



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

4.50.5

FEBRUARY 26, 2025

## EFFECTIVE DATE

(02-26-2025)

## PURPOSE

- (1) This transmits revised IRM 4.50.5, LB&I Compliance Integration, Office of Tax Shelter Analysis (OTSA).

## MATERIAL CHANGES

- (1) IRM 4.50.5.1, Program Scope and Objectives -
  - a. Paragraph (5) - Defined additional acronyms.
  - b. Paragraph (6) - Added contact information.
- (2) IRM 4.50.5.1.4, Program Management and Review - Removed the following:
  - a. Paragraph (1) - Removed quarterly reports.
  - b. Paragraph (1) - Removed review for mismatches between Form 8886 and Form 8918.
- (3) IRM 4.50.5.2.2, Elections Made Under Section 338 (Form 8023) -
  - a. Paragraph (1) - Added instruction to see Form 8023 instructions for additional guidance on who must file the form.
  - b. Paragraph (2) - Updated Form 8023 mailing address
- (4) IRM 4.50.5.2.3(1), Automatic Application for Change in Accounting Method (Form 3115) - Updated Rev. Proc. authority for Form 3115's list of automatic changes.
- (5) IRM 4.50.5.2.4, Form 1120 Schedule UTP, Uncertain Tax Position Statement -
  - a. Paragraph (1) - Changed monthly updates to quarterly.
  - b. Paragraph (3) - Clarified OTSA issues a soft Letter 5191 and clarified authorized representatives.
  - c. Paragraph (5) - Added consideration of insufficient UTP disclosures.
  - d. Other stylistic editorial changes.
- (6) IRM 4.50.5.2.5, SEC and Public Records Coordination -
  - a. Paragraph (2) - Clarified review of public information on government agency websites.
  - b. Paragraph (3) - Clarified research and match taxpayer identification number to income tax returns.
  - c. Paragraph (4) - Added to include notification of settlement transactions in LB&I Taxpayer Registry and case built file.
- (7) IRM 4.50.5.2.6(1), LB&I Emerging Issues - Removed LB&I.
- (8) IRM 4.50.5.2.7(1), Additional OTSA Support - Removed instructions for OTSA's assistance with field surveys.
- (9) Exhibit 4.50.5-1, Terms -
  - a. Material Advisor - Removed language that material advisor is used interchangeably with promoter.

- b. Promoter - Clarified definition of a promoter and removed language that promoter is used interchangeably with material advisor.

(10) Throughout -

- a. Updated hyperlinks.
- b. Updated legal citations.
- c. Renamed Wage & Investment (W&I) to Taxpayer Services (TS).

**EFFECT ON OTHER DOCUMENTS**

IRM 4.50.5.2.7, dated February 20, 2024, is superseded.

**AUDIENCE**

Large Business and International (LB&I)

Ronald H. Hodge II  
Assistant Deputy Commissioner Compliance Integration  
Large Business and International Division

4.50.5

Office of Tax Shelter Analysis (OTSA)

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- 4.50.5-1 Terms



4.50.5.1  
(02-26-2025)  
**Program Scope and Objectives**

- (1) **Purpose:** This IRM provides an overview of the functions, procedures, and policy for the Office of Tax Shelter Analysis (OTSA).
- (2) **Audience:** Large Business and International (LB&I).
- (3) **Policy Owner:** LB&I Policy under the Strategy, Policy and Governance office in the Assistant Deputy Commissioner Compliance Integration (ADCCI) organization.
- (4) **Program Owner:** OTSA, under the Compliance Planning & Analytics (CP&A) office in the Assistant Deputy Commissioner Compliance Integration (ADCCI) organization, LB&I.
- (5) **Primary Stakeholders:** All geographic and subject matter practice areas in LB&I, Small Business and Self-Employed (SB/SE), Taxpayer Services (TS), and Tax-Exempt and Government Entities (TE/GE).
- (6) **Contact Information:** To recommend changes or to make any other suggestions to this IRM section, contact the IRM author or see SPDER's IMD Contacts list by referencing guidelines provided in IRM 1.11.6.5, Providing Feedback About an IRM Section - Outside of Clearance. A request or inquiry can also be made using the *LB&I Policy Gateway*.

4.50.5.1.1  
(02-20-2024)  
**Background**

- (1) A key focus of LB&I's mission is to identify and address abusive tax transactions, including abusive promoter activity. OTSA is a component of this strategy. Its overall program goal is to ensure that the IRS has the information necessary to properly manage abusive tax shelters and issues of significant compliance risk to tax administration.
- (2) OTSA provides information and services to all IRS operating divisions and functions, as well as other interested parties, including Treasury and Congress. OTSA collects and analyzes information about abusive tax shelters and transactions, and coordinates LB&I's tax shelter planning and operation.

4.50.5.1.2  
(02-20-2024)  
**Authority**

- (1) The authority for OTSA was created as part of LB&I (Announcement 2000-12, IRB 2000-12,835, Disclosure Requirements for Corporate Tax Shelters).
- (2) The following is a list of relevant IRC sections:

IRC	Summary
6011	Reportable transactions include five major categories as provided in 26 CFR 1.6011-4(b)(2) through (6). Participants in these transactions are required to file a disclosure statement as provided under 26 CFR 1.6011-4. See IRM 20.1.13.3.4.2, IRC 6011 Overview of Disclosure Requirements.
6111	Any person who is a material advisor for a reportable transaction as defined under 26 CFR 301.6111-3(b) must file a return as described in 26 CFR 301.6111-3.
6112	Material advisors are obligated to maintain a list or lists under IRC section 6112.

IRC	Summary
6707A	Provides a monetary penalty for the failure to include on any return or statement any information required to be disclosed under IRC 6011 with respect to a reportable transaction. See IRM 20.1.13.3, Failure to Include Reportable Transaction Information with Return - IRC 6707A Penalty.

4.50.5.1.3  
(02-20-2024)  
**Responsibilities**

- (1) OTSA's overall program responsibility is to serve as a clearinghouse for all abusive technical tax shelters, reportable transactions, and information affecting LB&I, SB/SE, TS, and TE/GE. This is achieved by:
  - a. Collecting information from both internal and external sources
  - b. Processing disclosure forms and/or recording data
  - c. Providing data results to stakeholders in support of compliance initiatives
- (2) OTSA is responsible for coordinating LB&I promoter and material advisor investigations. Coordination responsibility includes:
  - a. Receiving all referrals, including recommendations for referrals from the field
  - b. Coordinating with the other Business Operating Divisions (BODs) to determine if there would be a conflict with continued actions by LB&I (for example, requesting an advisee list under IRC 6112, opening a promoter investigation, proposing a preparer penalty)
  - c. Presenting the referrals and deconflicts to the LB&I Technical Tax Shelter Promoter Committee (TTSPC) for authorization

**Note:** The LB&I promoter specialist team may also make these presentations
- (3) OTSA is also responsible for collecting, processing and analyzing other information returns, as assigned, including:
  - a. Form 3115, Application for Change in Accounting Method
  - b. Form 8023, Election Under Section 338(g) Corporate Qualified Stock Purchase
  - c. Form 8275, Disclosure Statement
  - d. Form 8275-R, Regulation Disclosure Statement
  - e. Form 1120 Schedule UTP, Uncertain Tax Position Statement
- (4) Refer to IRM 4.32.2.4.3, Role of OTSA for additional information.

4.50.5.1.4  
(02-26-2025)  
**Program Management and Review**

- (1) Program Reports include:
  - a. Reports detailing inventory of disclosures for the current and past years. Metrics are provided to practice area directors and select others for monitoring purposes.
  - b. Annual OTSA reviews of Form 8886, Reportable Transaction Disclosure Statement, and Form 8918, Material Advisor Disclosure Statement, and referrals of IRC 6707A penalty investigations. See IRM 20.1.13.3, Failure to Include Reportable Transaction Information with Return – IRC 6707A Penalty.

- c. Ad hoc reports produced as requested by personnel with appropriate permission and need to know.
  - (2) Program Effectiveness: Reports provide statistics and trends to assist with managing risk to tax administration.
  - (3) Annual Review: The review of this IRM occurs annually to ensure accuracy and promote consistent tax administration. OTSA is responsible for this review.
- 4.50.5.1.5  
(02-20-2024)  
**Program Controls**
- (1) OTSA ensures that adequate and effective controls are in place during the collection, processing and analysis of abusive technical tax shelters and reportable transactions information.
- 4.50.5.1.6  
(02-20-2024)  
**Terms/Definitions/  
Acronyms**
- (1) See Exhibit 4.50.5-1, Terms.
- 4.50.5.1.7  
(02-20-2024)  
**Related Resources**
- (1) The following resources provide additional guidance for the OTSA program:
    - IRM 4.32.1, Process Guide for Combating Abusive Tax Avoidance Transactions
    - IRM 4.32.2, The Abusive Transactions (AT) Process
    - IRM 4.32.3, Coordination and Roles of Cross-Functional Units
    - IRM 4.50.2, Other Workload Selection and Research – Non-Campaign Compliance Programs
    - IRM 20.1.6, Preparer and Promoter Penalties
    - IRM 20.1.13, Material Advisor and Reportable Transactions Penalties
    - The *ADCCI website* provides more information about their programs and services
- 4.50.5.2  
(02-20-2024)  
**OTSA Programs**
- (1) This section provides an overview of OTSA's program responsibilities. For information on the following programs, see the IRM sections listed below.
    - Material Advisor Disclosure Statement (Form 8918) - See IRM 4.32.2.4.3.1.1 for more information
    - Material Advisor and Promoter Investigation Coordination - See IRM 4.32.2.4.3.1.1.1 for more information
    - Reportable Transaction Disclosure Statement (Form 8886) - See IRM 4.32.2.4.3.1 for more information
    - Tax Shelter Hotline - See IRM 4.32.2.4.3.2 for more information
    - LB&I Technical Tax Shelter Promoter Committee (TTSPC) - See IRM 4.32.2.4.4 for more information
- 4.50.5.2.1  
(02-20-2024)  
**Disclosure Statement  
(Forms 8275 and 8275-R)**
- (1) Form 8275 and Form 8275-R are disclosure statements that taxpayers file with their tax return to avoid certain penalty provisions. OTSA receives data from the LB&I DataMart for Form 8275 and 8275-R filed by Modernized e-File (MeF).
  - (2) OTSA collects, reviews, and maintains a database for Form 8275 and Form 8275-R. OTSA will also generate information reports and load them to the case built file (CBF) for returns in examination status.

4.50.5.2.2  
(02-26-2025)  
**Elections Made Under  
Section 338 (Form 8023)**

- (1) OTSA processes Form 8023, Elections Under Section 338 for Corporations Making Qualified Stock Purchases (QSP), and maintains a database. In general, the form is required when the purchasing corporation has made a qualified stock purchase of the target corporation. See Form 8023 instructions for additional guidance on who must file Form 8023.
- (2) Fax submissions for Form 8023, Election Under Section 338(g) Corporate Qualified Stock Purchase, and related attachments are to be faxed to: 1-844-253-9765. Alternatively, Form 8023 and related attachments can be mailed to:  
  
Internal Revenue Service  
OTSA Mail Stop 4916  
1973 Rulon White Blvd.  
Ogden, UT 84201
- (3) OTSA processes requests for copies of Form 8023 from practice areas, field agents and taxpayer representatives (with a valid power of attorney). This form can be requested by contacting the OTSA program analyst.

4.50.5.2.3  
(02-26-2025)  
**Automatic Application  
for Change in  
Accounting Method  
(Form 3115)**

- (1) OTSA processes Form 3115, Application for Change in Accounting Method, for automatic changes and maintains a database. Taxpayers are required to file a duplicate copy of Form 3115 for an automatic change in accounting method under the provisions of Rev. Proc. 2015-13, 2015-5, I.R.B. 419. For the list of automatic changes, refer to Rev. Proc. 2024-23, I.R.B. 1334 (or any successor).
- (2) Fax submissions for Form 3115 and related attachments are to be faxed to: 1-844-249-8134. Alternatively, Form 3115 and related attachments can be mailed to:  
  
Internal Revenue Service  
Mail Stop 6111  
1973 N Rulon White Blvd  
Ogden, UT 84201

4.50.5.2.4  
(02-26-2025)  
**Form 1120 Schedule  
UTP, Uncertain Tax  
Position Statement**

- (1) OTSA collects, reviews, and maintains a database for Form 1120 Schedule UTP, Uncertain Tax Position Statement. On a quarterly basis, the data fields of electronically filed Schedule UTPs are extracted from the LB&I DataMart and loaded into the UTP database.
- (2) OTSA uses a SharePoint utility to review all UTP disclosures filed by Modernized e-File (MeF). OTSA determines the most accurate IRC section and assigns a key category and issue sub-category to each tax position. In addition, OTSA ranks the concise descriptions based on compliance with the Schedule UTP instructions and guidance posted on IRS.gov.
- (3) OTSA issues soft Letter 5191, Uncertain Tax Position (UTP) 1<sup>st</sup> Notice, to taxpayers for those concise descriptions that are not in compliance with the requirement of the Schedule UTP instructions. Authorized representatives such as power of attorneys receive a copy of the Letter 5191, and the field receives notification of letter issuance in the CBF.
- (4) Taxpayers receiving Letter 5191 are not required to take any action with respect to the referenced tax return. Letter 5191 states that future concise descriptions should comply with published guidance. If taxpayers or representatives request clarification of the Letter 5191, OTSA responds stating



that no further action is required on the referenced tax return and refers taxpayers to Schedule UTP guidance for preparing concise descriptions on IRS.gov.

- (5) Audit teams should consider OTSA's Letter 5191 insufficient UTP disclosure notification when determining if taxpayers have adequately disclosed the tax position for avoidance of certain accuracy-related penalties. Insufficient UTP disclosures do not satisfy the disclosure requirements for avoidance of penalties under other provisions. See IRM 4.46.3.3.5.1.4, UTP Guidance - Penalties, for additional consideration.

4.50.5.2.5  
(02-26-2025)  
**SEC and Public Records  
Coordination**

- (1) OTSA collects and maintains data from SEC Form 10-K and other public records.
- (2) OTSA reviews public information on government agency websites and identifies government settlement transactions. A dashboard for government settlements is maintained on the OTSA SharePoint site.
- (3) OTSA researches company names for taxpayer identification numbers and matches the settlement transactions to the associated income tax return filing.
- (4) OTSA uses the LB&I Taxpayer Registry and case built file to notify audit teams of potentially non-deductible fines and penalties paid in government settlement transactions.

4.50.5.2.6  
(02-26-2025)  
**LB&I Emerging Issues**

- (1) OTSA coordinates sharing of information on new and emerging issues received, which may have potential for strategic importance to the IRS.
- (2) Emerging issues can come in many forms. An emerging issue may have one or more of the following characteristics:
  - a. It arises from a new or novel set of facts or through questions of the proper application of tax law
  - b. It has not been addressed by published legal guidance or administrative pronouncements of the IRS
  - c. It is susceptible to inconsistent treatment by both the IRS and LB&I taxpayers
  - d. It may or may not involve a potential abusive tax avoidance transaction
  - e. It is not necessarily limited to a specific industry and can impact across IRS divisions
- (3) Emerging issues can be identified by examiners, managers, specialists, subject matter experts, and other IRS personnel. Sources for identifying issues include, but are not limited to, current examinations, news articles, the tax shelter hot line, taxpayer inquiries and industry contacts. Issues identified should be brought to the attention of the applicable issue practice network as early as possible.

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4.50.5.2.7  
(02-26-2025)

**Additional OTSA  
Support**

- (1) OTSA is available to assist LB&I examiners with investigation development by providing information from OTSA disclosure and registration databases.

**Exhibit 4.50.5-1 (02-26-2025)****Terms**

<b>Term</b>	<b>Definition</b>
Abusive transactions	The organization or sale of any plan or arrangement promoting false or fraudulent tax statements or gross valuation misstatements, aiding or assisting in the preparation or presentation of a return or other document to obtain tax benefits not allowed by law, and actions to impede the proper administration of the Internal Revenue Code (IRC). See IRM 4.32.2, The Abusive Transaction (AT) Process.
Deconflict	A cross-functional process designed to ensure that the beginning of an investigation will not interfere with another Business Operating Division's investigation or examination. See IRM 4.32.2.4.6, Deconflict Process with Criminal Investigation (CI) and IRM 4.32.2.4.7, Deconflict Process (other BODs).
Examiner	The IRS employee assigned to conduct the investigation.
Investigation	The action taken to determine if the allegations in the lead or referral are accurate.
LB&I Promoter Specialist Team	LB&I team of specialists reporting to the Program Manager Promoters in the Pass-Through Entities (PTE) Practice Area.
LB&I TTSPC	The LB&I Technical Tax Shelter Promoter Committee (TTSPC) is a sub-committee of the LB&I Compliance Strategy Council (CSC). LB&I TTSPC approves all LB&I tax shelter promoter and material advisor contacts and investigations. See IRM 4.32.2.4.4, LB&I Technical Tax Shelter Promoter Committee (TTSPC).
Lead	Information submitted to OTSA regarding suspected abusive activity. (Used interchangeably with "referral"). See IRM 4.32.2.4.1, Identification of Promoter Leads.
Material Advisor	Any person who provides any material aid, assistance, or advice relating to organizing, managing, promoting, selling, implementing, insuring or carrying out any reportable transaction.
Promoter	An individual or entity who organizes, promotes, sells or assists in the organization, promotion, or sale of an abusive transaction. IRC 6700 provides a definition of a promoter. Additionally, a promoter of an abusive transaction may also be a material advisor if the abusive transaction meets the requirements of IRC 6111 and regulations thereunder. The definition of a promoter is not synonymous with material advisor.

**Exhibit 4.50.5-1 (Cont. 1) (02-26-2025)****Terms**

<b>Term</b>	<b>Definition</b>
Promoter Investigation	An authorized investigation of a suspected abusive tax promotion, promoter, or tax return preparer conducted by trained agents.
Referral	Information submitted to OTSA regarding suspected abusive activity. (Used interchangeably with “lead”).
Reportable Transaction	A “reportable transaction” is defined in IRC 6707A(c)(1), as a type of transaction that the Secretary determines has a potential for tax avoidance or evasion per regulations under IRC 6011.
Tax Shelter	IRC 6662(d)(2)(C)(ii) broadly defines a “tax shelter” as a partnership or other entity, any investment plan or arrangement, or any other plan or arrangement, if a significant purpose of such partnership, entity, plan, or arrangement is the avoidance or evasion of federal income tax.