

IRM PROCEDURAL UPDATE

DATE: 04/10/2026

NUMBER: sbse-04-0426-0433

SUBJECT: Amended to Incorporate Section 70433 of One, Big, Beautiful Bill Act (Public Law 119-21)

AFFECTED IRM(s)/SUBSECTION(s): 4.23.20

CHANGE(s):

IRM 4.23.20.1(5) - Updated the organizational symbols.

(5) Primary Stakeholders:

- Employment Tax – Workload Selection and Delivery (CTCO:S:E:HQ:ECS:S:ETEGCS:EWSD)
- Specialty Examination - Employment Tax (CTCO:S:E:SE:ET)
- Specialty Examination Policy, Employment Tax Policy (CTCO:S:E:HQ:SEP:EMTP)
- Other areas that are affected by these policies and procedures include Independent Office of Appeals, Counsel, SB/SE Examination, LB&I, and TE/GE

IRM 4.23.20.1.2(2) - Revised the content of paragraph (2) for clarity.

(2) The Employment Tax Program is governed by Policy Statements and other internal guidance that apply to all IRS personnel regardless of operating division. The Policy Statements found in IRM 1.2.1, Servicewide Policy Statements, contains the policies of the IRS. Examiners should review these Policy Statements to properly perform their examination duties.

IRM 4.23.20.1.2(3) - Replaced URL/web address with a plain language hyperlink. Updated paragraph due to the reorganization that resulted in one Deputy Commissioner.

(3) A website, Search Servicewide Delegation Orders, located at IMD Search Servicewide Delegation Orders provides a searchable list of Servicewide Delegation Orders issued by the Commissioner of the Internal Revenue, or on their behalf by the deputy commissioner. Delegation Orders pertaining to each IRS business process can be found in IRM 1.2.2, Servicewide Delegations of Authority.

IRM 4.23.20.1.4 - Renamed the subsection to "Program Management and Review" to be consistent with IRM 1.11.2.2.4, Address Management and Internal Controls.

(1) Program Goals: The processes and procedures provided in this IRM are consistent with the objectives or goals for Employment Tax - Examination that are addressed in IRM 1.1.16.5.3.3, Employment Tax Examination and for Employment Tax Policy, found in IRM 1.1.16.3.3.1.5, Employment Tax Policy.

(2) Annual Review: Employment Tax Policy - Program Manager, is responsible for reviewing the information in this IRM annually to ensure accuracy and promote consistent tax administration.

IRM 4.23.20.1.5 - New subsection added titled "Program Controls" to document the reviews and quality assurance activities associated with the Employment Tax Program and to be consistent with IRM 1.11.2.2.4, Address Management and Internal Controls. All subsequent subsections have been renumbered.

(1) All information management systems have safeguard measures in place that address key components of Information Technology (IT) security requirements to restrict access to sensitive data.

(2) The ET program operates under the framework of internal controls designed to ensure that examinations are conducted consistently, accurately, and in accordance with IRC, regulations, and IRS policies. Key controls include:

- Periodic reviews of examination case files by group managers,
- Standardized training for examiners, and
- Review of closed case files is conducted to monitor adherence to established procedures.

(3) The ET program has established a separation of duties of certain users' roles:

- Policy and procedures – Employment Tax Policy is within SB/SE Specialty Policy,
- Case selection – Employment Tax – Workload Selection and Delivery is within SB/SE Examination Case Selection, and
- Quality and review - Embedded Quality is within SB/SE Exam Quality and Technical Support.

(4) ET group managers regularly evaluate workload management, risk assessments, and resource allocation within their groups. The managers achieve the evaluations via workload and individual case reviews of the examiners within their group. The reviews provide feedback to examiners on their effectiveness and identify opportunities for improvements.

(5) The Issue Management System (IMS) is required to be used during employment tax examinations by ET examiners assigned to Specialty – ET Operations.

(6) ET examiners will use the Employment Tax Lead Sheets (ETLS) developed specifically for employment tax cases.

(7) ET examiners working ET Large Cases will use Large Case Lead Sheets (LCLS). LCLS are developed specifically for large case employment tax cases. ET examiners working ET Large Cases will follow workpaper preparation, specific examination techniques, and case closing procedures unique to these types of examinations.

(8) The Specialty Employment Tax Application (SETA) is a web-based application that ET examiners use in ET examinations to generate most of the documents needed to prepare an examination report and close their examination.

IRM 4.23.20.1.7(1) - Updated paragraph (1) for clarity and replaced URL/web address to internal sites with a plain language hyperlink.

(1) Helpful information sources include:

- SB/SE Employment Tax Small Business Knowledge Base provides guidance, resources and information for ET examiners to aid in raising, developing, and resolving employment tax issues.
- Specialist Referral System can be used by any employee, regardless of operating division. In addition to requesting assistance or a referral, SRS may be used to submit informal questions or to request a consultation with an employment tax specialist to discuss employment tax potential in an examination.
- Contacts, Tools, and Training provides contact information and program assignments for SB/SE ET Policy Analysts and SB/SE ET group contacts and areas of coverage.

IRM 4.23.20.1.7(3) - Updated paragraph (3) for clarity and replaced URL/web address to internal sites with a plain language hyperlink.

(3) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the IRC, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See IRC 7803(a)(3). For additional information about the TBOR see IRC 7803(a)(3). For additional information about TBOR, see Pub 5170, Taxpayer Bill of Rights or Taxpayer Bill of Rights.

IRM 4.23.20.1.7(4) - Updated paragraph (4) for clarity and replaced URL/web address to internal sites with a plain language hyperlink.

(4) IRS employees are required to protect the privacy of sensitive but unclassified (SBU) data for taxpayers and personnel, including personally identifiable information (PII), such as federal tax information (FTI), tax return, financial, and employment information regardless of format. For further information, see the Privacy, Government Liaison and Disclosure (PGLD) maintained knowledge base homepage.

IRM 4.23.20.3(5) - Replaced the URL/web address to an internal site with a plain language hyperlink.

(5) The TE will email VCSP agreements and related documents with "VCSP Agreement - Tax Period 20XX12" in the subject line.

If a	Then email to
SB/SE or LB&I taxpayer	*SBSE ET WSD Case Closing Packages
TEGE taxpayer	*Manager EO Classification

IRM 4.23.20.4.1(2) - Added a note to paragraph (2) which provides the Certified Automated Mailing Solution (CAMS) application must be used to process and send certified mail. This is consistent with proposed changes to IRM 4.10.1, Overview of Examiner Responsibilities, and IGM SBSE-04-0625-0045 issued June 20, 2025.

(2) If a check was erroneously submitted with the initial application, the VCSP Assignment Desk will return the check to the taxpayer using Letter 5210, Voluntary Classification Settlement Program Receipt Payment Return, using certified mail with return receipt service.

Note: In accordance with IRM 1.22.5.12, Processing Outgoing Mail, the Certified Automated Mailing Solution (CAMS) application must be used to process and send certified mail. For further information refer to IRM 4.23.3.11, Certified Mail Procedures.

IRM 4.23.20.7.2(3) - Replaced the URL/web address to an internal site with a plain language hyperlink.

(3) The following table provides actions based on the status code reflected on the AMDISA:

If AMDISA shows Status Code	Then
6 or 8 for taxpayer or affiliated group	Proceed with VCSP
10 for taxpayer	<p>Contact the VCSP Assignment Desk or your manager. Coordination with the group manager where the employment tax case is assigned is required to determine whether the application will be pursued or not. If the taxpayer has not been notified of an ET audit, then the taxpayer is eligible for VCSP. If the taxpayer has been notified of an ET audit, then the taxpayer is not eligible for VCSP.</p> <p>Note: Find the group manager by EGC using the ET group listing at Employment Tax Groups Contacts Area of Coverage.</p>
10 for a member of the affiliated group	Same as the criteria above (status 10 for taxpayer). Ask your manager to contact the appropriate manager to see if they object to allowing a VCSP for the applicant. Refer to IRM 4.23.20.7.6, Guidance Regarding Affiliated Groups.
12 to 18	The taxpayer does not qualify for VCSP.
12 to 18 for a member of an affiliated group	Ask your manager to contact the appropriate group manager to discuss whether allowing the VCSP will affect the examination of the affiliated group. Refer to IRM 4.23.20.7.6, Guidance Regarding Affiliated Groups.
19 to 79	Case has been closed. Contact the VCSP Assignment Desk or your manager. The group closing the case will be contacted to determine the issues that were addressed during the examination. If the issues did not include worker classification, proceed with the eligibility determination.
80 to 82	Case closed to Appeals. Contact the VCSP assignment Desk or your manager. Contact Appeals to determine the issues being address. If the issues did not include worker classification, proceed with the eligibility determination

IRM 4.23.20.7.5(1) - Made item c in paragraph (1) and its contents paragraph (2). All subsequent paragraphs are renumbered.

(1) To be eligible for the VCSP agreement, the taxpayer must have filed all **required** Form(s) 1099 for the previous three years (or all years for which the class of worker was being paid by the taxpayer if less than three) for all workers in the class of worker that they are seeking to reclassify.

- a. The use of the term "worker" on Form 8952 refers to the entire class of worker. Thus, Forms 1099 should have been filed for all individuals in the class (or classes) of workers for the preceding three calendar years, or existence, if less than three.
- b. The list provided with the application contains current year workers to be reclassified and may not be the same individuals who received Forms 1099 in previous years.

IRM 4.23.20.7.5(2) - Made each exception an alpha list and removed the word "exception" from each item. Item a was revised to incorporate the reporting threshold of informational returns that was changed by One, Big, Beautiful Bill Act (Public Law 119-21) Section 70433. The reporting threshold amount will be adjusted annually for inflation after calendar year 2026.

(2) In some situations, the taxpayer may still be eligible for a VCSP agreement even when Form(s) 1099 were not filed. These exceptions include:

- a. The taxpayer's payments to the worker in the previous year were below the information return reporting threshold.
- b. The worker is a household employee.
- c. The worker, in previous years, was not required to be issued a Form 1099, for example they were incorporated. (There are certain payments to corporations that are to be reported on Form(s) 1099. Please refer to the Form 1099 Instructions for more information.)

IRM 4.23.20.7.6(1) - Replaced the URL/web address to an internal site with a plain language hyperlink.

(1) A taxpayer that is a member of an affiliated group per IRC 1504(a) is considered to be under employment tax audit for purposes of the VCSP if any of its members are under employment tax audit (Announcement 2012-45).

Note: To review Announcement 2012-45 refer to Internal Revenue Bulletin 2012-51 issued December 17, 2012.

IRM 4.23.20.7.7.2(3) - Replaced the URL/web address to an internal site with a plain language hyperlink.

(3) For those accounts assigned to an RO, the TE will use the eight-digit number listed on the SUMRY to identify the actual employee working the case. The TE will:

1. Go to the RO lookup search application.
2. In the "Search by" drop-down box, select "Assignment Number". Enter the first six digits of the eight-digit number and click on "Search". This will list the assigned RO Collection group's phone and address.

IRM 4.23.20.7.7.3(5) - Updated paragraph (5) for clarity and replaced the URL/web address to an internal site with a plain language hyperlink.

(5) If neither (3) or (4) identify the ACS TE, then go to ACS Support and Status 22 TAS Liaisons. Use the drop-down boxes to enter the taxpayer's BOD and state from INOLES. Answer "No" for the question "Does the case have TAS Involvement?" and click "Find". The result will show the name of the ACS Liaison for the taxpayer's state.

IRM 4.23.20.13.1(2) - Added a note to paragraph (2) which provides the Certified Automated Mailing Solution (CAMS) application must be used to process and send certified mail. This is consistent with proposed changes to IRM 4.10.1, Overview of Examiner Responsibilities, and IGM SBSE-04-0625-0045 issued June 20, 2025.

(2) If payment is received in an unacceptable form, i.e., a personal or a business check, it will be stamped as non-negotiable and returned to the taxpayer using Letter 5756, VCSP Check Rejection. Use certified mail with return receipt to return all unacceptable payments to the taxpayer.

Note: In accordance with IRM 1.22.5.12, Processing Outgoing Mail, the Certified Automated Mailing Solution (CAMS) application must be used to process and send certified mail. For further information refer to IRM 4.23.3.11, Certified Mail Procedures.

IRM 4.23.20.13.1(3) - Added a note to paragraph (3) which provides the Certified Automated Mailing Solution (CAMS) application must be used to process and send certified mail. This is consistent with proposed changes to IRM 4.10.1, Overview of Examiner Responsibilities, and IGM SBSE-04-0625-0045 issued June 20, 2025.

(3) If payment is received for an incorrect amount (does not match agreement or application), the TE will take the following actions-

- a. Contact the taxpayer to ask them to submit the correct amount and hold the case until proper payment is made.
- b. If the taxpayer does not submit a new payment in the proper format, reject the application using Letter 5225 and return the check that was submitted with the letter. Stamp the check as "non-negotiable". In the "Other" box, enter "The application is rejected because no valid payment was received" and close the case. Use certified mail with return receipt to return incorrect payment to the taxpayer.

Note: In accordance with IRM 1.22.5.12, Processing Outgoing Mail, the Certified Automated Mailing Solution (CAMS) application must be used to process and send certified mail. For further information refer to IRM 4.23.3.11, Certified Mail Procedures.

IRM 4.23.20.13.2.1(2) - Added a note to paragraph (2) which provides the Certified Automated Mailing Solution (CAMS) application must be used to process and send certified mail. This is consistent with proposed changes to IRM 4.10.1, Overview of Examiner Responsibilities, and IGM SBSE-04-0625-0045 issued June 20, 2025.

(2) VCSP payments can only be accepted if they match the amount of the agreement and are Cashier's or Certified checks. Incorrect amounts or forms of unacceptable payment will be stamped "non-negotiable" and returned to the taxpayer by certified mail and return receipt.

Note: In accordance with IRM 1.22.5.12, Processing Outgoing Mail, the Certified Automated Mailing Solution (CAMS) application must be used to process and send certified mail. For further information refer to IRM 4.23.3.11, Certified Mail Procedures.

IRM 4.23.20.13.3(1) - Added a note to paragraph (1) which provides the Certified Automated Mailing Solution (CAMS) application must be used to process and send certified mail. This is consistent with proposed changes to IRM 4.10.1, Overview of Examiner Responsibilities, and IGM SBSE-04-0625-0045 issued June 20, 2025.

(1) The TE will call the taxpayer to make arrangements to secure a proper agreement and/or payment, and stamp the check as **non-negotiable** and return it to the taxpayer using Letter 5756 by certified mail and return receipt if the agreement:

- Is not signed,
- Has been altered with any additions, deletions or any modifications,
- Does not include a certified or cashier's check, or
- Includes a certified or cashier's check for the incorrect amount.

Note: In accordance with IRM 1.22.5.12, Processing Outgoing Mail, the Certified Automated Mailing Solution (CAMS) application must be used to process and send certified mail. For further information refer to IRM 4.23.3.11, Certified Mail Procedures.

IRM 4.23.20.14(4) - Replaced the URL/web address to an internal site with a plain language hyperlink.

(4) The TE will email VCSP agreements and related documents with "VCSP Agreement - Tax Period 20XX12" in the subject line.

If a	Then email to
SB/SE or LB&I taxpayer	*SBSE ET WSD Case Closing Packages
TEGE taxpayer	*Manager EO Classification

Editorial changes were made throughout the IRM to improve clarity, readability, and eliminate redundancies. Updates included correcting website addresses, legal references, titles, spelling, grammar, and IRM references. Web and email addresses were replaced with plain language hyperlinks to enhance accessibility and user experience.