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Chronological report writing ks2

An example of writing a report is that you include a proper introduction to the agency and write a conclusion at the end of the report. The author should strive to communicate the message as quickly as possible in the first few lines. In this regard, the author should use numbers and bullets to guide the reader quickly into the message. In addition, the report should have generous distances, headings and subheadings. Another example of writing a report is to use tables, charts, charts, and graphs to illustrate communication. This aims to make it easy for the reader to quickly skim through the report. Reports and essays are similar in the fact that they are both written with careful proofreading, formal style and stylish presentation. However, a report differs from an essay in the fact that it presents information and not arguments. Similarly, in reports, brief paragraphs are used in precise, formal language. A report should start with a title, table of contents, a dictionary, summary, and an introduction. Its bodies should only include conclusive and relevant information. Finally, it should offer the reader a number of recommendations for the problem. If the author deems it necessary, he or she may include a bibliography and a list of attachments. An investigation report is likely to be written by a police officer or other public authority person who takes a statement from someone who makes a complaint. The investigation report helps an officer keep track of the details of the complaint so that it can be investigated and followed up at a later date. The person who writes the request report may not be the same person who follows it up, so the more information you include in your report, the better. List the date of the complaint at the top of the report, along with any relevant reference numbers. Explain the type of complaint that is reported briefly. This includes who, what, when and where. Write down all the details provided to you by the person making the complaint. The information may include the alleged how and why of the complaint or details that need to be confirmed at a later date. Include information provided by other witnesses in the report as well. Make a note when this information contradicts those provided by the original person who made the complaint. Enter the story of the opposite side. The opposite side of the complaint should always be consulted and the information provided should be correctly listed to ensure that the report is fair and balanced. List any evidence you collected that in any way relates to the subject of your inquiry report. Update the report as the investigation continues. If new evidence is found or if details have been found to be accurate or inaccurate, add this information to the investigation report. Write down the report. Many of your first notes about the complaint are likely to be handwritten. However, after you have completed the request write it up using a word processing program. A daily report is a document prepared by the employees to submit to their supervisors. A standard report provides information about how they spent their working day, including any achievements or challenges they encountered. If a particular project is in progress, the daily report serves the purpose of updating the manager about the project's status. Often, the report also outlines plans for the following working day. A daily report updates a team leader or manager about an ongoing project. It should provide an overview describing the tasks and progress of each Member. This saves time for a daily meeting, but still allows the project to remain on track and keeps the manager well informed. Reports are often more cost-effective than a daily conversation. It is also an effective way to find out which tasks have been completed so that the project manager can allocate new tasks to discernment. Daily reports can also be used when it's time for employee evaluations. A manager can look back on a series of reports to determine how quickly and efficiently the work had been completed during a larger project. Because this type of report is written every day, it is usually short and concise, and refers only to the activities and achievements of the specific work period. Details of the tasks were completed Any resources that were spent How much time was spent on each task What was performed that day Any problems that occurred that day This example of a daily report details work on a team project that involves creating a new employee training program for first aid and CPR. Report for March 27, 2018 Determined available space for training programs. Made calls to three different outside first aid and CPR instructors. Waiting for pricing. Made a list of possible training dates based on the company's calendar. Divided employees into six groups of 15 each for training purposes. Training for everyone can be too expensive. Will know more when I get pricing. Alternative idea is to assign a smaller group to learn these procedures. If necessary, I propose that five people on each floor of the building receive the training. Safe pricing Determine how many people are budgeted to receive training Enter the date of training This is a very short project, and the task is likely to only take three to five days to complete. But this concise report keeps the manager up to the speed of development of an important new program for the company. September 13, 2019 Purpose (1) This transmits a revision of IRM 4.10.8, Survey of returns, report writing. Material changes (1) Significant changes in this IRM are given in the table below. Effect on other documents IRM 4.10.8, dated 5 April 2017, is replaced. This IRM incorporates the applicable content of the Interim Guidance Memorandum NHQ-01-1115-0001, Revision of the Policy for the Use of Fax in Taxpayer Submissions, dated November 19, 2015. Small Business /Self-Employed (SB/SE) Examination-Field, Special Survey, Large Business & International (LB&I) and and Units (TEGE) Examiners. Effective date (09-13-2019) Maha H. Williams Director, Survey-Field and Campus Policy Small Business/Self-Employed Division SE:SE:HQ:EFCP Purpose. This IRM section contains guidelines for the preparation of audit reports. In addition to basic report writing procedures, this IRM provides details regarding the preparation of corrected reports and discusses issues that require special reports and forms. It also contains instructions for certain case resolution requirements. Audience. These procedures apply to examiners in SB/SE Examination-Field, Specialty Examination, LB&I and TE/GE. Policy owner. Director, Examination – Field and Campus Policy, which is under the Director, Head Office Examination. Program Owner. Field Survey General Processes (FEGP), which is under the Director, Examination – Field and Campus Policy. Contact. To recommend changes or make any other suggestions related to this IRM section, see IRM 1.11.6.6, Give feedback about an IRM section - Outside Clearance. This IRM provides guidance for report writing that reviewers should understand and apply in the performance of their duties. By law, the Service has the power to conduct investigations under Title 26, Internal Revenue Code, Subtext F – Procedure and Administration, Chapter 78, Discovery of Responsibility and Enforcement of Title, Subchapter A, Investigation and Inspection, which includes, but is not limited to, the following IRC section: IRC 7602, Examination of Books and Witnesses IRC 7605, Time and Place of Review Procedures for conducting investigation authority found in 26 CFR 601105, Statement of Procedure . The Director, Headquarters Examination, is the executive officer responsible for providing policy and guidance for SB/SE Examination employees and ensuring consistent application of policies, procedures and legislation to implement tax administration while protecting taxpayers' rights. See IRM 1.1.16.3.5, Head Office Survey, for further information. The Director, Examination – Field and Campus Policy, reports to the Director, Headquarters Examination, and is responsible for the delivery of policies and guidance that affect the area and campus examination processes. See IRM 1.1.16.3.5.1, Field and Campus Policy, for more information. Field Survey General Processes (FEGP), which is under the Director, Examination – Field and Campus Policy, is the group responsible for providing policy and procedural guidance on standard survey processes to field employees. See IRM 1.1.16.3.5.1.1, Field Exam General Processes, for further information. Reviewers are responsible for observing the taxpayer bill of rights, including the taxpayer's right to be informed of the IRS's decision on their tax accounts. Reviewers should ensure that taxpayers receive clear explanations of the results by issuing audit reports and letters identifying the (if any) of tax payable, interest, interest, surcharges, surcharges and taxable penalties. Examiners and their managers should thoroughly familiarize themselves with the reporting and report writing procedures contained in this IRM, as well as other resources, such as those set out in IRM 4.10.8.1.7, Related Resources, below. Reports are derived from a variety of sources, including audit information management system (AIMS, AIMS - Centralized Information System (A-CIS)), and Survey Return Center (ERCS) databases. These reports provide Headquarters and Field Investigation with up-to-time and reliable information. There are a variety of reports designed to meet the needs of the group or function. For more information, see IRM 4.4.27, Reports; IRM 4.7.6, Reports; and IRM 1.4.40.5, Monitoring Reports Overview. Periodic program reviews are conducted to: Assess the effectiveness of specific programs within the Examination or across the organization, determine whether procedures are followed, validate policies and procedures, and identify and share best/proven practices. The following table lists the terms used throughout this IRM and their definitions. The following table lists the acronyms used throughout this IRM and their definitions. The following are the primary sources of procedures and guidelines reviewers will use for report writing: IRM 4.10.1, Overview of Examiner Responsibilities IRM 4.10.6, Penalty Considerations IRM 4.10.7, Issue Resolution IRM 4.10.9, Workpaper System and Case file assembly IRM 4.10.10, Standard paragraphs and explanation of adjustments IRM 4.13.4, Area Office (AO) Examination IRM 4.23.10, Report Writing Guide for Employment Tax Surveys IRM 4.23.22, Unagreed Labour Tax Target Procedures IRM 4.24.20, Excise Tax Report Writing Guide IRM 4.25.6, Report Writing Guide for Estate and Gift Tax Examinations IRM 4.27.2, Bankruptcy, Examiner Responsibility IRM 4.31.2, TEFRA Surveys - Field Office Procedures IRM 4.31.5, Investor Level Statute Control (ILSC) Investigations - Field Office Procedures IRM 4.36, Joint Committee Procedures IRM 4.46.6, Work Papers and Reports Resources IRM 20.1 , Penalty Handbook IRM 20.2, Interest Helpful Information can be found on the following websites for : Report Writing on S Corporations on TEFRA on RGS on CCP on Ex Parte Communications on Disclosure on Joint Committee on Receivables, Purification and Audit Review at Penalties at Penalties in the case of . Reviewers are responsible for ensuring that audit reports are prepared and properly issued. The following sections provide an overview of audit reports, discuss report preparation and issuance, and provide guidance on issues reviewers must consider after reports are issued. Audit reports serve several important purposes. Therefore, examiners should take all necessary measures to ensure report security. Audit reports: Protect the taxpayer's right to be informed. Audit reports should contain all the information necessary to ensure a clear understanding of the adjustments and identify the amounts (if any) tax payable, interest, surcharges to the tax, and taxable penalties. Serve as a basis for assessment and fundraising action. Reports (as opposed to working papers) are legally binding documents. Notice of a tax liability for interest-rate suspension. IRC 6404 g provides that interest shall be cancelled when the Service does not provide a taxable and adequate notification of a tax liability in a timely manner. For example, Form 4549 is sufficient message if it contains an explanation for each adjustment record. See Treas. Reg. 301.6404 to 4(a)(7)(i). See IRM 4.10.8.15.13, which addresses notification requirements for IRC 6404(g). The type of audit report that a reviewer prepares depends on the outcome of the audit. For example, reports are prepared for the following types of cases: No change and no liability (IRM 4.10.8.3) Regular Agreed (IRM 4.10.8.4) Exceptions Agreed (IRM 4.10.8.45) Partially agreed (IRM 4.10.8.6) Unagreed (IRM 4.10.8.12 and IRM 4.10.8.13) This section contains general guidance for income tax preparation. Other sections of this IRM provide specific guidance for reports for each type of case (e.g. no change, agreed, etc.). Form 4549, the basic report form for most individual and corporate tax cases. Form 4549 has a place for the taxpayer or taxpayers to sign and includes consent to assessment and collection language. See IRM 4.10.8.4.1 for instructions on preparing form 4549. Form 4549-A, Report on Income Tax Review Changes (Unagreed and Exempted Agree), does not have a place for the taxpayer(s) to sign, and is appropriate for no change, unagreed, exempted agree, fully permitted applications for reimbursement, and reduction cases. Where Form 4549-A is issued in an unaddressed or partially agreed case, examiners usually prepare and provide and provide Form 870, waiving from assessment and collection of a lack of tax and approval of overestimation, to taxpayers in order to request an agreement to assess. ReportGeneration Software (RGS) is required for the generation of all income tax survey reports (with the exception of LB&I agents using BNA software) and for entering all data required for EOAD Operational Automation Database). EOAD is designed to enable audit adjustment tracking for issues and related causes. This data helps identify specific areas of non-compliance based on audit reports. See IRM 4.10.16, Survey Survey Automation Database (EOAD). Procedures for using RGS in report writing can be found in RGS User Guides, Training Materials and IRM 4.10.15, Report Generation Software (RGS). See IRM 4.10.8.18 for further information on the use of RGS. The examiner should discuss the progress of the examination and potential issues with the taxpayer and/or the representative at frequent intervals throughout the examination. See IRM 4.10.7.5, Suggest adjustments to the taxpayer and/or representative, for guidance on the time and manner of issuing reports in both office and field surveys. Whenever possible, reviewers should discuss the audit with the taxpayer and/or representative in a face-to-face meeting, versus sending the report. When sending a report, the examiner must prepare and issue the appropriate letter to transmit the report and notify the taxpayer of the review process and their rights (e.g. letter 4121, letter 915, letter 950, letter 5153, etc.). See IRM 4.10.8.2.3.1 below for further guidance on preparing and issuing letters. In general, for shortage cases, TCOs will issue Letter 915 with the first report (in person or by mail). For a common return, follow IRM 4.10.1.2.2.1, Separate Notice Requirements, to determine whether the report must be issued separately. Generally, a qualified representative is authorized to receive any notice or other written notice required or permitted to be given to the taxpayer on the matter of the taxpayer, as directed on Form 2848, Power of Attorney and Declaration by the Representative, or Form 8821, Tax Information Authorization. Before issuing an audit report, the reviewer should examine the Centralized Authorization File (CAF) file about IDRS to ensure that the taxpayer did not submit a new Form 2848 or Form 8821 through channels other than the reviewer. For more detailed information on how to post correspondence when a POA is involved, see IRM 4.11.55.2.9, Messages and Communications. See IRM 4.10.1.3.3, Written notice to the taxable person's representative, for guidance including the preparation and issue of Letter 937, Letter of Attorney. Letters are sent to taxpayers (and their authorised representatives) to transmit reports, explain available appeal rights,

and inform the taxpayer of the status of the investigation. Examiners must follow the guidance in IRM 4.10.1.3.2. Written Communication, when preparing letters. Employee contact information must be included in all correspondence sent to taxpayers. Refer to IRM 4.10.1.2.2.2, Employee Contact Information, for guidance. Examiners prepare most letters issued from the group or by CCP; date and signature depends on the type of letter. Examiners, for example, prepare, but do not sign or date, letters such as the team manager and closing letters sent by CCP on behalf of the appropriate (based on their operations department). Type of letter (e.g. first contact, 30-day, closing, etc.) and required required (e.g., examiner, group manager, area director, etc.) determines how the signature block is completed. For example: Letter 692, Request for consideration of additional results, signed by the examiner therefore the signature block is finished with the examiner's name, title and signature. 30-day letter discussed in IRM 4.10.8.12.1, must be signed by the group leader per delegation Order SBSE 4.55, authority to sign thirty day letter. Therefore, the signature block in 30-day letters must contain the group manager's name, title, and signature. Office Examination Letter 1912, Follow-up Letter Sending Examination Reports, is not a 30-day letter. It is signed by the reviewer and the signature block is supplemented by the examiner's name, title and signature. Closing letters are sent by ccp or TS stating that the audit has been completed after approval by the site director (or comparable level of management). For example, Letter 590, No Change Final Letter and Letter 987, Agreed Income Tax Amendment, notify the taxpayer the report has been reviewed and accepted. Therefore, the signature block is completed with the name and title of the area manager (or comparable management level) and is comparable) and signed by the Group Manager on behalf of the Area Director (or comparable level of management). Generally, messages issued at group level may be digitally signed provided that the procedures of IRM 4.10.1.4.4, Digital Signatures, are followed. Digitally signed letters, forms and other documents issued to the taxpayer and/or representative should contain a graphic image of the signatory's handwritten signature. See IRM 4.4.7.2.1, The Initiator's responsibilities, for information on how to note Form 3198, Special Handling Notice for Investigation AI-Case Processing, to give CCP instructions for sending closing letters. For final letters, the reviewers must prepare an envelope for the taxpayer and, if applicable, to the POA. Envelopes must contain the examiner's return address, and should be included in the file with the relevant letters. If mail is returned as undeliverable after a case is closed, follow the procedures in IRM 4.4.7.4, Undeliverable Mail. Publications sent to taxpayers should always agree with the fences listed on the letter to avoid confusion. Publications IRS.gov should not be sent to the taxpayer's representative or appointee. See IRM 4.10.1.3.3.3. Written notice to the taxpayer's representative, for further information. Section 3504 of P.L. 106-206 (RRA '98) requires the service to include an explanation of the investigation and collection process, as well as information about assistance from the Taxpayer Advocate with some first letter of the proposed deficiency, which gives the taxpayer an opportunity for administrative review in the IRS Office of Appeals. Pub 3498, the examination process, is used for this purpose. The following procedures must be followed: Pub 3498 must be provided with the first examination given to taxpayers, and with all 30-day letters. Pub 3498 is not obliged to be returned to the same taxpayer with reports for the same tax periods issued after the first report (i.e. corrected and additional reports) unless they are issued with a 30-day letter. Pub 3498 is not included with any change reports, except for no change with adjustments reports when the adjustments affect other tax years. This section provides general guidance for requesting payment, receiving audit reports performed, and closing cases within set time frames based on taxpayer responses to issued reports. Examiners must comply with IRM 4.20.3, Soliciting Payment, which provides guidelines for using the differentiated interview method to request payment, secure fee source information, coordinate with collection, and processing of payments received in the event of default. When a taxpayer has filed or is preparing to file for bankruptcy, examiners must refer to IRM 4.27.2, Bankruptcy, Examiner Liability, for guidance on requesting payment. Taxpayers can, upon receipt of an audit report, pay the shortfall immediately. Survey employees prepare Form 3244-A, Payment Accounting Voucher - Examination, and transfer the form along with the payment as directed in IRM 4.4.24.2, form 3244-A. Attach a copy of the inputable form 3244-A in the face of the declaration. Instead of a payment of tax, taxpayers can submit a 6603 deposit. For a detailed explanation of the adoption of IRC 6603 and its effect on interest see IRM 20.2.4.8.2, IRC 6603 Deposits. See IRM 4.4.24, AIMS Procedures and Procedural Instructions, Payments and Remittances, for information and instructions on payments and remittances, including drafting of Form 3244-A. For payments of \$100,000 or more comply with IRM 4.4.24.8, Payments of \$100,000 or more, to ensure time processing. Reports and exceptions are considered to be made when signed by the taxpayer(s). Completed forms must reflect the date received by the IRS. A signed contract or waiver stops the running of interest 30 days from the date of receipt if the assessment and notice of payment is not made within the 30-day period. See IRM 20.2.7.9, IRC 6601(c), Suspension of interest on deficiencies, for further information and examples. Examiners must date stamp the receipt date on the agreement and waiver, with the following exceptions: Agreements and waivers received by IRS EEFax (compared to a traditional fax) do not require an additional date stamp if the printed agreement or waiver contains a generated date stamp that is readable and accurate. The IRS may accept consents to assess additional taxes (e.g. Form 4549 or Form 870) and taxpayer closing agreements that involve any amount of tax by fax. For contracts received by fax reviewers: Document Form 9984, Exams officer's activity record, including contact with the taxpayer, date of contact, and the taxpayer's consent to assess the assess tax by fax. Document the origin of an agreement that EEFax has received by saving an electronic or hard copy of the incoming e-mail in the file. Make sure that paragraph 416 of form 5344, Closing Examination Record, contains a 1 if a faxed contract is received. In order to treat as agreed reports and exceptions for joint returns requires the signature of both spouses (or authorized power of attorney(s), if applicable), unless the deficiency is paid in full as discussed in the following paragraph. When full payment is not received, and only one spouse signs the report or waiver, agreed procedures apply to the non-signing spouse. In addition, the referring spouse's account must be assessed using MFT 31 procedures. See IRM 4.10.8.12.3. Examiners can treat a case as agreed without an enforced contract form if a full payment not expressly termed as a 6603 deposit is received in response to a proposed deficiency (tax and penalties), and there is no evidence taxpayers intend to file a protest. See IRM 4.4.12.5.18.3, Payment in Lieu, to fill in form 5344 when payment is accepted instead of a signed contract. Scrap code 08 is used, and a contract date is not specified; the waiver of interest described in paragraph (1) above does not apply to payments instead of contracts. In general, cases should be closed from the group within the following time frames: 10 days for case closure for agreed or no change tests – from the first day the report is received or no change status is communicated to the taxpayer; 20 days of case closure for unconstructed investigations – starting on the date of 30-day letter provision or request for appeal conference from the taxpayer, 4 days for case closures for agreed high dollar unpaid shortage or overvaluation cases – see IRM 4.4.18, Large Dollar Cases, for more information. This section contains procedures for closing a case when the review results in any adjustments, or there are adjustments that do not result in any additional liability. Upon completion of the field or office exam resulting in any adjustments (Disposal Code 02), the examiner will prepare an provide appropriate no-change letters to the taxpayer or taxpayers and, if applicable, to the taxpayer's representative. The following no amendments letter advise taxpayers that a no-change is proposed but the determination is subject to review: Letter 3401, No-Change Transmittal Report/Letter and Letter 3401-S, Pass-Through Entity No-Change Transmittal Letter (Non-TEFRA) Letter 3401-S is used to transfer a no-change report to non-TEFRA partnerships, fiduciaries, and interest fee domestic international sales companies when there are no changes in any item on the (Disposal Code 01 or 02). See IRM 4.31.2, TEFRA Examinations-Field Office Procedures, for additional report preparation guidance and letters to be issued by the examiner, the TEFRA Coordinator field and/or the Campus TEFRA function (CTF). IRM also provides direction for completion of form 3198, Special handling notice for examination case treatment, in TEFRA examinations. The reviewer must generate a no-change report using RGS and provide it to the taxpayer and, if applicable, the taxpayer's representative, at the end of the investigation. Other information or remarks section of the report must contain the statement No change can be approved by the Area Director, Area Manager, or Field Operations Director. The examiner must prepare an undated letter 590, No-Change Final Letter (or Letter 992, No-Change, for Form 1120-S, U.S. Income Tax Return for an S Corporation, Form 1065, U.S. Return of Partnership Income, or Form 5500, Annual Return/Report of Employee Benefit Plan), he is signed by the team manager and place it in the case file when the case is completed from the group. Letter 590 (or letter 992) issued by CCP and notifies the taxpayer the report has been reviewed and accepted. On Form 3198, check the blocks for No-Change Letters and Letter 590 or Letter 992 in the Letter Instructions for CCP section. Reintroduction procedures do not apply if subsequent amendments are needed prior to the issuance of Letter 590 or Letter 992. The no-change report can be acceptable documentation for repetitive audit control instead of letter 590 (or letter 992) if the transaction code on the printout confirms the taxpayer's no-change report. Examiner should research IDRS using command code IMFOLZ or BMFOLZ which will show the results of the last two audits. This command code will display No-Change Issue Codes, also known as IMF Issue Codes, disposal codes and any deficiency amount. The No-Change Issue Codes can be found using the link in form 5344 – Item 41, No-Change/IMF Issue Codes article on the MYSB/SE website. This section sets out procedures for an audit that results in adjustments that do not change the taxable person's liability in the year under review and do not affect any other tax years. In cases where the audit results in adjustments but no change in the tax liability during the year under review and there is no impact on any other tax year(s), it is still important to notify the taxpayer of the adjustments so that the taxpayer deals with the issue(s) that is properly when submitting subsequent annual returns. For adjustments or items affecting a previous or subsequent tax year, please follow the applicable procedures in IRM 4.10.8.3.3. Upon completion of the field or office examination resulting in no change with adjustments (Disposal Code 01), and there is no impact on other tax years, examiner prepare and give Letter 3402-A, Change/No Change Report Transmittal - Adjustments do not affect Other tax years, and, if applicable, to the taxable person's representative. Letter 3402-A advises taxpayers that a no-change with adjustments is proposed but is subject to review. It is not necessary to secure the taxpayer's agreement because there is no tax liability. No change with adjustments reporting procedures does not apply to partnership or S corporation investigations. The examiner must generate an agreed report using the RGS and give it to the taxpayer and, if applicable, the taxable person's representative, at the conclusion of the investigation. The reviewer must prepare an undated letter 1156, Change, No Change Closed Letter, have it signed by the team manager, and place it in the case file when the case is closed from the group. Letter 1156 issued by CCP and notifying the taxpayer the report has been reviewed and accepted. On Form 3198, check the blocks for No-Change Letters and Letter 1156 in the Letter Instructions for CCP section. Reintroduction procedures shall not apply if subsequent amendments are needed prior to the issue of Letter 1156. If the examination results in adjustments which do not alter the liability of the taxable person in the year under examination but which affect other tax years submitted or prescribed, the examination must be extended to the other tax year(s). If an extension of the audit to other affected tax years leads to a tax liability, follow the procedures of IRM 4.10.8.3.4. If the review is extended to other tax year(s), there is no tax liability in any of the other tax year(s), and the taxpayer agrees to the adjustments, the examiner must: Prepare and provide Letter 3402, Change/No Change Report Transfer - Adjustments Impact Other Tax Years, to the taxpayer or taxpayers and, if applicable to the taxpayer's agent. In letter 3402, taxpayers advise taxpayers that an amendment with adjustments is proposed, but that it is subject to review. Generate an agreed report using the RGS and give it to the taxpayer and, if applicable, to the taxpayer's representative, at the conclusion of the investigation. The examiner should secure the taxable person's signature as there are adjustments to the return(s) and they affect other tax year(s). Use Disposal Code 01 to close the case to CCP. The examiner must prepare an undated letter 1156, have it signed by the team manager, and place it in the case file when the case is closed from the group. Letter 1156 issued by CCP and notifying the taxpayer the report has been reviewed and accepted. Prepare Form 5346, Review Information Report, and submit to Planning and Special Programs (PSP), if the survey results in adjustments affecting other tax years that are not yet to be submitted. See IRM 4.10.5.14, form 5346, Survey report, for information on how the form is prepared. About no-change with adjustments survey other tax years, there is not a deficiency, and the taxpayer does not agree to adjustments, they may be offered the opportunity to go to Appeals. In general, cases under appeal can be appealed a disputed tax liability. However, appeals will consider cases that do not have an immediate tax consequence but which may affect the tax liability(s) that have not been examined. See IRM 8.1.1.3.2. No immediate tax impact cases. If the taxpayer requests an appeals conference, the examiner should follow the 30-day letter procedures in IRM 4.10.8.12 (SB/SE examiners) or IRM 4.10.8.13 (LB& examiners). Adjustments made in a NOL pre-swap, or time queries such as depreciation. When a multi-year survey results in both change and no change in years(s), the examiner should prepare a separate report for no-change year(s), depending on the type of no-change, i.e. no adjustments affecting other tax years, etc. See IRM 4.10.8.3.1 through IRM 4.10.8.3.3. See IRM 4.10.8.7 for closure procedures containing at least one agreed/no year of change and one unreconciled year. The following form letter is issued as no amendment notification letters: Letter 590 – Final closing letter for no change case with no adjustments; Letter 992 – Final closing letter for Non-TEFRA flow through entities; Letter 1156 – Final closing letter for no change with adjustment cases; Letter 3401 – No adjustments affecting the taxpayer's liability or other tax periods; Letter 3401-S – No adjustments affecting the taxpayer's debt or other tax periods (Non-TEFRA Flow Through Entities); Letter 3402 – Adjustments affecting the taxpayer's liability for other tax periods; Letter 3402-A – Adjustments which do not affect the taxable person's liability for other tax periods. For TEFRA Partnership cases, the following form letters are issued as no change letter: Letter 1864 – A maximum of 45 days have elapsed from the date of the Letter 1877; Letter 2064 – More than 45 days have elapsed from the beginning of the administrative procedure for a partnership, or Letter 2621 - No adjustments. For nonfiler cases closed without an audit report, the following form letter is issued as no amendment notification letters: Letter 2769 – Delinquent return accepted as filed and notified did not have reasonable cause for failure to file; or Letter 2778 - Criminal return is accepted as filed and no penalty is claimed. For no-change cases without adjustments, RGS will fill in no-change issue codes on form 5344 from the queries created and none-changed. Enter the disposal code on the appropriate line in form 5344 as: 01 - No-Change with Adjustments 02 - Regular No-Change 07 - Appealed A Combat Zone (CZ) is an area designated by an Executive Order of the President of the United States. Some taxpayers in a combat zone are given tax breaks and require special processing. In general, when it is established that an investigation is carried out on a taxpayer in a combat zone, the case should not be changed. Combat Zone information is available at various locations in IRM as well as Publication 3, Guide. Examiners may refer to IRM 25.6.1.10.2.9.6, 25.6.1.10.2.9.6, Zone, and IRM Exhibit 4.4.1-3, Combat Zone, for further information. When it is common knowledge or obvious that a taxpayer is in a Combat Zone, oral testimony is acceptable to indicate that the taxpayer is entitled to Combat Zone special tax treatment. When it is not common knowledge or obvious that taxpayers are Combat Zone personnel, written evidence, such as a copy of the military or civilian order or a statement issued by the Department of Defense (DOD) certifying that Combat Zone qualifications are met, is acceptable. A signed declaration secured by the taxpayer or a contact, such as a spouse or lawyer, may be acceptable as evidence when a copy of the military or civilian order or a DOD statement is not readily available. In addition, the IRS may have previously identified taxpayers as Combat Zone staff by entering a C freeze on the Master File. For further information on Master File identification, see also IRM 4.9.19.13.21, Combat Zone. In accordance with IRC 7508, field inspectors are instructed not to conduct any investigations into taxpayers who have been decommissioned into a combat zone. Furthermore, ongoing investigations involving any individual identified as Combat Zone personnel should be closed immediately, unless criteria under compelling reasons (discussed below) are determined to exist. Cases that have not been started should be investigated using disposal code 31 - pre-assignment survey. Open cases where the books and records have not been reviewed shall be investigated using Disposal Code 32 - post-assignment survey. A letter should be sent to the taxpayer to withdraw the appointment letter/planned review. Attach a copy of the letter to the declaration. The following verbiage will be appropriate: Internal Revenue Code Section 7508 requires us to cancel all activity on your investigation. Your examination has ended for the tax year _____. After books and records are examined, close the case as a no-change using Disposal Code 02 unless the case is put in status code 90. Cases should be closed as no change even if a signed report has been received. Include appropriate working paper documentation of the application of Combat Zone requirements. If the 30-day letter has been issued/signed, notify the taxpayer that the report is being withdrawn. Close the case by means of no amendment procedures. Include appropriate documentation of working papers of the application of the Combat Zone requirements of IRC 7508. For cases where a notice of deficiency has been issued, a supplementary report should be prepared to reduce the shortage to zero and a no change report issued to taxpayers. Rescission procedures should not be used because it requires the consent of taxpayers. If compelling reasons for continuing the investigation exist (discussed below), the notice must be canceled with area director's or his designee approval. Examiners can use the following to determine when an examination should be postponed instead of for investigation or no change policy, in a survey involving Combat Zone personnel. This authority should not be delegated below the Area Manager level. A compelling reason exists to continue an investigation when any of the following are present: There is evidence of fraud, malfeasance, collusion, concealment or misrepresentation of facts; No-change/surveying Battle zone case would result in the serious criticism of service administration of the tax law; No change/survey in the Battle Zone case would set a precedent that would severely hamper subsequent attempts by the service to take corrective action; The tax that is determined or is fixable results in an overpayment to taxpayers in such a situation - issue the refund immediately. When there are compelling reasons, send a letter to taxpayers informing them that investigation action will be suspended until after their return from the battle zone. Inform the taxpayer that the time limit for the Service to make a tax assessment will be extended. Also inform the taxpayer that his or her deadline for taking certain steps with the service will also be extended (e.g. filing any income, property or gift tax; paying any income, property or gift tax; filing an application for credit or tax refund). Generally, the periods are extended by 180 days after the taxpayer's last day in a combat zone/qualifying dangerous customs territory (or on the last day on which he or she has a qualifying post outside the combat zone/eligible area for dangerous duty). In addition to the 180 days, a time limit is extended by the number of days left in any period to take action when the taxpayer entered the combat zone/qualified area of dangerous duty, for example, the period for filing an individual income tax return, which generally runs from 1 January to 15 April. See Rev. Rul. I'm sorry, 76-425, 1976-2 C.B. 447. You may refer the taxpayer to Publication 3, the Armed Forces Tax Guide, for details. Internal guidance is available in IRM 25.6.1.10.2.9.6, Combat Zone. Request that the taxpayer notify the IRS when they return from combat duty. These cases should be discontinued using AIMS Status Code 38. Refer to IRM 4.8.2.11, Voltage drop, for voltage procedures. This section contains instructions for preparing reports when the taxpayer agrees to the reviewer's proposed responsibilities. Some cases are excluded from the procedures described in this section. See IRM 4.10.8.5.1. The regularly agreed report is designed to cover a three-year period and should include an adequate explanation (e.g. standard pieces or lead blades) discussed in IRM 4.10.8.12.4) to support the proposed adjustment(s). In general, regular agreed report forms require the taxpayer's signature and include a statement that authorized by the Site Director (or comparable level of management). Be very careful about accepting exceptions where taxpayers have put write other than their signatures. If possible, a new exception obtained with only the taxpayer's signature. If this is not possible, all the facts will be gathered to establish the taxpayer's intention. Conditional statements will invalidate an exception. Field Survey: Letter 4121, Agreed Examination Report Transmittal, can be used to send taxpayers a report once they have indicated agreement on all adjustments. The response date added to letter 4121 is determined by the examiner based on the facts of the case. When a taxpayer does not respond to Letter 4121 within the requested time frame, the examiner should follow up with the taxpayer to determine whether unconstructed case proceedings should be initiated. Office Examination: If there are 240 or more days remaining on the statute of limitations, generally Letter 915, Examination Report Transmittal, is used to issue both agreed and unagreed reports. Update the ERCS action code to 04 for 15 calendar day follow-up. If the taxpayer does not respond within 15 days, the examiner will prepare and issue Letters 1912, Follow-up Letter Transfer Review Reports, and update the ERCS action code to 07 for follow-up in 15 calendar days. If less than 240 days remain on the limitation period, follow the procedures of IRM 4.10.8.12.1(4). The power to sign and issue 30-day letters (e.g. letter 915) is delegated to group managers. See Delegation Order SBSE 4.55, Authority to sign thirty day letter. Form 4549 is the basic form of reporting for regularly agreed individual and business cases. Instructions for preparing Form 4549 are described below. Sections of the form not discussed are self-explanatory. Name and address - Enter the correct name and address for the taxpayer. As for a deceased taxpayer, make sure you have entered the name correctly (see IRM 4.10.8.20.1). Taxpayer Identification Number – use social security number (SSN) if the individual also has an Employer Identification Number (EIN). On common returns, check the Master File to determine which SSN was used as the primary number for the year(s) examined. Person with whom Examination changes were discussed – enter the name of the person with whom the changes were discussed. If a power of attorney or company manager, also enter the title. Tax period – enter the taxable year for which the column applies. For calendar, fiscal year, and 52-53-week year, view year end date (mm/dd/yyyy). View for a short period the beginning and end date. Revenue adjustments - List adjustments. Place a parenthesis around the dollar amount if an adjustment is in taxpayer favor. If there are more than sixteen adjustments type, see page __ in line 1(a) and use Form 4549-B, Income Tax Survey Change Report, to record the adjustments. Taxable income per return or as previously adjusted – enter the final figure calculated by the taxpayer on the last processed return calculated on a previously processed examiner's report if applicable. If a mathematical error is detected at the time processing and corrected on campus, then the corrected figure should be input here. Top or add words as needed to identify the shape you're using. Corrected tax liability – identify how the tax was calculated (tax table, tax schedule, etc.), taxpayer's filing status (complete for individual declarations only) and tax amount. If additional tax such as Parent's choice to Report child interest and dividends, Tax on accumulation Distribution of Trusts, Tax on Lump Sum Dividends, maximum tax, etc., applies, enter on this line and attach the schedule showing the calculation of the corrected tax figure. Similarly, if the alternative minimum tax (AMT) applies, attach a schedule showing the calculation of the AMT. Smaller credits – this line should only include non-refundable credits. Do not include credits such as earned income credits or withholding tax and excess FICA credits. Other taxes – include taxes withdrawn, taxes on self-employment, etc. Attach the appropriate forms with details of the calculations. Do not include the minimum tax option on this line. Total tax shown on return or as previously adjusted – include tax per return plus any additional tax assessed/awaited as reflected on a transcript. Adjustments – Any changes to specific fuels or prepayment credits should be reflected in this line. The calculation of any changes should be attached to the agreed report. Penalties – IRC 6751(a) requires that penalties be identified by the name of the penalty, the IRC section under which the penalty is imposed, and includes a calculation of each penalty on each notice (report) imposing the penalty. Standard explanations contained in RGS are required to be used by all examiners. See IRM Exhibit 4.10.10-1, Index to Standard Explanations and IRM Exhibit 4.10.10-2, Standard Explanations, for a note of standard explanations. If the penalty cannot be calculated at this time, place an asterisk in the line amount field and describe the process of calculation in the Other Details Section of Form 4549. IRC 6751(b) requires executive approval for the assessment of most penalties. Refer to IRM 20.1.5.2.3, Supervisory approval of penalties - IRC 6751 Procedural requirements. Interest – IRC 7522 states that notices (including the first letter of proposed deficiency that gives the taxpayer an opportunity for administrative review in the IRS Office of Appeals and statutory notices of deficiency) shall describe the basis for, and identify the amount (if any) of the tax payable, interest, surcharge, surcharge, and taxable penalties included in such notice. If a reviewer is unable to calculate interest, such as in case of limited interest, they must leave a comment in the Other Information section of Form 4549. See IRM 4.10.8.15.3.4 for examples of comments for restricted interest cases. In general, IRC 7522 is satisfied if the message or contains the following statement: Interest, as provided for by law, law, the unpaid amount until it is paid in full. Other information section - see IRM 4.10.8.4.3 for additional situations where comments in the Other Information section apply. Examiner's Signature – a digital signature is acceptable provided that the procedures of IRM 4.10.1.4.4, Digital Signatures, are followed. Digitally signed letters, forms and other documents issued to the taxpayer and/or representative should contain a graphic image of the signatory's handwritten signature instead of the signer's SEID. Form 9984 should properly document actions related to report delivery. When issuing reports be sure to include: Date(s) of the message(s), Method of delivery of message (i.e. personal delivery, regular mail, certified mail), Person(s) to which the message(s) were delivered, Items included in the delivery (i.e. letter, report form, publications, etc.) An information only report is an idyl Form 4549 that does not suggest a tax liability. It provides information about a taxpayer to taxpayers or others who need this information. The report should be marked FOR INFORMATION ONLY. Information reports are usually provided in connection with offers in compromises and requests for information from Headquarters and other Area offices. Statements should be included in the Other Information section of the report as needed. Below are examples of situations that require a statement to clarify the findings: Statement of corrected or revised reports as this report replaces the report dated ____; References to annexes; If there is an increase or decrease in personal holding corporation tax or accumulated tax profit write Additional tax Overdue or Net Overestimation and dollar amount according to the appropriate column and explain the change in an appendix; Statements regarding disposition of receivables or exchange in return as discussed in IRM 4.10.8.10.6; Statement on the application of any penalties or additions to tax (or reference to annexes) not otherwise indicated on the report. Include the IRC section, the title of the penalty and the dollar amount; Statements of determination of innocent spouse (IRM 25.15.6.10.1, Pre-assessment and report writing); Statement of applicability of interest when the reviewer is unable to calculate interest on the report, such as Interest, as provided by law, will be charged on unpaid liability until it is paid in full. Statements concerning IRC 6404 g (suspension of interest provisions) and the date on which the notice was made, in respect of (see IRM 4.10.8.15.13). Statements regarding the applicability of IRC 6601(d) for cases of limited interest. See IRM 4.10.8.15.3.4 for examples. Statements regarding the applicability of IRC 6621(c) for underpayments of large companies. See IRM 20.2.5.8, Large Corporate Underpayment (LCU), for the rules and requirements applicable to the application of this course. IRC 6621 c interest on tax-justified tax-justified (TMT), and was suspended for returns with due dates (without regard to extensions) after 31 December 1989. See IRM 20.2.5.9, Tax Transaction Motivated (TMT) interest, for the applicability of this 120% interest rate for yield with maturity date before January 1, 1990. Statements on the applicability of the additional 50% interest component on negligence and fraud penalties provided for in IRC 6653 for tax returns are paid after December 31, 1981 and before January 1, 1989. See IRM 20.2.5.3, Interest on penalties and surcharges on tax, for details of the applicability and calculation of this interest component. For returns payable after 31 December 1988, this additional 50 % interest component was repealed. Form 4605, Examination Changes Partnership, Fiduciaries, S Corporations and Interest Fee Domestic International Sales Corporations, is the basic report form for use in these cases. Forms 886-S, Partners Shares of income, deductions and credits and Form 886-X, Shareholders' shares of income, deductions and credits, are forms used to identify adjustments at partner and shareholder level for each year when a change is recommended in Non-TEFRA surveys. Form 886-Z, TEFRA Partners' Shares of income, should be printed for the case file only. It reflects the percentages of ownership not found on Form 886-S or Form 886-X. See IRM 4.31.2, TEFRA Examinations – Field Office Procedures, and IRM 4.31.5, Investor Letter Statute Control (ILSC) Examinations - Field Office Procedures, for Procedures in The Work of a TEFRA or Non-TEFRA Key Case and Related Investors. See IRM 4.31, Pass-Through Entity Handbook, for procedures. TEFRA procedures do not apply to S corporations for tax years beginning after 31 December 1996. The Small Business Job Protection Act of 1996 removed S companies from the TEFRA special audit provisions for tax years beginning after 31 December 1996. All S corporation surveys with tax years beginning after that date must follow non-TEFRA procedures. See IRM 4.31.5.6, S Corporations. Although S corporation's TEFRA rules will not apply, it is possible for an S company to be the owner of a partnership. The partnership will be TEFRA, so the S company may be a party to the TEFRA procedure. Forms 886-S, Forms 886-X and Forms 886-Z should clearly reflect corrected items of income, separately specified items and other items to be adjusted at investor level. See Appendix 4.10.8-1, Non-TEFRA reports, and Appendix 4.10.8-2, TEFRA Reports, for report write resources. Letter 921, Report Transmittal For Non-TEFRA Partnership, Fiduciary, & S Corporation, is a letter of reporting for non-TEFRA partnership, management and S corporate matters. The following instructions are to prepare Form 4605. If a section of the form is not addressed, then it is self-explanatory. This section applies only to that is not a TEFRA entity. Name and address – view the current address. Row 1 – Adjustments to ordinary, distributable net or taxable taxable persons – cross over words that do not apply. Enter the tax period for which the column applies by year . Lines 1a through 1g - list adjustments. Place a parenthesis around the dollar amount when an adjustment is in taxpayer favor. If there are more than seven adjustments, type See page __ in line 1a and use Form 4549-B. This report should reflect only: separately specified items that have been adjusted in amounts(s) and/or all separately specified items affected by a change in the allocation percentages to investors. Lines 2, 3 and 4 – delete text that does not apply. Row 5 - Other adjustments – this section applies to adjustments that do not affect ordinary, distributable net or taxable income. For example, a change in contributions or capital gains awarded to partners. Identify the items that are adjusted on lines 5a and 5b. When there are more than two such adjustments, use Form 886-A, Object Legend, or Remarks section. Remarks - Include any additional information that may be needed to clarify the adjustments and other items included in the report. Under certain circumstances, an S Corporation pays tax on built-in profits or on excessive net passive income. IRC 1374 and IRC 1375 are taxes that are imposed at the S Corporation level and do not flow to shareholders. This section covers the forms used when a deficiency or overestimation is recommended directly against the S company or if a claim is involved. Deficiency, review or claim – These results should be presented on a form 4549. See IRM 4.10.8.4.1 for instructions on preparing form 4549. In some cases, a defect (e.g. built-in profit tax), overestimation or claim directly against the S company and a change in the dividend to shareholders may be present. In this situation, both Form 4549 and Form 4605 should be prepared together with Form 886-X. Form 4605 and Form 886-X are required to remove income items and separately stated items from shareholders' returns. References for S Corporation Tax - Non-TEFRA are as follows: IRM 4.10.1.2.1.5. The right to appeal an IRS decision in an independent forum IRM 25.6.22.6.3, Subchapter S Corporations (Non-TEFRA) S Corporation & Cooperatives IPG website In case of change of method of accounting for a partnership or an S company, the adjustments required by IRC 481(a) shall be made on the partnership or S corporation return. However, the limitations on tax under IRC 481(b) shall apply at partner/shareholder level. IRC 481(b) applies to a partner/shareholder whose income is increased by more than \$3,000 as a result of an IRC 481(a) adjustment to the partnership or the S Company's regular income. See Annex 4.10.8-3. See also IRM 4.11.6, Changes in Form 4605 is the basic form of reporting for the regular regular Interest Fee Domestic International Sales Corporation (Form 1120-IC DISC) cases. Form 886-Y, Changes of Examination—Shareholder's Share of Assessed and Intended Domestic International Sales Company Dividends, is prepared in connection with Form 4605 for each year when an amendment is recommended to show the corrected Dividend Schedule. The basic reports used for administrative cases are as follows: Deficiency, Overvaluation or Claim – results shall be presented on a form 4549. Dividends to beneficiaries – changes should be reflected on Form 4605. Form 886-W, Distribution of beneficiary shares by income and credits, should be prepared for each year when a change is recommended. Form 886-W is used to show the corrected distribution of each beneficiary's share of administrative income and credits. When both situations described in paragraphs (2) and (3) occur, the instructions in both such points should be followed. Inform taxpayers that the agreed case is subject to review and once it is accepted, they will receive Letter 987, Agreed Income Tax Amendment, stating the case is closed. Examiners will prepare Letter 987 which is signed by the team manager, and leave it undated and in the case file (with a copy for the file). Letter 987 contact details can be filled in with either the examiner's name or the group manager's name. Comment on the Letter Instructions for CCP section of Form 3198Agreed - Letter 987 - CCP will be responsible for sending the letter. Letter 1002 is used in place of letter 987 for agreed non-TEFRA S Corporation and partnership entity cases. When the taxable person agrees to proposed adjustments, but the findings are subject to review or further consideration or any other condition, the taxpayer may waive the legal restriction when assessing and collecting the lack of tax. The signature of the waiver stops the execution of interest 30 days from the date of receipt if the assessment and notification of payment are not made within the 30-day period. Signing the waiver does not preclude the Commissioner from having a further shortcoming or the taxpayer taking up the matter further. That is, the case is exempt from the application of the case returning criteria. Partially agreed business and individual cases; Claims permitted in whole or in part in a partially agreed case if there are agreed adjustments in addition to the claim; When an overvaluation on a return and a deficiency proposed on a related return is the result of shift in income or expense (whipsaw issues); Exempted agreed management cases; Form 1120S for an S-company case where the small business corporation provisions of the Internal Revenue Code (Subchapter S) do not apply; Agreed report forms are used in cases related to converting a return from form 1120S to form 1120, relating to personal holding company dividends; matters of the Joint Committee; Transfers—transfer cases; Transfers—transfer cases; case requiring a preliminary (30-day) letter. 870 series forms are used to indicate that the taxpayer waives the statutory restriction when assessing and collecting the lack of tax. Form 870, Waiver of limitations on assessment and collection of tax deficiency and approval of over-assessment, is generally used instead of Form 4549. Form 870-PT/LT - TEFRA agreement forms are used instead of Form 4605. Instructions for 870 Series Forms: Date Received - Enter the date received. Name and address - Enter the correct name and address for the taxpayer. Social security or employer identification number – use SSN if the individual also has an EIN. On common returns, show the number corresponding to the first person indicated on the return. Tax year ended (enter each on a separate line): Calendar year – show end date, Fiscal year – show end date, Short period – show start date, and 52-53 Week Period – show last day of the period. Tax – enter the amount of additional tax, as agreed, on a separate line for year. When prepayment credits are adjusted, the waiver will show the amount of the shortfall before the proposed change in prepayment credits can be assessed without shortage procedures. For the sake of clarity, a declaration or form 4549-A should accompany form 870. Penalties – specify separately per year and by Code section the penalty or penalty as agreed. Signature of taxpayer – see the instructions on the form. Reports/waivers of assessment for joint returns will require the signature of both spouses (or authorized power of attorney(s), if applicable), unless the deficiency is paid in full. We will continue to follow current procedures where full payment by taxpayers, in addition to payment designated as a 6603 deposit, will be considered an agreement on the deficiency. See IRM 4.10.8.2.4.2. When full payment is not received, and only one spouse signs waiver, unagreed procedures should be followed for the non-signing spouse. In addition, the account of the agreed spouse will have to be assessed using MFT 31 procedures. See IRM 4.10.8.12.3. This section includes general instructions for preparing reports for partially agreed cases. Partially agreed cases are excluded from agreed cases as described in IRM 4.10.8.5. After the partially agreed report has been considered, non-green case procedures apply to the remaining issues. A partially agreed case contains more than one issue agreed on at least one issue and at least one issue is not agreed by taxpayers. Examiners should refer to IRM 4.4.12, Closing Examineds, Surveyed Claims, and Partial Assessments, for partial assessment procedures including the preparation of Form 5344. The partially agreed package sent to CCP includes: 3198, commented partial assessment requested and in the section Other instructions, Return by fax when it is in perfect. Waiver and copy of report form 5344 with of the partial agreement Copy of the front page of the tax return using an IMFOLT or BMFOLT transcript. The letters, reports and forms required to close a partially agreed individual case or case are as follows: Letter 1967, Partially Agreed Case Letter, is used to transmit and explain the investigation reports required for a partially agreed case. Form 4549-A should be prepared using only the agreed adjustments. The additional tax calculated will be reflected on Form 870. Please indicate agreed issues on top of form 4549-A. Form 4549-A reflecting the agreed issues should be included in the case file as working papers to document the calculation of the tax shown on Form 870. Form 870 is used where no TEFRA issues are affected. A second Form 4549-A should be prepared to show both agreed and ungreen adjustments. An asterisk should be placed in front of the letter for each agreed adjustment. The total tax per return line or as previously adjusted includes the tax on the agreed adjustments. The Other information section shall contain the following clause, these adjustment(s) have been agreed. The taxpayer agrees with the adjustment(s) specified as agreed, and the applicable deficiency is assessed and included in total tax as previously adjusted. Lead sheets for all remaining un-set questions should be attached and procedures for unposted cases should be followed. See IRM 4.10.8.12.4. Form 3198 should be on the outside of the case file stating partial agreement. Form 870 must be processed prior to the issue of the 30-day letter for the unagreed questions. Letter 921 transmits form 4605, for non-taxable pass-through unit returns when adjustments are made to unit yield (both agreed and unagreed). Attach Form 4605 to reflect the adjustments made to the company's ordinary income/loss and separately stated items of revenue, loss, deduction and credit. A non-taxable pass-through entity enters into agreement by having an authorized person sign Form 4605; however, the entity-level signature is not binding. Therefore, an agreement (or partial agreement) must be obtained at investor level. Partial agreements are not processed in non-taxable pass-through units. See IRM 4.31.5, Investor Letter Statute Control (ILSC) Examinations-Field Office Procedures, for detailed information on throughout devices. The procedures for dealing with a partially agreed S-company or administrative case which are taxable are the same as the procedures for individual and corporate cases described in IRM 4.10.8.6.1, Letter 921-L, Report Transmittal For Non-TEFRA Partnership, Fiduciary, S Corporations & Interest Charge Domestic International Sales Corporation (DISC), is used to transfer the audit adjustments from Form 4605 to investors. The contract (or sub-contract) must be obtained investor level. Partial agreements are not processed on an interest charge domestic international sale sale Cases exempted from partial assessments are as follows: cases in the Joint Committee and cases requiring the examination of a General Counsel; Cases for a specific year with both agreed tax-reducing issue(s) and unagreed tax-increasing issues, with an apparent net total deficiency; several years of cases where a total net deficiency is obvious, even though the agreed result for one or more years would be an overvaluation; Cases docked in the United States Tax Court. Criminal returns are secured after posting a TC 150 SFR when there is audit potential but tax per return is zero (before withholding tax and/or refundable credits). If an interim assessment has not been dealt with because the tax was zero, the Per Return figures for the report will be the amounts shown on the return submitted by the taxpayer. See IRM 4.4.9.7.5, Delinquent Return Secured by Examination After TC 150 SFR, With Audit Potential - Final Closing Package (Part Assessment Processed), for further information. The compensation for partial review should not be made routinely, but only if the facts and circumstances justify such a measure. Whether a partial over-assessment should be allowed must be a matter of sound judgment and discretion. The approval of the group manager will be obtained before the remuneration for a partial review. Group manager concurrence will be documented on form 9984. A partial overvaluation will only be carried out if there has been an agreement on the matter or issues that have resulted in the partial over-conduct. These cases generally fall into the following categories: Cases for a specific year covering two or more tax-reducing issues; Cases for a specific year that concern several issues, both tax and tax increase, provided that the overall result, having given effect to the tax-increasing issues, is a net overestimation; Cases involving more than one year if the net result is an overvaluation. The following are examples of partial overestimates that can be made for the situations listed above: Allowing an agreed tax-reducing issue results in an overestimation of \$15,000 for the tax year. A contentious tax reduction issue for the same year, if possible, would result in an additional overestimation of \$10,000. A partial compensation reflecting a review not exceeding \$15,000 could be made. A case for a specific year covers two tax reduction issues, one of which is contested, and two tax-depreciation issues that may or may not be challenged. Allowing one of the agreed tax-reducing issues results in a net credit of \$50,000, after considering compensation adjustments for the two tax-increasing issues. A partial appeal not exceeding \$50,000 could be done. There is an unagreed proposed shortfall of \$40,000 for the year 2002, but a complete agreement to overassessment of \$70,000 for the year 2003. A partial overvaluation not exceeding \$30,000 (\$70,000-\$40,000) for 2003 could be made. In the event of the closure of a multiannual case containing at least one agreed/no amendment and an unagreed year, reviewers should split the case into an agreed/no-change case file and an unagreed case file. The agreed and non-merged files should remain together and be sent to Technical Services in status 21. All years will be moved on RGS CEAS using two separate actions (explained in (3) below) to the appropriate RGS group code. RGS group codes change periodically and changes are announced to the field on the RGS website. Once a multiannual case is divided, the split years can no longer be treated as a case within the RGS. The agreed and unagreed years can eventually be shared, so examiners must move unagreed and agreed/no change year to the RGS file server in two separate actions. See CEAS and Share Case Files for how to split a case into RGS. It is still necessary for partial assessments of individual tax years with both agreed and unidentified issues to be completed by the field, as noted in the live broadcasting instructions issued to the sites as part of the implementation of the CCP. Without the need for a quick or quick assessment of a case with a short statute (14 days or less left on the Statute), no other partial assessments will be required by the field. If the unreluct year(s) is protested, the case must have 30 days plus the minimum number of days required by the Appeals on the Charter when it is closed from the group. See IRM 4.10.8.12.1(1). A modified return (form 1040X or form 1120X) is not necessarily a formal claim. In order to be a formal claim the taxable person must request a refund of the tax paid. An application for a reduction relates to an accounting reduction in the tax liability. Claims of this kind, whether submitted on Form 1040X, Form 1120X or Form 843, are treated as a reduction requirement. If an examiner is assigned a case where the taxpayer has requested an audit review, the examiner should also refer to IRM 4.13.4, Area Office (AO) Examination, for report writing, letters and procedures to be followed. Additional Reports are prepared for the purification (reduction) of previously assessed (but unpaid) tax. These types of reports differ from reports prepared for claims in that the supplementary report reduces the tax that has been assessed but not paid. In such cases, any overestimation shown in the supplementary review report will not be refunded to the taxpayer; instead the existing balance maturing will be reduced or eliminated. This point should be clearly explained to taxpayers. When preparing a report for a claim for treatment claims due to an audit review, the amounts per return or previously adjusted for both taxable income and tax are the amounts shown in the previously assessed report confirmed by a transcript. It is not necessary to repeat adjustments made in the past. Only the adjustment(s) made in the previous report or notice of deficiency based on the additional information received. In the Other Information section of the report, it should say Supplementary report –

Reduction in previously assessed tax. A penalties previously assessed shall be clearly explained in order to minimize confusion. For example, if an accuracy related penalty of \$500 was assessed, and the examiner later determines that the correct penalty is \$200, the additional report should show a penalty of (\$300). The Other information section of the report should explain the decrease as follows: A calculation should be provided for each penalty that is dropped. Since a taxpayer's request for a reduction in unpaid tax does not constitute a valid claim within the meaning of IRC 6511. Form 3363, approval of proposed disallowance of the claim for repayment or credit, form 2297, waiver of statutory notification of the claim Edlig edligity, and letter 569, Full / Partial Preliminary Claim Lysing Letter, cannot be used because the taxpayer has no legal rights. Instead, the following procedures should be used for applications for reduction: Letter 693, Reply to request for review of assessment, should be used for no change, partial compensation and compensation for full determinations. Prepare and mail Letter 693 to taxpayers and keep a copy for the case file. Reductions due to audit review have some appeal rights and use different letters. See IRM 4.13.4, Area Office (AO) Survey . Form 3198 should be commented on Supplemental Report - Reduction of Previously Assessed Tax if the informal requirement is partially or fully permitted. In all cases a note should be made indicating the letter number and the date it was issued. A Statutory Notice Audit Review case is one in which the taxpayer received a notice of deficiency (determination) and requests a review of the deficiency (determination). It is a priority case and must be closed back through Technical Services. It does not suspend or extend the 90 or 150-day period to apply to the tax court. Due to the time constraints, the taxpayer should be informed that the statutory notice period cannot be extended by submitting information or by reconsidering the audit. The taxpayer is responsible for submitting a petition before the expiry of the statutory notice period if he/she does not agree with the adjustments or results of the audit review. All communications to taxpayers should include the following statement: Review of your case will in no way serve to interrupt or extend the 90-day period in which an application for review of the proposed deficiency can be submitted to the tax court. Audit reports should be prepared based on the taxable income and tax per return of the taxable transcript or previously adjusted before the statutory notice. In the Other information section of the examination report, make the following remarks: This report is only complementary to the communication of deficiency. It does not replace the previous report, nor does it serve to extend the 90-day period to submit an application to the US Tax Court. If you do not accept these adjustments, we may be required to assess the tax as set out in the Notice of Deficiency. Also, the 45-day or subject to the area director clauses should be removed on additional reports. Clearly mark the top of the revised report as an addition to the Notice of Deficiency (determination). Date the Supplementary examination report with the current date. The reviewer may obtain the signatures of an audit report from the taxpayer at the time of the audit's review interview but should not issue a cover letter. The 90-Day Coordinator/Reviewer is responsible for checking the audit report for accuracy before the additional notice and appropriate closing letters are sent to taxpayers. If the information results in any shortage and technical services agree, taxpayers will be notified by the 90-Day Coordinator/Reviewer that there is no need to file a petition with the Tax Court. If the information does not lead to any change to the notice of deficiency, no report is submitted to the taxpayer and the examiner will respond in accordance with the 90-day memo from Technical Services. The 90-day coordinator/reviewer will issue the appropriate letter to taxpayers. If the information results in a partial reduction, signed contracts and technical services agree, taxpayers will be notified by the 90-Day Coordinator/Reviewer that there is no need to file a petition with the Tax Court. If only one spouse signs the report, and filing status is the Gift Filing Joint (MFJ), an MFT 31 assessment will be made on the taxpayers signing the report. If the information results in an increase in the notice of deficiency, the deficiency line in the supplementary report should be marked Limited to the amount of notice of deficiency (Determination). The amount assessed by the revised notice cannot be greater than the amount of the original notice. Consideration should be given to issuing a further notice of deficiency for the increased deficiency if the limitation period for assessment remains open and a petition has not been submitted to the tax court. A review report is used when a taxpayer's books and records are re-examined as a result of the service initiating the action using the criteria for reopening the case set out in Policy Statement 4-3. See IRM 1.2.1.5.1, Policy statement 4-3 and Rev. Proc. 2005-32. When a contact falls under reopening criteria, prior approval must be obtained using Form 4505, Reopening Memorandum, before the examination begins. Use appropriate forms for the entity and the type of closing. Once you have prepared, write Reopening in capital letters at the top of the report. Prepare the report as you would a supplementary report. In the other information section state This report complements the report dated mm/dd/yyyy. Review reports require special processing. Form 3198 should be Resuming the case. A review report should not be used for a closed deficiency assessment that is reviewed at the taxpayer's request (audit review). See IRM 4.10.8.8. Receivables may relate to: any item of income, loss, exclusion, deduction, or credit involving a tax refund. Claims may be filed using the following forms: Request for refund and reduction request, Form 843. A change in return (specified on the tax return), Amended U.S. Individual Income Tax Return, Form 1040X, or Amended U.S. Income Tax Income Tax, Form 1120X. An informal claim is one submitted by the taxpayer either on a non-standard form (written request) or otherwise if the required elements are identified, i.e. the required elements. A reduction requirement is not an informal claim. Examples of informal claims are signed form 870 or Form 4549 for an overvaluation, letters sent by the taxpayer requesting a refund, or oral statements to a reviewer or other service representative. There are four possible outcomes when an allegation is investigated. The claim may be: Permitted in its entirety, Unauthorized in its entirety, Partially permitted or Offset by other adjustments. Before preparing a report on a claim case, the reviewers must have an up-to-date transcript of the taxpayer's account. If the claim is the result of a previous audit or assessment, TC 300 or TC 290 with a dollar amount will be recorded. The adjusted numbers displayed on the original report will be used as a starting point. If the claim has already been authorized by the service center, TC 291 with a dollar amount will be posted. If the claim is allowed in full, letter 570 will be prepared to notify taxpayers of the results. Since receipt of Letter 570 by the taxpayer constitutes a closed case (subject to the case resuming criteria), the letter in general should not be submitted to taxpayers until the whole case is ready to close. If the amount requested has already been refunded to taxpayers by the campus, the examiner will close the case as a regular no-change case. Even if the issues listed in a claim are allowed in full, if offsetting adjustments are proposed that reduce the amount repaid, the claim will be treated as a wholly or partially inadmissible claim. The procedures for claims which are wholly or partly not entitled to do so will be followed. When a claim is wholly or partly not permitted, the examiner will prepare the following: Letter 569, Form 2297; Form 3363; and Form 4549 if additional tax is due or there is a partial disallowance. When a claim is not allowed because the taxpayer failed to appear for an interview or to provide evidence, the following explanation will appear at the end of letter 569: No basis for compensation of the claim has been filed. Form 2297 applies in all cases where there is a full or partial rejection of a formal claim. IRC 6532 a.3 provides that a taxpayer may submit a written waiver of the claim a notice that a claim should not be sent in whole or in part by certified or registered mail. The effect of such an exemption is to start the operation of the two-year period of filing suit on claim from the date on which the waiver is lodged. Thus, Form 2297 accomplishes the same purpose as a notice that a claim is not allowed with certified or registered mail, except that it does not affect the six-month waiting period required by IRC 6532(a) before filing a refund suit [Treas. Reg. 301.6532-1(c) - Limitation periods for the cost of taxpayers]. Since Form 2297 constitutes a waiver that only the statutory notice is sent by certified or registered mail, a waiver form (Form 870, Form 4549 or Form 3363) is required in addition to Form 2297 if a partial overestimation is made or if additional tax is assessed. Form 2297 should be enclosed in the case folder in the same way as other exclusion and acceptance forms. Where applications for several years are not known, Form 2297 covering all years should be associated with the claim or amended yield covering the last year. Since Form 1045, the application for preliminary refund and form 1139, Corporation Application for provisional repayment, is not considered to be Claims, it is not necessary to use Form 2297 where the tax previously refunded is reconnected. If it is determined that the provisional repayment was unjustified or excessive, the Service has three options: Treat the excess repayment as a mathematical error and immediately assess and collect it under the direction of IRC 6213(b)(3), issue a notice of deficiency under IRC 6501(h), or subpoena the taxpayer to collect the incorrect repayment under IRC 7405 (b). Form 2297 should not be secured in cases requiring a review by the Joint Committee. See IRM 4.36.3.2.9, Claim for failure in agreed cases. Name and address - type or write the name and address of the taxpayer, include SSN or EIN. Taxable period ended - list of each year for which a claim has been filed and has not been partially or fully accepted on separate lines as follows: Calendar year - Show end date (12/31/01) Fiscal year - Show end date (6/30/01) Short period - View beginning and end date (1/1/01 - 9/30/01) 52-53 Week Year - Show last day of the year (5/25/01). Type of Tax - Enter the type of tax covered by the return under examination such as income, estate, gift, labour tax. It is not necessary to show the formal number of the return under review or to identify the type of income, such as individual income or company income. The amount of claim information should be entered as follows: If a form 843, form 1040X, form 1120X, or an informal claim specifies a specific dollar amount, enter the amount in the space amount of claims. Where a change in yield shows the calculation of the corrected tax, indicate the difference between the corrected amount calculated by the taxable person and the tax shown on the original in the amount of claim space. If a claim is filed for \$1 or more and no details are shown about the amount of income reduction, enter \$1 as the amount of claim. When details are shown about the amount of income reduction but calculation of the tax amount the tax amount not appearing on the claim, calculate the amount of the claim based on the reduction of income shown by the taxpayer and enter this figure as the amount of the claim. 1. A taxpayer is required to give a realistic claim amount of Treas. Reg. § 301.6402-3(a)(5), which provides for. A return or a change in yield shall constitute a request for repayment or credit if it contains a statement specifying the amount fixed as an overpayment and advising on whether such an amount should be repaid to the taxpayers or shall be applied as a credit against taxpayers' estimated income tax for the tax year immediately after the tax year for which the return (or amended) is filed. 2. A \$1 claim amount may be acceptable for protection claims. The concept of protective claim is well established even if this term is not used in the Charter or regulations. Protection claims are often submitted in order to preserve the taxable person's right to claim reimbursement when the taxpayer's right to repayment depends on future events and cannot be decisive until after the limitation period expires. See IRM 21.5.3.4.7.3, Protection Claims, which states that a protection claim is based on an expected change in tax law, other legislation, regulations or case law. A general claim should not be regarded as a valid protection claim for service processing simply because the taxpayer labels it as such. See Nucorp, Inc. v. U.S. 23 Cl. Ct. 234, 67 A.F.T.R.2d 91-1256, 91-1 USTC ¶ 50,235, 3. In general, a valid protection claim (1) must identify the unforeseen event affecting the claim; (2) be sufficiently clear and firm enough to draw the attention of the Service to the essential nature of the claim, and (3) identify a specific year or year for which the grant is applied. The claim may be a valid claim for protection even though it does not state all the facts necessary to establish that the taxable person is entitled to reimbursement. The service has the right to decide how protection claims are to be dealt with. In general, it is in the interests of the service and taxpayers to delay action against protection claims until the ongoing litigation or other unforeseen events are resolved. Once unforeseen events are resolved, the Service may obtain any additional information necessary for the processing of the claim and then reject or permit the claim. When a claim is filed for the full amount of tax paid, enter the full amount of tax shown on the return. If a claim is filed for such amount that may expire and no details are displayed and a calculation cannot be made, enter indeterminate in the amount of claim space and explain in Other information in form 4549. When details are displayed and a tax refund calculation can be made, enter the calculated figure. Amounts for claimable unauthorised - see Appendix 4.10.8-4 Signature - see instructions at the bottom of the form. Form 3363 shall be used in: cases where a form 843 or a change in yield is not allowed in whole or in part and no other adjustments to the tax liability necessary. In an agreed case where the claim is unlawful in whole or in part with further adjustments to the tax liability, both Form 3363 and an audit report should be secured. See IRM 4.10.8.10.6.1 for information to be included in the comments section of the report. Form 1045 and Form 1139 are not considered as claims. Form 3363 is not used to reflect any refund of the tax previously refunded. Name and address - type or write the name or address of the taxable person; include SSN and EIN. Year or Period - List of each year for which a claim has been filed in separate years as follows: Calendar year - show end date (12/31/01), Fiscal year - show end date (6/30/01), Short period - show beginning and end date (1/1/01 - 9/30/01), 52-53 Week Year - show last day of the year (5/25/01). Date Claim Filed - enter the date Form 843 or modified return was submitted. Type of Tax - Enter the type of tax that is subject to the return under review, such as income, estate, gift or employment tax. It is not necessary to show the formal number of the return under review or to identify the type of income, such as individual income or company income. The amount of the claim (Form 843, Form 1040X, Form 1120X, amended return or informal claim) has been filed by the taxpayer. Amount of Claim Disallowed - Enter the requested amount that is not allowed per the survey report. Allowable Claims Amount - Enter the allowed claim requirement per the review report. Signature - see instructions on the form. When a claim is not allowed in its entirety or partially in an unagreed case and there are no other adjustments, complete the upper part of the unagreed case report. See IRM 4.10.8.12. IRC 6402(f) requires an explanation of the reason for the refund starch. In addition, an appropriate statement regarding the rejection of the claim shall be included in the Other Information section. See IRM 4.10.8.10.6.1. When a claim is permitted in whole or in part in a partially agreed case with other adjustments, please fill in Form 4549-A. A statement regarding the disposition of the claim shall be included in the Other Information section. When a claim is permitted in its entirety in an unagreed case with proposed deficiencies, please fill in Form 4549-A. Claim allowed in full: On (date) you enter form 843, form 1040X, form 1120X, or an informal request for a refund of \$(amount) for (year). As a result of our investigation, we allowed your claim in full, as stated in this report. Claims are allowed in full but are offset by other adjustments: On (date) you enter form 843, Form 1040X, Form 1120X, or an informal request for a refund of \$(amount) for (year). As a result of our investigation, we allowed your claim in full. The total increased or decreased by other adjustments shown in this report. Claim allowed in part: On (date) (date) submitted form 843, form 1040X, form 1120X or an informal claim for repayment of \$(amount) for (year). As a result of our investigation, we allowed your claim in part, as stated in this report. Claim Refusal: The (date) you filed form 843, Form 1040X, form 1120X, or an informal request for a refund of \$(amount) for (year). Any claim rejection statement should have a brief account of the matter, and the authority to reject the claim. For example: As a result of our investigation, we have banned your claim. Expenses for training that are not needed in your current employment are considered personal and are therefore not deductible as a business expense. See Treas. Reg. 1.162-5. Taxpayers will be asked to file claims in the following types of cases if the proposed overvaluations are not already covered by claims: Cases to be referred to Appeals in the 90-Day period when a period of less than 120 days remains to allow for the transfer. Appeals may accept such a case without the requirement of appeals the Area Director approves. Cases involving proposed overvaluations in excess of \$100,000, regardless of the time remaining of the statute of limitations to schedule excesses. Cases forwarded to the office of the head office, regardless of the amount of overextension, in 30 days or less, remain in the statutory period for scheduling overextensions. The number of cases requiring an application invitation will be limited because the service considers an exemption in form 870 or form 890 series to be a valid claim for reimbursement when the taxpayer agrees to an overestimation determined by the service explained in IRM 25.6.1.10.2.2.2.2(3). Prescribed forms for amending an original declaration or reducing a penalty already paid. When a taxpayer is asked to file a claim, a separate letter 897, the Claim Invitation Letter, should be sent for each taxable year that needs protection. There are certain periods of time when the Government retains the taxpayer's money without paying for its use as follows: IRC 6611 e.1 prohibits the payment of borrowing interest to the taxpayer if an overpayment is refunded within 45 days of receipt of an original return or a repayment claim. See IRM 20.2.4.7.5, 45-Day Rule. In the case of criminal returns, irc 6611(b)(3) provides that no borrowing rate shall be allowed or paid for any day before the date on which the return is submitted. See IRM 20.2.4.3, Availability date for overpayments. In Treas. Reg. 301.6402-3(a)(5) provides that the remuneration of interest is prohibited where an overpayment recognised on a return or change of return is applied as a credit selected for the following year. Reviewers should ensure the correct calculation of interest when an initial return had an overpayment and taxpayers chose to choose apply all or part of the overpayment shown in its return to its estimated tax for the subsequent tax year instead of taking a refund. Rev. Rul. 99-40, 1999-2 C.B. 441 held if an overpayment overpayment on a return credited to the estimated tax of the following year, interest will be assessed on the part of a later determined shortfall for the overpayment year that is less than or equal to the overpayments as of: 1) the date on which the Service repays the overpayment without interest, or (2) the date on which overpayment is applied to the estimated taxes of the subsequent year. Any remaining part of the deficiency will be assessed from the original tax due date for the overpayment year. Potential Rev. Rul. 99-40 cases are those with a TC 830 or TC 836 on the module. CCP in general will not apply the provisions of Rev Rul. 99-40 if not recommended. The examiner should flag Form 3198 of the potential interest deduction per Rev. Rul. 99-40. The examiner should include Form 2220, underpayment of estimated business tax or Form 2210, underpayment of estimated tax by individuals, estates and trusts, (subsequent years) in the case file providing a timetable for the required estimated tax payments for the subsequent tax year and related transcripts. The Internal Revenue Code provides a method by which, in certain circumstances, a personal holding company may be exempted from the payment of a tax on personal holding companies. In any case, in which a lack of personal holding corporation tax is disclosed to which the taxpayer agrees, the benefits provided by IRC 547 will be explained to the taxpayer, if applicable. If the taxpayer decides to make a distribution of income in order to secure a credit against the debt, the taxpayer will be informed that liability can be determined by implementing an informal agreement under IRC 547(c)(3) on Form 2198, Determination of Liability for Personal Holding Tax, or by concluding a final conclusion agreement on Form 866, Agreement on the final determination of tax liability. The use of Form 866 is usually limited to processed cases. Form 2198 should not be accepted unless all items relating to the tax liability and other income tax liabilities of the personal holding company have been agreed and a Form 870 is signed by the taxpayer. If not enough time remains to make an assessment under IRC 6501, Form 2198 or Form 866 should not be approved (beyond the 120-day period for filing a Form 976, Claim for lack of dividend deduction, or credit or repayment by a personal holding company, regulated investment company, or Real Estate Investment Trust). Form 2198 may be approved if consent is secured from the taxpayer under IRC 6501(c)(4) to extend the Statute. One year should remain on the Statute when the matter is closed to Technical Services. See IRM 4.8.4.1, Scope of review. Form 866 - This form is not routinely used instead of form 2198 unless advised by Counsel for a unique situation. The examiner should consult with the and the local lawyer to determine whether the use of a concluding contract is appropriate, appropriate, if so, what particular type to use. If Form 866 is used as a contract document, the reviewer will prepare the agreement and secure the taxpayer's signature in accordance with the instructions in IRM 8.13.1, Closing Agreements. All closing agreements require local counsel approval and technical services review before they receive taxpayer signature. Counsel Engagement - Coordination with Local Counsel is required in the development of the terminating agreement when a standard language or pattern agreement is not used and there are changes to a pattern agreement. A review of technical services and approval by local Counsel is required, in relation to the language and form of the termination agreement, before securing the taxpayer's signature. There must be sufficient documentation in the taxpayer's administrative file to support counsel's coherence. In order to request a review, formal or informal correspondence should be addressed to local representatives stating the reasons and intentions of the agreement and requesting review and coherence with the draft closing agreement. Correspondence can be in the form of an e-mail, fax or memorandum. If necessary, technical service closure coordinators will help prepare the request for counsel. Form 4549-A is prepared to reflect the personal holding tax provided by Other taxes with an attached declaration. See exhibition 4.10.8-5. Form 870, which is required to be submitted with Form 2198, should contain the following statements: Waiving the restrictions on assessment and collection contained herein is subject to approval of Form 2198 relating to the taxpayer's liability for income and personal holding corporation tax. This waiver will not take effect until after the end of the 120-day period to begin with the actual date of form 2198. If the taxpayer complies with IRC 547, which relates to the payment of instalments, by (1) paying the instalments within 90 days of the actual date of Form 2198, and (2) filing a correct claim on Form 976 after payment of the dividend instalment and within 120 days of the actual date in form 2198, when the amount of the deficiency specified on this exemption shall be reduced by the amount required to give effect to the paid default, and the rest, if any, will be judged. If, at the end of the 120-day period beginning with the effective date of form 2198, a form 976 has not been submitted or has been paid in due time, the full amount of the defect shown in this waiver will be assessed. See Annex 4.10.8-6. Upon receipt of form 2198: The original form 2198 should be initially entered by the examiner and group manager to indicate their approval of the form. The original form 2198 should be attached to the return for the most recent taxable year covered by the agreement. A duplicate form 2198 will be sent taxpayer with letter 1152, Agreement Agreement for Signed Personal Holding Company/Determination of Liability for Personal Holding Corporation Tax, using certified or registered mail within five calendar days. Treas. Reg. 1.547-2(b)(1)(v) provides that, with one exception, the date of determination is the date on which the signed contract (Form 2198) is sent to the taxpayer and not the date on which the contract is signed by the authorised service officer. See Annex 4.10.8-7 for a test form 2198. After accepting Form 2198, the matter should be held in tension by Technical Services until form 976 has been submitted or the end of the 120-day period, whichever is earlier. The case should then be referred back to the examiner. The date on which Form 976 is submitted in accordance with applicable regulations will be the checking date to determine whether the form has been submitted in time. The effective date of an informal agreement on form 2198 will be the date on which the signed agreement is sent to the taxpayer. Form 976, Filed Timely - the examiner will check the information on Form 976 to the extent deemed necessary and then prepare a report of the review showing the general adjustments, the personal holding company's income, the reduction due to the compensation for any disclaimer dividend deduction, and whether the amount of the claim (form 976) was permissible in full, is permitted in part, or disallowed in full. See Annex 4.10.8-8. Form 976, Not Filed Time - a letter will be sent to the taxpayer who notified that the claim was not in time. A certified notice not to allow will be issued unless the taxpayer has signed Form 2297. See IRM 4.10.8.10.4.1. When appeals accept a Form 2198, The Appeals Officer requests taxpayer claims (form 976) and secures supporting evidence from taxpayers. See IRM 8.7.1.2, Personal Holding Company Tax Alleviated by Lack Dividend. The Appeal Officer can prepare the report and close the case if there are no unusual circumstances and verification of payment of the dividend shortfall can be made easily. The appeal officer may refer the case back to hmrc Examination. The case should be assigned to a reviewer to check the payment of the dividend shortfall and prepare the report. The report should include adjustments made to appeals. The report should be returned to appeals for closure. If the examiner considers that the claim was not submitted in time, the case should be returned to appeals without contacting the taxpayer. Where liability for personal holding corporation tax has been established by a decision of the United States Tax Court, Appeals will assess the gross deficiency. The Appeal Officer will explain to taxpayers the steps to be taken to assess the tax and how to secure the benefits of IRC 547. After the assessment has been made, the administrative file will be forwarded to area compliance auditing. See IRM 8.4.1.32.2, Docketed Personal Holding Company Tax Cases. The case will be held in tension (Technical Services) until a form 976 is or until the end of the 120-day submission period Form 976, as is the earlier. If a form 976 is not submitted in time, the case will be transferred for recovery, in accordance with the court's decision. If a form 976 is submitted on time, the case will be assigned to an examiner. Upon receipt of a contract from the taxpayer, Form 866 will be prepared and forwarded to Technical Services for processing. The date of the termination of the agreement on Form 866 will be the date on which the closure agreement is signed by the Site Director. The final agreement, together with the file, will be submitted to the Area Director for approval. Once technical services have been approved, they will identify any need for follow-up measures and transfer a copy of the final agreement to the taxpayer. For all cases where a lack dividend deduction is allowed, the examiner will prepare Form 3189, Lack Dividend Deduction Case Transmittal. See Annex 4.10.8-9. The form will include a calculation of the tax liability before the reduction for the payment of incomplete dividends. This is necessary to calculate the amount of interest. The original Form 3189 will be placed on top (outside) of the case file. A duplicate form 3189 will be attached to each company's return for which a short-term dividend was paid. If a return for which a non-dividend was paid has not yet been submitted, then the examiner should prepare form 5346 and attach duplicate form 3189 so that it can be associated at the submission. Form 5346 should be completed to report dividends paid to shareholders during the current year. Form 3198 should identify the case as a limited interest and claims for disbursed indefinite distribution. Managerial involvement is required in all unagreed cases. Examiners should be aware of the procedures of IRM 1.4.40.4.11.5, Unagreed Closing Procedures, and inform their team manager when they believe a case will have unagreed matters. The actions of the group manager must be documented in the case file. Form 9984 may be used for this purpose. If the case is eligible for SB/SE Fast Track Settlement (FTS) and there are unagreed questions left after the team manager has contacted the taxpayer or representative in an attempt to resolve any issues, the reviewer or team manager will explain and offer FTS to the taxpayer. FTS should not be offered if the group manager has not spoken to the taxpayer or the representative. See IRM 4.10.7.5.5, SB/SE Fast Track Settlement, for more information. Unless specifically excluded from appeals consideration (see paragraph (4) below), all cases are eligible for an Appeals Conference as long as the taxpayer submits an adequate protest (when a formal written protest is required), or a small case request, which contains the information required in Pub 5, Your appeal rights and how to prepare a protest about do not agree. See IRM 4.10.8.12.9.3 (2) below for further guidance on the appropriateness of a formal written protest or small small Request. Generally, if the taxpayer submits new information or evidence to appeals, or takes up a rights issue Examination has not considered, the case will be returned to the Examination. See IRM 8.2.1.5, Return a case to investigation - ATE, and IRM 4.10.8.12.11. The following is a list of cases excluded from appeals consideration: Fewer than 365 days remain on the statute of limitations when the case is received in appeals. See IRM 4.10.8.12.1(1) for more information. Request/claim for the treatment of unpaid tax (IRM 4.10.8.8(6)) which is not an audit redwork (the taxpayer has no legal rights). Taxpayers disagree only on moral, religious, political, constitutional, conscientious, or similar grounds (IRM 8.1.1.3.1, No Appeals Conference, or Concession on Certain Arguments). See IRM Exhibit 25.25.10-1, Rogue Argument, for example. Examiners should use letter 1963, Frivolous Filer Examination Report Transmittal, to transmit the report and explain why administrative appeal rights do not apply. If further information is subsequently received so that the case is no longer exempt from appeals consideration, follow the proceedings in IRM 4.10.8.12.9. Fraud cases relating to pending prosecution (IRM 8.2.1.5(2), Returning a Case to Examination - ATE). The 30-day letter is used to transfer the review report to taxpayers and allow taxpayers 30 days to request appeals treatment of their case, or take other steps described in the specific letter. When a case is originally received in appeals, it must remain at least 365 days on the statute (270 days for cases of property tax or IRC 6206 excessive claims cases). If Appeals previously released jurisdiction in the case and return it to the Examination for further work, there must be at least 180 days left on the statute of limitations when the case is received in Appeals. The group must allow at least 30 days for the shipping and processing of a case through Technical Services. Therefore, a case should have at least 395 days (or 210 if the case was returned) left on the Statute when it is closed from the group. See IRM 8.2.1.4, Receipt of Reallocation of an Appeal Technical Employee (ATE). 30-day letters are issued for cases that result in the following: Unagreed change (lack or review), No-change with adjustments affecting other tax years, and formal claim disallowance. In general, taxpayers with 240 or more days left on the statute of limitations will receive the appropriate 30-day letter. This allows for 30 days for the taxpayer to respond to the letter (and extend the Statute if necessary) and if the taxpayer does not respond, it also ensures sufficient time to close the case from the group (IRM 4.10.8.2.4.3) and provide technical services at least 180 days to issue the notice of deficiency. See IRM 25.6.23.7.1, Minimum time left on ASED. When 240 days remain on the limitation period, the examiner should prepare and an agreed study report with letter 5153, Examination Report Transmittal - Charter less than 240 Days (Straight Deficiency), Letter 5153-A, Survey Report Transmittal - Charter less than 240 Days(Claim), Letter 5153-B, Examination Report Transmittal - Charter less than 240 Days (Bankruptcy), to transmit the report and notify taxpayers additional time is needed on the limitation period for appeals to consider their case if it is unagreed, and allow 10 days to respond. Office examiners will update the ERCS action code to 07. If a statute extension has not already been requested, the examiner should follow the procedures of IRM 25.6.22, Extension of assessment limitation period by consent, and at the same time request an extension (using a separate envelope), then proceed as follows: If the case is agreed, close using normal agreed procedures. See IRM 4.10.8.4.7 for scarcity and claim cases, or IRM 4.10.8.3.3(1) for non-amendment change with adjustment cases. If the case is unagreed and the taxpayer signs an agreement to extend the statute of limitations that will allow enough time for the case to be dealt with by appeals, prepare and issue a 30-day letter. If the case is not deferred and the taxpayer does not sign a consent, close the case to Technical Services for issuing a notice of deficiency. 30-day letter procedures apply to income, estate, gift, excise duty, and employment tax matters. See IRM 4.23.22, Unagreed Work Tax Case Procedures, IRM 4.24.10, Excise Duty, Referral Appeals Procedures, or IRM 4.25.6, Report Writing Guide for Estate and Gift Tax Examinations, for procedures related to labor tax, excise duty and property and gift surveys. Examiners issue reports to Non-TEFRA throughput devices with Letter 921, Letter 921-L, etc., but these letters are not 30-day letters. Thirty-day letter procedures are followed for investor reports reflecting their share of the adjustments made at unit level. Only investors will be able to request a hearing with appeals because there is no shortage of unit level. See IRM 4.3.1.5.11.3, key issues of adjustments and investors not linked on PCS. If an examination of a return results in a deficiency or overvaluation that is staggered (no deficiency or overvaluation result) of a net operating loss carryback, a manual calculation of interest may be required. If the taxpayer disagrees with the findings, they will be given the same opportunity to request an appeals hearing, as if a lack/appeal were involved. The following form letters, specific to the type of case, are 30-day letters that are used to transfer the audit report and allow the taxpayer 30 days to request treatment of their case, or take other measures described in the specific letters: Letter 915 - for straight deficiency, straight review, or lack or review in the examination of the Registry, update the ERCS action code to 04 for follow-up on 15 calendar days. If the taxpayer does not respond within 15 days, the examiner will prepare and issue Letters 1912 and update the ERCS action code to 07 for follow-up in 15 calendar days. Letter 950 - for straight deficiency, straight review, or mixed deficiency and overvaluation cases in Field Survey. The letter 950-F - for no-change with adjustment cases. Letter 569 - for cases of rejection of claims. Letter 3391 - for nonphilips. Letter 955 - for cases that have been transferred/assignor. Letter 1963 - for rogue files / nonfiler cases. Cases of limited interest - the reviewer will need to prepare and the team manager will approve a letter patterned after the form letters listed above. Standard letters are not available for limited interest cases due to frequent use. The letter created by the examiner should address the issue of limited interest, rather than a lack or overestimation. The following items must be included in the 30-day letter: Examination report (including lead sheets or formal declarations as required by IRM 4.10.8.12.4) and waiver (as required); and Pub 3498. Pub 3498 must always be attached with a 30-day letter even if it was provided with a previous report or letter. The 30-day letter should be prepared by the examiner, including the name of the examiner or group manager in the contact area, depending on the type of letter. The power to sign and issue 30-day letters is delegated to group managers. See Delegation Order SBSE 4.55, Authority to sign thirty day letter. IRC 6651(f), Failure to File (FFTF) Case - The part of an FFTF penalty that can be attributed to the amount of tax shown on a return is assessed immediately and is not subject to deficiency proceedings. See IRM 25.1.7.7.1, Assessment procedure for the fraudulent failure to file (FFTF) Penalty. To ensure the facts of a particular aid fraud case, and since the assessment of an FFTF penalty that can be attributed to the amount shown on a return will not be reviewed by the tax court, any 30-day letter proposing an FFTF penalty must be reviewed and approved by Area Counsel prior to issue. Furthermore, the period of restrictions on the assessment of such a part would not be interrupted by the issue of a notice of the second part. When proposed FFTF penalty on an income tax substitute for return (SFR), Counsel review and approval are not required prior to the issuance of the 30-day letter. However, Counsel will review the case prior to the issuance of a notice of deficiency. The unagreed report forms listed below are generally used to present the review results for an unlicensed case. They are similar to those used for agreed cases and the instructions for completing agreed case reports generally apply. However, unsolicited report forms do not contain a statement on the approval of the area director Report. They also do not include a taxpayer's consent to assessment and collection, so an exemption is required. See IRM 4.10.8.5.2 for instructions for preparing exceptions. The following report form is used for non-growing income tax cases: Office Examination can use Form 4549 instead of form 4549-A. If form 4549 is used, a waiver is not required. In some cases, it may be necessary to establish separate assessments for taxpayers who have submitted a common return. For example, when only one spouse signs a contract and the deficiency is not fully paid, an assessment may need to be made on the agreed, or guilty, spouse to protect the statute of limitations of that taxpayer while unagreed procedures are applied to the other spouse. Similarly, a separate assessment would have to be made when only one spouse does not petition the tax court after receiving a 90-day letter. In these situations, separate assessments are made using MFT 31, as long as the SSNs are valid (no asterisks). If invalid, Non-Master File procedures contained in IRM 21.7.12, Non-Master File (NMF) Adjustments, and IRM 3.17.46, Automated Non-Master File Accounting, will apply. Although an assessment will be made on the obliged spouse, no recovery notices will be posted until the case is finally resolved (and assessment is adjusted if necessary). At that time, an MFT 31 assessment will be set up for the other spouse. If only one spouse signs an adequate protest requesting appeals consideration and no response received from the other spouse, the case will normally be sent to Appeals as long as there is sufficient time on the limitation period for both spouses. In other words, a signature on the protest may be sufficient. However, if a spouse agrees and an object, a separate assessment may be necessary on the obliged spouse especially if the limitation period for that spouse is imminent. In any case, note on form 3198 that a spouse has signed an exemption, so ccp can calculate interest accordingly. If one spouse agrees and the other does not respond to the 30-day letter, a separate assessment must be established on the required spouse before the case is sent to Technical Services for 90-day letter procedures. Procedures for creating an MFT 31 account: Request the creation of the MFT 31 account of the pledged spouse by preparing form 3177, Notice of action for entry on the Master File. The upper part of form 3177 will be completed, using the primary SSN. In the Other section, place TC 971 as the transaction code in the empty box, and then the Action Code 103 row state. Also include the committed (agreed) spouse's SSN as XREF SSN: XXX-XX-XXXX. In the Other row, the MFT code column reflects 30 and ensures that the taxable period is indicated in the correct column (a separate form 3177 is needed for each year). TC 971 and the appropriate action code on the MFT 30 account will create an MFT 31 account as specified. Eefax form 3177 to ccp and request that a partial assessment be made the obliged spouse: Form 3198, form 5344 and the agreed report are needed in addition to form 3177. Note on form 3198input TC 971 per attached form 3177. Include your name and fax number so that CCP can fax you a copy of Form 5344 after the partial assessment has been made. Form 5344 must be prepared manually and should reflect MFT 30 and the primary SSN. In the upper left part of the shape 5344 put an S in the empty following AMCLS. In paragraph 56 put either P or S depending on whether the assessment is made on the primary or secondary spouse. Eefax these shapes to CCP while you continue to hold the case. See the CCP's eFax exam number website. Continue normal unagreed procedures for disagree/petition spouse. Associate an IMFOLT or copy of form 5344 received from CCP showing that the partial assessment on the other spouse has been made at 31.MFT. Close the case using normal RGS procedures and check the MFT 31 Assessment check box on form 3198. Examiners should refer to IRM 21.6.8, Split Spousal Assessments (MFT 31/MFT 65), for further information. For most Office Examination reports, examiners will use the standard explanations in IRM 4.10.10, Standard paragraphs, and explanation of adjustments, and RGS. The explanations contain sufficient information to enable taxpayers to dispute the issue. As an option, lead sheets can be attached to the report to explain the question(s) but examiners should follow the format of IRM 4.10.8.12.4(2). For Field Examination, a copy of the examiner's lead sheet for each number will be attached to the report to explain the items. A separate lead sheet must be used for each out problem. If the issue is applicable for more than one year, the query should appear on a combined lead sheet. The copy of each issue lead sheet used as an annex to the review report must be amended to remove foreign information that does not address the conclusion, facts, applicable law, and taxpayers' position (e.g. audit steps and work paper references should generally be removed, depending on the facts and circumstances). The following format should be used: Title - Each lead sheet must be numbered and titled to correspond to the adjustment on the audit report. See IRM 4.10.9.7.2, Working paper: Indexing. Lead sheets for outstanding issues with specific adjustment amounts must reflect the amount per return, the amount per revision, and the resulting adjustment. Conclusion - Please indicate a conclusion of the position of the service. Relate the facts, as mentioned earlier, to the quoted authority through a narrative discussion to support the service's position. Also include the service's rebuttal to taxpayers' position reflected on lead blades. See IRM 4.10.8.12.9.3 for information on preparing a response in response to a protest. Facts - Each lead sheet must contain an account of the facts on which the adjustment is based. should be in narrative form. Facts must be relevant to the question question should be indicated correctly and objectively. Facts favourable to the position of both the Service and the taxpayers must be included. Applicable law - The applicable authority must be correctly quoted and explained (if necessary). Decisions, opinions and decisions relied on must be clearly stated and identified in the declaration. Citations are not required when the adjustment is based entirely on facts (e.g. identity theft issues). However, reports should be informative to taxpayers. If the adjustment is supported by several snippets of code in the tax code, all must be reflected. For example, to support a disallowance of business expenses, IRC 162(a), common and necessary business costs, and IRC 6001, lack of evidence, should be incorporated into the story. Status of the taxpayer - The status of the taxpayer shall be indicated (in narrative form) if it is known. The judicial authority, if any, that the taxpayer uses as the basis for his argument should also be put forward. If the taxpayer has provided a written position statement, include the full statement in this section or summarize the statement and include the entire document in the report as an exhibit. An alternate position is a secondary position the service can ultimately rely on if the primary position is not maintained. The primary position should be the one that results in greater responsibility when two positions are taken into account. All alternative positions need to be addressed or appeals will not raise them in the event that they do not maintain the primary position. Therefore, the reviewer must accurately document the facts, law, position and conclusion of the taxpayer for any alternative positions that may be applicable if the primary position is not maintained. Alternative positions must be discussed with the taxpayer, or his or her authorized representative before issuing the audit report. An alternative position must be used for tax legislation that supports two totally separate positions. For example: When an adjustment is proposed to reject a loss due to IRC 183, activities that do not engage for profit; any IRC 162 adjustments to business expenses should be included as an alternative position to IRC 183. When an Employer does not charge Form(s) 1099 and does not secure TINs from the workers the examiner may propose not to allow the expense of primary status. A strong alternative to not allowing the cost is backup withholding. See IRM 4.10.8.12.5.1(4) for report writing procedures for this alternative post. When the fraud penalty is claimed, the negligence /significant under-operation part of the accuracy-related penalty should be treated as an alternative position. Where the fraudulent failure to submit a penalty (FFTF) is alleged, failure to submit a penalty (FTF) should be treated as the alternative position. When the accuracy-related penalty attributable to a material underestimation of not be claimed on the grounds that they are guilty of negligence or disregard the rules or include the significant under-operating penalty as an alternative position. Where the significant under-operating penalties are claimed, the negligence element of the accuracy-related penalty should be dealt with, as the alternative position in the event of tax is reduced, with the result that the significant penalty is no longer applicable. References for alternative positions in non-growing cases: IRM 4.10.6.4, Completion of Sentencing IRM 4.23.10.16.3, Alternative and Whispaw Positions in Unagreed Case IRM 20.1.5.3.2, Common Features of Accuracy-Related and Civil Fraud Penalties IRM 25.1.4.3.10, Preparation of Pre-Processing Report Include otherwise information part of the primary review report This report covers alternative issue(s) for which the tax calculation has not been calculated. Refer to the annexes labeled Options Question for Facts, Law, Taxpayers' Position, and Conclusion in Connection with the Alternative Question(s). If the taxpayer requests a report that reflects the tax estimate resulting from the alternative question(s), the examiner can generate a report and give it to the taxpayer. The report should be clearly marked Alternative issues at the top of the report. Facts, law, taxpayer position, and conclusion for the alternative position of an issue will be presented on a separate lead sheet from the primary position. The top of each lead sheet for the alternative position will be labeled Options issue. The lead sheets for the alternate query(s) will be placed behind the non-greener report for the primary position. For a backup withholding option position, the examiner must discuss the backup withholding issue with taxpayers and include a lead sheet or form 886-A including facts, law, taxpayer status, and conclusion, as well as form 4668-B, Employment Tax Examination Changes Report, which attaches to the unagreed report. Type Option issues at the top of the attachments and place behind the unagreed report for the primary position. See IRM Exhibit 4.23.10-4, Form 4668-B. Report on investigation of federal income tax contents, for instructions on how to complete Form 4668-B. Do not create a separate backup withholding case file or establish the case on the ERCS. Form 4665 may be used to transfer a case file to appeals, but the examiners must ensure that Form 4665 or any similar document does not contain statements or comments intended to influence the appeals decision-making process. This includes recommendations on what appeals should consider and how appeals should resolve the case. It is allowed to include a neutral list of unagreed issues, without discussion, and specify which, if any, are coordinated issues. Information relating to the Conference of Managers should be documented on Form 9984, not on Form 4665. If Form 4665 contains statements or comments that may be construed as information about inter-party communications, or includes prohibited communications, whether or not content is included as part of a document that is either placed on top of the case file as a transfer or incorporated into the case in connection with the preparation of the case for transfer to appeals, the document must be shared by the examiner with the taxpayer and counsel at the time the case is sent to appeals. An ex parte communication is an oral or written communication that takes place between any Appeals employee and employees in one of the IRS functions, without giving the taxpayer/representative an opportunity to participate in the communication. See Rev. Proc. 2012-18, 2012-10 I.R.B. 455. See IRM 4.2.7, Ex Parte Communication Procedures and the Ex Parte Communications website for further information and guidance. Objects that need to be protected from unauthorized or accidental disclosure with Form TDF 15-05.11, Sensitive But Unclassified (SBU) Cover Sheet, should not be included or referenced on Form 4665. Examples of this are fraud

referrals and identification of respondents. In general, 30-day letters should be issued to taxpayers and representatives in person. However, if circumstances require the sending of the 30-day letter, the examiner should follow the procedures set out in this section. 30-day letters will be sent by regular mail unless it is considered necessary to document mailing and delivery. In such cases, certified or registered mail should be used and a return receipt requested. In case of joint return, follow the procedures of IRM 4.10.1.2.2.1. Separate Message Requirements, to post 30-day letters. A copy of the 30-day letter should be sent to the taxpayer's representative. See IRM 4.10.8.2.3 for further guidance on sending correspondence to the taxpayer's representative. A copy of the 30-day letter and report must be maintained in the file. See IRM 4.10.9.9, Case File Assembly for closing, Field Survey: After issuing the 30-day letter, the case must be updated to status code 13. Office Examination: Examiners should update the case for 15 days using ERCS Action Code 04. In general, the Statement of Procedural Rules 601.105 d.1 does not provide for any extension of the time to reply to a 30-day letter. However, as a practice, extensions may be granted under reasonable circumstances. Reasonable circumstances include but are not limited to the following: The taxpayer retains a representative and demonstrates a need for more time to prepare for a meaningful protest. The taxpayer retains a new representative, illness or injury to the taxpayer or representative, issues are complex and require extensive research. The request for additional should be in writing and should indicate the reason(s) why additional time is needed. Since many requests are made by telephone, the extension can be granted orally and confirmed in writing upon receipt of the written request. Extensions should not be granted if the limitation period will expire within 240 days and the granting of an extension is not sufficient time to deal with the case. In such circumstances, an extension of replying to a 30-day letter will depend on securing an extension of the limitation period. Extensions are granted by the team leader or a designated management official. The taxable person should be notified in writing of the extension and the specific extended response date. Letter 686, Extension of time for certain actions, signed by the group leader, will be used for this purpose. Add-ons are typically granted for a maximum of 30 days unless a specific reason supports additional time. If taxpayers live outside the United States, the 30-day letter should be amended to allow a reasonable amount of time to respond. Taxpayers can respond to 30-day letters in different ways. This section provides instructions depending on the type of response. If the taxable person provides additional information after a 30-day letter is issued, the examiner should evaluate the information, then follow the applicable procedures in the table below. If the survey report is amended as a result of the additional information, follow the corrected reporting procedures in IRM 4.10.8.14(4) through (6). If the taxpayer agrees or makes all or part of the payment in response to the 30-day letter, the auditors should follow the applicable procedures in the table below: If the taxpayer responds to the 30-day letter by requesting an Appeals Conference, the auditors must follow the applicable procedures in this subsection. Unless specifically excluded from appeals consideration, all cases are eligible for an Appeals conference if the taxpayer submits an adequate formal written protest (when necessary), or small case request. In order to be considered adequate, a formal written protest and a small case request must contain all the information required by Pub 5 (except as stated in the table below). A protest is generally not determined on the basis of its material content, for example if the protest contains sufficient factual or legal support. A taxpayer submits a formal written protest quoting Internal Revenue Code §162, but does not give grounds for their disagreement and any factual information to support their position required in Pub 5. That is why the protest is inadequate; the examiner must return the protest to the taxpayer and grant additional time for the taxpayer to perfect it. See (3)(d) below. A taxpayer submits a small request for a case and indicates disagreement based solely on the ability to pay. The protest is inadequate; the examiner must return the protest to the taxpayer and grant additional time for the taxpayer to perfect it. See (3)(d) below. A taxpayer submits a formal written protest with the information required by Pub 5, addressing the issues raised in the 30-day letter, grounds for disagreement, and factual information to support their position on the issues. The reviewer does not agree with the facts and/or do not consider that the taxpayer's taxpayer's sufficient support, however, the protest is adequate as it contains all the information required by Pub 5. The examiner should determine whether a rebuttal is needed before the case is forwarded for appeal/consideration. See (3)(f) below. When a taxpayer requests an Appeal Conference, reviewers must follow the applicable procedures in the table below: When a rebuttal is needed, it should be prepared using Form 886-A and address: Statements, facts, and arguments not previously addressed in the review report New arguments or facts such as taxpayers' factual differences between the review report and the protest A copy of the rebuttal must be submitted to the taxpayer at the time the case is sent to Appeals. Reviewers use Letter 5072, The Examiner's Rebuttal, to transmit the rebuttal to taxpayers. Letter 5072 with attached reply must be included in the taxable person's protest in the small as set out in IRM 4.10.9.9.3(1)(e). In order to adhere to the general timeframe for concluding an unadvised case from the group, all measures (e.g. securing consent, refining or refusing a protest, holding a group management conference, etc.) should be completed within 20 days of receipt of a formal written protest or small fall request, unless the case requires further development. See IRM 4.10.8.2.4.3, Field Investigation: When a taxpayer requests an Appeals Conference, revenue agent cases remain in status code 13 (see IRM 4.10.8.12.7(6)), unless further development is required (see IRM 4.10.8.12.9.3(3)(e) above). If further development is required, the case must be updated to status code 12. Office Examination: Upon receipt of a formal written protest or small case request, the case must be updated to ERCS Action Code 03, Request for Appeals Conference, and Purging Date set at 7 days. If further development is required (see IRM 4.10.8.12.9.3(3)(e) above), the case must be updated to the appropriate ERCS action code depending on the next action required. Once the examiner has completed all the actions and the case is ready to close, it must be updated to action code 11, Manager Review, and Protests, by default to a purging date Today, and submitted to the team manager. Group managers use the ERCS Action Code Report and the Overage Purge Report to monitor cases to ensure timely action, including the transfer of cases to appeals. If the taxpayer did not file a small case request or formal written protest within the time allowed, but indicated his intention to do so, examiners should ask: Letter 923, Letter Extension Time to File Protest, or Letter 923-C, Letter Extension Time to Leave Protest (Request for Repayment), or Letter 923-D, Letter Extension Time to File Protest (No-Change with Adjustments). Letter 923 (or applicable letter) is sent to the taxpayer as a reminder to file a protest. Letter 923 should be issued no later than seven calendar days after of the original 30-day letter. Office retens will come file using ERCS action code 07. If the 30-day letter is returned as undeliverable, an attempt must be made to obtain the correct address (see IRM 4.10.2.8.4, Undeliverable Introductory Contact Letter). If the correct address of the taxpayer is determined, the 30-day letter will be sent to the new address. The period during which the taxable person may reply begins with the date on which the letter is posted to the new address. If the taxable person's correct address cannot be determined and the case results in a deficiency, close the case to Technical Services for the issue of a notice of deficiency. If the case results in an overvaluation, close cpc for processing. If the taxable person has not submitted a small request for a case or formal written protest in response to the 30-day letter, and the examiner has taken the steps in paragraphs (1) or (2), where applicable, close the case as follows: Cases must be closed from the group within 20 days of the expiry of the period (including extensions) may lodge a protest. If the taxpayer provides new information or evidence in relation to the questions in the undisputed report, Appeals will release jurisdiction and return the case to examination so that the examiner can evaluate the new information and make an audit determination. See IRM 8.6.1.6.5, taxpayers provide new information. The reviewer must document the lead sheet(s) issue and supporting working papers to reflect the evaluation of the new information or evidence. In addition, the examiner must follow the table below to determine the measures required. The procedures in this subsection are for non-docketed cases. For docketed cases see IRM 4.2.1.8.4, Docketed Case Review Assistance. If the taxpayer raises a new question to appeals, appeals will drop jurisdiction and return the case to the examination so that the examiner can evaluate the new question and make an audit determination. See IRM 8.6.1.6.4, taxpayers raise rights issue. The examiner must create a lead sheet (s) question and support the working paper to reflect the evaluation of the new issue. In addition, the reviewer must follow the table below to determine the required measures: If Appeals previously released jurisdiction in the case and returned to the Examination for further work, there must be at least 180 days left on the statute of limitations when the case is received in Appeals the second time. The group must allow at least 30 days for the shipping and processing of a case through Technical Services. Therefore, 210 days must remain on the Statute when the matter is closed from the group. Time spent by the examiners to prepare the ungreen report and the accompanying explanatory lead blades or standard explanations is charged to the case during direct investigation time (DET). Time that reviewers spent on 30-day letter activities (including protest reviews, and follow-up letters) will be reported using non-review Activity Code 646. Preparation of the report explanatory lead blade or standard standard not reported under Activity Code 646. Preliminary (30-day) letters are used to give taxpayers a copy of the review report and advise them on their appeal rights when they disagree with the results of an investigation. Refer to Statement of Procedural Rules 601.105 d - Thirty days letter and protests for judicial authority and further explanation. Generally, 30-day letters: Tax Compliance Officers (TCO) – Letter 915 (issued with first report) are Field Examination domestic and international Business Compliance - Letter 950-Z Transferee/Transferor Cases - Letter 955. See IRM 4.10.13.3, Transferor-transferee Liability. Preliminary (30-day) letter procedures apply to income, property, gift, excise and employment tax matters. Per Appeals, 365 days must remain on the statute when they receive the case. The group should consider at least 30 days of treatment in the treatment of legal requirements. Managerial involvement is required in unagreed cases. A HMRC preliminary (30-day) letter generally should not be issued to the taxpayer unless the manager has contacted the taxpayer and/or representatives to try to resolve tax controversies and reach an agreement. If the case is a no-show/no-response case, the manager will verify that an address confirmation was made. These efforts will be documented in the case file. Form 9984 may be used for this purpose. Fast Track Settlement (FTS) is available on LB&I cases. FTS may start at any time after an issue has been fully developed. See IRM 4.5.1.4, LB&I/Appeals Fast Track Settlement Program (FTS), for more information. Letters are issued in amending cases and in no change cases relating to the full rejection of repayment applications. Exceptions are fraud cases involving prosecution and rogue filers/nonfilers when Appeals do not have jurisdiction in these cases. For rogue filers/nonfilers, examiners use letter 1963, Rogue Files Examination Report Transmittal, to transmit the report and explain why administrative appeal rights are not applicable. If an examination of a return results in a deficiency or excess that is settlement (no shortfall or excess result) of a net operating loss retraction, a calculation of limited interest may be required. If the taxpayer disagrees with the findings, they will be given the same opportunity to request an appeals hearing, as if a lack/appeal were involved. IRC 6651(f), Failure to File (FFTF) Case — The part of an FFTF penalty that can be attributed to the amount shown on a return will not be reviewed by the tax court, all 30-day letters proposing a penalties must be reviewed and approved by Area Counsel prior to Furthermore, the period of restrictions on the assessment of such a part would not be interrupted by the issue of a notice for the second part. Report forms used to present the audit results for an unagreed case are similar to those used for agreed cases, and the instructions for completing agreed case reports generally apply. However, these non-growing report forms do not contain a signature line for the taxpayer's consent to assessment and collection. Unagreed cases are exempted agreed cases. See IRM 4.10.8.5.2 for instructions for preparing exceptions (form 870). There is also no statement that the Area Director approves the report. The following report form is used for non-growing cases. The use of Form 4549-A is optional for Office Examination instead of form 4549. In some cases, it may be necessary to establish separate assessments for taxpayers who have submitted a common return. For example, when only one spouse signs a contract and the deficiency is not fully paid, an assessment may need to be made on the agreed, or guilty spouse to protect the statute of limitations of that taxpayer while unagreed procedures are applied to the other spouse. Similarly, a separate assessment would have to be made when only one spouse does not petition the tax court after receiving a 90-day letter. In these situations, separate assessments are made using MFT 31, as long as the SSNs are valid (no asterisks). If invalid, Non-Master File procedures found in IRM 21.7.12 and IRM 3.17.46 will apply. Although an assessment will be made on the obliged spouse, no recovery notices will be posted until the case is finally resolved (and assessment is adjusted if necessary). At that time, an MFT 31 assessment will be set up for the other spouse. If only one spouse signs an adequate protest requesting appeals consideration and no response received from the other spouse, the case will normally be sent to Appeals as long as there is sufficient time on the limitation period for both spouses. In other words, a signature on the protest may be sufficient. However, if a spouse agrees and an object, a separate assessment may be necessary on the obliged spouse especially if the limitation period for that spouse is imminent. In any case, note on form 3198 that a spouse has signed an exemption, so cpc can calculate interest accordingly. If one spouse agrees and the other does not respond to the 30-day letter, a separate assessment must be established on the required spouse before the case is sent to Technical Services for 90-day letter procedures. Procedures for creating an MFT 31 account: Request the creation of the MFT 31 account of the pledged spouse by preparing form 3177. The upper part of form 3177 will be completed, using the primary SSN. In the Other section, add the TC 971 to the empty and on the line state Action Code 102 (Action Code 103 is used if both spouses are unagreed but only one petitions the Tax Court after a 90-day letter). Also on the Other line the obliged (agreed) spouse's SSN is noted as XREF SSN: XXX-XX-XXXX. Fill in the MFT code (30) and the taxable period (a separate form 3177 is needed for each year). TC 971 and the appropriate action code on the MFT 30 account will create an MFT 31 account for the XREF SSN specified. Send or fax form 3177 to ccpf/fort manager and request a partial assessment to be closed on the obliged spouse: Forms 3198, 5344 and the survey report are needed in addition to form 3177. Note on form 3198input TC 971 per attached form 3177. Include your name and fax number so that CCP can fax you a copy of Form 5344 after the partial assessment has been made. Form 5344 will display MFT 30 and the primary SSN. In the upper left part of the fax 5344 put an S in the empty following ANCLLS. In paragraph 56 put either P or S depending on whether the assessment is made on the primary or secondary spouse. This is a manual input, so if RGS will not print form 5344 with this information, it may be hand written on the form. Send or fax these forms to your CCP/FORT maintainer, while you continue to hold the case. Continue normal unagreed procedures for disagree/petition spouse. Associating an IMFOLT and/or copy of form 5344 received from case processing shows that the partial assessment on the other spouse has been made at MFT 31. Close the case as you normally would (including RGS CEAS), but note on Form 3198 that manual closing is required due to MFT 31 assessments. Examiners may refer to IRM 21.6.8, Split Spousal Assessments (MFT 31 / MFT 65), for further information. A copy of the examiner's lead sheet for each adjusted issue will be attached to the report form to explain the adjusted items. A separate lead blade should be used for each adjustment. If the adjustment is applicable for more than one year, the adjustments should be shown on a combined lead sheet. The following formats should be used for Field Control Cases: Title - Each lead sheet should be numbered and given the title to correspond to the adjustment on the audit report. See IRM 4.10.9.7.2, Working paper: Indexing. The lead sheet should reflect the amount per return, the amount per revision, and the resulting adjustment. Facts - Each lead sheet will contain an account of the facts on which the adjustment is based. The statement should be in narrative form. The facts must be relevant to the issue and should be provided correctly and objectively. Facts favourable to the position of both the Service and the taxpayers must be included. Applicable law - The applicable authority should be quoted and explained correctly (if necessary). Judgments, opinions and decisions relied on shall be clearly stated and identified in the declaration. Citations are not required when the adjustment is based entirely on facts, or when they serve no useful purpose. However, reports should be informative to taxpayers. position - The taxpayer's taxpayer's (in narrative form) if known. The judicial authority, if any, that the taxpayer uses as the basis for his argument should also be put forward. If the taxpayer has provided a written position statement, include the full statement in this section or summarize the statement and include the entire document in the report as an exhibit. Arguments - Relate the facts, as previously stated, to the quoted authority through a narrative discussion to support the Service's position. Also include the service's rebutting of the taxpayer's position. The examiner's argument will be included in the new law section of the applicable lead sheet issue. Conclusion - Briefly state a conclusion of the position of the service. The copy of each issue lead sheet used as an annex to the review report may be amended to remove irrelevant information (e.g. work paper cross-referencing, review steps that were not employed during the review, etc.) that would be of no use to the taxpayer or representative. An alternate position for a query in an unensured case is a secondary position that the Service can ultimately rely on if the primary position cannot be maintained. An alternative position is recommended as appeals will generally not address new issues. Therefore, the reviewer must outline any alternative positions that may be applicable if the primary position is not persistent. The primary and secondary positions will usually address a different set of teams and arguments. Because of this, the tax calculation for the alternative position may differ from the primary position. An alternative position should be used for tax legislation that supports two completely separate positions. For example, when an adjustment is suggested to discredit business expenses due to IRC 183, hobby loss provisions; The IRC 162 adjustment should be written up as an alternative position to IRC 183. The primary position should be the larger of the liabilities when two positions are taken into account. An alternative position is not required for an adjustment supported by multiple snippets of tax legislation for a position. For example, to support a disallowance of business expenses, IRC 162(a), ordinary and necessary business expenses, and IRC 6001, lack of subordination, can be incorporated into an explanation of adjustment. The alternative position must be discussed with the taxpayer, or his/her authorised representative before issuing the audit report. The alternative position report must be included in the report presented to taxpayers. Facts, law, taxpayer position, and conclusions for the alternative position on an issue will be presented on a separate lead sheet from the primary position. If the tax bill changes due to the alternative position, a separate form 4549-A from the primary position will be prepared a separate lead sheet. The top of each of these report forms for the alternate position will be marked as Alternative Queries. It is in position report will be placed behind the report containing the primary position. For unagreed cases that contain multiple related issues, it will not be necessary to prepare an alternative tax calculation on Form 4549-A for each combination of alternative queries. Form 4549-A and appropriate lead sheets will be prepared for the primary issues. But only lead sheets will be prepared for the alternative issues. If a partial agreement is requested in the context of a correlative (i.e. whipsaw) adjustment and the taxpayer wants to agree with the non-correlative adjustment(s) secure Form 870. Form 870 must specify specifically that the correlative adjustment(s) are/are not shown in the calculation of the deficiency or over-conditions. Backup withholding is a strong alternative position in a case where an employer did not issue Form 1099 and did not receive TIN's from the workers. Backup withholding procedures are available in IRM 4.23.8.13, IRC 3406 – Backup Withholding. The negligence/material understatement part of accuracy related penalties is the standard alternative position when claiming Fraud Penalties. The failure to submit a penalty (FTF) is the standard alternative position to fraudulent failure to submit penalties (FFTF). Where the accuracy-related penalty attributable to a material understatement of income tax is not claimed as a result of the allegation of negligence or breach of the rules or regulations, an unamended report will include the significant understatement as an alternative position. References for alternative position in unagreed case: IRM 4.10.6.4 - Completing penalty determinations IRM 4.23.10.16.3 - Alternative and Whipsaw Positions in Unagreed Case IRM 20.1.1.35.3.2 - Common features of accuracy-related and civil fraud penalties IRM 25.1.4.3.10 - Preparation of pre-prosecution report General, Preliminary (30-day) Letters allow the taxpayer 30 days to request Appeals treatment of their case. The following standard letters, specific to the type of case, are used for this purpose: Letter 950 – for straight deficiency, straight review, or mixed deficiency and overvaluation Field Examination cases; Letter 950-Z for straight deficiency, straight overvaluation, or mixed deficiency and overvaluation, Field Survey Domestic and International Business Compliance cases; Letter 915 – for straight deficiency, straight over-values, or mixed deficiency and overvaluation Office Examination cases; Letter 569 – for cases concerning the subcontracting of claims; Letter 3391 – for nonfilers; Letter 1125 – for preparation penalty cases; and Letters 1963 - for rogue files/nonfiler cases. Cases of limited interest – the reviewer will need to prepare and the manager will have to approve a letter patterned after the form letters listed above. No form letter is available due to infrequent use. The letter should address the issue of limited interest, rather than a lack or an overstatement. to IRM 4.10.8.12.6 for current current use of Form 4665. Preliminary (30-day) Letters will contain the following documents: Appropriate form letter; Examination report and waiver; Publication 3498, Examination Process (or Publications 1, 5, and 594). Publication 3498 must always be attached with the preliminary (30-day) letter, even if it was provided with a previous report or letter. (Pub 3498 is not required if letter 950-Z is issued.) Preliminary letters are sent by regular mail unless it is considered necessary to document mailing and delivery. In such cases, certified or registered mail should be used and a return receipt requested. Preliminary (30-day) Letters should be prepared by the examiner, and could include examiner name or group manager name, as the situation guarantees, in the contact area of the letter. The power to sign and issue the letters is delegated to group managers. In the case of joint return, a full original Preliminary Letter will be sent to each spouse. A copy of the preliminary letter should be sent to the taxable person's representative. A copy of the Preliminary Letter will be retained in the file. After sending preliminary letters, the case will be held in the group's voltage files. Managers will ensure adequate checks for cases in 30-day status. In general, the Statement of Procedural Rules 601.105(d)1 does not provide for any extension of the time to reply to Preliminary (30-day) letters. However, as a practice, extensions may be granted under reasonable circumstances. Reasonable circumstances include but are not limited to the following: The taxpayer retains a representative and demonstrates a need for more time to prepare a meaningful protest, taxpayers retain a new representative, illness or harm of taxpayers or representatives, or Questions are complex and require extensive research. The request for additional should be in writing and should indicate the reason(s) why additional time is needed. Since many requests are made by telephone, the extension can be granted orally and confirmed in writing upon receipt of the written request. Extensions should not be granted if the limitation period will expire within 240 days and the granting of an extension will not leave sufficient time to deal with the case. In such circumstances, an extension of reply to a preliminary letter will depend on securing an extension of the limitation period. Extensions are granted by the team leader or a designated management official. The taxable person should be notified in writing of the extension and the specific extended response date. Letter 686 will be used for this purpose. Add-ons are typically granted for a maximum of 30 days unless a specific reason supports additional time. If taxpayers live outside the United States, the 30-day letter should be amended to allow a reasonable amount of time to respond. If an examination report is changed after a 30-day letter has been issued, follow the Report procedures and solicit an agreement. If the taxpayer does not agree with the corrected report, take the following steps, as appropriate: If the corrected report reduces the previous review report and no new issues are raised, the case may be closed after the first 30 days have expired. No new 30-day letter is needed. If the corrected report gives rise to a rights issue(s) or the proposed defect is increased, a new 30-day letter will be issued, if sufficient time remains on the limitation period. If a signed contract form (or full payment not designated as 6603 deposit) is received in response to the Preliminary Letter, the case will be closed from the group within 10 days of the date of receipt of the report using agreed case resolution procedures. If the taxpayer enters into an agreement on part of the report, enlist a partial agreement. If a partial agreement is received, process according to IRM 4.10.8.6. The case will remain in the 30-day tension awaiting either a protest or standard for the remaining issues. If a waiver is not signed, but a partial remittance is received (not specifically termed as a deposit in the nature of a 6603 deposit), the payment will not be treated as a partial payment of tax unless the taxpayer designates it as such. Contact the taxpayer by phone to ask if the payment was intended to be a payment of tax or a 6603 deposit. Document the conversation in the case file. If the taxpayer cannot be reached, prepare a follow-up letter to inform taxpayers we did not receive a protest or a signed waiver or agreement on adjustments; we got remittance and need to know if they intended the remittance to be a payment of the tax shortfall or a 6603 deposit; and we need to receive a response within 15 days of the date of the letter or case will be closed for the issuance of a notice of deficiency. If the taxpayer was contacted and agrees with all the adjustments but could not pay the full debt at the time and intended the referral to be a partial payment, taxpayers have to sign the waiver and determine whether the taxpayer is eligible for an installment agreement. Treat the payment as a partial payment. Do not hold the payment until the waiver has been received. If the payment was intended to be a 6603 deposit, advise taxpayers that if we don't get a protest or signed waiver, a notice of shortage will be issued. The taxpayer can respond by requesting an appeal. The following procedure for appeal applies to both Fältjhälp and Fält/Kansliexamen. Appeal Request – Field/Office Examinations For all cases where the total amount of proposed additional tax, surcharge slated for tax and penalties, proposed overstatement, or requested refund, credit, or reduction for any tax period, does not exceed \$ a request for appeal is made using small case procedures. These proceedings require a written request for appeal consideration, indicating the changes made by the taxpayer to agree and any grounds for disagreement. A case with a shortage exceeding \$25,000 requires a formal written protest. If the taxpayer submits a formal written protest it will be reviewed at the group level, appointed by the management, within seven days of receipt to determine whether: The protest is sufficient, the case requires further development by the reviewer, the Reviewer's report should be amended, the Taxpayer's written protest contains the required documents. A taxpayer's formal written protest must include the following: A statement that the taxpayer wishes to appeal the examiner's findings to the Appeal SA; The taxpayer's name and address and daytime telephone number; A copy of the letter showing the proposed changes and the results protested or the dates and symbols from the letter, the tax periods or years concerned; a specified timetable for the adjustments that the taxpayer does not agree with; a statement of facts that support the taxpayer's position on any contentious matter; A statement describing the law or other authority, if any, on which the taxpayer relies, and a statement of truth for paragraph f above under the punishment of perjury. This can be done by adding the following signed declaration to the protest document: Under sanctions of perjury, I declare that I have reviewed the statement of facts set out in this protest, including any accompanying documents and, as far as I know and believe, they are true, accurate and complete. If the taxpayer's representative leaves the protest for the taxpayer, the representative may include a consideration for the taxpayer's explanation described in paragraph (7)h above. The declaration will state: 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 accurate. The protest should be returned to taxpayers if incomplete and additional time is granted to perfect the document. The signature of only one spouse on a protest of a joint return does not make the protest insufficient. The case should be referred back to the examiner for further development if the protest contains information that warrants consideration. Cases returned for further development should be considered as priority work and be promptly dealt with. If the examiner or group leader considers that there is something in the protest that does not change the determination, but requires further comment or explanation and is not confidential by its nature, a rebuttal may be prepared and included in the case before it is sent to Appeals. If a reply is drawn up, a copy must also be provided to the taxpayer. Appeals will not return cases for further development. The group leader should try to discuss the contentious issues with the taxpayer (representative) in an attempt to resolve the issues, reach agreement and limit taxpayers' If contracts cannot be the case will be referred to Appeals. If the taxpayer orally requests a transfer of jurisdiction for the appeal, and the written protest is completed, the case will be sent quickly to the local Appeals Office serving the transferor's area. This procedure applies even if the taxable person has requested a hearing in an appeal office other than that which guards the transferor's territory. The fact that a statutory notice of deficiencies has been issued to the taxpayer does not preclude the transfer of protesting cases to appeals for: Other taxable periods by the same taxpayer, Other types of tax for the same taxable periods for the same taxable person, or an offer in compromise covering the same type of tax and the same taxable periods by the taxpayer. Appeals may also seek jurisdiction in cases relating to the cases described in (13) above. A case may be transferred to Appeals with a copy of the taxpayer's return if: A transcript of the account is attached to the double return; and the case does not include fraud, a jeopardy assessment, a case of the Joint Committee, or a statutory notice of deficiency issued as a basis for closure. Requests from appeals for additional information or further verification of the facts in a protested case will be completed quickly. Field Examination- If the taxpayer has not filed a protest within the time allowed, but indicated his intention to do so, Letter 923 will be sent to the taxpayer to allow an additional 15 days to file a protest. Letter 923 should be issued no later than seven calendar days after the expiry of the original provisional letter. If Preliminary Letter is returned as undeliverable to the address on the file, then an attempt will be made to get the correct address. If the correct address of the taxpayer is determined, the Preliminary Letter will be sent to the new address. The period during which the taxable person may reply begins with the date on which the letter was posted to the new address. If the correct address of the taxpayer cannot be determined, then the case will be dealt with as described in IRM 4.10.8.13.11. If the preliminary letter proposes a review or rejection of a claim without a change in the tax liability, no follow-up action should be taken. The case should be closed as described in IRM 4.10.8.13.11. If no response to a follow-up report is received, the case will be dealt with as described in IRM 4.10.8.13.11. Cases will be closed from the group immediately within 20 days of the expiry of the time (including add-ons) allowed to file a protest. Deficiency cases— A Statutory Notice of Deficiency will be prepared by Technical Services and issued when no response was received to the preliminary (30-day) letter subject to the following conditions: It seems reasonable that the taxpayer or authorized representative received the Preliminary Letters or, if not received, the service exercised due diligence in determining the taxpayer's last known address. The taxpayer is temporarily away and is not expected to return within a reasonable period of time, or have not returned after a reasonable extension has been granted. Follow-up measures were taken without success. The notification required by IRC 534(b) cases relating to alleged excessive accumulation of earnings and profits has been issued. See IRM 4.8.9.4. When issued, for investigation team instructions. Regardless of the conditions described in paragraph (2) above, a statutory notice of deficiency will be issued within the time stipulated by law if the limitation period will expire within 150 days and the taxpayer will not enforce an agreement to extend the limitation period. See IRM 4.8.9.4. Over-assessment is proposed— If the taxpayer fails to respond to a preliminary letter advising on a proposed over-assessment (adjustments that reduce the tax liability exceed the adjustments that increase the tax liability), the case will be closed from the group to case-by-case for the assessment of the over-assessment. Claim waiver — If the taxpayer fails to respond to the preliminary letter advising them not to allow the claim, a Claim Notice will be issued by Technical Services. If there is no change to the tax liability (neither a deficiency nor overstatement), listed on Form 3198, Issuing Letter 906, Final Full Claim Rejection, enclosed inside the case file. If the requirement is not allowed in part with a resulting appellate, enter on form 3198, Letter 905, Final Partial Claim Disallowance Letter, attached inside the case file. Both letters contain multiple lines for the reviewer to insert the causes of the disallowance. Fill in the message except for the date, include the reasons for the disallowance, and place the message inside the subject file on the top edge. Work tax target — A preliminary (30-day) letter will be issued in labour tax cases to advise taxpayers on any unconstructed proposed adjustments to their tax liabilities and on conclusions that have not been reached in any amending cases that mean that it is not permissible to fully default on repayment applications. In general, if a valid protest is not received for a work tax case, it ends without issuing a statutory notice of deficiency. However, reviewers should refer to IRM 4.23.22.8.6, No Response to 30-Day Letter, for additional information when the proposed tax covers IRC 7436 issues. Cases of limited interest — If the taxpayer fails to respond to the specific letter within the allowed time, the tax liability will be adjusted as proposed in the audit report. See AIMS treatment procedures in IRM 4.4.1, Introduction, for more information on limited interest assessment. Time spent by the examiners on preparing the non-green report and accompanying explanatory lead sheets is charged to the case during direct examination time (DET). Time spent as reviewers spent on 30-day letter activities (including the preparation of 30-day personal protest reviews and follow-up letters) will be reported using non-review Activity Code 646. Preparation Preparation report (including explanatory lead blades) are not reported under Activity Code 646. When 30 days of activity begins, the case should be removed from the agent's warehouse and stored in the manager's office. The case should be updated to STATUS Code 13 on AIMS when the preliminary letter is sent to taxpayers from the group. If the Preliminary Letter is sent from Technical Services, the case will be updated to Status Code 22 AIMS Statute Table 4.1, at the group level, will include cases in Status Codes 9-18. AIMS Table 4.0, for technical service personnel, will include cases in status code 22. If further development is required after preliminary letter activities have begun, the case will be returned to the examiner and reactivated under Direct Examination Time, Status Code 12. This section contains instructions for correcting reports that include errors. Revisions to reports are considered to be corrected reports when changes are made to reports issued with 30-day letters or to reports signed by the taxpayer. Reports audited due to additional information provided during the review (before a 30-day letter or agreement) should be retained in the working papers. If a closing letter (such as Letter 590 or Letter 987) has been sent to taxpayers, resuming procedures must be followed before proposing changes unfavourable to taxpayers. See IRM 4.10.8.9, Receivables. Signed waivers and the error is in taxpayers' favor – If an error was made in computing a deficiency, overstatement or penalty that appears on a previously executed report/exception that is in taxpayer's favor, a corrected report will be prepared. A copy should be given to the taxpayer; no signature of the new report/waiver is required. Note on the corrected report, Refer to the taxable person's signature on the report dated (date). Signed waiver and the error is not in taxpayers' favor – If an error is against a taxpayer (more tax due or less refund), the examiner has two options. Prepare a corrected report and enlist a new exception. If the taxpayer does not agree to the corrected report, follow partially agreed procedures; or, Process the case for the amount shown on the original report/waiver if it falls below the fault tolerance levels in Delegation Order SBSE 4.41, Fault Tolerance Levels. The group or feature detect error will prepare a memo to cpc signed by the appropriate delegated official. Place the memo on top of the report in the case file. A corrected report should be prepared as follows: At the top of the corrected report, please write Corrected Report. In the other tasks or notes section, this report replaces the date (date). The taxable person's signature is required only on the corrected report if the change is in the government's favour, i.e. more tax or less if the taxpayer does not agree with the corrected report, ungreen procedures apply. Consider each year separately without a network of Periods. New exemptions may need to be requested even if the net effect of corrections may be for the benefit of taxpayers. The original report will be noted above the top. This report replaced by report dated (date). Both the original and corrected reports are included in the file. Note on form 3198Corrected report. This section contains survey questions that require calculations on a standard form. When an adjustment is proposed in one of these areas, the relevant form should be completed and attached to the investigation report to clarify how the adjustment was established. Use form 1914, Calculation of allowed MACRS/ACRS/Depreciation Deduction, accessed via RGS (or equivalent schedule), to calculate allowed depreciation costs. Worksheets should be provided to the taxpayer in cases where the passive loss, the permissible loss and the unauthorised (suspended, cover loss) must be distributed among the various passive activities so that the activity can be properly reported in the following years. Any adjustment to a net deduction for operating loss should be fully explained in the report. The adjustment on form 4549 should be identified as a NOL carryback with year of origin identified or NOL carryforward with source year identified. Reviewers should refer to IRM 4.11.1.1, net operating income, when adjusting net operating losses. Reviewers should be aware that loss-making allowances may lead to the jurisdiction of the Joint Committee. See IRM 4.36.2, Identification of joint committee cases. Reviewers should also note that net operating loss deductions typically require calculations of limited interest. For investigation procedures in these cases, see IRM 4.10.8.15.3.4. A report proposing an adjustment to a net loss deduction should include all calculations necessary to fully explain the source year and the amount of any net operating losses. The calculation will cover the modifications required by IRC 172(d). Form 3621, Net operating loss computation - Individuals and companies, and teeth and trusts, can be used for this calculation. Corporate NOL and individual NOL spreadsheets can be found in the Special Applications section of the RGS website. The report should include an estimate of the net operating result allowed in any year. The calculation will cover the loss modifications required by IRC 172(b)(2). Form 3621–A, Calculation of a net operating loss deduction for changes in intermediate years may be used for this calculation. IRC 6411 allows the taxpayer to apply for a refund or credit using Form 1045 (for individuals) or Form 1139 (for corporations); adjustment of the tax is not a claim. Reviewers should be aware that preliminary deductions are special limited interest cases. Campus calculates and pays limited interest when the preliminary repayment is processed. See IRM The audit report reflecting a preliminary repayment or credit reimbursement is explained, the Adjustment of the net operating loss deduction (NOLD) - The report should show the correct NOLD amount. If NOLD is allowed in its entirety, the entire NOLD would appear as an adjustment. If NOLD is not allowed, the adjustment on the report would be zero. Taxable income according to the report – The taxable income per return (or as previously adjusted) is the amount before processing the preliminary remuneration. Taxpayers' review report prepared as per the instructions in this section, and a survey report with the following notated in the top margin For case processing only — Prepare this audit report using RGS (this will ensure that Form 5344 is correct). Taxable income should reflect the taxable income previously adjusted by incorporating the provisional repayment per transcript. Tax previously adjusted – The tax previously adjusted should include any tax reduction allowed when processing the preliminary remuneration. The report shall contain a schedule showing the calculation of the tax previously adjusted. Example of a report after a preliminary replacement — Facts: Corporation X files its 1992 Form 1120 in a timely manner. The taxable income is \$888,888 and the tax is \$302,222. In 1995, there is a net loss of \$30,000. On 4/30/96, a form 1139 is submitted and the company receives a refund of \$10,200. 1992 and 1995 returns are examined. Example 1: The survey results in no change until 1995. Therefore, NOLD is allowed in its entirety in 1992. There is no change in tax as the company has already received the provisional refund. See Annex 4.10.8-10. Example 2: The survey results in additional income in 1995 of \$17,000. This reduces NOLD to \$13,000. There is a shortage in 1992 of \$5,780 because the company received a preliminary refund based on a NOLD of \$30,000. See Annex 4.10.8-11. Example 3: The survey results in income in 1995 of \$50,000. This eliminates NOLD. There is a shortfall of \$10,200 because the company received preliminary repayment of \$10,200. See Annex 4.10.8-12. Interest is charged on a tax shortfall under IRC 6601 for the time taxpayers had the use of government money, or paid on an overestimate or overpayment under IRC 6611 for the duration the government has taxpayers' money. In most cases, the period of time for which interest is charged or paid to the taxpayer begins on the due date of the return. Survey changes that follow this rule are called General Adjustments. Examples of this are adjustments to costs, changes in revenue, increases or decreases in a current credit and adjustments to losses/credits that have been passed forward from previous years. The accrued interest rate is shorter, or limited if certain deductions, credits or income items are present. Examination changes to these items are called Limited . Examples of this are net loss, capital loss or credit deduction from a subsequent year. Years, these cases, the interest is computed from the expiration of the source year of the carryback object. This is also called the effective date of the limited adjustment. See IRM Exhibit 20.2.1-1. Provisions that limit interest, which list deductions, credits or income items, and the provisions of the Code that limit interest. Cases with limited interest adjustments are complex and require special handling. Non-growing cases are sent to Appeals via Technical Services. Agreed cases with some refunds over \$2 million (\$5 million for C Corporations) are sent to the Joint Committee Review in LB & I. For more information on the criteria of the Joint Committee, see IRM 4.36, Joint Committee procedures. Agreed cases which do not meet the criteria of the Joint Committee are sent to Technical Services if they require the preparation of a Form 2285, contemporaneous determinations of deficiencies. After section 1 of Form 2285 is ready for an LB & I, in coordinated industry case, SB / SE Technical Services or LB & I, The Joint Committee reviewer should send a copy of the form to the team coordinator for its inclusion in the historical file case. If reviewers or CCP staff have any questions about the calculations for any Form 2285, they should contact the examiner who prepared the report for clarification before sending it back to the group. Form 2285 is required when one or more of the following three criteria exist: both general adjustments and limited adjustments; Repayment adjustments from more than one tax period, more than one estimated interest calculation date with limited interest. In these cases requiring Form 2285, the reviewer's report should clearly reflect adjustments to repayments or the reconquest of NOLs or credits. The adjustment to the audit report should reflect the source year of the repayment year, i.e. NOL bonuses from the tax year YYYYMM . The CCP will use it in full form 2285 to calculate the interest rate for the tax year(s) on the review report. For more instructions regarding suspended interest see IRM 4.10.8.15.13. In complex cases with several limited adjustments, it is proposed that the examiner draw up a spreadsheet from the Joint Committee for the relevant periods. See IRM 4.36.3.6.5, Joint Committee spreadsheet. Agreed cases that do not meet the joint committee's eligibility amount and do not require a Form 2285 should be sent to CCPs in status code 51. In order to support the CCP in calculating the adjustment of the limited interest rate, the reviewers should reflect the repayment year in the limited interests section of the audit report and identify the tax periods containing the limited adjustments on Form 3198. For the purposes of these rules, examiners should disregard any limited adjustments constituting a provisional contribution submitted on Form 1045 or Form 1139 which have: submitted. This is because when the tax is paid, the campus function automatically generates a limited interest calculation. For all cases of limited interest, form 4549, or any other appropriate form, any adjustments identified must include in Other Information the following or a similar explanation; This report involves limited interest. In such cases, a part or all of the interest is calculated from a date other than the due date of the return . Additional languages must be added to explain the calculation period, for example: Interest allocated to your NOL retraction from 2014, calculated from the due date of that return, 4/15/2015. According to IRC 6404(g), interest is turned off from MM/DD/YYYY to MM/DD/YYYY. Your preliminary refund into Form (1045 or 1139) for 4 AYYMM has been (partially or partially) inadmissible. The interest rate associated with this adjustment is limited to the maturity date of the return of the year of origin. For limited interest cases that do not result in any change in the tax liability, a statement should be added to the Other Information section of the report: Even if there is no change in your tax liability, there may be interest to be paid or be the claim as a result of this report. This is because one or more of the adjustments are a limited adjustment. Tax related to this adjustment has an interest calculation date that is different from the return. See IRM 4.10.8.3.3. The examiner should seek the consent of taxpayers in such cases. Note Form 3198 with Limited Interest applies if ____ by checking the applicable box and filling in the void for the year. If form 2285 is not needed, check the box in the Special Features section. If form 2285 is required, check the box in the Forward to Technical Services section. A step-by-step decision model for handling cases with limited interest can be found in the restricted interest decision schedule on Annex 4.10.8-13. Taxpayers' names or address changes require the examiner to complete Form 2363, Master File Entity Change, as soon as clear and concise notification is received. See IRM 4.10.2.11, Taxpayer Change of Address, for

further information on clear and concise notification and fill out form 2363. Examiners must also complete Form 2363, when there is a permissible/agreed change to the taxpayer's filing status. The examiner must Eefax form 2363 to CCP as soon as possible. See CCP website for exam CCP Eefax number. For more information, see IRM 4.4.11, AIMS/Processing, Entity Changes. Treas. Reg. 1.6013-1(a)(1) does not allow the spouses to switch from a joint return to a separate return, unless before the date of return (without taking into account any extension of time to file) one of the spouses subsequently archives a separate return. The separate return is a replacement return. Separate return submitted by an executor — Under certain circumstances, a surviving spouse may submit a joint return for the year of death if an executor or administrator has not been appointed by certain times. IRC 6013(a)(3), and Treas. Reg. 1.6013-1(d)(3) & (4). An executor or for a deceased person may distinguish a joint return submitted by the surviving spouse. See IRC 6013(f)(4) and Treas. Reg. Invalid joint elections — Sometimes, after a joint return has been processed, it is established that the joint choice is not valid even though the return itself is valid for the purposes of IRC 6011 and IRC 6012. Some reasons a joint choice may not be valid include: Taxpayers were not married, the returns are not signed by both parties, the returns were signed under duress (Treas. Reg. 1.6013-4(d)), A spouse's signature was forged. A return that is not signed can be corrected by obtaining a valid signature with the letter Letter 2348, Declaration (2). Also, the return can be treated as signed by determining both spouses' intention to file a joint return. See Federbush against Commissioner, 34 T.C. 740, 757 (1960), aff'd per curiam, 325 F.2d 1 (2d Cir. 1963). When closing the separate return of the person whose Social Security number is entered first (the primary taxpayer) on invalid joint returns, the following steps should be taken: Prepare a report with proper filing status and only income, deductions, and credits for the primary taxpayer. Request the consent of taxpayers. Follow normal agreed/not grown-up procedures. Show only one name for form 5344. Prepare Form 2363 to correct the name line to reflect the primary taxpayer only and correct the archiving status of the account. Check the following transaction code boxes on Form 2363 : 013 and 016, and enter the appropriate archiving status code in the FSC box. See IRM 4.10.8.15.4, form 2363, for further information. In the Forms enclosed in Form 3198 section, check the box for Form 2363. If the file does not already contain the separate return of the person removed from the joint return, the return should be requested (if a return is required). That return should be closed along with the joint return with instructions to the CCP function to treat the return as an original return. If a return is required and not submitted, follow the substitutes for return procedures to make an assessment against the person whose name was removed from the joint return. Spouses who originally filed tax returns on a separate basis may find it to their advantage to use a common tax calculation. Changing from separate to joint return status taxpayers can submit a joint return or an amended Form 1040X. For tax years beginning on or after 31 July 1996 (e.g. calendar year 1997), it is not necessary for taxpayers to pay the tax shown on the common return as a whole as a condition for choosing common status. IRC 6020(a) authorizes the Secretary to prepare a return for a taxpayer who fails to make and submit a return if the taxpayer discloses all the information necessary for the preparation of the return. If the taxpayer signs the return prepared by the Secretary, the return may be received as the Return. If a taxpayer fails to make a return, or makes a false or fraudulent return, IRC 6020(b) authorizes the Secretary to make a return from his own knowledge and from such information as he may receive through testimony or if IRC 6065 requires a return to contain or be verified by written declaration that it is made in accordance with the penalty perjury. Joint return filing status under IRC 6013(a) is based on the spouses making a choice and intends to file a joint return. Consequently, the service may not choose common filing status on behalf of taxpayers in a return that it prepares and signs under the direction of IRC 6020 b. Se Millsap against Commissioner, 91 T.C. 926 (1988), acq, in results, 1991-2 C.B. 1 (archiving status used by the IRS in preparing return under IRC 6020(b) does not bind taxpayers in subsequent shortages). A form 870 signed by the spouses is not a return under IRC 6020(a) and it is not a choice to submit a common return under IRC 6013. This holding also applies to forms 1902, the report on individual income tax review changes (obsolete 1988), and Form 4549, the Report on Income Tax Review Amendments, and any subsequent forms to those forms, since these documents do not claim to be returns and do not contain a jurat with a penalty of perjury clause. If married taxpayers fail to perform a joint return, the examiner will have to close the case unagreed using an archiving status other than the married filing joint. Generally, these taxpayers' filing status will be married filing separately. Based on facts and circumstances, the examiner must determine whether a return is needed for one or both taxpayers. See Rev. Rul, I'm sorry, 2005-59. IRC 6013 b.2 A requires taxpayers to make a joint return choice within three years of the original tax return date (without regard to an extension). IRC 6013 b.2 B requires taxpayers to make a joint choice for bonuses prior to sending a notice of deficiency for that year to either spouse if the spouse enters a timely petition with the Tax Court with respect to that year. IRC 6013 b.2 C requires taxpayers to make a joint return choice before they start to file in any court for the recovery of any part of the tax for such a taxable year. IRC 6013 b.2(D) requires taxpayers to make a joint return choice before either spouse has concluded a final agreement in respect of such a taxable year, or before any civil or criminal proceedings arising against either spouse in respect of such a taxable year have been compromised. If a change of return is received during a trial, examiners will generally review the amended return to determine whether the tax reported is correct. The examination will be carried out as soon as possible after receipt of the return and to the extent deemed necessary. A change in returns received from a taxpayer during an investigation, with or without money transfer, will remain with the case. Files should be set for each spouse as each file will be closed under their own document Locator Number (DLN) Generally, the primary file will be the first SSN displayed on the common return and the secondary file will be the second SSN displayed on the common return. The primary file will include include: original or copy of the joint amended return. The primary's original separate return and a copy of the secondary's separate return should be attached. The secondary file will contain the secondary's original separate return. A copy of the first page of the joint amended return should be attached. Two reports will be prepared when separate returns are converted to a common return. Primary file - Prepare a report that starts with the primary account and include as adjustments the items that appear on the secondary separate yield. Once the review is carried out, the reviewer will request an agreement covering the proposed changes. If a deficiency is not pent-up, normal appeal procedures apply. Secondary file — Prepare a second report to adjust all taxes and penalties previously assessed on the secondary account to zero. The primary and secondary files should be closed for CCP together as a case file. Prepare a form 5344 for each file and include the name of the secondary taxpayer on form 5344 for the primary file. Prepare Form 3198, to be transferred with the file, and include the following comments: Separate Return(s) Converted to Common, Add Secondary Taxpayer to Primary Account, Enter any estimated tax payments to be transferred from the secondary account to the primary account, and Specify whether the tax has been paid or not. A report covering adjustments to investment credits (including the recapture of investment credits) should include a calculation showing the correct investment credit. IRC 46 defines the credits considered as investment credits. Form 3468, Investment Credit, can be used to show the calculation of the corrected investment credit. IRC 38 limits the amount of general corporate credit (including investment credit) that can be used in any year. Form 3800, General Business Credit, can be used to show the limitations of the investment credit when the taxpayer is eligible for more than one type of general corporate credit. The report should clearly show the amount and year of origin of any adjustments to investment credits or returns. IRC 50(c) requires that all or part of the investment credit be reprocessed in respect of the early appointment of the property that generated the credit. Form 4255, Recapture of Investment Credit, can be used to show the calculation of the tax due to the reconquest of the investment credit. When an audit results in an adjustment of tax on self-employment, the information is forwarded electronically to the Social Security Office via form 5344. See IRM 4.4.29.2, Income adjustments for self-employed persons. Include the following information as applicable to Form 5344: (See IRM 4.4.29.2.1.1, Reference Code Changes in income/tax for self-employment); Reference number 878: a net increase or decrease in the primary taxpayer's income. Reference number 879: a net increase or decrease in the secondary taxpayer's self-employment income. For 1990 and tax year, indicate the income adjustments for self-employment multiplied by .9235. The net increase or decrease to the reference number for tax on self-employment is 889. Changes to both primary and secondary self-employment tax should be combined for an adjustment to reference number 889. The employer must gross up the employee's stated salary by taking into account IRC 3101 tax rates; for example, if the social security rate is 6.2% and the Medicare rate is 1.45% for a total of 7.65%, the calculation uses 0.9235 (i.e. 1 - .0765). Separate adjustments must be made for the Social Security portion and the Medicare portion of the self-employment tax. For the maximum amount of combined wages and self-employment income covered by social security tax for a period, see Pub 334, Tax Guide for Small Businesses. There is no limit to wages and self-employment income covered by the Medicare tax. If it is discovered during a survey that the tipping income has been underreported by the employee to the employer, FICORA's tax may need to be adjusted. See IRM 4.4.29.3, Group Procedures for Adjustments to Tips Income and IRM 4.23.10.18, Procedures for Employee Tax Adjustment on Tipping Income Not Reported to Employers. When an investigation results in an adjustment of the employee's share of fica tax, reviewers must comply with IRM 4.23.10.17, General procedures for adjusting employees' share of FICA/RRTA taxes including additional Medicare Tax (AdMT). A person who employs domestic workers reports on work tax annually according to Schedule H, Household-Related, which is linked to Form 1040, Form 1040-NR or Form 1040-SS. If an individual is not required to file a income tax return (for example, because the income is less than the amount that requires the individual file) Schedule H can be filed by itself. The use of Schedule H to report and collect these taxes does not change the nature of the tax. Changes are changes in the employment tax. Changes cannot be included in the income tax report. Changes must be made to a work tax report (see (4) below). Amendments are not subject to deficiency procedures and should not be included in a notice of deficiency. No part of the employment tax reported on Schedule H is ever available for repayment based on changes in a taxpayer's income tax. For purposes of schedule H the employer is: The taxpayer who applied for EIN, as required. For common returns, only one taxpayer can be an employer and this would be the spouse who received the EIN. Adjustments to Schedule H require the preparation of form 4667, Examination changes - Federal unemployment tax; Form 4668 Report on changes in work tax audits; and Form 2504, Agreement for the assessment and collection of additional tax and acceptance of over-assessment. The adjustments on Form 4668 should be made by the fourth quarter. When schedule H adjustments are made form 3198 is attached to the case file. The Other Instructions section should contain the following notation: notation: H Adjustment — forms 4667, 4668 and 2504 enclosed for the primary or secondary (applicable) taxpayer. For fogglers, it is critical that the primary/secondary designation is made to allow for the correct completion of Form 5344. As with any other employment tax changes involving wages, corrected or criminal W-2's should be secured if necessary. See IRM 4.23.10.10.5, Household Systems Taxes, for further information. Engineering Memorandum Report, Form 3213 – used as a report sender for the engineer's report on non-LB&I cases. Issue Management System (IMS) is used to transmit reports of LB&I cases. For more details on the contents of the engineer's report see IRM 4.48.1, Overview of Engineering Programs. Form 4665 will note that an engineer was involved in the case and whether the engineer's findings are accepted. Once approved, the engineer's results will be included in the examiner's report. Working papers relating to the engineering report on SB/SE cases should be placed in the file. International Examiner's Report, form 3963 — is used as the reporting transmitter for the international reviewer's report on SB/SE and LB&I cases. Form 3963 provides administrative information, compliance control information, issues considered but not amended, and Forms 886-A, etc. For more details on the preparation of form 3963 see IRM 4.60.9, International Examiner's Report. Form 4665 will be noted International was involved in the case and whether the international reviewer's findings are accepted. When approved, the international reviewer's explanation of items will be included in the reviewer's report. Working papers relating to the International Reviewer's report should be placed in the file. IRC 6404 g suspends interest if, as a result of an examination, the IRS does not provide individual taxpayers with an adequate statement of liability and the basis of liability. The IRS has 36 months (or 18 months in some cases) from the return due date or return in the date (with respect to extensions), whichever is later, to notify the taxpayer of additional liability without invoking interest. See IRM 20.2.7.8, IRC 6404(g) Interest rate suspension, for further information on the notification period, the interest cut period, and the effect of changes in returns. A notice given within the prescribed period prevents interest from being cancelled if the notice satisfactorily specifies the amount of liability and the basis of liability. See IRM 20.2.7.8.5, IRC 6404(g) Message, for adequate message requirements and the effect of multiple messages. See IRM 4.31.6.3.6.3, IRC section 6404(g), Suspension of Interest and Certain Penalties, for messaging requirements for individual investors in a pass-through unit. IRC 6404 g's avseg.g) message date must be recorded on a copy of the message retained in the file. When 6404 g interest rate suspension applies, the reviewer must include a statement in the information in the report using languages similar to the following: If there is an IRC 6404(g) date of notice, include the following - IRC 6404 g applies, and notification was provided on (date). If there is more than one IRC 6404 g date of notice, as defined by IRM 20.2.7.8.5.1, Multiple IRC 6404(g) Notices, each message date and the part of the debt attributable to each notification date will be recorded in Other information in the examination report and should include the following language -IRC 6404(g) applies and there are XX different notification dates. The first message was given on (date) for \$(amount of debt); the second message was submitted on (date), etc. On a case-by-case basis with a debt adjustment, the reviewers on page two of Form 3198 must indicate IRC 6404(g) not applicable or indicate the date(s) of the details and the applicable liability amount. If there is more than one IRC 6404(g) notification date, note on Form 3198 that limited interest applies due to IRC 6404(g), and to see the Other information section of the examination report. See IRM 20.2.7, Abatement and Suspension of Debit Interest, for more information. There are generally two types of changes that can be made as a result of transactions involving an individual pension arrangement (IRA) or a qualifying pension scheme during an investigation: adjustments to income and taxes resulting from non-compliance with IRA rules. Adjustments in income: adjustments to income, such as the taxpayer's deduction for an IRA contribution or the introduction of early distributions of income, will be reflected on adjustments to the income line on form 4549. Taxes due to not complying with IRA rules: Taxes, such as IRC 72(f), taxes on early dividends and IRC 4973, IRC 4974, and IRC 4980A, taxes on excess contributions, accumulations and dividends, are reflected on the line Plus Other taxes in Form 4549 as an addition to the corrected tax liability. The type of tax that will be identified in the Other Information section. A lead sheet must be attached to show the computation of the tax. In joint return cases, the spouse to whom the tax relates must be identified on the lead sheets. In the case of both spouses, the amount of tax applicable to each spouse will be identified. These taxes are typically reported on Form 5329, additional taxes on qualifying plans (including IA) and other tax-favored accounts. IRM 21.6.5.4.2, Individual Retirement Arrangement (IRA) Taxes, lists the taxes that can be assessed on IRAs and qualifying pension plans if the taxpayer does not comply with the Rules of IRAs. Attention should be paid to whether the tax is an income or excise tax as this will affect the preparation of the reports and the limitation period. If an agreement to extend the limitation period is prepared and an excise tax on the basis of an IRA can be assessed, please fill in the line type of tax on the consent form, by income tax and Chapter 43 Inserted. Excise duty Excise duty statute must also be extended beyond the Income Tax Charter if there is a possibility that an excise duty can be assessed. Separate form 3244-A, Payment bookkeeping voucher, must be prepared for each type of tax, taxpayer, and tax period. Therefore, separate forms 3244-A must be completed if an advance payment is obtained on a deficiency that: Includes both income and excise tax, or is attributable to both spouses on a common return for an IRA/qualified pension plan adjustment. The MFT block will be noted MFT 29 and the Remarks block noted IRA-MFT 29 if the tax is an excise tax. A check can be accepted for payments relating to both income and excise duty. Separate Form 5344 required for processing: Each individual's IRA/qualified adjustments to the pension plan and income tax adjustments. If a joint return is under review and both spouses' IRAs/qualifying retirement plans are adjusted in addition to other income tax adjustments, three Form 5344 will be required – one for income tax adjustments and one for each spouse's IRA adjustments. Items on Form 5344 for IRA/qualifying adjustments to the pension plan are generally the same as for income tax adjustments, except that no items are required in items 18 to 40. See IRM 4.4.14, Individual Retirement Account (IRA), Training Savings Accounts and Medical Savings Account Adjustments, for instructions on filling out the entries on Form 5344. Case files containing IRA/qualified adjustments to the pension plan will be identified on Form 3198 by checking the Other Instructions block by means of IRA adjustment , the type of tax (i.e., 6 %, 50 %, etc.), the amount of tax attributable to each type of tax and identifying the SSN of the account to be adjusted. Every taxpayer is required by law and regulations to keep records with sufficient detail to prepare a proper return. This may require the maintenance of such permanent accounts and records books sufficient to determine the amounts of gross income, deductions, credit, or other matters to be displayed on the taxpayer's income. See Treas. Reg. 1.6001-1. Taxpayers who maintain automated records can enter into a postal storage agreement with the area manager. This Agreement limits retained records to those specifically identified as necessary to perform audit procedures. Inadequate Register Notices place taxpayers on notice that their record keeping practices are flawed and need to be improved to meet the requirements of the law. The issuance of a notice of insufficient accounting may result in an follow-up and is a tool to enforce taxpayer compliance with legal requirements to keep adequate records and properly report tax liabilities. The determination that a taxpayer has not maintained adequate books and records, or has not complied with a protocol on storage contracts, is a and should be based on the circumstances of the case. Factors to be taken into account include, but are not to: An alternative or indirect method was used to determine the amounts of gross income, deductions, credits or other issues shown on the taxpayer's returns because the taxpayer's records were not sufficient, past history and current degree of non-compliance, Indications of intentional intent or evidence of refusal to keep adequate books and records, Probability that the deficiencies in record keeping will result in significant underreporting of tax liabilities, or Other evidence of harm to the government. The following sections deal with examination procedures for dealing with poor registry queries. Any time for developing deficient registry issues by reviewers should be charged to the case. Examiners should avoid criticizing the work of taxpayer employees, accountants or lawyers in a way that would suggest wrongdoing or negligence. Examiners should focus on explaining how taxpayers' books and records are inadequate and what steps need to be taken to bring them into line with existing statutes. Reviewers should document: The nature of the shortcomings in the taxpayer's register, examiner/group manager discussions, and basis for the conclusion reached. If a reviewer determines that the taxpayer has not substantially complied with the law and regulations to maintain adequate books and records or record retention agreements, the examiner should discuss the deficiencies with the team manager to determine whether an inadequate register notice should be issued. If the case contains a record store agreement, the data audit specialist must be contacted. Generally, Letter 979, Inadequate Record Notice, requesting a follow-up statement on corrective action from taxpayers within 6 months, will be used to notify taxpayers. If the taxpayer is within the racketeer classification, engages in illegal activity, or intentionally overrides the law, the examiner will prepare form 2807, agreements to maintain adequate books of account and records, and Letter 978, Notice of Insufficient Records, which contains a description of the exact records required and penalties for failure to keep records. The designated contact identified on letter 978 or letter 979 should be the psp person responsible for monitoring the taxable person's future compliance. Form 2807, or Letter 979 story must contain the following: The date on which the taxpayer was unjustly informed that the records were insufficient or not in accordance with a registry retention agreement. The tax year(s) reviewed. A clear and concise statement indicating how the taxpayer's records were inadequate or not in accordance with a registry retention agreement. Form 2807 should specify the books and items that will be maintained. Form 2807 and Letter 978 (or Letter 979) are approved and signed by the group leader. Insufficient register SenSng messages should be served personally by or sent by certified mail. The examiner will complete the entry of the service on Letter 978 and Letter 979 979 the time of delivery or before it is sent certified mail. The record of service should also be filled in on all retained copies. If sent by certified mail, the return receipt will form the entry of the service and will be attached to the copy of Letter 978 or Letter 979 retained in the case file. If Form 2807 is sent, letter 978 should be held 15 days to give taxpayers an opportunity to perform Form 2807. Section 3201(d) of RRA 98 requires that each message relating to a joint return, where practicable, be sent separately to each individual submission of a joint return. Congress believed that sending separate messages would result in mail being forwarded to a spouse who moved. See IRM 4.10.1.2.2.1, Separate Notice Requirements, for detailed procedures. Where a notice is addressed to a company, it should be delivered to an official competent to sign tax returns and preferably to the official who signed the return under review. In the case of a partnership, the Communication will be addressed to all partners and will show the name in which the partnership is doing business. The original notice will be delivered to the partner who signed the return or, if this is not possible, to a partner who takes an active part in the business. A copy of the message, including a record of personal service or the mailing receipt, will be sent by registered or certified mail to all other partners. Receipts from these mailings will be linked to the copy of the message retained in the file. Revenue agents should deliver letter 979 or Letter 978 and Form 2807, at the closing conference if possible. Otherwise send by certified mail. Where form 2807 is required, the taxpayer will be given the opportunity to execute the contract, specifying the books and records that will be maintained. Tax Compliance Officers/Tax Accountants should give letter 979 or letter 978 and Form 2807 to the taxpayer at a later appointment if possible. Otherwise send by certified mail. Where form 2807 is required, the taxpayer will be given the opportunity to execute the contract, specifying the books and records that will be maintained. In joint investigations, criminal investigators will determine the appropriate time to inform taxpayers of the shortcomings in the registers and issue the communication letter. Criminal investigators are also responsible for delivering the Inadequate Records Notice. Letter 978 and Letter 979 serve as notification to taxpayers that their records are inadequate and the execution of Form 2807 is not necessary to close the case. Whether the taxpayer signed form 2807 will be noted on letter 978. If the taxpayer does not execute Form 2807 and the case is not structured, the taxpayer will be informed of further opportunity to discuss the matter at an appeals conference. An appeals conference is not given to agreeing to proposed adjustments but not executing Form 2807. Reviewers will prepare a detailed detailed 5346 after the instructions on the back of the form. The other section should indicate that the package is documentation for a Insufficient Records Notice. The package should include: Copies of relevant working papers, Copy of the audit report, Copy of letter 978 or Letter 979, Original Form 2807, if applicable. A copy of the completed form 5346 should be included in the working papers with other documentation of the issue. The original form 5346 and documentation should be forwarded to the PSP for voltage and follow-up action. Follow-up studies will be carried out where appropriate. These investigations should be started with sufficient time to be completed within established review cycles. The file should document the issue of insufficient accounting and indicate whether the taxpayer has corrected the deficiencies in the keeping of the records. If the examiner concludes that the taxable person essentially fulfills the requirements for keeping adequate records, the insufficient accounting notification information should be included in the file at the end of the audit. If the examiner concludes that the taxable person does not substantially meet the requirements for keeping adequate records, it is justified to consider further enforcement measures, such as a penalty claim. In addition to preparing all necessary reports to document audit results and organize the contents of the case file, examiners have other critical case resolution requirements. Completion of form 5344 is required before a case is closed. The use of Form 5344 of the RGS is required. Mandatory records for reviewers are described in IRM 4.4.12, Examined Closings, Surveyed Claims, and Partial Assessments. Because grading cases is the responsibility of the team manager (but a record in this field is required for an agent to forward a case), examiners should specify their own grade unless they are instructed to enter a different result by their team manager. Group managers are also required to review this entry on Form 5344 before case resolution to ensure accuracy. EOAD was designed to provide data that would allow post-issue audit adjustment tracking. This data will be used to increase the ability to identify specific areas of non-compliance based on survey results and track the effectiveness of the audit classification process. Separation of EOAD data is mandatory for all investigations of Individual, Corporate, S Corporation, and Partnership returns. EOAD data must be provided for all investigated queries, both adjusted and unadjusted records. Data capture for EOAD should be made just before closing the case (after completion of the survey report and automated 5344). See IRM 4.10.16, Examination Operational Automation Database (EOAD), for detailed instructions. Effective March 1, 2006, CCP established uniform guidelines for movie app color. Investigation teams must use the following movie app colors cases are closed to Case Processing: Red – Head office approved use only. The purpose of the use will be changed periodically as interim guidance is issued and sent to interim guidance website Orange - IRS Employee Audit Lavender - NRP Form 1040 Plum - NRP Form 1120S Light Blue - Claims (this includes innocent spouse; injured spouse; and all other types of claims). The type of claim should be recorded on Form 3198. RGS is designed to be used by Examination or other users who select, investigate, control, process or monitor income tax objectives. The system enhances the performance of the work process by automating numerous activities such as tax calculation, calculation of penalties, interest rate calculation, case file documentation, time reporting, IDRS interface, preparation of work papers, date protection for statutes (normal and TEFRA), letter preparation, inventory management, preparation of management reports, file retrieval (both open and closed), issue tracking, as well as many other functions. See IRM 4.10.15, Report Generation Software (RGS), for further guidance. The benefits realized from the use of RGS are: Accurate and consistent tax and interest calculations and recalculation, Calculation of regulatory adjustments flowing to the report, Time reports that can be submitted to taxpayers immediately or after senior approval, Production and validation of form 5344, Consistent formatting, identifying, and arranging working papers, Passive flow of data to correspondence and forms, and Passive data collection with associated transformation and role up programs such as EOAD. To close a case off of RGS, RGS Group Codes must be input. The RGS Group codes are available in employee group code contacts excel® on the AIMS/ERCS web site. RGS provides Standard explanations automatically for statutory adjustments. In addition, RGS provides the nationally approved Standard Explanations and the user has an option to customize the standard paragraphs. The number of custom standard explanations should be limited as national standard explanations have been approved by the General Counsel. IRM 25.2.2, Whistleblower Awards and IRM 25.2.1, General Operating Division Guidance for Working Whistleblower Claims, provide guidance on the receipt, evaluation and processing of information claims for rewards. These IRMs should be consulted for proper processing of reporting claims. See IRM 4.11.57.4.3.6, Confidential informants, for third party contact rules applicable to informants. See IRM 4.11.57.6.5, Contacts with informants, and IRM 25.27.1.3.5, Retaliation Notification Procedures, for further information on that informant contacts. Often informants may need to be contacted at a new time for case development purposes. It is recommended that examiners consult their team manager before contacting the respondent again. Where a trial includes an informant's claim, a AIMS N Freeze should be used to ensure that the results are communicated receivables receiv (ICE). References for Informant's Claim on Reward: IRC 7623- Expenses for Detection of Underpayments and Fraud, etc; Treas. Reg. 301.7623-1 - Rewards for information related to violations of internal revenue laws, IRM 1.2.1.5.15 - Policy Statement 4-36 - Identity of other government informants must be protected, IRM 1.2.1.5.12 - Policy Statement 4-27 (Formerly P-4-86) - Rewards determined by the value of information furnished and calculation and payment of rewards, IRM 1.2.2.10.10 - Delegation Order 9-10 (formerly DO-16, Rev. 16 - Authorisation to approve confidential expenditure, IRM 1.2.2.14.7 - Delegation Order 25-7 (Rev. 3) - Authority to make a determination according to IRC 7623, IRM 1.2.2.14.12 - Delegation Order 25-12 (Rev. 1) - Third Party Contact jeopardy or retaliation determination, IRM 25.2.1 - General Operational Division Guidance for Working Whistleblower Claims, IRM 25.2.2 - Whistleblower Awards, IRM 4.11.57 - Third Party Contacts, IRM 25.27.1 - Third Party Contact Program, RRA'98 Section 3503 - Disclosure of Criteria for Investigation Selection, Informational Communications Are Confidential. The existence of an informant's communication should not be disclosed to taxpayers. All reporting statements, reports and information shall be handed over from office to office in double sealed confidential envelopes marked Opened by only addressed and kept in locked file cabinets. The name of the reporting agent shall not be used in the examiner's report, working paper or form 4665. Every effort should be made to exclude from the working papers any reference to the case involving an informant. Remove all information relating to the reporting agent or the reporting agent's information from the file before the file is taken out of the office to carry out the audit. The taxpayer may ask why his/her return was selected for examination. Pub 1 has been revised and contains a statement describing criteria and general procedures for selecting taxpayers for review. The service is not required to disclose the basis for the selection of a particular taxpayer for review. Generally, it is the practice of the Service to respond if the source of the survey is random, the DIF is generated (without explaining the scoring process), or if generated from a public source (e.g. public media report). However, if the source of the investigation is an informant, the Service is not obliged, nor would it be appropriate, to disclose an informant. The reviewer and his or her team manager should consult disclosure when they are asked to provide a response to the return selection for information als. See the Information Office Contacts web page. If an assigned return contains a form 211, the application for the price of original information and/or form 3949, Information Report Referral, determines whether the return should be accepted as submitted. The yield may be examined. Normal examination procedures using form 1900 should be followed. Form Form Confidential evaluation report on referral request must be completed on all cases containing a Form 211 claim. This includes cases closed through investigation. See IRM 25.2.1.5.5.2, form 11369 for claims surveyed. Seal all information regarding the reporting agent's claims and all forms referred to above in a confidential envelope. Remove all references to form 211 claim from the case file. Note on form 3198Informant Claim for Reward, route to _____ Campus, Attn: Informants' Claims Examiner (ICE). At the conclusion of the survey the examiner should prepare two files: A complete case file for regular processing by CCP, and A partial file to be forwarded to the Campus/Compliance Center for consideration of claims for reward by the Informant Claims Examiner (ICE). The reward claim file should contain the following documentation: Form 11369, Copies of all audited returns, substitutes for returns prepared during the investigation, and/or hedged returns prepared by the taxpayer; Copy of the examination report; Special agent's evaluation report (if applicable) attached to Form 3949, Copies of Activity Records; Copies of Form 4318; Any other information that may help ICE process a reward claim. The memorandum on the reward requirement, together with the entire case file, must be approved by the team manager. All of the above items will be included in a confidential envelope marked ICE Copy and will be included in the file when the case is closed. Write down form 3198 with the following instructions: Informant's Claim Case. The designated Area reviewer (currently a PSP feature) will review Form 11369 for the award determination and sign Form 11369 in addition to the PSP Manager. Then the reward claim file will be sent to Campus ICE which will release the N freeze. All informant claim cases have an N freeze on the case and cannot be shut out of the area until the N freeze has been removed. This section provides procedures for deceased taxpayers. Deceased taxpayer procedures should be followed when a taxpayer has died, regardless of whether the death occurred before or after the submission of the return. References for deceased taxpayers: IRM 4.4.3.7, Refunds to other taxpayers, IRM 4.10.9.8, Special situations requiring documentary evidence, Pub 3920, tax breaks for victims of terrorist attacks. If an administrative relationship exists, the case must include the letter testamentary and form 56, notice of fiduciary relationship, which must be attached to the return. Where there is a management relationship, reports and correspondence, in the case of a tainted one, should include the name of the current administrator or other correct representative. The correspondence and reports will also be sent to the administrator's address. Once legal evidence of death has been obtained, correspondence and investigation reports should be as set out below. For Common Returns: For Single/Separate Returns: Joint Return Agreement - Must Be Signed by the Surviving Survivors executor or trustee of the deceased taxpayer's estate. If no executor has been appointed, the surviving spouse writes on his own and for the deceased (e.g., John Doe, deceased, of Mary Doe, Surviving spouse.) If both taxpayers are deceased, the executor of each estate shall sign the agreement. If the surviving spouse does not receive all the sensibility's assets or sufficient assets to cover the tax liability, he/she cannot sign as the surviving spouse and correspondence is sent to the last known address of the deceased and to the surviving spouse at his/her current address. If the surviving spouse received all the executed assets and the estate is closed, Form 2045, the Transfer Agreement and Form 870 with special language will have to be requested. See IRM 4.11.52, Transfer Liability. Refer to IRM 25.6.22.6.1.4, Decedents, when preparing a consent for a cancellation. If a deceased does not diestate and no executor or administrator is appointed, no one may sign a consent for the deceased or estate extending the period of assessment for income tax. Similarly, consent cannot be executed after the executor or administrator has been fired. See Rev. Rul. 83-41, 1983-1C.B 349, clarified and reinforced by Rev Rul 84-165, 1984-2 C.B. 305. An heir who, according to IRC 6901, is obliged to sign a consent for his own liability in his or her transfer. A surviving spouse generally has no power to sign consent on behalf of the deceased spouse. Estates are generally considered successors in the interest of the rejected under state law and as the successor of the deceased successor in interest, executor or administrator of the estate is the right party to carry out an agreement. Where necessary, a statutory notice of deficiency should be issued. Where a refund is to be issued to someone other than the taxable person in whose name the tax was paid, documentary evidence must be provided to enable repayment. This includes (but is not limited to) deceased taxpayers, trustees, estates, guardians, minors, disbanded companies, reorganizations and bankruptcy cases. See IRM 4.4.3.7, Refunds to other taxpayers, and its subsequent section for guidance in determining what evidence is necessary. In addition, Form 1310, Account of person requesting reimbursement Due to a deceased taxpayer, should be secured if an overestimation is recommended at a common return and one of the taxpayers has died since the return was filed. IRC 692 d provides relief for federal income tax liabilities of sensilogists who died as a result of certain terrorist attacks. IRC 692(d) applies to victims of: Oklahoma City Attack - For 1994 and later until death years. September 11 Attack - For 2000 and later. Anthrax Attacks - For 2000 and later. Every astronaut whose death occurs in after 12/31/02. See IRM 21.7.4.4.1.13, Victims of Terrorism Tax Credits Act 2001 - Tax Forgiveness, for further information. The minimum amount of relief is \$10,000 per IRC IRC The 2003 Act does not change the minimum benefit. If the total tax forgiven for all eligible years is less than the minimum difference is treated as a tax paid for the last tax year paid and will be refunded the same as if the amount had actually been paid. IRC 692 d.3 provides for the income not covered by the provisions on terrorist relief. For example, deferred compensation that would have been paid if the death had occurred due to an event other than the attacks. For more information see Rev. Proc. 2004-26, 2004-19 I.R.B. 890. Evidence of death - Death certificate or form 1300, Report on casualties, issued by the Ministry of Defense. Form 1310 unless one of the following applies: The surviving spouse submits an original or amended return with the defised, or the personal representative submitting an original form 1040 or form 1040NR for the deceased party and a court certificate showing the appointment is attached to the return. Note on form 3198 that the case involves a definite and possible name or change of address. For Non-TEFRA Report Writing, please refer to: IRM 4.31.5, Investor Level Statute Control (LSC) Examinations - Field Office Procedures Non-TEFRA Procedures, Bylaws and Penalties, Job Support available at For TEFRA Report Writing, see: IRM 4.31.2, TEFRA Examinations - Field Office Procedures TEFRA Website on Please click here for the text description of the image. Please click here for text description of the image. 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