MANUAL TRANSMITTAL

3.30.10

Department of the Treasury
Internal Revenue Service

JUNE 26, 2023

EFFECTIVE DATE

(06-26-2023)

PURPOSE

(1) This transmits revised IRM 3.30.10, Work Planning & Control, Cost Estimate Reference

MATERIAL CHANGES

(1) Updated all costing information examples with actual WP&C data and FY 2022 Document 6746.

(2) All references are for FY 2022 Document 6746.

(3) Updated data in tables for calculating labor costs.

(4) IRM 3.30.10.1 was revised throughout the subsection to improve clarity.

(5) IRM 3.30.10.2(4) Updated sources in table.

(6) IRM 3.30.10.3.3(4) Updated staff hours per 1000 and cost per 1000 columns in table.

(7) IRM 3.30.10.3.5(2) Updated numbers in table.

(8) Editorial changes made throughout the IRM including updating data and sources in table. Also improved overall clarity for easier reading.

EFFECT ON OTHER DOCUMENTS

IRM 3.30.10, Cost Estimate Reference, dated June 25, 2018, is superseded.

AUDIENCE

Primarily used in SB/SE, TEGE, and Submission Processing and CAS within W&I. Other areas include HQ program analysts, TIGTA, GAO, Contractors working for IRS on Reorganization issues, Congress, Treasury and OMB.

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Director, Submission Processing
Customer Account Services
Wage and Investment Division

3.30.10
Cost Estimate Reference

Table of Contents

3.30.10.1
(06-26-2023)
Program Scope and Objectives

(1) *Purpose*. This Internal Revenue Manual (IRM) offers guidance to develop cost estimates for:

- Current programs
- Program changes
- New Programs
- Studies
- Other uses

(2) *Audience*. Internal Revenue Manual (IRM) audience includes the following Internal Revenue Service (IRS) organizations.

- Submission Processing Wage & Investment (W&I)
- Small Business/Self Employed (SB/SE)
- Customer Accounts Services (CAS)
- Tax Exempt and Government Entities (TE/GE)
- Submission Processing Campuses
- Headquarters (HQ) Program Analysts
- Treasury Inspector General Tax Administration (TIGTA)
- Taxpayer Advocate Services (TAS)
- Government Accounting Office (GAO)
- Congress
- Treasury
- Office of Management and Budget (OMB)
- Contractors working for Internal Revenue Service (IRS) on Reorganization issues

(3) *Policy Owner*. The Director of Submission Processing.

(4) *Program Owner*: The Resource Section of Submission Processing.

(5) *Primary Stakeholders*: This information in this IRM should be used as a guide to assist various business units in developing cost estimates current programs, program changes, new programs, studies and other uses.

(6) *Program Goals*: This IRM is the companion to Document 6746, Cost Estimate Reference. This IRM along with the Document 6746, provides a wide variety of costing information that includes but not limited to deciding.

- Labor cost and staff hours for processing tax returns and performing related functions in the Submission Processing Campus(es) computed using national totals and rates.
- Related non-staff costs such as supplies and postage. .

3.30.10.1.1
(06-26-2023)
Background

(1) Document 6746, Cost Estimate Reference, is the companion document to this IRM (FY2015- current revision). Document 6746 provides a wide variety of costing information including:

- Labor costs and staff hours for processing tax returns and performing related functions in the Submission Processing campus(es) computed using national totals and rates.
- Related non-staff costs such as supplies and postage.

(2) The information referenced in the cited examples is based on FY 2022 Work Planning and Control (WP&C) data and Document 6746, Cost Estimate Reference for FY 2022. Document 6746 exhibits will not reflect changes after

the FY 2022 reporting period. Document 6746 may be found in the Forms/ Pubs/Products Repository. See *https://publish.no.irs.gov/ephome.html*. Document 6746 may also be found on the Submission Processing Home Page website under the heading of Programs & Information, Standard Procedures and Aids. See *https://win.web.irs.gov/SP* . When researching, be sure to consider any changes in reporting methods (e.g., Organization Function Program (OFP) codes) which may have taken place or the implementation of new programs.

(3) Also, consider any processing changes which have or will be implemented since the reporting period. WP&C data for more current periods is on the Control D system or the PCX Reports in Business Objects . Work Schedule and Work Plan information including assumptions, expected workload, and anticipated standards for upcoming reporting periods are also available.

(4) This IRM and associated exhibits from Document 6746 uses national totals and rates. It may be necessary in some instances to compare and use local data when deciding the cost of a local change.

(5) Keep in mind that sometimes it will be necessary to

- Make assumptions and modify the costing provided
- Review additional sources of data
- Research for more current data
- Include costs for procedures not in this IRM
- Or use local (specific) Submission Processing (SP) campus data

(6) This IRM and associated exhibits from Document 6746 includes the following general information:

- Salary and Benefits
- Production, Direct Staff Hours, and Cost of Functions and Programs by Organization
- Processing Fall-Out Percentages and Support Ratios
- Functional Cost per Thousand
- Keystroke Information
- Volumes Processed by Submission Processing Campuses (SPC)
- Business Master File (BMF) Program Costs per Thousand
- Employee Plan Master File (EPMF) Program Costs per Thousand
- Individual Master File (IMF) Program Costs per Thousand
- Miscellaneous Non-Labor Costs (e.g., Postage, Supplies, Federal Records Center Charges)

(7) Most of the information was extracted from WP&C data as recorded for FY 2022 and/or FY 2022 Document 6746.

(8) Hourly staff costs and workload volume (production) rates are a recapitulation of WP&C for FY 2022 and/or FY 2022 Document 6746.

(9) SPC WP&C figures represent the volume of returns and documents processed at the SP campuses. These figures may differ slightly from projections developed by Research, Applied Analytics and Statistics, National Headquarters Office of Research which are based on historical data of returns processed (posted to accounts) and are updated to reflect the anticipated effect of tax law changes, reporting requirements, etc.

(10) OFP code titles and abbreviations are from IRM 25.8.1, OFP Codes Overview. The OFP Code Resource Center On-line may be accessed at *http://ofp.ds.irsnet.gov/index.asp*. This website allows the user to query the 5995a database for specific OFP definitions. If the OFP Home Page link is not working, contact the OFP administrator.

(11) Organization code numbers are truncated to the first two digits.

(12) Figures shown in tables and exhibits are rounded for ease of display although the additional places are retained for calculation. The following guidelines apply:

Display	As	For Example
Volumes	whole numbers (some exceptions)	814,581
Adjusted rate (production rate)	one decimal place	1,458.8 per hour
Staff hours	one decimal place	8.8 staff-hours
Money amounts	two decimal places	$93.56
Percentages	two decimal places	19.20 percent

3.30.10.1.2
(06-26-2023)
Responsibilities

(1) The Submission Processing's Resource Section is responsible for the information in the IRM. The Resource Section makes the necessary changes on a yearly basis.

(2) The Director of Submission Processing is responsible for policy related to this IRM.

(3) The team manager is responsible for ensuring the IRM is timely submitted to Publishing each year.

(4) This IRM is provided to analysts to assist in preparing cost estimates. When additional assistance is needed, contact the Resource Section (SE:W:CAS:SP:PM:R).

3.30.10.1.3
(06-26-2023)
Acronyms

(1)

Acronym	Description
Adj Rate	Adjusted Rate
BMF	Business Masterfile
CAS	Customer Accounts Control Services
Cost/S-H	Cost Per Staff Hour
GAO	Government Accounting Office
IMF	Individual Masterfile
IRM	Internal Revenue Manual

Acronym	Description
Mgmt	Management
OFP	Organization Function Program
OMB	Office of Management and Budget
Prod-Hrs	Production Hours
QA	Quality Assurance
RAS	Office of Research Forecasting and Data Analysis
SBSE	Small Business/Self Employed
Stf-Hrs	Staff Hours
Supv.	Supervisor
TEGE	Tax Exempt and Government Entities
TIGTA	Treasury Inspector General Tax Administration
W&I	Wage and Investment
WP&C	Work Planning and Control

3.30.10.2
(06-26-2023)
Cost Estimate Guidelines

(1) When preparing a cost estimate, you need to:

a. Know the workflow process of the project or activity
b. Learn the corresponding Organization, Function, Program (OFP) code(s) where hours and volumes are reported
c. State the assumptions to define the scope of the cost estimate
d. Decide the volume and staff hours usage for existing programs, or estimate the production for new programs or activities, and
e. Identify support activity impact, and coordinate with those areas.

(2) Some of the reasons to prepare a cost estimate and examples of each are listed in the table below:

A Cost Estimate can be used to	Examples
Estimate costs or savings	• New programs • New or proposed legislation • Request for programming support via a Work Request Management System (WRMS) • Procedural or processing changes • Workload shift between programs or functions
Evaluate processes	• Employee suggestions • Procedure/System Change Requests
Support resource planning	• Budget submissions • Work Plan/Work Schedule process • Reimbursable projects • User funded programs
Provide management information	• Special requests • Management discretion

(3) This IRM and associated Document 6746 provides historical processing data for our organization, so it should be used as a primary reference tool when preparing a cost estimate.

(4) There are other sources of information available which may also be helpful. Some of them are listed in the table below:

Number	Title	Maintained by
IRM 3.30.20	OFP Codes Overview	Resource Monitoring (SE:W:CAS:SP:PM:R)
Document 5995-A (Doc obsolete)	Valid OFP Code Combination - only available on website at *ofp.ds.irsnet.gov*	W&I Joint Operations Center (SE:W:CAS:JOC:P:DM)
PCC 6240	FY99 and after are available on Business Objects	Business Objects
Document 6149	Calendar Year Return Projections by States	RAAS Office of Research, Applied Analytics and Statistics
Document 6186	Calendar Year Return Projections for United States, and IRS Campuses	
Document 6187	Calendar Year Projections of Individual Returns by Major Processing Categories	
Document 6292	Fiscal Year Return Projections for the United States	
Document 6961	Calendar Year Projections of Information and Withholding Documents for US and IRS Centers	

(5) For assistance with cost estimates, you may call:

Wage and Investment Operating Division
Submission Processing
Resource Section (SE:W:CAS:SP:PM:R)
(859) 320-3641
FAX (859) 320-3991

Caution: Preparation of a cost estimate DOES NOT mean funding is available, but a cost estimate is often required to support a request for funding. Also, if the WRTS, employee suggestion, or new program is approved, the cost estimate may become the basis for +/- staffing adjustment at the Submission Processing campus(es).

3.30.10.3
(06-26-2023)
Cost Estimate Steps

(1) This section explains how to use the statistical data referenced in this IRM and associated Document 6746 exhibits to prepare a cost estimate.

(2) Before you begin to prepare a cost estimate, you must become familiar with the process you are costing.

(3) To prepare a cost estimate, take the following steps:

1. Decide if the cost estimate is for an existing or new function or program.

2. Prepare assumptions for your cost estimate.
3. Decide workflow process; prepare a flow chart of the process.
4. Compute specific processing costs.
5. Compute actual processing costs.
6. Prepare summary.
7. Decide and add Non-Labor costs, if applicable.

(4) When you prepare a cost estimate for an existing function or program a defined work flow should already exist. Review the work flow to decide if something will be:

- Added
- Deleted
- Or worked in a different area. If so, be sure to include the impact on the other areas.

Example: A recent legislative change will send additional Form 1040, U.S. Individual Income Tax Returns, to the Error Resolution System (ERS) for review. Existing OFP code data can be used to decide the resource impact to process these additional returns.

(5) When you prepare a cost estimate for a new function or program, you should:

- Develop assumptions
- Decide similarities to another function or program
- Decide if it is covered by an interagency reimbursable agreement. If so, include all costs to ensure the Service is fully reimbursed for all resources expended.

Example: IRS decided to call each taxpayer to let them know we received their tax return, we would have to develop a cost estimate for the new task to decide the resource impact to the Service.

3.30.10.3.1
(06-26-2023)
Assumptions

(1) An assumption is an explicit statement used to describe the present and future environment upon which the cost estimate is based.

(2) Assumptions support and reasonably limit the scope of the cost estimate. They help define the parameters of the cost estimate.

(3) Assumptions may pertain to any number of aspects of the cost estimate.

(4) It is important to include assumptions as part of your cost estimate. Some of the reasons to do so are to:

a. Document the thought process behind the cost estimate.
b. Make it easier for others to review and understand the cost estimate.
c. Make it easier for you or someone else to update it in the future.

(5) Some examples are shown in the table below:

An assumption may pertain to	Example
Volume	This change will increase BMF Unpostable receipts by 50,000 cases annually, nationwide.
Production rates	The production rate for processing these additional cases is the same as the current BMF Unpostable rate.
Areas of impact	There will be no impact on the Files area. Employees do not need source documents to resolve these cases.
Comparisons	This form will be processed similarly to current Form 720, Quarterly Federal Excise Tax Return.
Exclusions	Only labor costs are included. Equipment costs are not included.

(6) It is important to include assumptions as part of your cost estimate. Some of the reasons to do so are cited in the preceding paragraph (4). Please see above for details.

3.30.10.3.2
(06-26-2023)
Flow Chart

(1) A flowchart is a diagram that shows step-by-step progression through a procedure or system, especially using connecting lines and a set of conventional symbols.

(2) As defined above, a flowchart is typically a diagram. In lieu of a diagram, you can also identify the work flow in an SP campus by listing each task or activity that will be performed in the process and the corresponding OFP code.

(3) Be as specific as possible by showing each task that will be included in the cost estimate.

(4) If clerical support is necessary to accomplish the workload, include these hours and costs in your cost estimate.

(5) See flowcharts in Document 6746, Exhibits 19 through 27 for examples of some flowcharts.

(6) The following table shows an example of a workflow process for an existing process. See Document 6746, Exhibit 19 for Receipt and Control Flowchart.

Activity	OFP Code
Mail Handling	31-110-XXXXX
Extracting and Sorting	31-140-XXXXX
Batching	31-180-XXXXX
Numbering	31-190-XXXXX

(7) Some functions, such as Mail Handling (Function 110), generally do not distinguish the type of tax return or document being handled. In these instances, Program Code 00000 or for Receipt and Control Functions Program Code XXXXX is typically used for reporting purposes. For example, Program Code XXXXX is used in Functions 110, 140, 180, 190, and Program Code 00000 is used in Function 510. Please see Document 6746, Exhibit 19 when preparing a cost estimate for tax returns or documents for the suggested way to cost Receipt and Control functional item due to their special nature.

(8) Program codes may change as the returns or documents are processed through the SP campus functions.

(9) In other functions, such as Suspense Correction (Function 350), the returns or documents are often identified by master file and will use a combined program code. Employees in these functions are generally assigned workload by master file rather than return type. Some examples of these are:

Master File	Reported as program code	Title
Business (BMF)	10000	BMF Programs Combined
Individual (IMF)	40000	IMF Programs Combined

(10) To do a cost estimate for a new process, refer to IRM 3.30.20, OFP Codes Overview, for an explanation of function and program codes to help you develop the workflow of the new process.

3.30.10.3.3
(06-26-2023)
Functional Costs

(1) Document 6746, Exhibits 19 through 28 for FY 2022 contain "Functional Cost per Thousand" for existing work processes. These exhibits show the cost to process a volume of 1,000 through each of the primary Submission Processing Campus(es) (SPC) functions.

(2) Volumes for some steps in an exhibit vary from 1,000 when:

a. Not all items are handled in that step
b. Items are handled more than once in that step
c. Another function's volume decides non-volume program hours

(3) The Functional Cost per Thousand exhibits of Document 6746 provide the total direct staff hours (excluding Quality Assurance) and related costs to process returns or documents through a function or related functions.

(4) The following example shows the combined cost of processing 1,000 non-remittance returns, for FY2022 through the Receipt and Control functions.

ORG/FUN/PROG	Staff Hours per 1,000	Cost per 1,000
31-110-XXXXX	0.4	$7.32
31-140-XXXXX	7.8	$114.45
31-180-XXXXX	3.4	$65.36

ORG/FUN/PROG	Staff Hours per 1,000	Cost per 1,000
31-190-XXXXX	3.7	$59.02
TOTAL per Thousand	15.3	$246.15

3.30.10.3.4
(06-26-2023)
Direct Labor Costs

(1) The direct labor costs are the hours and costs it takes to perform the actual work. The direct labor cost does not include management and supervision, overhead, or benefits, but it does include overtime, night differential and locality pay.

(2) Although Quality Assurance is generally considered a direct labor cost, it is not computed until after the non-Quality Assurance hours and costs are calculated.

(3) SP campus labor costs for existing programs should always have an OFP code associated with it.

(4) You may use Document 6746, Exhibits 4 and 5 to compute direct labor costs for existing OFP codes included in the SP campus work flow diagram or flow chart.

(5) First, look at Document 6746, Exhibit 4 to locate the function/program you need. Remember these are arranged by organization.

(6) An asterisk appears to the left of a function/program in Document 6746, Exhibit 4 when production/hours are reported by more than one organization.

(7) If an asterisk appears for the entries, see Document 6746, Exhibit 5 which provides a list of all the organizations reporting that function and program.

(8) It is important to determine what data to use for your cost estimate. Depending on the scope of the cost estimate, you may use data from all or only some of the organizations listed.

3.30.10.3.5
(06-26-2023)
Calculating Direct Labor Costs

(1) To calculate the labor cost follow the steps below:

1. Make an assumption to identify the anticipated volume (production) for your cost estimate.
2. Locate the OFP code in Document 6746, Exhibit 4 or 5 to obtain the **adjusted rate** and **cost per staff hour**.
3. Divide the volume by the **adjusted rate** to obtain **staff hours**.
4. Multiply the **staff hours** (obtained in step 3 above) by the **cost per staff hour** for that OFP to obtain the **direct labor cost**.
5. Repeat steps 2–4 until the cost for all OFP codes have been decided.
6. Add the staff hours for each OFP to obtain the staff hours for the process.
7. Add the cost for each OFP code to obtain the **labor cost** for the process.

(2) Cost estimate information is easiest to read if it is set up in columns. Below is an example of how this might look. It is best to use Microsoft Excel to prepare the cost estimates for more accurate (computation of numbers used) information.

OFP	Volume	Adjusted Rate	Staff Hours	Cost x Staff Hour	Labor Cost
31-110-XXXXX	27,500	2,527.8	10.8	$18.50	$199.80
31-140-XXXXX	27,500	128.7	213.6	$14.73	$3,146.32
Direct Labor			224.4		$3,346.12

3.30.10.3.6
(06-26-2023)
Quality Assurance

(1) Quality Assurance (QA) is that portion of time and related costs that are used to review the work performed in the SP campus(es).

(2) Although QA is considered a direct cost, it is calculated as a percentage of the direct labor costs to do the actual work.

(3) This percentage is the total of the authorized percentages for Quality Review as computed in the Work Plans.

(4) The cost per staff hour for all Function 880 (Quality Assurance) hours combined is then used to calculate the labor cost.

(5) The staff hours and costs for QA changes are calculated based on the FY 2022 QA figures in Document 6746, Exhibit 3 Table (B).

(6) The staff hours and costs for QA are added to Direct Labor staff hours and cost before Overhead is calculated.

(7) Follow the steps below to obtain Quality Assurance hours and costs:

1. Multiply the direct hours in your cost estimate by the QA percentage (Document 6746, Exhibit 3 Table (B)) to obtain the number of 880 hours required.
2. Multiply the QA hours (from step 1 above) by the QA cost per hour (Document 6746, Exhibit 3 Table (B)) to get the cost to perform the QA function.
3. Add the QA hours to the direct hours.
4. Add the QA cost to the direct cost.

(8) An example for computing Quality Assurance using FY 2022 data is shown below. This example is a continuation of the example used in IRM 3.30.10.3.5(2).

OFP	Volume	Adjusted Rate	Staff Hours	Cost x Staff Hour	Labor Cost
31-110-XXXXX	27,500	2,527.8	10.8	$18.50	$199.80
31-140-XXXXX	27,500	128.7	213.6	$14.73	$3,146.32
Direct Labor			224.4		$3,346.12

OFP	Volume	Adjusted Rate	Staff Hours	Cost x Staff Hour	Labor Cost
QA at 3.2 percent and $21.73 per hour			7.1(1)		$154.28(2)
Subtotal Direct Labor			231.5		$3,500.40

(1)224.4 x .032 = 7.1
(2)7.1 x $21.73= $154.28

3.30.10.3.7
(06-26-2023)
Overhead

(1) Overhead hours are those staff hours used for administrative functions, leave and training. Overhead costs are reported as Function 990.

(2) There are several different Overhead percentages to choose from when preparing a cost estimate.

(3) The most important thing to remember is to select the Overhead percentage that best fits what is represented in your cost estimate. There are different Overhead percentages for Wage and Investment (W&I) and Small Business and Self Employed (SBSE). Refer to Document 6746, Exhibit 2 Table (A) for specific details.

(4) Management and Supervision costs are generally not included in the Overhead percentage for most cost estimates we prepare.

(5) Management and Supervision costs are usually only included in cost estimates for:

- New programs
- Legislative changes
- Reimbursable programs
- Significant increases or decreases in hours

(6) Management and Supervision hours are reported by the Submission Processing campus(es) in Function 990 Program 591XX.

Note: Management and Supervision includes Work Leader/Senior hours, program 5911X.

(7) Use the following table to help you select the appropriate Overhead percentage for your cost estimate.

IF the cost estimate involves	THEN
More than one organization in the SP campus	Use the overhead rate in Document 6746, Exhibit 2 Table (A) for the appropriate ORG and look for the appropriate column whether you want Overhead with Mgmt and Supv or without Mgmt and Supv.
Only one organization in the SP campus	Use the overhead rate in Document 6746, Exhibit 2 Table (B) for that ORG and look for the appropriate column whether you want Overhead with Mgmt and Supv or without Mgmt and Supv.
The process is performed at only one SP campus	Use the Overhead rate in the Performance Analysis Report for that Submission Processing Campus.

(8) An example for computing Overhead is shown below with the assumption of a specific organization (WI SP) is used without Mgmt and Supv. This example will continue with the previous example used in IRM 3.30.10.3.6(8). **Normally, when just one Org is shown in a cost estimate, the correct overhead data would be found in Document 6746, Exhibit 2 Table B.**

OFP	Volume	Adj Rate	Staff Hours	Cost/Staff Hours	Labor Cost
31-110-XXXXX	27,500	2,527.8	10.8	$18.50	$199.80
31-140-XXXXX	27,500	128.7	213.6	$14.73	$3,146.32
Direct Labor			224.4		$3,346.12
QA at 3.2 percent and $21.73 per hour			7.1		$154.28
Subtotal Direct Labor			231.5		$3,500.40
Overhead at 55.45 percent and $17.82 per hour (1)			128.3 (2)		$2,286.31 (3)
Subtotal Labor			359.8		$5,786.71

(1) Document 6746, Exhibit 2 Table (B) R&C SP WI Overhead without Mgmt & Supv
(2)231.5 x 55.45 percent = 128.3
(3)128.3 x $17.82 =$2,286.31

(9) When your cost estimate pertains to a new process, you may want to include overhead hours in your cost estimate for additional training or management and supervision.

(10) Any additional needs should be fully documented and identified as early as possible, so they can be considered in the Submission Processing (SP) Campus Work Plan process.

3.30.10.3.8
(06-26-2023)
Benefits

(1) The government contribution toward the cost of the items listed below are Benefits:

- Social Security (both FICA and Medicare)
- Federal Employees Group Life Insurance (FEGLI)
- Federal Employee Health Benefit (FEHB)
- Federal Employees Retirement System (FERS)
- Civil Service Retirement System (CSRS)
- Thrift Savings Plan (TSP)

(2) Use Exhibit 1 Table (A) for Benefits percentage for the appropriate organization. The Submission Processing WI Benefits percentage for FY2022 is 37.90 percent.

(3) Compute Benefits on staff costs only. Since Benefits represent a monetary contribution, there is no related hour computation.

(4) Benefits are computed after all of the following costs have been computed:

- Direct cost (excluding QA)
- Quality Assurance
- Overhead

(5) To compute the Benefits cost, take the following steps:

1. Use Document 6746, Exhibit 1 Table (A) and find the appropriate Benefits percentage **(we will use Submission Processing WI)**.
2. Multiply the Subtotal Labor cost by 43.39% .
3. Add Benefits cost to the Subtotal Labor to obtain Total Labor cost.

(6) An example for computing Benefits for Submission Processing. This example will continue with the previous example used in IRM 3.30.10.3.7(8).

OFP	Volume	Adjusted Rate	Staff Hours	Cost x Staff Hours	Labor Cost
31-110-XXXXX	27,500	2,527.8	10.8	$18.50	$199.80
31-140-XXXXX	27,500	128.7	213.6	$14.73	$3,146.32
Direct Labor			224.4		$3,346.12
QA at 3.2 percent and $21.73 per hour			7.1		$154.28
Subtotal Direct Labor			231.2		$3,500.40
Overhead at 55.45 percent and $17.82 per hour			128.3		$2,286.31
Subtotal Labor			359.5		$5,786.71
Benefits at 43.39 percent (1)					$2,510.85 (2)
Total Labor Cost			1,031.46		$8,297.56

(1)Exhibit 1 Table (A) Submission Processing WI Activity Benefits percentage
(2)43.39 percent x $5,786.71 = $2,510.85

Note: See Document 6746, Exhibit 1 for additional information on the Benefits percentage.

3.30.10.3.9
(06-26-2023)
Non-labor Concerns

(1) Non-labor costs are expenses incurred for things other than salaries paid to perform the work. Examples of non-labor expenses are:

- Postage, Printing and Shipping
- Supplies
- Federal Record Center Charges
- Basic support

(2) Non-labor costs are generally not a mandatory item in a cost estimate. They may be included when they are a significant part of the cost.

(3) It is important to keep labor and non-labor costs separate so staffing adjustments are not made based upon non-labor costs. See Document 6746, Exhibits 41 through 43 for additional information on non-labor costs.

(4) If you need additional assistance, contact the Resource Section, SE:W:CAS:SP:PM:R.

3.30.10.4
(06-26-2023)
Guidelines for Production, Direct Staff-Hrs, and Cost of Function and Program by Organization Document 6746 (Exhibits 4 and 5)

(1) The information in Document 6746, Exhibits 4 and 5 was extracted from Work Planning and Control (WP&C) reports data for fiscal year FY 2022 for examples cited in this IRM. While the focus is on Submission Processing (SP) activities, some selected information from Customer Service and Compliance functions has been included in Document 6746, Exhibits 4 and 5.

(2) Overhead hours reported to Function 990 are included in Document 6746, Exhibit 4.

(3) OFP combinations with production (volume) and zero staff hours have been included in these exhibits. They are used in related exhibits and Cost per Thousand exhibits.

Note: Occasionally, listed OFP codes and figures appear to be incorrect. Since it is not possible to decide what the error is, and/or where to correctly allocate the hours and volume, the figures are shown as reported by the Submission Processing campus.

(4) The following table explains the literals and data sources used in Document 6746. Exhibits 4 and 5 available at the SP Home Page Website *https://irssource.web.irs.gov/WI/SitePages/SP.aspx* under the heading Find .

Literal/Caption	Terminology/Data Source
Func-Prog	**Function/Program** represents the OFP code combinations reported by the designated organization
Abbreviated Title	Abbreviated function title followed by an abbreviated program title. These titles are defined in IRM 3.30.20, OFP Codes Overview or OFP Code Index (obsolete Document 5995; now available only on website at *http://ofp.ds.irsnet.gov/index.asp*). If title is blank, it is not defined in above documents, or may not be authorized for nationwide use, or has been obsoleted and is no longer valid. In Document 6746 Exhibit 5, Abbreviated Title column has the two-digit organization code with abbreviated organization title.
Organization or ORG	Document 6746, Exhibits 4 and 5 include organization codes 11000-LH000, including Production Control Monitoring) organization 43. The other organizations are listed, including the new Alpha organizations. In Document 6746, Exhibit 4, the abbreviated operation name shows to the right of the **ORG** code. In Document 6746 Exhibit 5, **ORG** column provides the two-digit organization code.
Production	Volume reported for that OFP combination. Source: FY 2022 WP&C
Stf-Hrs	**Staff Hours** - represents direct staff hours. Source: FY 2022 WP&C
Annual S-H Cost	**Annual Staff Hour Cost** - is the direct salary cost. Source: FY 2022 WP&C
Prod-Hrs	**Production Hours** - shows the WP&C hours for only those SP campuses that reported production (volume) to that OFP. Prod-Hrs are zero when Production column is zero. Asterisks appear in this column when the data for this OFP was obviously misreported, resulting in an unrealistic production rate. Source: FY 2022 WP&C

Literal/Caption	Terminology/Data Source
Adj Rate	**Adjusted Rate** - shows the production rate (how many units of work are performed per hour). Source: This figure is computed by dividing the total production by the production hours reported for the OFP. However, SP campuses that report hours, but no production are not used in the computation.
Cost/S-H	**Cost per Staff Hour** - shows cost per direct staff hours displayed in dollar and cents. Source: This figure is computed by dividing Annual S-H Cost by the Stf-Hrs reported for the OFP.

(5) In the FY 2016 update, the following codes have **NOT been consolidated** in Document 6746, Exhibits 4 and 5. In other words, they are shown as they were reported and not consolidated.

Special Programs	8XXXX
Reimbursable Programs	97XXX
Underreporter Branches	X6000 (this has changed and is now broken out)

(6) We believe any negative numbers in Document 6746, Exhibits 4 and 5 are due to incorrect SP campus over adjustments.

(7) Asterisks will appear in the Adjusted Rate column when the rate exceeds 99,999.9.

(8) In this example, use Document 6746, Exhibits 4 and 5 to locate the direct labor cost for OFP BA-710-10060.

1. Locate Organization BA in Document 6746, Exhibit 4 .
2. Locate the function/program combination of 710-10060 in Organization BC.
3. Notice that function/program 710-10060 is followed by an asterisk, meaning that this function/program was reported by more than one organization.
4. Locate function/program 710-10060 in Document 6746, Exhibit 5. Employees may also access this data at *https://publish.no.irs.gov/catlg.html* under the heading Find .
5. Notice that eight organizations reported to this function/program.
6. Use the following chart to decide what information to use for your cost estimate.

IF you want to cost	THEN
All organizations	Use the figures from the **Combined** line.
A specific operation	Use the figures for that specific operation.
At least two organizations, but not all of the organizations listed	You will need to combine the figures.

3.30.10.5
(06-26-2023)
Guidelines for Fall-Out Percentages Exhibits

(1) In some work processes, only a portion or percentage of the documents/items fallout to a work process.

Example: For FY 2022, 37.45% of Form 1040 returns (program 43110) fell out to Error Correction/Resolution function (Document 6746, Exhibit 7 Table C).

(2) Document 6746, Exhibits 7 through 13 show the fallout percentages for the major processing functions.

(3) Using Document 6746 FY 2022 data, we have computed fall-out percentages which may be used to estimate future workload in functional areas in the SP campuses.

(4) Fall-out percentages are decided in different ways depending on the workflow and the functions. Column headings and exhibit footnotes provide additional information on how the fall-out percentages were calculated.

(5) In some instances, it is more appropriate to deviate from the published fall-out percentages.

Example: When anticipated increase in error resolution items due to increased validity checks.

(6) Follow the steps below to compute estimated volumes based on fall-out percentages:

1. Select the appropriate Exhibit for your OFP from Document 6746 Exhibits 7 through 13 to decide the fallout percentage.
2. Multiply the volume by the fall-out percentage to decide the estimated fall-out volume.

3.30.10.6
(06-26-2023)
Guidelines for Support Ratio Exhibits

(1) Support ratios are calculated when the support activity does not report specific production rate or volume. Support activities are clerical functions necessary to prepare work for resolution by tax examiners or other technical employees, or to release the work to the next function.

(2) Support activity relationships have been made so that clerical and other functions can be identified and included in cost estimates.

(3) Due to various time reporting methods, it is sometimes difficult to capture the related support activity expenses.

(4) Document 6746 Exhibits 14 through 18 provide percentages (ratios) that can be used to allocate support activity hours.

(5) The support ratios were obtained by making a relationship between the volume of work handled in a function and the number of support hours necessary to support that function.

(6) Although this is not an exact science, this method provides a way to make estimates for the future based on past experience. It includes the implicit assumption that the general relationship of support hours to volume will remain approximately the same.

(7) The knowledge of exact volume or pre-decided staff hours eliminates the need to make estimates using the support ratios.

(8) Follow the steps below to calculate Support activity staff hours and costs:

1. Identify the volume that the support activity will be applied to.
2. Select the appropriate support ratio from Document 6746 Exhibits 14 through 18.
3. Multiply volume (step 1) by the support ratio (step 2) to decide support activity hours.
4. Multiply support activity hours (from step 3) by the hourly cost for the support in Document 6746 Exhibits 4 or 5 for the support activity OFP or related Fall-Out Percentages in Document 6746 Exhibits 7 through 13 to decide the cost of the support activity.

(9) The following example shows how to compute Cycle Control support costs for an additional 20,000 BMF returns going through Error Resolution and Correction:

Step	Action	Result
1	Identify volume	20,000
2	Get support ratio for Function 510 (Document 6746, Exhibit 14 Table (A)).	0.59 percent
3	Multiply volume by support ratio	(20,000 x 0.59 percent) equals 118 support hours
4	Multiply support activity hours by the hourly cost from Document 6746 Exhibit 4b (Function 510 Program 0000X for ORG 36).	(118 x $16.88) equals $1,991.84 support costs

3.30.10.7
(06-26-2023)
Guidelines for Functional Cost per Thousand Exhibits

(1) Document 6746 Exhibits 19 through 28 shows the direct staff hours and cost to process 1,000 documents or returns through operational areas with more than one function.

(2) Each table in Document 6746 Exhibits 19 through 28 provides:

a. The direct staff hours and cost for each step or functions in the process.
b. A Cost per Thousand for the complete process.

(3) Document 6746 Exhibits 19 through 28 does not provide for processes with only one primary step, such as ISRP. The data used to develop the cost for these step processes is located in Document 6746 Exhibits 4 and 5.

(4) Quality Assurance and Overhead staff hours and costs and Benefit costs are not included in these Document 6746 Functional Cost Per Thousand Exhibits. These are computed and added in the Cost per Thousand Exhibits (Document 6746 Exhibits 33, 34, and 35).

3.30.10.8
(06-26-2023)
Guidelines for Cost per Thousand Exhibits

(1) This section provides the guidelines to understand and use the information in the Cost per Thousand exhibits (Document 6746 Exhibits 33, 34, 35). Employees may access Document 6746 Exhibits at *https://irssource.web.irs.gov/WI/SitePages/SP.aspx* under the heading Standard Procedures & Job Aids.

(2) The Cost per Thousand exhibits show the cost of processing 1,000 of the most common types of originally filed tax returns or documents in the SP campuses.

(3) Although the Document 6746 Exhibits 33, 34, and 35 are called Cost per Thousand, you will notice that the volume column does not always show 1,000. The exhibits are based on 1,000 returns/documents being processed; however, each document may not require action in every area. The volumes for each of the action areas was computed by using fall-out percentages displayed in Document 6746 Exhibits 7 through 13.

(4) Use the following example to see how to use fall-out percentages. Use Document 6746 Exhibit 7 Table (A) for Program 1110X Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, for this example.

A volume of	Fall-out percent of	Results in
1,000 Forms are processed	9.21 percent to Error Correction/Resolution	92 documents falling out to Error Correction/Resolution or every 1,000 returns processed.

3.30.10.8.1
(06-26-2023)
Pipeline Processing Costs

(1) The first part of Document 6746 Cost per Thousand Exhibit provides the Pipeline Processing Costs for a return or document. To obtain each of the listed costs, logical divisions of processing steps were made, and their times and cost totaled.

(2) When applicable, a cross reference to the related Document 6746 Functional Cost per Thousand exhibit is shown by the processing step.

(3) A Pipeline Processing subtotal is provided and summary costs are computed on that amount. In many instances, it is appropriate to limit the cost estimate to those steps. At other times, it may be necessary to include some or all of the additional steps in the Specific Non-Pipeline Costs components, which are also provided.

(4) Using the previous Error Correction/Resolution example in IRM 3.30.10.8(4) above, we determined only 92 of the 1,000 documents will be processed by Error Correction/Resolution. Using this volume, we can compute the staff hours and costs needed to process that volume.

Step	Action	Result
1	Divide fallout volume (92) by 1,000	(92 / 1,000) equals 0.092
2	Using Document 6746 Exhibit 22 Table (B) locate staff hours per 1,000 for program 11100, which is 32.2 (includes support hours) and multiply by 0.092	(0.092 x 32.2) equals 2.96 staff hours to process 92 Forms 940 in Error Correction/Resolution.
3	Using Document Exhibit 22 Table (A) locate Cost per 1,000 for program 11100, which is $678.71 (includes support cost) and multiply by 0.092	(0.092 x $678.71) equals $62.44, the cost to process 92 Forms 940 in Error Correction/Resolution.

3.30.10.8.2
(06-26-2023)
Specific Non-Pipeline Costs

(1) Four major processing components have been included in the Document 6746 Specific Non-Pipeline Costs portion of the Cost per Thousand. These steps take place after initial processing of the return.

(2) Depending upon the purpose of the cost estimate, you may decide to include some or all of these steps. In each instance, you must consider the purpose of the cost estimate to decide what must be included.

(3) Subtotal the Specific Non-Pipeline costs or you may subtotal all processing steps and re-compute the three additional components to decide Total Labor. Either way may be appropriate, but be sure to clearly identify what your figures represent.

Caution: It is best to keep Document 6746 total Pipeline and Non-Pipeline costs separate and compute the Quality Assurance, Overhead, and Benefits on each when you need to identify resource impact by funding activity.

3.30.10.8.3
(06-26-2023)
Summary

(1) Each of the two components of the Document 6746 Cost per Thousand (Pipeline Processing Costs and Specific Non-Pipeline Costs) includes summary data which includes add-on costs for Quality Assurance, Overhead, and Benefits.

(2) For display purposes, each of the two components of the Cost per Thousand includes a subtotal and related summary information. In some instances, you may prefer to subtotal steps from more than one component and compute the summary information on the composite. Discretion should be used to decide when it is best to combine or keep components separate (e.g., when resource impact must be identified by funding activity.) In either case, you can use the Summary format from Document 6746 Cost per Thousand Exhibits 33, 34, and 35 to compute the following additional costs:

- Quality Assurance
- Overhead
- Benefits

(3) When all these add-ons have been included, the Total Labor Cost per Thousand is obtained.

(4) The first add-on is Quality Assurance (QA). QA now only includes Quality Review. Use the following guidelines to compute QA:

1. Compute QA hours at 3.2 percent for FY 2022.
2. Compute QA cost at $21.73 for FY 2022.
3. Add QA to the labor subtotal to obtain the **Subtotal - Direct Labor**

Note: See Document 6746 Exhibit 3 Table (B) for current QA percentage and cost per hour.

(5) The second add-on is Overhead hours and cost. Use the following guidelines to compute Overhead:

1. Compute Overhead hours at 53.00 percent (using here WI Submission Processing w/o Management and Supervision) of the subtotal labor hours
2. Compute Overhead cost at $18.37(using here WI Submission Processing w/o Management and Supervision) for each Overhead hour required
3. Add Overhead to Subtotal Direct Labor to obtain the **Subtotal - Labor**

Note: See Document 6746 Exhibit 2 for Overhead percentage and cost per hour for other breakouts.

(6) An alternative computation for Overhead is calculated to include Management and Supervision.

(7) The final step is to add the Benefits cost as follows,

1. Compute Benefits cost at 43.39 percent (using here WI Submission Processing percentage) of the Subtotal - Labor hours
2. Add the Benefits cost to the Subtotal - Labor to obtain the **Total Labor Cost per Thousand**

Note: See Exhibit 1 for all applicable Benefits percentage(s).

3. Compute Benefits as a percentage of cost only. Benefits are not computed on hours.

(8) Use the information in Document 6746 Exhibit 3 Table (A) to convert Total Labor Hours into Staff Years, if necessary.

Example: Divide the Total Labor Hours by 2,088 to convert to staff years in fiscal year 2022 . Staff years are usually rounded up to one decimal place.

(9) The Document 6746 Cost per Thousand exhibits represent the most frequently used cost estimate percentages, costs, and elements. Management and Supervision costs have been shown at far right of exhibit.

(10) On occasion, you may need to include this cost. The footnote entries on each exhibit provide the percentages and hourly costs which can be used. The Total Labor Cost per Thousand for each of these variations is also provided.

3.30.10.9
(06-26-2023)
Additional Cost

(1) The most common costs have been included in the Document 6746 Cost per Thousand exhibits. When they are significant, it may also be appropriate to include additional items such as:

- Supplies
- Federal Record Charges
- Postage, Printing and/or Shipping

(2) Be sure to show these costs or savings separately from the labor costs.

(3) Refer to Document 6746 Exhibits 41 through 43 for additional cost information on these items.

3.30.10.10
(06-26-2023)
Costing Estimated Volumes

(1) The Document 6746 Cost per Thousand exhibits provide the cost of processing 1,000 of the most common types of originally filed tax returns and documents at a glance.

(2) The information provided can also be used to compute cost for volumes other than 1,000.

(3) There are two methods you can use to decide the cost to process your estimated volume using a Document 6746 Cost per Thousand exhibit.

(4) Method 1 – Once you have decided your estimated volume, follow the steps below to compute the cost for processing that volume.

Step	Action	Result
1	Divide estimated volume by 1,000	The number of units of 1,000 being processed
2	Multiply result from step 1 (units of 1,000) by the Total Labor Hours per Thousand from the applicable Table in Document 6746 Exhibit 33, 34, 35. Employees may access these exhibits at *https://irssource.web.irs.gov/WI/SitePages/SP.aspx* Standard Procedures & Job Aids.	Total Labor Hours to process your volume.
3	Multiply result from step 1 (units of 1,000) by the Total Cost per Thousand from the applicable table in Document 6746 Exhibits 33, 34, 35.	Total Labor Cost (dollars) to process your volume.

(5) Method 2 – You may prefer to compute the costs for your volume using Method 2 as explained below.

Step	Action	Result
1	Divide the Labor hours per thousand (found in Document 6746 Exhibits 33, 34, 35) by 1,000	The number of Labor hours to process one document
2	Multiply your estimated volume by the result from step 1	The number of Labor hours to process your estimated volume
3	Divide the Total Labor cost per thousand (found in Document 6746 Exhibits 33, 34, 35) by 1,000	The cost to process one document
4	Multiply your estimated volume by the result from step 3	The cost to process your volume

Caution: When using the Document 6746 Cost per Thousand exhibits it is important to know what it is you need and to clearly identify the figures you provide to others. Pay close attention to the components of the Cost per Thousand and be sure you understand what your numbers represent.