



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

8.1.8

APRIL 11, 2019

EFFECTIVE DATE

(04-11-2019)

PURPOSE

- (1) This transmits revised IRM 8.1.8, *Appeals Function, Employee Tax Compliance*.

MATERIAL CHANGES

- (1) Added new IRM 8.1.8.1, *Program Scope and Objectives*, and related sections containing internal control information required by IRM 1.11.2.2.5, *Address Management and Internal Controls*.
- (2) Moved information from former IRM 8.1.8.1, *Employee Tax Compliance Cases - Background*, to IRM 8.1.8.3, *Working ETC Cases*.
- (3) Added IRM 8.1.8.3.1, *IDRS Indicators of an IRS Employee Case*.

EFFECT ON OTHER DOCUMENTS

This IRM section supersedes IRM 8.1.8, *Appeals Function, Employee Tax Compliance*, dated September 28, 2016.

AUDIENCE

Appeals

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8.1.8

Employee Tax Compliance

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8.1.8.1
(04-11-2019)
Program Scope and Objectives

- (1) *Purpose:* This IRM section provides guidance to ensure that Employee Tax Compliance (ETC) cases are properly identified and routed to designated employees and locations to safeguard information in this highly sensitive type of case. Specifically, IRM 8.1.8:
 - a. Establishes the scope of Appeals' consideration of ETC cases
 - b. Describes Appeals procedures specific to ETC cases
 - c. Describes the steps to identify employees designated to handle ETC cases throughout the Appeals process
- (2) *Audience:* The primary users of this IRM section are Appeals employees handling ETC cases to include Account and Processing Support (APS) employees, Appeals Team Managers (ATMs), Appeals Technical Employees (ATEs), Appeals Tax Computation Team Managers (ATCTMs), and Tax Computation Specialists (TCS).
- (3) *Policy Owner:* Director, Case and Operations Support
- (4) *Program Owner:* Director, Policy, Planning, Quality, and Analysis (PPQ&A)
- (5) *Contact Information:* Appeals employees should follow established procedures on How to Contact an Analyst. Other employees should contact the Product Content Owner shown on the Product Catalog Information page for this IRM Section.

8.1.8.1.1
(04-11-2019)
Background

- (1) Appeals' mission is to resolve tax controversies, without litigation, on a basis which is fair and impartial to both the Government and the taxpayer in a manner that will enhance voluntary compliance and public confidence in the integrity and efficiency of the Service. Appeals accomplishes this mission by considering protested and Tax Court cases and negotiating settlements in a manner which ensures Appeals employees act in accord with the Taxpayer Bill of Rights (TBOR) in every interaction with taxpayers. See IRC Section 7803(a)(3), *Execution of Duties in Accord with Taxpayer Rights*, Pub 5170, *Taxpayer Bill of Rights*, and IRM 8.1.1.1, *Accomplishing the Appeals Mission*.
- (2) Standards for Ethical Conduct, 5 C.F.R. Part 2635.101(b)(12) states that employees of the Executive Branch of the U.S. Government "shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those—such as Federal, State, or local taxes—that are imposed by law."
- (3) When IRS employees accept their position, they agree to safeguard the public's trust and to administer the Federal tax law fairly and with integrity by setting the example of full tax compliance. Any failure on the part of an IRS employee to comply fully with the Federal tax laws undermines the taxpayers' confidence in the Service's commitment to administer the tax system fairly and ethically.
- (4) The standards of ethical conduct for IRS employees make ETC cases highly sensitive in nature. The outcome of the case may initiate a conduct investigation resulting in adverse action. Employees involved in processing or working these cases must ensure that this sensitive information is safeguarded.

8.1.8.1.2
(04-11-2019)
Authority

- (1) IRS Restructuring and Reform Act (RRA) of 1998 - Section 1203, *Termination of Employment for Misconduct*, provides for the Commissioner's termination of IRS employees for certain acts or omissions that include the willful failure to timely file a tax return as required or the willful understatement of Federal tax liability, unless the failure or understatement is due to reasonable cause and not to willful neglect.
- (2) Per IRM 1.2.13.1.7, *Policy Statement 4-9*, the public expects the highest degree of integrity in tax matters on the part of all Service employees. To this end, the Service established a comprehensive employee tax compliance program. A coordinated effort is required to ensure the comparability between the treatment of Service employees and tax compliance issues and the treatment of all taxpayers and tax compliance matters. See IRM 1.2.13.1.7(10), *Responsible Official to Oversee Program*.

8.1.8.1.3
(04-11-2019)
Responsibilities

- (1) The Director, Case and Operations Support, is the executive responsible for Appeals' policy and procedural guidance for working employment tax compliance cases.
- (2) The Director, Policy, Planning, Quality, and Analysis (PPQ&A) is the program manager responsible for program oversight.
- (3) The assigned Policy analyst shown on the IRM Product Catalog Information page as originator is responsible for the content and updates to this IRM Section.

8.1.8.1.4
(04-11-2019)
Program Reports

- (1) PPQ&A provides trend and data analyses and detailed summary reports for Appeals, as needed.

8.1.8.1.5
(04-11-2019)
Terms and Acronyms

Acronym	Definitions
ACAPDATE	Appeals Team Manager's Case Approval Date (See IRM 8.20.3)
ACDS	Appeals Centralized Database System (see IRM 8.20.3)
CASES	Inventory case control feature in ACDS
ATE	Appeals Technical Employee
ATM	Appeals Team Manager
ATCTM	Appeals Tax Computation Team Manager
TCS	Tax Computation Specialist

- (2) Also, see Exhibit 8.1.1-1, *Common Terms Used in Appeals*, for common terms and definitions used in IRM Part 8.

8.1.8.1.6
(04-11-2019)

Related Resources

- (1) This IRM section is the primary source of guidance on this program. Also, see the following:
- IRM 1.2.13.1.7(10), *Responsible Official to Oversee Program*
 - IRM 4.2.6, *Examination of Employee Returns*
 - IRM 5.1.7.8, *IRS Employee Cases*

8.1.8.2
(04-11-2019)

Receiving ETC Cases

- (1) Compliance routes all appealed ETC cases to APS in Atlanta, Georgia using a Form 3210, *Documental Transmittal*. For employee audits, IRM 4.2.6.4, *Closing an Employee Examination*, instructs the examiner to check the “employee audit” box on Form 3198, *Special Handling Notice for Examination Case Processing*. See routing information below for Atlanta APS:

Internal Revenue Service
Atlanta Appeals Office
401 W. Peachtree St., NW
Suite 1455, Stop 1100-D
Atlanta, GA 30308

Note: See IRM 8.1.8.3.1, *IDRS Indicators of an IRS Employee Case*.

- (2) Upon receipt of the case, Atlanta APS will:
- a. Acknowledge receipt of the case by returning to Compliance a signed Form 3210
 - b. Card the case on ACDS
 - c. Assign the case based on the pre-approved assignment list
 - d. Send an encrypted message to the Appeals Team Manager (ATM), the Appeals Technical Employee (ATE), and the designated Appeals Policy Program Analyst notifying them of the case assignment
 - e. Mail the case file directly to the ATE assigned to work the case

Note: Due to the sensitive nature of these cases, they can only be assigned to Appeals employees pre-approved to work them. Access the list of designated Appeals employees from the Appeals Intranet Home Page > **Case Routing** tab > *Employee Tax Compliance Designated Appeals Employees*.

- (3) The Appeals Policy Program Analyst updates the case in ACDS to designate it as an employee audit case using the Special Project Update menu. Cases are generally coded as A1 to denote employee audit. Other codes may be used for special projects as needed. This code is not visible on the ACDS CASES screen.

8.1.8.3
(04-11-2019)

Working ETC Cases

- (1) Employee Tax Compliance (ETC) cases involve an examination or collection activity of Internal Revenue Service (IRS) employees. When a taxpayer employee does not agree with Compliance’s findings, they have the option of exercising their right to an appeal. Appeals is **not** involved in potential disciplinary actions. When working ETC cases, Appeals limits its scope to:
- a. Facts of the case
 - b. Applicable law
 - c. Appropriate resolution

- (2) Only designated ATEs, ATMs, and TCS employees are assigned these highly sensitive cases. The ATE works the ETC case following the tax law and procedural guidance to the same extent that applies to other taxpayers, based on the work stream and case type. See IRM 8.1.8.5, *Installment Agreements*, for information applicable to IRS employees. Priority treatment is given to the extent possible.

Note: Due to the sensitive nature of these cases, Appeals employees are prohibited from identifying the case in the “Notes” section of ACDS or in any other way as an employee audit case.

- (3) The ATE ensures the complete case is sent for “review and approval” to a designated ATM reviewer. See “Note” in IRM 8.1.8.2 (2) e) regarding designated employees. The ATE sends an encrypted email notifying the designated ATM reviewer that a file is being forwarded for review. In the email, include the Statute Expiration Date on the case and any other priorities.
- (4) There are designated ATM reviewers for the examination and collection work streams. The ATM will:
- Review and approve the case
 - Return the approved closed case to Atlanta APS [See IRM 8.1.8.2(1) for routing information]
 - Input the ACAPDATE on ACDS

Note: If the ATE is not a direct report to the ATM Reviewer, then the ATM Reviewer may need to send a secure email to the assigned ATM for the ACAP date to be entered.

- (5) If APS assistance is needed to reverse a premature assessment for a docketed case, forward the appropriate documents to Atlanta APS to abate the premature assessment.
- (6) If Compliance’s assistance is needed, follow the normal procedures that apply for a non-IRS employee case.

8.1.8.3.1 (04-11-2019) **IDRS Indicators of an IRS Employee Case**

- (1) IRS employees have both a federal employee indicator and an IRS employee indicator on their accounts. IRS’s computer systems identify IRS employee cases by the following literals:

- Bal. Due — IRS EMPLOYEE
- ENMOD — IRS- EMP
- TXMOD — IRS- EMP
- IMFOL — IRS EMPL

- (2) “IRS employee” coded cases are designated as:

- 1 - Primary taxpayer is an IRS employee
- 2 - Secondary taxpayer is an IRS employee
- 3 - Both taxpayers are IRS employees

Note: For additional information, see IRM 5.1.7.8 , *IRS Employee Cases*, and Exhibit 2.3.11-12, *Command Code TXMOD Valid Response*.

8.1.8.4
(04-11-2019)
**Requesting
Computations**

- (1) If a computation is needed, the ATE will complete Form 3608, *Request for TCS Service*, in “**APGoIf**” and select the designated Appeals Tax Computation Team Manager (ATCTM) in the drop down list. See “Note” in IRM 8.1.8.2 (2) e) regarding designated employees. On Form 3608 under “Priority Indications”, enter “Employee Tax Case” in the “Other” field and check the box.
- (2) The designated ATCTM will assign the case to an approved TCS, who will prepare the settlement computation or Notice of Deficiency, and forward them to the ATE.

8.1.8.5
(09-28-2016)
Installment Agreements

- (1) Per IRM 8.1.8.3, *Working ETC Cases*, the ATE works the ETC case following the tax law and procedural guidance to the same extent as for other taxpayers. For an installment agreement with an IRS employee, include a completed Form 2159, *Payroll Deduction Agreement*. See IRM 5.1.7.8 (7), *IRS Employee Cases*.

8.1.8.6
(09-28-2016)
Closing ETC Cases

- (1) The approved case will be forwarded to Atlanta APS, who will process, suspend, and/or route the case following normal procedures based on the work stream and case type. See exception in paragraph (2).

Internal Revenue Service
Atlanta Appeals Office
401 W. Peachtree St., NW
Suite 1455, Stop 1100-D
Atlanta, GA 30308

- (2) For Examination-sourced cases, Atlanta APS will forward the closed case to Baltimore Technical Services at the following address:

Internal Revenue Service
Attn: Technical Services
31 Hopkins Plaza
Room 1108
Baltimore, MD 21201

