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MEMORANDUM FOR ALL IRS INDEPENDENT OFFICE OF APPEALS EMPLOYEES

FROM: Steven M. Martin /s/ Steven M. Martin
Director, Operations Support

SUBJECT: Procedural updates for the Early Referral program

This guidance provides current procedures for the IRS Independent Office of Appeals (Appeals) on the **Early Referral** (ER) program. Please distribute this information to all impacted employees within your organization.

Purpose: This guidance updates procedures found in IRM 8.26.4, Early Referral Procedures, to incorporate the following:

- Changes in terminology and new processing functionality for the new Appeals Case Management System (ACMS).
- Changes to how Compliance submits ER requests to Appeals and when ER cases are carded into ACMS.
- Changes related to the transition of Alternative Dispute Resolution (ADR) program management responsibilities to the ADR Program Management Office (ADR PMO).
- Updates throughout to align IRM 8.26.4 with current procedures.

Background/Source(s) of Authority: Appeals Centralized Database System (ACDS), Appeals' aging legacy system, is being replaced by ACMS, a more modernized system. Appeals contracted Salesforce to create ACMS, which will provide Appeals with a new level of automation and analytics. These updates will allow for more effective collaboration within Appeals and, in the future, with other IRS business units.

In March 2024, Appeals established the ADR PMO. The ADR PMO was created to revitalize existing ADR programs, pilot new initiatives, and collaborate with other business units to help taxpayers resolve tax disputes more efficiently. The ADR PMO has primary responsibility for all policy and program management for ADR programs and is supported by Appeals Policy.

Procedural Change: Specific procedural changes are contained in the attachment.

Additional Information: Additional information on ACMS can be found on the Appeals Exchange (ApEx) ACMS Home Page. This site contains links for helpful information with ACMS, training documents, etc.

Effect on Other Documents: Portions of this guidance may be extended, modified, or made permanent, and incorporated into the affected IRM section(s) within two years from the date of this memorandum.

Effective Date: This guidance is effective as of the date of this memorandum.

Contact: Appeals employees should submit questions pertaining to ADR programs to their manager. Managers may submit ADR questions to *AP ADR PMO. Employees can also access ADR information and resources on the Alternative Dispute Resolution (ADR) webpage.

Distribution: FOIA Library on IRS.gov
(https://www.irs.gov/privacy-disclosure/foia-library)

Attachment

General Alternative Dispute Resolution (ADR) Procedures for Appeals Case Management System (ACMS)

Compliance will now submit Early Referral (ER) requests to Appeals electronically through the Appeals Shared Programs Hub. If an Appeals Team Managers (ATM) receives an ER request directly, the ATM will instruct Compliance to submit the request electronically through the Appeals Shared Programs Hub. The request will be treated as received on the day it is submitted through the Appeals Shared Programs Hub. See IRM 8.26.4.7 as modified by this guidance.

Specific IRM Procedural Changes

Throughout IRM 8.26.4:

- References to Appeals Centralized Database System (ACDS) will be changed to Appeals Case Management System (ACMS).
- Form 5402, Appeals Transmittal and Case Memo, has been replaced. The 'Printable View' feature now captures the information formerly found on Form 5402 and is referred to as the E-5402.
- References to the Case Summary Card (CSC) will be changed to Case Summary (CS).
- All references to Collection will be removed except those specifically retained in this guidance.

8.26.4.1 (MM-DD-YYYY)
Program Scope and Objectives
Modify paragraphs (1) and (3) through (5).

(1) **Purpose:** This IRM provides procedures for early referrals to the IRS Independent Office of Appeals (Appeals). The Early Referral (ER) program allows taxpayers to request the transfer of a developed but unagreed issue to Appeals while the other issues in the case continue to be developed in Compliance.

(3) **Policy Owner:** The executive with policy oversight in Appeals is the Director, Operations Support.

(4) **Program Owners:** The Alternative Dispute Resolution Program Management Office (ADR PMO) manages and administers the ER program. The Director, ADR PMO, is responsible for planning, managing, and directing the nationwide ADR programs for Appeals. See IRM 1.1.7.9, Alternative Dispute Resolution Program Management Office (ADR PMO). The ADR PMO is under the Deputy Chief of Appeals.

(5) **Contact Information:** Appeals employees should submit questions pertaining to ADR programs to their managers. Appeals managers and other employees outside of Appeals may submit ADR questions to *AP ADR PMO.

8.26.4.1.5 (MM-DD-YYYY)
Terms and Acronyms
Modify the table under paragraph (2).

(2) The table lists commonly used acronyms and their definitions as cited in this section:

Acronym	Definition
ADR	Alternative Dispute Resolution
ADR PMO	Alternative Dispute Resolution Program Management Office
EO	Exempt Organizations
EP	Employee Plans
ER	Early Referral

8.26.4.2 (MM-DD-YYYY)
Overview of the Early Referral (ER) Program
Add new paragraph (5).

(5) This IRM does not cover ER procedures for Collection cases. Collection procedures are found in IRM 8.24.1, Collection Appeals Program (CAP).

8.26.4.4.3 (MM-DD-YYYY)
Early Referral in Collection Issues
Delete section. Renumber subsequent subsection.

8.26.4.7 (MM-DD-YYYY)
Receipt and Control of Early Referral Issues
Modify paragraph (1) and add new paragraphs (2) through (5).

(1) When Compliance accepts an ER request, the Group Manager will submit the approved **ER Package** to Appeals through the Appeals Shared Programs Hub SharePoint site as an attachment to the completed Electronic Case Receipts (ECR) form. Compliance will not send the entire administrative file. See Early Referral for instructions on submitting the ER Package to Appeals.

(2) The ER Package includes:

- Appeals ECR Check Sheet.
- ER request.
- Form 5701, Form 886-A, Explanation of Items, or other equivalent document for each referred issue.

- Applicable portions of tax returns and workpapers. If voluminous, provide Appeals with contact information to request these documents in the Appeals ECR Check Sheet.
- Taxpayer's written response.
- Compliance’s response to the taxpayer's position.
- An estimate of the potential tax effect of the proposed adjustment.
- Form 2848, Power of Attorney and Declaration of Representative, if applicable.

(4) Account and Processing Support (APS) will card in the ER requests received through ECR into Appeals Case Management System (ACMS), generally within two business days of submission. Once the ER request is established in ACMS, the Appeal Record created for the request will automatically route to the appropriate Area queue.

(5) Area Technical Advisors (TAs) will assign the ER request to an Appeals team as soon as it appears in the Appeals Awaiting Assignment list view. ER cases will contain “Early Referral” in the ADR column of this list view.

8.26.4.7.1 (MM-DD-YYYY)
ATM Initial Review of ER Requests
Retitle section and modify paragraph (1).

(1) ER Requests require expedited review. Upon notification of assignment by the TAs, the ATMs will complete the following actions within **one week** of the Appeal Received Date shown in ACMS:

- Review the ER package for completeness and eligibility.
- Decide whether to accept the request.
    - If accepted, the case is assigned to an Appeals Officer and Appeals takes jurisdiction over the issues accepted for ER while all other issues in the case remain in Compliance’s jurisdiction.
    - If denied, the case is assigned to an Appeals Officer to complete ACMS closing actions referred to in IRM 8.26.4.10, Closing Early Referral Cases.
- Contact the Group Manager to inform them of the status of the request.

8.26.4.10 (MM-DD-YYYY)
Closing Early Referral Cases
Modify paragraph (1). Add new paragraph (2).

(1) To generate the E-5402 used in the ER Closing Package, submit the case for approval in ACMS and complete the necessary closing information. The closing information will populate on the E-5402 and should include the following information:

a. Closing Code. Select the appropriate option:
    - 01 – Rejected/Denied

- 03 – Agreed
- 13 – Unagreed
- 86 – ER Canceled

b. Resolution Reason: Select the appropriate option from the drop-down menu.
c. Proposed ADR Adjustment Amount: Enter the total dollar amount of all ER issues as proposed by Compliance.
d. Revised ADR Adjustment Amount: Enter the total dollar amount of all ER issues per the settlement reached in ER. If no settlement is reached through ER, enter the Proposed ADR Adjustment Amount.

(2) The **ER Closing Package** includes the following documents:

- E-5402, printable view, created after the ATM approves the case for closure
- ACM
- Form 906 (if required)
- Case Action Record (CAR)
- All correspondence received from, and sent to, the taxpayer/representative
- Original paper files received from Compliance, if applicable

(3) Once the ATM approves the case closure, the case will auto-close in ACMS without APS processing. The Appeals Officer or ATM must forward the ER Closing Package to Compliance except when using closing code 86.

8.26.4.11 (MM-DD-YYYY)
Effect on the Conclusion of an Examination
Modify paragraphs (1) through (3). Reversed the order of paragraphs (2) and (3).

(1) When Compliance completes the examination of any issues not referred as part of the ER process, a 30-day letter is issued with respect to unagreed issues. The letter includes any issues referred under the ER process that are still pending.

(2) If Appeals takes jurisdiction of the remaining issues in the case after a 30-day letter is issued, the Appeals Officer will close the in-process ER case using closing code 86. All issues, including the pending ER issues, are considered together as a traditional Appeals case under a new appeal number in ACMS. The ATM will link the original ER case to the new case.

(3) When Compliance completes the examination, and the only unagreed issues are those Appeals considered under ER, a statutory notice of deficiency (90-day letter) is issued instead of a 30-day letter because the taxpayer has already appealed all remaining unagreed issues.