



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.63.4

OCTOBER 19, 2023

EFFECTIVE DATE

(10-19-2023)

PURPOSE

- (1) This transmits revised IRM 4.63.4, Withholding and International Individual Compliance, International Individual Compliance Examination Procedures.

SCOPE

- (1) The revisions in this transmittal refer employees to IRMs in the 4.10 series which are affected by Interim Guidance (IG) SBSE-04-0722-0032, Procedures for Electronic Case Files. Therefore, the scope of these changes may need to be modified when IG SBSE-04-0722-0032 is incorporated into the 4.10 IRM.

MATERIAL CHANGES

- (1) IRM 4.63.4.1: Changed policy owner to LB&I Policy under the Strategy, Policy and Governance office in the Assistant Deputy Commissioner Compliance Integration (ADCCI) organization, added primary stakeholders and removed program goals. These changes were made to conform to IRM 1.11.2.5, Address Management and Internal Controls.
- (2) IRM 4.63.4.2.2: Removed listing of national standard timeframes and provided a cross-reference instead.
- (3) IRM 4.63.4.3: Removed table and provided a cross-reference instead.
- (4) IRM 4.63.4.5 and subsections restructured and added paperless procedures. The following table outlines the changes made to IRM 4.63.4.5 and subsections.

Old IRM Cite	Old IRM Title	New IRM Cite	New IRM Title	Description
IRM 4.63.4.5	Decision to Survey	IRM 4.63.4.5	Decision to Survey a Return	Added reminder that was from a deleted subsection.
IRM 4.63.4.5.1	Conditions Allowing Survey of Returns After Assignment	n/a	n/a	Removed because the information moved to IRM 4.63.4.5.
IRM 4.63.4.5.2	Surveying Returns Before Assignment	IRM 4.63.4.5.1	Surveying Returns Before Assignment	Removed outdated physical (or paper) case instructions and added appropriate cross-reference to LB&I paperless process.

Old IRM Cite	Old IRM Title	New IRM Cite	New IRM Title	Description
IRM 4.63.4.5.3	Survey Reason Codes	n/a	n/a	Removed because this information is in another IRM.
IRM 4.63.4.5.4	Paperless Survey - Non-Examined Closures Using a Paperless Process	n/a	n/a	Removed because this was cross-referenced in new IRM 4.63.4.5.1.
IRM 4.63.4.5.5	Procedures for Surveying Returns After Assignment	IRM 4.63.4.5.2	Surveying Returns After Assignment	Removed outdated instructions for physical (or paper) cases and instructions that are found elsewhere in the IRM. Added a cross-reference instead.
IRM 4.63.4.5.6	Instructions for Form 14235, LB&I Survey Form	IRM 4.63.4.5.3	Form 14235, LB&I Survey Form	Added a leading sentence to explain that this form is optional for LB&I examiners.
IRM 4.63.4.5.7	Surveying Claims	IRM 4.63.4.5.4	Surveying Claims	Updated cross-reference and simplified writing for plain language.
IRM 4.63.4.5.8	Other Types of Surveys	IRM 4.63.4.5.5	Other Types of Surveys	Updated cross-references.

- (5) IRM 4.63.4.7.1: Updated wording for referrals to collections to remove amount.
- (6) IRM 4.63.4.8.1.1 and subsections: Removed content and added a cross reference to IRM 5.1.18.13 which has updated information on TECS.
- (7) IRM 4.63.4.8.1.2: Updated contact information, links, and types of information that may be exchanged.
- (8) IRM 4.63.4.8.2.1: Removed third-party contact instructions because they are found elsewhere in the IRM and added a cross-reference instead. Added a reminder to examiners about re-issuing Letter 3164-E with any subsequent year added to the examination.
- (9) IRM 4.63.4.8.2.2.1: Added General IIC Guidelines for Issuing IDRs and removed IRM 4.63.4.8.2.3, IIC Guidelines for Issuing IDRs for All Other Cases.
- (10) IRM 4.63.4.8.2.2.2: Replaced duplicative information with reference to IRM 4.63.4.8.2.2.1, General IIC Guidelines for Issuing IDRs.
- (11) IRM 4.63.4.8.2.4.2: Updated current JITSIC members list to a link to the OECD website.
- (12) IRM 4.63.4.9.6: Removed obsolete guidance for YY memos on Offshore Voluntary Disclosure cases.

- (13) IRM 4.63.4.9.10: Updated tax years in examples.
- (14) IRM 4.63.4.10: Added references to penalty guidance and documentation.
- (15) IRM 4.63.4.11: Updated Report Writing instructions to include new electronic case closing procedures and remove outdated procedures.
- (16) IRM 4.63.4.11.1: Added new subsection for No-Change (No Adjustments) to highlight and detail the IIC Streamlined No-Change Process.
- (17) IRM 4.63.4.12: Removed instructions found elsewhere in the IRM and added various cross references instead.
- (18) IRM 4.63.4.12.1: Removed subsection since the information is found in the cross references above.
- (19) IRM 4.63.4.12.2: Updated F1040NR instructions to a link in the RGS virtual library (now IRM 4.63.4.12.1).
- (20) IRM 4.63.4.13 and subsections restructured. The following table outlines the changes made to IRM 4.63.4.13 and its subsections.

Old IRM Cite	Old IRM Title	New IRM Cite	New IRM Title	Description
IRM 4.63.4.13	Workpapers Overview	IRM 4.63.4.13	Workpapers	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.13.1	Workpaper System	IRM 4.63.4.13	Workpapers	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.13.2	Activity Record	IRM 4.63.4.13	Workpapers	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.13.3	Administrative Lead Sheets	IRM 4.63.4.13.1	Administrative Lead Sheets	Updated Administrative Lead Sheets to include new mandatory lead sheets for IIC examiners.

Old IRM Cite	Old IRM Title	New IRM Cite	New IRM Title	Description
IRM 4.63.4.13.4	Issue Lead Sheet	IRM 4.63.4.13	Workpapers	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.13.4.1	Issue Lead Sheet Content	IRM 4.63.4.13	Workpapers	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.13.5.2	Workpaper Indexing	IRM 4.63.4.13.3.2	Workpaper Indexing	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.13.5.3	Disclosure	IRM 4.63.4.13.3.3	Disclosure	Removed because this language is found elsewhere in the IRM. Added cross references to this and new information.
IRM 4.63.4.13.5.4	Documenting Pre-Audit Stage	IRM 4.63.4.13.3.4	Workpaper Documentation	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.13.5.5	Documenting Initial Interview	IRM 4.63.4.13.3.4	Workpaper Documentation	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.13.5.6	Documenting Tour of Business	IRM 4.63.4.13.3.4	Workpaper Documentation	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.

Old IRM Cite	Old IRM Title	New IRM Cite	New IRM Title	Description
IRM 4.63.4.13.5.7	Documenting Development of Issues	IRM 4.63.4.13.3.4	Workpaper Documentation	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.13.6	Closing Cases Using Automated Workpapers and Reports	n/a	n/a	Removed because instructions are outdated.
IRM 4.63.4.13.7	Special Situations Requiring Documentary Evidence	IRM 4.63.4.13.3.4	Workpaper Documentation	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.13.8	Case File Assembly for Closing	IRM 4.63.4.13.4	Assembly of Administrative File (Only For Exceptions to Paperless)	Added link to cases currently excluded from paperless electronic closures.
n/a	n/a	IRM 4.63.4.13.5	Case File Indexing	Added cross reference to new information.
n/a	n/a	IRM 4.63.4.13.6	Hardcopy Documents	Added cross reference to new information.

(21) IRM 4.63.4.16: Expanded guidelines for IIC non-filer cases.

(22) IRM 4.63.4.16.1: Removed because information is outdated.

(23) IRM 4.63.4.17 and subsections restructured. The following table outlines the changes made to IRM 4.63.4.17 and its subsections.

Old IRM Cite	Old IRM Title	New IRM Cite	New IRM Title	Description
IRM 4.63.4.17	Identity Theft	IRM 4.63.4.17	Identity Theft	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.

Old IRM Cite	Old IRM Title	New IRM Cite	New IRM Title	Description
IRM 4.63.4.17.1	Examiner Actions on Identity Cases - No Tax-Related Impact	IRM 4.63.4.17	Identity Theft	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.17.2	Examiner Actions on Identity Cases - Tax-Related Impact	IRM 4.63.4.17	Identity Theft	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.17.3	Identity Theft Case Referral (Form 14027-B)	IRM 4.63.4.17	Identity Theft	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.17.4	Identity Theft Job Aid for LB&I Examiners	IRM 4.63.4.17	Identity Theft	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.
IRM 4.63.4.17.5	Identity Theft IRM References	IRM 4.63.4.17	Identity Theft	Removed because this language is found elsewhere in the IRM. Added a cross reference instead.

- (24) IRM 4.63.4.18: Added a whistleblower claims subsection with cross reference to the whistleblower IRM and a link to LB&I guidance on SharePoint for whistleblower claims.
- (25) Exhibit 4.63.4-1: Updated to use for exceptions to paperless cases only.
- (26) Exhibit 4.63.4-2: Updated to use for exceptions to paperless cases only.
- (27) Exhibit 4.63.4-3: Removed exhibit because this information is found elsewhere in the IRM.
- (28) Removed reference to Form 4318-OA throughout as it is obsolete.
- (29) Changed 'tax auditor' terminology to 'tax examiner' throughout.
- (30) Reviewed and updated website addresses, legal references and IRM references, as necessary.
- (31) Editorial and grammatical changes made throughout.

EFFECT ON OTHER DOCUMENTS

IRM 4.63.4 dated April 22, 2020 is superseded.

AUDIENCE

LB&I IIC employees

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4.63.4

International Individual Compliance Examination Procedures

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4.63.4.1
(10-19-2023)
Program Scope and Objectives

- (1) **Purpose:** Provide International Individual Compliance (IIC) examiners and managers procedural guidance for examining tax returns for the IIC taxpayer population.
- (2) **Audience:** Large Business & International (LB&I) IIC revenue agents (RA), tax compliance officers (TCO), tax examiners (TE), and their managers.
- (3) **Policy Owner:** LB&I Policy under the Strategy, Policy and Governance office in the Assistant Deputy Commissioner Compliance Integration (ADCCI) organization.
- (4) **Program Owner:** Director, Withholding, Exchange and International Individual Compliance (WEIIC).
- (5) **Primary Stakeholders:** IIC examiners and their managers.

4.63.4.1.1
(10-19-2023)
Background

- (1) WEIIC (formerly WIIC) is one of eight practice areas within LB&I. Guidance was previously provided to IIC examiners in other IRM sections authored by SB/SE or LB&I. This IRM is intended to be a primary resource for IIC examiners.

4.63.4.1.2
(10-19-2023)
Authority

- (1) The development, implementation and oversight of IIC case processing procedures are under the authority of the Director, WEIIC.
- (2) IRM 4.10, Examination of Returns, provides the basic procedures, guidelines and requirements for use by RAs, TCOs and TEs in conducting income tax examinations. Additional procedures for LB&I cases are found in IRM 4.46, LB&I Examination Process.

4.63.4.1.3
(10-19-2023)
Roles and Responsibilities

- (1) IIC examiners and managers should be familiar with and use the examination procedures and information contained in this IRM and also be aware of the applicable procedures in other examination IRM chapters, as cited or linked.
- (2) IIC examiners will use the latest version of forms and letters available in electronic format on the Forms/Pubs/Products Repository, <https://publish.no.irs.gov/catlg.html#tab=tab1>.

Exception: You may use the version of forms and letters in Report Generation Software (RGS) until the next update, unless informed otherwise.

- (3) IIC examiners receive case assignments through various international work streams and referrals from other business units, federal agencies and functions which include Criminal Investigation, Department of Justice, Whistleblower Office, deferred prosecution and non-prosecution leads, spontaneous exchange leads, case related and John Doe Summons requests from the IRS Exchange of Information (EOI) Program, cooperating agent requests, claims, etc.

4.63.4.1.4
(10-19-2023)

**Program Management
and Review**

- (1) **Program Reports:** Director, WEIIC Practice Area prepares periodic briefing reports for the LB&I commissioner focusing on:
 - a. Significant accomplishments and opportunities for improvement
 - b. Changes in procedures that have been implemented
 - c. Operational, technical, and staffing updates
 - d. Any other key information
- (2) **Program Effectiveness:** The efficiency of the case procedures is measured through combined business results of the teams that make up the WEIIC Practice Area.

4.63.4.1.5
(10-19-2023)

Program Controls

- (1) The Director of Field Operations (DFO) for IIC monitors the activities of the territories and administers procedures and updates related to the territories.
- (2) The Director, WEIIC identifies goals and objectives to be achieved by the organization, compiles periodic reports from the DFO and reports to LB&I executive management on a continuous basis via the director's briefings.

4.63.4.1.6
(10-19-2023)

Acronyms

- (1) This table lists commonly used acronyms and their definitions.

Acronym	Definition
ASED	Assessment Statute Expiration Date
ATAT	Abusive Tax Avoidance Transaction
CCP	Centralized Case Processing
CEAS	Correspondence Examination Automation Support
DFO	Director of Field Operations
EOI	Exchange of Information
IDR	Information Document Request
IDRS	Integrated Data Retrieval System
IIC	International Individual Compliance
IRC	Internal Revenue Code
LB&I	Large Business and International
LUQ	Large, Unusual, or Questionable
OORC	Opt Out/Removal Committee
OVDI	Offshore Voluntary Disclosure Initiative
OVDP	Offshore Voluntary Disclosure Program
PA	Practice Area
Pub	Publication
RA	Revenue Agent
RGS	Report Generation Software

Acronym	Definition
RRA 98	Restructuring and Reform Act of 1998
SB/SE	Small Business/Self-Employed Division
TAS	Taxpayer Advocate Service
TCO	Tax Compliance Officer
TE	Tax Examiner
TECS	Treasury Enforcement and Communication System
UIL	Uniform Issue List
USC	United States Code
WEIIC	Withholding Exchange and International Individual Compliance

4.63.4.1.7
(10-19-2023)
Related Resources

- (1) For information regarding the WEIIC international individual compliance strategies and program initiatives, refer to the WEIIC website at <https://irs.gov.sharepoint.com/sites/LBI/Lists/LBIOrgs/DispItemForm.aspx?ID=16>.

4.63.4.2
(01-25-2018)
Customer Service

- (1) Providing all taxpayers with high quality service in all contacts is a primary area of emphasis for all IIC examination employees. All IIC examiners must perform their professional responsibilities in a way that supports the IRS Mission. IIC examiners are to provide top quality service and administer tax laws fairly and equitably, protect taxpayer rights and treat each taxpayer ethically, with honesty, integrity and respect.
- (2) Taxpayers have the right to receive assistance from the Taxpayer Advocate Service (TAS) if the IRS has not resolved their tax issues properly and timely through normal channels. Refer taxpayers to TAS when the contact meets TAS criteria (see IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria).

4.63.4.2.1
(10-19-2023)
Focus on Problem Solving

- (1) IIC examiners should assist taxpayers in resolving any tax problems identified during an examination, even if the problems are not directly related to the examination.
- (2) IIC examiners should request assistance from customer service personnel, as needed to expedite resolution of taxpayer problems.
- (3) IIC examiners should contact the Taxpayer Advocate when appropriate.
- (4) IIC examiners should make referrals to appropriate Small Business/Self Employed Division (SB/SE) Abusive Tax Avoidance Transaction (ATAT) Collection personnel if taxpayers have questions about current or past collection actions. If a taxpayer requests information about collection actions taken against a former or separated spouse, this request should also be referred to Collection personnel.

- (5) IIC examiners should refer to IRM 4.9, Examination Technical Time Reporting System, to determine the appropriate time reporting codes to use when assisting taxpayers in solving problems that are unrelated to an ongoing examination.

4.63.4.2.2
(10-19-2023)

Ensure Timely Actions

- (1) The effective use of time is an essential element of a quality examination. IIC examiners are responsible for the day-to-day management of their cases and are accountable for completing their work in the least amount of time necessary to perform a quality audit. Both the number of hours charged to a case and the span of time the case is open must be reasonable.
- (2) Factors used to determine if the time charged and the length of time a case is open are reasonable include:
 - a. Issue complexity and potential
 - b. Condition of books and records
 - c. Taxpayer and/or power of attorney cooperation
 - d. Location of taxpayer and/or power of attorney
 - e. Necessary case file documentation
 - f. Internal coordination and collaboration with other practice areas, operating divisions, Counsel, fraud coordinators, FBAR coordinators, etc.
 - g. Number of years under exam and related return pickups
- (3) A focus on timely actions will reduce taxpayer burden. For example, timeliness of the case should be appropriate for the actions taken. Case action should be completed in the most efficient manner and not result in unnecessary delays during the examination process. Guidelines for timely actions during each phase of the examination are contained in this IRM. In addition, examiners should follow IRM Exhibit 4.2.8-1, National Standard Time Frames for Case Action.
- (4) In-process cases will be considered overage when they have been in status 12 (started) 395 days for revenue agent cases, 210 days for tax compliance officer cases and 180 days for tax examiner cases.

4.63.4.2.3
(01-25-2018)

Ensure Quality Taxpayer Communication

- (1) Effective oral and written communication with taxpayers is a significant factor in conducting a quality examination and in minimizing taxpayer burden. All communication with taxpayers must be timely, clear, courteous and professional.
- (2) The taxpayer must be informed of the audit process to ensure their engagement and cooperation. Upon initial taxpayer contact, IIC examiners will provide Pub 1, Your Rights as a Taxpayer, and Notice 609, Privacy Act Notice. IIC examiners will also provide Pub 3498, The Examination Process, with the examination report to ensure the taxpayer's understanding of the process. IIC examiners will establish facts, analyze the information and properly explain any adjustments and penalties in a clear and professional manner.

4.63.4.2.3.1
(01-25-2018)

Oral Communication

- (1) IIC examiners must always be courteous and professional in personal contacts with taxpayers and their representatives. See IRM 4.63.4.8.2.3, Investigative Techniques and Interview Desk Guide and IRM 4.10.3, Examination Techniques, for more information on conducting interviews.

- (2) IIC examiners will interact and conduct the audit in a professional and effective manner. These skills become especially necessary in phone conversations with taxpayers who are located abroad or for whom English may be a second language. This interaction must not only be clear and professional, but also productive as to establish a positive rapport with the taxpayer throughout the examination. These skills are particularly important for tax examiners whose case work is generally completed entirely via phone and/or correspondence.
- (3) The following are important tips applicable to all IIC examiners but specific to phone and/or correspondence examinations:
 - a. Identify the taxpayer's issue during the phone call to determine possible resolution.
 - b. Provide accurate and complete information.
 - c. Be courteous and professional, regardless of the opposing party's behavior.
 - d. Steer the direction of the conversation, remaining focused on the purpose of the call.
 - e. Take ownership of the call and address issues raised.
 - f. Make helpful and productive referrals, as applicable.
 - g. Ensure that the taxpayer clearly understands the next case actions to be taken.
 - h. Review Information Document Requests (IDRs) and get commitment to the response due dates.

4.63.4.2.3.2 (10-19-2023)

Written Communication

- (1) All taxpayer correspondence must be clear, concise, and professional, as well as adhering to legal requirements.
- (2) Write in plain language. A document is written in plain language if readers can read it once and find what they need, understand what they find, and use what they find to meet their needs. Examiners may refer to the Plain Language website for additional guidance, <https://www.plainlanguage.gov>.
- (3) All correspondence should strive to meet the needs of the taxpayer.
- (4) Where possible, all correspondence with taxpayers should be prepared using the applicable standard forms and letters.
- (5) All correspondence must contain an employee name, contact telephone number, employee identification number, and signature. See IRM 4.63.4.6.2.1, Initial Contact for IIC Revenue Agent Examination Cases and Tax Compliance Officer Cases, and IRM 4.63.4.6.2.2, Initial Contact for IIC Tax Examiner Cases, for information on the appropriate letters to use.
- (6) Any original correspondence prepared by examiners will be approved by the team manager and such approval will be documented in the case file. If correspondence is not individually approved due to an exception, managers must develop an ongoing review process to ensure the quality of correspondence.
- (7) IIC teams that do not use form letters should maintain read files of all taxpayer correspondence.

4.63.4.3
(10-19-2023)
Taxpayer Rights

- (1) IIC examiners have the ongoing responsibility to ensure that all taxpayer rights are protected and observed, whether these rights are mandated by statute or provided as a matter of policy. The Taxpayer Bill of Rights is contained in the revised Pub 1, Your Rights as a Taxpayer, and must be shared with the taxpayer along with Notice 609, Privacy Act Notice, at the initial contact in person or by mail.
- (2) IIC examiners must be aware of all the rights provided by the Internal Revenue Code (IRC), Taxpayer Bill of Rights, the IRS Restructuring and Reform Act of 1998 (RRA 98) and IRS policies. See <https://www.irs.gov/taxpayer-bill-of-rights>.
- (3) See IRM 4.10.1.2, Taxpayer Rights, and subsections for more information.

4.63.4.4
(01-25-2018)
Return Assignment

- (1) Before beginning the actual analysis of a return for examination issues, consideration should be given to factors which could prevent examiners from initiating an examination. Listed below are some of the factors that must be considered before an in-depth, pre-audit or pre-contact analysis is performed:
 - a. Statute of Limitations (SOL)
 - b. Examination cycles on certain returns
 - c. Conflict of interest
 - d. Examiner conducted most recent audit
 - e. Repetitive audits
 - f. Other IRS divisions working with the taxpayer
 - g. Collectability
 - h. Risk analysis - evaluation of audit potential
 - i. Large, unusual, or questionable (LUQ) items

4.63.4.5
(10-19-2023)
Decision to Survey a Return

- (1) See IRM 4.10.2.5, Decision to Survey a Return.

4.63.4.5.1
(10-19-2023)
Surveying Returns Before Assignment

- (1) Team managers will assess non-mandatory returns that come to the group to identify which ones warrant examination or a survey.
- (2) Cases closed as Survey Before Assignment should follow IRM 4.46.3.2.2.1, Paperless Survey - Non-Examined Closures Using a Paperless Process.
- (3) To add a survey stamp in Adobe, see the Add Survey Stamp to Adobe page on the Exam Procedures Knowledge Base at <https://irsgov.sharepoint.com/sites/ETD-KMT-KB051/>.

4.63.4.5.2
(10-19-2023)
Surveying Returns After Assignment

- (1) See IRM 4.10.2.5.1, Conditions Allowing Survey of Returns After Assignment.
Reminder: Non-military individuals, such as contractors, can be deployed to a Qualified Combat Zone (QCZ). Non-military individuals should be treated consistent with IRC 7508 and IRM 4.10.2.5.1 (2), Conditions Allowing Survey of Returns After Assignment.
- (2) See IRM 4.10.2.5.2, Procedures for Surveying Returns After Assignment.

4.63.4.5.3
(10-19-2023)
**Form 14235, LB&I
Survey Form**

- (1) Form 14235, LB&I Survey Form, can be used in lieu of Form 1900, Income Tax Survey.
- (2) Complete Form 14235 as follows:
 1. **Return(s):** Check or enter the applicable form number of the return(s) being surveyed.
 2. **Name and address:** Enter the last known name and address.
 3. **SSN/EIN:** Enter applicable numbers from the returns being surveyed.
 4. **Tax period:** List each year's return being surveyed on a separate line.

Type of Tax Year	Dates	Example
Calendar Year	Show ending date	12-31-2006
Fiscal Year	Show ending date	6-30-2006
Short Period	Show both beginning and ending date	1-1-2006 – 9-30-2006
52/53 Week Year	Show last day of year	6-22-2006

5. **Documents surveyed:** Identify the types of document(s) included with Form 14235.
6. **Returns:** The tax return filed by the taxpayer. If you do not have an original return in the file, use an electronic return print. See IRM 4.10.2.5.2 (2), Procedures for Surveying Returns After Assignment, for the definition of electronic print.
7. **Recommended action:** Complete this block to indicate whether your recommended action for the return(s) is "Accepted as Filed".
8. **Related cases:** Cases related to the case being surveyed. Enter related case name and TIN when applicable.
9. **Taxable year or period:** List each year's return being surveyed on a separate line.
10. **Adjusted gross or taxable income reported:** Enter the adjusted gross or taxable income as computed by the taxpayer on the last processed return for the year.
11. **Tax liability reported:** Generally, there will be just one return being surveyed and no administrative adjustments will have been made to the tax liability reported. If more than one return was filed for the same year prior to the due date of the return, the last return constitutes the original return and the tax liability shown on the last return should be entered.
12. **Tax-Shelter / Non-Tax Shelter:** Check the appropriate box on the form to indicate whether the return being surveyed is a tax shelter or non-tax shelter.
13. **Reason for Survey:** Check reason(s) for survey. Provide a detailed explanation for surveying.
14. **Explanation:** Explain why the return is being surveyed. If necessary, include computations.
15. **Enclosures:** List returns, claims, and other documents enclosed in the case file.

16. **Manager Signature/Date:** The signature and the title of approving management official (usually the examiner's manager) and the date of concurrence.
17. **LB&I Team Number:** The Team Number of the team controlling the case on ERCS.

4.63.4.5.4
(10-19-2023)
Surveying Claims

- (1) See IRM 4.10.2.5.3, Surveying Claims.
- (2) Either Form 1900 or Form 14235 is mandatory when surveying a claim.
- (3) Obtain managerial approval on either Form 1900 or Form 14235.
- (4) Close the case as a Survey After Assignment using the electronic case closure procedures outlined in IRM 4.10.15.10.3, Non-Examined Closures.

4.63.4.5.5
(10-19-2023)
Other Types of Surveys

- (1) See IRM 4.10.2.5.4, Surveying Returns Transferred From Another Area.
- (2) See IRM 4.2.6.6, Survey of Employee Returns.

4.63.4.6
(10-19-2023)
Planning the Examination

- (1) This subsection provides procedures and techniques for conducting an effective IIC examination.
- (2) Auditing involves accumulating evidence to evaluate the accuracy of a taxpayer's tax return. Evidence takes many forms, including (but not exclusive to), the taxpayer's testimony, the taxpayer's books and records, the examiner's own observations and third-party documentation.
- (3) Obtaining sufficient evidence to determine the accuracy of the taxpayer's return is important. IIC examiners must determine the appropriate amount of evidence needed while also establishing the proper depth of the examination. However, the cost of examining and evaluating all available evidence can be prohibitive. These decisions should be documented in the workpapers for revenue agent and tax compliance officer cases and in the case history notes within RGS for tax examiner cases.
- (4) To establish the examination's depth and scope, the IIC examiner will consider the following:
 - a. The risk of material errors, taken individually or collectively. This risk is addressed when evaluating the taxpayer's internal controls.
 - b. The risk of audit tests failing to uncover material errors. This risk is addressed when evaluating the taxpayer's tax law knowledge or use of a tax preparer.
- (5) Methods for accumulating evidence include:
 - a. **Analytical Tests**, such as analysis of financial accounts to identify LUQ transactions.
 - b. **Documentation**, such as examining the taxpayer's books and records to determine the content, verify the accuracy, and substantiate items shown on the tax return.
 - c. **Inquiry**, such as interviewing the taxpayer or third parties. Information from independent third parties can confirm or verify the accuracy of information presented by the taxpayer.
- (6) Factors to consider when choosing an examination technique are:

- a. Will the examination technique provide the required evidence?
- b. Will the benefits derived from using a technique justify the associated costs to both the IRS and the taxpayer?
- c. Are there less expensive or faster alternatives that will provide the same evidence?

4.63.4.6.1
(10-19-2023)

Pre-Contact Planning of IIC Examination Activities

- (1) **Revenue Agents:** See IRM 4.10.2.3, In-Depth Pre-Contact Analysis, and IRM 4.10.2.7, Pre-Contact Planning of Examination Activities.
- (2) **Tax Compliance Officers :** Follow these steps in the planning process:
 - a. Review the tax return and classification sheet to ensure that LUQ items are correctly classified. If classified issues do not warrant examination, document the reasons for revising the scope and obtain approval from the team manager.
 - b. Prepare and review the case building materials. This includes Integrated Data Retrieval System (IDRS) transcripts, required filing checks, examination of income, and verification on any changes to return as filed (amended return or adjustment made by Service Center).
 - c. Assess the risk of potential issues and revise the scope as warranted.
 - d. Verify tax return information on RGS.
 - e. If the case is not on the Local Area Network (LAN), the tax return information must be verified and input into RGS. All issues (classified as well as new issues added during pre-audit) are to be entered.
 - f. Ensure RGS information matches IDRS. Verify statute, address, and Power of Attorney (TC 960 or CFINK) are correct and entered in RGS.
 - g. Prepare case file documentation lead sheets.
 - h. Develop a forecast.

Note: A forecast is the amount of time the examiner will estimate for the total time beginning with the initial interview with the taxpayer and ending with the date the case is closed. The forecasted time should be recorded on Form 9984, Examining Officer's Activity Record.
 - i. Develop a focused Form 4564, Information Document Request (IDR).
 - j. Prepare an appointment letter. See IRM 4.63.4.6.2.1, Initial Contact for IIC Revenue Agent and Tax Compliance Officer Cases, and determine if Letter 566 should be issued or if issuance of Form 4549 and Letter 915 are more appropriate.

Note: IIC examiners working tax compliance officer cases are required to seek managerial approval prior to exceeding preplan time of 1 hour on non-business and 1 and 1/2 hours on business returns.

- (3) **Tax Examiners:** The planning process consists of the following steps:
 - a. Review the tax return and classification sheet to ensure that LUQs are correctly classified.
 - b. Prepare and review the case building materials.
 - c. Assess the risk of potential issues and revise the scope as warranted.
 - d. Verify tax return information on RGS.
 - e. If the case is not on the LAN, the tax return information must be input into RGS and verified. All issues (classified as well as new issues added during pre-audit) are entered.
 - f. Ensure RGS information matches IDRS.

- g. Prepare case file documentation lead sheets.
 - h. Develop a Form 4564, Information Document Request (IDR).
 - i. Prepare an initial contact letter as applicable (i.e. Letter 566, 915, 4149, or 4149 (SP)). This letter notifies the taxpayer that their return is being examined, requests information to verify the correctness of tax returns and requests documentation of specified items that the taxpayer will mail.
- (4) Examine all LUQ items. However, it is not intended that examiners should consider every possible issue. For instance, it is not proper for examiners to make a detailed analysis of a specific account unless the potential adjustment will materially affect the tax liability or will be important from a compliance viewpoint.
 - (5) Adequately explain the items which are examined and the LUQ items which are accepted without examination. The case file's activity record and workpaper will clearly indicate the scope of the examination, the depth of the examination, and the reasons for the decisions.
 - (6) Complete the workpapers contemporaneously. To the extent possible, prepare the mandatory lead sheets and issue specific lead sheets as the examination progresses. In addition:
 - a. Add comments where required in the lead sheets or as the examiner deems necessary for clarification.
 - b. Similarly, reference a supporting workpaper where required in the lead sheets or where the examiner deems necessary.
 - (7) Check boxes are available in the mandatory lead sheets and can be used in the examination process. They serve as a reminder of an action to be completed. Checking a box does not eliminate the need for comments or workpapers, which document the audit procedure(s) performed.

Example: Documenting RRA 98 (Restructuring and Reform Act of 1998) separate notice requirements: If the taxpayer is married, revenue agents and tax compliance officers are required to send the initial appointment letter to both the husband and wife. In this case, the "Yes" box would be checked and a copy of the letter included in the case file. No further comment is necessary.

Example: Documenting assessment of collectability: Is collectability an issue? If the answer is yes, then revenue agents and tax compliance officers should include a workpaper with information that supports that conclusion.

- (8) In all cases, professional judgment must be used. IIC examiners must ensure that the applicable tasks have been performed before checking the boxes. As the audit progresses the actions and audit steps may change. The examiner is responsible for ensuring the correct audit response is checked and relevant comments or explanations are provided.

4.63.4.6.2
(10-19-2023)
**Determining the Scope
of an IIC Examination**

- (1) Determining the scope of an examination is the process by which an IIC examiner selects issues warranting examination. Examiners should thoroughly review the classification sheet, if applicable, and select issues so that, with reasonable certainty, all items necessary for a substantially correct determination of the tax liability have been considered.

- (2) IIC examiners must assess the facts and apply judgment in determining the scope of the examination.
 - a. **Revenue Agent Examinations:** The scope of the examination will be determined by the revenue agent and team manager.
 - b. **Tax Compliance Officer and Tax Examiner Examinations:** The scope of the examination of a return is prescribed on a classification check sheet during the classification process. Classification of cases is usually handled by the PSP classification team. However, the scope of an examination should not be limited to the classified issues if other significant issues are revealed during the examination. Whenever possible, tax examiners should consult with their manager before raising new issues.
- (3) IIC examiners are expected to continually exercise judgment throughout the examination process to expand or contract the scope as needed.
- (4) If the examiner expands the scope to include an additional tax period, notify the taxpayer verbally or in writing. If the taxpayer has a power of attorney that does not cover the newly added tax period, give the taxpayer reasonable time to secure an updated power of attorney. Also, the examiner must allow the taxpayer reasonable time to submit records on the newly added year. RAs, TCOs, and TEs will use the appropriate appointment confirmation letters as noted in IRM 4.63.4.6.2.1 and IRM 4.63.4.6.2.2.

4.63.4.6.2.1 (01-25-2018)

Initial Contact for IIC Revenue Agent and Tax Compliance Officer Cases

- (1) All initial contacts with taxpayers to commence an examination must be made by mail using the appropriate initial contact letters.
 - a. For individual income tax return examinations, Letter 2205 and Letter 2205-A are generally used, with Publication 1 and Notice 609 enclosed.
 - b. For business income tax return examinations, Letter 2205-L is used with a reference to the availability of Publication 1 and Notice 609 online.
- (2) After 14 calendar days from mailing the initial contact letter, examiners can initiate contact by telephone with the taxpayer as needed.

4.63.4.6.2.2 (01-25-2018)

Initial Contact for IIC Tax Examiner Cases

- (1) IIC tax examiner cases will use written correspondence as initial contact to the taxpayer. An applicable initial contact letter (i.e. Letter 566, 915, 4149, or 4149(SP)) will be used as the first step to inform the taxpayer regarding the examination. The following items are required to be included in this mailing:
 - a. Pub 3498–A, The Examination Process (Audits by Mail), explains the audit process from the initiation of the examination through the overview of the collection process, including Appeals options.

Note: If the taxpayer has a Puerto Rico address, Letter 4149 and Publication 3498(SP) are sent.
 - b. Form 4564, Information Document Request.
 - c. A return envelope.

4.63.4.6.3 (01-25-2018)

Limiting the Scope of an IIC Examination

- (1) The scope of an IIC examination may be limited under conditions described in this subsection and may be limited to one or two issues. Any limitations placed upon the scope of the examination should be documented in the case workpapers.

- (2) Taxpayer documentation and responses to questions should be considered and documented and the scope adjusted as appropriate. Other potential compliance issues (e.g. claims filed before or during the audit) should be considered and reviewed as early in the audit as possible.
- (3) If a taxpayer is contacted about an Information Return Processing (IRP) item, the scope of the examination is generally limited to resolving differences between items reported by the taxpayer and items reported on the information returns. Emphasis should be placed on determining if income was omitted and whether the omission occurred in more than one year. When it appears that a material amount of income may not have been reported, and there has not been a prior audit, an examination should be initiated.
- (4) When a Schedule K-1, Partner's/Shareholder's Share of Income, Deductions, Credits, etc., is inspected to determine that the flow through items have been reported correctly, the taxpayer and/or representative should be advised that the inspection does not constitute an examination of the flow-through entity and the taxpayer's distributions from the related entity may be adjusted later if the related entity is examined.
- (5) Generally, short-term timing issues should not be examined. Timing issues with long-term, indefinite or permanent deferral features should be examined. Unplanned timing issues which arise as correlative adjustments during an examination of non-timing issues should be made if it is cost effective.
- (6) The scope of the IIC examination may be limited due to collectability. Such a determination should be made when the taxpayer has no ability to pay or no expectation of a future ability to pay. Taxpayer assertions of inability to pay should not be considered without substantiation. Consult with SB/SE Collection or Field Counsel for assistance. See IRM 4.63.4.7, Collectability in IIC Cases.

4.63.4.6.3.1
(01-25-2018)

**Documenting the
Limited Scope Decision**

- (1) In pre-planning an examination, the IIC examiner should use sound judgment to determine the significant issues to be examined. This may necessitate de-classifying issues and/or adding issues in lieu of those classified. The scope of the examination should be documented in the workpapers.
- (2) When a classification sheet is not included with the return, the scope of the examination should be documented in the workpapers.

4.63.4.6.3.2
(10-19-2023)

**Related/Prior/Subsequent
Year Returns**

- (1) Review of related, prior, and subsequent year returns are standard compliance checks to be completed when conducting an examination of the primary return. This may result in expanding the scope of an exam by opening additional tax years, entities, and/or issues.
- (2) For further information on compliance checks, see the following IRM sections:

IRM Cite	Title
IRM 4.10.5.3	Prior and Subsequent Year Returns
IRM 4.10.5.4	Related and Spin-Off Returns
IRM 4.10.5.5.2	Examination of Employment Tax Returns
IRM 4.10.5.6.1	Analysis of Information Returns

IRM Cite	Title
IRM 4.10.5.7	Information Returns and Forms Involving Foreign Entities
IRM 4.10.5.9	Title 31 Compliance
IRM 4.10.5.10	Excise Tax Returns
IRM 4.10.5.11	Pension Plan Returns
IRM 4.10.4.3	Minimum Requirements for Examination of Income
IRM 4.10.21	U.S. Withholding Agent Examinations - Form 1042
IRM 20.1.9.22	IRC 6038D - Information With Respect to Specified Foreign Financial Assets

4.63.4.6.4
(01-25-2018)
Depth of the IIC Examination

- (1) Depth is the extent to which an issue is developed. It demonstrates the degree of intensity and thoroughness applied in order to make a determination as to the correctness of an item.
- (2) IIC examiners must exercise judgment in determining the depth required for the examination. Determining the depth for different issues will help to estimate the time needed to complete the examination. The following factors should be considered:
 - a. Type of evidence available or expected for the issue
 - b. Complexity of the issue
 - c. Materiality of the issue
 - d. Internal controls and accuracy of the books and records
 - e. Credibility of taxpayer

4.63.4.6.5
(01-25-2018)
Preliminary Research

- (1) Perform preliminary research of the applicable IRC sections, treasury regulations, rulings, and court cases concerning the proper tax treatment of the particular issues identified in the pre-contact analysis. This will assist in the development of specific interview questions, determine possible audit procedures, and help determine what information should be included on the information document request. It is critical that the examiner become familiar with the issues on the return. Extensive research, however, should not be conducted until the facts of the issues are established. See IRM 4.10.7, Issue Resolution.
- (2) Secure the prior audit file(s) if applicable, including report(s), from the Correspondence Examination Automation Support (CEAS) database to determine the issues previously proposed and any problems encountered during the examination. If the prior audit file is not available in CEAS, ask the taxpayer for a copy of the report or request the administrative file from the campus.

4.63.4.7
(10-19-2023)
Collectability in IIC Cases

- (1) Revenue agents and tax compliance officers are expected to consider collectability during the pre-contact phase as a factor in determining the scope and depth of the examination.

4.63.4.7.1
(10-19-2023)
**Consideration of
Collectability**

- (1) If collectability is an issue on an assigned case, the team manager should be alerted as soon as the issue is discovered. Managers will make the final determination whether to survey the return or to limit the scope/depth of an examination. See IRM 4.10.2.4.1, Collectability.
- (2) Revenue agents and tax compliance officers must balance compliance with collectability and should consider transferee liability, future income or denial of future refunds/credits, hidden assets, etc. Examiners should document known accounts and assets during examinations and interviews to ensure case files identify all assets.
- (3) IIC examiners should take all possible steps to secure payment of agreed deficiencies resulting from examinations. Revenue agents and tax compliance officers are required to document their evaluation of collectability.
- (4) IIC revenue agents and tax compliance officers work with SB/SE Collection ATAT groups. ATAT revenue officers have been trained to work international and offshore cases for collection.
- (5) IIC revenue agents and tax compliance officers should solicit installment agreements by using Form 433-D, Installment Agreement, or Form 9465, Installment Agreement Request, as appropriate. See IRM 4.20.1.3.4, Coordination with Collection, to determine if a collection referral is required.

Note: IIC revenue agents and tax compliance officers can prepare streamlined installment agreements as appropriate within their authority. See IRM 4.20.1.4.3, Streamlined Installment Agreements.

4.63.4.7.2
(10-19-2023)
Collection Tools

- (1) Collection tools are available to reach offshore assets in international cases when an offshore account is located. Some of the collection tools available are:
 - Levy on a domestic branch of a financial institution (for funds held offshore)
 - Writ Ne Exeat Republica
 - Customs Order or Prevent Departure Order
 - Appointment of a receiver
 - Suit to Repatriate Property - Repatriation Orders
 - Mutual Collection Assistance Request (MCAR)
- (2) See IRM 5.21.3, Collection Tools for International Cases, for further details on these collection tools and the following IRM Sections for more specific collection guidance:
 - IRM 5.21.1, Overview, defines matters that specifically relate to international collection issues. In today's global economy, there are an increasing number of taxpayers who travel and work overseas. U.S. taxpayers, residents of the U.S. and U.S. businesses are increasingly becoming involved in international transactions.
 - IRM 5.21.1.2, Definition of an International Case, provides specific procedural guidance for international revenue officers.
 - IRM 5.21.1.2.1, Difference Between Domestic ATAT and International ATAT Cases.

4.63.4.7.3
(10-19-2023)
**Mutual Collection
Assistance Requests
(MCARs)**

- (1) Certain tax treaties to which the United States is a party provide for mutual assistance in the collection of taxes. The collection assistance provisions of a tax treaty enable one contracting state to collect taxes covered by the treaty on behalf of the other contracting state. A request for such assistance is referred to as a Mutual Collection Assistance Request (MCAR).
- (2) Mutual collection provisions provide that IRS may request assistance from the treaty partner in collecting taxes owed to the United States by U.S. citizens or residents or other persons located in the treaty partner's jurisdiction.
- (3) See IRM 4.60.1.6.1, Tax Treaties with Collection Assistance Provisions, for a list of U.S. tax treaties, identified by jurisdiction, type of treaty and treaty article, that currently provide for mutual collection assistance.
- (4) See IRM 5.1.12.25, Mutual Collection Assistance Requests, and IRM 4.60.1.6, Mutual Collection Assistance Request (MCAR) Program, for general information.

4.63.4.7.4
(01-25-2018)
**Transferee Liability -
Summary**

- (1) For more information regarding transferee liability, as well as other third party liability, refer to IRM 5.17.14, Fraudulent Transfers and Transferee and Other Third Party Liability.

4.63.4.8
(01-25-2018)
Examination Techniques

- (1) This subsection addresses various sources of information, ways of obtaining information, and includes guidance on issuing IDRs.

4.63.4.8.1
(10-19-2023)
Sources of Information

- (1) The following subsections describe various sources of information, including the Treasury Enforcement Communication System (TECS) and Exchange of Information (EOI).

4.63.4.8.1.1
(10-19-2023)
**Treasury Enforcement
and Communication
System (TECS)**

- (1) See IRM 5.1.18.13, TECS, for more information.

4.63.4.8.1.2
(10-19-2023)
**Exchange of Information
(EOI)**

- (1) The United States has tax treaties and tax information exchange agreements (TIEAs) with many foreign jurisdictions that provide for the exchange of information on tax matters. Examples of the types of information which may be requested include documentation related to items reported or omitted on a taxpayer's return and the current address information for a taxpayer who no longer resides at the last known international address of record.

Note: To access a partial list of jurisdictions that have an income tax treaty with the United States, go to Treaties and Related Documents by Jurisdiction at <https://home.treasury.gov/policy-issues/tax-policy/treaties>.

Note: To access a partial list of jurisdictions that have TIEAs with the United States, go to Tax Information Exchange Agreements at <https://home.treasury.gov/policy-issues/tax-policy/tax-information-exchange-agreements-tieas>.

- (2) See IRM 4.60.1, Exchange of Information, and IRM 4.60.1.10, Automatic Exchange of Information (AEOI) Program, for more information on requests between the United States and foreign jurisdictions.
- (3) The EOI Program administers the EOI provisions of U.S. TIEAs. EOI obtains foreign-based information for IRS Examination personnel, provides U.S.-based information to foreign partners, and coordinates the Mutual Collection Assistance provisions of certain tax treaties.
- (4) The types of information that may be exchanged under an EOI request include but are not limited to:
 - a. Ownership information, including information pertaining to the legal ownership and beneficial ownership of entities.
 - b. Accounting records, including entity formation records, financial statements, contracts, invoices, receipts, etc.
 - c. Bank records, including bank and other financial account opening documents, identity records, statements, etc.
 - d. Tax returns, which may be relevant to verify foreign tax/citizenship/residency status, reported income/expenses/liabilities, etc.
 - e. Asset information, including about real and personal property owned.
 - f. Income, employment, and contact information.
 - g. Residency, citizenship, and travel and customs information.
 - h. Court and other public records.
 - i. Third-party interviews.
- (5) The IIC examiner must exhaust all domestic sources of information before requesting information from a foreign jurisdiction through the exchange of information process. In general, if the information can be obtained domestically, then an EOI request is normally **not** appropriate.
- (6) For all questions regarding EOI, the EOI Program may be contacted via email at **LB&I Intl Exchange of Information*.

Caution: All EOI requests must be transmitted via a member of the U.S. Competent Authority's office. Therefore, any IRS employee contacted by a foreign tax official, considering any contact with a foreign tax official, or considering any exchange of information under an international exchange agreement (including a TIEA) with a foreign tax official should email the EOI Program. An EOI manager or analyst will subsequently contact the employee to provide detailed guidance. The EOI Program may at that time approve such contacts in appropriate circumstances.

4.63.4.8.2
(01-25-2018)
**International
Enforcement Guidelines**

- (1) In conducting examinations, particularly examinations of taxpayers with undisclosed offshore accounts and assets, examiners should employ the full array of investigative tools at their disposal. Because each examination is different, it is not possible to provide a definitive list of resources, their appropriate scope in a particular case, or the order in which they should be utilized. These decisions are made by examiners based on the facts and circumstances of each case.

4.63.4.8.2.1
(10-19-2023)
Examination Tools

- (1) **Taxpayer Interviews** – See IRM 4.10.3.4, Interviews: Authority and Purpose; IRM 4.10.3.4.5, Interview Techniques, IRM 4.10.7.3.2, Oral Testimony, and Form 2311, Affidavit.
- (2) **Third-Party Interviews** – See IRM 4.10.3.4.1.3, Third Party Interviews.
- (3) **Third-Party Contacts (TPC)** – See IRM 25.27.1.3.1, TPC Notification Procedures.

Reminder: Letter 3164-E needs to be issued with any new subsequent years added to the examination.

- (4) **Formal Document Requests** – Under IRC 982, the IRS may request foreign-based records from a taxpayer. If the requested records are not produced, the taxpayer generally cannot use the records in a subsequent civil trial.

4.63.4.8.2.2
(10-19-2023)
Information Document Requests (IDRs)

- (1) IDRs are an important part of the information gathering process in all examinations. In IIC, examiners tailor IDRs to each individual case.

4.63.4.8.2.2.1
(10-19-2023)
General IIC Guidelines for Issuing IDRs

- (1) Customize the initial IDR to the taxpayer and the facts of the case. Issue the initial IDR with the initial contact letter.
- (2) In some cases, it may be helpful to discuss subsequent IDRs with the taxpayer prior to issuance explaining the relevancy of the requests plus the need for the documents and information.
- (3) Separately number each request for clarity.
- (4) Draft the IDR using clear and concise language.
 - Endeavor to separate requests for different categories of documents and information.
 - For very lengthy IDRs, consider drafting the requests in Microsoft Word. Then, on the IDR form, type “see attached” and attach the Word document.
- (5) For complex, high-dollar, or cases with indicators of fraud, consider requesting the assistance of SB/SE Counsel in reviewing your IDRs.
- (6) When feasible, for subsequent IDRs, attempt to negotiate an agreed upon time frame for the taxpayer’s response.
- (7) If a response date cannot be agreed upon, set a reasonable response date for the IDR. Typical IDR response timeframes are 30 days for taxpayers with addresses within the United States and 45 days for taxpayers with foreign addresses. Shorter or longer response time frames may be appropriate depending on the circumstances.

Note: TEs will not shorten or lengthen the IDR response time. TEs will use the typical 30 or 45 day timeframe based on the taxpayer’s address.

- (8) If the information requested in the IDR is not received by the response date, contact the taxpayer for an explanation. Consider one of the following next steps:
 - a. Issue a follow-up IDR indicating on top that it is a second request.
 - b. Issue a summons, see IRM 25.5 , Summons.
 - c. Issue a Formal Document Request (FDR) - work with your local Counsel to review and follow FDR procedures.
 - d. Initiate a request for information from a foreign partner through the EOI office. See the EOI Knowledge Base Site at: [https://irs.gov.sharepoint.com/sites/ETD-KMT-KB008/SitePages/Cross-Over/ExchangeOfInformation/](https://irs.gov/sharepoint.com/sites/ETD-KMT-KB008/SitePages/Cross-Over/ExchangeOfInformation/).
- (9) TEs may send a follow-up IDR and letter. If warranted, the case may be transferred to a TCO, an RA, or sent to Technical Services for issuance of a statutory notice of deficiency.
- (10) If issuing a summons, third-party contact procedures may be applicable. See IRM 4.63.4.8.2.1, Examination Tools.

4.63.4.8.2.2.2
(10-19-2023)
**Guidelines for Issuing
IDRs for Offshore
Voluntary Disclosure
Program (OVDP) Cases**

- (1) See IRM 4.63.4.8.2.2.1, General IIC Guidelines for Issuing IDRs, for guidance for issuing IDR(s) for Voluntary Disclosure cases.
- (2) If agreement on a response date cannot be reached, the examiner will set a reasonable response date for the IDR, typically 30 days for taxpayers with addresses within the United States or 45 days for taxpayers with a foreign address.
- (3) If the information requested in the IDR is not received by the response date, the examiner will follow the OVDP Removal Process guidelines below.

4.63.4.8.2.2.3
(10-19-2023)
**OVDP Removal Process
- for OVDP Cases Only**

- (1) If a taxpayer does not provide a complete response to an OVDP IDR by the response date, or is otherwise nonresponsive or uncooperative, the examiner will begin the OVDP Removal Process. See the Opt Out and Removal Guide for 2009 OVDP and 2011 OVDI (at https://www.irs.gov/pub/newsroom/2011_ovdi_opt_out_and_removal_guide_and_memo_june_1_2011.pdf) embedded in 2014 OVDP FAQ 51. This guide governs the opt out and removal process, and contains complete procedures.
- (2) The removal package consists of:
 - Summary of the facts of the case
 - Examiner's recommendation of examination scope and potential penalties
 - Summary of income tax and penalties/Form 4549
 - Other potential FBAR or information return penalties
 - Copy of the case activity record
- (3) Team manager and territory manager concurrence is required for all removals. The territory manager will forward the package to the Opt Out/Removal Committee (OORC). Upon committee approval, the case is updated to a designated project code provided by the OORC.
- (4) The case becomes a regular examination case. Examination procedures should begin with Letter 2205 or Letter 2205-A, Initial Contact Letter.

- (5) If, during the OVDP Removal Process, the taxpayer requests to Opt Out, the examiner ceases the OVDP Removal Process steps. The taxpayer must conform with the FAQ 51 procedures. See IRM 4.63.3.21, Opt-Out and Removal.

4.63.4.8.2.3 (10-19-2023) **Investigative Techniques and Interview Desk Guide**

- (1) This guide provides a broad overview of examination investigative techniques and a detailed discussion on interviewing witnesses. It is not an exhaustive discussion, nor may it be cited as authority. IIC examiners should begin with these primary references but should in no case limit their research to the areas cited in the guide. The Offshore Arrangement Practice Network Desk Guide is located at [https://irs.gov.sharepoint.com/sites/ETD-KMT-KB008/Lists/MR1/DispForm.aspx?ID=2826&e=xSctxh](https://irs.gov/sharepoint.com/sites/ETD-KMT-KB008/Lists/MR1/DispForm.aspx?ID=2826&e=xSctxh).
- (2) Where information important to auditing a tax return is located outside the United States, special rules and processes can be used to obtain that information.
- (3) The Internal Revenue Code contains a variety of provisions specifically designed to allow the IRS to gain access to certain foreign-based records which require taxpayers to apprise the IRS of certain cross-border transactions. Section 982 sets forth a procedure by which the IRS can request foreign-based records by issuing a “formal document request”. Sections 6038, 6038A, 6038B, and 6038C require taxpayers to report certain information about foreign related parties, or transactions with certain related parties. These code sections impose special penalties on taxpayers who fail to timely report the required information.
- (4) In addition, where information is located in a foreign jurisdiction with which the United States has a TIEA, the information may be obtainable by the tax administration of that jurisdiction and provided to the IRS through the EOI process. The EOI process can be used to obtain documents or to conduct interviews of foreign persons. The EOI process is effective and is used regularly by the United States and its treaty and TIEA partners. For details, see IRM 4.60.1, Exchange of Information.

4.63.4.8.2.3.1 (10-19-2023) **Procedures for Obtaining Records Pursuant to IRC 6038A**

- (1) The ability to obtain foreign records is critical. The majority of records in an international examination may be located in a foreign jurisdiction.
- (2) During an examination, examiners should keep IRC 6038A in mind. Also, EOI programs, including simultaneous examinations and specific requests for information, are very helpful in obtaining records located in foreign jurisdictions. Also, incoming spontaneous exchanges of information may be useful to the IRS for risk assessment purposes, regardless of the existence of a current IRS examination.
- (3) Certain foreign-owned U.S. corporations and foreign corporations engaged in trade or business within the United States may be required to maintain records sufficient to establish the correctness of their federal income tax returns, including the correct treatment of transactions with related parties. See IRC 6038A, IRC 6038C and Treas. Reg. 1.6038A–3(a). Such records are generally required to be maintained within the United States, regardless of whether the records are prepared or maintained by a foreign related party. Treas. Reg. 1.6038A–3(f)(1).

- (4) Treas. Reg. 1.6038A-3(f) permits a reporting corporation to maintain records outside the United States provided that the corporation either delivers any requested documents to the IRS within 60 days of the request and provides a translation of any such documents within 30 days of receiving a request for translations of specific documents, or moves any requested documents to the United States within 60 days of the request and provides the IRS with an index of the records and the name and address of their U.S. custodian.
- (5) The Service may request that certain parties related to a domestic reporting corporation authorize such corporation to act as their agent for purposes of an IRS examination of books and records, or for the service and enforcement of a summons with respect to any transaction that it has with the reporting corporation. If the related party does not authorize the reporting corporation to act as its agent or does not substantially comply with the summons for records or testimony a noncompliance penalty may apply. A reporting corporation authorized to act as an agent may file a petition to quash any summons or subpoena or to review an IRS determination of noncompliance under IRC 6038A(e)(4)(A).
- (6) IRM 20.1.9, Penalty Handbook, International Penalties, contains specific procedures for IRC 6038A cases.
- (7) Information about the EOI program can be found at [https://irs.gov.sharepoint.com/sites/ETD-KMT-KB008/SitePages/Cross-Over/ExchangeOfInformation/](https://irs.gov/sharepoint.com/sites/ETD-KMT-KB008/SitePages/Cross-Over/ExchangeOfInformation/).
- (8) For all questions regarding EOI, the EOI Program may be contacted via email at **LB&I Intl Exchange of Information*.

Caution: All EOI requests must be transmitted via a member of the U.S. Competent Authority's office. Therefore, any IRS employee contacted by a foreign tax official, considering any contact with a foreign tax official, or considering any exchange of information under an international exchange agreement (including a TIEA) with a foreign tax official should email the EOI Program. An EOI manager or analyst will subsequently contact the employee to provide detailed guidance. The EOI Program may at that time approve such contacts in appropriate circumstances.

4.63.4.8.2.3.2
(10-19-2023)

Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC)

- (1) The Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC) is a multi-country workgroup that originated in 2004 to address cross-border tax avoidance schemes, transactions and structures through use of the bilateral treaty process. In 2014, JITSIC was re-established and opened to all member countries in the Organization for Economic Cooperation and Development (OECD) Forum on Tax Administration (FTA).
- (2) Current JITSIC members are located on the OECD website at <https://www.oecd.org/tax/forum-on-tax-administration/jitsic/>.
- (3) Go to the JITSIC Program website at [https://irs.gov.sharepoint.com/sites/LBI/SitePages/ADCI4.aspx](https://irs.gov/sharepoint.com/sites/LBI/SitePages/ADCI4.aspx) for additional information about the JITSIC program, including contact information.

4.63.4.9
(01-25-2018)
Statute Control

- (1) This subsection provides an introduction to established policy and procedure as it pertains to issues encountered within IIC that are unique to some of our projects and cases.

- (2) IRC 6501(a) provides that the general assessment statute of limitation is three years after a return is filed. If a return is mailed after the due date, the statute begins to run from the date the return is received (assuming IRC 7503 does not apply to a return under extension).
- (3) IRC 6501(b) states if a return is mailed and received prior to the due date, the statute begins to run on the due date of the return.
- (4) IRC 7502 states that if any return is postmarked in the U.S. before the due date, but received after the due date, the postmark date is the date of delivery and the statute starts to run on the due date.
- (5) If a return is filed electronically, the date of the “electronic return transmitter” is deemed to be the received date of the return.
- (6) Taxpayers residing outside the United States and Puerto Rico are generally entitled to an extension of time to file until June 15, upon request. See Treas. Reg 1.6081-5(b).
- (7) See IRM 25.6.1.6.4, Statute of Limitations Chart for Tax Returns, for a statute of limitations chart for tax returns.

4.63.4.9.1 (10-19-2023) Researching Statutes

- (1) Upon receipt of a case, managers and examiners should determine the correct statute date. Inspect the filed return for information to establish the date of filing:
 - a. A “received date” stamp
 - b. The postmark date
 - c. An extension of time to file
 - d. Date of the “electronic return transmitter”
- (2) If the filed return is not in the case file or the return does not contain a date stamp, establish the date the return was received from the “Return Received Date” field of an IMFOLT/BMFOLT.
- (3) For an understanding of procedures on statutes, refer to the following IRM sections as well as the Internal Revenue Code and other research:

Citation	Title
IRM 1.2.1.4.5	Policy Statement 3-5 related to unsigned tax returns
IRM 5.18.1.9.2.3.16.1	Refund Statute Expiration Date (RSED)
IRM 8.13.1.2.2	Examples of Use of Closing Agreements
IRM 21.8.1.7.10	Covering Over Net Collections of Tax When the Period of Limitations Has Expired - U.S. Virgin Islands
IRM 25.6.1.2	What is a Statute of Limitation
IRM 25.6.1.6.14	Criteria for Establishing a Statute of Limitations Period

Citation	Title
IRM 25.6.1.6.15	When a Document Is Treated As Filed Under the IRC
IRM 25.6.1.9.10.6	Reduction in Foreign Tax Credit
IRM 25.6.1.9.11	Self Employment Contributions Act (SECA)
IRM 25.6.1.10.2.8.4	Foreign Tax Credit
IRM 25.6.23	Examination Process-Assessment Statute of Limitations Controls
Document 7368	Basic Guide for Processing Statute Cases

4.63.4.9.2
(10-19-2023)
**Statute Control and
Monitoring Procedures**

- (1) The person assigned to a case, or who has custody of a return, has the primary responsibility for protecting the government's interest against expiration of the assessment statute of limitations. See IRM 25.6.23.2, Components of Statute Controls, for the essential tools for controlling statutes for Examination cases.
- (2) Statute controls are required for all returns controlled on AIMS/ERCS or being examined with assessment statutes that may expire within 210 days as most of IIC's taxpayer's population resides abroad. Team managers and examiners are ultimately responsible for protecting the statute and ensuring the statute date is correctly reflected on AIMS/ERCS/IMS and in the case file.
- (3) ERCS generates a Form 895 when a statute date expires within a specific number of days, but not less than 180 days. All returns must be controlled on the AIMS control database to ensure timely notification of statute expiration via Form 895. When a related return is picked up for examination, AIMS controls must be immediately established to monitor and protect the statute.
- (4) A Form 895 should be included on any return with an **alpha code** if the computed statute date expires within the specified period. For cases with an alpha code where the normal statutory period for assessment is still open, a statement in the Remarks section of Form 895 is required with the signatures or initials of both the employee charged with the return and the manager.
- (5) Although the ultimate responsibility rests with the examiner, the secretary will generally identify affected cases and forward Forms 895 to the examiner. Forms 895 must be monitored to ensure that they are returned to the manager (see IRM 1.4.40.4.3, Statute Controls). If the examiner does not return Form 895 to the group manager within 10 days, the group manager will follow up with the examiner (IRM 25.6.23.5.3, Form 895 Completion Requirements for Managers). Statute controls are critical to ensuring the protection of the statute of limitations and should be continually monitored even if the statute is no longer considered imminent.
- (6) Every attempt should be made to complete a case before a statute extension is necessary. However, if the examiner cannot expeditiously conclude the examination, the examiner and the group manager may decide to solicit a statute extension form applicable to the case (Form 872, 872-A, 872-T etc.). Upon

receipt of an executed statute extension, the statute expiration date on the Form 895 is updated and the case forwarded to the group manager for approval.

4.63.4.9.2.1
(01-25-2018)
Monitoring Statutes

- (1) It is imperative that statutes are continually monitored to ensure they are fully protected and that statute control procedures are followed. Both the group manager and examiner are responsible for verifying and protecting the statute of limitations on all assigned cases. As tax returns are received in the group, it is required that the manager verify the accuracy of the assessment statute expiration date (ASED). This verification is required whether there is a filed return or non-filer controls have been established.
- (2) When an examiner receives a case file from the manager, they must also ensure the accuracy of the ASED. This screening by the examiner is even more important when alpha statutes codes are involved because various circumstances can cause the alpha statute codes to revert to the normal three-year statute expiration date, which requires protection.
- (3) The manager and examiner will use all available information in the administrative file, including information from internal systems such as IDRS and CFOL (Corporate Files On-Line), and application of appropriate Internal Revenue Code sections, Treasury Regulations, and the IRM to ensure the statute of limitations is correctly reflected. When errors are found, established procedures will be followed to update the ASED date.
- (4) This statute date must be closely monitored to ensure the government's interest is protected. The statute date will not change unless it is updated to reflect the execution of a Form 872, a Form SS-10 or because updating to an alpha statute code is appropriate. The manager and examiner must continue to monitor the statute using the monthly Inventory Validation Listing, ERCS Statute Reports and Table 4.1 to ensure statute control procedures are started within 210 days of the expiration of the statute.

Note: The fax policy now allows acceptance of signatures by fax or e-fax on consents if taxpayer contact has been made and the case history documents the date of contact and the desire of the taxpayer to submit the consent by fax.

4.63.4.9.3
(01-25-2018)
**Conditions Which
Extend the Assessment
Statute Expiration Date**

- (1) If one or more of the following conditions is present, the Assessment Statute Expiration Date (ASED) may be extended.

IRC Section	Title
IRC 664	Charitable Remainder Trusts
IRC 1033(a)	Involuntary Conversion
IRC 1314(b)	Mitigation
IRC 6013(b)	Joint Return After Filing Separate Return
IRC 6229	Partnership Items

IRC Section	Title
IRC 6501(b)(3)	Substitute for Return (SFR)
IRC 6501(c)(1)	False Return
IRC 6501(c)(2)	Willful Attempt to Evade Tax
IRC 6501(c)(3)	No Return
IRC 6501(c)(4)	Extension by Agreement
IRC 6501(c)(5)	Tax Resulting From Changes in Certain Income or Estate Tax Credits
IRC 6501(c)(6)	Termination of Private Foundation Status
IRC 6501(c)(7)	Certain Amended Returns
IRC 6501(c)(8)	Failure to Notify the Secretary of Certain Unreported Foreign Transfers
IRC 6501(c)(9)	Gift Tax (Form 709)
IRC 6501(c)(10)	Listed Transactions
IRC 6501(e)	Substantial Omission
IRC 6501(e)(3)	Excise Tax Substantial Omission
IRC 6501(f), 543 & 544	Personal Holding Company
IRC 6501(h)	Net Operating Loss Carryback or Capital Loss Carrybacks
IRC 6501(i)	Foreign Tax Carrybacks
IRC 6501(j)	Certain Credit Carrybacks
IRC 6501(m)	Certain Credits Elected
IRC 6503(a)	Statutory Notice of Deficiency and Petitions to Tax Court
IRC 6503(b)	Bankruptcy
IRC 6503(c)	Taxpayer Outside United States
IRC 6901	Transferred Assets (Transferees and Transferors)
IRC 7609(e)	John Doe Summonses

- (2) If a timely filed individual amended return showing an increase in tax is received within 60 days of the ASED of the original return, the assessment of the amended return is extended for 60 days from the day the amended return was received on all subtitle A (Income) taxes.

Caution: An additional assessment on a module, such as a TC 290 or TC 300, **does not** extend the ASED. The ASED is determined only by the received date or the due date of the original return, unless any of the above conditions are met.

4.63.4.9.4 (10-19-2023) Enacted Provisions

- (1) Congress amended IRC 6501(e) in the Hiring Incentives to Restore Employment (HIRE) Act in 2010 to add an additional provision under the definition of substantial omission of income. IRC 6501(e) was amended to add that an omission of more than \$5,000.00 in gross income attributable to specified foreign financial assets extends the period for assessment to 6 years from the later of the date the return was due (without regards to extensions) or filed, regardless of whether or not the specified foreign financial assets are reported as required under IRC 6038D, Information with Respect to Foreign Financial Assets.
- (2) The amendment to IRC 6501(e) applies to all returns as long as the period of time (determined without regard to the IRC 6501(e) amendments referenced above) for assessment of taxes has not expired as of March 18, 2010.

If	And	Then
The income tax return was filed after March 18, 2010, or the assessment statute was otherwise still open as of that date	More than \$5,000 was omitted from gross income that is attributable to specified foreign financial assets	The statute remains open under IRM 6501 for a total of six years from the date the return was filed

- (3) Congress also provided that the failure to file various international information returns would hold open the assessment statute of limitation for three years after the date the taxpayer furnishes the required information. In addition, IRC 6501(c)(8) was amended to clarify that this statutory exception to the period of time for assessment, if applicable, applies to the entire return, not just those tax liabilities associated with the information not reported. If, however, the failure to furnish information required to be reported is due to reasonable cause and not willful neglect, the IRC 6501(c)(8) extended time for assessment applies only to the item or items associated with such failure.
- (4) With limited exception (discussed below for returns subject to IRC 6038D), the amendment to the limitations period under IRC 6501(c)(8) applies as long as the period of time for assessment of taxes has not expired as of March 18, 2010.
- (5) For returns subject to the reporting requirements under IRC 6038D, the amendment to the limitations period under IRC 6501(c)(8) applies to tax years beginning after March 18, 2010.

- (6) Form 8938, Statement of Foreign Financial Assets, is designated for reporting the information required by IRC 6038D.
- (7) Assessment statute expiration date (ASED) alpha codes "NN" and "UU" apply to IRC 6501(e) and IRC 6501(c)(8), respectively.
- (8) In 2015, Section 2005 of the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015, P.L. 114-41, 129 Stat. 443 (2015), added language to IRC 6501(e)(1)(B) providing that an understatement of gross income by reason of an overstatement of unrecovered cost or other basis is an omission of gross income. This legislation applies to returns filed after July 31, 2015. It also applies to returns filed on or before July 31, 2015, if the period of limitations under IRC 6501 (determined without regard to the legislation) has not expired as of that date.

4.63.4.9.5 (10-19-2023)

Offshore Voluntary Disclosure Cases - Special Provisions

- (1) Examiners are responsible for protecting all open statutes on Voluntary Disclosure cases. A Form 872, Consent to Extend the Time to Assess Tax, which is unrestricted, must be secured to protect all open statutes. Examiners should use the procedures in IRM Exhibit 25.6.23-3 for updating cases to the "YY" alpha status when applicable. See IRM 4.63.4.9.3, Conditions Which Extend the Assessment Statute Expiration Date, for a list of other IRC sections that may extend the ASED date.
- (2) Examiners are not to update their case to the "AB" alpha status. Technical Services uses this alpha status after the case is closed to their Status 21. At that point, Technical Services executes a Form 906, Closing Agreement on Final Determination Covering Specific Matters, which has been prepared and signed by the examiner and then signed by the taxpayer.
- (3) Examiners are responsible for performing thorough statute inspections for each year included in the disclosure period. The most common statute issue on OVDP cases is Form 872 including extension for years with barred statutes. Locate "Authority to Allow Normal Assessment Statute of Limitations to Expire on Voluntary Disclosure Program Case" (commonly known as YY memo) and executed Form 872 and match to the statutes of limitations listed when assigned. Forms 872 executed at the OVDP unit includes all years under the applicable disclosure period however the form might have been executed after the statute of limitations expired for some years. Years with expired statute of limitations remain in alpha code YY if the regular 3-year ASED (including alternative statute dates under IRC 6501) time period has elapsed prior to the Form 872 execution.

4.63.4.9.6 (10-19-2023)

Use of Alpha Code YY

- (1) An alpha code is a two-digit alphabetic code designating a special statute situation. A two-digit alphabetic code designating a special statute situation may be entered in the day (DD) position of the statute on AIMS and ERCS. For example, if FF is entered for a reference return and the actual statute expiration is 04152014, the statute date will be entered on AIMS as 04FF2014. Examiners and managers must understand how the tax law impacting the periods of limitation applies in each particular situation before allowing the normal ASED to expire. Updating to an alpha code statute should only be considered after making an attempt to secure the taxpayer's consent to extend the ASED. If there is not sufficient time to secure an extension of the ASED (generally, when the return is received in the group with less than 30 calendar

days prior to the return's ASED or the taxpayer has refused to agree to an extension of the statute), then the case should be updated to the appropriate alpha code statute.

- (2) The YY alpha code may be used for any tax return filed involving abusive offshore arrangements where it has yet to be determined a specific statutory exception to the normal 3-year assessment statute of limitation.
 - (3) YY is also used when the decision is made to allow the normal statute of limitations to expire on the Offshore Project returns and the decision to allow the normal assessment statute to expire has been timely and properly documented, including approval by the Territory Manager. The documentation requirement to support the determination that special conditions exist will be satisfied by including the following statement:
 - The examination of the above-mentioned individual was initiated through a special project or because it was otherwise identified as potentially involving offshore noncompliance. Due to the complexity of the case, Revenue Agent (enter name) is working collaboratively with Counsel and both Area and National Office Subject Matter Experts. It has been determined that there is a likelihood in this case that one or a combination of the following conditions exists: (1) the tax return is false/fraudulent; (2) a sufficiently large omission of gross income to rely on the 6-year assessment statute; or, (3) failure to notify the Secretary of foreign transfers (IRC 6501(c)(8)).
 - (4) Examiners should properly develop the facts and apply the law to the facts in order to make appropriate tax and penalty determinations before case closure. In cases that are ultimately determined to involve intent to evade or avoid taxes, it is customary to include as many taxable periods as possible to demonstrate patterns of conduct.
 - (5) To ensure that cases are properly developed and not forced prematurely into court, the courts have recognized that it is entirely appropriate for the Service to continue an investigation after the three-year period has expired when the purpose is to determine the existence of fraud or substantial unreported income.
 - (6) Alpha code YY may be used when the return meets one of the Offshore Project code definitions, even if AIMS properly reflects another approved project code rather than an approved Offshore Project code. If the return is not project coded on AIMS, the return should be project coded with the appropriate Offshore Project code either before or simultaneously with the input of ASED alpha code YY.
-
- (1) Alpha codes used to designate special statute conditions are fully described in IRM Exhibit 25.6.23-3, Instructions for Updating the Statute on AIMS. Common alpha codes used in international examinations are briefly described below:
 - a. AA - Claim for Refund/Credit Only Issue
 - b. AB - Assessment Statute of Limitations Waived by Properly Executed Closing Agreement
 - c. BB - NOL or Capital Loss Carryback
 - d. EE - No Return Filed

4.63.4.9.7
(01-25-2018)
**Other Common Alpha
Codes Used in
International
Examinations**

- e. NN - Substantial Omission of Items (IRC 6501(e))
- f. OO - False or Fraudulent Return (taxpayer not under joint investigation) (IRC 6501(c))
- g. UU - Failure to Notify Secretary of Foreign Transfers

4.63.4.9.8
(01-25-2018)

**More Than One Special
Statute Condition**

- (1) If more than one special alpha statute may apply, rely on the more conservative alpha statute. For example, if a case involves both a substantial omission of income (6-year statute) and fraud, rely on the 6-year statute first. The facts of the case must be considered in making the determination of which alpha statute to use. Generally the normal statute of limitations should not be updated to an alpha code earlier than 180 days before expiration of the normal assessment period. Alpha code EE (no return filed) is the exception to this general rule and may be entered on AIMS in non-filer situation at the time the AIMS record for the non-filed tax period is established.
- (2) Most alpha codes apply only when precise requirements of the law are met. A statement in the Remarks section of Form 895 is required to explain the IRC section relied upon for updating the ASSED. The signatures or initials of the employee charged with the return and the manager are placed next to the statement to give assurance that all aspects of the alpha code condition have been carefully considered.
- (3) In cases involving more than one special alpha statute, consider requesting the advice of local SB/SE Counsel on assessment statute of limitations in your case.

4.63.4.9.9
(10-19-2023)

**Statute of Limitations
and Offshore Project
Cases**

- (1) For all cases where taxpayers are involved in offshore transactions examiners should properly develop the facts and apply the law to the facts in order to make appropriate tax and penalty determinations before case closure.
- (2) In cases that are ultimately determined to involve intent to evade or avoid taxes, it is customary to include as many taxable periods as possible to demonstrate patterns of conduct.
- (3) In some instances, examiners will be assigned cases with limited time remaining on the statute of limitations. In these instances, it will be difficult to accurately document a case-specific basis for the decision to continue the examination of the year beyond the statute date as required by current standard procedures. Cases selected for examination in offshore projects share many common challenges, namely:
 - a. Examinations are complex and include the review of large volumes of documents to review as well as the need to secure documents located outside the United States.
 - b. Examinations often involve multiple entities to include partnerships, trusts, and international business corporations.
 - c. In many instances, there is the likelihood that one or more of the exceptions to the general three-year statute of limitations applies.
- (4) IRM 25.6.23.5.7.2, Reliance on IRC Provisions Which Extend Normal Assessment Statute, and IRM Exhibit 25.6.23-3, Instructions for Updating the Statute on AIMS, provides the authority for a team manager to allow the normal assessment statute to expire, in other than joint investigation situations, if the manager determines that special conditions exist that extend the normal assessment statute.

- (5) The IRM further instructs that the decision on each case should be documented, discussed, and approved, in writing by the territory manager. If additional examination activity is warranted, the statute should not be allowed to expire. In those instances, the following provisions apply:
 - a. The examiner must timely and properly make a request to the taxpayer to extend the normal assessment statute of limitations and document the file accordingly with the request and the taxpayer's response (or lack thereof).
 - b. Prior to the expiration of the normal assessment statute, the examiner must discuss with the team manager the decision to allow the normal statute of limitations to expire. Form 15042, Memorandum Approval Request to Allow the Normal Assessment Statute of Limitations to Expire, is completed and signed by the examiner, and approved by the team manager. The form is then forwarded to the respective territory manager for final approval. The case file will be documented accordingly to include a copy of Form 15042 with all signatures.
 - c. The documentation should include the following statement:
"As part of an offshore project, it has been determined that there is a likelihood in this case that one or a combination of the following conditions exist: 1) the tax return is false/fraudulent; 2) a sufficiently large omission of gross income to rely on the 6-year assessment statute; or 3) failure to notify the Secretary of Foreign Transfers (IRC 6501(c)(8))."
- (6) If it is determined that an exception to the normal period for assessment applies, update the ASED to the applicable alpha code, for example, NN for IRC 6501(e), OO for IRC 6501(c)(1) or UU for the IRC 6501(c)(8) exception. The month (MM) and year (YYYY) entries accompanying the Alpha Code YY are the month and year the normal three-year statute expires.
- (7) If it is ultimately determined that there is no exception to the normal ASED, then replace the YY alpha coded ASED with the actual statute expiration date. If the ASED has in fact expired and an assessment cannot be made, refer to IRM 4.63.4.9.14, Barred Assessment Statute Report, for the procedures for preparing and submitting a Form 3999, Statute Expiration Report.
- (8) In instances where the decision to allow the three year statute to expire was discussed with the team manager, concurred by the territory manager and documented accordingly, all parties involved in the decision will be deemed to have acted appropriately.
- (9) If an IIC examiner desires legal advice on the applicability of the YY alpha code in offshore cases, contact local SB/SE Counsel.

4.63.4.9.10
(10-19-2023)
John Doe Summons

- (1) Under IRC 7609(e)(2), the statute of limitations on assessment in any case in which a third-party summons remains unresolved for more than six months is suspended from the six-month anniversary of the service of the summons until the final resolution of the response to the summons. This applies to "any person with respect to whose liability the summons is issued...". For a John Doe summons, the suspension applies to each member of the John Doe class. In certain situations where the suspension period has not been finalized, the statute of limitations may be updated using alpha code LL. See IRM

25.6.23.5.7.2, Reliance on IRC Provisions Which Extend the Normal Assessment Statute, and IRM Exhibit 25.6.23-3, Instructions for Updating the Statute on AIMS.

- (2) For example, a John Doe summons, which sought records of all taxpayers who had undisclosed accounts at X Institution at any time from 2014 through 2019, was served on January 1, 2021. The six-month anniversary of that date is July 1, 2021. The production of account information was accomplished over a period of time, and the letter to X Institution notifying it of the substantial compliance of the summons was issued on June 1, 2022. Therefore, the statute of limitations on assessment was suspended under IRC 7609(e)(2) from July 1, 2021 until June 1, 2022, for any of the years 2014 through 2019 for which the statute was still open under any provision of the Internal Revenue Code. This statute suspension under the John Doe summons rules does not apply to 2020, 2021, or 2022 because those years were not included in the John Doe summons.
- (3) Examiners can calculate a new ASED based on a suspension of the statute by adding to the old ASED the number of days remaining on the statute as of July 1, 2021.

Example: For the 2019 calendar year, for which the three-year statute would have expired on April 15, 2023, the statute was suspended on July 1, 2021, at which time the unexpired portion of the statute was 653 days. The suspension ended on June 1, 2022, so the ASED will be 653 days after that date, or March 15, 2024. On the other hand, the normal three-year statute of limitations for 2017 expired on April 15, 2021, which was before the John Doe suspension began, so the suspension will have no effect on the three-year statute for 2017 and prior years. However, the suspension of IRC 7609(e)(2) applies equally to the six-year statute of limitations. If the IRS finds a 25 percent omission of gross income in 2017, the six-year statute will apply, and the suspension will be effective to calculate a new six-year statute for 2017. In that case, there would be 1,019 days remaining on the six-year statute when the suspension started on July 1, 2021. Adding that time to the date the suspension ended, June 1, 2022, gives a new ASED of March 16, 2025.

- (4) In addition, once an examiner confirms that the taxpayer held a foreign financial asset and that the unreported income from that foreign financial asset exceeded \$5,000.00, the six-year statute of limitations provided by IRC 6501(e)(1)(A)(ii) would apply and is included into the ASED calculation date.
- (5) This analysis applies equally to any other case involving John Doe class members that were identified as a result of, or subsequent to, issuance of a John Doe summons.

4.63.4.9.11
(01-25-2018)
**Claim for Refund and
Refund Statute
Expiration Date**

- (1) Claims for credit or refund must be filed within **the later** of:
 - a. 3 years of the filing of the return, or
 - b. 2 years from the date the tax was paid.
- (2) Claims for refund do not extend the statutory period for assessing additional tax; therefore, consider asking the taxpayer to sign a Form 872 extending the ASED for the years of the claim.

- (3) An original delinquent return claiming an overpayment is a claim for refund. A taxpayer is entitled to a credit/refund for any payment paid within three years from the received date of an original delinquent return, including extensions.

4.63.4.9.12 (01-25-2018) **Claims for Refund for Foreign Taxes Paid or Accrued**

- (1) There is a special statute of limitation for refund claims attributable to foreign tax credits. If a claim for credit or refund relates to an overpayment attributable to any taxes paid or accrued to any foreign country or to any U.S. possession for which credit is allowed against the tax imposed by subtitle A in accordance with the provisions of IRC 901 or the provisions of any treaty to which the U.S. is a party, then in lieu of the 3 year period of limitations prescribed in IRC 6511(a), the period of limitations shall be 10 years from the date prescribed by law for filing the return for the year in which such taxes were actually paid or accrued. Also see IRC 6511(d)(3).
- (2) When examining claims for refund relating to foreign tax credits, watch for taxpayer attempts to change from the cash basis to the accrual basis in claiming foreign tax credit. A change from cash to accrual for foreign taxes paid or accrued is not permissible. *Strong v. Willcuts*, 1935 U.S. Dist. LEXIS 2063; 36-1 U.S. Tax Cas. (CCH) P9032 (D. Minn. 1935).

4.63.4.9.13 (10-19-2023) **FBAR Statute and Authorities Overview**

- (1) The Report of Foreign Bank and Financial Accounts (FBAR), FinCEN Form 114, is required when a U.S. person has a financial interest in or signature authority over one or more foreign financial accounts with an aggregate value greater than \$10,000. If a report is required, certain records must also be kept. FinCEN requires that all FBARs be electronically filed through the Bank Secrecy Act (BSA) e-filing system.
- (2) In April 2003, the IRS was delegated civil enforcement authority for the FBAR.
- (3) Income tax audits are Title 26 examinations while FBAR inquiries are Title 31 examinations. Therefore, information gathered in a Title 26 audit cannot be used in a Title 31 inquiry unless there is a related statute memorandum (RSM) approved by the team manager. See IRM 4.26.17, Report of Foreign Bank and Financial Accounts (FBAR) Procedures, for additional information.
- (4) The statute of limitations on assessment of civil FBAR penalties is six years from the date of the violation. For information returns prior to 2015, the FBAR filing date is **June 30** of the year following the calendar year for which the foreign financial account should be reported. Effective for tax years **beginning after December 31, 2015, the new due date is changed from June 30 to April 15** of the year following the calendar year for which the foreign financial account should be reported. FinCEN now grants taxpayers an automatic six month extension for filing FBARs. The six month extension requires that FBARs be filed by October 15. If a filer fails to file by October 15, the FBAR violation date is effective the due date of the income tax return for the same reporting year
- (5) The period of limitation on assessment of FBAR civil penalties is found in 31 USC 5321(b)(1). Section 5321(b)(1) provides that the Secretary of the Treasury may assess a civil penalty under subsection (a) at any time before the end of the six year period beginning on the date of the transaction with

respect to which the penalty is assessed. The IRS takes the position that the filing due date for FBARs is the date from which to compute the six-year limitations period.

- (6) A person may voluntarily waive the statute of limitations for assessing FBAR penalties. Unlike the statute of limitation for assessing income tax liabilities, a taxpayer may waive the assessment statute of limitation for FBAR penalties even after it has expired. See IRM Exhibit 4.26.17-6, Consent to Extend the Time to Assess Civil Penalties for FBAR Violations.
- (7) Refer to 31 USC 5314, 31 CFR 1010.350, IRM 4.26.16, Report of Foreign Bank and Financial Accounts (FBAR), IRM 4.26.17, Report of Foreign Bank and Financial Accounts (FBAR) Procedures, and the FBAR filing instructions for more discussion of FBAR.

4.63.4.9.14
(01-25-2018)
**Barred Assessment
Statute Report**

- (1) When a tax assessment is not made within the prescribed period for assessment it is considered a “barred assessment”.
- (2) In the event an ASER expires while a tax return is under the examiner’s control, the examiner must prepare a statute expiration report using Form 3999. Form 3999 is due within 10 business days of the date the examiner becomes aware of the expired statute.
- (3) The preliminary report is routed to the Director of Field Operations and forwarded to Director, WEIC for transmittal to LB&I Headquarters. The report package should include the following information:
 - a. Completed Form 3999.
 - b. Memo of Disciplinary Action (barred statutes may result in disciplinary action)
 - c. Any relevant supporting documentation to explain the events that led the barred statute and/or reason for barred statute. This information includes but is not limited to: time line of events, copies of any Forms 872 with taxpayer’s signature, copy of any memo allowing the statute to expire, IDRS transcripts of accounts and applicable statute calculations.
- (4) IRM 25.6.1.13.2.9, Statute Expiration Reporting Responsibilities and Procedures for LB&I Field Operations and LB&I Campus Employees, identifies additional procedures that must be followed when an LB&I return has a barred statute.

4.63.4.10
(10-19-2023)
Issue Resolution

- (1) See IRM 4.10.7, Issue Resolution.
- (2) See IRM 4.10.7.5, Proposing Adjustments to the Taxpayer and/or Representative.
- (3) See IRM 20.1.1.2.3.1, Timing of Supervisory Approval, for all penalties subject to IRC 6751(b)(1).
- (4) See IRM 20.1.5.2.3.1, Documenting Supervisory Approval of Penalties.

4.63.4.11
(10-19-2023)
Report Writing

- (1) IIC generally follows the procedures in IRM 4.10.8, Report Writing. Audit reports should contain all the information necessary to ensure a clear understanding of the adjustments and document how the tax liability was computed. Examination reports are legally binding documents, and, when executed, serve as the basis for assessment and collection action. Based on this importance, examiners should take all necessary steps to ensure report accuracy. If a corrected report is needed, see IRM 4.10.8.13, Corrected Reports.
- (2) RGS users must save a complete copy of all audit reports provided to the taxpayer or representative to RGS Case File Documents. Each report must be saved as a single PDF using the established file naming convention: REPORT - [Form #] - [Creation Date Using YYYYMMDD Format]. When applicable, the file name should include additional descriptive information to allow users to identify the correct report (see example 2 below).

Example 1: Form 4549 created by the examiner on April 7, 2021 should be named "REPORT - 4549 - 20210407."

Example 2: Form 4549-A created by an LB&I Tax Computation Specialist (TCS) on November 1, 2021 for a Joint Committee case should be named "REPORT - 4549-A - 20211101 - TCS."

Note: If the case is excluded from paperless electronic closure, the complete report must also be printed and included in the physical (paper) administrative case file. See the Cases Excluded from Paperless Electronic Closure page on the Exam Procedures Knowledge Base at [https://irs.gov.sharepoint.com/sites/ETD-KMT-KB051/](https://irs.gov/sharepoint.com/sites/ETD-KMT-KB051/).

- (3) A complete audit report includes the following elements:

Audit Report Elements	Examples
Report form summarizing the audit findings and any proposed adjustments.	<ul style="list-style-type: none">Form 4549Form 4549-AForm 4605
Supporting schedules and/or explanations, which contain the information necessary to ensure a clear understanding of the adjustments and demonstrating how the tax liability was computed (when applicable).	<ul style="list-style-type: none">Issue lead sheets (excluding audit steps)Standard explanation paragraphsRGS-generated computation schedules
Other procedurally required forms, when applicable	Appropriate civil penalty approval form specified by procedures in IRM 20.1.9, International Penalties

- (4) A copy of the signed and dated letter used to transmit the audit report must be maintained in the case file (following applicable electronic case file procedures). See IRM 4.10.15.7.19, Office Documents (OD) and Case File Documents (CFD).

Note: Closing letters for paperless electronic closure cases are mailed by the group (instead of CCP) when the case is closed from the group. Therefore, select “No letter required to be sent by CCP” on page 2 of Form 3198 under “Letter Instructions for CCP.”

- (5) If a letter is undeliverable, the undeliverable mail (and re-mailing to the new address) must be documented in the closed case file by either retrieving the RGS case from archives, digitizing the documents (including the front and back of the envelope), notating the activity record with actions taken, and re-archiving the case; or sending the returned mail/copy of the returned mail/re-mailed letter to Files to be associated with the closed case as explained in the “Sending_To_Files” file located in the Electronic Case File Initiative folder from the Exam General Process page at https://irs.gov.sharepoint.com/sites/SbEf_WebDoc/ExamGeneralProcesses/Forms/AllItems.aspx.
- (6) When closing a multi-year case containing at least one agreed/no-change year and one unagreed year, examiners should split the electronic and physical (if a physical administrative case file is required).
- (7) Generally, the group will close the case to the appropriate function after it is split (e.g. agreed/no-change year is closed directly to CCP; the unagreed years are sent to Technical Services in Status 21). Do **not** split the following multi-year examination cases:
- Joint Committee cases (unless instructed by JCR)
 - Multi-year cases containing one agreed/no-change year and one unagreed year, when the issues raised in the unagreed year(s) are related to or dependent on the issues raised in the agreed or no-change year(s)

Note: Per Policy Statement 4-34, the IRS requires delaying the closing of a case with an overassessment until the taxpayer in an inter-related case with a deficiency agrees to the proposed adjustments or a court establishes the correctness of the adjustments. See IRM 1.2.1.5.13, Policy Statement 4-34, Closing of overassessment case to be withheld until deficiency of related taxpayer is established.

- (8) For protested cases closed using paperless electronic closure, examiners must complete and include Appeals’ Electronic Case Receipt Check Sheet in the case file. A separate check sheet is required for the key case and each related case closing to Appeals. IIC examiners use the **Electronic Case Receipt Check Sheet** file (located in the Electronic Case File Initiative folder from the Exam General Process page at https://irs.gov.sharepoint.com/sites/SbEf_WebDoc/ExamGeneralProcesses/Forms/AllItems.aspx) that has some information already hard coded (e.g. “see Form 3198”). RGS users include this check sheet in the Case File Documents folder. A Technical Services employee will include the check sheet when they submit the case referral to Appeals using the Appeals Electronic Case Receipts (AECR) SharePoint site.

4.63.4.11.1
(10-19-2023)
**No-Change (No
Adjustments) - IIC
Streamlined No-Change
Process**

- (1) IIC procedures differ from those described in IRM 4.10.8.3.1, No-Change (No Adjustments), for individual and C-corp cases. IIC campus and field operations follow the Streamlined No-Change Process for an examination resulting in no adjustments (Disposal Code 02).

Note: The Streamlined No-Change Process does not apply to flow-through entity cases. IIC examiners will follow IRM 4.10.8.3.1, No-Change (No Adjustments), for flow-through entity cases.

Note: In addition, the Streamlined No-Change Process does not apply to returns closed using Disposal Code 01, No Change With Adjustments (or any examination with adjustments in one or more years which net to zero).

- (2) IIC examiners will close cases that have no adjustments in any years without preparing a no-change audit report.
- (3) IIC examiners do not prepare nor send Letter 3401, No Change Report Transmittal Letter.
- (4) IIC examiners must prepare an undated Letter 590, No-Change Final Letter, and it's mailed by CCP. Closing letters for paperless electronic closure cases are mailed by the group instead of CCP.
- (5) On Form 3198, check the boxes for "Letter 590" in the "Letter Instructions for CCP" section if CCP is responsible for mailing the letter.

Reminder: For paperless electronic closure cases, select "No letter required to be sent by CCP" on page 2 of Form 3198 under "Letter Instructions for CCP". A copy of the signed and dated letter is saved in the case file.

- (6) Re-opening procedures do not apply if subsequent changes are needed before issuance of Letter 590.
- (7) The "no-change" report (if available) may be acceptable documentation for repetitive audit verification in lieu of Letter 590 if the transaction code on the transcript corroborates the taxpayer's no-change report. The examiner should research IDRS using command code IMFOLZ or BMFOLZ, which will display the results of the last two audits. This command code will show the "No-Change Issue Codes," also known as "IMF Issue Codes," disposal codes and any deficiency amount. The "IMF Issue Codes" can be found in IRM Exhibit 4.10.16-1, IMF Issue Codes.

4.63.4.12
(10-19-2023)
**Report Generation
Software (RGS)**

- (1) See IRM 4.10.15.1.1, Background, for general information.
- (2) For more information and training material, see the Report Generation Software (RGS) and CEAS book on the Exam Systems Knowledge Base at <https://irs.gov.sharepoint.com/sites/ETD-KMT-KB091>.
- (3) See IRM 4.10.15.2, Requirements to Use RGS and CEAS.
- (4) See IRM 4.10.15.2.1, CEAS Inventory Management.
- (5) See IRM 4.10.15.5.1, Retrieving Closed Cases.

- (6) See IRM 4.10.15.7.6, Variance.
- (7) See IRM 4.10.15.7.12, Reports.
- (8) See IRM 4.10.15.7.13, Form 5344.
- (9) See IRM 4.10.15.7.16, Compliance Evaluation.
- (10) See IRM 4.10.15.7.19, Office Documents (OD) and Case File Documents (CFD).
- (11) See IRM 4.10.15.7.X, File Naming Conventions, included in Internal Guidance Memorandum SBSE-04-0722-0032, Procedures for Electronic Case Files, to be incorporated into IRM 4.10.15.7, Workpapers.
- (12) See IRM 4.10.15.9, Generic Workcenter.
- (13) See IRM 4.10.15.10, Disposition of Cases.
- (14) See IRM 4.10.15.10.X, Examined Closures, Examiner Responsibilities, included in Internal Guidance Memorandum SBSE-04-0722-0032, Procedures for Electronic Case Files, to be incorporated into IRM 4.10.15.10, Disposition of Cases.
- (15) See IRM 4.10.15.10.Y, Examined Closures, Manager Responsibilities, included in Internal Guidance Memorandum SBSE-04-0722-0032, Procedures for Electronic Case Files, to be incorporated into IRM 4.10.15.10, Disposition of Cases.
- (16) See IRM 4.10.15.10.3, Non-Examined Closures.

4.63.4.12.1
(10-19-2023)
**Creating International
Returns in RGS**

- (1) Special procedures are needed in order to use RGS for Form 1040NR and Form 1120F tax returns. In order to create Forms 1040NR and Forms 1120F in RGS the following workarounds must be performed:
 - a. For information on Form 1040NR in RGS, see the How to Use RGS for 1040NR page on the Exam Systems Knowledge Base at <https://irs.gov.sharepoint.com/sites/ETD-KMT-KB091>.
 - b. Examiners create Form 1120F using the Form 1120 form type. Match the following lines to Form 1120 line numbers: Tax from Section I, Tax from Section II, Tax from Section III and Total Tax.

For additional guidance, please contact the local Functional Automation Staff (FAS) for assistance or the local RGS coordinator.

4.63.4.12.2
(10-19-2023)
**Universal Issue List
(UIL) Codes**

- (1) WEIIC developed Universal Issue List Codes (UIL) for WEIIC audits. The codes are required for WEIIC cases. The codes will be used for effective identification of cases and track the issues worked and to identify areas for training opportunities. Refer to the WEIIC UIL website at <https://irs.gov.sharepoint.com/sites/LBI/SitePages/ADCI412.aspx> for more information on UIL codes.

4.63.4.13
(10-19-2023)
Workpapers

- (1) See IRM 4.10.9.1, Overview.
- (2) See IRM 4.10.9.4, Workpaper System.
- (3) See IRM 4.10.9.5, Activity Record.

4.63.4.13.1
(10-19-2023)
**Administrative Lead
Sheets**

- (1) Administrative lead sheets address the administrative items requiring comment by the revenue agent (e.g., initial interview, required filing checks and minimum income probes). They are also used as guides to assist the examiner with properly completing the audit.

Caution: If a lead sheet contains check boxes, they should be used to notate the applicability of an action taken. Supporting documentation to explain the action taken should be included. Generally, check boxes by themselves are not adequate supporting documentation. IRM 4.63.4.6.1, Pre-Contact Planning of IIC Examination Activities, provides additional guidance regarding the use of check boxes.

- (2) In general, administrative lead sheets do not contain an adjustment grid displaying “Per Return” and “Per Exam” amounts.
- (3) The administrative lead sheets listed below are mandatory for revenue agents and are generally applicable to all income tax cases.
- a. 100-2, Revenue Agent Audit Plan
 - b. 100-3, Initial Taxpayer/Representative Discussion/Interview Check Sheet
 - c. 100-4, Group Manager Concurrence Meeting (GMCM) and Managerial Involvement (mandatory for GS-12 and below)
 - d. 200, Multi-Year and Related Returns
 - e. 300, Civil Penalty and Approval Form (mandatory for all deficiency and/or erroneous claim for refund or credit cases even if a penalty is not asserted)
 - f. 400, Minimum Income Probe

Note: If gross receipts are classified, the examiner must add the issue as a “Classified Issue” (RGS will assign a number in the 4XX series). If gross receipts are **not** classified, but are examined, the examiner must add the issue as a “New Issue” (RGS will assign a number in the 5XX series). See IRM 4.10.15.7.9.1, Issue Types, for additional guidance.

- (4) The administrative lead sheets listed below are mandatory for tax compliance officers and are generally applicable to all income tax cases.
- a. 100-2, Tax Compliance Officer Audit Plan
 - b. 100-3, Initial Taxpayer/Representative Discussion/Interview Check Sheet
 - c. 200, Multi-Year and Related Returns
 - d. 300, Civil Penalty and Approval Form (mandatory for all deficiency and/or erroneous claim for refund or credit cases even if a penalty is not asserted)
 - e. 400, Minimum Income Probe

Note: If gross receipts are classified, the examiner must add the issue as a “Classified Issue” (RGS will assign a number in the 4XX series). If gross receipts are **not** classified, but are examined, the examiner must add the issue as a “New Issue” (RGS will assign a number in the 5XX series). See IRM 4.10.15.7.9.1, Issue Types, for additional guidance.

- (5) The administrative lead sheets listed below are mandatory for tax examiners and are generally applicable to all income tax cases.

- a. 100-2, International Individual Compliance Project Lead Sheet
- b. 300, Civil Penalty and Approval Form

4.63.4.13.2
(10-19-2023)

Issue Lead Sheet

- (1) See IRM 4.10.9.6.2, Issue Lead Sheets.
- (2) See IRM 4.10.9.6.2.1, Issue Lead Sheet Format.
- (3) See IRM 4.10.9.6.2.2, Issue Lead Sheet Content.

4.63.4.13.3
(01-25-2018)

Workpaper Content

- (1) See IRM 4.10.9.7, Workpapers.

4.63.4.13.3.1
(10-19-2023)

Workpaper Headers and Footers

- (1) See IRM 4.10.9.7.1, Workpapers: Headers and Footers.

4.63.4.13.3.2
(10-19-2023)

Workpaper Indexing

- (1) See IRM 4.10.9.7.2, Workpapers: Indexing.

4.63.4.13.3.3
(10-19-2023)

Disclosure

- (1) See IRM 4.10.9.7.3, Workpapers: Disclosure.
- (2) See IRM 4.10.9.7.3.1, Extremely Sensitive Information.

Note: Any communication with Chief Counsel attorneys concerning the case may be subject to various legal privileges and therefore not subject to disclosure. If there is any communication from Chief Counsel about the case in the case file, please consult with that Chief Counsel attorney for input on whether communication is subject to disclosure.

4.63.4.13.3.4
(10-19-2023)

Workpaper Documentation

- (1) See IRM 4.10.9.7.4, Workpapers: Documenting Pre-Plan.
- (2) See IRM 4.10.9.7.5, Workpapers: Documenting Initial Interview.
- (3) See IRM 4.10.9.7.6, Workpapers: Documenting Tour of Business.
- (4) See IRM 4.10.9.7.7, Workpapers: Documenting Issues.
- (5) See IRM 4.10.9.8, Special Situations Requiring Documentary Evidence.

4.63.4.13.4
(10-19-2023)

Assembly of Administrative File (Only For Exceptions to Paperless)

- (1) Cases excluded from paperless electronic closure are listed on the Exam Procedures Knowledge Base at <https://irs.gov.sharepoint.com/sites/ETD-KMT-KB051/>.
- (2) To prepare the administrative file for the exception cases listed in the link above, follow IRM 4.10.9.9, Case File Assembly for Closing Physical Administrative Case Files.

Note: For IIC tax examiners, see Exhibit 4.63.4-1, Checklist for IIC Tax Examiner on Agreed / No-Change Cases (Only for Exceptions to Paperless Cases), and Exhibit 4.63.4-2, Checklist for IIC Tax Examiner on Unagreed / Default Cases (Only for Exceptions to Paperless Cases), for more information.

4.63.4.13.5
(10-19-2023)
Case File Indexing

- (1) See IRM 4.10.9.X, Case File Indexing, included in Internal Guidance Memorandum SBSE-04-0722-0032, Procedures for Electronic Case Files, to be incorporated into IRM 4.10.9, Workpaper System and Case File Assembly.

4.63.4.13.6
(10-19-2023)
Hardcopy Documents

- (1) See IRM 4.10.9.Y, Hardcopy Documents, included in Internal Guidance Memorandum SBSE-04-0722-0032, Procedures for Electronic Case Files, to be incorporated into IRM 4.10.9, Workpaper System and Case File Assembly.

4.63.4.14
(10-19-2023)
Jeopardy and Termination Assessments

- (1) IRC 6861 and IRC 6851 give the Commissioner specific authority to take immediate assessment and collection action in situations where it is determined that collection of tax will be endangered if regular assessment and collection procedures are followed. A jeopardy assessment is used only where IRS makes its determination after the end of the tax year to which it relates. In a termination assessment, the determination is made before the related tax year ends or before the date to file a return and pay the tax. See IRM 4.15, Jeopardy/Termination Assessments.
- (2) Jeopardy/termination assessments of tax are to be used sparingly. They are to be reasonable, appropriate, and limited to amounts which can be expected to protect the government.
- (3) The mere fact that a taxpayer is the subject of a special fraud investigation is not sufficient grounds for a jeopardy/termination assessment. When it is determined that a taxpayer has few collectable assets to offset the assessment, jeopardy/termination assessments should, generally, not be pursued.
- (4) Each jeopardy/termination assessment must receive the approval of the Area Director per IRM 1.2.1.5.27, IRM 1.2.1.5.28 and IRM 1.2.2.5.18. In addition to the above referenced policy statements and delegation orders, IRC 7429(a)(1)(A) requires the additional, written approval of both the Director of Field Operations (DFO) and Chief Counsel (or delegate) for jeopardy assessments/levies.

4.63.4.14.1
(01-25-2018)
Examination Responsibilities

- (1) Examination is responsible for recommending jeopardy/termination assessments in cases under active consideration by Examination.
- (2) Appeals may forward a report to Examination, on a case pending before Appeals, for Examination to determine if a jeopardy/termination situation exists. Examination must limit its investigation to a determination of whether the collection of the currently proposed deficiency will be endangered if regular assessment and collection procedures are followed. Appeals is responsible for making the final determination of the tax liability.

4.63.4.14.2
(01-25-2018)
Jeopardy Assessment Considerations

- (1) If the assessment or collection of a deficiency will be jeopardized by delay, the deficiency is immediately assessed, including penalties and interest. The assessment is made for a **prior year** where the filing date, including extensions, has passed. The legal authority for jeopardy assessments is:
 - a. IRC 6861 for income, estate, gift, and certain excise taxes
 - b. IRC 6862 for taxes other than income taxes including estate, gift, and certain excise taxes

4.63.4.14.3
(01-25-2018)

**Termination Assessment
Considerations**

- (1) If the collection of a deficiency will be jeopardized by delay, the deficiency is immediately assessed. The deficiency may include penalties, additions to tax, and interest. The deficiency may be computed for a short period or the entire year. The assessment is made for the **current year** or the preceding year if the filing date, including extensions, has not passed. The legal authority for termination assessments is:

- a. IRC 6851 for income tax
- b. IRC 6867 for "Possessor of Cash"

4.63.4.15
(10-19-2023)

**Manual, Quick and
Partial Assessments**

- (1) The term "manual assessment" (also referred to as "prompt" or "quick" assessments) refers to the method used to make an assessment of tax, whether part or all of the tax is assessed. Most tax assessments made for examination cases are done via an AIMS command code. AIMS then sends the assessment information to master file. AIMS will accumulate all assessment amounts done this way and reflects the total on accomplishment reports when the case is closed.
- (2) There are instances when an assessment must be made expeditiously in order to protect the government's interest. In these instances, the assessment is made manually (entered directly into Master File). When assessments are done manually, AIMS is by-passed so the amount is not reflected in the cumulative total in AIMS.
- (3) IIC examiners should keep in mind that a manual assessment is distinct from a partial assessment, even though the procedures are similar.

Note: Due to the critical nature of these criteria, manual assessments will be given a higher priority than partial assessments.

- (4) The most common cases requiring quick assessments meet one of the following criteria:
 - a. **Agreed Unpaid Deficiency over \$100,000.00:** There is a deficiency over \$100,000.00 which is agreed to and unpaid, and the case will not be received in CCP for final closure within 30 days of the agreement date.
 - b. **Agreed Deficiency Case with Imminent Statute:** There is a deficiency and the statute is due to expire within 60 days or there is a deficiency and the case will not be received in CCP before the statute is within 60 days of expiration. (See IRM 25.6.23.5.9.2, Failure to Update AIMS, and IRM 25.6.23.7.1, Minimum Time Remaining on ASER, for special processing procedures).

Note: Imminent statute situations do not include no-change or over-assessment cases. Quick assessments cannot be input on these types of cases. If no change or overassessment cases need to be closed prior to the statute expiration date, the cases should be routed to CCP in time to allow closure prior to the statute expiration date.

4.63.4.15.1
(10-19-2023)
**Case Closure After
Quick Assessment**

- (1) All quick assessments are faxed to CCP prior to final closure. After confirmation of the assessment, final closure is made to CCP Status 51 as a regular agreed case. Form 5344 will show Disposal Code 03 with a TC 300 of zero and the amount of the quick assessment in Item 35, Manual Assessment Amount. Processing procedures and fax numbers are available on the Quick/Prompt and Partial Assessments page on the Exam Procedures Knowledge Base at <https://irs.gov.sharepoint.com/sites/ETD-KMT-KB051/>.
- (2) If the case file contains a deficiency year and an over-assessment year, the over-assessment credit can be applied to the tax on the deficiency year by completing Form 3870, Request for Adjustment. Annotate Form 3198 in the "Other Instructions" section, "Form 3870 is enclosed in the case file". On the "Special Features" section of Form 3198 check the box "Freeze from Refunding".
- (3) Quick assessments can be initiated in the field or in campus examination. The office initiating the quick assessment must:
 - a. Obtain up-to-date, accurate account information; not more than 30 days old.
 - b. Research the taxpayer's account on IDRS, using TXMOD, IMFOL, or BMFOL. This should alert you to any filing of any amended tax returns or to the possibility of a quick assessment already in process.
 - c. Determine if a balance due notice must be sent. If yes, send the notice to the taxpayer's most current address of record.

Note: The quick assessment will not post to Master File (MF) for approximately six weeks and will post with an accompanying TC 370.

4.63.4.15.2
(01-25-2018)
Partial Assessments

- (1) The term "partial assessment" means that only part of the total potential tax is agreed to and is being assessed. The most common example of a situation that would generate the required procedures for a Partial Assessment is where the taxpayer agrees to some adjustments and appeals other adjustments. In this situation, a partial assessment should be formalized for the agreed portion of the tax prior to forwarding the case to Appeals for the unagreed portion.
- (2) Other situations where partial assessments are used include:
 - a. When adjustments to a TEFRA partnership are agreed and flow to one of the partners whose return includes the potential for additional adjustments. Upon receiving the RAR for the partnership case, a partial assessment should be made for the flow-through issues while continuing to work the individual's return.
 - b. When a secured delinquent return has issues that warrant further examination (or has a math error). The delinquent return must first be processed so that an assessment for the amounts shown on the return can be made.
- (3) Partial assessment procedures do not apply to no-change or to over-assessment cases. An exception would involve an adjustment to withholding. An examiner may use Partial Assessment procedures when the withholding amount on the tax return is greater than the withholding on Form W-2 or Form 1042-S. This is not considered a tax adjustment since withholding is a prepayment.

4.63.4.15.3
(10-19-2023)

**Procedures for
Requesting Partial or
Manual Assessments**

- (1) When the case has an imminent statute date or requires a quick assessment, the examiner must make contact with the CCP Field Office Resource Team (FORT) manager (for SBSE and LB&I cases) or the CCP Field Liaison (for Specialty cases) of their designated area to notify them that a quick assessment is needed on the case. Contacts for FORT can be found on the Exam Procedures Knowledge Base at: <https://irs.gov.sharepoint.com/sites/ETD-KMT-KB051/>.
- (2) Email (preferred), fax, or e-Fax (depending on the site requirements) the following information:
 - a. Form 4549, RAR, or equivalent
Note: Be sure to include the taxpayer's signature, as well as any schedules and relevant tax or penalty computations needed to process the assessment. It is not necessary to include the revenue agent's "Explanation of Adjustments".
 - b. Form 5344, Examination Closing Record
 - c. Form 3198, Special Handling Notice for Examination Case Processing
 - d. Form 2285, Concurrent Determinations of Deficiencies and Overassessments in Cases Involving Restricted Interest Provisions of the Internal Revenue Code (when carryback issues and restricted interest may apply)
- (3) On the subject line of the email or fax, notate either "Partial assessment request" or "Manual assessment request".

Note: Partial assessments that meet manual assessment criteria should be identified as a "manual assessment" request

- (4) Do not ship the entire case file or update ERCS out of the group status until CCP:
 - a. Acknowledges the request
 - b. Completes the assessment
 - c. Faxes back to the group a stamped copy of Form 5344 with "Request Completed"

Acknowledgment usually occurs within 48 hours of receipt. Requests received on Friday afternoon will be acknowledged by close of business Monday. Wherever possible, the assessment is completed within five business days of receipt by the FORT. Assessments involving complex and restricted interest computations may take longer. The stamped Form 5344 must be associated with the original case file to verify that the assessment was completed. Allow at least 10 business days from the original request before following up with CCP.

- (5) The group must update the electronic record in RGS prior to sending to CCP for final closure. See the Partial Agreements and RGS page on the Exam Systems Knowledge Base at: <https://irs.gov.sharepoint.com/sites/ETD-KMT-KB091/>.
- (6) For multiple quick/prompt or partial assessments, the examiner must inform the FORT manager or the CCP Field Liaison that a quick assessment will be needed on the case. See the Quick Prompt and Partial Assessments page on the Exam Procedures Knowledge Base at <https://irs.gov.sharepoint.com/sites/ETD-KMT-KB051/>.

4.63.4.16
(10-19-2023)
Non-filers

- (1) If you identify a non-filer in the field, you must establish the non-filer account on AIMS/ERCS as soon as it is known that an examination will take place or when examination time is first applied. You may need to establish up to six years for the non-filer. Follow the guidance in IRM 4.4.9.3, Establishing AIMS/ERCS Controls, to establish controls for any non-filed year within the period prescribed by exam.

Note: Before establishing a nonfiler case, examiners should check to see if a return was filed but went unpostable (unpostable code 126-0) or posted to MFT 32 because it was flagged by the Taxpayer Protection Program. For more information, see IRM 25.25.6.5.1.1, The Taxpayer's Return is Unpostable 126 Reason Code 0, and IRM 25.25.6.5.5.3, The Taxpayer's Return is Posted on MFT 32.

- (2) Update activity codes before forwarding the case to either CCP or technical services. See IRM 4.4.34.4.3.1 , Substitute for Return. Also refer to the IRM citations in the following table:

IRM	Title
IRM 4.4.9	Delinquent and Substitute for Return Processing
IRM 4.4.9.5	Substitute for Return
IRM 4.4.9.6	Delinquent Return Received After SFR TC 150 Posted at Master File
IRM 4.4.9.6.3	Delinquent Return Secured By Examination After SFR TC 150 Posted - Accepted as Filed Procedures
IRM 4.4.9.6.4	Delinquent Return Secured by Examination After TC 150 SFR Posted, With Audit Potential - Process Partial Assessment Procedures
IRM 4.4.9.6.5	Delinquent Return Secured by Examination After SFR TC 150, With Audit Potential - Final Closing Package (Partial Assessment Processed)
IRM 4.4.34	Updating/Correcting AIMS Data Base
IRM 4.4.34.4.3.1	Substitute for Return

4.63.4.17
(10-19-2023)
Identity Theft

- (1) See IRM 4.10.27, Identity Theft Case Processing for Field Examiners.

4.63.4.18
(10-19-2023)
Whistleblower Claims

- (1) See IRM 25.2.1, General Operating Division Guidance for Working Whistleblower Claims.

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International Individual Compliance Examination Procedures 4.63.4

page 45

Exhibit 4.63.4-1 (10-19-2023)

Checklist for IIC Tax Examiner on Agreed / No-Change Cases (Only for Exceptions to Paperless Cases)

Agreed Paper Case Assembly Checklist

*Make copies of all documents for subsequent years

Item #	Description of Items
1	Form 895, Notice of Statute Expiration Note: Not required if delinquent return filed.
2	Form 3198, Special Handling Notice for Examination Case Processing (Check for freeze codes and provide comments when necessary, e.g., A freeze code requires a comment on the Form 3198 for the amended/duplicate return.)
3	Case History from RGS
4	IDRSCC: AMDISA (current for each year)
5	Form 5344, Examination Closing Record
6	Compliance Evaluation (for each year)
7	SFR only: Form 13496, IRC Section 6020(b) Certification packet in lieu of no tax return. Packet includes Form 13496 and the examination report. Note: Form 13496 is required for each tax year.
8	Tax Return (original return, copy of a return or electronic print RTVUE) <ul style="list-style-type: none">Attached to the back of the front page of the return are Form 872, Letter 907, Form 56, Form 2848 and Form 8821.Attached to the back of the return are the current transcript (IMFOLT) and any amended returns/claims.
9	Agreed Response (e.g.: signed Form 4549 or a delinquent return secured)
10	Form 4318, Examination Workpapers Index - Office Audit Staple the following items in order of index: <ul style="list-style-type: none">Admin. Lead Sheets (100-2 and 300), Issue Lead Sheets, etc.Classification sheet or source document (SFR) and variance report if applicable.Form 5345-D (if available) and faxed Form 2363, 3177, etc. for case closing. Note: "Miscellaneous" items listed on index do not have to be stapled.
11	Correspondence (sent and received)
12	Undelivered Mail (if applicable)
13	Case Building Research (IDRS, Accurint, etc.)
14	Letter 987 (file copy)
15	Rubber band or binder clip all documents above and place in case folder.

Exhibit 4.63.4-2 (10-19-2023)**Checklist for IIC Tax Examiner on Unagreed / Default Cases (Only for Exceptions to Paperless Cases)****Unagreed / Default Case Assembly Checklist**

(Closed to Tech. Services for a Stat. Notice)

*Make copies of all documents for subsequent years

The three tables below list the required items and location they should be placed in the case folder.

Item #	Description of Items <i>Outside Front of Case Folder</i> (If statute of limitations is 6 months or less, a red case folder is required.)
1	Form 895, Notice of Statute Expiration Required if statute of limitations is 6 months or less and it can be printed in ERCS before the 6-month date. Note: Not required if delinquent return filed
2	Form 3198 Special Handling Notice for Examination Case Processing Reminder: Check for freeze codes and provide comments when necessary, e.g., a freeze code requires a comment on the Form 3198 for the amended/duplicate return.

Item #	Description of Items <i>Inside Left Side of the Case Folder</i>
3	IDRSCC: AMDISA (current for each year)
4	Case History from RGS

Item #	Description of Items <i>Inside the Case Folder</i>
5	Compliance Evaluation (for each year)
6	Form 5344, Examination Closing Record
7	Examination report with all of the RGS prints, e.g., S/E tax, penalties, interest and explanations for issues including Form 886-A.
8	SFR only: Form 13496, IRC Section 6020(b) Certification packet in lieu of no tax return. Packet includes Form 13496 and the examination report. Note: Form 13496 is required for each tax year.
9	Tax Return (original return, copy of a return or electronic print RTVUE) <ul style="list-style-type: none"> Attached to the back of the front page of the return are Form 872, Letter 907, Form 56, Form 2848 and Form 8821. Attached to the back of the return are the current transcript (IMFOLT) and any amended returns/claims.

Exhibit 4.63.4-2 (Cont. 1) (10-19-2023)**Checklist for IIC Tax Examiner on Unagreed / Default Cases (Only for Exceptions to Paperless Cases)**

Item #	Description of Items <i>Inside</i> the Case Folder
10	Form 4318, Examination Workpapers Index - Office Audit Staple the following items in order of index: <ul style="list-style-type: none">• Admin. Lead Sheets (100-2 and 300), Issue Lead Sheets, etc.• Classification sheet or source document (SFR) and variance report if applicable.• Form 5345-D (if available) and faxed Form 2363, 3177, etc. for case closing. Note: "Miscellaneous" items listed on index do not have to be stapled.
11	Correspondence (sent and received)
12	Undelivered Mail (if applicable)
13	Case Building Research (IDRS, Accurint, etc.)

