



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

8.2.1

DECEMBER 17, 2025

## EFFECTIVE DATE

(12-17-2025)

## PURPOSE

- (1) This transmits revised IRM 8.2.1, Pre-90-Day and 90-Day Cases, Agreed Pre-90-Day Income Tax Cases.

## MATERIAL CHANGES

- (1) Updated IRM 8.2.1.5 to incorporate premature referral instructions pertaining to paperless Small Business/Self-Employed (SB/SE) Field cases provided by Interim Guidance Memorandum (IGM), AP-08-0923-0008, Appeals Electronic Case Files Initiative (ECFI) for Small Business/Self-Employed (SB/SE) Field Examination Cases Implementation.
- (2) Updated IRM 8.2.1.6 to incorporate preliminary case review instructions pertaining to paperless SB/SE Field cases provided by IGM, AP-08-0923-0008, Appeals Electronic Case Files Initiative (ECFI) for Small Business/Self-Employed (SB/SE) Field Examination Cases Implementation.
- (3) Updated IRM 8.2.1.10 to incorporate case closing instructions pertaining to paperless SB/SE Field cases provided by IGM, AP-08-0923-0008, Appeals Electronic Case Files Initiative (ECFI) for Small Business/Self-Employed (SB/SE) Field Examination Cases Implementation.
- (4) Updated grammar and phrasing throughout the section.

## EFFECT ON OTHER DOCUMENTS

This supersedes IRM 8.2.1 dated July 1, 2025, and incorporates the following IGM: AP-08-0923-0008, Appeals Electronic Case Files Initiative (ECFI) for Small Business/Self-Employed (SB/SE) Field Examination Cases Implementation.

## AUDIENCE

IRS Independent Office of Appeals

Steven M. Martin  
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8.2.1

Agreed Pre-90-Day Income Tax Cases

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8.2.1.1  
(07-01-2025)  
**Program Scope and Objectives**

- (1) **Purpose:** This IRM section describes the process and procedures for working pre-90-day income tax cases in the IRS Independent Office of Appeals (Appeals). Many of these procedures are used on every case regardless of the type of tax, assessment status, or determination involved; however, certain cases also require special procedures. See IRM 8.2.1.1.1, Background, for other IRM sections with special procedures that take precedence over general instructions found in this IRM section. Appeals receives these cases from Taxpayer Services (TS), Small Business and Self-Employed (SB/SE), Large Business and International (LB&I), and Tax Exempt and Government Entities (TE/GE).
- (2) **Audience:** The primary users of the IRM section are Appeals Technical Employees (ATEs), including Appeals Officers (AOs), Appeals Team Case Leaders (ATCLs), and Appeals Team Managers (ATMs).
- (3) **Policy Owner:** Policy, Planning, Quality & Analysis (PPQ&A) is under the Director, Operations Support.
- (4) **Program Owner:** Appeals Policy is the program office responsible for providing technical and procedural guidance to the Appeals organization and is under the Director, 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.

8.2.1.1.1  
(06-01-2021)  
**Background**

- (1) Appeals' mission is to resolve Federal tax controversies without litigation on a basis which is fair and impartial to both the Government and the taxpayer, promotes a consistent application and interpretation of, and voluntary compliance with, the Federal tax laws, and enhances public confidence in the integrity and efficiency of the IRS. See IRC 7803(e)(3), Purposes and Duties of Office. Appeals accomplishes this mission by considering protested and Tax Court cases, holding conferences, 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 IRM 8.1.1.2, Accomplishing the Appeals Mission.
- (2) The procedures for this IRM are general in nature and cover the processing of a pre-90-day income tax case, also called a non-docketed case, from the time the case is received in Appeals until it is closed. A pre-90-day case is a protested case in which a statutory notice of deficiency or other final letter of determination has **not** been issued.
- (3) Special procedures take precedence over the general instructions found in this IRM section. The following is a list of other IRM sections where these special procedures can be found:
  - a. IRM 8.7.1, Guidelines for Cases with Special Issues
  - b. IRM 8.7.4, Appeals Estate and Gift Tax Cases
  - c. IRM 8.7.5, Transferee and Transferor Liabilities
  - d. IRM 8.7.6, Appeals Bankruptcy Cases
  - e. IRM 8.7.7, Claim and Overassessment Cases
  - f. IRM 8.7.8, Tax Exempt and Government Entities (TE/GE) Cases
  - g. IRM 8.7.9, Joint Committee (JC) Cases
  - h. IRM 8.7.10, Excise Tax Cases and IRA Adjustments

- i. IRM 8.7.11, Working Appeals Team Cases
- j. IRM 8.7.13, e-file Cases
- k. IRM 8.7.16, Appeals Employment Tax Procedures
- l. IRM 8.11, Penalties Worked in Appeals
- m. IRM 8.19, Appeals Pass-Through Entity Handbook

8.2.1.1.2  
(06-01-2021)  
**Authority**

- (1) Appeals' authority to settle protested and Tax Court cases is delegated to the ATMs and ATCLs as to their respective cases. See IRM 1.2.2.9, Delegations of Authority for the Appeals Process, and its related subsections.

8.2.1.1.3  
(06-01-2021)  
**Responsibilities**

- (1) The Policy Analyst shown on the Product Catalog Information page as the point of contact (POC) is the assigned author of this IRM.

8.2.1.1.4  
(06-01-2021)  
**Program Reports**

- (1) PPQ&A provides trend and data analysis and detailed summary reports for Appeals.

8.2.1.1.5  
(06-01-2021)  
**Terms and Acronyms**

- (1) See Exhibit 8.1.1-1, Common Terms Used in Appeals, for common terms and definitions used in IRM Part 8.
- (2) This table lists commonly used acronyms and their definitions as cited in this section:

Acronym	Definition
ACDS	Appeals Centralized Database System
ACM	Appeals Case Memorandum
APGolf	Appeals Generator of Letters and Forms
APS	Account and Processing Support
ASED	Assessment Statute Expiration Date
ATE	Appeals Technical Employee
ATCL	Appeals Team Case Leader
ATM	Appeals Team Manager
CARATS	Case Activity Record and Automated Timekeeping System
RAR	Revenue Agent Report
TCS	Tax Computation Specialist
TBOR	Taxpayer Bill of Rights

8.2.1.1.6

(06-01-2021)

## Related Resources

- (1) This IRM section is the primary source of guidance for Appeals employees working non-collection cases. The following table lists related resources.

Reference	Title
IRM 1.4.28	Appeals Managers Procedures
IRM 8.2.2	Statutory Notice of Deficiency Cases
IRM 8.2.3	Related, Whipsaw and Inactive Cases
IRM 8.6.1	Conference and Issue Resolution
IRM 8.7.3	Domestic and International Operations Programs
IRM 8.7.8	Tax Exempt and Government Entities (TE/GE) Cases
IRM 8.17.5	Special Computations Formats, Forms and Worksheets
IRM 8.18.1	Valuation Assistance Procedures
IRM 8.20.3	Appeals Centralized Database System
IRM 8.20.5	Carding New Receipts
IRM 8.20.5.3.1	Receiving Returns and Administrative Files
IRM 8.21.6.3.2	Appeals Technical Employees (ATE) Statute Responsibility for TEFRA Key Cases
Publication 5	Your Appeal Rights and How to Prepare a Protest if You Disagree

- (2) Visit Appeals' *Examination Policy Resources* SharePoint page.
- (3) The TBOR lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayers rights. See IRC 7803(a)(3), Execution of duties in accord with taxpayer rights. For additional information about the TBOR, see <https://www.irs.gov/taxpayer-bill-of-rights>.

8.2.1.2

(06-01-2021)

## Written Protests and Small Case Requests in Protested Cases

- (1) Publication 5, Your Appeal Rights and How to Prepare a Protest if You Disagree, provides taxpayers with detailed information on their appeal rights if they disagree with Compliance's determination. The taxpayer or authorized representative must submit the protest to Compliance, who is responsible for forwarding the protested case to Appeals for consideration. This publication tells taxpayers:
- What happens if Compliance closes an unagreed case when the taxpayer doesn't appeal.
  - How to prepare a small case request or formal written protest for the taxpayer's unagreed non-docketed case.
  - How to prepare for an Appeals conference.

8.2.1.3 (06-01-2021) **Receipt of a Pre-90-Day Case**

(1) For Appeals' procedures on receiving case files, see IRM 8.20.5.3.1, Receiving Returns and Administrative Files. Appeals controls its inventory on Appeals Centralized Database System (ACDS), following procedures in IRM 8.20.3, Appeals Centralized Database System, and IRM 8.20.5, Carding New Receipts.

8.2.1.4 (06-01-2021) **Receipt of New Assignment by an Appeals Technical Employee (ATE)**

(1) The ATE will take the following actions within **45 calendar days** of receipt of a newly assigned and/or transferred case (i.e., date that case received as a new receipt (CR/NR)), except as stated in IRM 8.2.1.4.1, Exception to 45-Day Time Frame for Initial Case Actions, and IRM 8.2.1.4.2, No Initial Contact Letter Required for Certain Cases.

Step	Action
1.	<p>Complete the statute verification. Ensure there are at least 365 days (270 days in estate tax cases or IRC 6206 cases) remaining on the Assessment Statute Expiration Date (ASED) when the case was received by Appeals. See IRM 8.21, Appeals Statute Responsibility, for detailed procedures on statutes and consents.</p> <p><b>Exception:</b> There must be at least 180 days remaining on the ASED when the case is received in Appeals when the originating function returns a case that was previously returned to them for consideration of new information or a new issue.</p>
2.	<p>Validate all ACDS critical data fields (CDFs). See IRM 8.10.3, Appeals Inventory Validation Process, for more information on the ATE Assignment Validation of CDFs.</p>
3.	<p>Determine whether the case is ready for Appeals' consideration. See IRM 8.2.1.5, Returning a Case to Examination - ATE, for more information on grounds for returning a case when it is not ready for Appeals' consideration.</p> <p><b>Note:</b> If the ATE determines that a conference is not appropriate, the ATE will not send an initial contact letter. Instead, go to IRM 8.2.1.4.2, No Initial Contact Letter Required for Certain Cases.</p>
4.	<p>Make initial contact. The ATE may make initial contact by contact letter or by telephone in lieu of using a contact letter. See IRM 8.2.1.4.2, No Initial Contact Letter Required for Certain Cases. If the ATE makes initial contact by letter, issue contact Letter 5157, Non-docketed Acknowledgement &amp; Conference, or another approved contact letter. For a list of Appeals' initial contact letters, see Exhibit 8.6.1-1, Pre-Selected Enclosures for Initial Contact Letters Based On Category and Case Type.</p> <p><b>Note:</b> The ATE must generate the initial contact letter through ACDS 2.0, which is programmed to systemically create the Case Activity Record &amp; Automated Timekeeping System (CARATS) entry "CO-UAL".</p>
5.	<p>Attempt to settle the case based on factual hazards when the case submitted by the originating function is not fully developed and the taxpayer has provided no new information or evidence. A fully developed case has all pertinent evidence well documented with an easy to follow audit trail. Generally, the case contains the evidence needed to support the adjustments proposed in the Revenue Agent Report (RAR).</p>



- (2) On the initial contact letter, the ATE identifies the specific IRS publications, IRS notices, or IRS brochures enclosed with the letter. These enclosures are pre-selected based upon the category and type of case, whether the case is in docketed or non-docketed status, and whether the case is worked in campus or field operations. The selected enclosures were identified as information adding value to the taxpayer. If the ATE eliminates a pre-selected enclosure, the reason for the decision must be documented in the Case Activity Record (CAR). See Exhibit 8.6.1-1, Pre-Selected Enclosures for Initial Contact Letters Based on Category and Case Type.
- (3) The ATE will document in CARATS the enclosures sent with the initial contact letter. This documentation serves as the employee's written explanation of the procedures described in the publications or notices to the taxpayer. The following pre-selected enclosures for Appeals' initial contact letters include the following:

By enclosing	You are explaining
Notice 1016, How to Stop Interest on Your Account	How to stop interest on a proposed or potential liability.
Publication 4227, Overview of Appeals Process Brochure	Appeals' mission, overview, and expectations of the appeals process.
Publication 4167, Introduction to Alternative Dispute Resolution	Appeals' mission, Early Referral (ER), Fast Track Settlement (FTS), Rapid Appeals Process (RAP), and Post Appeals Mediation (PAM).
Publication 4576, Orientation to the Penalty Appeals Process	Appeals' mission, the appeals process, right to representation, taxpayers' options for an unagreed closure, and payment options.

8.2.1.4.1  
(06-01-2021)  
**Exception to 45-Day  
Timeframe for Initial  
Case Actions**

- (1) ATMs will be reasonable in extending the contact timeframe if circumstances (e.g., leave, workload, case complexity, or other priorities) prevent the ATE from meeting the timeframe. If the ATM extends the timeframe, the ATE will document this decision and the agreed upon timeframe in the CAR for the case. Also, see IRM 1.4.28.4.1, Assignment of Work Units and Initial Case Actions.

**Reminder:** The statute verification timeframe will not be extended beyond 45 calendar days. If the contact timeframe is extended beyond **75 calendar days**, then the ATM will contact the taxpayer/representative by correspondence providing a status of the case and to whom the case is assigned.

- (2) For Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 and Bipartisan Budget Act (BBA) of 2015 key cases, the 45-day timeframe for statute verification applies to field ATEs only. See IRM 8.21.6.3.2, Appeals Technical Employees (ATE) Statute Responsibility for TEFRA Key Cases. **The TEFRA ATE will verify the statute within five workdays prior to assignment of the case to a field ATE.**

8.2.1.4.2  
(06-01-2021)

**No Initial Contact Letter  
Required for Certain  
Cases**

- (1) The ATE may make initial contact by contact letter or by telephone in lieu of using a contact letter. If the ATE makes initial contact by telephone, during such contact, the ATE must ensure that the substance of the contact letter is discussed with the taxpayer and documented in CARATS with the time action code/sub-action code of TC-SCM (telephone contact-substantive contact made by phone).
- (2) If the ATE determines that a conference is not appropriate, in lieu of sending Letter 5157, or another approved contact letter, **within a reasonable timeframe**, the ATE will complete the appropriate closing actions identified in the table below:

For a	The ATE will
Premature Referral	<ul style="list-style-type: none"> <li>• Prepare Letter 5209, Appeals Referral to Examination</li> <li>• Secure additional documentation, if applicable</li> <li>• Submit the case to the ATM for closing</li> <li>• Document this action in CARATS by inputting "AC-OD"</li> </ul>
Full Concession Case	<ul style="list-style-type: none"> <li>• Notify the taxpayer/representative, if appropriate</li> <li>• Prepare the appropriate closing letter/documents</li> <li>• Submit the case to the ATM for closing</li> <li>• Document this action in CARATS by inputting "DM"</li> </ul>

8.2.1.5  
(12-17-2025)

**Returning a Case to  
Examination - ATE**

- (1) Appeals will not return cases to Examination for further development.
- (2) The following circumstances, which are not all-inclusive, are grounds for returning a case:
  - a. Missing protest, or the protest, when required, fails to set forth the taxpayer's position, lacks detail, or fails to meet the requirements of Publication 5;
  - b. Contrary to IRS practice, the case is a reopening of a previously closed case as set forth in Rev. Proc. 2005-32;
  - c. Some action must be taken, or some event must occur, before Appeals can adequately consider the case. For example, completion of Headquarters' consideration of some aspect of the case (e.g., valuation of art work when a mandatory referral is required), or required coordination with appropriate offices within Counsel, or Criminal Investigation (CI), or a rebuttal to the taxpayer's protest on large team cases;
  - d. There is a failure to secure timely consents extending the period of limitation for assessment unless the statute is open for other reasons (e.g., fraud, IRC 6501(e));
  - e. The case involves claims for abatement of excise tax, employment tax, or trust fund recovery penalty which are not deemed meritorious by the IRS;
  - f. There is failure to comply with significant IRM requirements, the case should have been held in suspense in Examination pending clarification of IRS position, required information was not included in the report or case file, there is an open CI freeze, etc.;
  - g. Technical advice was pending at the time of the referral;
  - h. Appeals discovers potential fraud, malfeasance or misrepresentation of a material fact;
  - i. The taxpayer provides new information or evidence;

- j. The taxpayer raises new issue(s) that the originating function has not considered.

- (3) When an ATE closes an electronic SB/SE Field case as a premature referral, Form 5402, Appeals Transmittal and Case Memo, will be prepared by the ATE following normal procedures. The form includes all the information needed to identify the case and understand the reason(s) it was determined to be a premature referral.

**Note:** For electronic SB/SE Field premature referral case, if the taxpayer provided paper records that were not uploaded to ACDS, the ATE will include a note in the Remarks section of the Form 5402 instructing the SB/SE Field examiner to contact the ATE by encrypted email with the shipping address so that the paper records can be forwarded directly to them. Upon receipt of these paper records, the SB/SE Field examiner will review and digitize the relevant documents.

## 8.2.1.6 (06-01-2021) Preliminary Review of a Case - ATE

- (1) Close unnecessary original returns or files discovered during the preliminary review to the campus or the originating office, as appropriate.
- (2) During the preliminary review, the ATE identifies all Appeals Coordinated Issues (ACI) and international issues found in IRM 8.7.3, Domestic and International Operations Programs. The ATE is responsible for preparing and forwarding a referral, through their ATM, to Technical Guidance and/or Area 11 (International) on Form 13381, Appeals Technical Guidance Referral, when the case has any of the following issues:
  - International issues (including international penalty issues)
  - ACI
- (3) Referrals of Estate & Gift valuation issues with tax of \$10 million or more are made in accordance with IRM 8.18.1, Valuation Assistance Procedures.
- (4) Refer all TE/GE issues to the Appeals TE/GE Team Manager in accordance with IRM 8.7.8, Tax Exempt and Government Entities (TE/GE) Cases. TE/GE cases include issues involving the following:
  - Exempt Plans (EP)
  - Exempt Organizations (EO)
  - Tax Exempt Bonds (TEB)
  - Government Entities (GE)
- (5) For paperless cases received from SB/SE Field, the ATE will be notified of a new case in ACDS 2.0. The ATE will not receive a paper file. The ATE will access case documents in Appeals Correspondence Examination Automation Support (CEAS) View.
  - The ATE will verify that ACDS feature code "PL" (for paperless) was entered in ACDS. If not, the ATE will add this feature code.
  - ATE will access Employee User Portal (EUP), Integrated Data Retrieval System (IDRS), or Audit Management System (AMS) to obtain copies of tax returns, if necessary. The ATE will then work the case using normal case procedures.

8.2.1.7  
(10-01-2016)  
**Conducting the  
Conference - ATE**

- (1) Appeals conference techniques are described in IRM 8.6.1, Conference and Issue Resolution.

8.2.1.7.1  
(10-01-2016)  
**Assistance from  
Counsel in Pre-90-Day  
Cases**

- (1) Appeals may request informal assistance from Counsel when advice is needed on the hazards of litigation, interpretation of the law, and/or evaluation of the evidence. Counsel's assistance is provided through informal arrangements between Counsel and Appeals. This informal procedure is not intended to take the place of, or alter in any way, Technical Advice procedures.
- (2) While a case is in Appeals, Appeals has the sole authority to resolve the case through settlement and, when requested, Counsel acts solely as an advisor and/or consultant.

8.2.1.7.2  
(06-01-2021)  
**Verification of New  
Material or Request for  
Further Development -  
ATE**

- (1) ATEs are not investigators or examiners, may not act as such, and will not take investigative actions or perform analysis of new information or new issues. Conduct the preliminary review of a case as soon as possible to determine whether the case must be returned to the originating function. While taxpayers may present new information or evidence to Appeals, Appeals usually must return the case to the originating function to examine the new information and make a determination.
- (2) New information is defined in IRM 8.6.1.7.5, Taxpayer Provides New Information. If the taxpayer raises a new issue, or presents new information to Appeals, and that information relates to an issue in controversy, see the following for more information:
  - IRM 8.6.1.7.4, Taxpayer Raises New Issue
  - IRM 8.6.1.7.5, Taxpayer Provides New Information
- (3) Follow the procedures in IRM 8.6.1.7.7, Jurisdiction Released, to return a case to the originating function.
- (4) If Appeals determines that the taxpayer is raising a relevant new theory, or alternative legal argument, which requires further development, retain jurisdiction of the case and share the information with the originating function for review and comment. See IRM 8.6.1.7.6, Taxpayer Raises New Theory or Alternative Legal Argument.
- (5) When the taxpayer offers to make payment of additional tax liability for slush fund or improper payment deductions, or reveals their existence to Appeals officials for the first time, discontinue Appeals' consideration of the case and return the case to Compliance for appropriate action.

8.2.1.8  
(06-01-2021)  
**Requesting Work from  
Tax Computation  
Specialist**

- (1) Generate Form 3608 (CG), Request for Tax Computation Specialist (TCS) Service, from Appeals Generator of Letters and Forms (APGolf) and prepare as follows:
  - a. Boxes 1 through 6 - Populated with information from ACDS, when available
  - b. Box 7 - Mandatory entry  
For **Other**, include a brief description of the type of work requested
  - c. Box 8 - Complete only when priority consideration is requested
  - d. Box 9 - Complete as applicable

- e. Box 10 - Identify the disposition of the case/issue
  - f. Box 11 - The Appeals Officer (AO) may add the name of the prior TCS assigned to the case, if any
  - g. Box 12 - Complete only if there are supplemental instructions to the Schedule of Adjustments
  - h. Box 13 - Select the Appeals TCS Team Manager using the drop-down box, "Select TCS Manager to send the request to" - Use the appropriate TCS assignment grid to select the TCS Manager. TCS assignment grids are located on the TCS website under "**FOR APPEALS ONLY**". The TCS website can be accessed from the following link: *Technical Support (Tax Computation Specialists)*.
- (2) After completing Form 3608 (CG), the ATE should select the "Submit Request" button, which automatically sends the request to the Appeals TCS Team Manager and uploads the request into the AO's CAR on ACDS as a case attachment.
- Note:** Before the TCS customer selects an Appeals TCS Team Manager, the button is labeled, "Generate Letter/Form," and after the Appeals TCS Team Manager is selected, the button label changes to "Submit Request."
- (3) Upload the Schedule of Adjustments to the taxpayer CAR in ACDS as a case attachment.
- (4) The Appeals TCS Team Manager receives the case to assign in the ACDS notification screen and assigns the case to a TCS.
- (5) Immediately upon TCS assignment, the TCS Appeals Customer, assigned TCS, and Appeals TCS Team Manager will receive a system generated notification e-mail with the contact information of the TCS assigned to the case.
- (6) The ATE can upload any additional information needed by the TCS (e.g., RAR and tax returns) to the CAR in ACDS, or as an alternate, may e-mail or E-fax it to the assigned TCS.
- (7) When the ATE fully sustains Compliance's determination, settlement computations are not required; however, IRC 6404(g), Form 2285, Concurrent Determinations of Deficiencies, and/or May/Sequa worksheets, may be required if certain interest suspension rules are applicable. Also, Form 5403, Appeals Closing Record, is completed by the ATE or TCS who prepares the settlement computation. This worksheet provides specific account adjustment information for closing Automated Information Management System (AIMS)-controlled tax periods. APS employees use this information to prepare Form 5403. Notify the TCS if Form 5403 instructions and the special interest worksheet are required. See IRM 8.17.5, Special Computation Formats, Forms and Worksheets.
- a. IRC 6404(g) - This interest suspension period could apply to timely filed Forms 1040, U.S. Individual Income Tax Return, if the additional tax liability is not yet assessed. An IRC 6404(g) worksheet must be prepared for each individual income tax period (Master File Tax (MFT) 30 or MFT 31), if applicable. The IRC 6404(g) worksheet is available at *Technical Support - Tax Computation Specialists*.
  - b. Rev. Rul. 99-40, May/Sequa – This interest suspension period may apply if Transaction Codes (TC) **836** or **830** are posted on the taxpayer's ac-

count and there is a current or prior deficiency. A May/Sequa worksheet must be prepared for each applicable income tax period.

- c. Form 2285, is required when a case involves restricted interest due to loss or credit carrybacks.

- (8) ATEs must recognize the potential for the conditions in paragraph (7) and request TCS assistance to make this determination. If applicable, include the appropriate completed worksheets in the closed case file for APS to use in preparing accurate interest calculations.

**Note:** In addition to providing APS with special worksheets, the ATE must notate on Form 5402, if IRC 6404(g) and/or May/Sequa apply.

#### 8.2.1.9

(06-01-2021)

#### Reaching a Conclusion in the Case

- (1) This subsection covers actions taken by an ATE after carefully considering and discussing facts, law, and arguments of the case with the taxpayer and either reaching a basis of settlement or determining there is no mutually acceptable basis for settlement.
- (2) The authority to settle protested cases and Tax Court cases is delegated to ATMs and ATCLs as to their respective cases. See IRM 1.2.2.9.8, Delegation Order 8-8 (Rev. 1) (formerly DO-66, Rev. 15), Authority of Appeals in Protested and Tax Court Cases.
- (3) The ATE will communicate to the taxpayer/representative that any settlement proposal is subject to the review and approval of the ATM as the reviewing official. This should be communicated and documented in the CAR when initial contact is made and when a proposed settlement is reached.
- (4) When the case is agreed, the ATE will discuss the conclusion with the taxpayer and/or representative to ensure they have a complete understanding of the effects of the settlement.

**Example:** Where allowance of a net operating loss deduction reduces or eliminates a potential deficiency, advise the taxpayer that interest will be assessed on the potential deficiency. Where desirable or advisable, the taxpayer may also be advised in writing.

- (5) When the case is unagreed, the ATE will explain the following to the taxpayer:
  - The evaluation of the case
  - Additional action to be taken
  - Taxpayer's rights
- (6) Unagreed case dispositions of pre-assessed liabilities generally fall into the categories identified below:
  - a. Pre-90-day case disposition with a deficiency (defined in IRC 6211). A statutory notice of deficiency is issued to dispose of the sustained income tax (Subtitle A), estate and gift tax (Subtitle B), or excise tax (Chapter 41, 42, 43, or 44 of Subtitle D) case. The tax can be litigated in Tax Court.
  - b. Pre-90-day case disposition without a deficiency. A statutory notice of deficiency is not issued to dispose of the case because there is no deficiency to litigate in the Tax Court.
  - c. Pre-90-day case disposition of employment taxes (Subtitle C) attributable to a determination of worker status. Employment taxes do not fall under the definition of a deficiency. However, IRC 7436 requires the IRS to



follow deficiency procedures for the portion of the unagreed employment tax determination resulting from a worker status determination. The taxpayer can litigate this determination in Tax Court in response to an IRS notice of employment tax determination under IRC 7436.

- d. Case disposition of excise tax (Subtitle D other than Chapter 41, 42, 43, or 44.) The sustained taxes are assessed without issuing a statutory notice of deficiency because these taxes cannot be litigated in Tax Court.
- e. Case disposition of employment tax (Subtitle C), not attributable to a determination of worker status. The sustained taxes are assessed without issuing a statutory notice of deficiency because these taxes cannot be litigated in Tax Court.

**Note:** For details on preparing 90-day letters, see IRM 8.17.4, Notices of Deficiency, and IRM 8.7.16.11.1, Letter 3523-A, Notice of Employment Tax Determination Under IRC 7436.

- (7) Use Form 5402 to record the case conclusion, and include settlement computations (sometimes called an audit statement) and an Appeals Case Memorandum (ACM), when appropriate. See IRM 8.6.2, Appeals Case Memo Procedures, and IRM 8.17.2, General Settlement and Rule 155 Computations.
- (8) When an agreement is reached, the ATE will send an agreement letter (i.e., Letter 969, Agreement Form Transmittal - Non-Docketed Case), and enclose an agreement form, and in most instances, the settlement computation. The ATE **must** enclose a detailed interest computation when the agreement letter contains a stated interest amount.
- (9) IRM 8.6.4 includes additional information concerning soliciting agreement forms.
- (10) Actively encourage the taxpayer to pay any deficiency in full. If the taxpayer indicates they are unable to pay, discuss alternatives to full payment, such as installment agreements or offers-in-compromise. Point taxpayers to the IRS Direct Pay tool available at <https://www.irs.gov/payments/direct-pay>, which is a free online tool that allows individuals to securely pay their income tax directly from their checking or savings account without any fees or pre-registration. Direct Pay is available 24 hours a day, seven days a week. Any taxpayer who uses the tool receives instant confirmation that their payment was submitted. Also, if they prefer an Installment Agreement, direct them to the IRS Online Payment Agreement application at <https://www.irs.gov/payments/online-payment-agreement-application>.
- (11) Prepare the appropriate closing letter for APS to send after the reviewing official accepts the settlement proposal.

**Note:** See subsections below for information on acceptance and rejection of the settlement proposal by the reviewing officials.

- (12) Form and pattern letters for use as agreement letters and closing letters are contained in ACDS 2.0 or APGolf.

#### 8.2.1.9.1 (06-01-2021) Reviewing Official's Acceptance of Settlement Proposal

- (1) If the taxpayer disagrees with a settlement that is approved by the ATM, or other reviewing official, the taxpayer can request, but is not entitled to, a conference with the reviewing official.

8.2.1.9.2  
(06-01-2021)  
**Reviewing Official's  
Rejection of Settlement  
Proposal**

- (1) When a reviewing official rejects a settlement proposal, the reviewing official will discuss the case with the ATE. The discussion will include the facts, law, and argument the ATE and the reviewing official considered in reaching their respective conclusions.
- (2) If a revised settlement is reached that's agreeable to the ATE and the reviewing official, see IRM 8.2.1.9.2.1, Reviewing Official Rejects Settlement Proposal - ATE Accepts.
- (3) If a revised settlement is not reached that's agreeable to the ATE and the reviewing official, see IRM 8.2.1.9.2.2, Reviewing Official Rejects Settlement Proposal - ATE Does Not Accept.

8.2.1.9.2.1  
(06-01-2021)  
**Reviewing Official  
Rejects Settlement  
Proposal - ATE Accepts**

- (1) When the ATE accepts the reviewing official's position to reject the settlement, or when a revised settlement is reached, the ATE will contact the taxpayer to discuss the status of the case, the reasons for the change in the settlement, and that the taxpayer may request a conference with the ATE or the reviewing official.
- (2) If a conference is granted and the revised settlement is accepted, the ATE will secure all revised tax computations and agreement documents reflecting the revised settlement. If the taxpayer does not agree with the new settlement, the ATE will take all necessary actions to close the case unagreed.
- (3) The ATE will maintain inventory control of the case including monitoring the statute, preparing the case for final closing, etc.
- (4) The ATE will prepare a revised ACM with the revised settlement and process the case through normal closing procedures.

8.2.1.9.2.2  
(06-01-2021)  
**Reviewing Official  
Rejects Settlement  
Proposal - ATE Does Not  
Accept**

- (1) As the reviewing official with settlement authority delegated under Delegation Order 8-8, found in IRM 1.2.2.9.8, Delegation Order 8-8 (Rev. 1) (formerly DO-66, Rev. 15), Authority of Appeals in Protested and Tax Court Cases, an ATM may reject a settlement proposal. Circumstances, which are not all-inclusive, for rejection of a settlement proposal are:
  - Misapplication of the law
  - Facts or circumstances that don't support the conclusion reached
  - Hazards settlement not fully supported in the ACM

The ATM must clearly communicate to the ATE, and document in the CAR, why the settlement proposal is being rejected.

- (2) When the ATE does not accept the reviewing official's position, or when a revised settlement is not reached, the ATE will prepare a written rebuttal. The rebuttal must clearly state the factual and/or legal reasons a change in the original settlement proposal is not warranted or provide a revised settlement proposal for the reviewing official to consider.
- (3) If the rebuttal changes the position of the reviewing official, and the reviewing official accepts the original settlement proposal, no further action is needed; however, the ATE must update the final ACM.
- (4) If the rebuttal does not change the position of the reviewing official, the ATE will contact the taxpayer and advise them that the settlement proposal previously reached has been rejected by the reviewing official.



- (5) If the taxpayer is willing to work toward an agreement, the ATE will attempt to settle the case. If the taxpayer is unwilling to work toward an agreement, the ATE will take all necessary action to close the case unagreed.
- (6) The ATE will secure all required tax computations and agreement documents reflecting any settlement position.
- (7) The ATE will maintain inventory control of the case at all times, including monitoring the statute, preparing the case for final closure, etc.

## 8.2.1.10 (12-17-2025)

### Closing the Case to APS

- (1) The ATE will assemble the administrative file in chronological order and include all documents necessary for APS to close the case.
- (2) For paperless cases sourced in SB/SE Field Examination:
  - a. the ATE will scan, if necessary, and upload to ACDS, any Appeals generated documents and correspondence, using the ACDS existing case file naming convention before closing the case to the ATM.

**Note:** For example, an ACM is uploaded as WUNO-XXXXXXXXXXACM (using the actual case Work Unit Number (WUNO) in place of the X's). Other attachments that are uploaded will have a brief descriptive name following the WUNO.

  - b. the ATE will enter "ECFI" in the LOC 7 field if it not already present.
- (3) For detailed information covering the procedures taken by the ATM when the case is submitted for closing by the AO, see IRM 1.4.28, Appeals Managers Procedures.

**Note:** For paperless cases sourced in SB/SE Field Examination, once the ATE has uploaded the required closing documents to ACDS and submitted the case to the ATM for review and approval, then the ATM will receive a notification in ACDS 2.0. The ATM then follows normal case closing procedures.

- (4) After the ATM completes the "Closing Cases" on ACDS and inputs an ATM approval date known as the ACAP date, the case information automatically goes to the Processing Employee Automated System (PEAS) unassigned box.
- (5) The ATM then submits the case to APS.
- (6) When closing paperless cases sourced in SB/SE Field Examination, the ATM will:
  1. Sign and date Form 5402, any agreement form(s) (e.g., Form 870-AD, Offer to Waive Restrictions on Assessment and Collection of Tax Deficiency and to Accept Overassessment), and the closing letter(s), if applicable;
  2. Upload the signed and dated Form 5402, the agreement form(s), and the signed closing letter to ACDS; and
  3. Enter ACDS ACAP date.

**Note:** After the ATM enters the ACAP date, it will generate an ACDS 2.0 Paperless Notification to the APS Processing Team Manager (PTM). The PTM will assign the case to a Tax Examiner (TE) for final processing. Each TE will identify the ECFI paperless case using their ACDS 2.0 Paperless Notifications. The TE will follow the established closing procedures under IRM

8.20.7, Closing Procedures, including performing the Appeals feedback loop procedures along with the items below.

8.2.1.10.1  
(06-28-2012)

**Expedite Processing for  
Certain Large Dollar  
Cases**

- (1) Appeals will expedite the closing of a certain “agreed and unpaid deficiency” or overpayment case, if the case meets the “large dollar” criteria described in IRM 4.10.8.2.4.3, Large Dollar Cases. This guidance does not apply to a deficiency and/or overpayment case that requires Joint Committee Review. See IRM 8.7.9.3, Cases Requiring JC Review.
- (2) A case meets the large dollar criteria if the total amount of a period’s “agreed and unpaid deficiency” plus penalties (or overpayment plus penalties) exceeds \$100,000.
- (3) Expedite processing is required to accomplish the following:
  - a. To avoid the unnecessary accrual of overpayment interest under IRC 6611 for **large dollar** cases.
  - b. To avoid the unnecessary suspension of deficiency interest in respect to “large dollar” income, estate, gift, and/or certain excise taxes. IRC 6601(c) requires an interest suspension if notice and demand is not made within 30 days of the *filing of a waiver of restriction on the assessment*.

**Note:** Interest is suspended if notice and demand is not made within 30 days of IRS’s receipt of a Form 870, Waiver of Restrictions on Assessment & Collection of Deficiency in Tax & Acceptance of Overassessment, type agreement. If the case involves a Form 870-AD type agreement, interest is suspended if notice and demand is not made within 30 days of the execution (by the ATM or ATCL) of the special agreement form. See IRM 8.6.4.4, Agreements Forms Secured in Appeals Cases. Also, see IRM 8.7.10, Excise Tax Cases and IRA Adjustments, to identify the excise taxes that require deficiency procedures.
- (4) The following procedures apply for expediting certain “large dollar” cases:
  - a. The ATE will identify and “flag” the case for expedited closing, by attaching any “expedite sticker, note, or tag” that contains a notation similar to the following: “\$100,000 Agreed and Unpaid Deficiency” and/or “\$100,000 overpayment”. The ATE will include a similar notation on Form 5402. The ATE will close the case within five calendar days of Appeals’ receipt of the signed waiver form. The ATE will close the case within 10 calendar days of the receipt of a Form 870 type agreement or within 10 days of the execution of a Form 870-AD type special agreement. The ATE should include an explanation for the delay (if any) on the CAR.
  - b. The ATM will ensure the case is properly “flagged” for expedited processing. The ATM will close the case to APS within 10 days of the Appeals’ receipt of the waiver form.

8.2.1.10.2  
(06-01-2021)  
**Closing Cases with  
Specialized Issues or  
Procedures**

- (1) IRM 8.20.7, Closing Procedures, covers some of the specialized issues that may arise when closing cases. The following is a list of those issues along with a link:
  - a. Conversion of Tax Returns, IRM 8.20.7.21
  - b. Department of Justice Cases, IRM 8.20.7.23
  - c. Substitute for Return (SFR) Cases Processed in Appeals, IRM 8.20.7.46.3
  - d. Delinquent Return Included in an Appeals Case, IRM 8.20.7.46.2
  - e. Non-Master File (NMF) Processing, IRM 8.20.7.48
  - f. Petitioning/Non-Petitioning Spouse Case Closing Procedures, IRM 8.20.7.51
  - g. Premature Referrals or Improper Referrals - Jurisdiction Released; Jurisdiction Not Released, IRM 8.20.7.52.1 and IRM 8.20.7.52.2

8.2.1.11  
(06-01-2021)  
**Preparing a Paper Case  
File for Closing to APS**

- (1) This section contains the procedures for the ATE to prepare cases that have a physical administrative paper case file for closing to APS. Paperless case files do not have a physical administrative file and are identified with a "PL" feature code. Paperless cases are closed electronically. More information on preparing the case for closure is available in IRM 8.20.7.13, Administrative File Closing Assembly Order, and in Exhibit 8.20.7-15, Assembly Order for Non-Collection Cases.
- (2) Arrange the administrative file to be sure it includes all returns, documents, and other papers, which were in the case file when it was received, plus any returns and papers added while Appeals had the case. Remove all documents from the left side of the case file since that is usually torn from the file once it gets to the campus.
- (3) Arrange the contents chronologically (date order).
- (4) Ensure there are sufficient copies of the following items in the file (or uploaded to ACDS as a case file attachment, as directed):
  - Form 5402 or other transmittal
  - Closing letter
  - Envelopes for taxpayer and Power of Attorney (POA) (if applicable)
- (5) Place all tax returns in the administrative file.

8.2.1.12  
(08-11-2015)  
**Statute Open with Form  
872-A**

- (1) If the statute is open under Form 872-A, Special Consent to Extend the Time to Assess Tax, **and** the return is closed no-change, prepare Form 872-T, Notice of Termination of Special Consent to Extend the Time to Assess Tax, for APS to send to the taxpayer with the closing letter.

**Caution:** Exercise caution prior to sending a Form 872-T on a no change case. Carryback years with statutes controlled by the originating year with Form 872-A must be protected or assessed. The statute date for any carryback returns open under an originating year Form 872-A is 90 days from the date Form 872-T is mailed.

