



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.23.4

FEBRUARY 8, 2024

EFFECTIVE DATE

(02-08-2024)

PURPOSE

- (1) This transmits a revision for IRM 4.23.4, Employment Tax - General Procedures and Workpapers.

MATERIAL CHANGES

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

SUBSECTION	MATERIAL CHANGE
IRM 4.23.4.1.2	Content was updated in paragraph (3) on where to search for delegation orders issued by the Commissioner of the Internal Revenue.
IRM 4.23.4.1.5	Added, modified, and removed acronyms.
IRM 4.23.4.1.6	Updated content in paragraph (2) Taxpayer Bill of Rights (TBOR), paragraph (3) Taxpayer Advocate Service (TAS), and paragraph (4) disclosure and privacy provisions. Added paragraph (5) that provided the overall responsibility for civil penalty programs is assigned to Office of Servicewide Penalties (OSP).
IRM 4.23.4.1.7	New subsection <i>Definitions</i> added to define an “Electronic Case File.”
IRM 4.23.4.2	Revised paragraph (2) to incorporate guidance provided in IGM SBSE-04-0823-0039, <i>Implementation of Large Case Lead Sheets</i> , issued August 14, 2023.
IRM 4.23.4.2.1	Modified paragraph (2) for clarity.
IRM 4.23.4.2.2	Revised paragraph (5) and added a reminder that original files received during the examination must not be modified. Added new paragraphs (6) and (7) with subsequent paragraph numbers being adjusted to incorporate guidance provided in IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023. Reorganized paragraph (10) (previously paragraph (8)) to comply with IRM 1.11.9. Revised paragraph (12) (previously paragraph (10)) to incorporate guidance provided in IGM SBSE-04-0823-0039, <i>Implementation of Large Case Lead Sheets</i> , issued August 14, 2023.

SUBSECTION	MATERIAL CHANGE
IRM 4.23.4.2.3	Revised paragraph (1) to incorporate guidance provided in IGM SBSE-04-0823-0039, <i>Implementation of Large Case Lead Sheets</i> , issued August 14, 2023.
IRM 4.23.4.2.4	Modified paragraph (1) for clarity. Added new paragraph (3) and noted that correspondence must be maintained in the “Correspondence Letters” section of IMS.
IRM 4.23.4.3	Removed paragraph (1) and subsequent paragraphs are adjusted. Revised paragraph (1) for clarity. Revised paragraph (7) from “days” to “business days” to mirror IRM 4.10.4.9 and IRM 1.4.40.7.6(2). Added a reminder to paragraph (7) that the manager must document and initial the Group Conference Concurrence Meeting Check Sheet.
IRM 4.23.4.4	New subsection added with subsequent subsections being adjusted to incorporate guidance provided in IGM SBSE-04-0823-0039, <i>Implementation of Large Case Lead Sheets</i> , issued August 14, 2023.
IRM 4.23.4.5	Added bullet to paragraph (1) that IMS is to store case related forms, letters and other documents. Revised paragraph (2) to incorporate guidance on establishing related cases in IMS in different Employer Identification Numbers.
IRM 4.23.4.5.1	Revised paragraph (1) of the subsection to incorporate guidance provided in IGM SBSE-04-0823-0039, <i>Implementation of Large Case Lead Sheets</i> , issued August 14, 2023. Removed paragraph (2) of the subsection in accordance with IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023.
IRM 4.23.4.5.3	Split paragraph (1) into two paragraphs. Added reminder to paragraph (1) that IDRs are to be created and maintained in the “IDRs” section of IMS. Added paragraphs (3) and (4) to incorporate guidance provided in IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023.

SUBSECTION	MATERIAL CHANGE
IRM 4.23.4.5.4	Deleted paragraph (4) and all subsequent paragraphs were renumbered. Revised paragraphs (3), (4), and (5) to incorporate guidance provided in IGM SBSE-04-0722-0045, <i>Interim Guidance on Charging Time on Employment Tax Cases>Returns and Issues in IMS</i> , issued July 15, 2022.
IRM 4.23.4.5.5	New subsection added with subsequent subsections being adjusted to incorporate guidance provided in IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023.
IRM 4.23.4.5.5.1	New subsection added to incorporate guidance provided in IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023.
IRM 4.23.4.5.5.2	New subsection added to incorporate guidance provided in IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023.
IRM 4.23.4.5.5.3	New subsection added to incorporate guidance provided in IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023.
IRM 4.23.4.5.6	Split paragraph (4) into separate paragraphs and all subsequent paragraph are renumbered. Added paragraph (4) on how to close paper or electronic case file to CCP and Technical Services. Modified paragraph (5) to clarify content. Removed paragraph (6) in accordance with IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023.
IRM 4.23.4.5.7	Revised subsection to incorporate guidance provided in IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023.
IRM 4.23.4.6	Revised subsection to incorporate guidance provided in IGM SBSE-04-0823-0039, <i>Implementation of Large Case Lead Sheets</i> , issued August 14, 2023.

SUBSECTION	MATERIAL CHANGE
IRM 4.23.4.6.1	Removed subsection with subsequent subsections being adjusted in accordance with IGM SBSE-04-0823-0039, <i>Implementation of Large Case Lead Sheets</i> , issued August 14, 2023. Replaced paragraphs (1) through (4) in accordance with IGM SBSE-04-0823-0039, <i>Implementation of Large Case Lead Sheets</i> , issued August 14, 2023.
IRM 4.23.4.6.2	Revised paragraphs (1) and (2) in accordance with IGM SBSE-04-0823-0039, <i>Implementation of Large Case Lead Sheets</i> , issued August 14, 2023.
IRM 4.23.4.6.4	Revised paragraphs (1) through (6) in accordance with IGM SBSE-04-0823-0039, <i>Implementation of Large Case Lead Sheets</i> , issued August 14, 2023.
IRM 4.23.4.6.5	Revised subsection to incorporate guidance provided in IGM SBSE-04-0823-0039, <i>Implementation of Large Case Lead Sheets</i> , issued August 14, 2023.
IRM 4.23.4.6.6	Renamed subsection from "Issue Lead Sheet" to "ET Large Case Lead Sheets". Revised the subsection to incorporate guidance provided in IGM SBSE-04-0823-0039, <i>Implementation of Large Case Lead Sheets</i> , issued August 14, 2023.
IRM 4.23.4.6.7	Revised paragraph (1) for clarity.
IRM 4.23.4.6.9	Removed alpha bullets from paragraph (1). Deleted note from paragraph (1) due to replacement of the original Exhibit 4.23.4-1 in accordance with IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023. Revised paragraph (2) with content from paragraph (1) bullet (a) and removed bullets.
IRM 4.23.4.7	Added new subsection and content for embedded quality review.
Exhibit 4.23.4-1	Replaced exhibit 4.23.4-1 with a new exhibit to incorporate guidance provided in IGM SBSE-04-0722-0045, <i>Interim Guidance on Charging Time on Employment Tax Cases>Returns and Issues in IMS</i> , issued July 15, 2022.
Exhibit 4.23.4-2	New exhibit added to incorporate guidance provided in IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023.

SUBSECTION	MATERIAL CHANGE
Exhibit 4.23.4-3	New exhibit added to incorporate guidance provided in IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023.
Exhibit 4.23.4-4	New exhibit added to incorporate guidance provided in IGM SBSE-04-0623-0031, <i>Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)</i> , issued June 06, 2023.

- (2) Restructured content within the IRM since incorporating guidance provided in IGM SBSE-04-0823-0039, **Implementation of Large Case Lead Sheets**, issued August 14, 2023, IGM SBSE-04-0623-0031, **Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)**, issued June 06, 2023, and IGM SBSE-04-0722-0045, **Interim Guidance on Charging Time on Employment Tax Cases/Returns and Issues in IMS**, issued July 15, 2022. Use the following crosswalk to identify the content's original and new location.

Old IRM Section	New IRM Section
4.23.4.4	4.23.4.5
4.23.4.4.1	4.23.4.5.1
4.23.4.4.2	4.23.4.5.2
4.23.4.4.3	4.23.4.5.3
4.23.4.4.4	4.23.4.5.4
4.23.4.4.5	4.23.4.5.6
4.23.4.4.6	4.23.4.5.7
4.23.4.5	4.23.4.6
4.23.4.5.2	4.23.4.6.1
4.23.4.5.3	4.23.4.6.2
4.23.4.5.4	4.23.4.6.3
4.23.4.5.5	4.23.4.6.4
4.23.4.5.6	4.23.4.6.5
4.23.4.5.7	4.23.4.6.6
4.23.4.5.8	4.23.4.6.7
4.23.4.5.9	4.23.4.6.8
4.23.4.5.10	4.23.4.6.9

- (3) Editorial changes made throughout the IRM for clarity. Reviewed and updated grammar, plain language, titles, IRM references, IRS organization, organization terminology, and reorganized content.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 4.23.4, dated May 4, 2021. This section incorporates the following Interim Guidance Memoranda:

SBSE-04-0722-0045, **Interim Guidance on Charging Time on Employment Tax Cases>Returns and Issues in IMS**, issued July 15, 2022.

SBSE-04-0623-0031, **Mandatory Standardized File Naming Convention and Uploading Documents in Issue Management System (IMS)**, issued June 06, 2023.

SBSE-04-0823-0039, **Implementation of Large Case Lead Sheets**, issued August 14, 2023.

AUDIENCE

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

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4.23.4

Employment Tax - General Procedures and Workpapers

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4.23.4.1
(05-04-2021)
Program Scope and Objectives

- (1) **Purpose:** This section:
 - Describes various employment tax initiatives,
 - Details general procedures for employment tax returns selected for examination, and
 - Covers workpapers generally used in employment tax examinations.

Note: Other functions and operating divisions may have additional or supplemental procedures.
- (2) **Audience:** This section contains instructions and guidelines for all Large Business & International (LB&I), Tax Exempt/Government Entities (TE/GE), and Small Business/Self-Employed (SB/SE) employees dealing with employment tax issues.
- (3) **Policy Owner:** Director, Specialty Examination Policy of the Small Business/Self-Employed Division.
- (4) **Program Owner:** Program Manager - Employment Tax Policy.
- (5) **Primary Stakeholders:**
 - Employment Tax - Workload Selection and Delivery (SE:S:DCE:HQ:ECS:S:ETEGCS:EWSD)
 - Specialty Examination - Employment Tax (SE:S:DCE:E:SE:ET)
 - Specialty Examination Policy, Employment Tax Policy (SE:S:DCE:E:HQ:SEP:EMTP)
 - Federal, State, Local Governments / Employment Tax, Exempt Organizations and Government Entities (FSL/ET)
 - Other areas that are affected by these policies and procedures include Appeals, Counsel, SB/SE Examination, LB&I, and TE/GE.
- (6) **Program Scope:** The mission of Employment Tax Policy is to establish effective policies and procedures, and to support compliance with employment tax laws.

4.23.4.1.1
(05-23-2019)
Background

- (1) This IRM outlines an examiner's responsibilities regarding employment tax workpapers and will assist the examiner in meeting quality standards and ensuring appropriate and consistent audit procedures.

4.23.4.1.2
(02-08-2024)
Authority

- (1) Employment tax provisions are found at Internal Revenue Code Subtitle C:
 - Chapter 21, Federal Insurance Contributions Act (FICA),
 - Chapter 22, Railroad Retirement Tax Act (RRTA),
 - Chapter 23, Federal Unemployment Tax Act (FUTA),
 - Chapter 24, Federal Income Tax Withholding (FITW), and
 - Chapter 25, General Provisions relating to employment taxes and collection of income taxes at source.
- (2) The Employment Tax Program is governed by Policy Statements and other internal guidance that apply to all Service personnel regardless of operating division. The Policy Statements found in IRM 1.2.1, *Service-wide Policy Statements*, apply to all employment tax issues and examinations. Examiners should review these Policy Statements to properly perform their examination duties.

- (3) A website, Search Servicewide Delegation Orders, located at <http://irm.web.irs.gov/imd/del/search.aspx> provides a searchable list of Servicewide Delegation Orders issued by the Commissioner of the Internal Revenue, or on their behalf by either of the deputy commissioners. Delegation Orders pertaining to each IRS business process can be found in IRM 1.2.2, **Servicewide Delegations of Authority**.
- (4) IRM 4.23 provides Servicewide instructions for all operating divisions with employees involved with the correct filing, reporting, and payment of employment taxes. IRM 4.23 serves as the foundation for consistent administration of employment taxes by various IRS operating divisions. By providing one source of authority for all operating divisions, the Service greatly reduces philosophical and procedural inconsistencies.

4.23.4.1.3
(05-23-2019)
Responsibilities

- (1) Director, Specialty Examination Policy is responsible for the procedures and updates addressed in this IRM.
- (2) Director, Examination Specialty, is the executive responsible for examination operational compliance.

4.23.4.1.4
(05-23-2019)
Program Objectives and Reports

- (1) **Program Goals:** The processes and procedures provided in this IRM are consistent with the objectives or goals for Employment Tax - Examination that are addressed in IRM 1.1.16.5.3.3, *Employment Tax Examination* and for Employment Tax Policy, found in IRM 1.1.16.5.5.2.2 , *Employment Tax Policy*.
- (2) **Program Effectiveness:** Program goals are measured with Employment Tax Embedded Quality Performance Reports that monitor whether quality attributes are applied uniformly and consistently.
- (3) **Annual Review:** Employment Tax Policy - Program Manager, is responsible for reviewing the information in this IRM annually to ensure accuracy and promote consistent tax administration.

4.23.4.1.5
(05-04-2021)
Acronyms

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

Acronym	Definition
DCI-1	Data Capture Instrument-1
ECD	Estimated Completion Date
EmTRAC	Employer Designed Tip Reporting Alternative Commitment
ERCS	Examination Returns Control System
ET	Employment Tax
ETLS	Employment Tax Lead Sheets
ETER	Employment Tax Examination Report
FICA	Federal Insurance Contributions Act

Acronym	Definition
FITW	Federal Income Tax Withholding
FSL/ET	Federal, State and Local Governments / Employment Tax
GITCA	Gaming Industry Tip Compliance Agreement
GMCM	Group Manager Concurrence Meeting
IC	Industry Case
IDR	Information Document Request
IMS	Issue Management System
IRM	Internal Revenue Manual
ITG	Indian Tribal Governments
LB&I	Large Business & International
LCC	Large Corporate Compliance
LCLS	Large Case Lead Sheets
LUQ	Large, Unusual or Questionable
MCD	Mutual Commitment Date
NOPA	Notice of Proposed Adjustment
NTRC	National Tip Reporting Compliance Program
RGS	Report Generation Software
SAIN	Standard Audit Index Number
SB/SE	Small Business/Self-Employed
SBU	Sensitive But Unclassified
SRS	Specialist Referral System
TCO	Tax Compliance Officer
TE	Tax Examiner
TE/GE	Tax Exempt/Government Entities
TRAC	Tip Reporting Alternative Commitment
TRDA	Tip Rate Determination Agreement
TWS	Team Web Site

4.23.4.1.6
(02-08-2024)

Related Resources

- (1) Other helpful information sources include:
 - The SB/SE Employment Tax Small Business Knowledge Base home page is located at <https://irs.gov.sharepoint.com/sites/ETD-KMT-KB014>.
 - The Specialist Referral System (SRS) home page at <https://srs.web.irs.gov/>.
 - A list of SB/SE Employment Tax Policy Analysts, their contact information and program assignments, are found at *Employment Tax Policy Contacts*.
 - IRM 4.23: IRM sections, the majority of which are owned by SB/SE Specialty Examination Policy, provide Servicewide instructions for employees of all operating divisions involved with the correct filing, reporting, and payment of employment taxes. IRM 4.23 serves as the foundation for consistent administration of employment taxes by various IRS operating divisions.
- (2) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. For additional information about the TBOR see IRC 7803(a)(3). For additional information about TBOR, see <https://www.irs.gov/taxpayer-bill-of-rights> or <https://irssource.web.irs.gov/SitePages/TaxpayerBillOfRights.aspx>.
- (3) The Taxpayer Advocate Service (TAS) is an independent organization within the IRS, led by the National Taxpayer Advocate. Its job is to protect taxpayers' rights by striving to ensure that every taxpayer is treated fairly and knows and understands their rights under the TBOR. TAS offers free help to taxpayers, including when taxpayers face financial difficulties due to an IRS problem, when they are unable to resolve tax problems they have not been able to resolve on their own, or when they need assistance to address an IRS system, process, or procedure that is not functioning as it should. TAS has at least one taxpayer advocate office located in every state, the District of Columbia, and Puerto Rico.
- (4) Employment tax examiners should consider the disclosure and privacy provisions when preparing agreed and unagreed case reports. For further information, see the Privacy, Government Liaison and Disclosure (PGLD) knowledge base at *Disclosure and Privacy Knowledge Base Homepage* (<https://irs.gov.sharepoint.com/sites/ETD-KMT-KB003>).
- (5) Overall responsibility for civil penalty programs is assigned to the Office of Servicewide Penalties (OSP). OSP is charged with coordinating policy and procedures concerning the civil penalty program administration, ensuring consistency with the penalty policy statement, reviewing and analyzing penalty information, researching penalty effectiveness on compliance trends, and determining appropriate action necessary to promote voluntary compliance. For further understanding of the civil penalty program and penalty relief, refer to the *Penalties Knowledge Base Homepage* (<https://irs.gov.sharepoint.com/sites/ETD-KMT-KB015>).

4.23.4.1.7
(02-08-2024)
Definitions

- (1) Electronic Case File (also known as Paperless File) is selected, classified, delivered, assigned, developed, closed, processed, and archived electronically. The electronic case is the only record that is archived and a paper file **is not** prepared and shipped to Files. ET examiners use IMS to maintain and store case-related electronic documents.

Note: Unless otherwise specified in this IRM, “case file” means Electronic Case File and Paper Case File.

4.23.4.2
(02-08-2024)
Workpapers

- (1) Unless instructed otherwise, examiners will use the ETLS - Employment Tax Lead Sheets described in IRM 4.23.4.3, *Guide for Examiners Using ETLS - Employment Tax Lead Sheets*, developed specifically for employment tax cases.

Note: ET case files must contain the ETLS mandatory leadsheets or the RGS equivalent.

- (2) SB/SE ET examiners working ET Large Cases will use Large Case Lead Sheets (LCLS) described in IRM 4.23.4.4, *Guide for Examiners Using LCLS – Large Case Lead Sheets*. LCLS are developed specifically for large case employment tax cases. Examiners working ET Large Cases will follow workpaper preparation, specific audit techniques, and case closing procedures unique to these types of audits. See IRM 4.23.4.6, *Procedures for Employment Tax Examiners Working on Large Case Audits - General*.
- (3) The Issue Management System (IMS) is required to be used during employment tax examinations by examiners assigned to Specialty – Employment Tax Operations. See IRM 4.23.4.5, *Guide for Examiners Using Issue Management System (IMS)* and subsequent subsections.
- (4) The examination workpapers and reports provide the basis for the decisions reached by the examiner. Only on the basis of the material in the workpapers can a reviewer determine if the examination was complete and correct. The workpapers must provide explanations, analyses, and conclusions reached and should be sufficiently complete so, generally, no additional comments are needed in a transmittal letter.
- (5) Workpapers must clearly and concisely state the issue, facts, audit steps, law, taxpayer’s position, and conclusion for each issue examined. In addition, workpapers must document if the following actions and/or audit steps were taken:
 - Interviews of appropriate parties were conducted,
 - All required employment tax and information returns were accurately and timely filed,
 - Form(s) W-2 were reconciled to payroll, and
 - All required Form(s) 1099 were correctly filed, for example no worker reclassification issue exists or backup withholding is not warranted.

Note: The examiner will document the reason for not addressing any of the above actions.

- (6) IRM 4.10.9, *Examination of Returns, Workpaper System and Case File Assembly*, also provides further guidance on workpaper preparation.

4.23.4.2.1
(02-08-2024)

Purpose of Workpapers

- (1) Workpapers are key in the support of all IRS positions taken when making adjustments. Properly prepared workpapers:
 - a. Support the IRS position for any appealed or litigated issue,
 - b. Document action(s) taken,
 - c. Form the basis of necessary reports,
 - d. Facilitate managerial, technical, or other review,
 - e. Facilitate authorized review by other governmental agencies, and
 - f. Provide subsequent examiners a clear audit trail and scope of the prior examination.
- (2) Workpapers are required in every examination case. Workpapers should include all evidence gathered by the examiner to show the work performed, audit techniques followed, tax law relied on, and conclusions reached. Supporting workpapers must be prepared when necessary to fully document all issues and conclusions. These supporting workpapers must be included in the case file and indexed to the appropriate lead sheet.
- (3) As workpapers are used in the preparation of the audit report, examiners must ensure that the information contained in the workpapers is consistent with and fully supports the final conclusions reached. The workpapers will be relied upon to support the issues in appealed or litigated cases. The workpapers can be provided to a subsequent reviewer or the taxpayer when requested under the Freedom of Information Act (FOIA) process.

4.23.4.2.2
(02-08-2024)

**Workpaper Preparation:
General**

- (1) Use of the Employment Tax Lead Sheets (ETLS) will help the examiner meet all workpaper requirements. Use of stand-alone workpapers, while not prohibited, does not relieve the examiner from meeting workpaper requirements.
- (2) Properly prepared workpapers must provide adequate documentation to support conclusions. Without sufficient documentation, it is not possible for reviewers to verify that the scope of the examination is appropriate, or the basis of an adjustment is accurate. Examiners should always cite legal authority to support the conclusions (for example, Internal Revenue Code, applicable regulations, court cases, revenue rulings and/or revenue procedures).
- (3) Workpapers must be neat, legible, clear, and concise. The legibility of examination workpapers and reports is an important aspect of the overall quality of the examination. The easier it is to read workpapers and reports, the easier it is to understand them.
- (4) Workpapers must be clearly headed:
 - Taxpayer name,
 - Taxpayer identification number (TIN),
 - Tax period examined,
 - Date workpapers were prepared,
 - Name or initials of the examiner, and
 - Issues or items being examined.
- (5) All workpapers that contribute to the development of the case and support the audit trail must be included in IMS and uploaded to the appropriate Standard Audit Index Number (SAIN). Issue specific workpapers must be uploaded to the specific technical issue SAIN to which they relate in IMS. Workpapers that

are not specific to one issue, such as an examination report or statute extension, should be uploaded to the “ET 080-Administrative Procedures” SAIN. All uploaded documents must follow the naming convention described in IRM 4.23.4.5.5, *File Naming Convention*.

Reminder: Original files received during the examination must not be modified by the ET examiner. If the ET examiner needs to do anything with the files, such as add notes, number them, highlight content, etc., a copy of the taxpayer’s original file should be used for this purpose. For example, if the original file was a response to an IDR it will be uploaded to the “IDR Responses” section in IMS. The copy, with the examiners changes, must be uploaded to IMS as a workpaper and named using standard naming conventions. For further information see IRM 4.23.4.5.3, *Mandatory Requirements for Information Document Requests (IDRs)*, IRM 4.23.4.5.5, *File Naming Convention*, and IRM 4.23.4.5.7, *Other IMS Issues, File Size, File Limitations and Encryption Policy*.

- (6) For examiners preparing a paper case file, workpapers must be indexed, numbered, and securely fastened together.
- (7) If an issue cannot be fully explained on the specific lead sheet, supporting workpapers must be prepared and indexed to the appropriate lead sheet. Supporting workpapers may be required to provide detailed explanations, analysis, schedules, and/or computations. For example, supporting workpapers would be used to schedule out wage adjustments applicable to each employee.
- (8) The volume of supporting workpapers prepared during examinations will vary depending on the size of the entity and the number and type of issues developed. While there is no fixed requirement to include specific schedules or analyses in the supporting workpapers, examiners must include enough information to support the conclusion documented on the lead sheet. Any notes taken during interviews conducted must be included in the case file as added support of the final case resolution.
- (9) Workpapers should reflect what was actually accomplished during the examination. The workpapers should not include superfluous documentation, copies of irrelevant data, or the examiner’s personal opinions relating to the taxpayer or the business. For example, copies of CPA workpapers or reports should not be included in the workpapers where they do not contribute to the development of an issue. In addition, examiners should never make personal comments about a taxpayer. Remember, taxpayers always have the right to request any and all workpapers included in the case file under the Freedom of Information Act (FOIA).
- (10) The case file will include a well-documented, contemporaneous case history sheet. For SB/SE examiners using IMS, the Examining Office’s Activity Record in IMS should be used for this purpose. For non-IMS users, Form 9984, *Examining Officer’s Activity Record*, is used for this purpose and is numbered as Workpaper 100. The case history documents:
 - a. A summary of contacts made during the examination.
 - b. All actions taken by the examiner, taxpayers, and/or reviewers (for example, manager).
 - c. Time spent on the case.
 - d. The date and method for delivery of publications:

Example: 2/4/2021: Mailed Pub 1, *Your Rights as a Taxpayer*, and Notice 609, *Privacy Act Notice*, to taxpayer with the initial contact letter.

- e. Other publications should be noted if applicable:

Example: Pub 1976, *Do You Qualify for Relief Under Section 530?*, Pub 5022, *Fast Track Settlement - A Process for Prompt Resolution of Small Business Self Employed Tax Issues*, and/or Pub 4539, *Fast Track Settlement Brochure*, for large case examinations.

- f. Any extended period of inactivity, such as leave or extended details. For all SB/SE examiners, a comment is required if there is no activity on a case for a period of 45 days. The comment should fully explain the reasons for inactivity.

Note: See IRM 4.23.3.6.4, *Scheduling the Initial Appointment*, and IRM 4.23.3.6.5, *Contact with Taxpayers*, for additional requirements.

- g. All discussions held with the manager and decisions reached.

- (11) If the case was initiated by a referral, examiners must include a printed copy of the “Specialist Referral System (SRS) Referral Form” in the workpapers.

- (12) Examiners have different workpapers available depending on the type of examination being worked and the type of training received:

- a. Examiners working ET General Cases will use ETLS. Refer to IRM 4.23.4.3, *Guide for Examiners Using ETLS - Employment Tax Lead Sheets*, for specific information.
- b. Examiners working ET Large Cases will use LCLS. Refer to IRM 4.23.4.4, *Guide for Examiners Using LCLS – Large Case Lead Sheets*, for specific information.

Note: Refer to IRM 4.23.4.5.1, *Mandatory and Optional Input Requirements*, for the definition of ET General Cases and ET Large Cases.

4.23.4.2.3 (02-08-2024)

Workpaper Preparation: Other Resources

- (1) The LB&I *Corporate and Business Issues (Non-Credits) Knowledge Base Homepage* (<https://irs.gov.sharepoint.com/sites/ETD-KMT-KB020>) contains job aids and other resources that may be useful to an ET examiner.

4.23.4.2.4 (02-08-2024)

Employment Tax Examination Tools, Forms, and Letters

- (1) Examiners should access the latest job aids and other miscellaneous workbooks via the *Employment Tax Small Business Knowledge Base Homepage* (<https://irs.gov.sharepoint.com/sites/ETD-KMT-KB014>) in the “Employment Tax Resources” library.
- (2) In order to access the most current Employment Tax letters and forms, examiners will need to go to the Forms Repository at <http://publish.no.irs.gov/catlg.html>. In Forms Repository, the examiner will:
 - a. Select appropriate Product Type, such as form or letter.
 - b. Type in the Product Number. (For example, for a Letter 3850, type “3850”).
 - c. Type in the Product Suffix, if applicable. For example, for a Letter 4121-E, enter an “E” in this field. The field pre-populates with a “*”. If the

suffix is unknown, leave this “*” in place and click submit. A new page will display a list of results with all suffixes. The examiner may then select the product.

- d. The Product Catalog Information for the requested product will display. Select the most current product under “Availability”, “Get PDF”, and “Current”.

- (3) All letter correspondence must be maintained in the “Correspondence Letters” section in IMS. The “Correspondence Letters” section will generate many of the Employment Tax letters. It will auto-populate the taxpayer’s information and automatically store a copy in the IMS file. IMS letters may be used if they are the most current version.

Note: Using the IMS generated letters is not mandatory. If an examiner downloads a letter from the Forms and Publications repository, the examiner must upload the letter to the “Correspondence Letters” section in IMS and not as a workpaper.

4.23.4.3
(02-08-2024)
**Guide for Examiners
Using ETLS -
Employment Tax Lead
Sheets**

- (1) Form 4318 - ET, Employment Tax Examination Workpapers - Index, is the examination workpapers cover sheet used in all employment tax cases, except for examiners working ET Large Cases. It is used for pre-planning the examination and serves as an index to the audit workpapers. When needed, the “Continuation Sheet for Form 4318-ET” will be used. TE/GE examiners may use Form 5773, EO Workpaper Summary, in place of Form 4318-ET.
- (2) The sections of Form 4318-ET are arranged by specific purpose:
 - Section 100 - 190, Administrative and Planning
 - Section 200 - 205, Evaluation of Records and Fraud
 - Section 300 - 305, Penalty Consideration
 - Section 400 - 499, Identified/Classified Issues
 - Section 500 - 599, Additional Issues
 - Section 600 - 999, Miscellaneous
- (3) Each section, 1XX through 3XX, has references and links to additional lead sheets.
- (4) Enter all wage adjustments by year and amount for each rate used in the “Adjustments to Wages” columns in sections 4XX and 5XX. This provides source data for report preparation and highlights adjustments for a reviewer.
- (5) The following list contains the mandatory lead sheets available in the “ETLS - Employment Tax Lead Sheets” package. Examiners must complete these mandatory workpapers in all employment tax cases, except where noted or if similar RGS lead sheets are prepared as part of the primary return examination and included in the employment tax case file:

Reference Number	Description
000	Form 4318 ET, Employment Tax Examination Workpapers - Index
100	Activity Record, Form 9984 (To be completed in IMS)
105	Administrative Lead Sheet

Reference Number	Description
115	GM Concurrence Meeting Check Sheet (Optional for RA/ ROE Grades 13 and above; not required for ET Tax Compliance Officers (TCO) or limited scope exams)
120	Initial Taxpayer Contact Check Sheet
125-1	Initial Appointment Agenda
125-2	Initial Interview Questions
130-1	Multi-Year and Related Returns Lead Sheet
130-2	1099 Filing Requirement Checks
135	Records Check List (not required on no-response (no show) cases or limited scope exams)
140	Mandatory Issues Check Sheet (Not required for ET TCOs or limited scope exams)
150	Risk Analysis Workpaper (Not required for ET TCOs or limited scope exams)
200	Payroll Reconciliation & Evaluation
205-1	Fraud Awareness Lead Sheet
300	Penalty Approval Form
940	Closing Documents - Closing Conference Agenda (Not required on no-response (no show) cases)

Note: ET case files must contain the ETLS mandatory leadsheets or the RGS equivalent.

- (6) Risk-based decision-making is critical to the effective allocation of limited examination resources. Workpaper 150, Risk Analysis Workpaper, is not required for each new issue added or for each issue declassified - it is only required for each taxpayer/entity. This design supports the Value-Added Decision Making (80/20) concept and the Mid-Audit Decision Point (50% Rule) concept of the ETLS process.

Note: The Risk Analysis Workpaper is not required for ET TCOs. When an ET TCO expands the scope beyond the classified issue or limits the scope, the action is discussed with the manager and the decision is documented on Form 9984.

- (7) All GS-12 and below revenue agents and GS-12 and below ET specialists (except for ET TCOs) must hold a Group Manager Concurrence Meeting (GMCM) within 60 business days after the case is updated to Status 12 or 30 business days after the initial appointment, whichever is first. During the GMCM, the examiner should be prepared to discuss:

- The initial appointment and Mutual Commitment Date (MCD),
- The plan for completing the case, and
- Any concerns regarding the case.

Reminder: The manager must document the GMCM by initialing and dating the “GM Concurrence Meeting Check Sheet” (Lead Sheet #115). The initial lead sheet must be uploaded as a workpaper to IMS.

Note: While the GMCM is not required for TCOs or GS-13 and above examiners, they are encouraged to utilize the GMCM when the facts of the case indicate managerial involvement may become necessary.

4.23.4.4 (02-08-2024) Guide for Examiners Using LCLS – Large Case Lead Sheets

- (1) *Administrative Lead Sheet Index – Employment Tax* is the examination workpapers cover sheet used in all ET Large Cases.
- (2) The following are the mandatory administrative lead sheets available in the LCLS package. Examiners working ET Large Cases must complete these mandatory lead sheets on all ET Large Cases and include the lead sheets in the ET case file.

Reference Number	Description
000	Administrative Lead Sheet Index – Employment Tax
001-01	IDRS Review and Analysis
001-02	Taxpayer Research
001-03	Review of Business Return
001-04	Third Party Arrangements
004-01	IRAS Reports and Analysis
004-02	Books and Records
005-01	Activity Record Check Sheet
011-00	Penalties
017-00	Power of Attorney
018-00	Statute of Limitations

- (3) Form 4764-B, *LB&I Examination Plan, Part III - Examination Procedures Section*, may be used as the lead sheet for technical issues. Refer to IRM 4.23.4.6.6 , *ET Large Case Lead Sheets*.

4.23.4.5 (02-08-2024) Guide for Examiners Using Issue Management System (IMS)

- (1) All examiners trained in the use of the Issue Management System (IMS) are required to use IMS for all case management, regardless of the type of case being worked. Use of IMS is required for all employment tax audits by employment tax examiners. IMS is designed to:
 - Support remotely located examiners,
 - Enhance issue identification,
 - Store case-related forms, letters, and other documents,
 - Improve issue tracking and reporting,
 - Share information through a centralized data repository, and
 - Capture data in support of performance measures.

- (2) ET examiners will establish their cases in IMS. Related entities with different Employer Identification Numbers (EINs) must be created separately in IMS to generate a unique IMS Case ID number for each ET EIN. IMS is used to:
 - Perform preliminary risk analysis,
 - Perform in-process risk analysis for issues,
 - Set-up and monitor case assignments,
 - Input and monitor issue progress and status of IDRs,
 - Prepare and monitor Forms 5701,
 - Upload case documents and input time information for each issue, and
 - Generate various time reports and activity records.
- (3) For more information on IMS, refer to the IMS web site at: <https://irssource.web.irs.gov/LBI/SitePages/IMS.aspx>.

4.23.4.5.1 (02-08-2024)

Mandatory and Optional Input Requirements

- (1) ET has four distinct categories of cases. Each category has different documentation requirements within IMS.
- (2) **ET General Cases:** Corporations, Subchapter S Corporations, and Partnerships having less than \$10 million of assets (for example, Activity Code 217 or less for Form 1120).
- (3) **ET Large Cases:** Corporations, Subchapter S Corporations, and Partnerships with assets equal to or greater than \$10 million (for example, Activity Code 219 or higher for Form 1120). This includes work completed using LB&I team audit procedures (for example, Form 5701, *Notice of Proposed Adjustment*, and Form 4764-A, *LB&I Examination Plan, Part III - Summary of Assignments*) and stand-alone examinations.
- (4) **IRC 3121(q) Assessment Cases (Tip Issue Only):** Tip cases involving only an IRC 3121(q) assessment. Refer to IRM 4.23.7.7.3, *Report Writing Procedures for Tip Exams*.

Note: If a taxpayer does not report the IRC 3121(q) assessment as required, the IRC 3121(q) case is worked following the IMS guidelines of either (2) or (3) above and the procedures in IRM 4.23.7.7.4, *Section 3121(q) Notice and Demand Procedures*.

- (5) **ET Tip Agreement Program:** A Tip Compliance Rate Review case is not a tip audit. Guidelines for regular tip examinations may not apply. Refer to IRM 4.23.7, *Employment Tax on Tip Income*. Tip Compliance Rate Reviews can be conducted on any type of tip agreement, including:
 - Tip Rate Determination Agreement (TRDA)
 - Tip Reporting Alternative Commitment (TRAC)
 - Employer Designed Tip Reporting Alternative Commitment (EmTRAC)
 - Gaming Industry Tip Compliance Agreement (GITCA)

4.23.4.5.2 (05-23-2019)

Case Naming Convention

- (1) All case names must begin with "ET" for ease in identifying employment tax cases. To ensure consistency, all examiners will use the following naming convention when naming a case in IMS:
ET [Taxpayer Name] [Year]: (Example: ET ABC Inc 2012)

Note: Do not use punctuation such as periods, commas, dashes, or quotation marks when case naming.

4.23.4.5.3
(02-08-2024)
**Mandatory
Requirements for
Information Document
Requests (IDRs)**

- (1) To ensure consistency, all examiners will prepare and complete Information Document Requests (IDRs) within IMS, including annotating the Form 4564, *Information Document Request*, as appropriate (for example, Date IDR Issued, Date Information due by).

Reminder: IDRs must be created and maintained in the “IDRs” section in IMS and not added as a workpaper. If an IDR is created outside IMS, it may be attached to the IMS IDR to fulfil the requirement to create an IDR in IMS.

- (2) ET examiners must update the IDR status and date fields via the “View/Modify Form Status” icon on the IDR tool bar in IMS. The IDR status choices will vary depending on the current status of the IDR (for example, Issued, Received, Revoked, Closed, etc.).

Note: Updating an IDR status as “Received” will not stop the days outstanding from running. After reviewing an IDR response for completeness, the IDR status should be updated to “Closed” to prevent erroneous outstanding IDRs appearing in IDR statistics and managerial reports.

- (3) For examiners working ET Large Cases who issue draft IDRs following team audit procedures, the draft IDR should be preserved in IMS by adding it as an attachment to the final IDR.
- (4) For all employment tax cases, original taxpayer responses to IDRs must be uploaded to the “IDR Responses” section in IMS. Original responses from the taxpayer must not be modified. A copy of the taxpayer’s response can be modified and uploaded as a workpaper in IMS to support the audit trail. Naming conventions will apply to IDR responses and will follow the form “IDR (number), Item (number) (if needed) – Description.”

Example: If the taxpayer provided an Excel spreadsheet in response to IDR 1, item 2, requesting a mileage log, the document would be named “IDR 1, Item 2 – Auto Mileage Log.”

4.23.4.5.4
(02-08-2024)
**Charging Time on
Cases/Returns and
Issues**

- (1) For each return under exam, all SB/SE ET Examiners must set up an “ET 080-Administrative Procedures” issue and charge at least half an hour (0.5) to each return.
- (2) All other ET issues will be entered in IMS on the key return (generally, the 4th quarter return) for each tax year that the issue is examined. The time spent on the case will be charged to the examined ET issue(s) reflected on the key return(s), as appropriate. Examples of how to set up a case, its issues, and how to charge time are provided in supplemental training materials.
- (3) The first instance an examiner’s time is applied to the return, the status will automatically change from Status code 10 to Status Code 12.

Example: When an ET examiner receives a case from Employment Tax-Workload Selection and Delivery (ET-WSD) the key return is generally assigned as Status Code 10. The examiner completes their pre-audit and expands the case to other returns in the tax year. The examiner will complete the Form 5345-D, *Examination Request-ERCS (Examination Returns Control System) Users*, using Status Code 10. When the first time-charge is applied to the return, the status automatically changes to Status Code

12. The examiner charges at least half (0.5) an hour of time to each return in the case at the beginning of the audit, and as the audit progresses additional time spent on the case is reflected on the "ET 080-Administrative Procedures" or case specific technical ET issue on the key return (generally 4th quarter of tax year). For an example see Exhibit 4.23.4-1, *Example of Time Allocation for RAs, TCOs, and TEs*.

- (4) Each return must have time charged except when the return is closed using a non-examined disposal code such as Disposal Code "32", Survey After Assignment, or "36", No Return Filed.
- (5) See IRM 4.9.1.7.2, *Time Input on ERCS and IMS*, through IRM 4.9.1.7.2.2, *Inputting Time Into IMS*, addressing charging time. Note that employees in Employment Tax who are required to input technical time will use IMS for time input. The Examination Returns Control System (ERCS) Group Handbook also addresses ERCS time entry and fractional hours.
- (6) The Time Sheet in IMS allows the IMS user to enter all categories of daily time applied, including case time and below the line time. TCOs and TEs input daily time as well as purge actions.

Note: Time can be in increments of 0.3 = 15 minutes, 0.5 = 30 minutes, 0.7 = 45 minutes, or in hourly increments.

- (7) The Form 9984 in IMS is used to document each action taken on the Entity/Return issues. Documentation must include the date, location, time charged, and an explanation of each activity or contact. The activity record must provide a complete and concise case history. Recordation of events must be made by examiners or other employees responsible for activity on the case as warranted (such as group managers, engineers, clerical staff, team members, actions taken by group secretaries, etc.)
- (8) IRM 4.4.12.5.38, *Item. 28: Examiner's Time*, addresses the requirement to enter time on the Form 5344, *Examination Closing Record*. Time may be charged in 15 minute increments.

4.23.4.5.5 (02-08-2024)

File Naming Convention

- (1) All required forms and documents that would otherwise be required in a paper case file per IRM 4.23.4, *Employment Tax - General Procedures and Workpapers*, and IRM 4.10.9, *Examination of Returns, Workpaper System and Case File Assembly*, must be uploaded to IMS. Examiners must ensure that all information critical to the case or that supports the audit trail is included in IMS, including lead sheets, supporting workpapers, and any other pertinent documents, and is uploaded to the correct SAIN. Required attributes or documents must be maintained contemporaneously within IMS. Additional information on workpapers is contained throughout IRM 4.23.4.
- (2) Each document will be named with a three-digit reference number – two-digit document number – document description. When applicable, the file name may also contain a two-digit document extension after the document number (see (c) below). This naming convention ensures that the workpapers will show up in the desired order within each issue SAIN.
 - a. Three-digit reference number (Ref number): The reference number is based upon the three-digit lead sheet number as listed on Form 4318,

Examination Workpapers Index. For ET Large Cases, the three-digit reference number is based upon the three-digit administrative or issue SAIN.

- b. Two-digit document number (Doc number): The two-digit document number allows the examiner to organize workpaper documents within each reference number.
- c. Two-digit document extension (Doc ext.): The two-digit document extension is optional. It will generally be used when uploading documents spanning multiple years to differentiate similar document descriptions.

Example: A Form 2848, *Power of Attorney and Declaration of Representative*, covering tax year 20x0 may be labeled using a document extension 01 while a subsequently received Form 2848 covering tax year 20x1 will be labeled using a document extension 02.

- d. Document Description: The document description allows the examiner or another user to easily identify the document. The description should clearly state what the document is using a brief phrase.

4.23.4.5.5.1
(02-08-2024)

**Mandatory Standard
Naming Convention for
ET General Cases**

- (1) The mandatory standard naming convention for examiners using ETLS is explained in this subsection.

Note: All documents must follow naming conventions as described in Exhibit 4.23.4-2, *Mandatory Items and Standard Naming Convention Location for ET General Cases*.

- (2) The standard format is Ref number-Doc number.Doc ext.(if needed)-Document Description.

Description	Examples
The following documents will always start with a "000" reference number: <ul style="list-style-type: none"> Employment Tax Case Closing Cover Sheet (fully paperless case closures only) ETLS Excel Workbook 	000-00-Form 15292-A Case Closing Cover Sheet 000-01-ETLS
Insert hyphen ("-") between the reference number and the 2-digit document number; a period (".") between the 2-digit document number and the 2-digit document extension; and a hyphen ("-") between the 2-digit document extension and the document description.	125-01-Initial Interview Summary 200-01-Payroll Reconciliation 500-00-Gift Cards Lead Sheet 500-03.01-Employee List 20x1
Do not insert any spaces immediately before or after the hyphen or period.	940-01-Form 5344 TY 20x1
Do not use the following special characters in the file name / \ : * ? " ' > <	105-02-Form 2848 POA TY 20x1-20x2
Use a brief phrase for the document description as shown in the examples.	940-03-Taxpayer Protest

Description	Examples
Examination cycles that have multiple tax periods with the same issues can be differentiated in the document descriptions by adding the tax periods after the document description.	500-03.01-Employee List 20x1 500-03.02-Employee List 20x2
Form and Letter numbers should be kept in the document description.	970-01-Form SS-10-Statute Extension Signed

4.23.4.5.5.2
(02-08-2024)

**Mandatory Standard
Naming Convention for
ET Large Cases**

- (1) The mandatory standard naming convention for examiners using Large Case Lead Sheets (LCLS) is explained in this subsection.

Note: All documents must follow naming conventions as described in Exhibit 4.23.4-3, *Mandatory Items and Standard Naming Convention Location for ET Large Cases*.

- (2) The standard format is Ref “number”-Doc “number”.Doc ext.(if needed)-Document Description.

Description	Examples
The following documents will always start with a “000” reference number: <ul style="list-style-type: none"> Employment Tax Case Closing Cover Sheet (fully paperless case closures only) LCLS Excel Workbook 	000-00-Form 15292-A-ET Case Closing Cover Sheet 000-01-LCLS
Insert hyphen (“-”) between the reference number and the 2-digit document number; a period (“.”) between the 2-digit document number and the 2-digit document extension; and a hyphen (“-”) between the 2-digit document extension and the document description.	009-01-Opening Conference Agenda 090-01-Form 3244-A-Payment Voucher 976-02-Auto Personal Use Lead Sheet 976-18.01-Employee List 20x2
Do not insert any spaces immediately before or after the hyphen or period.	090-01-Form 5344-Exam Closing Record
Do not use the following special characters in the file name / \ : * ? " < >	017-00.01-Form 2848 POA-TY 20x1-20x2
Use a brief phrase for the document description as shown in the examples.	010-03-Taxpayer Protest
Examination cycles that have multiple tax periods with the same issues can be differentiated in the document descriptions by adding the tax periods after the document description.	976-18.01-Employee List 20x1 976-18.02-Employee List 20x2
Form and Letter numbers should be kept in the document description.	018-01-Form SS-10-Statute Extension Signed

Description	Examples
Naming conventions related to issue-specific SAINs will follow the convention: SAIN-SAIN Extension-Doc "number".Document extension (if needed)-Document Description.	976-13.00-Meals or Lodging Lead Sheet 976-23.00-Spousal Travel Lead Sheet 976-23.01-Spousal Travel Adjustment 20x1 976-23.02-Spousal Travel Adjustment 20x2

4.23.4.5.5.3
(02-08-2024)

**Mandatory Standard
Naming Convention for
ET Tip Agreement
Program**

- (1) (1) The mandatory standard naming convention for examiners conducting Rate Reviews is explained in this subsection.

Note: All documents must follow naming conventions as described in Exhibit 4.23.4-4, *Mandatory Items and Standard Naming Convention Location for ET Tip Agreement Program*.

- (2) The standard format is Ref "number"-Doc "number".Doc ext.(if needed)-Document Description.

Description	Examples
The following documents will always start with a "000" reference number: <ul style="list-style-type: none"> Tip Agreement Routing Sheet(s) Tip Review ETLs Excel Workbook 	000-00-Tip Agreement Routing Sheet(s) 000-01-Tip Review ETLs Workbook
Insert hyphen ("-") between the reference number and the 2-digit document number; a period (".") between the 2-digit document number and the 2-digit document extension; and a hyphen ("-") between the 2-digit document extension and the document description.	450-01.00-Spa Salon Lead Sheet 450-01.01-Spa Salon Esthetician 450-01.02-Spa Salon Hair Stylist
Do not insert any spaces immediately before or after the hyphen or period.	120-01.00-Initial Contact Lead Sheet
Do not use the following special characters in the file name / \ : * ? " < >	105-02.00-Form 2848 POA-TY 20x1-20x2

Description	Examples
<p>Use a brief phrase for document description as shown in the examples. First document for each section should tie back to the ETLS lead sheet for the related 4318 section. Document descriptions should be labeled as follows:</p> <ol style="list-style-type: none"> Sections 100-400: Reference ETLS lead sheet title with subsequent files referencing form or document description. Sections 410-460: Outlet(s) with position(s) with hourly tip rates. Lead sheet and template name should “match” the Outlet Title and alpha order listed on Appendix A/Attachment B for each section. If there is more than one template in an outlet, add position or shift title to the template name (document description). Sections 505-940: Reference form title such as Employee Meeting, Appendix A, Tip Agreement, IDR, MOU, and so on. 	<p>100-01.00-Activity Record Agent 1 Name 100-01.01-Activity Record Agent 2 Name 105-01.00-Administrative Lead Sheet 105-01.01-Form 5345-D 410-01.00-Apple Tree Sports Bar Lead Sheet 410-01.01-Apple Tree Sports Bar Day 410-01.02-Apple Tree Sports Bar Swing 410-02.00-Berry Tree Diner Lead Sheet 410-02.01-Berry Tree Diner 505-01.00-Employee Meetings 610-01.00-IDR-Initial 940-01.00-MOU Signed</p>
Rate Review cycles that have multiple tax years with the same issues can be differentiated in the document descriptions by adding the tax year after the document description.	<p>120-02.00-Initial Contact Lead Sheet 120-02.01-Form 8027 20x8 120-02.01-Form 8027 20x9</p>
Form and Letter numbers should be kept in the document description.	<p>920-01.00-Appendix A 20x2-01-01 920-01.01-Addendum Appendix A 22x2-02-01</p>

4.23.4.5.6
(02-08-2024)

Closing Cases in IMS

(1) **Tax and Penalty Data Fields:** The examiner will:

- Complete the appropriate tax and penalty data fields under Entities/ ERCS Closing Data tab on the Edit Entity screen for every return/period in the IMS case; the case will not close in IMS until this closing data is entered for each return.
- Reference the Employment Tax Examination Report (ETER) and Form 5344 for the tax and penalty amounts to enter in these data fields.
- Enter the claim amounts, deficiency amounts, or over-assessments. If a data field is not applicable to the return, enter zero in the field.
- Examiner will complete the “IRC section”, “Penalty”, and “Penalty Abatement” data fields. Zeros are not required in these data fields if they are not relevant or applicable to the return.

Note: The information entered on the Entity Closing Data screen is summarized on the Team Web Site (TWS) under Case Entities and the Entity Closing Data screen.

(2) **Wage Adjustment Data Fields:** The examiner will:

- Complete the wage adjustment data fields under each Issue on the “Adjustment Amt/Source” screen. No entries are made for any Standard Audit Index Number (SAIN) 080 Administrative Procedures Issue.
- Check the applicable radio buttons for the “Flow-thru Adjustment”, “Claim”, and “Counsel Involvement” sections of the screen.

- c. Complete the "Proposed Adjustment per Examiner Amount" by entering the largest per exam wage adjustment amount for that issue; generally, this amount is the Medicare Wage adjustment per exam. If the issue is backup withholding, the examiner will enter the per exam amount of payments subject to backup withholding prior to abatements. If the issue is a penalty, the examiner will enter the amount of the penalty. If the issue is present in more than one year, the examiner will complete the "Proposed Adjustment per Examiner Amount" field for the appropriate year's return. The examiner's work papers will be the reference for the amounts entered in this field.

Note: The field accepts negative numbers. If the issue is a request for refund or claim wage, the examiner will enter the largest wage decrease per exam (or allowed) for the claim as a negative number; generally, this amount is the Medicare Wage reduction.

- d. Complete the "Amount per Return" data field by entering a zero for the wage amount. For a claim, request for abatement, or audit reconsideration cases/issues, the examiner will enter the largest wage decrease requested by the taxpayer as a negative number. If the taxpayer requests a reduction or abatement of a penalty, the examiner will enter the requested penalty decrease as a negative number. The Form 941-X, *Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund*, or similar form will be the reference material for amounts entered in this field.
 - e. The "Sum of 5701 Adjustments" entry applies to ET large case examinations.
- (3) Depending on the MFT on the Entity/Return, different types of closing forms (for example, Form 5344, Form 5351, *Examination Non-Examined Closings*, or Form 8278, *Assessment and Abatement of Miscellaneous Civil Penalties*) may be required to be completed in IMS before a case file can be closed in IMS. Refer to supplemental ET IMS training material for more information.
 - (4) ET examiners will close their cases in IMS to correspond with closure of the case to their manager.
 - a. For paper cases closed to CCP, the ET examiner will close the IMS case after the group manager has notified the examiner that the case is ready to close.
 - b. For electronic cases closed to CCP, the ET examiner will close the IMS case after CCP returns Form 15292-A, *Employment Tax Case Closing Cover Sheet*, and the examiner uploads the form to IMS using standard naming conventions.
 - c. For cases sent to Technical Services, the ET examiner will close the IMS case after the manager has informed the examiner that the case has been closed to Technical Services.

Note: See IRM 4.23.10.19, *Assembly of Employment Tax Case File Folder*, for additional case closing instructions.

- (5) ET managers must then perform their reviews and indicate concurrence with the closure of the case from the group by signing the IMS Closing Check Sheet and updating the "Manager Concurrence" on the Team Web Site (TWS) to "yes". These timely steps allow other stakeholders (for example, Appeals, Technical Services, and Counsel) to access cases electronically in IMS/TWS.

IMS case closing procedures and processes are described in more detail in ET IMS course books, job aids, and check sheets. See IRM 4.23.10.9, *Technical Review of Reports*, paragraph (3) and IRM 4.23.10.19, *Assembly of Employment Tax Case File*, and subsequent sections for further information.

4.23.4.5.7
(02-08-2024)

Other IMS Issues, File Size, File Limitations and Encryption Policy

- (1) Additional information:
 - a. ET examiners should attempt to reduce file sizes and avoid adding/importing/uploading large files (for example, over 40 megabytes per file) to IMS where possible.
 - b. Do not import databases of any size (for example, a Microsoft Access file) or IRS databases (for example, IRPTR-I or IRAS).
 - c. Examiners may add/import/upload reports generated from databases.
 - d. Do not upload password-protected files, for example, zipped files and pdf documents.
 - e. Examiners may add/import/upload encrypted files directly from the Sensitive But Unclassified (SBU) folder to IMS.

4.23.4.6
(02-08-2024)

Procedures for Employment Tax Examiners Working on Large Case Audits: General

- (1) For employment tax purposes, there are two types of ET Large Case audits:
 - a. LB&I exams using a team approach (ET and LB&I Income Tax are involved in the audit), and
 - b. LB&I stand-alone ET audits (Only ET is involved in the audit).
- (2) ET examiners working ET Large Cases will use LCLS as described in IRM 4.23.4.4, *Guide for Examiners Using LCLS - Large Case Lead Sheets*. Examiners will follow LB&I team audit procedures outlined in this section and IRM 4.46, *LB&I Examination Process*. Exceptions for ET Large Case stand-alone examinations are detailed in this section.

4.23.4.6.1
(02-08-2024)

Pre-Examination Analysis and Audit Plan

- (1) For ET examiners working ET Large Cases as a stand-alone employment tax audit, an audit plan is optional.
- (2) For ET examiners working ET Large Cases following a team approach, an audit plan is required. The due date of the plan will be agreed upon by the LB&I team coordinator and ET examiner. The plan is prepared by the team coordinator using Form 4764, *LB&I Examination Plan*. The ET examiner will create an audit plan for the employment tax issues which consists of:
 - a. Form 4764-A, and
 - b. Form 4764-B. Forms 4764-B may be used as the technical issue lead sheets to the issue audit workpapers and audit results. See IRM 4.23.4.6.6, *ET Large Case Lead Sheets*.

Note: Examiners will use the LCLS administrative lead sheet package as described in IRM 4.23.4.4, *Guide for Examiners Using LCLS – Large Case Lead Sheets*, to document pre-examination planning activity.

- (3) The audit plan (examination plan) provides the following information:
 - Examination scope,
 - Examination procedures, and
 - Time estimates.

- (4) The taxpayer will be given a copy of the audit plan and such action must be documented in the "Examining Officer's Activity Record".
- (5) During the pre-examination analysis phase, the employment tax specialist must analyze available information, including:

Pre-Exam Information Analysis
IDRS research to obtain information to determine filing compliance and identify potential employment tax issues, including but not limited to: AMDIS, BMFOL / IMFOL, CFINK, INOLE, IRPTR, PMFOL, IRPTR, BRTVU.
Review and consideration of related tax and information returns. Verification that all required returns were filed can be completed by securing the IDRS command code BMFOL.
The examiner will review a copy of the income tax return filed by the taxpayer to determine if there are any large, unusual or questionable (LUQ) employment tax issues. The EUP, "Employee User Portal", provides a scanned copy of the filed return that can be inspected for potential employment tax issues, including but not limited to: First four pages of Form 1120, <i>U.S. Corporation Income Tax Return</i> Form 851, "Affiliations Schedule", Consolidated schedule of income and deductions "Statement of Other Deductions", Schedule M-1, "Reconciliation of Income (Loss) per Books With Income per Return" Schedule M-2, "Analysis of Unappropriated Retained Earnings per Books", and Schedule M-3, "Net Income (Loss) Reconciliation for Corporations With Total Assets of \$10 Million or More."
Internet research, including but not limited to: Company website, Security and Exchange Commission (SEC) filings, Westlaw, Lexis, Accurint, and news articles and other company information.
Intranet research to identify coordinated or emerging issues. Research can include: Emerging Issue Alerts, Industry or Market Segment Specialization Program (MSSP) Guides, Technical Guidance and Coordinated Issue Papers.
The examiner should review taxpayer historical files as well as any prior employment tax audit reports for potential issues. IDRS command code BMFOLZ can be used to determine if there were any prior employment tax examinations.
The above information is used to determine if an employment tax examination is warranted and to set the scope of the examination. All findings must be established under the appropriate Standard Audit Index Number (SAIN) and fully documented on the appropriate workpapers.

- (6) ET examiners working LB&I exams using a team approach should follow the guidance in IRM 4.23.3.6.4.1, *Scheduling the Initial Appointment LB&I Team Audits*, for issuing an employment tax exam notification letter. For stand-alone

ET audits, ET examiners should follow the guidance in IRM 4.23.3.6.4, *Scheduling the Initial Appointment*, for letters to use when scheduling a field appointment.

- (7) An officer of a corporation must sign either the communications agreement contained in the LB&I Audit Plan or any other type of written authorization that designates the persons with whom the examination team can communicate. A copy of the written authorization must be included and documented in the ET case file.

4.23.4.6.2
(02-08-2024)
Risk Analysis

- (1) Risk-based decision-making is critical to the effective allocation of limited examination resources. A risk assessment must be conducted for all ET Large Cases:

- a. With the initial planning of the examination,
- b. When 50 percent of the case time has been reached, and
- c. When a significant event occurs.

- (2) The first risk analysis described in (1) above is prepared during the initial planning phase of the examination. Depending on materiality and/or compliance considerations, the risk analysis can be done on an issue-by-issue or a case basis.

- Form 13744, *Risk Analysis Worksheet*, should be completed as part of the pre-audit analysis.
- All risk analyses must be submitted to the ET group manager for approval.

Note: The use of Form 13744-I, *Issue Based Risk Analysis and Examination Plan*, described in IRM 4.46.3.9.5, *Issue-Based Examination Plan*, is not suitable for Employment Tax examiners.

- (3) A mid-cycle risk analysis is required on all large case ET examinations with an Estimated Closing Date (ECD) exceeding 12 months and must be approved by the ET group manager. A mid-cycle risk analysis is optional on large case ET examinations with an ECD of less than 12 months. Should the ECD of a large case be extended to exceed 12 months, an updated risk assessment is required. Refer to (2) and (3) of IRM 4.46.3.3.6, *Documenting the Risk Analysis*.
- (4) The mid-cycle risk analysis includes time applied and indicates if additional time is needed. The examiner should also state the potential tax liability by issue and by year, and provide a brief assessment of the audit.

4.23.4.6.3
(05-04-2021)
Request for Additional Time

- (1) After the agent completes the mid-cycle risk analysis, it may be apparent that additional time is needed to complete the examination. If the examiner needs more time than was originally planned, provide an explanation of why additional time is warranted and how much additional time is needed to complete the examination.
- (2) The SB/SE ET group manager must approve a request for additional time.

4.23.4.6.4
(02-08-2024)
**Information Document
Requests (IDRs)**

- (1) Form 4564 will be used to request information from the taxpayer. All requests for information should be specific, clear, and concise.
- (2) Prior to issuing an IDR, the examiner will discuss the specific information that is needed with the taxpayer. The taxpayer may be able to explain what type of information is available and may suggest a preferred wording for the IDR.
- (3) For ET examiners working LB&I team audits, the examiner should discuss the IDR with the team coordinator. Conferring with the team coordinator ensures the examiner does not ask for already available information.

Note: The team coordinator may determine the numbering system used for all IDRs issued. If a paper log is maintained, the team coordinator is responsible for maintaining the IDR log. IMS is used to track IDR status and enforcement. For more information see IRM 4.23.4.5.3, *Mandatory Requirements for Information Document Requests (IDRs)* and IRM 4.46.4.7, *Information Document Request Process*.

- (4) Three copies of each IDR request are to be prepared and distributed as follows;
 - a. The original will be given to the taxpayer,
 - b. A copy of the IDR (paper or electronic) will be given to the team coordinator if the ET examiner is working on a team audit, and
 - c. A copy of the IDR will be maintained by the ET examiner in the IMS case file.
- (5) IDRs should only include one issue or subject. This results in a faster turnaround time since information covering multiple topics may need to come from several sources.
- (6) ET examiners assigned ET Large Cases using a team approach will follow the IDR Management Process found in IRM 4.46.4.7, *Information Document Request Process*. Examiners using a team approach will also follow the IDR enforcement procedures found in IRM 4.46.4-1, *Requirements for Issuing IDRs*, and IRM 4.46.4-2, *IDR Enforcement Process*.
- (7) The IDR process states that a reasonable response time to each IDR is determined after the draft IDR is discussed with the Taxpayer, prior to final IDR issuance. The importance of timely responses is emphasized as it improves cycle time and promotes earlier issue resolution. Refer to IRM 4.46.4.7, *Information Document Request Process*, IRM 4.46.4-1, and IRM 4.46.4-2.
- (8) IDR procedures found at IRM 4.46.4.7.3, *IDR Enforcement Process*, will be followed by the ET examiner working with the LB&I income tax team.
- (9) The mandatory Enforcement Process has three graduated steps:
 1. Delinquency Notice (Letter 5077, *Delinquency Notice*)
 2. Pre-Summons Letter (Letter 5078, *Pre Summons*)
 3. Summons

Note: If an examiner issues a Pre-Summons Letter or Summons under this process, the examiner must contact their local Tax Exempt/Government Entity (TEGE) Counsel for support, not LB&I Counsel. TEGE Counsel will

contact LB&I Counsel for assistance and coordination as needed. If LB&I Counsel personnel are assigned to the case, the examiner must still use local TEGE Counsel.

- (10) The process does not preclude the examination team from using judgment on a case-by-case basis. Continuous collaboration is needed to reach realistic due dates and dates can be revised based upon the facts and circumstances. A detailed description of the IDR Management Process can be found at IRM 4.46.4.7, *Information Document Request Process* and IRM 4.46.4-1, *Requirements for Issuing IDRs*. The IDR Enforcement Process procedures can be found at IRM 4.46.4-2, *IDR Enforcement Process*.
- (11) If the taxpayer does not agree with the examiner's determination and the issue is likely to be appealed, prepare a Form 886-A, *Explanation of Items*, containing the facts and solicit the taxpayer's written acknowledgment of the facts (AOF). Refer to IRM 4.46.4.11.3, *Issue the Draft Form 886-A with a Pro-Forma AOF IDR*. ET Specialists on team audits with the LB&I income tax team will generally use the AOF; ET Specialists working stand-alone employment tax audits can follow AOF at their discretion.

4.23.4.6.5
(02-08-2024)

**Form 5701 - Notice of
Proposed Adjustment**

- (1) ET examiners working ET Large Cases following a team approach are required to use Form 5701. ET examiners conducting stand-alone audits may use Form 5701 at their discretion, except as noted in paragraph 5 below.
- (2) All adjustments are proposed on a Form 5701 as they are developed. This form serves as a cover sheet to Form 886-A which is attached to fully explain the basis for proposing each adjustment.
- (3) Potential adjustments are to be discussed with the team coordinator and the taxpayer prior to issuing the notice.
- (4) The ET group manager reviews and signs the Form(s) 5701. This signature indicates the group manager has accepted the examiner's position on the issue.
- (5) An ET territory manager's signature is required on all Form(s) 5701 involving issues on:
 - a. LB&I exams using a team approach or stand-alone ET audits for LB&I Industry Cases (IC) with adjustments of \$10 million or more, and
 - b. LB&I exams using a team approach or stand-alone ET audits for LB&I Large Corporate Compliance (LCC) cases with adjustments of \$50 million or more.
- (6) All Form(s) 5701 must be prepared in IMS. The examiner must update the status of Form(s) 5701 in IMS throughout the examination. There is no "Approved" status. After the group manager has approved the Form 5701, the next status that should be selected by the examiner is "Issued."
- (7) The Form(s) 5701, if required, and Form(s) 886-A must be attached to the final audit report.

4.23.4.6.6
(02-08-2024)
**ET Large Case Lead
Sheets**

- (1) All ET examiners working ET Large Cases will use the LCLS as described in IRM 4.23.4.4, *Guide for Examiners Using LCLS - Large Case Lead Sheets*, to document pre-examination planning activity.
- (2) Issue lead sheets serve as an index and summary for supporting workpapers. ET examiners working ET Large Cases may use Form 4764-B as the technical issue lead sheet describing the audit procedures applied and the conclusions reached for each technical issue. Form 4764-B will:
 - Be properly headed,
 - Include a discussion of the applicable law,
 - Document the audit trail, and
 - Lead to a clear and logical conclusion.
- (3) Use of Form 4764-B will help the examiner meet issue lead sheet and workpaper requirements. Use of stand-alone issue lead sheets, while not prohibited, does not relieve the examiner from meeting lead sheet and workpaper requirements. See IRM 4.23.4.2.2, *Workpaper Preparation: General*.
- (4) Supporting documentation must be included in the case file as a workpaper when further explanation is needed to support the conclusions reached.
- (5) Lead sheets also serve as an index for any workpapers that relate to a specific issue. All workpapers should be numbered, indexed, and referenced to the issue lead sheet. Workpapers must be uploaded to IMS following standard naming conventions. For more information see IRM 4.23.4.5.5, *File Naming Convention*.

4.23.4.6.7
(02-08-2024)
Workpaper Organization

- (1) All workpapers will be associated with the appropriate issue SAIN number and issue name. This will ensure all team members' audit case files are organized in a consistent manner, allowing for ease of review by the team coordinator, group managers, and others.
- (2) SAIN codes for ET examiners can be found by referring to the current *ET IMS SAIN and UIL Job Aid*, available on the *Employment Tax Small Business Knowledge Base Homepage* (<https://irs.gov.sharepoint.com/sites/ETD-KMT-KB014>) in the *Employment Tax Resources* library.

4.23.4.6.8
(05-04-2021)
**Corporate Executive
Compliance**

- (1) In support of the LB&I Executive Compensation Strategy, ET examiners are required to verify up-to-date filing of officers' and key executives' returns using IDRS command code IMFOLI when conducting an LB&I stand-alone employment tax examination. The examiner should use their judgement to determine if key officer and executive returns should be further inspected. If issues are found, Form 5346, *Examination Information Report*, will be completed and forwarded per local procedures. Additional guidance on inspection of officers' returns is found in IRM 4.46.3-6, *Inspection of Key Officer and Executive Returns*. For further information see "Corporate Executive Compliance" at <http://www.irs.gov/Businesses/Corporations/Corporate-Executive-Compliance>.

4.23.4.6.9
(02-08-2024)
Workpaper Disposition

- (1) The employment tax audit workpapers provide important historical information and are valuable for any subsequent cycles that may be opened.

- (2) Employment tax audit workpapers and related forms (such as, copy of audit reports and attachments, Form 4764-Examination Plan Series work papers, Form 9984, relevant workpapers, Risk Analysis, NOPAs, etc.) must be uploaded to IMS and named using standard naming conventions. For further information see IRM 4.23.4.5.5, *File Naming Convention*, and IRM 4.23.4.5.7, *Other IMS Issues, File Size, File Limitations and Encryption Policy*.

4.23.4.7
(02-08-2024)

Embedded Quality Review

- (1) Embedded Quality (EQ) measures an employee's performance and an organization's goals.
- (2) Managers use a web-based system called the Embedded Quality Review System (EQRS) to rate case actions against the attributes. Managers evaluate employee performance against attributes designed to identify actions that move cases toward closure. The attributes map to the employee's Critical Job Elements (CJEs). EQRS provides managers with tools to capture and share feedback on the employee's execution of case actions in relation to both the attributes and their CJEs. There may be some variance between the attribute and the associated CJE based on facts and circumstances.
- (3) National quality reviewers use a similar web-based system called the National Quality Review System (NQRS). However, the National Quality reviews do not link to Employee CJEs. Instead, each attribute maps to one of four Quality Measurement Categories: Timeliness, Professionalism, Procedural Accuracy, and Regulatory Accuracy. An overall quality score serves as the Balanced Measure for Business Results – Quality. This measure is reported to various levels of the IRS and to external stakeholders such as Congress.
- (4) Program goals are measured with Employment Tax Embedded Quality Performance Reports that monitor whether quality attributes are applied uniformly and consistently. NQRS report data is compiled by Specialty Exam Quality (SEQ) on a quarterly basis, but ad hoc reports may be obtained anytime by those with authorized access to the EQRS/NQRS review systems.
- (5) Quality performance reports not only monitor case consistency, but these reports also identify strengths and weaknesses to help determine opportunities for improvement efforts or specific training needs.
- (6) SB/SE ET Policy will issue embedded quality job aids. These job aids are applicable to Revenue Agents, Revenue Officer Examiners, Tax Compliance Officers, and Tax Examiners. Job aids are relied upon for the application and interpretation of the quality attributes and includes complete instructions, definitions, IRM references, and examples of how management and quality reviewers should evaluate cases. ET group managers and National Quality reviewers will apply these standards to each case reviewed to determine whether the examination standards have been met.

Reminder: The "Quality" book on the *Employment Tax Small Business Knowledge Base Homepage* (<https://irs.gov.sharepoint.com/sites/ETD-KMT-KB014>) has further information including job aids.

- (7) Policies and procedures relating to the national embedded quality review process are in IRM 4.2.8, *Examining Process, Guidelines for SB/SE National Quality Review*.

Exhibit 4.23.4-1 (02-08-2024)

Example of Time Allocation for RAs, TCOs, and TEs

MFT	Tax Period	SAIN	UIL	Hours	When Charged
01	20X103	ET080-00	00000.00-00	0.5	Start of Exam
01	20X106	ET080-00	00000.00-00	0.5	Start of Exam
01	20X109	ET080-00	00000.00-00	0.5	Start of Exam
01	20X112 (Original Year Key Return)	ET080-00	03306.04-00	6.0	Start of Exam and throughout Exam as appropriate
10	20X112	ET080-00	03306.04-00	0.5	When expanded to this tax period
01	20X112 (Original Year Key Return)	ET975-02	00000.00-00	3.0	Start of Exam and throughout Exam as appropriate
10	20X112	ET975-02	00000.00-00	5.0	Start of Exam and throughout Exam as appropriate
01	20X203	ET080-00	00000.00-00	0.5	When expanded to this tax period
01	20X206	ET080-00	00000.00-00	0.5	When expanded to this tax period
01	20X209	ET080-00	00000.00-00	0.5	When expanded to this tax period
01	20X212 (Expanded Year Key Return)	ET080-00	00000.00-00	8.0	When expanded to this tax period and throughout Exam as appropriate
10	20X212	ET080-00	00000.00-00	0.5	When expanded to this tax period
01	20X212 (Expanded Year Key Return)	ET975-02	03306.04-00	10.0	When expanded to this tax period and throughout Exam as appropriate
10	20X212	ET975-02	03306.04-00	2.0	When expanded to this tax period and throughout Exam as appropriate
blank	blank	blank	blank	38.0	Total Hours on Case at closing

Exhibit 4.23.4-2 (02-08-2024)**Mandatory Items and Standard Naming Convention Location for ET General Cases**

All lead sheets, issue workpapers, administrative forms, and other documents that support the audit trail must be uploaded to IMS. The following list is not comprehensive and not all the documents listed below may be applicable to every case. **The entire ETLS workbook must be uploaded. Individual lead sheets contained in the ETLS workbook should not be printed/saved to an Adobe file and uploaded to IMS, unless the lead sheet contains a manager's signature (for example, Penalty Approval lead sheet).**

Each document within IMS must be uploaded to the appropriate issue SAIN and indexed with the appropriate 3-digit reference number. Workpapers that are not specific to one issue, such as an examination report or statute extension, should be uploaded to the ET 080-Administrative Procedures SAIN. A current list of SAIN/UIL codes is located on the ET Knowledge Management site.

Mandatory Items and Standard Naming Convention Location for ET General Cases

Reference Number	Title/Document Description
000	Form 15292-A (Fully paperless case closures only) ETLS Excel Workbook ETER Excel Workbook
100	Activity Record
105	Pre-Plan Administrative Form 5345-D Form 2848 Form 8821, Tax Information Authorization Form 1900-B, Unlocatable Taxpayer Checksheet SRS Referral(s)
115	Group Manager Concurrence Meeting Check Sheet
120	Initial Taxpayer Contact Check Sheet
125	Initial Appointment
130	Multi-Year and Related Returns
135	Records Check List
140	Issues Check Sheet
150	Risk Analysis
200	Payroll Reconciliation and Records Evaluation
203	Internal Controls
205	Fraud
300	Penalty Approval Managerial approval of penalty assertion or abatement

Exhibit 4.23.4-2 (Cont. 1) (02-08-2024)

Mandatory Items and Standard Naming Convention Location for ET General Cases

Reference Number	Title/Document Description
400	<p>Classified Issues All workpapers and supporting workpapers that support the audit trail</p> <p>Note: Form 4669, <i>Statement of Payments Received</i>, and Form 4670, <i>Request for Relief of Certain Withholding Taxes</i>, and the list of payees prepared in accordance with IRM 4.23.8.4.3(7), <i>Procedures for Relief Under IRC 3402(d) and/or IRC 3102(f)(3) in Examination</i>, will be uploaded using the reference number generated on the Lead Sheet titled Abatement of Federal Withholdings (Form 4669 and Form 4670).</p> <p>Note: If supporting workpapers for multiple issues are included in a single Excel file, the file will be named “400-Workbook-[Taxpayer Name Control] [Tax Period(s)] [Issues xxx to xxx],” for example “400-Workbook – MAPL2020 Issues 400 to 501.” If the case is being sent to Appeals, the individual tabs within the workbook must be extracted to separate Excel files, saved under the issue specific SAIN to which the adjustment relates, and named using standard naming conventions.</p> <p>Note: Information that could disclose the identity of a third party that fears reprisal must not be in the case history. Any documentation that could disclose their identity that is uploaded to IMS must begin with “CONFIDENTIAL” and include TDF 15-05.11, <i>Sensitive But Unclassified (SBU) Cover Sheet</i>.</p> <p>Note: The electronic case file will be considered the administrative case file. There must be no mention of the whistleblower or the Subject Matter Expert (SME) on any documents that will be associated with the examination case file.</p>
500	<p>Additional Issues All workpapers and supporting workpapers that support the audit trail. See Reference number 400 above for further information.</p>
600	Classification Check Sheet
610	<p>Information Document Request Note: All original taxpayer IDR responses must be uploaded in IMS under “IDR Responses.”</p>

Exhibit 4.23.4-2 (Cont. 2) (02-08-2024)

Mandatory Items and Standard Naming Convention Location for ET General Cases

Reference Number	Title/Document Description
910	<p>Correspondence Correspondence includes, but is not limited to:</p> <ul style="list-style-type: none"> • All correspondence with the taxpayer • Taxpayer consent to receiving secure email • Summons • Third party contact(s) including Form 12175, <i>Third Party Contact Report</i> • Other communications, unless uploaded to the issue specific SAIN <p>Note: All letter correspondence must be uploaded in IMS under “Correspondence Letters.”</p> <p>Note: Information that could disclose the identity of a third party that fears reprisal must not be in the case history. Any documentation that could disclose their identity that is uploaded to IMS must begin with “CONFIDENTIAL” and include TDF 15-05.11.</p>
920	<p>Employment Tax Report Employment Tax Report, signed by the taxpayer (if applicable) Closing agreements (for example, Classification Settlement Program (CSP) Agreement) Documents related to partial assessment procedures Revised/corrected reports Information return penalty Form 8278 and Form 3645, <i>Computation of Penalty for Failure to File Information Returns or Furnish Statements</i></p> <p>Note: If a taxpayer returns only the signed Form 2504, the examiner will upload the taxpayer's original response as a single file. The entire examination report must also be uploaded to IMS as a separate file.</p>
940	<p>Closing Documents Form 5344 Form 3198, <i>Special Handling Notice for Examination Case Processing</i> Closing conference agenda Form 3244-A, <i>Payment Posting Voucher - Examination</i> Form 13496-A, <i>IRC Section 6020(b) Certification for Employment Tax Returns</i> Taxpayer protest IRS rebuttal to protest IMS closing check sheet Form 4665, <i>Report Transmittal</i> Form 9440, <i>Taxpayer Levy Source and Contact Information</i> Fast Track package, including Form 14017, <i>Application for Fast Track Settlement</i></p>
960	<p>Tax Returns Modernized e-File (MeF) tax return Digitized copies of delinquent returns Form 3870, <i>Request for Adjustment</i>, to file delinquent returns secured by Exam</p>

Exhibit 4.23.4-2 (Cont. 3) (02-08-2024)**Mandatory Items and Standard Naming Convention Location for ET General Cases**

Reference Number	Title/Document Description
970	Statutes Fully executed statute extensions Form 895, <i>Notice of Statute Expiration</i> Form 5348, <i>AIMS/ERCS Update (Examination Update)</i> Note: Statute extension correspondence must be uploaded in IMS under “Correspondence Letters.”
980	IDRS IDRS prints pulled within 30 days of case closure must be kept together in a single Adobe file and stored with other case closing records under reference 940: Closing Documents.

Exhibit 4.23.4-3 (02-08-2024)**Mandatory Items and Standard Naming Convention Location for ET Large Cases**

All lead sheets, issue workpapers, administrative forms, and other documents that support the audit trail must be uploaded to IMS. The following list is not comprehensive and not all the documents listed below may be applicable to every case. The entire LCLS workbook must be uploaded. Individual lead sheets contained in the LCLS workbook should not be printed/saved to an Adobe file and uploaded to IMS unless the lead sheet contains a manager's signature (such as, Penalty Approval lead sheet).

Each document within IMS must be uploaded to the appropriate issue SAIN and indexed with the appropriate 3-digit reference number. Workpapers that are not specific to one issue, such as an examination report or statute extension, should be uploaded to the ET 080-Administrative Procedures SAIN. A current list of SAIN/UIL codes is located on the ET Knowledge Management site.

Mandatory Items and Standard Naming Convention Location for ET Large Cases

Reference Number	Title
000	Form 15292-A (Fully paperless case closures only) ETER Excel Workbook LCLS Excel Workbook
001	Pre-Contact Analysis Form 5345-D Modernized e-File (MeF) tax return
004	Preparing and Planning Examination Examination Plan, Forms 4764-A, and Form 4764-B approved by Manager Form 13745, <i>Examination Timeline</i> , if applicable
005	Activity Record
007	Report Preparation Employment Tax Report, signed by the taxpayer (if applicable) Closing agreements (for example, Classification Settlement Program (CSP) Agreement) Documents related to partial assessment procedures Revised/corrected reports Information return penalty Form 8278 and Form 3645 Note: If a taxpayer returns only the signed Form 2504, the examiner will upload the taxpayer's original response as a single file. The entire examination report must also be uploaded to IMS as a separate file.
009	Meetings Meetings include, but are not limited to: <ul style="list-style-type: none"> • Opening conference agenda • Interview notes • Tour of business • Other meeting notes (for example, status meetings)
010	Review Protest/Prepare Rebuttal Taxpayer protest IRS rebuttal to protest Form 4665 Fast Track package, including Form 14017

Exhibit 4.23.4-3 (Cont. 1) (02-08-2024)

Mandatory Items and Standard Naming Convention Location for ET Large Cases

Reference Number	Title
011	Penalty Consideration
012	Information Document Request <i>Note:</i> All original taxpayer IDR responses must be uploaded under "IDR Responses."
013	Form 5701, Notice of Proposed Adjustment (NOPA) NOPAs issued by Income Tax Team, for example, overlapping issue <i>Note:</i> Signed Form(s) 5701 or taxpayer responses must be uploaded under "5701 Responses."
014	Specialist Referral SRS case assignment/Case Building Cover Sheet SRS referrals submitted
015	Financial Interest Form 6782, <i>Certification of Financial Interest in a Work Assignment</i> , if applicable
016	Correspondence Correspondence includes, but is not limited to: <ul style="list-style-type: none"> • All correspondence with the taxpayer • Taxpayer consent to receiving secure email • Summons • Third party contact(s) including Form 12175 <i>Note:</i> All letter correspondence must be uploaded under "Correspondence Letters." <i>Note:</i> Information that could disclose the identity of a third party that fears reprisal must not be in the case history. Any documentation that could disclose their identity that is uploaded to IMS must begin with "CONFIDENTIAL" and include TDF 15-05.11 as the first page of the file.
017	Power of Attorney/Tax Information Authorization Form 2848 Form 8821 Communications agreement
018	Statute of Limitations Fully executed statute extensions Form 895 Form 5348 Form 10949, Statute Extension Checksheet <i>Note:</i> All statute extension correspondence must be uploaded under "Correspondence Letters."

Exhibit 4.23.4-3 (Cont. 2) (02-08-2024)**Mandatory Items and Standard Naming Convention Location for ET Large Cases**

Reference Number	Title
024	Risk Analysis Preliminary risk analysis (optional) Initial risk analysis Mid-cycle risk analysis
080	Other Procedural Items Form 1900-B Digitized copies of delinquent returns Form 3870 to file delinquent returns secured by Exam
090	Case Closing Documents Form 5344 Form 3198 Form 3244-A or copy of electronic payment confirmation Form 13496-A Form 9440 IDRS prints pulled within 30 days of case closure in a single pdf file IMS closing check sheet
200-976	Issue specific SAIN(s) Issue specific lead sheets and workpapers must be uploaded to the issue SAIN to which they relate. Naming conventions related to issue-specific SAINs will follow the convention: SAIN-SAIN Extension-Doc "number".Doc ext.(if needed)-Document Description. Note: If supporting workpapers for multiple issues are included in a single Excel file, the file will be named "400-Workbook-[Taxpayer Name Control] [Tax Period(s)] [Issues xxx to xxx]." For example, "400-Workbook-MAPL20x0 Issues 400 to 501." If the case is being sent to Appeals, the individual tabs within the workbook must be extracted to separate Excel files, saved under the issue specific SAIN to which the adjustment relates, and named using standard naming conventions. Note: Information that could disclose the identity of a third party that fears reprisal must not be in the case history. Any documentation that could disclose their identity that is uploaded to IMS must begin with "CONFIDENTIAL" and include TDF 15-05.11 as the first page of the file. Note: The electronic case file will be considered the administrative case file. There must be no mention of a whistleblower or the Subject Matter Expert (SME) on any documents that will be associated with the examination case file.

Exhibit 4.23.4-4 (02-08-2024)

Mandatory Items and Standard Naming Convention Location for ET Tip Agreement Program

All lead sheets, issue workpapers, administrative forms, and other documents that support the audit trail must be uploaded to IMS. The following list is not comprehensive and not all the documents listed below may be applicable to every case. **The entire Tip Review ETLS workbook must be uploaded. Individual lead sheets contained in the Tip Review ETLS workbook should not be printed/saved to an Adobe file and uploaded to IMS.**

Each document within IMS must be uploaded to the appropriate issue SAIN and indexed with the appropriate 3-digit reference number. Workpapers that are not specific to one issue, such as Tip Review ETLS, should be uploaded to the ET 080-Administrative Procedures SAIN. A current list of SAIN/UIL codes is located on the ET Knowledge Management site.

Mandatory Items and Standard Naming Convention Location for ET Tip Agreement Program

Reference Number	Title/Document Description
000	Routing Check Sheet Tip Review ETLS Excel workbook
100	Activity Record
105	Administrative Lead Sheet Form 2363, <i>Master File Entity Change</i> , to update name/ownership changes
120	Initial Contact Check Sheet Document time period for data and mutual commitment date to complete Property timeline of actions Agent timeline of actions
125	Interview Questions and Notes
125-2	Summary Interviews Current Appendix A/Attachment B with outlet and title changes
125-3	Tour of Business
130	Related and Leased Properties
200	Employer-Computed Tip Reporting Process Certification Self-certification sheet Payroll certification workbook
300	Rate Approval Approval emails for all tip rates
400	Gaming NTRC lead sheet by outlet title and/or position title Written internal controls, sampling and testing for position(s) on Actual Template(s) for position(s) with hourly tip rates; Position title must "match" position title and alpha order listed on Appendix A/Attachment B
410	Food NTRC lead sheet by outlet title and/or position title Written internal controls, sampling and testing for position(s) on Actual Template(s) for position(s) with hourly tip rates; Position title must "match" position title and alpha order listed on Appendix A/Attachment B

Exhibit 4.23.4-4 (Cont. 1) (02-08-2024)**Mandatory Items and Standard Naming Convention Location for ET Tip Agreement Program**

Reference Number	Title/Document Description
420	Beverage NTRC lead sheet by outlet title and/or position title Written internal controls, sampling and testing for position(s) on Actual Template(s) for position(s) with hourly tip rates; Position title must “match” position title and alpha order listed on Appendix A/Attachment B
430	Front & Guest Services NTRC lead sheet by outlet title and/or position title Written internal controls, sampling and testing for position(s) on Actual Template(s) for position(s) with hourly tip rates; Position title must “match” position title and alpha order listed on Appendix A/Attachment B
440	Transportation NTRC lead sheet by outlet title and/or position title Written internal controls, sampling and testing for position(s) on Actual Template(s) for position(s) with hourly tip rates; Position title must “match” position title and alpha order listed on Appendix A/Attachment B
450	Spa & Salon Services NTRC lead sheet by outlet title and/or position title Written internal controls, sampling and testing for position(s) on Actual Template(s) for position(s) with hourly tip rates; Position title must “match” position title and alpha order listed on Appendix A/Attachment B
460	Golf NTRC lead sheet by outlet title and/or position title Written internal controls, sampling and testing for position(s) on Actual Template(s) for position(s) with hourly tip rates; Position title must “match” position title and alpha order listed on Appendix A/Attachment B
500	Rolled Rates
501	Comparables Excel file of redacted average and calculated rates
505	Employer Meetings
506	Employee Meetings
510	Compliance Review
610	Information Document Requests Note: All original taxpayer IDR responses must be uploaded under “IDR Responses.”

Exhibit 4.23.4-4 (Cont. 2) (02-08-2024)

Mandatory Items and Standard Naming Convention Location for ET Tip Agreement Program

Reference Number	Title/Document Description
910	Correspondence Correspondence includes, but is not limited to: <ul style="list-style-type: none"> All correspondence with the taxpayer Taxpayer consent to receiving secure email Note: May need to add the date if same letter is used more than once. Note: All letter correspondence must be uploaded under "Correspondence Letters."
920	Current Rates/Agreement Most current extension countersigned Tip agreement Appendix A / Attachment B outlets listed by section type and in alpha order Tip agreement countersigned Addendum countersigned Addendum Appendix A / Attachment B Extension countersigned
935	Form 8027 Analysis
940	MOU for Secure Email
950	Case Building Materials IMS closing check sheet Website word document Internet research Shared drive research: <ul style="list-style-type: none"> Most current tip agreement and subsequent addenda Two most current Forms 8027, <i>Employer's Annual Information Return of Tip Income and Allocated Tips</i> Prior year Form 14439, <i>Employee Data Report</i> Prior year time and attendance
980	IDRS

