



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.25.10

JANUARY 22, 2025

EFFECTIVE DATE

(01-22-2025)

PURPOSE

- (1) This transmits revised IRM 4.25.10, Estate and Gift Tax, Case Closing Procedures.

MATERIAL CHANGES

- (1) Added IRM 4.25.10.1.3 Roles and Responsibilities.
- (2) IRM 4.25.10.1.5 was revised to include the term Case Built File as acronym CBF.
- (3) IRM 4.25.10.1.6 was revised to condense the reference sections.
- (4) IRM 4.25.10.2.4(1) was revised to include actions if there is a paper case file.
- (5) IRM 4.25.10.2.4(1) was revised to delete the last row in the table regarding Letter Instructions for CCP. CCP does not send letters for any type of case closures.
- (6) IRM 4.25.10.2.5(1) was revised to include a note explaining the closing data from Notebook and provide the correct resource.
- (7) IRM 4.25.10.2.6(1) was revised to increase the threshold for Form 5346 referrals to \$50,000.
- (8) IRM 4.25.10.2.6(1)(a) through (d) were revised to clarify procedures for electronic and paper case files.
- (9) IRM 4.25.10.2.7(1) was revised to delete the last row in the table regarding Letter Instructions for CCP. CCP does not send letters for any type of case closures.
- (10) IRM 4.25.10.2.9 added content from Interim Guidance Memorandum SBSE-04-1023-0058, Standard Naming Conventions in Issue Management System (IMS), dated October 30, 2023, to update requirements for naming electronic documents uploaded to IMS.
- (11) IRM 4.25.10.2.9 added a note concerning timing of approval of penalties.
- (12) IRM 4.25.10.2.10 was revised to clarify procedures for electronic or paper case files.
- (13) IRM 4.25.10.2.10(5) was deleted.
- (14) IRM 4.25.10.2.10(6) was revised to delete the reference to CCP mailing letters.
- (15) IRM 4.25.10.2.10(7) was revised to include language and citation for timing of approval of penalties.
- (16) IRM 4.25.10.3.1 was revised to clarify procedures for electronic or paper case files.
- (17) IRM 4.25.10.3.2 was revised to clarify procedures for electronic or paper case files.
- (18) IRM 4.25.10.3.2(3) was revised to delete the last row in the table regarding Letter Instructions for CCP. CCP does not send letters for any type of case closures.
- (19) IRM 4.25.10.3.3(1)(c) was revised to clarify procedures for electronic or paper case files.

- (20) IRM 4.25.10.3.3(2) was revised to delete the last row in the table regarding Letter Instructions for CCP. CCP does not send letters for any type of case closures.
- (21) IRM 4.25.10.3.3 was revised to clarify procedures for electronic or paper case files.
- (22) IRM 4.25.10.4(4) was revised to delete the last row in the table regarding Letter Instructions for CCP. CCP does not send letters for any type of case closures.
- (23) IRM 4.25.10.5(6) was revised to delete the last row in the table regarding Letter Instructions for CCP. CCP does not send letters for any type of case closures.
- (24) IRM 4.25.10.6(6) was revised to delete the last row in the table regarding Letter Instructions for CCP. CCP does not send letters for any type of case closures.
- (25) IRM 4.25.10.7.3.1(10) was revised to clarify procedures for electronic case files.
- (26) IRM 4.25.10.8.1(1) was revised to delete the last row in the table regarding Letter Instructions for CCP. CCP does not send letters for any type of case closures.
- (27) IRM 4.25.10.8.2(1) was revised to delete the last row in the table regarding Letter Instructions for CCP. CCP does not send letters for any type of case closures.
- (28) IRM 4.25.10.9 was revised to clarify procedures for electronic or paper case files.
- (29) IRM 4.25.10.9.2 was revised to include language and citation for timing of approval of penalties.
- (30) Exhibit 4.25.10-1 title was revised to clarify that the exhibit contains information for paper case files.
- (31) Exhibit 4.25.10-1(3)(d) was revised to delete reference to CCP's issuance of letters and include the copies of letters sent by the examiner.
- (32) Exhibit 4.25.10-2 was revised to change all letters instructions from CCP to the examiner. CCP does not send letters for any type of case closures.
- (33) Editorial changes have been made throughout this IRM. Website addresses, legal references, and IRM references were reviewed and updated as necessary.

EFFECT ON OTHER DOCUMENTS

IRM 4.25.10 dated June 14, 2021 is superseded. This IRM incorporates Interim Guidance Memorandum SBSE-04-1023-0058, Standard Naming Conventions in Issue Management System (IMS), dated October 30, 2023.

AUDIENCE

Small Business/Self-Employed Estate and Gift Tax Specialty Programs employees.

Daniel R. Lauer
Director, HQ Exam
Small Business/Self-Employed

4.25.10

Case Closing Procedures

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4.25.10.1
(07-30-2019)
Program Scope and Objectives

- (1) **General Overview**- This IRM provides information about estate and gift examiner case closing responsibilities.
- (2) **Purpose** - This IRM explains Estate and Gift examiner case closing responsibilities so that managers, senior-level officials and estate, gift and generation-skipping transfer tax return examiners will be better equipped to prepare and submit accurate reports and process examination case closures based on the Disposal Code.
- (3) **Audience** - This IRM is for Estate and Gift Specialty Tax managers, examiners and personnel at the campus who process estate, gift and generation-skipping transfer tax returns, refunds and claims.
- (4) **Policy Owner** - Director, Specialty Examination Policy is responsible for the administration, procedures and updates related to the technical guidance and information processing steps and methods specific to Estate and Gift Tax examiner responsibilities, IRM subsections, and forms created for the examination of returns and claims.
- (5) **Program Owner** - Director, Examination - Specialty Examination owns Estate and Gift Tax Examination.
- (6) **Primary Stakeholders** - Advisory Collections, IRS Independent Office of Appeals (Appeals) Counsel, Estate and Gift Tax Workload Selection and Delivery, Specialty Examination, and SB/SE Examination Quality & Technical Support are the primary stakeholders for this IRM.

4.25.10.1.1
(06-14-2021)
Background

- (1) This subsection provides information on procedures for concluding an examination of estate and/or gift tax returns, including taxpayer rights and administrative workpapers. For case closing procedures for delinquent returns, substitute for returns (SFR) or project cases, see IRM 4.25.8, Delinquent Return and SFR Procedures, and IRM 4.4.9, Delinquent and Subsequent for Return Processing.

4.25.10.1.2
(07-31-2020)
Authority

- (1) The IRS 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. Additional authority for conducting examinations is contained in 26 CFR 601.105, Statement of Procedural Regulations.
- (2) Estate and gift tax examiners and managers assigned to examine and oversee the examination of estate and gift tax returns and issues are responsible for complying with Servicewide policies and authorities set forth in IRM 1.2.1.5, Policy Statements for the Examining Process.
- (3) Examination of estate and gift tax returns should be conducted in a manner that will promote public confidence as stated in the Mission of the Service. See IRM 1.2.1.2.1, Policy Statement 1-1, Mission of the Service.
- (4) Policy Statement 4-52 established a general guideline that examination and processing of returns should be completed within 18 months of the filing date. See IRM 1.2.1.5.18, Policy Statement 4-52, Establishment of 18-month examination cycle.
- (5) Estate and gift examiners and managers assigned to examine and oversee the examination of international estate and gift tax returns and issues are respon-

sible for complying with all applicable Servicewide examination delegation orders and SB/SE delegation orders. A table summarizing estate and gift delegation orders is available at IRM 4.25.14.11, Signature Authority.

- (6) Section 3504 of RRA 98, Public Law 105-206 requires the IRS to include an explanation of the examination and collection process, as well as information about assistance from the Taxpayer Advocate with any first report/notice of proposed deficiency. Pub 3498, The Examination Process, must be used for this purpose.
- (7) Statement of Procedural Rules 601.506 requires that examiners must forward any correspondence (or copy), discussions, reports and/or other material to the taxpayer at the same time it is sent to the representative.

4.25.10.1.3
(01-22-2025)

Roles and Responsibilities

- (1) The Director, Specialty Examination Policy is responsible for oversight of Estate and Gift Tax policy.
- (2) The Program Manager, Estate and Gift Tax Policy is responsible for oversight of the Estate and Gift Tax program.
- (3) The Chief of Estate and Gift Tax is responsible for oversight of Estate and Gift Tax examinations.

4.25.10.1.4
(07-30-2019)

Program Management Review

- (1) The National Quality Review System (NQRS) is a web-based review system used by Estate and Gift Tax Policy, Estate and Gift Tax Examination Management and Estate and Gift Tax Quality Measures and Analysis (QMA) to generate and review reports analyzing national quality performance based upon standardized quality attributes set forth in Document 12499, Estate and Gift Tax Examination Embedded Quality Job Aid. NQRS report data is compiled by QMA on a quarterly basis, but **ad hoc** reports may be obtained monthly. The use of NQRS is explained in additional detail in IRM 4.2.8, Guidelines for SB/SE National Quality Review.
- (2) Operational reviews and related NQRS reports are conducted by territory managers and the Chief of Estate and Gift to measure national adherence to quality standards and managerial performance and/or oversight.
- (3) Customer (i.e., taxpayer) satisfaction reports are generated by SB/SE Operation Support Research on a quarterly basis. These reports provide masked taxpayer narratives that are responsive to a pre-defined set of survey questions. The quarterly survey reports are to be used to identify areas for examination quality improvement.
- (4) Frequent front-line manager reviews are conducted under the Examination Quality Review System (EQRS), with the frequency based on annual personnel requirements.

4.25.10.1.5
(01-22-2025)

Terms/Definitions/ Acronyms

- (1) The following table sets forth Estate and Gift Tax program specific terms and definitions:

Term	Definition
30 Day Letter (also known as a Preliminary Letter)	Letter used to transmit the examination report to the taxpayer and allow the taxpayer 30 days to request Appeals' consideration of their case, or take other actions as outlined in the specific letter.
Agreed Adjustment Tax Period	<p>An examined tax period resulting in changes to tax and/or penalty and the taxpayer agrees by signing a Form 890, Waiver of Restriction on Assessments & Collection of Deficiency & Acceptance of Overassessments - Estate, Gift, and Generation-Skipping Transfer Tax. The following scenarios are considered agreed closures even without a signature on the Form 890:</p> <ul style="list-style-type: none"> • Prior to the issuance of a notice of deficiency an advance payment is received (not designated as an IRC 6603 deposit) which fully pays the deficiency. • The net result of the examination is an overassessment (other than a claim for refund disallowed in full or part).
Audit Report (also known as Examination Report)	A form and all attachments used to transmit the findings of an examination, containing all the information necessary to ensure a clear understanding of the adjustments and demonstrating how the tax liability was computed.
Classification	The process whereby a team of Campus and field estate tax attorneys, estate tax managers, lead estate tax attorneys, paralegals and transfer tax technicians review all schedules on all estate and gift tax returns that met the initial screening criteria to identify any issues for examination. See IRM 4.25.3, Planning, Classification and Selection, for additional information.

Term	Definition
Estate and Gift Tax Notebook Job Aid	This is a proprietary software program used by Estate and Gift Tax to generate reports and examination process and documentation (EPD).
Issue lead sheet	Issue lead sheets must reflect the issue name, adjustments (when applicable), conclusion, audit steps, facts, law, and taxpayer's position in the body. This information should be presented in a logical order so reviewers can easily determine what audit steps and actions were taken to support the conclusion. Issue Lead sheets are provided to examiners through the Estate and Gift Tax Notebook Job Aid. The lead sheets provided to examiners meet the SBSE formatting and content requirements set forth in IRM 4.10.9.7.2, Issue Lead Sheets.
Mandatory lead sheet	The mandatory lead sheets are provided to examiners through the Estate and Gift Tax Notebook Job Aid. The mandatory lead sheets document Servicewide and SBSE examination requirements. These examination requirements include but are not limited to verifying and protecting the statute of limitations; pre-planning and identifying the scope of the examination; conducting filing checks; providing taxpayer rights documentation; considering appropriate penalties, and soliciting payments.
No Change tax period	An examined tax period resulting in no adjustment(s) to the value of the taxpayer's reported transfer(s), deductions or credits.
No Change with Adjustments tax period	An examined tax period resulting in adjustment(s) to the taxpayer's reported transfer, deductions or credits, but no net change to tax and/or penalty.

Term	Definition
Overassessment tax period	An examined tax period resulting in adjustment(s) that reduce the taxpayer's liability in the year examined. An overassessment becomes an overpayment when a refund is indicated (subject to the time limits prescribed by making a refund or credit).
Perfection of return	The process of contacting the taxpayer, representative or preparer (when appropriate) for the sole purpose of obtaining information and documentation that is required as part of the return filing. The specific return instructions set the specifications for filing requirements.
Significant activity	Any activity where the examiner performed substantial work that moved the case toward a conclusion. This does not include phone calls to or from the taxpayer to cancel or change appointments. It would include phone calls that discussed items which helped move the case toward a conclusion, appointments, requests for additional information, research, etc. Significant activity would also include follow-up contacts either to or from Engineers or other specialists.
Survey	A case is surveyed after a decision is made that a return does not warrant examination. This decision takes place after a manager or examiner completes an evaluation of the case's audit potential. A survey can include contact if that contact is to request information and documents required to be filed with the return. The examiner should note the contact on the Form 3187, Survey After Assignment. A survey decision may occur before assignment or after assignment.

Term	Definition
Statutory Notice of Deficiency (also known as Stat Notice, notice of deficiency, and 90-Day Letter)	A statutory notice of deficiency is a legal notice sent to the taxpayer that determines the taxpayer's tax deficiency. The IRS must issue a notice of deficiency before assessing additional taxes unless the taxpayer agrees to the assessment. The statutory notice of deficiency gives the taxpayer 90 days to file a petition with the United State Tax Court to appeal the tax determination made by the IRS.
Unagreed tax period	An examined tax period that results in a deficiency, a disallowed claim for refund or a no change (but the adjustments impact the tax liability of another year), and the taxpayer does not agree to the findings and a report or waiver is not signed by the taxpayer.
Waiver	A form allowing taxpayers to waive certain restrictions or requirements. Estate and Gift Tax generally uses Form 890.
Workpaper	<p>Workpapers support the information included on the lead sheets and, when applicable, should reflect what the examiner reviewed, requested and inspected to audit the issue. See IRM 4.10.9.8, Workpapers, for formatting requirements.</p> <p>Examples of workpapers are:</p> <ul style="list-style-type: none"> • photocopies of relevant documents secured from the taxpayer and/or representative • internal source documents (e.g., transcripts used to support the examination process and conclusions reached) • correspondence

(2) The following table sets forth common Estate and Gift Tax program acronyms:

Term	Acronym
Case Built File	CBF
Deceased Spousal Unused Exclusion	DSUE
Estate and Gift Tax Embedded Quality Review System	EQRS or EQ
Estate and Gift Tax Exam Process and Documentation	EPD
Estate and Gift Tax Notebook Job Aid	Notebook
Fraud Technical Advisor	FTA
Generation-Skipping Transfer Tax	GSTT
Issue Management System	IMS
National Quality Review System (NQRS)	NQRS or NQ
Plan to Close Meeting	PTC
Substitute for a Return	SFR

4.25.10.1.6
(01-22-2025)

Related Resources

- (1) The following related resources provide guidance for case closure procedures:
 - IRM 1.4.40, SB/SE Field Office Examination Group Manager
 - IRM 4.10.7, Issue Resolution
 - IRM 4.10.8, Report Writing
 - IRM 4.25.1 through 4.25.14

4.25.10.2
(07-30-2019)

General Case Closing Procedures

- (1) This section provides information on procedures required to close an estate and/or gift tax case once the examination has been concluded.

4.25.10.2.1
(07-30-2019)

Taxpayer Rights

- (1) Once a determination regarding adjustments to an examined return has been made, the examiner should discuss findings with the taxpayer and/or authorized representative.
- (2) Publications sent to the taxpayer(s) should always agree with the enclosures identified on the letter. Blank forms and publications available on IRS.gov should not be included when sending copies of letters, examinations reports, waivers, etc. with Letter 937, Transmittal Letter for Power of Attorney, or other cover letter sent to representatives or appointees. For example, Publication 3498 should not be included with a representative or appointee's copy of the examiner's report transmittal cover letter.

Note: This guidance is consistent with the Form 2848, Power of Attorney and Declaration of Representative, and Form 8821, Tax Information Authorization,

instructions which state that representatives and appointees will not receive forms, publications or other related materials with notices.

- (3) If a change in the tax assessment or use of the applicable credit amount is proposed, or if the taxpayer otherwise has a right to appeal the findings, the examiner must issue Pub 3498, to the taxpayer as an attachment to the first draft report. Issue Pub 3498 indicating the taxpayer has appeal rights when:
 - a. A change in assessment of tax is proposed in the examination of a Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, or Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return.
 - b. A decedent's Form 706 shows the estate elected the Deceased Spousal Unused Exclusion (DSUE) and the examination results in an assessable change to the reported tax (includes where DSUE is zeroed out and the estate becomes taxable).
 - c. A decedent's Form 706 shows the estate used DSUE (during life on Forms 709 or at death), and examination results in an assessable change to the estate's reported tax.
 - d. Form 709 results in No Change with Adjustments where an adjustment to the gift reported by the donor is based on legal or valuation issues. Donor has rights under IRC 7477. See IRM 4.25.10.7.2.
 - e. Form 709 results in No Change with Adjustments for a donor's Form 709 where the only change(s) affect the DSUE available to the donor (and no adjustment to the gift reported by the donor is based on legal or valuation issues), the donor has no rights under IRC 7477, but may appeal the findings under IRM 8.1.1.4.2, No Immediate Tax Consequence Cases.

4.25.10.2.2
(06-14-2021)

**Report of Examination
Results and Waiver**

- (1) Prepare the applicable examination report forms as discussed in IRM 4.25.6.4, Estate and Gift Examination Report Forms, for issuance to the taxpayer.
- (2) The Notebook 6166 Calculation Module Instructions document found in the Estate and Gift SharePoint 6166 subfolder provides detailed instructions and examples for preparing an accurate IRC 6166 interest computation. Estate and Gift Campus no longer verifies IRC 6166 interest computations before case closure. Examiners can also obtain assistance from Estate and Gift Tax Notebook Super Users by submitting an IRWorks ticket.
- (3) Estates and trusts act through their fiduciaries (e.g., executors, personal representatives, trustees, or administrators). A person acting in a fiduciary capacity is required to file Form 56, Notice of Fiduciary Relationship. See IRC 6903. These persons are generally not required to execute Form 2848. See 26 CFR 601.504(b). IRC 2203 defines the term 'executor' for estate tax purposes. As such, the executor has the right to sign waivers agreeing to adjustments to the estate tax and attendant additions to tax (penalties). There are limits to the signature authority rights granted to executors to the extent the statutory executor concept does **not** go beyond the estate tax regime established in chapter 11. A statutory executor does not have the authority to execute Form 870 to waive restrictions for assessment of income tax or to execute Form 890 to waive restrictions on assessment of gift tax or generation-skipping transfer tax. Examiners should verify the scope of the estate's fiduciary signature authority when soliciting waiver signatures for fiduciary income tax, gift tax, generation-skipping transfer tax adjustments and additions to tax.

- (4) Prior to case closure the examiners must sign the Form 1273, Report of Estate Tax Examination Changes, for Estate Tax Return reports. Examiners do not sign Form 3233, Report of Gift Tax Examination, for Gift Tax Return reports.

4.25.10.2.3
(07-30-2019)

Obtain Necessary IDRS Transcripts (AMDISA, BMFOLT, BMFOLI, and INOLE)

- (1) Verify that the correct statute date is reflected on all transcripts. Transcripts should be less than 30 days old, preferably less than one week.
- (2) Review Transaction Codes to ensure that the correct assessed tax is reflected on all Notebook Report Forms.

Note: Document 6209 , IRS Processing Codes and Information, is available on the intranet.

- (3) Review transcripts to determine if any of the following items need to be addressed on the Form 3198:

- Delinquency Indicator (1) for penalties
- Master File-Transaction Code (MF-TC) 96X or 97X for amended or supplemental returns
- MF-TC 34X for 6166 election

4.25.10.2.4
(01-22-2025)

Prepare Form 3198, Specialty Handling Notice

- (1) Within Notebook, select the appropriate Disposal Code and deploy Form 3198. Verify auto-populated items. Complete items not auto-populated, upload the document to IMS to the "closing data" case file folder. Print the Form 3198 if there is a paper case file.

Form 3198 Field	Instructions
Business Unit	Estate and Gift
Primary Business Code	213
Secondary Business Code	<ul style="list-style-type: none"> • Northeast - 91700 • South Central - 91900 • Central West - 92300
Group Number	Insert employee's four-digit group number.
Employee ID/Badge No.	Last 7 digits on examiner's SmartID Card
Taxpayer Identification Number (TIN)	SSN, EIN or TIN
Earliest Statute Date	ASED
Taxpayer Name	Donor or Decedent's name

Form 3198 Field	Instructions
Taxpayer Address	<ul style="list-style-type: none"> • Use the current INOLE address (i.e., last known address) unless there is evidence to the contrary. • If the address for the taxpayer has changed (see Form 8822), complete the Form 2363, Master File Entity Change, and fax it to Centralized Case Processing (CCP). See Estate and Gift Tax SharePoint for current numbers. Include the original Form 2363 and fax confirmation in the case file.
Power of Attorney (POA)	Check Power of Attorney (POA) and enter valid period(s) if the Form 2848 or Form 8821 is in the case file or if Form 706 Declaration is signed.
Related Return	<p>See paragraph 2 for additional information and examples.</p> <ul style="list-style-type: none"> • The taxpayer name • The tax identification number (social security number) • The MFT • The tax period
Expedite Processing	<ul style="list-style-type: none"> • Select if the statute is less than 90 days. • Select if an IRC 6166 election was made and is valid. • Select if agreed and unpaid deficiency over \$100,000.
Special Features (complete section as appropriate)	<ul style="list-style-type: none"> • If IDRS printouts show a 96X or 97X, or an amended return is in the file, the return should be reviewed and the amended return box should be checked. • If IDRS printouts show a delinquency indicator of 1, check Other Instructions box, write Delq Ind 1, and address whether penalties were applied. • If the refund/overassessment is more than 2 million dollars, select the Joint Committee checkbox. See IRC 6405 and IRM 4.36.2, Identification of Joint Committee Cases.
Forward section	<ul style="list-style-type: none"> • If unagreed, select "Forward to Tech Services". • Check "Forward to CCP" for all other cases. • Complete "Date Closed to Manager" and "Manager's Name".

Form 3198 Field	Instructions
Return Information Fields	<ul style="list-style-type: none"> • Tax Period (YYYYMM if 709 or DOD if 706) • MFT 51 if Form 709, MFT 52 if Form 706, or MFT 05 if Form 1041 • Time Applied (include all time from other team members and specialists, do not include time charged to Activity Code 615) • Disposal Code (see paragraph 3 or Document 6209 for additional information) • Tax deficiency, if any • Penalty code section and amount, if any • Agreement date, if any • Payment - yes or no

- (2) If possible, when closing cases from the group, all related cases should be closed with the controlling, primary or key cases on the top. See IRM 4.10.9.12, Case File Assembly for Closing Physical Administrative Case Files, for paper case files. If it is not possible to close all related cases with the key case, the Form 3198 should only list cases closing simultaneously. For example, if the primary return (key case) is closing with three out of five related returns, the upper right-hand corner of the Form 3198 should only list those three related cases. The examiner should notate the Case Level Activity Record in IMS, that the case is being closed without related return for particular years and the reason the examiner is not closing the specified returns. Reasons for closing returns separately may include short statutes, new appraisals obtained for subsequent years, and additional assets that need consideration.

- (3) Common Disposal Codes used in estate and gift tax closures include:

Disposal Code Number	Definition for Disposal Code
01	No Change with Adjustments
02	No Change, No Adjustments
03	Agreed
04	Agreed, After 30 Day Letter
07	Protest to Appeals (30 Day Letter)
08	Unagreed (Statutory Notice of Deficiency Letter or Payment Received in Lieu of Signed Waiver)
12	Agreed Form 8939 Penalty
32	Surveyed After Assignment
00	Closed Form 8939

Note: For full list of Disposal Codes, see Document 6036, Examination Division Reporting Codes Booklet, and Document 6209. See IRM 4.25.8 for specific Disposal Codes for Project and Research cases.

4.25.10.2.5
(01-22-2025)

**Prepare Form 5344,
Examination Closing
Record**

- (1) Create a Form 5344, Examination Closing Record, in IMS, verify auto-populated items, and print if there is a paper case file.

Note: Closing case data is exported from Notebook and imported into IMS. See the Notebook Job Aid on the Estate and Gift Tax SharePoint.

Form 5344 Item	Instructions for Completing Field
Item P7-34	Auto-populated but verify.
Item 8, Agreement Date	Enter date agreement was received, if applicable.
Item 12, Tax, Penalty and Interest Adjustments	<ul style="list-style-type: none"> For a deficiency enter Transaction Code 300 and the amount of the deficiency For an overassessment enter Transaction Code 301 and the amount of the refund For penalties applied enter Transaction Code 160 and the amount of the penalty For penalties abated enter Transaction Code 161 and the amount abated
Item 13, Disposal Code	Enter Disposal Code. See IRM 4.25.10.2.4 paragraph 3, Document 6036 and Document 6209.
Item 15	<ul style="list-style-type: none"> Transaction Code 076 for Estate cases, or Transaction Code 077 for Gift cases, and Amount of deficiency, abatement, or zero for no change, and Appropriate Transaction Code for assessed or abated penalties
Item 28, Examiner's time	Auto-populated but verify time includes all team members and specialists.
Item 30, Examination Technique Code	This number will always be 3 (three).
Item 31, Examiner's Grade	Auto-populated but verify.
Item 33, Examiner's Name	Auto-populated but verify.
Item 408	Enter " P " if primary return, or " S " if related return.
Item 410, Aging Reason Code.	Enter Aging Reason Code. See IRM 4.4.12.3.12, Aging Reason Code, for some commonly used estate and gift aging reason codes.
Item 411, Payment Type	Check type of payment: the options are full, partial or none.
Item 412, Installment Agreement.	Check " I " if Installment Agreement, otherwise check " N ".
Item 422, Unified Credit Amount	Enter the applicable credit amount (unified credit amount) adjustment for Estate and Gift Tax returns. (This is used for disposal code 01 cases, which do not necessarily yield tax dollars at the present time but do reflect a reduction of the tax gap.)

Form 5344 Item	Instructions for Completing Field
Item 425, Deceased Spousal Unused Exclusion	Enter adjustment (increase or reduction) to the value of the deceased spousal unused exclusion (DSUE).

Note: If IDRS shows a delinquency indicator of 1 then a Transaction 160 code must be entered at item 12 even if the amount is zero.

Note: The Transaction Codes listed in the table above do not represent an all-inclusive list of codes.

(2) For specific instructions on completing Form 5344 depending on type of closure, see IRM 4.25.10.3 through IRM 4.25.10.8.

(3) For manual completion instructions, see IRM 4.4.12, Examined Closings, Surveyed Claims, Partial Assessments, and Closing to Appeals.

4.25.10.2.6

(01-22-2025)

Prepare Form 5346, Examination Information Report (Estate)

- (1) If reported non-professional executor (executor is not in the trade or business of being an executor; for instance, an executor is a friend or relative of the decedent's estate) fees are \$50,000 or over, a Form 5346, Examination Information Report, should be prepared paying close attention to the following:
 - a. Combine the Form 5346, Examination Information Report; Form 4421, Declarations–Executor Commissioner's and Attorney's Fees; a copy of the first three pages of the Form 706 and Schedule J in a zip file and upload to the IMS Administrative Issue "Closing Data" subfolder.
 - b. For a paper case file, attach a copy of the Form 5346 and Form 4421, Declarations–Executor Commissioner's and Attorney's Fees to Schedule J. Staple together a copy of the Form 5346 along with a copy of the Form 4421, a copy of the first three pages of the Form 706 and a copy of Schedule J and clip to the case file.
 - c. The group manager should ensure that the Form 5346 package is routed to the address listed on the Estate and Gift Tax SharePoint, at the Executor Fees folder.
 - d. If the examiner was unable to obtain a Form 4421 prior to closing, submit the Form 5346 with a copy of the first three pages of the Form 706 and Schedule J. A closing should not be unreasonably delayed due to the examiner's inability to obtain a Form 4421 from the non-professional personal representative.

4.25.10.2.7

(01-22-2025)

Prepare Letters for Mailing by Examiner (Estate)

- (1) The examiner must prepare and obtain group manager signatures on letters required to be mailed to the taxpayer at the conclusion of the examination. The examiner is required to mail certain letters to the taxpayer. See Exhibit 4.25.10-2, Misc. Letter Preparation Instructions, for various letter preparation instructions.
- (2) Instructions for requesting a Letter 627 are available at *IRS.gov*.

4.25.10.2.8
(07-30-2019)
**Prepare Lien Packages
for Advisory Collections
(Estate)**

- (1) Prepare a 2032A Lien Package if there is a valid IRC 2032A Special Use Valuation Election. See IRM 4.25.11.2, IRC 2032A Special Use Valuation Election.
- (2) Prepare a 6166 Lien Package if there is a valid IRC 6166 Installment Payment election. See IRM 4.25.11.3, IRC 6166 Installment Payment Elections.

4.25.10.2.9
(01-22-2025)
**Items to Be Completed
and Uploaded to IMS**

- (1) Verify all issues have a Uniform Issue List (UIL) Code in IMS. A UIL code for each issue is required to close the case. See IRM 4.25.1.8.6, Uniform Issue List (UIL) Codes.
- (2) Verify taxpayer information and the taxpayer's representative information has been input in IMS.
- (3) Complete the Case Level Activity Record in IMS. See IRM 4.25.1.8.8, IMS Time Sheet and Form 9984, Activity Record, for examples of items to be recorded on the Case Level Activity Record in IMS.
- (4) Confirm all workpapers, closing documents, and tax return data have been uploaded to the Administrative Issue subfolders as follows (one subfolder within each of the following subfolders may be created):
 - a. Admin Forms: Examination Process and Documentation (EPD) Mandatory Forms and Lead Sheets, Correspondence, other Examination Workpapers, and Documents and Information provided by the taxpayer that relate to disputed or unagreed issues. All lead sheets and workpapers from Notebook should be uploaded to IMS at the beginning of the examination and worked on in IMS. A signed copy of the Penalty Approval Form should be uploaded to IMS where the examiner is asserting a penalty.
 - b. Closing Data: Upload All Notebook Closing Documents and Report Forms, and the case's XML file or zip file, as appropriate. (See the Notebook folder "Deployed Form/TP/Report Forms.") Scan and upload the signed waiver, Form 890, if any.
 - c. Tax Return Data: Limited to return information such as scanned returns. For instructions regarding the deployment of Notebook Closing Reports and Forms, see the Notebook Job Aid on the Estate and Gift Tax Share-Point.

Note: See IRM 4.25.1.8.9, Uploading and Importing Documents to IMS, and IRM 4.25.1-1, Required Uploads to IMS, for a list of IMS uploads requirements.

- (5) Standard naming conventions must be used for all documents in the IMS file. Standard naming conventions contribute to an organized case file and assist users in easily locating specific documents. All documents must use the following standard naming convention:
 - a. The Reference Code is the three-digit code assigned to the issue (e.g., 100 Final Report and Closing Documents or 600 Correspondence).
 - b. Where necessary, the date received should be included after the reference code as year-month-day, e.g., 2023-6-10. All correspondence must include the date received. This will ensure that all correspondence is listed chronologically in IMS. Document name and descriptions should follow the date.
 - c. The descriptive name of lead sheets and issue workpapers must include the issue name (e.g., Schedule F – Misc. Property).

Note: See IRM 4.25.1.8.9, and Estate and Gift Tax SharePoint under Electronic Case Files Initiative, Naming Convention.

- (6) Create a Form 5344 in IMS, verify auto-populated items, and print.
- (7) Close the case in IMS.
 - a. Synchronize the case to upload and download all files.
 - b. Check in all workpapers and documents.
 - c. Enter actual closed dates for the case and for each entity.
 - d. Access the Case Inventory screen to change the case status to closed.

Note: If the closing is successful, a message providing “Case data will be removed from your case inventory” will appear. The case will no longer be in the Case Inventory.

4.25.10.2.10
(01-22-2025)
Case File Assembly

- (1) Verify the tax return is complete and intact, as originally filed.
- (2) The CBF Risk Summary Sheet that contains classification data for the case must be included in the closed file.
- (3) Upload the Form 10364-A, Statute Expiration Case Notice, and/or Form 895, Notice of Statute Expiration, from Notebook, as appropriate.
 - If the statute is within 210 days, complete Form 10364-A (red folder or red sheet).
 - If the statute is 6 months or less, complete Form 10364-A and Form 895.
 - Some groups may generate the Form 895 from ERCS and forward to the examiner for acknowledgement.
- (4) Upload copies of final signed report and any appropriate cover letters.
- (5) Obtain any required manager signatures on letters and forms. A manager must sign the Penalty Approval Form if an examiner is asserting a non-statutory penalty (e.g., negligence, under-valuation, gross-undervaluation, etc.) prior to any written communication sent to the taxpayer. See IRM 20.1.1.2.3.1, Timing of Supervisory Approval.
- (6) For paper case files, assemble required EPD documents and workpapers using the EPD tabs (Document 12555 Estate & Gift Examination Workpapers Index Tabs). EPD tabs are required. See IRM 4.25.1.9, Estate and Gift Tax Exam Process and Documentation. Refer to Exhibit 4.25.10-1 for paper Case File Assembly.

4.25.10.3
(07-30-2019)
Survey

- (1) There are three sets of case closing procedures used for closing a case as a Survey:
 - Survey Before Assignment
 - Survey After Assignment, Regular Case
 - Survey After Assignment, Claim Case

4.25.10.3.1
(01-22-2025)
**Survey Before
Assignment**

- (1) Any return closed from an Estate and Gift Tax group before assignment to an examiner and before contact with the taxpayer is considered a survey before assignment. Employees will carry out this duty in accordance with IRM 1.2.1.2.36, Policy Statement 1-236, Fairness and Integrity in Enforcement Selection.
- (2) Group managers should survey returns before assignment if no examination is warranted or if the number of returns assigned to the group exceeds the number that can be examined and processed within the examination cycles.
- (3) Returns surveyed before assignment are closed with disposal code 31. Apply a **Survey Before Assignment** stamp on the front of the return. Paperless procedures for closing a case as a survey before assignment are in IRM 1.4.40.4.6.3.2.1, Paperless Survey Before Assignment. Procedures for paper returns are in IRM 1.4.40.4.6.3.2.2, Paper Survey Before Assignment. For information on creating a survey stamp in Adobe please see *Exam Procedure SharePoint* or the Estate and Gift Tax SharePoint Electronic Case Files Initiative.

4.25.10.3.2
(01-22-2025)
**Items to Be Completed
and Uploaded to IMS**

- (1) Verify all issues have a Uniform Issue List (UIL) Code in IMS. A UIL code for each issue is required to close the case. See IRM 4.25.1.8.6, Uniform Issue List (UIL) Codes.
- (2) Verify taxpayer information and the taxpayer's representative information has been input in IMS.
- (3) Complete the Case Level Activity Record in IMS. See IRM 4.25.1.8.8, IMS Time Sheet and Form 9984, Activity Record, for examples of items to be recorded on the Case Level Activity Record in IMS.
- (4) Confirm all workpapers, closing documents, and tax return data have been uploaded to the Administrative Issue subfolders as follows (one subfolder within each of the following subfolders may be created):
 - a. Admin Forms: Examination Process and Documentation (EPD) Mandatory Forms and Lead Sheets, Correspondence, other Examination Workpapers, and Documents and Information provided by the taxpayer that relate to disputed or unagreed issues. All lead sheets and workpapers from Notebook should be uploaded to IMS at the beginning of the examination and worked on in IMS. A signed copy of the Penalty Approval Form should be uploaded to IMS where the examiner is asserting a penalty.

Note: Written supervisory approval of a penalty is required prior to initial written communication with the taxpayer. See IRM 20.1.1.2.3.1, Timing of Supervisory Approval.
 - b. Closing Data: Upload All Notebook Closing Documents and Report Forms, and the case's XML file or zip file, as appropriate. See the Notebook folder "Deployed Form/TP/Report Forms". Scan and upload the signed Waiver, Form 890, if any.
 - c. Tax Return Data: Limited to return information such as scanned returns. For instructions regarding the deployment of Notebook Closing Reports and Forms, see the Notebook Job Aid on the Estate and Gift Tax SharePoint.

Note: See IRM 4.25.1.8.9 and IRM 4.25.1-1 for a list of IMS uploads requirements.

- (5) Standard naming conventions must be used for all documents in the IMS file. Standard naming conventions contribute to an organized case file and assists users in easily locating specific documents. All documents must use the following standard naming convention:
- The reference code is the three-digit code assigned to the issue (e.g., 100 Final Report and Closing Documents or 600 Correspondence).
 - Where necessary, the date received should be included after the reference code as year- month-day, e.g., 2023-6-10. All correspondence must include the date received. This will ensure that all correspondence is listed chronologically in IMS. Document name and descriptions should follow the date.
 - The descriptive name of lead sheets and issue workpapers must include the issue name (e.g., Schedule F – Misc. Property).

Note: See IRM 4.25.1.8.9, and Estate and Gift Tax SharePoint under Electronic Case Files Initiative, Naming Convention.

- (6) Create a Form 5344, Examination Closing Record, in IMS, verify auto-populated items, and print.
- (7) Close the case in IMS.
- Synchronize the case to upload and download all files.
 - Check in all workpapers and documents.
 - Enter actual closed dates for the case and for each entity.
 - Access the Case Inventory screen to change the case status to closed.

Note: If the closing is successful, a message providing “Case data will be removed from your case inventory” will appear. The case will no longer be in the Case Inventory.

4.25.10.3.3
(01-22-2025)
**Survey After
Assignment, Regular
Case**

- (1) Examiners who survey a case after assignment will use Form 3187, Survey After Assignment, to explain the reasons for the survey decision, or include a complete written explanation in the Case Level Activity Record in IMS, and the appropriate workpapers. See IRM 4.10.2.5.2, Procedures for Surveying Returns After Assignment. To complete the Form 3187:
- Select the Manage Survey button in IMS to access Form 3187.
 - Record the total number of hours on the case, including time charged directly to the case and time charged to Code 615, Survey. Notate the Form 3187 “Enclosures” block with the word “survey”.
 - Upload or attach the completed Form 3187 to the case file.

Note: If the Form 3187 is not used, then the total number of hours, including time charged directly to the case and time charged to Code 615, Survey, should be noted on the Case Level Activity Record in IMS.

- (2) Complete Form 5351, Examination Non-Examined Closings. Use the Status EGC label if available. If the label is not available, enter the TIN, MFT, Tax Period, Name Control, and enter Requester, EGC and Date in the area provided at the top of the form.
- (3) Create and complete Form 3198. See IRM 4.25.10.2.4, except for the differences noted below:

Form 3198 Item	Item Completion Instructions
Forward Section	Enter Disposal Code 32

- (4) Apply the “Survey After Assignment” stamp to the face of the return. Sign, date, and forward the case to the group manager for signature. For information on creating a survey stamp in Adobe please see *Exam Procedure SharePoint* or the Estate and Gift Tax SharePoint Electronic Case Files Initiative.

4.25.10.3.4
(01-22-2025)

**Survey After
Assignment, Claim Case**

- (1) Examiners who survey a case after assignment will use Form 3187, Survey After Assignment, to explain the reasons for the survey decision, or include a complete written explanation in the Case Level Activity Record in IMS, and the appropriate workpapers. See IRM 4.10.2.5.3, Surveying Claims.
- Select the Manage Survey button in IMS to access Form 3187.
 - Record the total number of hours on the case, including time charged directly to the case and time charged to Code 615, Survey, will be noted on the Form 3187 in the “Enclosures” block.
 - Upload or attach the completed Form 3187 to the case file.

Note: If the Form 3187 is not used, then the total number of hours, including time charged directly to the case and time charged to Code 615, Survey. Notate that the case is being closed as survey on the Case Level Activity Record in IMS.

- (2) Create and complete Form 3198. See IRM 4.25.10.2.4, except for the differences noted in the table below:

Form 3198 Item	Item Completion Instructions
Special Features Section	Check the box for Surveyed Claim
Forward Section	Disposal Code 34

- (3) Create and complete Form 5344. See IRM 4.25.10.2.5, for completion instructions, except for the differences noted below:

Form 5344 Item	Item Completion Instructions
Item 13	Enter Disposal Code 34
Item 21	Enter the amount claimed
Item 22	Enter 0 (zero)
Item 23	Hours worked on claim
Item 24	Enter claim type, B for Form 843, Claim for Refund and Request for Abatement, or Z for any other claims
Item 28	Hours worked on non-claim issues

4.25.10.4
(01-22-2025)
No Change Tax Period

- (1) For No Change No Adjustments tax period case(s), prepare a Form 1273 or a Form 3233. The figures in both columns of the Report will be the same.
- (2) A report must be issued and must include the following language: "NO CHANGE- SUBJECT TO CHIEF, ESTATE AND GIFT TAX APPROVAL". This language will automatically appear on a Report generated in Notebook when the Agreement Section of the General Information tab shows "No Change".
- (3) The examiner signs the final Form 1273 prior to case closure. The examiner does not sign Form 3233.
- (4) For a no change case, create and complete Form 3198. For basic Form 3198 completion instructions see IRM 4.25.10.2.4, except for the differences identified in the table below:

Form 3198 Item	Item Completion Instructions for No Change No Adjustment Closure
Forward Section	Enter Disposal Code 02

- (5) For a no change case, create and complete Form 5344. Basic instructions for completing the form are located at IRM 4.25.10.2.5. There are specific differences noted in the table below:

Form 5344 Item	Item Completion Instructions
Item 12	<ul style="list-style-type: none"> • Transaction Code 300 and zero in the amount column, and • Transaction Code 160 and zero in amount column (if Delq. Ind. 1).
Item 13, Disposal Code	Enter Disposal Code 02
Item 15, Transaction Code	<ul style="list-style-type: none"> • Transaction Code 076 for estates or 077 for gifts with zero in amount column. • Also enter appropriate Transaction Code for assessed or abated penalties.

4.25.10.5
(01-22-2025)
No Change with Adjustment Tax Period

- (1) No Change with Adjustments cases include changes to applicable credit amounts, marital deductions, charitable deductions, and other corrections (including certain adjustments to DSUE related returns) that do not impact tax liability on the examined return. Also included are offsetting adjustments that do not result in a change in tax liability. See IRM 4.10.8.3.2, No Change with Adjustment Report Not Impacting Other Tax Year(s).
- (2) For an estate tax examination closed as a No Change with Adjustments the case report must include a Form 1273, Form 6180, Adjustments to Taxable Estate, and Form 886-A, Explanation of Items, for all schedules where

changes were made from the amounts and items originally reported. A Pub 3498, The Examination Process, should not be issued to the taxpayer and a Form 890 is not required.

- (3) For a gift tax examination, a No Change with Adjustments case report requires a Form 3233, and a Form 886-A for an explanation of each adjustment. A Pub 3498 should be issued with the report. The gift tax report is not signed by the examiner or group manager.
- (4) Where the No Change with Adjustments results from a change to the value of a gift reported by the donor, a Form 890 should be obtained with the signature executed in the adjustment to the applicable credit amount section.
- (5) Where the No Change with Adjustments results only from changes that affect the DSUE amount available to the donor (and no changes were made to the value of a gift reported by the donor), no Form 890 is obtained.
- (6) For an agreed No Change with Adjustments case, create and complete Form 3198 . See IRM 4.25.10.2.4, except for the differences noted below:

Form 3198 Item	Item Completion Instructions
Forward Section	Enter Disposal Code 01

- (7) For an agreed No Change with Adjustments case, create Form 5344 . See IRM 4.25.10.2.5, except for the differences noted below:

Form 5344 Items	Item Completion Instructions
Item 12	<ul style="list-style-type: none"> Transaction Code 300 and zero in the amount column. Transaction Code 160 and zero in amount column (if Delq. Ind.)
Item 13	Enter Disposal Code 01
Item 15	<ul style="list-style-type: none"> Transaction Code 076 for estates, or Transaction Code 077 for gifts, and Zero in amount column, and Enter appropriate Transaction Code for assessed or abated penalties.
Item 422	Enter dollar amount of applicable credit adjustment
Item 425	Enter dollar amount of deceased spousal unused exclusion amounts adjustment (if applicable)

Note: In regular examinations, No Change with Adjustments cases should be closed using Disposal Code 01, whether or not a Form 890 is secured. In project cases, delinquent and substitute returns, No Change with Adjustment cases may use Disposal Code 03. See IRM 4.25.8, Delinquent Returns and SFR Procedures.

- (8) If the taxpayer does not agree with the adjustments in Estate Tax cases where the determination is No Change with Adjustments:

- a. The taxpayer has no statutory rights to contest a determination that does not result in a change to the estate tax liability. Pursuant to IRM 8.1.1.4.2, No Immediate Tax Consequence Cases, Appeals may consider "No Immediate Tax Consequence Cases". Follow the closing procedures at IRM 4.25.10.2, General Case Closing Procedures, and IRM 4.25.10.7, Unagreed Adjustment Tax Period.

Note: Any change(s) to a Form 706 DSUE election that remains nontaxable after examination will always result in No Change with Adjustments.

- b. If the statute of limitations is open under IRC 6501 and on examination the Form 706 with DSUE election becomes taxable, use normal agreed, partially agreed, or unagreed procedures. See IRM 4.25.10.2 through IRM 4.25.10.8.
 - c. If the return becomes taxable but the IRC 6501 statute is not open, use No Change with Adjustments procedures to zero out the DSUE election. See IRM 4.25.10.5.
- (9) If the taxpayer does not agree with the adjustments in gift tax cases with a determination of No Change with Adjustment:
- a. The taxpayer may contest a legal or valuation determination made with respect to a gift, even without a tax assessment, under IRC 7477. If the taxpayer does not agree to the No Change with Adjustments report, close the case following the procedures below at IRM 4.25.10.7, Unagreed Adjustment Tax Period.
 - b. Where no change to the value of a gift was proposed, but changes were made only to the DSUE amount available to the donor, the taxpayer may not contest the change under IRC 7477. The taxpayer may appeal the findings under IRM 8.1.1.4.2, No Immediate Tax Consequence Cases.
 - c. Close the case following the procedures below at IRM 4.25.10.7.2.

4.25.10.6
(01-22-2025)
**Agreed Adjustment Tax
Period**

- (1) An agreed adjustment tax period is a case where the taxpayer agrees to the tax assessed and signs the waiver or makes a payment in lieu of the waiver signature.
- (2) Prepare a report:
 - a. For an estate tax examination prepare a draft Form 1273, Form 6180, Form 886-A, and a Form 890. The report will explain all changes made during the examination. Form 1273 will contain a summary of the adjustments and a computation of the estate tax.
 - b. For a gift tax examination prepare Form 3233, Form(s) 886-A and a Form 890. The report will explain all changes made during the examination, contain a summary of the adjustments and a computation of the gift tax.
 - c. Compute the interest on the deficiency that will be paid to a date that will afford time for the taxpayer to review the report and submit the payment.

Note: Pursuant to IRC 6631, include language in the cover letter or report that interest calculations made by the examiner are tentative and a final calculation could result in an amount of interest that is more or less than the interest amount calculated by the examiner.

- (3) Solicit payment for all agreed deficiencies.

Note: In addition to payment by check, The Electronic Federal Tax Payment System (EFTPS) is available for payment of deficiencies. Refer taxpayers to Pub 966 , Electronic Choices to Pay All Your Federal Taxes, and Pub 4990, Payment Instruction Booklet For Business & Individual Taxpayers, for more information.

- (4) Provide the taxpayer a copy of Pub 3498 with the report. See IRM 4.10.8.2.3.2, Publications.
- (5) If payment is received, complete the Form 3244-A, Payment Posting Voucher. Follow the instructions for processing payments on the Estate and Gift Share-Point, in the Payment Remittances folder.

Note: Notification must be sent to the Remittance Unit for remittances \$100,000 or larger. See IRM 3.8.47.3.1, Large Dollars (\$100,000 or more).

- (6) Create and complete Form 3198. See IRM 4.25.10.2.4, except for the differences noted in the table:

Form 3198 Items	Item Completion Instructions
Forward Section	Use Disposal Code 03

- (7) Create and complete Form 5344. Refer to IRM 4.25.10.2.5, except for the differences noted in the table below:

Form 5344 Items	Item Completion Instructions
Item 12	<ul style="list-style-type: none"> Enter Transaction Code 300 and the deficiency in the amount column. Transaction Code 160 and penalty in amount column (if Delq. Ind. 1, must be input, even if zero)
Item 13	Enter Disposal Code 03
Item 15	<ul style="list-style-type: none"> Transaction Code 076 for estates, or Transaction Code 077 for gifts, and Deficiency in amount column, and Enter appropriate Transaction Code for assessed or abated penalties.

- (8) Once the manager reviews and approves the case, the examiner must send a copy of the signed report without “draft” or “tentative” written on the report to the taxpayer. Include language in the cover letter directing the taxpayer to IRS.gov *Frequently Asked Questions on the Estate Tax Closing Letter* for information on how to request a closing letter or transcripts in lieu of a closing letter.

- (9) Close case following time frames set forth in IRM 4.25.1.7.2, Efficient Resolution and National Standard Timeframes.

4.25.10.7
(07-31-2020)
**Unagreed Adjustment
Tax Period**

- (1) In estate, gift, and generation-skipping transfer tax examinations, if the taxpayer does not agree to the proposed adjustments, the case is unagreed. The examiner will:
- Solicit a statement of the taxpayer's position on each unagreed issue. Consider the taxpayer's position and document the case file before concluding the examination.
 - Explain the procedure for administrative appeal, as well as the option to pay any deficiency and file a claim for refund if the taxpayer or taxpayer's representative is not knowledgeable regarding these procedures.
 - Determine whether case is eligible for Fast Track Settlement procedures. See IRM 4.25.13.3, Fast Track Settlement (FTS).
- (2) The examiner, in conjunction with the manager, should then examine and confirm the statute date to determine whether a 30 Day letter (preliminary letter) or a Statutory Notice of Deficiency (Statutory Notice Letter / 90-Day letter) should be issued.
- (3) The unagreed report is similar in preparation, documentation and information to an agreed report. Report writing procedures are set forth at IRM 4.10.8, Report Writing.
- Prepare Form 1273, Form 6180, and Form 886-A for all changed items. Use Form 3233 for gift tax audits in place of Form 1273.
 - In the report, all significant issues including alternative arguments and whipsaw issues must be raised and discussed. If more than one section of the Code is applicable, all applicable sections should be cited because the further the case proceeds, whether to Appeals or Tax Court, the more difficult it may become for the IRS to raise new or alternative issues.
 - All supporting documents obtained from referral specialists, including financial analyst reports and valuation reports should be included with the report. All evidence referred to in an unagreed report and rebuttal must be integrated into the report either in the text of the unagreed report or as exhibits physically attached to the 30 Day letter. The Examiner should not rely on Appeals's review of lead sheet entries or analysis in workpapers.
 - Prepare Form 890. Page 2 of Form 890 provides the taxpayer with the opportunity to consent to the increase or decrease in the total allowed Unified Credit.
- (4) Unagreed case closure procedures will vary slightly based upon whether the case is closed after the issuance of a 30 Day letter, closed to Appeals following the issuance of a 30 Day letter, or closed to Technical Services for issuance of a Statutory Notice of Deficiency. These procedures are set forth in IRM subsections 4.25.10.7.1 through IRM 4.25.10.7.3.

4.25.10.7.1
(07-30-2019)
**Unagreed No Change
with Adjustment - No
Immediate Tax
Consequences**

- (1) If the taxpayer does not agree with the adjustments in Estate Tax cases where the determination is No Change with Adjustments:
- The taxpayer has no statutory rights to contest a determination that does not result in a change to the estate tax liability. If there is sufficient time left on the statute of limitations, Appeals may consider the case under

their No Immediate Tax Consequences case procedures. See IRM 8.1.1.4.2, No Immediate Tax Consequence Cases.

- b. Follow the closing procedures at IRM 4.25.10.2, and IRM 4.25.10.7.

Note: Any change(s) to a Form 706 DSUE election that remains nontaxable after examination will always result in No Change with Adjustments.

- c. If the statute of limitations is open under IRC 6501 and on examination the Form 706 with DSUE election becomes taxable, use normal agreed, partially agreed, or unagreed procedures.
- d. If the return becomes taxable but the IRC 6501 statute is not open, use No Change with Adjustments procedures to zero out the DSUE election. See IRM 4.25.10.5.

- (2) If the taxpayer does not agree with the adjustments in gift tax cases with a determination of No change with Adjustment:
 - a. The taxpayer may contest a legal or valuation determination made with respect to a gift, even without a tax assessment, under IRC 7477. If the taxpayer does not agree to the No Change with Adjustments report, close the case following the procedures below at IRM 4.25.10.7.2.
 - b. Where no change to the value of a gift was proposed, but changes were made only to the DSUE amount available to the donor, the taxpayer may not contest the change under IRC 7477. The taxpayer may appeal the findings under IRM 8.1.1.4.2.
 - c. Close the case following the procedures below at IRM 4.25.10.7, Unagreed Adjustment Tax Period.

4.25.10.7.2
(07-30-2019)
**Unagreed No Change
with Adjustment Gift Tax
Period - IRC 7477
Procedures**

- (1) IRC 7477 and 26 CFR 301.7477-1 authorizes and provides procedures for a taxpayer to seek declaratory relief from tax court when disagreeing with adjustments to gift tax returns that do not result in additional assessments of tax or penalties.
- (2) Upon receipt of Letter 950-G, Contact Letter to Explain Appeals Rights Per IRC 7477, the taxpayer must file a formal protest to request an Appeals conference. IRC 7477 requires that the taxpayer exhaust all administrative remedies before the case can be reviewed by the tax court. A formal protest must include the following language: **Under the penalties of perjury, I declare that I examined the facts stated in the protest, including any accompanying documents, and, to the best of my knowledge and belief, they are true, correct and complete.** The other requirements for filing a formal protest are explained in Pub 3498. IRM 4.25.10.7.3, provides additional instructions for the issuance of Letter 950-G and procedures for closing the unagreed case to Appeals.
- (3) In situations where the donor does not respond to the preliminary determination letter, or expressly declines to participate in the Appeals process, the examiner should close the unagreed case to Technical Services. Technical Services will issue Letter 3569, Final Notice of Redetermination of Value as Provided in IRC S 7477. If a donor does not respond to a preliminary determination letter, or if a donor does not participate in the Appeals process, the Tax Court will likely consider the donor to have failed to exhaust administrative remedies. In such cases, the IRS may challenge any allegation in the donor's petition to tax court for an IRC 7477 declaratory judgment.

- (4) If there is insufficient time left on the statute of limitations and the donor does not consent to the extension of the gift tax return statute of limitations the examiner may close the case to Technical Services for issuance of Letter 3569. A taxpayer's decision to consent or not consent to the extension of a statute of limitations date does not result in a donor failing to exhaust administrative remedies.
- (5) See IRM 4.25.10.2.4, IRM 4.25.10.2.5, IRM 4.25.10.7.3 and IRM 4.25.10.7.4 for Form 3198 and Form 5344 completion instructions.

4.25.10.7.3
(07-30-2019)
**30 Day Letter
Procedures**

- (1) As a prerequisite for acceptance of an unagreed case by Appeals through the issuance of a 30 Day letter, there must be a certain amount of time remaining on the statute of limitations when initially received by Appeals:
 - There must be at least 365 days remaining on the statute of limitations for assessment when a Gift or Fiduciary Income Tax case is initially received by Appeals.
 - There must be at least 270 days remaining on the statute of limitations for assessment when an Estate Tax case is initially received by Appeals.
 - There must be at least 210 days remaining on the statute of limitations when a case is received in Examination, if Appeals releases jurisdiction of the case to Examination for consideration of new information or new issues raised by the taxpayer.
 - There must be at least 180 days remaining on the statute of limitations when a case is received in Appeals, if Appeals previously released jurisdiction of the case and returned it to Examination for consideration of new information, additional analysis, and/or determination of new issues.
- (2) If there is sufficient time to issue a 30 Day letter after the taxpayer communicates disagreement with the proposed adjustments, the group manager should consider all the facts and circumstances involved with the return, including but not limited to the following factors, to determine whether a 30 Day letter should be issued:
 - The time necessary for the examiner to issue the 30 Day letter, receive the taxpayer's response, consider that response, and prepare the necessary rebuttal.
 - The likelihood that the taxpayer will request an extension of the initial 30 day response period.
 - A minimum of 30 days for processing the case file to Appeals after review of the response.
 - A minimum of 10 days to account for the time necessary to process the case file from the date of closing by the examiner to the date the case file is reviewed and closed by the group manager.
 - The nature of the disputed issues.
 - The complexity of the facts involved.
 - The applicable legal authorities.
 - The proximity of the statute of limitations and the availability of an extension, if applicable.

4.25.10.7.3.1

(07-31-2020)

30 Day Letter**Procedures - Examiner**

- (1) Complete the relevant 30 Day letter with the following information:
 - Address the letter to the taxpayer.
 - Include the taxpayer TIN; if SSN include V or W definer.
 - Use the current INOLE address unless evidence to the contrary.
 - Include form number, tax period, telephone numbers and last seven digits on your SmartID Card.
 - Person to Contact (group manager). Signature authority is delegated to a SBSE group manager.
 - Last Date to Respond should be at least 35 days (preferably 37 days) from the anticipated mailing date of the letter.
 - Include the return address.
- (2) Prepare appropriate tax report(s) and waiver(s), if appropriate, based on the tax return under examination. All evidence referred to in an unagreed report and rebuttal must be integrated into the report either in the text of the unagreed report or as exhibits physically attached to the 30 Day letter. The examiner should not rely on Appeals's review of lead sheet entries or analysis in workpapers.
- (3) Complete Letter 937, for the POA (as appropriate, if the Form 2848 or Form 8821 is in the case file or Declaration of Representative on Form 706 is signed).
- (4) Prepare a return envelope without postage. Include your address and notate 30 Day on lower left corner.
- (5) Prepare an envelope with the taxpayer's address.
- (6) Prepare an envelope with the POA's address.
- (7) Assemble three packages as described in paragraphs eight through ten for submission to the group manager for review and signature.
- (8) The examiner will send the following package to the taxpayer:
 - Two copies of Letter 950, Letter 950-F, Letter 950-G, Letter 950-J or Letter 950-K with mailing date left blank for manager's signature
 - Blank Form 13683, Statement of Disputed Issues
 - Tax report(s)
 - If an estate tax or gift tax return (except for DSUE-only changes), Form 890 , or Form 890-T, Waiver of Restrictions on Assessment and Collection and Acceptance of Overassessment as to Transferee or Fiduciary Liability for Estate, Gift and Generation-Skipping Transfer Tax
 - If a fiduciary income tax return, Form 870, Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment
 - Pub 3498
 - Return envelope
 - Envelope addressed to the taxpayer
- (9) If the Form 2848 or Form 8821 is in the case file or if there is a signed Form 706 Declaration, the examiner will send the following package to the power of attorney:
 - Letter 937 with a copy of all of the documents included in the taxpayer package except for Pub 3498

- Envelope addressed to the POA
- (10) The examiner should also upload the documents included in the POA package to the IMS Administrative Issue “Closing Data” subfolder.
- (11) Create and complete Form 3198. Refer to IRM 4.25.10.2.4, except for the differences noted below:
- Forward to Technical Services Section: Check the box for “Unagreed to Appeals”
 - Forward Section: Check box “Forward to Tech Services”
 - Disposal Code 07
 - Letter Instructions for CCP: Leave blank
- (12) Create and complete Form 5344. Refer to IRM 4.25.10.2.5, except for the differences noted below:
- Item 12: Transaction Code 300 and deficiency in the amount column
 - Item 12: Transaction Code 160 and 0 in amount column (if Delq. Ind. 1)
 - Item 13: Enter Disposal Code 07
 - Item 15: Transaction Code 076 for estates or 077 for gifts with zero in amount column. Also enter appropriate transaction code for assessed or abated penalties.
 - Item 422: Enter dollar amount of applicable credit adjustment

4.25.10.7.3.2
(07-31-2020)
**30 Day Letter
Procedures - Group
Manager**

- (1) If the amount of tax and penalties exceeds \$25,000, the taxpayer must submit a formal protest. Pub 3498 details the requirements for filing a written protest.
- (2) Upon receipt and review of the written protest, the examiner must write a rebuttal.
- a. Label the examiner’s response “Rebuttal to Protest” and send to the taxpayer as an attachment to a cover letter. Examiners may use Letter 5072, Examiner’s Rebuttal, to send the rebuttal to the taxpayer. Letter 5072, with the attached rebuttal, should be included with the taxpayer’s protest in the case file.
 - b. The rebuttal must be shared with the taxpayer and representative at the time it is sent to Appeals. See Rev. Proc. 2012-18. Document the case file to note the rebuttal was provided to the taxpayer.
 - c. The taxpayer does not need to respond to the rebuttal before sending the case to Appeals. If the Appeals Officer believes that further involvement of Estate and Gift is needed, Appeals will initiate the contact in accordance with the *ex parte* guidelines. See IRM 4.25.13.2.1, Ex Parte Communications.
- (3) If an agreement is received after the issuance of a 30 day letter, the case should be closed using disposal code 04. See Document 6036 and Document 6209 for additional information regarding disposal codes.

4.25.10.7.3.3
(07-31-2020)
Taxpayer’s Protest

- (1) Unless specifically excluded from Appeals consideration, all cases are eligible for an Appeals conference if the taxpayer submits an adequate formal written protest (when required), or small case request as directed in Pub 5, Your Appeal Rights and How to Prepare Protest If You Disagree. See IRM 8.7.4, Appeals Estate and Gift Tax Cases.

- a. Pub 5 contains instructions on preparing formal written protests and small case requests in unagreed cases. On unagreed cases requesting further consideration by Appeals, a formal written protest and a small case request must contain all the information required by Pub 5 (with exceptions noted in the If/Then table in paragraph 2). If the examiner believes that the protest meets all requirements of Pub 5, the case should be forwarded to Appeals.
- b. If a taxpayer submits a formal written protest that includes all the information required by Pub 5, addressing the issues raised in the 30 day letter, reasons for disagreement, the factual information to support their position on the issues and the law or authority, if any relied upon, then the case must be forwarded for Appeals' consideration. If the examiner disagrees with the facts, law, or position stated in the taxpayer's protest, the examiner must prepare a rebuttal and share this with the taxpayer and representative, if any, prior to forwarding the case for Appeals' consideration.

- (2) When a taxpayer requests an Appeals conference, examiners must follow the applicable procedures provided in the table below:

If	Then
The total amount for any tax period is not more than \$25,000. In computing the total amount, include a proposed increase or decrease in tax (including penalties), or claimed refund.	The taxpayer may make a small case request instead of filing a formal written protest. The taxpayer may complete Form 12203, Request for Appeals Review.
The total amount for any tax period is more than \$25,000. In computing the total amount, include a proposed increase or decrease in tax (including penalties), or claimed refund.	The taxpayer must submit a formal written protest.
The taxpayer submits a formal written protest or small case request.	<p>The protest must be reviewed at the group level, as designated by management, within seven days of receipt to determine whether the protest complies with the requirements as outlined in Pub 5. The protest review should include consideration of any new facts, law, or arguments presented to determine if:</p> <ul style="list-style-type: none"> • The case requires further development by the examiner; • The examiner's report should be modified; • The examiner must write a rebuttal to refute arguments in the protest.

If	Then
The formal written protest or small case request does not comply with the requirements as outlined in Pub 5.	<p>The protest should be returned to the taxpayer and additional time should be granted to perfect the protest. The examiner should use the following letters for this purpose:</p> <ul style="list-style-type: none"> • Letter 1025, Letter of Protest, or • Letter 1025-A, Letter of Protest (Claims), or • Letter 1025-B, Letter of Protest (No Change with Adjustments) <p>Note: The signature of only one spouse on a protest regarding a joint return does not make the protest incomplete. If the only item missing from the protest is a copy of the 30 day letter, the case can be closed using the copy in the file, therefore, there is no need to return the protest to the taxpayer for perfection.</p>
The formal written protest or small case request contains information warranting consideration.	<p>The case may require additional development because of additional facts raised and/or new information, issues or legal arguments presented in the formal written protest or small case request. Cases requiring additional development are priority work and should be given expedited consideration. See IRM 4.10.8.12.9.3.1, Timely Actions-Requests for Appeals Conference.</p> <p>Note: Appeals does not return cases for further development.</p>
The examiner or group manager identifies something in the formal written protest or small case request that does not change the determination, but requires further comment or explanation.	A rebuttal must be prepared and included in the case file before it is sent to Appeals.
The formal written protest or small case request is complete.	The examiner must prepare a rebuttal and Letter 2280, Transfer to Appeals, to notify the taxpayer the case is being closed to Appeals. The letter must be signed by the group manager and mailed to the taxpayer.
There is not sufficient time remaining on the statute of limitations to send the case to Appeals, and a consent was not previously solicited.	The examiner will follow the procedures in IRM 25.6.22, Extension of Assessment Statute of Limitations By Consent, to solicit a consent if allowable by law. If the assessment statute cannot be extended by consent (e.g., an estate tax case), issue a statutory notice of deficiency.
There is not enough time remaining on the statute of limitations to send the case to Appeals and a consent was previously solicited.	The examiner should issue Letter 1025, Letter 1025-A, or Letter 1025-B, to remind the taxpayer a consent is needed to send the case to Appeals and give the taxpayer 10 days to respond.

If	Then
The taxpayer's representative submits the formal written protest or small case request for the taxpayer .	<p>The representative must include a substitute for the taxpayer's declaration described in Pub 5. The declaration will state:</p> <ul style="list-style-type: none"> • The representative prepared the protest and accompanying documents; and • Whether the representative knows personally that the facts contained in the protest and accompanying documents are true and correct.
The taxpayer verbally requests a transfer of jurisdiction for the appeal, and the formal written protest or small case request is complete.	The case file will be sent promptly to the local Appeals office serving the examiner's area. This procedure applies even if the taxpayer has requested a hearing in an Appeals office other than the one servicing the examiner's area.
A notice of deficiency has been issued to the taxpayer (and the taxpayer has not petitioned the Tax Court (or petitioned the Tax Court untimely)).	<p>Transfer of protested cases to Appeals is generally precluded except for:</p> <ul style="list-style-type: none"> • Other taxable periods of the same taxpayer not listed on the notice, • Other types of tax for the same taxable periods for the same taxpayer which are not listed on the notice, or • An offer in compromise covering the same type of tax and the same taxable periods of the taxpayer.

- (3) Upon receipt and review of the written protest, the examiner must write a rebuttal:
- Label the examiner's response "Rebuttal to Protest" and send the rebuttal to the taxpayer. Examiners use Letter 5072, Examiners Rebuttal, to send the rebuttal to the taxpayer. Letter 5072, with the attached rebuttal, should be included with the taxpayer's protest in the case file.
 - The examiner's rebuttal must be shared with the taxpayer and representative at the time it is sent to Appeals. See Rev. Proc. 2012-18. Document the case file to note the rebuttal was provided to the taxpayer.
 - The taxpayer does not need to be given an opportunity to respond to the rebuttal before sending the case to Appeals. If the Appeals Officer believes that the case requires further examiner involvement, Appeals will initiate the contact in accordance with *ex parte* guidelines. See IRM 4.25.13.2.1, Ex Parte Communications.
- Note:** When the case is closed to Appeals, Examiners may request a preconference meeting with Appeals. See IRM 4.25.13.2.2, Appeals Preconference Procedures, and IRM 8.7.4.6, Preconferences in Estate and Gift Tax Cases.
- (4) If an agreement is received after the issuance of the 30 day letter, the case should be closed using disposal code 04. See Document 6036 and Document 6209 for additional information regarding disposal codes.

4.25.10.7.3.4
(07-31-2020)

**New Information
Provided by Taxpayer to
Appeals After 30 Day
Letter**

- (1) Examiners are the first finders of fact and are responsible for taking relevant testimony and examining books, papers, records, and memoranda included in Federal tax returns. Therefore, when a taxpayer submits new information or evidence or raises a new issue to Appeals that warrants investigation and/or requires additional analysis in a non-docketed case, Appeals generally returns the case to Examination for a determination.
- (2) If new issues are raised in the protest, the examiner must address them in the rebuttal. Depending on the type of information provided, Appeals will either release jurisdiction back to the originating examination function, or make a referral to the examining function for review and comment. See IRM 8.7.4.2, Introduction to Estate and Gift Tax Cases Worked in Appeals. Cases returned to estate and gift tax either under a release of jurisdiction or for review and comment are routed directly to Estate and Gift Tax Examination. Where Appeals retains jurisdiction, the examiner will complete the review of new information or new issues raised by the taxpayer within 45 days.
- (3) Prior to examiners closing an unagreed case to Appeals, examiners should work with taxpayers and their representatives to obtain all necessary information. If material information requested on Form 4564 , Information Document Request, or through correspondence was not provided, the examiner should contact the taxpayer to determine why the document or information was not provided.

Note: If a taxpayer or representative refuses to provide requested material information to the examiner, the examiner's group manager will discuss the case with the taxpayer or representative to facilitate receipt of the requested information. If necessary, the examiner and group manager will determine whether a summons for the information and/or documentation is appropriate.

- (4) The following IRM subsections provide definitions and guidelines relating to the treatment of cases in Appeals:
 - IRM 8.2.1.7.2, Verification of New Material or Request for Further Development-ATE
 - IRM 8.6.1.7.4, Taxpayer Raises New Issue
 - IRM 8.6.1.7.5, Taxpayer Provides New Information
 - IRM 8.6.1.7.6, Taxpayer Raises New Theory or Alternative Legal Argument
 - IRM 8.6.1.7.7, Jurisdiction Released
 - IRM 8.7.4.3, Estate Tax Cases Worked In Appeals
 - IRM 8.7.4.4, Gift Tax Cases Worked in Appeals

Note: Additional job aids, interim guidance and frequently asked questions are available through the *Examination Appeals* SharePoint, and estate and gift tax specific guidance and flow charts are available on the Estate and Gift Tax SharePoint.

4.25.10.7.4
(07-30-2019)

**Statutory Notice of
Deficiency Procedures**

- (1) If there is insufficient time remaining on the statute of limitations to send a 30 day letter when the taxpayer communicates disagreement with the proposed adjustments, a Notice of Deficiency must be prepared in accordance with the current procedures set forth in IRM 4.8.9, Statutory Notices of Deficiency.
- (2) For cases requiring review and approval of Area Counsel, the Statutory Notice Letter must be submitted to Area Counsel with at least 60 days remaining on

the statute for approval of the Statutory Notice Letter. Area Counsel will return the case to the referring individual for forwarding to the Technical Services reviewer within 45 days of receipt.

- (3) Refer to Notice of Deficiency Procedures for Estate and Gift Tax Cases: A Work Aid, for detailed guidance on Statutory Notice Letter procedures, requirements, time frames and model paragraphs. The Work Aid is stored on the Estate and Gift SharePoint.
- (4) The examiner will assemble three packages as described in paragraphs four through six and submit them to the group manager for review. Technical Services will review and mail the packages.
- (5) Package one for Taxpayer:
 - Two copies of Letter 902 or Letter 902-T
 - Form 3614-A, (Estate Tax) or Form 3615-A (Gift Tax) showing adjustments and revised computation of tax
 - Form 886-A, Explanation of Items
 - Form 4089, Notice of Deficiency - Waiver
 - Notice 1214, Helpful Contacts for your **Notice of Deficiency**
- (6) Package two for POA:
 - Letter 937
 - Copy of all documents included in the taxpayer package except for Notice 1214
- (7) Package three for the case file:
 - Copy of all the documents included in POA package
 - Upload a copy of the documents to the IMS Administrative Issue "Closing Data" subfolder

Note: If the taxpayer pays the full deficiency before the Notice of Deficiency is issued, determine whether the taxpayer agreed with the deficiency or is making an IRC 6603 deposit. See Rev. Proc. 2005-18 and IRM 8.20.6.2.1 , IRC 6603 Deposits, Undesignated Remittances and Conversion of Cash Bonds under Revenue Procedure 2005-18.

- (8) A Form 706-GS(D), Generation-Skipping Transfer Tax Return for Distributions, Statutory Notice Letter package should contain the following:
 - a. For Form 706-GS(D) cases, the adjustments to the Form 706-GS(D) are used to support the computation. Write (preferably in red) at the top of the copy of the form, "Computation of Tax Due," and attach the relevant Form 886-A explanation for asserting the tax liability.
 - b. Form 4089 operates as the waiver for the 706-GS(D) examination.
 - c. Notice 1214 provides the taxpayer with a list of contacts.
 - d. When completing Letter 902: include the following language: "We have determined an assessment against you in the amount of (insert amount of liability), plus interest as provided by law, which constitutes your personal liability under 31 USC 3713(b), as a trust beneficiary, for generation-skipping transfer tax due from the estate of (insert name of estate)."

- (9) Create and complete Form 3198. Refer to IRM 4.25.10.2.4, except for the differences noted below:
- Forward to Technical Services Section: Check the box for “Unagreed for Statutory Notice”. If unagreed adjustment to unified credit and no taxpayer protest was received in response to Letter 950-G, Check “Other” and write “No response received from exam issued Letter 950-G”
 - Forward to Technical Services Section: If a claim disallowance (full or partial), Check “Statutory Notice of Claim Disallowance - Letters 905 and 906”
 - Forward Section: “Check box Forward to Tech Services”
 - Disposal Code 08
 - Letter Instructions for CCP: Leave blank
- (10) Create and complete Form 5344. Refer to IRM 4.25.10.2.5, except for the differences noted below:
- Item 12: Transaction Code 300 and zero in the amount column
 - Item 12: Transaction Code 160 and zero in amount column (if Delq. Ind. 1)
 - Item 13: Enter Disposal Code: 08
 - Item 15: Transaction Code 076 for estates or 077 for gifts and zero in amount column. Also enter appropriate transaction code for assessed or abated penalties

4.25.10.7.5
(07-31-2020)
**Placing a Case into
Suspense Using Form
1254**

- (1) Examiners may determine that a deficiency or no change with adjustments case should be sent to Technical Service and placed into suspense. Technical Services will hold the suspended case and monitor the statute of limitations while awaiting the settlement of the same or similar issue in a case that is pending before the courts or headquarters for guidance.
- (2) Examination Technical Services holds cases pending a court decision or business unit guidance. For cases held in 1254 suspense pending a court decision, the facts in the case to be suspended must be so similar to those in the pending case that a decision in one will ultimately decide the other. Cases may be held in 1254 suspense under the following circumstances:
- a. The facts in the case to be suspended are the same or similar to an issue pending in a federal court.
 - b. The issue is similar to one that is under consideration in District Court in another jurisdiction, but only if a Form 906, Closing Agreement on Final Determination Covering Specific Matters, has been secured, usually by Appeals.
 - c. Chief Counsel or another business unit has identified the issue as a suspense issue.
 - d. The case(s) must have an extendable assessment statute(s) of limitations.
- (3) The examiner must discuss any case being considered for 1254 suspense with their group manager. The group manager must contact their area Examination Technical Services function to determine whether the case meets the criteria for 1254 suspense. The 1254 suspense criteria are:

- a. There are at least 24 months remaining on the statute of limitations. If not, secure an extension prior to sending the case to Examination Technical Services for 1254 suspense.
 - b. Prior to forwarding a case to Examination Technical Services for 1254 suspense, the examiner must fully develop the case.
 - c. Ensure a partial agreement is assessed if a case has other issue(s) that do not meet 1254 suspense criteria. See instructions for preparing partially agreed reports in IRM 4.10.8.6, Partially Agreed Cases, and IRM 4.25.10.8. The only issues that may be placed in 1254 suspense are unagreed issues meeting the 1254 suspense criteria.
 - d. If a partial agreement cannot be secured, the case should not be sent to 1254 suspense. Prepare an unagreed report for all issues pursuant to the instructions in IRM 4.25.10.2 and IRM 4.25.10.7. If the taxpayer fails to file a protest, close the case for issuance of a statutory notice of deficiency.
 - e. An examination report addressing the unagreed issue(s) being suspended must be shared with the taxpayer and a copy is retained in the case file, for purposes of IRC 6404(g).
 - f. Complete Form 1254, Examination Suspense Report, and ensure the key case is identified.
- (4) See IRM 4.8.2.11, Suspense Cases, for additional guidance. Signature authority for placing a case in suspense using Form 1254, is in Delegation Order SBSE-1-23-30.

4.25.10.8
(07-30-2019)
**Partially Agreed,
Partially Unagreed Case**

- (1) If the taxpayer does not agree to all the proposed adjustments, but will agree to some of the proposed adjustments, the case is partially agreed. A partially agreed case contains at least one agreed issue and at least one unagreed issue. The examiner must complete two reports. To close the partially agreed case, the agreed report must be processed first, and the unagreed case procedures apply to the remaining issues.
- (2) Examiners are encouraged to secure, in unagreed cases, partial agreements.
- a. The examiner will prepare two reports.
 - b. Each report must specifically show which adjustments are agreed and which are unagreed. The agreed change in tax must be stated separately from the unagreed change in the tax liability.
 - c. The first report, Form 1273 or Form 3233, as applicable, will address the agreed adjustments. Generally, the figures returned by the taxpayer will be reflected in the "Shown on Return" column. The agreed changes will be reflected in the "As Corrected" column. Form 6180, Form 886-A and Form 890 should also be included.
 - d. The second report, Form 1273 or Form 3233, as applicable, will show the unagreed changes. Work from the figures agreed upon in the first report in the "Shown on Return" column. The unagreed changes will be reflected in the "As Corrected" column. Form 6180, Form 886-A and Form 890 should also be included.
 - e. Explain the procedure for administrative appeal as well as the option to pay any deficiency and file a claim for refund if the taxpayer or taxpayer's representative is not knowledgeable regarding these procedures.

4.25.10.8.1
(01-22-2025)
**Closure of the Agreed
Portion**

- (1) For the agreed report, create Form 3198 and Form 5344. See IRM 4.25.10.2.4 and IRM 4.25.10.2.5 for basic completion instructions, differences for the agreed portion of the case are noted in the two tables below:

Form 3198 Items for Agreed Portion	Item Completion Instructions
Special Features Section	Check the box for "Partial Assessment Requested"
Other Instructions Section	"Return via fax when completed"
Forward Section	Use Disposal Code 03
Tax Deficiency	Transaction Code and agreed amount only.
Penalties	Input Transaction Code and amount for the agreed portion of the penalty

Form 5344 Items for Agreed Portion	Item Completion Instructions
Top Center Margin of Form 5344	Write "Partial Agreement - Agreed Portion" in the top center margin
Item 12	<ul style="list-style-type: none"> Transaction Code 300 and agreed deficiency in the amount column Transaction Code 160 and agreed penalty in amount column (if Delq. Ind. 1, the penalty amount must be input, even if zero)
Item 13	Enter Disposal Code 03
Item 15	<ul style="list-style-type: none"> Transaction Code 076 for estates, or Transaction Code 077 for gifts, and Agreed deficiency in amount column, and Also enter appropriate Transaction Code for agreed assessed or abated penalties.

- (2) The agreed portion must be assessed prior to closing the unagreed case. Fax the following to CCP to get the partial agreement assessed:
- Fax cover sheet stating "Partial Assessment Request"
 - Pages 1 and 2 of the return with a BMFOLT transcript
 - Agreed Report – Partial Assessment
 - Signed Form 890

- Form 3198 completed for the Agreed Report
- Form 5344 completed for the Agreed Report (Disposal Code 03)
- Penalty amounts should be computed and included on the Form 5344

Note: Do not update case to status 51

- (3) CCP will stamp the Form 5344 with “Request Completed” and fax a copy back to the group. Retain the copy in the case file.

4.25.10.8.2
(01-22-2025)

Closure of the Unagreed Portion

- (1) For the unagreed report, create a Form 3198. See IRM 4.25.10.2.4 for basic completion instructions, differences for the agreed portion of the case are noted in the two tables below:

Form 3198 Items	Item Completion Instructions
Special Features Section	Check the box for “Partial Assessment Requested”
Other Instructions Section	Write in “Final Closure - partial assessment previously completed”
Forward Section	Forward to Technical Services
Disposal Code	Enter Disposal Code 08
Tax Deficiency	Enter the unagreed amount only
Penalties	If applicable, enter the unagreed amount only

- (2) For the unagreed report create a Form 5344. See IRM 4.25.10.2.5 for basic completion instructions, differences for the agreed portion of the case are noted in the table below:

Form 5344 Items	Item Completion Instructions
Item 12	<ul style="list-style-type: none"> • Transaction Code 300 and enter only the unagreed increase or decrease after the processing of the partial assessment in the amount column • Transaction Code 160 and unagreed penalty in the amount column (if Delq. Ind. 1, the penalty amount must be input, even if zero)
Item 13	Enter Disposal Code 08

Form 5344 Items	Item Completion Instructions
Item 15	<ul style="list-style-type: none"> • Transaction Code 076 for estates, or • Transaction Code 077 for gifts cases, and • The unagreed deficiency amount, and • If applicable, enter appropriate Transaction Code for assessed or abated penalties.

- (3) After receipt of the Request Completed Form 5344 fax from CCP, prepare the unagreed portion of the case for closure to Technical Services. Include the following:

- Unagreed Report
- Form 3198 completed for the Unagreed Report portion
- Form 5344 completed for the Unagreed Report portion

4.25.10.9
(01-22-2025)
**Case Closing
Procedures for
Managers**

- (1) Upon receipt of the closed case by the manager, the file should be reviewed and closed within the recommended time frames of IRM 4.25.1.7.2, Efficient Resolution and National Standard Timeframes.
- (2) Cases will be efaxed with Form 3210, Document Transmittal, to Centralized Case Processing (CCP). See *Estate and Gift Knowledge Management, EG Contacts* for the current efax number and mailing address for any paper files.
- (3) The Form 3210 is acknowledged on ERCS when the case is received in CCP. Estate and Gift administrative staff will monitor IDRS for the transaction code 421 to post after closure is completed. The Form 9856, Attachment Alert, is completed and emailed with the subject line "E&G Package Closures". See *Estate and Gift Knowledge Management, EG Contacts*.

Note: The Estate and Gift examiner should mail any paper case file to Kansas City Files once the transaction code 421 posts.

4.25.10.9.1
(07-30-2019)
Case Documentation

- (1) Document the case review in the Case Level Activity Record in IMS.
- (2) Note any reasonable delays (i.e., shipment of case, remote manager travel, etc.) from the date the case is closed to the manager to the date the case is closed from the group.

4.25.10.9.2
(06-14-2021)
Review of the Case File

- (1) Review the completed Form 3198, Form 5344, Report, Examination File and Penalties. Refer to the "Manager's Quality Checklist for Closing Cases" lead sheet that is available in Notebook, for details.

Note: If penalties are being asserted, the manager must sign the Penalty Approval Form prior to any written communication to the taxpayer. See IRM 4.25.7.3, Immediate Supervisor Approval for Assessment of Penalties, and IRM 20.1.1.2.3.1, Timing of Supervisory Approval. The signed Penalty Approval Form should be in the hard copy administrative file and uploaded to IMS.

4.25.10.9.3
(07-20-2018)

Grade of Case

- (2) Review current transcripts (e.g., AMDISA, BMFOLT, BMFOLI, TXMOD and INOLES (less than 30 days old)) to confirm the accuracy of the balance on the account, all prior assessments have been acknowledged and used in computations, and to verify that the correct statute date is being utilized in all systems as well as in all reports and case closing documents.
- (1) This section provides a guide for the group manager to determine the grade levels of estate, gift and generation-skipping tax cases. The guide seeks to establish a uniform standard for financial planning, position classification, and staffing utilization. The guidelines apply to all transfer tax returns.
- (2) Four fields comprise the grade of case for estate and gift tax returns:
 - a. Predominant issue code. The primary or predominant issue in the examination determines the first digit.
 - b. Grade level of case. The common factors which most affect the difficulty of the case determine the grade level of the return which is shown as the second digit. These factors include the manner in which property is held or owned (or the transfer is affected), type of issue (legal or valuation), case management and contacts, and the scope and affect of the examination.
 - c. A field reserved for future use. The third digit is always "1."
 - d. The fourth digit reflects special conditions such as related returns or training returns. Related returns are graded according to the primary return, and "R" is entered as the fourth digit. "T" is entered as the fourth digit for training returns. If the special conditions do not apply, the fourth digit should be left blank.
- (3) The guidelines may be used at any point in the examination process. Only the return information will be available at assignment. Development during the examination may more fully disclose the final grade of case. Final grading factors take into account return information, as well as workpapers and the report. Thus, the final grade may differ from grade on assignment. The final grade is entered in box 32 of Form 5344.

4.25.10.9.3.1
(07-30-2019)

First Digit or Issue Code

- (1) Determine the first digit by referring to the primary or most significant issue in the examination. Enter the corresponding number: See Document 6036.

FIRST DIGIT	PRIMARY OR MOST SIGNIFICANT ISSUE
1	Real Estate and Personal Property Valuation
2	Unlisted Business Entity Valuation
3	Transfers
4	Joint or Community Property
5	Powers
6	Miscellaneous
7	Deductions
8	Credits

FIRST DIGIT	PRIMARY OR MOST SIGNIFICANT ISSUE
9	Legal Issues
0	Generation-Skipping Tax

4.25.10.9.3.2

(07-30-2019)

Second Digit or Issue Code

- (1) The second digit is used to further define the work grade of the primary or most significant issue in the examination. Enter the corresponding number. See Document 6036.

First and Second Digits Case Grade	Issue Category	Grade Difficulty of Issue
11	Type of Ownership	Property transferred reflects outright ownership in individual, joint tenancy, tenants in common, tenancy by the entirety or community property.
12	Type of Ownership	Property transferred is held in singular trust, partnerships, closely held businesses, pension plans and other arrangements reflecting ownership of property through an entity.
13	Type of Ownership	Property transferred includes interrelated entities, ownership relationships in tiers, or combinations of ownership (including classes of stock, restrictive agreements, and restrictions by operation of law). May involve consolidated or related financial statements or other complicated accounting problems.
11	Legal Issues	Clear legal authority exists as established by state and federal law with well-settled precedents.
12	Legal Issues	Precedents not well established and may involve interdependent questions of state and federal law.

First and Second Digits Case Grade	Issue Category	Grade Difficulty of Issue
13	Legal Issues	Clear legal authority does not exist and is represented by non-existent or conflicting precedents. May involve extensive factual development to resolve legal issue. Requires comprehensive research and interpretative judgment or analogy. Issue may involve interdependency between federal and state law and may involve multiple state jurisdictions.
11	Valuation Issues	Routine application of readily available valuation data (including comparable sales) using the market, income or cost approach. Requires consideration of nominal or no discounts. The interest is sold in a bona fide third party sale.
12	Valuation Issues	Requires research and interpretation of comparable sales and valuation principles. Issues may involve claims for discounts or premiums which can be resolved without extensive research. May require resolution of multiple valuation approaches.
13	Valuation Issues	Requires research, interpretation, analogy and application, of comparable sales and valuation principles when data is not readily available. Involves novel issues based on new or untested principles or claims for substantial discounts. Requires resolution of multiple valuation issues and comprehensive analysis of complex financial records.
11	Case Management and Contacts	No special factors.
12	Case Management and Contacts	May require review of standard appraisals and/or contact with third parties and experts in their fields (e.g., outside fee appraisals, engineering, national office appraisal services, economists or industry specialists). Issues may require customer service assistance. The prominence of the taxpayer, representative, or others has the potential for impacting local compliance.

First and Second Digits Case Grade	Issue Category	Grade Difficulty of Issue
13	Case Management and Contacts	Requires evaluation of specialized appraisals, or the coordination of specialists. Issues may also require coordination with Area Counsel or Chief Counsel. May involve multiple complex issues, multiple tax returns, and/or complex interrelated computations. The prominence of the taxpayer, representative, or others has the potential for impacting national compliance.
11	Scope and Effect	Limited effect.
12	Scope and Effect	Examination potential is beyond the immediate taxpayer or has the potential to increase compliance by other taxpayers in the community. Examination may result in recurring effects in subsequent years.
13	Scope and Effect	Examination may have extensive consequences in subsequent years or in increased compliance by other taxpayers in the nation with similar estate plans. Case may contribute to the development of important principles, which may result in new precedents.

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Exhibit 4.25.10-1 (01-22-2025)**Case Assembly for Paper Case Files**

1. Forms affixed to outside of case folder, top to bottom:
 - a. Form 3210, Document Transmittal
 - b. Form 895, Notice of Statute Expiration, placed on top of all other papers
 - c. Form 10364-A, Statute Expiration Case Notice, staple to front cover of case file
 - d. Form 3198, Special Handling Notice, staple to front cover of case file
2. Forms attached to left inside of case folder:
 - a. Address change sheets—Form 8822, Form 2363, and fax confirmation, if applicable
 - b. Form 5346, Examination Information Report, with attachments
3. Forms and other documents enclosed in case folder (*not all will apply*):
 - a. Current transcripts: transcripts should be less than 30 days old, preferably less than one week
 - b. Waiver and acceptance forms: Form 890, Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment; Form 2297, Waiver of Statutory Notification of Claim Disallowance, and Form 3363, Acceptance of Proposed Disallowance of Claim for Refund or Credit.
 - c. Taxpayer's protest and correspondence in unagreed cases
 - d. Copies of the examination report. Form 1273 is signed by the examiner. Form 3233 is not signed by the examiner.
 - e. Original tax return(s) and related attachments (See paragraph 4 below)
 - f. Form 5546, Examination Charge-Out (attached to the back of the return)
 - g. Estate Tax Mandatory Lead Sheet, Gift Tax Mandatory Lead Sheet, or Limited Scope Audit Mandatory Lead Sheet
 - h. Workpapers, the Case Level Activity Record in IMS, Statute Verification Lead Sheet, 8971 Lead Sheets, FBAR/FATCA Lead Sheets, Correspondence, and Exhibits—following the order of the index
 - i. Signed Penalty Approval Form, if penalties other than failure to file or failure to pay are being asserted or assessed
4. Forms and documents to be attached to the tax return in the following order:
 - a. Form 5344, Examination Closing Record
 - b. Form 3187, Survey After Assignment Form
 - c. Form 3244-A, Payment Posting Voucher Examination (part 2 stapled to the face of the return)
 - d. Statute extension forms: Form 872, Consent to Extend the Time to Assess Tax, and Form 872-A, Special Consent to Extend the Time to Assess Tax. An executed copy should be stapled to the reverse side of the first page of the tax return on top of any other attached forms.
 - e. Form 56, Notice Concerning Fiduciary Relationship, with CAF fax confirmation, stapled to the reverse of the first page of the tax return
 - f. Form 2848, Power of Attorney and Declaration of Representative, and/or Form 8821, Tax Information Authorization, with CAF fax confirmation(s), stapled to the reverse of the first page of the tax return
 - g. Form 843, Claim for Refund and Request for Abatement or Amended Returns and Informal Claims
 - h. Substitute For Return (SFR). If applicable, staple Form 13496, IRC 6020(b) Certification to the face of the SFR
 - i. Photocopy of all requests (e.g., Form 5345-D and Form 5354) using the Source Code 45 must be attached to the return being closed as a permanent record

Exhibit 4.25.10-2 (01-22-2025)**Letters Mailed At Closing**

The following table sets forth instructions for completing letters mailed to the taxpayer at the end of the examination. These letters should be prepared using the Estate and Gift Tax Notebook Job Aid. Signature authority information is summarized in IRM 4.25.14.8, Signature Authority. Information on electronic signatures can be found in IRM 4.10.1.4.4, Digital Signatures.

Letter Name and Number	Purpose of Letter	Prepared By	Signature	Mailing Instructions
Letter 569 (DO), Full/Partial Claim Disallowance Letter	Letter 569(DO) is a 30 Day letter used by the examiner to transmit a preliminary full or partial claim disallowance. Letter 569(DO) does not replace Letter 905(DO), Final Partial Claim Disallowance Letter, or Letter 906(DO), Final Full Claim Disallowance Letter, which is prepared, signed and mailed by Technical Services.	Examiner will prepare the letter and insert the examiner's information in the contact section.	Group manager will sign and date the letter.	Letter is mailed by the examiner before closing the case from the group with a copy of the report.
Letter 590, No Change Final Letter	Letter 590 is used on estate tax examinations that resulted in no change to the reported tax liability. This letter notifies the taxpayer and/or representative that the examination report has been reviewed and accepted. Therefore, the examination proceeding is officially closed.	Examiner will prepare the letter and insert the examiner's information in the contact section.	Group manager will sign and date the letter.	Letter is mailed by the examiner before closing the case from the group with a copy of the report.

Exhibit 4.25.10-2 (Cont. 1) (01-22-2025)
Letters Mailed At Closing

Letter Name and Number	Purpose of Letter	Prepared By	Signature	Mailing Instructions
Letter 1156, Change No Change Final Letter	Letter 1156 is used when an estate tax examination results in adjustments that do not change the taxpayer's liability in the year examined and do not impact any tax years for which returns were filed or other tax years for which returns are not yet due. Letter 1156 is also used when an examination results in adjustments that do not change the taxpayer's liability in the year examined but do impact other tax years that are not yet due. This final no-change letter notifies the taxpayer and/or representative that the report has been reviewed and accepted. Therefore, the examination proceeding is officially closed.	Examiner will prepare the letter and insert the examiner's information in the contact section.	Group manager will sign and date the letter.	Letter is mailed by the examiner before closing the case from the group with a copy of the report.

Exhibit 4.25.10-2 (Cont. 2) (01-22-2025)
Letters Mailed At Closing

Letter Name and Number	Purpose of Letter	Prepared By	Signature	Mailing Instructions
Letter 902, Notice of Deficiency	Notice to taxpayer of a deficiency in tax as required by Internal Revenue Code. Letter is used for estate tax, gift tax, Chapter 3 withholding tax and transferor-transferee assessment situations.	Examiner or Appeals Officer prepares the letter. See Estate and Gift Statutory Notice Job Aid for preparation instructions, located on the Estate and Gift SharePoint website.	Technical Services will insert contact information and sign the letter.	Technical Services will date and mail the letter.
Letter 902-T, Notice of Liability	Letter 902-T is the final notice sent to transferees to advise them of their transferee liability as required by the Internal Revenue Code. This letter is used in estate tax, gift, Chapter 3 withholding tax and income tax transferor-transferee liability situations.	Examiner or Appeals Officer prepares the letter. See Estate and Gift Statutory Notice Job Aid for preparation instructions, located on the Estate and Gift SharePoint website.	Technical Services will insert contact information and sign the letter.	Technical Services will date and mail the letter.

Exhibit 4.25.10-2 (Cont. 3) (01-22-2025)
Letters Mailed At Closing

Letter Name and Number	Purpose of Letter	Prepared By	Signature	Mailing Instructions
Letter 937, Transmittal Letter for Power of Attorney	Letter 937 transmits copies of correspondence and reports. The letter is addressed to the Power of Attorney. This letter is to be used by examiners and replaces the obsolete Letter 937(DO).	If the Power of Attorney is authorized to receive copies of correspondence or reports with the taxpayer, the examiner will prepare the letter as a transmittal for the letters identified in this table.	Varies depending on underlying letter. Examples: <ul style="list-style-type: none"> Signed by group manager when sent with Letter 590 or Letter 1156 Signed by group manager when sent with Letter 950 Signed by Technical Services when sent with Letter 902 	Varies depending on underlying letter. Examples: <ul style="list-style-type: none"> Mailed from group with Letter 950 Dated and mailed by Technical Services when sent with Letter 902
Letter 950, 30 Day Letter - Straight Deficiency	This 30 Day letter is used for unagreed, straight deficiency, straight overassessment or mixed deficiency and overassessment field examination cases. This letter may be used for various types of tax.	Examiner will prepare the letter.	Group manager will sign and date the letter.	Letter is mailed from the group with a copy of the report.

Exhibit 4.25.10-2 (Cont. 4) (01-22-2025)
Letters Mailed At Closing

Letter Name and Number	Purpose of Letter	Prepared By	Signature	Mailing Instructions
Letter 950-F, Appeals Request for Change/No Change Cases	This 30 Day letter is sent on unagreed examination cases for Change/No Change cases where the taxpayer wants to go to Appeals. The examiner should include the report with the mailing of the Letter 950-F.	Examiner will prepare the letter. The examiner should insert the examiner's information in the contact section.	Group manager will sign and date the letter.	Letter is mailed from the group with a report and noted enclosures.
Letter 950-G, Contact Letter to Explain Appeals Rights per IRC 7477	This 30 Day letter, or preliminary determination letter, is sent on unagreed Change/No Change gift tax cases where the changes to the value of gifts does not generate a gift tax. This letter explains the taxpayers appeal rights under IRC 7477.	Examiner will prepare the letter.	Group manager will sign and date the letter.	Letter is mailed from the group with a copy of the report.
Letter 570, Claim Allowed in Full	Letter 570 (DO), Claim Allowed in Full, is used on examinations for claims allowed in full. This letter notifies the taxpayer and/or representative of the final findings of the claim examination. Therefore, the examination proceeding is officially closed.	Examiner will prepare the letter and insert the examiner's information in the contact section.	Group Manager will sign and date the letter.	Letter is mailed by the examiner before closing the case from the group with a copy of the report.