



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

SMALL BUSINESS/SELF-EMPLOYED DIVISION

December 14, 2017

Control Number: SBSE-04-1217-0080
Expires: December 14, 2018
Impacted IRM: 4.23.10.5
4.23.10.6

MEMORANDUM FOR SB/SE DIRECTOR, SPECIALTY EXAMINATION; CHIEF,
EMPLOYMENT TAX; TERRITORY AND GROUP
MANAGERS; AND ALL EMPLOYMENT TAX SPECIALISTS

FROM: Daniel R. Lauer *Daniel R. Lauer*
Acting Director, Examination – Specialty Policy

SUBJECT: Updated Instructions for Surveying Employment Tax Returns

Purpose:

The purpose of this memorandum is to provide guidance to managers and employees regarding sufficient written justification and documentation when surveying a return. Use of Form 2503, *Survey – Excise or Employment Tax*, is now required for all Survey Before Assignment (SBA) (DC31) and Survey After Assignment (SAA) (DC32) closures.

Background:

The GAO report titled, *IRS Examination Selection: Internal Controls for Exempt Organization Selection Should be Strengthened*, recommended strengthening the procedures used in documenting decisions to survey cases selected for examination. To ensure SB/SE Specialty Examination survey procedures meet the intent of the report and are consistent with updated procedures in SB/SE Examination, the use of Form 2503 for all Employment Tax Surveys is now required. Form 2503 has been updated for use in both SBA and SAA closures.

Procedural Changes:

All SB/SE Employment Tax Specialist and Manager determinations to survey a return must include Form 2503, *Survey - Excise or Employment Tax*. All Forms 2503 must document a clear explanation of the circumstances and rationale for closing the return as a survey. Although a lengthy explanation is not required, individuals completing a Form 2503 should guard against brevity; a reviewer must be able to validate the decision making process.

Group managers must review and approve all SAA closures submitted by the examiner. Approval is completed by signing Block 15, "Approved by," on the Form 2503. Group managers must complete Form 2503 when closing cases SBA and sign in Block 14, "Preparer." No further approval is required.

Paperless survey(s) covered in IRM 4.23.10.6.1 no longer apply to cases closed SBA (DC31) or SAA (DC32). All other survey procedures remain unchanged, including paperless survey of SFR returns established under IRC 6020(b) covered in IRM 4.23.10.6.1(3).

Effect on Other Documents:

The contents of this memorandum will be incorporated in IRM 4.23.10.5, *Survey of Employment Tax Return Before Assignment*, IRM 4.23.10.6, *Survey of Employment Tax Return After Assignment and* IRM 4.23.10.6.1, *Paperless Survey of Employment Tax Return*, within one year from the date of this memorandum.

Effective Date:

The changes included in this memorandum are effective immediately. If there are any questions, please contact Employment Tax Policy Analyst, Lynne McCoy.

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