



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

October 31, 2016

Control No: TEGE-04-1016-0025
Affected IRM: [4.75.16](#), [4.75.21](#)
Expiration Date: October 30, 2018

MEMORANDUM FOR ALL EO EXAMINATIONS MANAGERS,
ALL EO EXAMINATIONS REVENUE AGENTS

FROM: Margaret Von Lienen /s/ *Margaret Von Lienen*
Director, EO Examinations

SUBJECT: EO Classification Settlement Program - Case Processing

The purpose of this memo is to issue instructions on processing Classification Settlement Program (CSP) cases. Interim Guidance Memorandum [TEGE-04-0714-0018](#), *EO Examinations Classification Settlement Program (CSP) Process* (July 1, 2014) has expired. Follow these procedures effective immediately.

Roles and Responsibilities

(1) The group manager:

- Oversees the agent's efforts on employment tax cases, including reviewing worker classification issues, considerations of CSP offers, and CSP agreements.
- Ensures agents fully and properly develop issues and document workpapers.
- Ensures agents use the most recent version of the CSP agreement template and the correct CSP agreement form, and ensures that the CSP agreement form is completed correctly.
- Promptly submits the CSP package (see definition below) to the Area CSP Reviewer before making an offer to the taxpayer.
- Signs the CSP agreement (in triplicate) after the Area CSP Reviewer concurs with, and the taxpayer signs, the agreement.
- Sends the final CSP package to the CSP Monitor.

The final CSP package for the CSP Monitor includes the items listed in [IRM 4.23.6.17\(2\)](#), *Monitoring CSP Agreements*, restated as follows:

- CSP agreement form signed by both IRS and taxpayer
- Complete copy of the Revenue Agent's Report (RAR), including but not limited to Forms [2504-WC](#), [2504](#), [4666](#), [4667](#), [4668](#), [886-A](#), and the schedule of workers reclassified
- CSP memo signed by both the Group Manager and the Area CSP Reviewer
- Copy of any workpapers to support the worker classification and Section 530 issues
- Taxpayer contact information

(2) The CSP Monitor is a selected member of the EO Compliance Area (EOCA).
The CSP Monitor:

- Monitors the CSP.
- Receives the signed CSP agreement(s) from group managers for record retention purposes. The CSP Monitor's address is:

Internal Revenue Service
Attn: CSP Monitor
Room 6025 M/S 1112
324 25th Street
Ogden, UT 84401
Fax: (888) 224-9146

(3) The Area CSP Reviewer (one per area):

- Reviews proposed CSP agreements within two weeks of receipt of their respective CSP packages from group managers.
- Consults with the CSP Coordinator as necessary.
- Returns a signed memo to the group manager concurring with the offer.
- Completes the CSP review reminder document for all CSP packages and submits the document to the CSP Coordinator upon approval of the CSP offer.
- Uses the CSP tracking sheet to record the inventory of all CSP packages received.
- Submits the CSP tracking sheet quarterly to the CSP Coordinator.

Find a [list of CSP Reviewers](#) on the EO Employment Tax SharePoint site.

- (4) The CSP Coordinator is also the employment tax analyst in Compliance Strategies and Critical Initiatives (CSCI). The CSP Coordinator:
- Oversees EO Examinations' CSP program.
 - Acts as a consultant to the group managers and Area CSP Reviewers on all CSP cases.
 - Responds to managers' and agents' technical and procedure questions over the CSP.
 - Participates in calls, as needed, with group managers and agents or Area CSP Reviewers on CSP procedural problems, technical matters, emerging issues, and on the conduct of the overall program.
 - Conducts periodic reviews of submitted CSP Reviewers' reminder sheets and tracking sheets.
 - Conducts annual reviews of executed CSP agreements from closed files kept by the EOCA.
 - Drafts and coordinates alerts or other feedback on technical or procedural issues as needed.

Procedures

- (5) The closing disposal codes (DCs) on [Form 5599](#) (and on RCCMS) are:
- DC 03 (102), *Agreed Tax Change*, for the offer quarter(s).
 - DC 01 (210), *Regulatory/Revenue Protection*, for the no-change tax periods in a 25% CSP offer.
 - DC 01 (210), for the no-change tax periods in the non-CSP offer years for 100% CSP offers, unless a higher priority disposal code applies for changes in tax resulting from non-worker classification issues such as fringe benefit issues (e.g., DC 03 (102)).

For a description of the type of CSP Settlement Offers, see [IRM 4.23.6.14.1](#).

- (6) Use Principal Issue Code (PIC) 15D, *EE Class – Classification Settlement Program (CSP)-IC to EE*, for all periods closed with a CSP offer (i.e., all quarters in the CSP agreement year, including the no-change quarters). See [IRM 4.75.16.4.4.2](#).
- (7) The project code for the employment tax examination is generally the same as the project code of the primary return. The Tracking Code is 1002, *Tax Gap*.

(8) Use the job aids listed below for reference. Find them on the [EO SharePoint site](#) at [Exam](#), [Exam Job Aids](#), [Employment Taxes](#), [CSP](#) folder:

- [CSP Agreement Flowchart](#)
- [CSP Guidelines Job Aid](#)
- [Guidelines for CSP Offer Year Q&A](#)
- [CSP Memorandum Template to GM](#) (Group Manager)
- CSP Agreement – 530 – Form [14490](#) (rev. 4-1005-2013)
- CSP Agreement – CC WC – Form [14491](#) (rev. 4-1005-2013)
- CSP Agreement – WC CC – Form [14492](#) (rev. 4-1005-2013)
- [List of Area CSP Reviewers](#)

Effective Date

This interim guidance is effective immediately.

Effect on Other Documents

These procedures will be incorporated in [IRM 4.75.16](#), *Case Closing Procedures*, and [IRM 4.75.21](#), *EO Special Examination Procedures*, within two years from the date of this memo.

Please send your procedural questions first to the CSP Coordinator. Send your technical questions to the [Employment Tax K-Net page](#) at the link, “Ask A Question.”

DISTRIBUTION:

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