax Exam Policy, is responsible to establish effective policies and procedures, to support compliance with employment tax laws.
- (3) Director, Specialty Examination, is the executive responsible for examination operational compliance of excise tax, employment tax, estate and gift tax, and Bank Secrecy Act laws through Specialty Examination field programs.
- (4) Chief, Employment Tax Examination, is responsible for ensuring employment tax examiners follow the guidance included in the IRM, apply the tax laws with integrity and fairness, and to ensure employment tax examiners are familiar with and act in accord with taxpayer rights as afforded by IRC 7803(a)(3).
- (5) Director, Specialty Exam Case Selection, is responsible to provide process and procedural guidance to Field, Campus, Bank Secrecy Act, and Specialty Examination on selection of cases and delivery of inventory, provide input on the work plan, and set direct assignment criteria for routing of examination work.
- (6) Program Manager, Employment Tax Workload Selection and Delivery, is responsible to manage the selection, classification and delivery for Specialty Examination, Employment Tax.

4.23.1.1.4  
(05-22-2025)

**Program Management  
and Review**

- (1) Program Goals: The processes and procedures provided in this IRM are consistent with the objectives or goals addressed in IRM 1.1.16.5.3.3, **Employment Tax Examination**, and IRM 1.1.16.5.5.2.2, **Employment Tax Policy**.
- (2) Program Effectiveness: Program goals are measured with Employment Tax National Quality and Embedded Quality (EQ/NQ) Performance Reports that monitor whether quality attributes are applied uniformly and consistently.
- (3) Annual Review: Employment Tax Policy - Program Manager, is responsible for reviewing the information in this IRM annually to ensure accuracy and promote consistent tax administration.
- (4) Program Reports: Information regarding the reporting of program objectives are included on, but not limited to, the following reports:
  - Headquarters Examination Monthly Briefing,
  - Program Manager Monthly Briefing,
  - Examination Operational Review, and
  - Business Performance Reviews.
- (5) The Quarterly Business Performance Review (BPR) provides updates on the status of the Whistleblower claims in Operating Division SME (OD-SME) status.

4.23.1.1.5  
(05-22-2025)

**Program Controls**

- (1) All information management systems have safeguard measures in place that address key components of Information Technology (IT) security requirements to restrict access to sensitive data.



- (2) The Employment Tax program has established a separation of duties of users' roles:
  - Policy and procedures – Employment Tax Policy is within SB/SE Specialty Exam Policy
  - Case selection – Employment Tax – Workload Selection and Delivery is within SB/SE Examination Case Selection
  - Examination - Employment Tax Examination is within SB/SE Specialty Exam
  - Quality and review - Embedded Quality is within SB/SE Field and Specialty Exam Quality
- (3) The Issue Management System (IMS) is required to be used during employment tax examinations by examiners assigned to Specialty – Employment Tax Examination.
- (4) Unless instructed otherwise, examiners will use the Employment Tax Lead Sheets (ETLS) developed specifically for employment tax cases.
- (5) SB/SE ET examiners working ET Large Cases will use Large Case Lead Sheets (LCLS). LCLS are developed specifically for large case employment tax cases. Examiners working ET Large Cases will follow workpaper preparation, specific audit techniques, and case closing procedures unique to these types of audits.

4.23.1.1.6  
(11-30-2018)

### Terms and Acronyms

- (1) The following chart contains terms and their definitions used in this IRM:

Term	Definition
Delegations of Authority	The official documents used by the IRS to delegate authority. They are published as Delegation Orders. See IRM 1.2.2, <i>Service-wide Delegations of Authority</i> , IRM 1.2.65, <i>Small Business/Self-Employed Division Delegations of Authority</i> , and IRM 1.11.4, <i>Service-wide Delegation Order Process</i> .
Interim Guidance	The official document used by organizations to issue immediate, time-sensitive, or temporary instructions to employees regarding procedural directions, guidelines, or standards to employees in the performance of their assigned duties. See IRM 1.11.10, <i>Interim Guidance Process</i> .

Term	Definition
Internal Revenue Manual	The IRM is the primary, official compilation of instructions to staff that relate to the administration and operation of the IRS. The IRM ensures employees have the approved policy and guidance they need to carry out their responsibilities in administering the tax laws or other agency obligations. IRM 1.11.2, <i>Internal Revenue Manual (IRM) Process</i> , and IRM 1.11.5, <i>Publishing the Internal Revenue Manual (IRM)</i> .
Policy Statements	Publicize specific values of the IRS, guide the administration of the IRS, and form the basis for procedures and instructions in the Internal Revenue Manual (IRM). See IRM 1.2.1, <i>Service-wide Policy Statements</i> , and IRM 1.11.3, <i>Service-wide Policy Statement Process</i> .
Specialist Referral System	The purpose of the Specialist Referral System is to request the assistance of a specialist from one of the available specialties by submitting a referral or a request for consultation.

(2) The following table lists commonly used acronyms and their definitions:

Acronym	Definition
BWH	Backup Withholding
EO	Exempt Organizations
EP	Employee Plans
ET	Employment Tax
ET-WSD	Employment Tax - Workload Selection and Delivery
FICA	Federal Insurance Contributions Act
FITW	Federal Income Tax Withholding
FSL/ET	Federal, State & Local/ Employment Tax Area
FUTA	Federal Unemployment Tax Act
IRM	Internal Revenue Manual
ITG	Indian Tribal Governments
LB&I	Large Business & International
RRB	Railroad Retirement Board
ROE	Revenue Officer Examiner
RRTA	Railroad Retirement Tax Act
SB/SE	Small Business/Self-Employed

Acronym	Definition
SERP	Servicewide Electronic Research Program
SME	Subject Matter Expert
SRS	Specialist Referral System
SSA	Social Security Administration
TBOR	Taxpayer Bill of Rights
TCO	Tax Compliance Officer
TE/GE	Tax Exempt/Government Entities

4.23.1.1.7  
(05-22-2025)

**Related Resources**

(1) The following table lists the primary sources of guidance:

Source	Title	Description of Guidance
IRM 1.11	Internal Management Documents System	Internal Management Documents System maintains the IRM as the single, official compilation of IRS policies, procedures, and guidelines. The IRM is the primary source of instructions to staff. This IRM section describes the IRM authoring process and the procedures for creating or updating the IRM.

Source	Title	Description of Guidance
IRM 4.23	Employment Tax IRM	IRM sections, the majority owned by SB/SE Specialty Examination Policy. Provides Servicewide instructions for employees of all operating divisions involved with the correct filing, reporting, and payment of employment taxes. IRM 4.23 serves as the foundation for consistent administration of employment taxes by various IRS operating divisions.

- (2) Other helpful information sources include:
- a. *SB/SE Employment Tax Small Business Knowledge Base* provides guidance, resources and information for examiners to aid in raising, developing, and resolving employment tax issues.
  - b. *Specialist Referral System (SRS)* can be used by any employee, regardless of operating division. In addition to requesting assistance or a referral, SRS may be used to submit informal questions or to request a consultation with an employment tax specialist to discuss employment tax potential in an examination.
  - c. *SB/SE Employment Tax Policy Analysts* are the Subject Matter Experts (SME) that provide guidance and assistance on all employment tax issues.
- (3) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the IRC, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accordance with taxpayer rights. See IRC 7803(a)(3). For additional information about the TBOR, see Pub 5170, **Taxpayer Bill of Rights**, or *Taxpayer Bill of Rights (SharePoint.com)*.
- (4) The Taxpayer Advocate Service (TAS) is an independent organization within the IRS, led by the National Taxpayer Advocate. Its job is to protect taxpayers' rights by striving to ensure that every taxpayer is treated fairly and knows and understands their rights under the TBOR. TAS offers free assistance to taxpayers when they face financial difficulties due to an IRS problem, when they are unable to resolve tax problems on their own, or when they need assistance to address an IRS system, process, or procedure that is not functioning as it should. TAS has at least one taxpayer advocate office located in every state, the District of Columbia, and Puerto Rico.

- (5) Employment tax examiners should consider the disclosure and privacy provisions when preparing agreed and unagreed case reports. For further information, see the Privacy, Government Liaison and Disclosure (PGLD) knowledge base at *Disclosure and Privacy Knowledge Base Homepage (SharePoint.com)*.
- (6) Overall responsibility for civil penalty programs is assigned to the Office of Servicewide Penalties (OSP). OSP is charged with coordinating policy and procedures concerning the civil penalty program administration, ensuring consistency with the penalty policy statement, reviewing and analyzing penalty information, researching penalty effectiveness on compliance trends, and determining appropriate action necessary to promote voluntary compliance. For further understanding of the civil penalty program and penalty relief, refer to the *Penalties Knowledge Base Homepage (SharePoint.com)*.
- (7) TE/GE employees conducting an employment tax examination must refer to IRM 4.70.13, *Executing the Examination*, IRM 4.70.14, *Resolving the Examination*, and IRM 4.70.17, *Claims and Abatements*, for guidance and procedures for TE/GE employment tax examinations. TE/GE employee may submit TE/GE employment tax questions to the TE/GE Employment Tax Knowledge Management Team using the "Contact an Expert" feature at *New item - Ask a Question*.

### 4.23.1.2

(11-30-2018)

#### **Comprehensive Program for Employment Tax Administration and Compliance**

- (1) The IRS is committed to:
  - Providing America's taxpayers top-quality service by helping them understand and meet their tax responsibilities, and
  - Enforcing the law with integrity and fairness.
- (2) The Employment Tax Program will maintain the integrity of our current tax system while reducing the Employment Tax Gap through implementation and recommendation of legislative changes, enforcement, education, and outreach. The tools to accomplish the task include:
  - a. Increasing the number of Voluntary Agreements,
  - b. Continuing and expanding Federal and State partnerships,
  - c. Adopting an Enterprise-wide approach to resources,
  - d. Pursuing automation to improve return classification systems,
  - e. Addressing the broad range of noncompliance,
  - f. Eliminating/reducing overlaps and gaps in current processes and procedures,
  - g. Using research to better understand the tax gap and assess possibilities for impacting taxpayer behavior,
  - h. Modifying the compliance environment through legislation, regulation, or other systemic changes, and
  - i. Ensuring that all remuneration subject to employment tax is reported and the associated taxes are collected.
- (3) The Employment Tax Program will focus on the tax gap as it pursues actions that make the most business sense and have the highest impact while considering limited resources. Actions include:
  - a. The selection of the most non-compliant taxpayers for audit,

- b. Working with others involving voluntary agreements to support the Social Security Trust fund,
- c. Using a balanced approach between Customer Satisfaction and Employee Satisfaction by engaging employees at all levels of management, and
- d. The continued development and strengthening of employment tax leadership by working alongside managers, creating an environment that lends itself to engagement, transfer of skills, and providing support and effective communication to achieve the best possible results for the Employment Tax organization and the American taxpayer.

4.23.1.2.1  
(11-30-2018)  
**Encouraging Voluntary Compliance**

- (1) The IRS recognizes the significant benefits that can accrue from working with taxpayers to understand problems and practices unique to a given industry. Voluntary compliance will improve if taxpayers understand their tax obligations.
- (2) Compliance is achieved when a taxpayer makes a diligent effort to meet the requirements of the law. The law requires that the taxpayer take affirmative action to meet their legal obligations. Sometimes the taxpayer takes sufficient action to meet the requirements of the law but, because of some unforeseen intervening event, is unable to do so. Affirmative action recognizes that the obligation to comply with the law is ongoing and requires that the taxpayer continue to attempt to meet the requirements of the law.

4.23.1.2.2  
(11-30-2018)  
**Fair and Consistent Approach to Employment Tax Administration**

- (1) The IRS employs a fair and consistent approach to employment tax administration that ensures:
  - a. **Consistency:** In the application of employment taxes from one year to another, the IRS should apply the rules in a consistent way for all taxpayers. In dealing with the Government, taxpayers base their perceptions about the fairness of the system in major part on the information they receive from friends, relatives, and acquaintances. Thus, it is important that the IRS take into account how others have been treated in administering the employment tax system to ensure that the goal of administering employment taxes in a consistent manner is met.
  - b. **Accuracy of results:** This means arriving at the correct employment tax decision. The IRS must carefully consider all the available information needed to arrive at a correct resolution.
  - c. **Communication:** Taxpayers are given the opportunity to have their interests heard and considered. Taxpayers should have an opportunity to communicate with the IRS about specific details of the case. Internal procedural complexities should not make it more difficult for the taxpayer to resolve their case. IRS personnel need to take an active approach to case resolution and to the maximum extent possible, remove internal barriers so that the taxpayer's case receives fair and expeditious consideration.
  - d. **Correction of Errors:** If an error is made in an employment tax determination and subsequent evidence shows that the employment tax was incorrectly asserted, the error will be corrected.
  - e. **Proper purpose:** Employees need to ensure that decisions on employment tax issues are guided by the applicable statutes, regulations, case law, and procedural instructions issued by the IRS.

4.23.1.3  
(02-02-2022)  
**Employment Tax  
Program**

- (1) The Employment Tax Program is governed by Policy Statements and other internal guidance that apply to all IRS personnel regardless of operating division. The Policy Statements found in IRM 1.2.1, *Servicewide Policy Statements*, apply to all employment tax issues and examinations. Examiners should review these Policy Statements to properly perform their examination duties.
- (2) Delegations of Authority are the official documents used by the IRS to delegate authority. Delegations of authority:
  - Place authority in the position(s) where actual operational responsibility resides,
  - Free officials from having to consider issues which can be handled at lower levels, and
  - Reduce the time and resources spent when matters are forwarded to Heads of Office for action they can be forwarded directly to the designated office instead.

**Note:** Refer to IRM 1.2.2, *Servicewide Delegations of Authority*, for additional information. A website, *Search Servicewide Delegation Orders*, provides a searchable list of Servicewide Delegation Orders issued by the Commissioner of the Internal Revenue, or on their behalf by the deputy commissioner.

4.23.1.3.1  
(11-30-2018)  
**Effective Employment  
Tax Examination  
Program**

- (1) An effective Employment Tax Examination Program will:
  - a. Include the employment tax examination of a divergent group of taxpayers to encourage a high degree of taxpayer voluntary compliance,
  - b. Establish responsibilities for control and management that will maintain an effective and balanced examination program in the employment tax area,
  - c. Establish responsibility for providing examiners whose specialized training in employment tax techniques and technical knowledge will enable them to complete highly effective examinations and achieve the greatest possible uniformity in the treatment of issues,
  - d. Ensure that employment tax specialists effectively participate, assist, or advise in the examination of cases involving employment tax matters, and
  - e. Ensure that employment tax specialists provide the necessary training and guidance to other examiners to enable them to effectively identify employment tax issues and to assist taxpayers who attempt to comply with the laws.
- (2) These objectives are intended to improve and strengthen compliance with the employment tax provisions of the Internal Revenue Code. Improved compliance will not only produce immediate revenue in the year of adjustment, but will also result in future compliance.



## 4.23.1.3.2

(05-22-2025)

**Tax Exempt/Government  
Entities (TE/GE)**

- (1) The TE/GE Division includes the following functions:

Function	Subfunction
Exempt Organizations/Government Entities (EO/GE)	<ul style="list-style-type: none"> <li>Exempt Organization Exam (EO Exam)</li> <li>Government Entities which includes Federal, State &amp; Local/Employment Tax Area (FSL/ET), Indian Tribal Governments (ITG), and Tax Exempt Bonds (TEB)</li> <li>Exempt Organizations Ruling and Agreements (EO R&amp;A)</li> </ul>
Employee Plans (EP)	<ul style="list-style-type: none"> <li>Employee Plans Exam (EP Exam)</li> <li>Employee Plans Ruling and Agreements (EP R&amp;A)</li> </ul>

- (2) TE/GE has primary compliance responsibility for the employment tax returns filed by TE/GE taxpayers. TE/GE work units responsible for employment tax compliance include EP, EO Exam, FSL/ET and ITG.
- (3) The EO Exam, FSL/ET, and ITG Directors have compliance responsibility for coordinating an effective employment tax program in their areas by:
- Developing an employment tax work plan,
  - Developing, implementing, and coordinating employment tax education and compliance programs,
  - Identifying the requirements for an effective program and coordinating the identification of necessary resources,
  - Identifying and assigning appropriate workload in consultation and in conjunction with managers,
  - Ensuring that adequate employment tax training is available to meet the needs of all technical personnel involved,
  - Serving as the liaison to, and meeting with, IRS national stakeholder groups involved with employment tax administration, and
  - Developing improvements to promote quality examinations.
- (4) The EO Exam, FSL/ET, and ITG group managers are responsible for:
- Ensuring that the examiner performs a quality examination, and
  - Providing technical guidance and assistance.

## 4.23.1.3.3

(11-30-2018)

**SB/SE Employment Tax  
Program Structure**

- (1) The SB/SE Employment Tax Program is part of SB/SE Examination Operations and is divided into three separate and distinct functions:
- Specialty Examination Policy, Employment Tax Policy,
  - Examination Case Selection Specialty, Employment Tax Workload Selection and Delivery (ET-WSD), and
  - Specialty Examination, Employment Tax.
- (2) The SB/SE Employment Tax Program supports the mission of the IRS by providing program leadership for all IRS employment tax matters, including the development, execution, and evaluation of quality multi-functional compliance



and assistance programs on a nationwide basis in a manner that promotes the highest degree of public confidence in the tax system's integrity, efficiency, and fairness.

4.23.1.3.3.1  
(05-22-2025)

### **Specialty Examination Policy - Employment Tax**

- (1) The mission of Employment Tax Policy is to establish effective policies and procedures to support compliance with employment tax laws. See IRM 1.1.16.5.5.2.2, **Employment Tax Policy**, for specific roles and responsibilities.
- (2) Employment Tax Policy Analysts have primary responsibility for:
  - a. Working with ET-WSD to develop employment tax workstreams,
  - b. Furnishing technical assistance and guidance with regard to employment tax laws and procedure,
  - c. Ensuring that training needs are identified and that quality training is delivered to the right audience at the right time to meet the needs of the employment tax program,
  - d. Providing leadership in course development,
  - e. Perfecting examination procedures, processes, and compliance techniques,
  - f. Developing, providing oversight, and training on web-based applications for taxpayers and ET examiners,
  - g. Working with the Office of Associate Chief Counsel (Tax Exempt and Government Entities) to identify needs and take steps to address them, including identifying abusive areas indicating a need for rulings, amended regulations, or new or revised legislation,
  - h. Planning, implementing, and coordinating employment tax education and compliance programs, and
  - i. Receiving and recommending changes to IRM 4.23, *Employment Tax*.

4.23.1.3.3.2  
(11-30-2018)

### **Exam Case Selection Support - Employment Tax Workload Selection and Delivery (ET-WSD)**

- (1) The mission of ET-WSD is to manage the selection, classification, and delivery of returns to SB/SE employment tax compliance functions. It is done with the primary objective of promoting the highest degree of voluntary compliance on the part of the taxpayers and successful enforcement against non-compliant taxpayers.
- (2) IRM 1.1.16.5.5.3.5.1, *Employment Workload Selection and Delivery*, details specific roles and responsibilities for case selection and delivery of employment tax inventory.

4.23.1.3.3.3  
(11-30-2018)

### **Examination Operations, Specialty Examination, Employment Tax**

- (1) The Examination Operations, Specialty Examination, Employment Tax is structured as:
  - SB/SE Chief, Employment Tax Exam
  - Employment Tax Territory Managers
  - Employment Tax Group Managers
- (2) IRM 1.1.16.5.3.3, *Employment Tax Examination*, outlines the roles and responsibilities of the employment tax examination function.

4.23.1.3.4  
(05-22-2025)

**Responsibilities of  
Compliance Personnel  
Regarding Employment  
Tax Examinations**

- (1) Employment Tax examiners (ET examiners) within Examination Specialty Programs - Employment Tax, collectively consist of:
  - Employment Tax Specialists (Revenue Agents),
  - Revenue Officer Examiners (ROE),
  - Tax Specialists,
  - Tax Compliance Officers (TCO), and
  - Tax Examiners.
- (2) To ensure an efficient Employment Tax Program, it is important that all ET examiners be aware of their responsibilities to enforce the employment tax provisions of the IRC in accordance with provisions set forth in the Internal Revenue Manual (IRM). ET examiners will carry out their responsibilities during any examination by properly raising, developing, and resolving any employment tax issue.
- (3) Examiners outside of SB/SE Employment Tax that identify employment tax issues can work the employment tax examination unassisted or make a referral for a consultation or assistance from an ET examiner using the *SRS*.

4.23.1.4  
(05-22-2025)

**Purpose of IRM 4.23**

- (1) IRM 4.23 provides Servicewide instructions for all operating divisions with employees involved with the correct filing, reporting, and payment of employment taxes. IRM 4.23 serves as the foundation for consistent administration of employment taxes by various IRS operating divisions. By providing one source of authority for all operating divisions, the IRS greatly reduces philosophical and procedural inconsistencies.
- (2) Federal income tax withholding (FITW) on wages of employees is reported on:
  - Form 941, *Employer's QUARTERLY Federal Tax Return*,
  - Form 941 Schedule R, *Allocation Schedule for Aggregate Form 941 Filers*,
  - Form 943, *Employer's Annual Federal Tax Return for Agricultural Employees*,
  - Form 944, *Employers ANNUAL Federal Tax Return*, or
  - Schedule H (Form 1040), *Household Employment Taxes*.

**Note:** These forms have Spanish language translation versions.

**Note:** IRS will decommission Form 944 after tax year 2025 and develop an alternative, more efficient filing option for taxpayers that file this form.

- (3) Employer tax and employee tax (social security and Medicare) under the Federal Insurance Contributions Act (FICA), are reported on:
  - Form 941,
  - Form 941 Schedule R,
  - Form 943,
  - Form 944,
  - Form 4137, *Social Security and Medicare Tax on Unreported Tip Income*, or
  - Schedule H (Form 1040).

**Note:** Form 941 (PR) is no longer available to file for quarters beginning after December 31, 2023. It has been replaced by Form 941 (sp), (*Spanish Version*) *Employer's QUARTERLY Federal Tax Return*, starting with the first quarter of 2024.

**Note:** Form 941-SS is no longer available to file for quarters beginning after December 31, 2023. Instead, former filers of Form 941-SS will file Form 941 starting with the first quarter of 2024. Former Form 941-SS filers also have the option to file the new Spanish-language Form 941 (sp).

**Note:** IRS will decommission Form 944 after tax year 2025 and develop an alternative, more efficient filing option for taxpayers that file this form.

**Note:** These forms have Spanish language translation versions with exception of Form 4137.

(4) Tax under the Federal Unemployment Tax Act (FUTA) is reported on:

- Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*, or
- Schedule H (Form 1040).

**Note:** These forms have Spanish language translation versions.

(5) Employer tax and employee tax and the railroad employee representative's tax under the RRTA are reported on:

- CT-1, *Employer's Annual Railroad Retirement Tax Return*, or
- CT-2, *Employee Representative's Quarterly Railroad Tax Return*.

(6) To report FITW (or required to be withheld) from nonpayroll payments the Form 945, **Annual Return of Withheld Federal Income Tax**, is used.

**Note:** A taxpayer is to report all FITW from nonpayroll payments or distributions annually on one Form 945. The taxpayer does not file more than one Form 945 for any calendar year. All FITW reported on Forms 1099 (for example, Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*; Form 1099-MISC, *Miscellaneous Information*; or Form 1099-NEC, *Nonemployee Compensation*) or Form W-2G, *Certain Gambling Winnings*, must be reported on Form 945.

(7) Taxpayers use "X" forms to report adjustments to employment taxes and to claim refunds of overpaid employment taxes. The "X" forms correspond and relate line-by-line to the employment tax return they are correcting. The "X" forms include:

- Form 941-X, *Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund*,
- Form 943-X, *Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund*,
- Form 944-X, *Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund*,

- Form 945-X, *Adjusted Annual Return of Withheld Federal Income Tax or Claim for Refund*, or
- Form CT-1X, *Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund*.

(8) IRM 4.23 controls with respect to guidance and procedures for employment tax issues and is the primary source of authority for the administration of employment tax examinations by the IRS and is used in coordination with other Examination IRMs. Other IRS functions may develop guidance as long as it:

- a. Remains consistent with the procedures set forth in IRM 4.23,
- b. Retains the philosophy of the employment tax policy statement, and
- c. Is shared with the Director, Specialty Examination Policy (CT-CO:S:E:HQ:SEP), prior to distribution.

4.23.1.4.1  
(11-30-2018)

#### Organization of IRM 4.23

- (1) The IRS maintains IRM 4.23 as a consolidated employment tax manual that serves as the source of technical and procedural information, as well as internal and external training material.
- (2) IRM 4.23 is in a user-friendly format and is comprised of sections describing major employment tax topics, including technical issues and procedures.
- (3) All ET examiners should be familiar IRM 4.23, as it is designed for use as an everyday reference guide and serves as the single official compilation of policies, procedures, instructions, and guidelines relating to employment taxes.
- (4) All ET examiners should also be aware of important procedures in other sections of the IRM affecting their examination responsibilities.

4.23.1.4.2  
(05-22-2025)

#### Updating IRM 4.23

- (1) The Director, Specialty Examination Policy, owns IRM 4.23 and has overall responsibility for approving any updates to IRM 4.23.
- (2) The responsibilities of the Program Manager, Employment Tax Policy, include:
  - a. Initially determining the need for an amendment of, or announcement calling attention to, a provision in IRM 4.23.
  - b. Decision-making as to whether an amendment shall be in the form of a Manual Transmittal for a direct and immediate amendment to the IRM or an Interim Guidance prescribing procedures for a trial implementation period before inclusion in the IRM (direct amendment by a Manual Transmittal is preferable whenever feasible).
  - c. Verifying accuracy and completeness of any amendment and providing a statement as to its effect on outstanding ET documents or provisions of the IRM.
  - d. Conforming amendments and announcements to the style and format of the IRM.
  - e. Drafting Manual Transmittals and Interim Guidance for the review of the Director, Specialty Examination Policy; Director, Specialty Examination; and other required reviewers.
  - f. Coordinating proposed amendments and announcements with other IRS functions, as appropriate.

**Reminder:** IRM 4.23 is hosted on the Servicewide Electronic Research Program (SERP). Interim guidance is issued through the SERP IRM Procedural Update (IPU) process. IPU process is used to issue updates to existing IRM sections posted to SERP between IRM publishing dates. See IRM

1.11.10.3.2, *SERP IRM Procedural Updates (IPUs)*, and IRM 1.11.8.7, *Updating Content on the SERP Website*.

- (3) Employment Tax Policy intends to review and publish eight IRM sections each fiscal year. They are selected based on the following criteria:
- within three years of the last revision,
  - within two years from the issuance or stated IG expiration date, whichever is earlier (IRM 1.11.9.2.1.2, *Incorporating Interim Guidance into the IRM*, paragraph (1) note), or
  - under the direction of the Employment Tax Policy program manager.

4.23.1.4.3  
(05-22-2025)  
**Request IRM Changes**

- (1) When a need for procedural or systemic changes is identified, inform management.
- (2) Employees or affected program offices may suggest corrections or content changes to the IRM. See IRM 1.11.6.5, **Providing Feedback About an IRM Section - Outside of Clearance**, for the various methods to give feedback. IRM authors evaluate all change requests and respond to requests for substantive IRM changes to ensure the quality and consistency of IRM procedures. A change is substantive if it involves a procedural or operational matter. This includes requesting a change or improvement to a procedure, a broken link, or a data processing system.
- (3) Proposed changes or corrections to contents of IRM 4.23 may be submitted to the policy analyst responsible for the applicable program or the policy analyst assigned IRM 4.23 oversight. See IRM 4.23.1.1.7 (2) for a link to the resource page.
- (4) Recommended corrections or improvements to forms used by ET examiners may also be submitted under paragraph (3) directly to the analysis assigned oversight.

4.23.1.4.4  
(05-22-2025)  
**Distribution of IRM 4.23**

- (1) The most current revisions to IRM 4.23 are available on the *IRM Online* and *SERP IRM*. IRM 4.23 is not printed; however, the electronic version is available on the Product Catalog at *IRM Numerical Index*.

