



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

SMALL BUSINESS/SELF-EMPLOYED DIVISION

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MEMORANDUM FOR DIRECTOR, SPECIALTY EXAMINATION; EMPLOYMENT TAX
TERRITORY MANAGERS, GROUP MANAGERS AND
EMPLOYMENT TAX EXAMINERS

FROM: Alfredo Valdespino /s/ *Alfredo Valdespino*
Executive Officer, SB/SE Specialty Examination Policy

SUBJECT: Interim Guidance for Employment Tax Examiners on Issue
Management System and Notebook

The purpose of this memorandum is to provide guidance to SB/SE Employment Tax (ET) Managers and Examiners on specific requirements within the Issue Management System (IMS) and Notebook, prior to the next revision of IRM 4.23.4, *Workpapers - Employment Tax Examinations*.

This interim guidance addresses:

- Mandatory and optional input requirements by case category into IMS;
- Case naming convention used for all employment tax examinations;
- Mandatory requirements for Information Document Requests (IDR);
- Instructions for charging time on cases/returns and issues; and
- Other IMS issues, including File Size, File Limitations and Encryption Policy.

Background

During FY 2015, SB/SE Employment Tax (ET) adopted the Issue Management System (IMS) and Notebook as its primary case management systems. To ensure continued success of its implementation, this memorandum clarifies processes and procedures related to the items listed above.

Mandatory and Optional Input Requirements

ET has four distinct categories of cases. Each category has different documentation requirements within IMS. Exhibit 1 provides a quick reference of attributes and documents that are mandatory versus optional. Any forms or documents not specifically addressed in Exhibit 1 are considered optional. In all cases, IMS lead sheets and workpapers should support the audit trail. Mandatory attributes or documents should be maintained within IMS; however, when warranted, the examiner may obtain and document managerial authorization to deviate from IMS/Notebook guidance. If more information is needed about workpapers in employment tax examinations, refer to IRM 4.23.4.

Employment Tax Case Category

1. ET General Cases – Work completed using Employment Tax Lead Sheets (ETLS). This category includes stand-alone claims.
2. ET Large Cases – Work completed using LB&I team audit procedures (i.e., Form 5701/Forms 4764A and B (non ETLS process)). This category includes stand-alone claims.
3. 3121(q) Assessment Cases (Tip Issue Only) – Tip cases involving only a 3121(q) assessment. Refer to IRM 4.23.7.7.3, Report Writing Procedures for Tip Exams.

Note: If a taxpayer does not report the 3121(q) assessment as required, the 3121(q) case is worked following the IMS guidelines of either paragraphs (1) or (2) above and the procedures in IRM 4.23.7.7.4.

4. Tip Agreements TRDA/TRAC/GITCA – Generally, this includes “tip rate reviews”. A Tip Agreement case is not a regular “tip case or tip audit” so many of the guidelines for regular examinations do not apply. Tip agreements include:
 - The Tip Rate Determination Agreement (TRDA),
 - Tip Reporting Alternative Commitment (TRAC),
 - Employer Designed Tip Reporting Alternative Commitment (EmTRAC), and
 - Gaming Industry Tip Compliance Agreement (GITCA).

Case Naming Convention

All case names must begin with “ET” for ease in identifying employment tax cases. To ensure consistency, all examiners will use the following naming convention when naming a case in IMS:

ET [Taxpayer Name] [Year] - (Example, ET Adam Plumbing Inc 2012)

Do not use punctuation, such as periods, commas, dashes or quotation marks when case naming.

Mandatory requirements for Information Document Requests (IDRs)

To ensure consistency, all examiners will prepare and complete Information Document Requests (IDRs) within IMS, including annotating the form 4564 itself, as appropriate (e.g., Date IDR Issued, Date Information due by) and updating the IDR form status and date fields via IDR Edit Status screen. The IDR form status choices will vary depending on the current status of the IDR (e.g., Issued, Received, Revoked, Closed, etc.). Note: updating an IDR status as “Received” will not stop the days outstanding from running. After reviewing an IDR response for completeness, the IDR status should be updated to “Closed” to prevent erroneous outstanding IDRs appearing in IDR statistics and managerial reports.

Charging Time on Cases>Returns and Issues

To charge time to a case within IMS, each return must have at least one issue. Each return must have time charged to allow the case to close, except when the return is closed using a non-examined disposal code such as Disposal Code 32 or 36. ET field examiners will set up ET 080-Administrative Procedures on each return included in the examination and will generally charge one hour to that issue on each return. All other ET issues will be entered in IMS on the key return (generally, the 4th quarter return) for each tax year that the issue is examined. The remaining time spent on the case will be charged to the issue(s) reflected on the key return(s), as appropriate.

Tax Compliance Officers (TCO) and Tax Examiners (TE) will set up the primary issue on each return included in the examination, and will generally charge half an hour to that issue on each return. If other issues are found, they will be added to the key return(s) (generally, the 4th quarter return), as appropriate. All remaining time spent on the case will be charged to the issue(s) reflected on the key return(s). See Exhibit 2 for examples of how to set up a case, its issues, and how to charge time.

ET Notebook

The Notebook tool is used in conjunction with IMS for all cases worked within SB/SE Employment Tax. Notebook provides ET examiners with a standard library of current ET Program’s mandatory reports, administrative forms and letters. Notebook decreases data entry and errors by pre-populating numerous commonly entered data fields in these documents with data imported from IMS along with information entered directly in Notebook.

The Notebook currently houses the following items:

- Employment Tax Examination Report (ETER) program,
- Employment Tax Lead Sheet (ETLS) program,
- SS-10 (statute) package,
- P9 Information Return Penalty package,
- Payment Input workbook, and
- Forms and Letters Library

ET examiners will be required to use Notebook for any new cases started (placed in Status 12) after October 1, 2016.

Other IMS Issues, File Size, File Limitations and Encryption Policy:

- Do not add/import/upload large files (over 40 megabytes per file) to IMS.
- Do not import databases of any size, such as a Microsoft Access file; or databases like IRPTR-I or IRAS. Examiners may add/import/upload reports generated from databases.
- Do not import zipped files of any size; they cannot be unzipped within IMS.
- Do not import password-protected files as they are not viewable on the Team Website.
- Examiners may add/import/upload encrypted files directly from the Sensitive But Unclassified (SBU) folder in IMS.

Effective Date:

This interim guidance is effective upon issuance and remains in force until expiration on its issue anniversary date or when superseded by an updated IRM or interim guidance.

If you have any questions concerning this interim guidance, contact Karyl Carter, Policy Analyst SB/SE Employment Tax Policy.

Attachments: Exhibit 1, Exhibit 2

Distribution:

[IRS.gov \(http://www.irs.gov\)](http://www.irs.gov)

Attachment Interim Guidance: SBSE-04-0416-0002

**The following changes are hereby effective upon issuance for IRM 4.23.4.5,
*Guide for Examiners Using Issue Management System (IMS)***

Exhibit 1 – Mandatory Items – IMS

Exhibit 2 – Time Charge Examples - IMS

Exhibit 1-Mandatory Items-IMS- Attachment Interim Guidance: SBSE-04-0416-0002

	Attributes and Documents	ET General Cases	ET Large Cases	3121q Assessment Cases (Tip Issue Only)	Tip Agreements TRDA /TRAC/ GITCA
	General Case Requirements				
1	Audit Plan-Forms 4764A and B	Optional	Mandatory	Optional	Optional
2	Case Activity Record - (Using Form 9984 within IMS)	Mandatory	Mandatory	Mandatory	Mandatory
3	Closing Agreements (including CSP Agreements) - Signed and Scanned	Mandatory	Mandatory	Mandatory	Appendices Mandatory
4	ETER Package - ET Examination Report (All Forms 2504, 4666, 4667,4668)	Mandatory	Mandatory	Form 4666 only	N/A
5	ETER Signed and scanned Form 2504 if applicable	Mandatory	Mandatory	N/A	N/A
6	ETLS or other types of leadsheet/workpaper packages	Mandatory	Optional	Mandatory	Mandatory
7	Form(s) 3198 (via ETER or other source)	Mandatory	Mandatory	Mandatory	N/A
8	Appropriate Closing Document: Form 5344, Form 5351 or Form 8278	Mandatory	Mandatory	Mandatory	N/A
9	Form(s) 5701 (Notice of Proposed Adjustment) with Narrative	Optional	Mandatory	Optional	N/A
10	Fraud Cases: Forms 11661 and 2797-signed and scanned	Mandatory	Mandatory	Mandatory	N/A
11	Information Document Requests (IDR) with status changes and dates as appropriate	Mandatory	Mandatory	Mandatory	Mandatory if applicable
12	Letters 3263 and 3264 (Notice/Demand)	Mandatory if applicable	Mandatory if applicable	Mandatory	N/A
13	Risk Analysis	Optional	Mandatory	Optional	N/A
14	SS-10 Package (SS-10, Letters 907, 929)	Optional	Optional	Optional	N/A
15	SS-10-Signed and scanned if applicable	Mandatory	Mandatory	Mandatory	N/A
16	Secure Messaging MOU and Personnel Routing Checksheet	N/A	Optional	N/A	Mandatory
17	Supporting workpapers for any issue adjusted including Form 886A if prepared	Mandatory	Mandatory	Mandatory	Mandatory
18	Taxpayer/Representative Contact Information (Taxpayer Contacts section in IMS)	Mandatory	Mandatory	Mandatory	Mandatory
19	Taxpayer Protest	Optional	Optional	Optional	N/A
20	Timekeeping within IMS	Mandatory	Mandatory	Mandatory	Mandatory
21	Tip Rate Calculations, McQuatters, Form 14439 and/or Tip Rate Templates	Mandatory if applicable	Mandatory if applicable	Mandatory	Mandatory
	Unagreed Case Requirements				
	In addition to the items noted above, the following are always mandatory				
22	All Relevant Workpapers	Mandatory	Mandatory	Mandatory	N/A
23	Letter 950 - Employment Tax 30-Day Letter	Mandatory	Mandatory	Mandatory	N/A
24	Agent Rebuttal	Mandatory	Mandatory	Mandatory	N/A
25	Required Information used for Preparation of Letter 3523, Notice of Determination if applicable	Mandatory	Mandatory	Mandatory	N/A
26	Form 4665 if applicable	Mandatory	Mandatory	Mandatory	N/A

Example of Time Allocation for Field Examiners:

SAIN	UIL	Hours	Description (Shown Without EIN)
ET080-00	00000.00-00	1	ADAM Plumbing, Inc. 201303 MFT 01
ET080-00	00000.00-00	1	ADAM Plumbing, Inc. 201306 MFT 01
ET080-00	00000.00-00	1	ADAM Plumbing, Inc. 201309 MFT 01
ET080-00	00000.00-00	6	ADAM Plumbing, Inc. 201312 MFT 01
ET975-02	03306.04-00	1	ADAM Plumbing, Inc. 201312 MFT 10
ET975-02	03401.04-00	10	ADAM Plumbing, Inc. 201312 MFT 01
ET975-02.02	03401.04-00	10	ADAM Plumbing, Inc. 201312 MFT 01
ET080-00	00000.00-00	1	ADAM Plumbing, Inc. 201403 MFT 01
ET080-00	00000.00-00	1	ADAM Plumbing, Inc. 201406 MFT 01
ET080-00	00000.00-00	1	ADAM Plumbing, Inc. 201409 MFT 01
ET975-02	03121.00-00	10	ADAM Plumbing, Inc. 201412 MFT 01
Total Hours		43	

Example of Time Allocation for TCOs and TEs:

SAIN	UIL	Hours	Description (Shown Without EIN)
ET230-05	09998.99-98	.5	ADAM Plumbing, Inc. 201403 MFT 01
ET230-05	09998.99-98	.5	ADAM Plumbing, Inc. 201406 MFT 01
ET230-05	09998.99-98	.5	ADAM Plumbing, Inc. 201409 MFT 01
ET230-05	09998.99-98	10	ADAM Plumbing, Inc. 201412 MFT 01
ET451-21	03121.01-08	10	ADAM Plumbing, Inc. 201412 MFT 01
ET080-00	00000.00-00	.5	ADAM Plumbing, Inc. 201412 MFT 01
ET451-21	03306.03-00	.5	ADAM Plumbing, Inc. 201412 MFT 10
Total Hours		22.5	