



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
Washington, DC 20224

SMALL BUSINESS / SELF-EMPLOYED DIVISION

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MEMORANDUM FOR CHIEF, EMPLOYMENT TAX EXAMINATION; AND
TERRITORY AND GROUP MANAGERS EMPLOYMENT TAX
EXAMINATION

FROM: William P. Marshall /s/ *William P. Marshall*
Director, Specialty Examination

SUBJECT: Initial Taxpayer Contact in Employment Tax (Tip Income)
Examination Cases

The purpose of this memorandum is to issue interim guidance reflecting changes in the manner SB/SE Employment Tax Field Examination employees make initial contact with taxpayers for employment tax tip issues. Effective immediately, ALL initial taxpayer contacts must be made by mail. Although we recognize making initial contact by telephone has been a long-standing policy, we are changing our practice in response to today's environment of phone scams, phishing, and identity theft. Please ensure this information is distributed to all affected employees within your organization.

Examiners will use an appropriate initial contact letter following the requirements in 4.23.7, *Employment Tax on Tip Income*, to notify the taxpayer that they were selected for examination, and will **not** make initial contact by telephone. When a valid Form 2848, *Power of Attorney and Declaration of Representative*, or Form 8821, *Tax Information Authorization*, is on file for the taxpayer, the appropriate initial contact letter will be mailed to the taxpayer and a copy of the letter will be mailed to the representative with Letter 937, *Transmittal Letter for Power of Attorney*. After mailing the contact letter, and sufficient time has lapsed for the taxpayer to respond (allow 14 calendar days from mailing the letter), employees can then initial contact by telephone with the taxpayer as needed. We are evaluating our other contacts with taxpayers, outside of the examination context, to determine whether they present risks with respect to phone scams and other such threats.

The IRM subsection affected by these changes is listed in Attachment 1. The revised guidance appearing within the attachment will be incorporated into IRM 4.23.7, within one year of issuance.

If you have questions, you may contact me or have a member of your staff contact Tammy Wise, Senior Program Analyst, National Tip Reporting Program.

Distribution:
www.IRS.gov

IRM 4.23.7

4.23.7.7.2

Employer Tip Examinations

- (2) As it is critical that examiners meet with the employer and tipped employees to arrive at the correct tip income and to determine the factors affecting how this income is to be reported on the employer's and employees' tax returns, the examiner should contact the employer to schedule an appointment, using the appropriate initial contact/appointment letter, [Letter 3850](#), *Employment Tax Appointment Letter*, or [Letter 3851](#), *Employment Tax Call-in Appointment Letter*. In no instance will initial contact be made by telephone. If the taxpayer proposes a reasonable change to the appointment date/time, the examiner may accommodate the change and follow up with [Letter 3253](#), *Taxpayer Appointment Confirmation Letter* and [Letter 3254](#), *Representative Appointment Confirmation Letter*. The examiner must enclose an Information Document Request (IDR) with the examiner's confirmation/appointment letters, Publication 1 and Notice 609. The IDR should be tailored for the particular taxpayer.