



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.1.8

AUGUST 4, 2022

EFFECTIVE DATE

(08-04-2022)

PURPOSE

- (1) This transmits revised IRM 4.1.8, Planning and Special Programs, Special Examination Features and Programs.

MATERIAL CHANGES

- (1) IRM 4.1.8.1.1(2) - Added new team to PSP structure under background section.
- (2) IRM 4.1.8.2.2(e) - Updated guidance related to criteria needed to allow a foreign tax credit.
- (3) Added subsection IRM 4.1.8.2.3 - Offer in Compromise (OIC) Coordinator detailing procedures for an OIC.
- (4) Changed references to Withholding International and Individual Compliance (WIIC) to Withholding Exchange International and Individual Compliance (WEIIC) throughout.
- (5) Added additional acronyms and acronym definitions as appropriate.
- (6) Editorial changes made throughout.

EFFECT ON OTHER DOCUMENTS

IRM 4.1.8 dated November 21, 2019 is superseded.

AUDIENCE

Planning and Special Programs (PSP)

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4.1.8
Special Examination Features and Programs

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4.1.8.1
(08-04-2022)
Program Scope and Objectives

- (1) **Purpose:** This IRM section provides guidance and instruction on the classification and assignment of returns with international issues.
- (2) **Audience:** The primary users of this IRM are WEIC Planning and Specialty Program (PSP) employees.
- (3) **Policy Owner:** LB&I Policy under the Strategy, Policy and Governance office in the Assistant Deputy Commissioner Compliance Integration organization.
- (4) **Program Owner:** WEIC is responsible for administering this program.
- (5) **Program Goals:** The goals of the WEIC PSP area align with the LB&I Strategic Goals to apply the tax laws with integrity and fairness through a highly skilled and satisfied workforce, in an environment of inclusion where each employee can make a maximum contribution to the mission of the team.

4.1.8.1.1
(08-04-2022)
Background

- (1) WEIC PSP is responsible for classification and assignment of cases of U.S. citizens living and/or working abroad or in a U.S. Territory, U.S. citizens or resident aliens who hold income producing assets in a foreign country or claim the foreign earned income exclusion or foreign tax credit, and permanent residents and non-resident aliens who have a U.S. filing requirement. This includes reporting and payment requirements under Chapter 3 (Withholding of Tax on Nonresident Aliens and Foreign Corporations) and Chapter 4 (Taxes to Enforce Reporting on Certain Foreign Accounts) of the Internal Revenue Code.
- (2) WEIC PSP area comprised of four program areas, each with different goals and responsibilities, as follows:
 - a. WEIC Support
 - b. WEIC Classification
 - c. WEIC Identification
 - d. WEIC Claims and Referrals Processing

4.1.8.1.2
(08-04-2022)
Authority

- (1) The development, implementation and oversight of WEIC PSP procedures are the prerogative of the WEIC director.

4.1.8.1.3
(08-04-2022)
Responsibilities

- (1) WEIC PSP employees and managers should be familiar with and use the examination procedures and information contained in this IRM and be aware of the applicable procedures in other examination IRM chapters, as cited or linked.

4.1.8.1.4
(08-04-2022)
Program Management and Review

- (1) **Program Reports:** The WEIC director prepares periodic briefing reports for the LB&I commissioner focusing on:
 - a. Significant accomplishments and opportunities for improvement
 - b. Changes in procedures that have been implemented
 - c. Operational, technical, and staffing updates
 - d. Any other key information
- (2) **Program Effectiveness:** The efficiency of the case procedures is measured through combined business results of the teams that make up the WEIC Practice Area.

4.1.8.1.5
(08-04-2022)

Program Controls

- (1) WEIC PSP analyzes audit results, performs program reviews, and monitors rule-based applications used to select inventory. The results are used to make data-based decisions to improve program quality, improve case selection, and to ensure the integrity of the selection methods.
- (2) The WEIC PSP program manager reports to LB&I executive management on a continuous basis via the director's briefings.
- (3) The WEIC director identifies goals and objectives to be achieved by the organization based on annual commitments of LB&I priorities.

4.1.8.1.6
(08-04-2022)

Acronyms

- (1) The following is a list of frequently used acronyms in this program:

Acronym	Term
LB&I	Large Business and International
PSP	Planning and Specialty Programs
RA	Revenue Agent
TCO	Tax Compliance Officer
TE	Tax Examiner
WEIC	Withholding Exchange and International Individual Compliance

4.1.8.2
(08-04-2022)

Standards for Classification

- (1) In selecting returns for examination, consider the objectives of the international enforcement program. Select returns that contain significant international issues which:
 - a. Are potentially non-compliant, or report high-risk tax positions.
 - b. Warrant examination to approve compliance and enhance voluntary compliance.

4.1.8.2.1
(11-21-2019)

General Information

- (1) Generally, returns received for classification for international potential will have already been classified for domestic issues. The international issue team generally will not screen returns for domestic issues.
- (2) Returns accepted as filed for international features during centralized classification that have not been previously classified for domestic issues will be routed through regular classification at the campus.
- (3) Returns selected for international features will be routed to the PSP territory manager in the area office. These returns will be filed in central files, priority suspense files, or assigned to groups following area procedures.
- (4) Returns identified as part of an LB&I large corporate compliance examination during classification are transferred by the classifier to the appropriate LB&I practice area.
- (5) International classifiers separate returns into six categories:
 - a. Domestic issues not classified—selected for international

- b. Domestic issues not classified—accepted for international
- c. Accepted on classification for domestic issues—selected for international
- d. Accepted on classification for domestic issues—accepted for international
- e. Open in an area
- f. Transfers (show transferee area)

- (6) IRM 4.4.1, AIMS Procedures and Processing Instructions, highlights areas of the Form 5546, Examination Returns Charge-Out, used for classification.
- a. It contains a detailed explanation of all items on the Form 5546.
 - b. Form 5546 should be reviewed because it contains information that may be beneficial when deciding whether to select or accept a return.

4.1.8.2.2
(08-04-2022)
**Procedures for
Processing Form 1040
Returns With Form 2555
During Classification**

- (1) Returns claiming the foreign earned income exclusion on Form 2555, Foreign Earned Income, are filed at the Austin Campus and are under the jurisdiction of WEIC. Refer to IRM 4.1.9.5.5, Classification of Returns.
- (2) The following factors must be considered when classifying these returns:
- a. Is the income from all foreign sources reported on the U.S. income tax return?
 - b. Has the taxpayer used the proper exchange rate for converting the foreign income?
 - c. Is the taxpayer an employee or contractor of the U.S. government?
 - d. Is there a Form 1116, Foreign Tax Credit, attached to the return?
 - e. If Form 1116 is attached to the return, determine if the credit claimed is at the treaty rate or at the foreign country's statutory rate. A citizen or resident claiming the treaty benefit from a foreign country is limited to the treaty rate as a foreign tax credit or deduction on the tax return. A foreign tax credit is allowed only to the extent the foreign income taxes are ultimately both owed and remitted to the foreign country. See Treas. Reg. 1.905-1(b) and 1.901-2(e).

4.1.8.2.3
(08-04-2022)
**Offer in Compromise
(OIC) Coordinator**

- (1) Every PSP OIC coordinator needs access to the Automated Offer in Compromise (AOIC) system.
- a. AOIC access is requested using Business Entitlement Access Request System (BEARS). See Bears intranet site at <https://bears.iam.int.for.irs.gov/home/Index>.
 - b. The PSP coordinator will monitor the area OIC-doubt as to liability (DATL) inventory using AOIC.
 - c. The coordinator will update AOIC with case assignment information and case updates.
 - d. PSP coordinators should send reminders to the field examiners for OIC-DATL cases with less than 6 months remaining on the Tax Increase and prevention Reconciliation Act (TIPRA) statute.
 - e. AOIC is the official record-keeping system for OIC-DATL cases.
- Note:** The coordinator should look to AOIC for the offer statute date (previously referenced as the TIPRA date) rather than to the ASSED on AIMS.
- f. The coordinator will contact the taxpayer/POA for perfection of OIC or request additional documentation, as needed.
 - g. The coordinator should research IDRS for all tax periods identified on the OIC.

- h. If the OIC DATL is based on an exam assessment (TC 300) the PSP coordinator will need to order the administrative file and establish the offer on AIMS.
- i. OIC cases will have project code 0264 and source code 73 and Audit Information Management System (AIMS) freeze code 08.

Note: The AIMS freeze code prevents the group from updating the case to a status code other than status 21. This assists in preventing these cases from bypassing Technical Services.

- j. Determine statutes for assessment. See IRM 25.6.23.5.7.2.1 Offer in Compromise - Doubt as to Liability (OIC-DATL) Exam Statute Controls,

Note: OIC-DATL cases should contain a statute date that is two years from the IRS received date (generally, the earliest date stamped on Form 656-L) The statute should also carry an "R" as part of the statute date, e.g. (4-15-2015R) to assist in identifying the TIPRA statute

- k. Review the AOIC "Remarks" section to determine if the TC 480 has been manually input. If so add that information to the case file (history sheet) so that Technical Services will have that information.

Note: Manual input of a TC 480 will require manual input of a TC 48X closing code at the conclusion of the examination.

- l. Please refer to IRM 4.18 Exam Offer-In-Compromise, for field exam guidance and procedures.
- m. All OIC-DATL cases designated to LB&I should be routed to WEIC PSP. The WEIC PSP OIC coordinator will be responsible for establishing all LB&I cases on AIMS prior to assignment to a Territory. The Coordinator is responsible for coordinating the assignment of OIC DATL cases to territories within LB&I WEIC and within LB&I Domestic operations.

- (2) After Technical Services review is complete, OIC-DATL offer will be closed on AOIC or, if the determination is appealed, updated to Appeals by Technical Services.
 - a. Comparison of AOIC offer information with the AIMS status for the offer case will assist the coordinator with finding offers where follow-up with Technical Services or a field group is required.
 - b. Closing an offer case on AIMS is not closing an offer. An offer will remain in open status until AOIC is updated to closed status.