



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
Washington, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

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MEMORANDUM FOR EMPLOYMENT TAX TERRITORY MANAGERS, GROUP  
MANAGERS AND SPECIALISTS

FROM: John Tuzynski /s/ *John Tuzynski*  
Chief, Employment Tax Operations

SUBJECT: Interim Guidance on Preparer Action Case (PAC) Procedures for  
Employment Tax

The purpose of this memorandum is to issue procedures for SB/SE Employment Tax (ET) examiners to initiate a Preparer Action Case (PAC). A PAC is an investigation where clients of questionable preparers are examined to determine whether preparer penalties and/or injunctive actions against the preparer(s) are warranted.

If during the course of an employment tax audit an examiner believes a preparer's non-compliance is pervasive, consideration should be given to opening a PAC. With managerial approval, examiners should forward the following information via secure e-mail to the ET Return Preparer Coordinator (RPC):

- a. Name of preparer
- b. Address of preparer
- c. EIN, SSN, and/or PTIN of preparer
- d. A detailed description of the suspected non-compliance

IRM 4.1.10 contains general procedures for conducting a PAC. The following procedures are specific to SB/SE Employment Tax examiners for making a preparer referral to initiate a PAC:

- i. The RPC will determine whether a PAC is warranted and whether there are any ongoing PACs or investigations currently open on the referred preparer. A separate PAC cannot be opened if there is already an open PAC or investigation. Examiners and/or Group Managers must not research preparers on their own; all referrals must be routed through the designated RPC.
- ii. If there is another open PAC or investigation in SB/SE Exam, Criminal Investigation (CI), LMSB, TE/GE, or other Business Operating Division, the RPC will provide the employment tax referral information to the responsible SB/SE Area RPC.

- iii. The RPC will prepare an analysis of the preparer's clients' returns to determine if the issue identified by the examiner is prevalent.
- iv. If the issue is not prevalent or insufficient information is available, the RPC will notify the Group Manager that a PAC is not warranted. The examiner may submit additional information that will be considered by the RPC.
- v. When appropriate, the RPC will submit a referral package with the necessary research to the Preparer Steering Committee (PSC) for consideration of a PAC. The RPC will notify the Group Manager that the referral has been forwarded to the PSC for consideration.
- vi. The PSC will be comprised of the SB/SE Employment Tax Territory Managers and the RPC. The PSC will meet periodically, as necessary, to review the preparer research and select those they determine warrant a PAC.
- vii. The PSC will prepare a PAC Request Memo and submit it to the Policy Program Manager for routing and approval by the Director, Specialty Programs through the Chief, Employment Tax.
- viii. If the PAC is approved, the RPC will notify the Group Manager and coordinate with Campus to ensure that the necessary returns are selected for compliance action and assigned a unique tracking code.

Effect on Other Documents: This Interim Guidance Memorandum will be published in IRM chapter 4.23.17, Preparer Penalty Guidance for Employment Tax.

This guidance is effective immediately. If you have any questions, please contact Ed Hutzmann, Policy Analyst and Acting RPC, SB/SE Employment Tax, Specialty Programs.

cc: [www.irs.gov](http://www.irs.gov)