



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

5.20.11

OCTOBER 15, 2024

EFFECTIVE DATE

(10-15-2024)

PURPOSE

- (1) This transmits revised IRM 5.20.11, Abusive Tax Avoidance Transactions, Examination Reconsiderations and Referrals.

MATERIAL CHANGES

- (1) IRM 5.20.11.1 added for program scope and internal controls.
- (2) IRM 5.20.11.4(2) updated reference to ATAT Knowledge base on Virtual Library Collection floor.
- (3) Exhibit 1 – updated reference to ATAT Knowledge base on Virtual Library Collection floor.
- (4) Editorial corrections made throughout the IRM.

EFFECT ON OTHER DOCUMENTS

IRM 5.20.11, dated August 16, 2016, is superseded.

AUDIENCE

SB/SE Collection employees

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Small Business/Self-Employed

5.20.11

Examination Reconsiderations and Referrals

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5.20.11-1 SPECIAL HANDLING ALERT COLLECTION ATAT CASE

5.20.11.1
(10-15-2024)
Program Scope and Objectives

- (1) **Purpose:** This IRM provides guidance to Field Collection employees for examination reconsiderations and referrals related to Abusive Tax Avoidance Transaction (ATAT) cases.
- (2) **Audience:** The audience for this guidance is revenue officers in SB/SE Field Collection.
- (3) **Policy Owner:** Director, Collection Policy, SB/SE.
- (4) **Program Owner:** Collection Policy, SB/SE, Global Strategic Compliance, is the program owner of this IRM.
- (5) **Primary Stakeholders:** The primary stakeholders are SB/SE Field Collection.
- (6) **Program Goals.** The goal of the Abusive Tax Avoidance Transactions (ATAT) collection program is to identify and effect tax administration on cases involving complex transactions or multiple/layered entities intended to make it difficult to trace a taxpayer's assets and sources or transfers of income.

5.20.11.1.1
(10-15-2024)
Background

- (1) Some abusive tax avoidance transactions (ATAT) encountered by revenue officers are complex and involve various transactions and numerous entities including trusts, partnerships, corporations, limited liability companies and offshore entities. These transactions and multiple or layered entities are often used by a taxpayer to make it difficult to identify and locate assets or income sources.
- (2) Research and investigation of ATAT cases does not entail techniques or tools unique to ATAT casework; however, some techniques are more commonly applied, such as use of the collection summons to follow income flow or to determine nominees, and nominee/alter ego/transferee relationships regarding title to assets.
- (3) Potential fraud indicators may be present in ATAT cases. Contact your local fraud enforcement advisor, when appropriate.
- (4) Research to identify the nature of the promotion or transaction used by a taxpayer is important in developing an effective case strategy for resolution of ATAT cases.
- (5) Research prior to contact is essential in ATAT cases. Guidance on conducting an initial analysis is located in IRM 5.1.10, Taxpayer Contact. Additional research may be necessary due to the complexity of an ATAT case. Because the goal of ATAT schemes is often to disguise the taxpayer's beneficial ownership of assets, developing a complete and accurate financial picture of a taxpayer participating in an abusive scheme is crucial.
- (6) Awareness of taxpayer rights remains important in ATAT case work. Taxpayer rights, as identified in Publication 1, Your Rights as a Taxpayer, are addressed in IRM 5.1.9, Collection Appeal Rights, and throughout IRM Part 5.

5.20.11.1.2
(10-15-2024)
Authority

- (1) The following authorities provide the basis for these guidelines:
 - 26 U.S. Code 6103, Confidentiality and disclosure of returns and return information, known as Internal Revenue Code (IRC) 6103
 - IRC 6304, Fair tax collection practices

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- IRC 7602(c), Examination of books and witnesses, Notice of contact of third parties
- Section 1206 of the Taxpayer First Act
- IRM 1.2.65, Servicewide Policies and Authorities, Small Business/Self Employed Division Delegations of Authority-SB/SE Functional Delegations Orders-Collection

5.20.11.1.3
(10-15-2024)

Roles and Responsibilities

- (1) The Director, Collection Policy is the executive responsible for the policies and procedures to be employed by Field Collection personnel.
- (2) Field Collection group managers and territory managers are responsible for ensuring compliance with the guidance and procedures described in this IRM.
- (3) Employees assigned ATAT cases for investigation are responsible for following these procedures.

5.20.11.1.4
(10-15-2024)

Program Management and Review

- (1) Program Reports:
 - Management utilizes management information reports from the Integrated Collection System (ICS) and ENTITY systems to monitor and track timely and appropriate case actions. ICS contains unique case sub-codes to identify ATAT cases. The ENTITY database also contains queries to assist in the identification of ATAT cases.
 - Reports from the Embedded Quality Review System (EQRS) measure program consistency, effectiveness in case actions and compliance with policy and procedures. Trends from these reports are used to recommend improvements where necessary when errors are identified. Reports from EQRS provide management information used in guiding revenue officers to take timely, effective, and appropriate case actions.
- (2) Program Effectiveness:
 - Collection Policy performs ATAT program reviews as necessary to verify compliance with IRM requirements and address Treasury Inspector General for Tax Administration (TIGTA) and Government Accountability Office (GAO) audit findings.
 - Case reviews are performed by group managers and National Quality reviewers to ensure compliance with this IRM.
 - Operational reviews are performed by the territory manager and area director annually to evaluate program delivery and conformance to administrative and compliance requirements.

5.20.11.1.5
(10-15-2024)

Program Controls

- (1) Field Collection managers perform program controls by performing case consultations, reviews, employee observations and security reviews. IRM 1.4.50, Collection Group Manager, Territory Manager and Area Director Operational Aid, communicates responsibility for management to implement and monitor required internal controls. The Integrated Collection System, ENTITY Case Management System and Embedded Quality System provide management with case access and data to monitor internal controls.
- (2) Management information reports from the Integrated Collection System (ICS) and ENTITY systems monitor and track timely and appropriate case actions. ICS contains unique case sub-codes to identify ATAT cases. The ENTITY database also contains queries to assist in the identification of ATAT cases.

- (3) Reports from the Embedded Quality Review System (EQRS) to measure program consistency, effectiveness in case actions and compliance with policy and procedures. Trends from these reports are used to recommend improvements where necessary when errors are identified. Reports from EQRS provide management information used in guiding revenue officers to take timely, effective, and appropriate case actions.

5.20.11.1.6
(10-15-2024)

Terms and Acronyms

- (1) The following terms and acronyms are used in this chapter:

Acronym	Definition
ASFR	Automated Substitute for Return
ATAT	Abusive Tax Avoidance Transactions
EQRS	Embedded Quality Review System
GAO	Government Accountability Office
ICS	Integrated Collection System
IDRS	Integrated Data Retrieval System
IRC	Internal Revenue Code
PSP	Planning and Special Programs
SFR	Substitute For Return
TIGTA	Treasury Inspector General for Tax Administration

5.20.11.1.7
(10-15-2024)

Related Resources

- (1) IRM Resources:
1. IRM 5.1.10, Taxpayer Contacts.
 2. IRM 5.1.11, Delinquent Return Investigations.
 3. IRM 5.1.15, Abatements, Reconsiderations and Adjustments.
- (2) Web Resources:
- *Abusive Tax Avoidance Transactions Knowledge Base*
 - *Knowledge Management Collection Floor*

5.20.11.2
(10-15-2024)

Examination Referrals

- (1) IRM 5.1.11, Delinquent Return Investigations, provides guidance on conducting delinquent account investigations.
- (2) If a revenue officer determines that an Examination referral is the next appropriate case action on an ATAT taxpayer, the revenue officer will follow the guidance in IRM 5.1.11.7.3.3, Del Ret with Income But without IRP. In addition, the revenue officer will write "ATAT" in bold print on the Form 3449. If known, the revenue officer will also write the promoter/preparer's name or tracking number on the Form 3449. This information will ensure that the request will receive priority consideration when Planning and Special Programs (PSP) assigns the referral to an Examination group.

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5.20.11.3
(08-16-2016)

Audit Reconsiderations

- (1) Audit reconsiderations refer to requests to reevaluate the results of an audit assessment when a taxpayer disagrees with the original audit determination. An audit assessment is identified on a TXMOD by TC 420 followed by a TC 300 amount. If an audit reconsideration is received from an ATAT taxpayer, the revenue officer will write "ATAT" on the Form 3870, Request for Adjustment. If known, the revenue officer will also write the promoter/preparer's name or tracking number on the Form 3870. Process the Form 3870 following the guidance in IRM 5.1.15.4.1, Audit Reconsiderations. This will ensure that the request will receive priority consideration when PSP assigns the reconsideration to an Examination group.

5.20.11.4
(10-15-2024)

Substitute for Return Reconsiderations

- (1) IRM 5.1.15.4.4, Substitute For Return (SFR) Reconsiderations, and IRM 5.1.15.4.5, Automated Substitute for Return (ASFR) Reconsiderations, provide guidance on the processing of SFR/ASFR reconsiderations and provide guidance on determining the correct campus for processing. The following procedures ensure that ATAT SFR reconsiderations secured either by the revenue officer or at the campus are designated when appropriate for classification by Field ATAT Classifiers.
- (2) As part of the initial case analysis, revenue officers must review TXMOD for Exam ATAT special project codes on all SFR balance due tax periods. The Exam special project code is listed adjacent to transaction code (TC) 424.

Example: 424R 09292009 0.00 20094008 19277-272-20000-9 SOURCE-CD>40 SPCL-PROJ>0996

- (3) A list of Exam ATAT special project codes can be found in the research tools book on the *ATAT Knowledge Base*, under the Research Tools Book.
- (4) If the revenue officer locates a SFR assessment with an Exam ATAT special project code, the revenue officer must take the following case actions to ensure returns submitted as a SFR reconsideration on ATAT cases are carefully reviewed. In cases with SFR assessments where the taxpayer continues to raise frivolous arguments not supported by law or when proceeding with enforcement actions such as seizure or suits the RO should:
 1. Complete Form 4844 and request input of an IDRS history item of "OPENATAT" on TXMOD.
 2. Forward Form 4844 to Centralized Case Processing (CCP) for input.
- (5) By inputting the identifier "OPENATAT" on TXMOD, any returns subsequently filed by the taxpayer either directly with the campus or with the revenue officer will be designated for classification at the Ogden Campus. A return classified as "OPENATAT" will be reviewed by a Field Exam Agent and will be either selected for audit or accepted as filed.
- (6) If a return is secured, the revenue officer must determine whether the ATAT issue causing the SFR assessment has been resolved.
- (7) If the ATAT issue has been resolved, the revenue officer must take the following actions:
 1. Complete Form 4844 to input **CLSDATAT** on TXMOD and route Form 4844 to CCP.

2. Prepare Form 3870 and send the return to the correct campus per IRM 5.1.15.4.4, Substitute For Return (SFR) Reconsiderations and IRM 5.1.15.4.5, Automated Substitute for Return (ASFR) Reconsiderations.
- (8) If the taxpayer files a questionable return which appears to include either (a) substantially understated income or overstated expenses, or (b) false credits, or (c) other significant disputable item(s), the revenue officer must take the following actions:
1. Complete Form 4844 to request input of IDRS History Item **ATSU** on TXMOD for the tax period at issue.
 2. Complete Form 4844 to request input of History Item **OPENATAT** on TXMOD, if the History Item has not already been input.
 3. Request the administrative file for the underlying assessment by command code (CC) ESTAB.
 4. Complete Exhibit 5.20.11-1, ATAT Special Handling Alert, and attach to the front of the return.
 5. Route the return, administrative file, and pertinent documents, to the Abusive Transactions Support Unit (ATSU) at the Ogden Campus on Form 3870 to be held for review by a Field ATAT Classifier. Indicate on the transmittal if the revenue officer has been unable to secure the administrative file. The return and attachments must be sent to: Internal Revenue Service, ATSU, Mailstop 7900, 1973 N. Rulon White Blvd., Ogden, UT 84404.
- (9) When a return with a History Item "OPENATAT" is received directly by Brookhaven Centralized Reconsideration Unit, Brookhaven must contact the ATAT Coordinator where the taxpayer is located to verify that the "OPENATAT" identifier is correct.
- (10) If the ATAT identifier is not correct, the following actions must be taken:
1. The revenue officer must request input of History Item **CLSDATAT** on Form 4844 and forward to CCP for input.
 2. The revenue officer or ATAT Coordinator must notify Brookhaven Centralized Reconsideration Unit that the ATAT issue is closed, and the delinquent return can be processed.
- (11) If the ATAT identifier is correct, the following actions must be taken:
1. Brookhaven Centralized Reconsideration Unit employee must contact the ATAT Coordinator who will provide the name, phone number, and fax number of the revenue officer assigned to the account.
 2. Brookhaven Centralized Reconsideration Unit must provide a copy of the return to the revenue officer by facsimile.
 3. The revenue officer must overnight mail any pertinent information relating to the return to Brookhaven by the end of 15 business days from the date of contact. Pertinent information must be routed to the following Brookhaven Centralized Reconsideration address: Brookhaven Service Center, 1040 Waverly Avenue, Stop 654, Holtsville, NY 11742, Attn: Centralized Reconsideration Manager – Open ATAT Case.
 4. If pertinent information is not received by the Brookhaven Centralized Reconsideration Unit within 15 business days, the return must be sent to ATSU without the information with a notation at the bottom of the ATAT Special Handling Alert "Pertinent information available but not received ". The name and telephone number for the assigned revenue officer must

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be included. The return must be sent to: Internal Revenue Service, ATSU, Mailstop 7900, 1973 N. Rulon White Blvd., Ogden, UT 84404.

5. If the ATAT Special Handling Alert indicates a **pertinent information available but not received** notation, the classifier must contact the listed revenue officer and attempt to secure the information. ATAT SFR reconsideration returns will be classified in the same manner as other ATAT returns.

(12) After classification has been completed, ATSU will process returns as follows:

1. Accepted SFR ATAT reconsiderations will be routed to the Brookhaven Service Center Centralized Reconsideration Unit for expedite processing of the taxpayer's SFR reconsidered return.
2. Selected SFR ATAT reconsiderations will be routed to the appropriate Exam Area Office PSP for field or office audit.

Exhibit 5.20.11-1 (10-15-2024)

SPECIAL HANDLING ALERT COLLECTION ATAT CASE

Special Handling Alert Collection ATAT Case
Taxpayer Name:
TIN:
DIRECTIONS: Attach Special Handling Alert to all "OPENATAT" cases that are forwarded to the Abusive Transactions Support Unit. "OPENATAT" cases are those cases with ATAT SFR assessments and open ATAT issues in field Collection. The Special Handling Alert will alert Field ATAT Classifiers that an open ATAT issue exists on the case in field Collection. Field ATAT Classifier will contact the assigned Revenue Officer or ATAT Coordinator as needed to discuss issues to classify the return.
Revenue Officer:
Phone Number:
Provide the following information if the Revenue Officer is unknown:
ATAT Coordinator:
Phone Number:
A current list of Collection ATAT Coordinators (by state) can be found in the Virtual Library, Collection floor, <i>ATAT Knowledge Base</i> under the ATAT Coordinator book.

