



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

4.10.2

SEPTEMBER 29, 2022

## EFFECTIVE DATE

(09-29-2022)

## PURPOSE

- (1) This transmits revised IRM 4.10.2, Examination of Returns, Pre-Contact Responsibilities.

## MATERIAL CHANGES

- (1) Significant changes to this IRM are listed below:

Reference	Description of Change
IRM 4.10.2.1.4, Terms	Clarified definition of repetitive audit.
IRM 4.10.2.1.5, Acronyms	Added CAF, CAU, CDW, CKGE, CTR, EOAD, FEA, NCOA, and PDT to the list of acronyms.
IRM 4.10.2.1.6, Related Resources	Added IRM references and websites to the list of related resources; updated links.
IRM 4.10.2.2.5, Other IRS Business Units Working with Taxpayer	Added a reminder to check IDRS for open controls on potential carryback years.
IRM 4.10.2.3, In-Depth Pre-Contact Analysis	Incorporated applicable content from IG SBSE-04-0822-0049, reorganized content and made other editorial changes.
IRM 4.10.2.3.1, Large Unusual or Questionable (LUQ) Items	Incorporated applicable content from IG SBSE-04-0822-0049, reorganized content and added note regarding PDT and CAU indicators.
IRM 4.10.2.3.2, Examination of Income	Changed title to, "Pre-Contact Minimum Income Probes" and incorporated applicable content from IG SBSE-04-0822-0049. Clarified that income probes for E-commerce and/or internet use must be completed for all individual business, corporate, and other business taxpayers, including those designated as limited-scope examinations. Added IRP review to the pre-contact minimum income probes for corporations, removed reference to IRM 4.10.4.3.1, Exceptions to the Minimum Requirements, and made other editorial changes.
IRM 4.10.2.5, Decision to Survey a Return	Incorporated applicable content from Interim Guidance Memorandum SBSE-04-0722-0032, Procedures for Electronic Case Files.
IRM 4.10.2.5.2, Procedures for Surveying Returns After Assignment	Incorporated applicable content from Interim Guidance Memorandum SBSE-04-0722-0032, Procedures for Electronic Case Files.
IRM 4.10.2.6, Office Examination Scheduling and Use of Microsoft Outlook Calendar	Clarified note in (5) to remove the phrase "or related return" regarding charging pre-contact time.

<b>Reference</b>	<b>Description of Change</b>
IRM 4.10.2.7.1.2, Determining the Scope of an Examination- Current, Prior and Subsequent Years	Incorporated applicable content from IG SBSE-04-0822-0049, added guidance for minimum income probes for prior and/or subsequent years.
IRM 4.10.2.7.1.3, Limiting the Scope	Incorporated applicable content from IG SBSE-04-0822-0049, clarified guidance for the conditions when the scope of an audit may be limited, added note that income probes for E-commerce and/or internet use must be completed for all individual business, corporate, and other business taxpayers, including those designated as limited-scope examinations.
IRM 4.10.2.8.1, Making Initial Contact	Rearranged content and added guidance to review INOLE for an undeliverable address indicator.
IRM 4.10.2.8.2, Initial Telephone Conversation	Added links to IRM guidance when verifying the identity of the taxpayer or representative and IRM guidance for processing POA forms.
IRM 4.10.2.8.3, No Response/No Show Procedures	Clarified guidance when following up with a POA on the initial contact letter, and added guidance from IRM 4.10.4.3.6, Minimum Income Probes: No Show and/or No Response Cases, regarding the scope of the examination for No Show / No Response cases.
IRM 4.10.2.8.4, Undeliverable Initial Contact Letters	Added link to Servicewide IRM with guidance for undeliverable mail, and IRM for third-party contact guidance.
IRM 4.10.2.9.2, Place and Time of Examination	Added content and a link to a resource providing guidance when the authenticity of IRS credentials is questioned.
IRM 4.10.2.11, Taxpayer Change of Address	Changed title to "Taxpayer Change of Address or Name" and added content from IRM 4.4.11, Entity Changes, related to name changes and Form 2363.
Throughout	Minor editorial changes have been made throughout this IRM. Website and virtual library addresses, legal references, and IRM references were reviewed and updated as necessary.

## EFFECT ON OTHER DOCUMENTS

This IRM supersedes IRM 4.10.2 dated September 9, 2019. This IRM incorporates applicable content from Interim Guidance Memorandum SBSE-04-0722-0032, Procedures for Electronic Case Files, and Interim Guidance Memorandum SBSE-04-0822-0049, Mandatory Completion of E-Commerce and/or Internet Use Income Probe.

**AUDIENCE**

Small Business/Self-Employed (SB/SE) Field Examination Employees

Lori L. Caskey  
Director, Examination Field and Campus Policy  
Small Business/Self-Employed  
SE:S:DCE:E:HQ:EFCP



4.10.2

Pre-Contact Responsibilities

## Table of Contents

4.10.2.1 Program Scope and Objectives

4.10.2.1.1 Background

4.10.2.1.2 Authority

4.10.2.1.3 Responsibilities

4.10.2.1.4 Terms

4.10.2.1.5 Acronyms

4.10.2.1.6 Related Resources

4.10.2.2 Initial Return Screening

4.10.2.2.1 Statute of Limitations

4.10.2.2.2 26/27 Month Examination Cycle

4.10.2.2.3 Conflict of Interest

4.10.2.2.4 Restrictions on Consecutive Audit or Survey by Same Examiner - Policy Statement 4-5

4.10.2.2.5 Other IRS Business Units Working with Taxpayer

4.10.2.3 In-Depth Pre-Contact Analysis

4.10.2.3.1 Large Unusual or Questionable (LUQ) Items Defined

4.10.2.3.2 Pre-Contact Minimum Income Probes

4.10.2.3.3 Required Filing Checks

4.10.2.4 Evaluation of Audit Potential

4.10.2.4.1 Collectibility

4.10.2.5 Decision to Survey a Return

4.10.2.5.1 Conditions Allowing Survey of Returns After Assignment

4.10.2.5.2 Procedures for Surveying Returns After Assignment

4.10.2.5.3 Surveying Claims

4.10.2.5.4 Surveying Returns Transferred From Another Area

4.10.2.5.5 Surveying International Feature Returns

4.10.2.6 Office Examination Scheduling and Use of Microsoft Outlook Calendar

4.10.2.7 Pre-Contact Planning of Examination Activities

4.10.2.7.1 Scope of Examination

4.10.2.7.1.1 Risk Analysis

4.10.2.7.1.2 Determining the Scope of an Examination - Current, Prior and Subsequent Years

4.10.2.7.1.3 Limiting the Scope

4.10.2.7.1.4 Limiting the Scope When Issues Were Examined and No-Changed in Either of the Two Preceding Years (IMF Returns)

4.10.2.7.1.5 Expanding the Scope to Related Returns

4.10.2.7.2 Inventory Checks

- 
- 4.10.2.7.3 Depth of an Examination
  - 4.10.2.7.4 Preliminary Research
  - 4.10.2.7.5 Specialist Referrals
    - 4.10.2.7.5.1 Specialist Referral System (SRS) - Online Referrals
    - 4.10.2.7.5.2 Referrals Made Outside of SRS
      - 4.10.2.7.5.2.1 Technical Guidance
  - 4.10.2.8 Initial Contact: Overview
    - 4.10.2.8.1 Making Initial Contact
      - 4.10.2.8.1.1 Office Examination Initial Contact
      - 4.10.2.8.1.2 Field Examination Initial Contact
    - 4.10.2.8.2 Initial Telephone Conversation
    - 4.10.2.8.3 No Response/No Show Procedures
    - 4.10.2.8.4 Undeliverable Initial Contact Letters
    - 4.10.2.8.5 Using Credit Bureau Information to Locate Taxpayers
    - 4.10.2.8.6 Case Closing Procedures if the Taxpayer Cannot be Located
  - 4.10.2.9 Scheduling the Appointment: Overview
    - 4.10.2.9.1 Scheduling the Initial Appointment with the Taxpayer and/or Representative
    - 4.10.2.9.2 Place and Time of Examination
      - 4.10.2.9.2.1 Requests to Change the Examination to other than the Place of Business
    - 4.10.2.9.3 Scheduling Problems
      - 4.10.2.9.3.1 Taxpayers Who Delay
      - 4.10.2.9.3.2 Appointments Scheduled During the Filing Season
      - 4.10.2.9.3.3 Taxpayer in Prison
      - 4.10.2.9.3.4 Taxpayer Identity Stolen
    - 4.10.2.9.4 Rescheduling the Initial Appointment
  - 4.10.2.10 Requesting Information: Overview
    - 4.10.2.10.1 Requesting Information or Documents from the Taxpayer
    - 4.10.2.10.2 Authority to Request Books, Records, and Accountant's Workpapers
  - 4.10.2.11 Taxpayer Change of Address or Name
  - 4.10.2.12 Transfers of Returns Prior to the Initial Appointment
  - 4.10.2.13 Repetitive Audits
    - 4.10.2.13.1 Repetitive Audits Before Initial Contact with the Taxpayer
    - 4.10.2.13.2 Repetitive Audits After Initial Contact with the Taxpayer

4.10.2.1  
(02-11-2016)  
**Program Scope and Objectives**

- (1) **Purpose.** This IRM provides examiners with guidance for:
  - Analyzing a tax return before contacting the taxpayer to determine if the return should be examined;
  - Surveying a return;
  - Determining the examination scope and depth;
  - Contacting the taxpayer;
  - Scheduling the initial appointment;
  - Planning and scheduling using the Microsoft Outlook calendar; and
  - Using ERCS action codes related to planning and scheduling.
- (2) **Audience.** These procedures apply to examiners in Small Business and Self-Employed (SB/SE) Field Examination.
- (3) **Policy Owner.** The Director, Examination Field and Campus Policy, who reports to the Director, Examination Headquarters.
- (4) **Program Owner.** Field Examination General Processes, which is under the Director, Examination Field and Campus Policy.
- (5) **Contact Information.** To recommend changes or make any other suggestions related to this IRM section, see IRM 1.11.6.5, Providing Feedback About an IRM Section - Outside of Clearance.

4.10.2.1.1  
(09-09-2019)  
**Background**

- (1) This IRM provides guidance for completing required responsibilities and analyses before an examination is initiated, pre-contact planning of the examination, and instructions for contacting taxpayers.

4.10.2.1.2  
(09-09-2019)  
**Authority**

- (1) By law, the Service has the authority to conduct examinations under Title 26, Internal Revenue Code, Subtitle F – Procedure and Administration, Chapter 78, Discovery of Liability and Enforcement of Title, Subchapter A, Examination and Inspection, which includes, but is not limited to, the following Internal Revenue Code (IRC) sections:
  - IRC 7602, Examination of books and witnesses
  - IRC 7605, Time and place of examination

**Note:** Additional information related to conducting examinations is contained in the 26 CFR 601.105, Statement of Procedural Rules.

4.10.2.1.3  
(09-09-2019)  
**Responsibilities**

- (1) The Director, Examination Headquarters, is the executive responsible for providing policy and guidance for SB/SE Examination employees and ensuring consistent application of policy, procedures and tax law to effect tax administration while protecting taxpayers' rights. See IRM 1.1.16.5.5, Examination Headquarters, for additional information.
- (2) The Director, Examination Field and Campus Policy, reports to the Director, Examination Headquarters, and is responsible for the delivery of policy and guidance that impacts the field examination process. See IRM 1.1.16.5.5.1, Examination Field and Campus Policy, for additional information.
- (3) Field Examination General Processes, which is under the Director, Examination Field and Campus Policy, is the group responsible for providing policy and

procedural guidance on standard examination processes to field employees. See IRM 1.1.16.5.5.1.1, Field Examination General Processes, for additional information.

- (4) All examiners must perform their professional responsibilities in a way that supports the *IRS Mission*. This requires examiners to provide top quality service and to apply the law with integrity and fairness to all.
- (5) Income tax examiners and their managers should thoroughly acquaint themselves with the examination procedures and information contained in this IRM, as well as other resources, such as those listed in IRM 4.10.2.1.6 below.

4.10.2.1.4  
(09-09-2019)  
**Terms**

- (1) The following table contains a list of terms used throughout this IRM.

Term	Definition
Compliance Data Environment (CDE)	A workload identification, planning, and delivery system that operates in a web-based environment. It is used to filter, order, classify and deliver returns.
26/27 Month Examination Cycle	The 26/27 month examination cycle is the time period in which the audit and disposition of an income tax return should be completed; it begins on the due date of the return or the date filed, whichever is later.
Initial Contact	First contact made with the taxpayer, which must be made by mail.
Modernized e-File System (MeF)	MeF is a web-based system that allows electronic filing of returns through the internet. The MeF system provides the examiner original transmitted tax return data in various formats, including a Form View, which resembles a tax return.
Microsoft Outlook Calendar	Electronic calendar and scheduling component of Microsoft Outlook that allows the user to schedule appointments, follow-up examination and other activities, such as training, group meetings, and vacations. Examiners update the Microsoft Outlook Calendar as events occur so that it provides a 90-day view of the examiner's projected activities. In addition to scheduled appointments, the calendar includes scheduled time-off, follow-up time, pre-audit time, training, and any other activity that requires time during the normal workday. The Microsoft Outlook Calendar is used as a tool for group managers to assess examiner availability when ordering and assigning cases. Tax Compliance Officers (TCOs) are required to use the calendar; however, the use of the calendar is optional for Revenue Agents (RAs).



Term	Definition
No Response	When the taxpayer fails to respond to the initial contact letter and it was not returned as undeliverable, and/or the taxpayer does not show for the initial appointment.
No Show	When all attempts have been made to contact the taxpayer by telephone and/or certified/registered mail, and the examiner has confirmed a “deliverable” address exists, but the taxpayer never responds or “shows” for a scheduled appointment.
Repetitive Audit	An audit of an individual tax return (without a Schedule C or Schedule F), when the same issues were audited in either of the two preceding years and resulted in no-change or a small tax change.
Risk Analysis	The process that compares the potential benefits to be derived from examining a specific area on a tax return with the resources needed to complete the examination. The risk analysis utilizes resources more efficiently, improves the audit planning process, reduces cycle time, and reduces delays during the examination. Risk analysis is an on-going process throughout the examination.
Scope of Examination	The process by which an examiner makes the determination to work issues of merit and conclude the examination when the issues no longer warrant examination.
Survey After Assignment	The process by which an examiner makes the determination not to audit the tax return after completing and documenting the pre-contact analysis, but before examining any books and records, because an examination would not result in a material change to the taxpayer’s tax liability.

4.10.2.1.5  
(09-29-2022)

(1) The following table lists commonly used acronyms and their definitions used throughout this IRM:

#### Acronyms

Acronym	Definition
AAS	Art Appraisal Service
AIMS	Audit Information Management System
AMS	Account Management Services
ARDI	Accounts Receivable Dollar Inventory
AUR	Automated Underreporter

Acronym	Definition
BMF	Business Master File
BMFOL	Business Master File On-line
BRTVU	Business Returns Transaction View
CAF	Centralized Authorization File
CAU	Caution Upon Contact
CCP	Centralized Case Processing
CEAS	Correspondence Examination Automation Support
CDE	Compliance Data Environment
CDW	Compliance Data Warehouse
CFOL	Corporate Files On-Line
CKGE	CDW Knowledge Graph Environment
CTR	Currency Transaction Report
EOAD	Examination Operational Automated Database
ERCS	Examination Returns Control System
EUP	Employee User Portal
FEA	Fraud Enforcement Advisor
IDR	Information Document Request
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IMFOL	Individual Master File On-Line
IRP	Information Returns Processing
IRPTR	Information Returns Processing Transcript Requests
JC	Joint Committee
LB&I	Large Business and International
LUQ	Large, Unusual and Questionable
MeF	Modernized e-File System
NCOA	National Change of Address
OEP	Office of Employee Protection
PDT	Potentially Dangerous Taxpayer
RA	Revenue Agent
RGS	Report Generation Software
RTVUE	Returns Transaction View

Acronym	Definition
SB/SE	Small Business/Self Employed
SRC	Survey Reason Code
SRS	Specialist Referral System
TA	Technical Advisors
TCO	Tax Compliance Officer
TCS	Tax Computation Specialist
TE	Tax Examiner
TEGE	Tax Exempt Government Entities
TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number
TRDBV	Tax Return Data Base View
TRPRT	Tax Return Print
TXMOD	Tax Module
W&I	Wage and Investment

4.10.2.1.6  
(09-29-2022)

#### Related Resources

- (1) The following IRMs contain additional guidance and information examiners will use:
- IRM 4.2.1, General Examination Information
  - IRM 4.10.1, Overview of Examiner Responsibilities
  - IRM 4.10.3, Examination Techniques
  - IRM 4.10.4, Examination of Income
  - IRM 4.10.5, Required Filing Checks
  - IRM 4.10.7, Issue Resolution
  - IRM 4.10.8, Report Writing
  - IRM 4.10.9, Workpaper System and Case File Assembly
  - IRM 4.10.11, Claims for Refund, Requests for Abatement, and Audit Re-considerations
  - IRM 4.11.29, Transfer of Returns Open for Examination
  - IRM 4.13.9, Centralized Partnership Audit Regime (BBA) Field Examination Procedures
  - IRM 4.20.1, Examination Collectibility Procedures
  - IRM 5.1.3, Safety, Security, and Control
  - IRM 25.4.1, Potentially Dangerous Taxpayer
  - IRM 25.4.2, Caution Upon Contact Taxpayer
  - IRM 25.6.22, Extension of Assessment Statute of Limitations By Consent
  - IRM 25.6.23, Examination Process-Assessment Statute of Limitations Controls
- (2) Helpful information can be found on websites and knowledge bases including, but not limited to the following:

- *AIMS/ERCS Staff Listings*
- *CFOL Express*
- *Electronic Case Procedures*
- *Employee Security*
- *Field Employees Credential (ID) Verification Program*
- *Over-the-Phone Interpreter (OPI) Service*
- *Specialist Referral System (SRS)*
- *Statute of Limitations*

4.10.2.2  
(09-09-2019)

#### Initial Return Screening

- (1) Before beginning the actual analysis of a return for examination issues, consideration should be given to factors which may prevent examiners from initiating an examination. Listed below are some of the factors that must be considered before an in-depth pre-contact analysis is performed:
  - a. Statute of limitations - see IRM 4.10.2.2.1.
  - b. 26/27 month examination cycle - see IRM 4.10.2.2.2.
  - c. Conflict of interest - see IRM 4.10.2.2.3.
  - d. Restrictions on Consecutive Audit or Survey by Same Examiner - Policy Statement 4-5 - see IRM 4.10.2.2.4.
  - e. Other IRS Business Units are working with the taxpayer - see IRM 4.10.2.2.5.
  - f. Repetitive audits - see IRM 4.10.2.13.

**Note:** When considering these factors, follow the guidance in the IRM sections referenced above.

- (2) If a prior or subsequent tax year is assigned because the primary tax year is currently under examination in the group, and the examination of the primary return is expected to result in little or no tax due, examiners may survey the return after assignment without completing the in-depth pre-contact analysis referenced in IRM 4.10.2.3, if no large, unusual or questionable (LUQ) items are identified after screening the prior or subsequent return. See IRM 4.10.2.3.1 for additional information about LUQ items. Examiners must document their reason for the survey on Form 1900, Income Tax Survey After Assignment, and include the documentation with the surveyed tax year. Examiners should follow the survey after assignment procedures in IRM 4.10.2.5.2.

4.10.2.2.1  
(09-09-2019)

#### Statute of Limitations

- (1) The IRC limits the time in which the government may make an assessment of tax. Examiners have the primary responsibility for identifying and protecting the statutes of limitations for returns in their custody. IRM 25.6.23.5.1.2, Screening for Statute Accuracy, provides guidance for verifying statute dates. Failure to protect the statute of limitations can result in disciplinary action.

**Reminder:** TXMODA or IMFOLT/BMFOLT may be used in most cases to confirm the statute. However, in some instances, additional command codes must be researched (e.g., suspected identity theft, nonfiler).

**Example:** When identity theft is suspected, an original individual return may be posted on MFT 32 until verified – research IMFOLI for a summary of all taxpayer accounts. If the return received date on TXMODA or IMFOLT indicates a late filing, verify the statute date is based on the date the original return was received by the IRS.

**Example:** For a nonfiler, research IDRS using the primary and secondary SSN (if present) for both valid and invalid SSNs. Invalid SSNs are researched by adding an asterisk at the end of the SSN.

- (2) If the statute of limitations is imminent, or if it has already expired on the assigned return, the return should be immediately brought to the group manager's attention to determine the appropriate disposal of the return.
- (3) The statute of limitations to assess tax can be extended with the taxpayer's consent. Examiners must obtain the approval of the group manager before requesting a statute extension. The need for a consent should be clearly identified before it is solicited and the group manager's approval documented in the case file. See IRM 25.6.22.2.1, Assessment Statute Extension, for a listing of some of the conditions that allow for a statute extension.

**Note:** An examiner cannot initiate an examination on any return with less than 12 months remaining on the statute of limitations for assessment, without consideration of the 26/27 month examination cycle and prior managerial approval, see IRM 4.10.2.2.2.

**Exception:** Claims for refund and requests for abatement can be started with less than 12 months remaining on the statute of limitations without prior managerial approval.

4.10.2.2.2  
(09-09-2019)  
**26/27 Month  
Examination Cycle**

- (1) Prior to opening a return, examiners must consider the 26/27 month examination cycle, defined in (2) below. A return should not be opened for audit if the audit and all processing cannot be completed within the 26/27 month examination cycle, unless:
  - The return is exempt from the 26/27 month examination cycle (see (4) below), or
  - Circumstances warrant exceeding the 26/27 month examination cycle, see (5) below.
- (2) The 26/27 examination cycle is the time period in which the audit and disposition of an income tax return should be completed; it begins on the due date of the return or the date the return is filed, whichever is later. To ensure adherence with Rev. Proc. 57-6, 1957-1 C.B. 729, SB/SE Field Examination follows a 26-month examination cycle for individual returns and a 27-month examination cycle for business returns (e.g., Forms 1120, 1041, 1065, etc.). Adhering to the 26/27 month examination cycle generally allows the audit and all processing (e.g., appeal, assessment, etc.), through and including the issuance of the closing letter, to be completed within the original statute of limitations.

**Reminder:** To minimize taxpayer burden and adhere to Rev. Proc. 57-6, prior, subsequent and related year returns that warrant examination should be worked concurrently with the primary tax year.

**Note:** Rev. Proc. 57-6 establishes the policy of the Service to secure a consent, extending the statutory period of limitations on assessment of income tax, only in a case involving unusual circumstances. The Service is to keep to an absolute minimum the number of consents obtained from taxpayers.

- (3) To fall within the 26-month examination cycle, an individual return with a 3-year (36 month) statute should have 10 months remaining after all processing is complete. A business return with a 27-month examination cycle, should have 9 months remaining on the statute after processing is complete.

**Example:** On February 15, 2021, an examiner is evaluating the audit potential of a 2018 individual tax return that has an original statute date of April 15, 2022. At the time of the initial return screening there are 14 months remaining on the statute. When making the decision to initiate an audit, the examiner must take into account the time needed to identify issues, gather facts, determine the substantially correct tax liability, and complete the examination process. In order to be within the 26-month examination cycle, the return must be closed and all other processing completed by June 15, 2021 (with 10 months remaining on the original statute of limitations).

- (4) Returns with the following source code, project code, push code and status code features are exempt from the requirement to complete the examination and other processing within the 26/27 month examination cycle as shown in the table below. These guidelines are not applicable to Forms 706 and 709.

Source Code	Description
17	Tax Shelter Program
39	Tax Shelter Program Related Pick-Up
64	NON-TEFRA Pick-Up Related to Forms 1065, 1041 and 1120S

Project Code	Description
0074	Related to Appeals not listed
0077	Joint Committee Case - Strategic Priority #10 CLAIMS
0310, 0311, 0154, 0156, 0165, 0437, 0458, 0669, 0016, 0034, 0149, 0150, 0265, 0266, 0449	Frivolous Filers/Nonfilers
0015	TEFRA/AMENDED

Push Code	Description
020	Delinquent Return
021	Non-Filer (Use if a TC 150 is not needed.)
036	Substitute for Return
037	Potential CI Referral/Nonfiler

Status Code	Description
17	Fraud Development Status
18	Acceptance by Criminal Investigation
29	Other TEFRA Suspense
30	Form 1254, Examination Suspense Report
32	General Fraud Suspense
36	Grand Jury Suspense
38	Suspense-ID Theft or Other
44	PSP Suspense

Returns with the following source codes and AIMS creation dates of 270 days old or less:	Description
11	Studies, Tests, and Research
23	TEFRA Related
24, 25	Nonfiler
30	Claims for Refund/Abatement
32	Carryback
60	Information Report
77	State Information
85	IRP Information Document Match
88	Special Enforcement
90	Fraud Regular

- (5) With group manager approval, the 26/27 month examination cycle may be exceeded if failure to conduct the examination would:
- Result in a serious criticism of the Service's administration of tax laws,
  - Establish a precedent that would seriously hamper subsequent attempts by the Service to take corrective action,
  - Result in inconsistent treatment of similarly situated taxpayers, or
  - Be contrary to an established Service position (the Service position must be clear at the time the approval to initiate the examination is granted, and not be in the developmental stages).

**Example:** Two examiners are working cases from the same preparer project. Guidance was provided instructing examiners to audit prior and/or subsequent years concurrently when the same issues are present. The first examiner followed the guidance; however, the second examiner waited until the primary tax year was closing before considering the pick up of

the prior tax year, which is now “out of cycle.” In this situation, it may be appropriate to exceed the examination cycle in order to have consistent treatment between the similarly related taxpayers.

- (6) If the initial return screening indicates the examination cycle cannot be met and circumstances warrant exceeding the 26/27 month examination cycle, the matter should be discussed with the group manager. The discussion must be documented in the case file and address justification for exceeding the 26/27 month examination cycle, identified issues, and actions needed to complete the audit.

- a. If the group manager agrees that an examination should be initiated, approval for deviation from the 26/27 month examination cycle requirements should be documented by the examiner in the workpapers.

**Example:** On July 15, 2021, a 2018 prior year individual tax return that has an original statute of April 15, 2022 (9 months remaining on the statute), is beyond the 26-month examination cycle and considered “out of cycle.” When determining whether or not to expand the audit to this prior year return, the examiner must evaluate the audit potential and determine if the return meets one of the exceptions to exceed the 26-month examination cycle. If the return meets one of the exceptions, group manager approval is required prior to initiating the audit.

- b. If the group manager does not approve the examination of an “out of cycle” assigned return, the examiner must document the reason for the survey on Form 1900 and follow the survey after assignment closing procedures in IRM 4.10.2.5.2. See IRM 4.10.5.2.4, Case File Documentation, for comments relating to required filing checks.

#### 4.10.2.2.3 (02-11-2016) Conflict of Interest

- (1) IRM 1.2.1.5.4, Policy Statement 4-6, Examiner May Not Examine Return if Relationship Impairs Impartiality, prohibits examiners from examining or surveying a tax return if a relationship impairs impartiality. A conflict of interest exists if an examiner’s personal relationship(s) or private interest (usually of a financial or economic nature) conflict, or raise a reasonable question of conflict, with the examiner’s public duties and responsibilities.
  - a. Personal relationships can include family members, friends and associates.
  - b. A financial interest may be one involving the examiner’s spouse, minor child, partner, or organization in which the examiner is serving as an officer, director, trustee, partner or employee, or any person or organization with whom the examiner is negotiating or has any arrangement concerning prospective employment.
- (2) Examiners must avoid any situation which creates a conflict of interest or creates a reasonable question of a conflict of interest with their official duties. Statutory penalties for established violations include fines and/or imprisonment.
- (3) An examiner assigned a return which might create a real or apparent conflict of interest must immediately bring this matter to the attention of the group manager.
- (4) Examiners should never initiate, terminate, or in any way modify audit actions based on requests from certain Executive Branch employees (specifically the



President, Vice President, employees of the executive offices of the President or Vice President, or any other cabinet level official with the exception of the Attorney General). Any requests received by an examiner that violate this prohibition should be reported to the Treasury Inspector General for Tax Administration (TIGTA). Examiners should always consult with the group manager if anyone, other than the group manager, requests actions related to ongoing or potential examinations.

- (5) If an examiner is assigned a return described in this section, the tax return should be returned to the group manager for reassignment.

4.10.2.2.4  
(09-09-2019)  
**Restrictions on  
Consecutive Audit or  
Survey by Same  
Examiner - Policy  
Statement 4-5**

- (1) IRM 1.2.1.5.3, Policy Statement 4-5, Restrictions on Examiners' and Specialists' Consecutive Survey or Examination Responsibilities, prohibits an examiner or specialist from examining or surveying a tax return of a taxpayer for more than five consecutive years (60 months) from date of assignment. If the examination is in process at the five consecutive year point, the examiner or specialist is allowed to complete the examination provided the current cycle or audit has less than 12 months remaining from the five consecutive year point. An examiner or specialist will not be reassigned to the same taxpayer for the examination of one intervening tax period or surveying of two intervening tax periods.

**Note:** See IRM 1.2.1.5.3, Policy Statement 4-5, Restrictions on Examiners' and Specialists' Consecutive Survey or Examination Responsibilities, for information regarding deviations and exceptions to the general limitations.

- (2) Group managers are also subject to P-4-5 restrictions and are responsible for monitoring assignments for their examiners to ensure proper case assignment practices are followed.
- (3) If an examiner is assigned a return described in paragraph (1) above, the tax return should be returned to the group manager for reassignment.

4.10.2.2.5  
(09-29-2022)  
**Other IRS Business  
Units Working with  
Taxpayer**

- (1) Examiners must review IDRS and CFOL information to determine if another IRS function (e.g., AUR) is working with the taxpayer. See *CFOL Express* to identify IDRS command codes that can be used to determine if another IRS function is working with the taxpayer.

**Reminder:** When examining a tax period with a potential net operating loss carry-back, check IDRS for open controls on all eligible carryback years. See IRM 4.11.11, Net Operating Loss Cases, for additional information.

- (2) If another function is working with the taxpayer, contact the employee assigned the case and determine the extent of their involvement. Facts and circumstances of the involvement may affect the examination of the return. The examiner should discuss the case with the group manager before proceeding with the audit.
- (3) If the Automated Underreporter (AUR) Unit issued a CP 2000 notice (Request for Verification of Unreported Income, Payments, or Credits) to the taxpayer, a TC 922 will be on the module. If a TC 922 is on the module:
  - Review the Control Base and History Information section of the TXMODA for a "URP" (Underreporter Program) code.

- If a URP code is present, contact the *AUR Coordinator* at the Campus (the first two digits of the return DLN identifies the Campus) to discuss the status of the case and determine if the AUR issue should be transferred to Exam.
- If there is no URP code in the Control Base and History Information section of the TXMODA, AUR has closed the case. Therefore, it is not necessary to contact the AUR Coordinator.

**Note:** If a CP 2000 notice was issued, it can be viewed on Account Management Services (AMS). If there is a need to secure a copy of the adjustment information from AMS, contact the local *AIMS/ERCS Analyst*. Additional information can be found in the *CFOL Express* reference guide.

4.10.2.3  
(09-29-2022)  
**In-Depth Pre-Contact Analysis**

- (1) If the factors in IRM 4.10.2.2 do not prevent the initiation of an audit, the examiner must conduct an in-depth pre-contact analysis to determine whether the return warrants examination. This analysis includes:

- A review of the case file to identify large, unusual, and questionable (LUQ) items beyond those selected on the classification check sheet (see IRM 4.10.2.3.1),
- Completion of the pre-contact minimum income probes (see IRM 4.10.2.3.2), and
- Completion of the pre-contact required filing checks (see IRM 4.10.2.3.3).

**Reminder:** Examiners follow IRM 4.10.5.4.1, Analysis of Related and Spin-Off Returns, and evaluate large, unusual, and questionable items (such as income, expense, or credit items), to determine if a related return warrants examination.

- (2) The in-depth pre-contact analysis must be documented in the case file.

- a. **Office Examination:** Document all actions taken and findings during the pre-contact stage on the applicable lead sheets; Form 9984, Examining Officer's Activity Record; or supporting workpapers. If additional issues are identified as a result of the pre-contact analysis or if classified issues do not warrant examination, document the reasons for revising the scope and obtain approval from the group manager.

**Note:** Managerial approval is required when pre-contact time exceeds 1 hour on a nonbusiness return and 1.5 hours on a business return.

- b. **Field Examination:** Perform pre-contact audit steps appropriate to the taxpayer and document the actions taken and findings on the applicable lead sheets; Form 9984; or supporting workpapers. Pre-contact time charged to a case will vary with the complexity of the case. Group managers should monitor pre-contact time to ensure the time charged is commensurate with the work accomplished. Performance feedback can be documented using the *Embedded Quality Review System (EQRS)*.

4.10.2.3.1  
(09-29-2022)  
**Large Unusual or Questionable (LUQ) Items Defined**

- (1) The examiner must perform a thorough review of the case file to identify LUQ items. The examiner begins with the issues identified on the classification check sheet (if available), then reviews the items below.

- a. The complete tax return including line items, credits, the balance sheet, elections, schedules, and any other items attached to the return.
- b. Internal sources of data — see IRM 4.10.5.2.2, Internal Sources of Information, for additional information and examples.

**Note:** Examiners must be alert to Potentially Dangerous Taxpayer (PDT) or Caution Upon Contact (CAU) designations on an IDRS transcript. If present, refer to IRM 25.4.1, Potentially Dangerous Taxpayer, or IRM 25.4.2, Caution Upon Contact Taxpayer, for additional information.

- c. External sources of data — asset locator / people locator tools (e.g., Accurant) and internet research.

**Note:** The examiner may need to perform preliminary research (see IRM 4.10.2.7.4), including reviewing code sections, regulations, court cases, revenue rulings and procedures, Audit Technique Guides (ATG), and/or the IRS Virtual Library to become familiar with the issues.

- (2) The definition of an LUQ item will depend on the examiner's perception of the return as a whole and the separate items that comprise the return. Some factors to be considered when identifying LUQs are:
  - a. Comparative size of the item — an expense item of \$6,000 with total expenses of \$30,000 would be a large item; however, if total expenses are \$300,000, the item would not be generally considered a large item.
  - b. Absolute size of the item — despite the comparability factor, size by itself may be significant. For example, a \$50,000 item may be significant even though it represents a small percentage of taxable income.
  - c. Inherent character of the item — although the amount of an item may be insignificant, the nature of the item may be significant; e.g., airplane expenses claimed on a plumber's Schedule C.
  - d. Evidence of intent to mislead — this may include missing schedules, incomplete schedules, misclassified entries, or obviously incorrect items on the return.
  - e. Beneficial effect of the manner in which an item is reported — expenses claimed on a business schedule rather than claimed as an itemized deduction.
  - f. Relationship to other items — incomplete transactions identified on the tax return. For example, the taxpayer reported sales of stock but no dividend income.
  - g. Whipsaw issues — when there is a transaction between two parties and characteristics of the transaction will benefit one party and harm the other. Examples include alimony vs. child support, sale vs. rental/royalty, employee vs. independent contractor, gift vs. income. For additional guidance for whipsaw issues, see IRM 4.10.13.5, Adjustments Between Correlative U.S. Taxpayers to Achieve Consistent Tax Treatment (a/k/a Whipsaw Issues).
  - h. Missing items — consideration should be given to items which are not shown on the return but would normally appear on the returns of similar taxpayers. This applies not only to the examination of income, but also to expenses, deductions, etc., that would result in tax changes favorable to the taxpayer.

#  
#  
#


#  
#  
#  
#  
#  
#  
#  
#  
#

- (3) Examiners are expected to examine all LUQ items. However, it is not intended that examiners should consider every possible issue. For instance, it is not proper for examiners to make a detailed analysis of a specific account unless the potential adjustment will materially affect the tax liability or will be important from a compliance viewpoint. In addition, examiners are expected to adequately explain the items which are examined and the LUQ items which are accepted without examination.

4.10.2.3.2  
(09-29-2022)  
**Pre-Contact Minimum  
Income Probes**

- (1) Complete the required pre-contact minimum income probes as outlined in the table below. See IRM 4.10.4, Examination of Income, for additional guidance.

Type of Tax Return	Pre-Contact Minimum Income Probes
Nonbusiness returns	<p>IRP reconciliation:</p> <ul style="list-style-type: none"><li>Perform IRP reconciliation to ensure all sources of income reflected on the IRP document(s) are properly accounted for on the tax return. Research IRPTR using the taxpayer’s SSN (and spouse’s SSN and related EIN, if applicable).</li></ul> <p><b>Note:</b> Include consideration of Currency Transaction Report (CTR), as well as IRP income documents.</p> <p>Preliminary financial status analysis:</p> <ul style="list-style-type: none"><li>Complete preliminary T-Account if taxpayer does not have sufficient funds for even the most minimal personal living expenses, including those reflected on Schedule A.</li><li>Complete preliminary T-Account for office examination returns with a Schedule C or F. See IRM 4.10.4.2.1, Nonbusiness Returns.</li></ul>

Individual business returns	<p>Preliminary financial status analysis:</p> <ul style="list-style-type: none"> <li>• Complete preliminary T-Account.</li> <li>• Review case building materials in case file, including Accurant.</li> </ul> <p>IRP Analysis:</p> <ul style="list-style-type: none"> <li>• Perform IRP analysis to ensure all sources of income reflected on the IRP document(s) are properly accounted for on the tax return. Research IRPTR using the taxpayer's SSN (and spouse's SSN and related EIN, if applicable).</li> </ul> <p><b>Note:</b> Include consideration of Currency Transaction Report (CTR).</p> <p>Business ratios:</p> <ul style="list-style-type: none"> <li>• Perform horizontal and vertical analyses, as appropriate.</li> </ul> <p>E-commerce and/or internet use:</p> <ul style="list-style-type: none"> <li>• Search internet for e-commerce activities.</li> <li>• Search internet for taxpayer and business name(s).</li> </ul> <p><b>Note:</b> See IRM 4.10.4.3.7, Minimum Income Probes: E-Commerce Income, for additional information.</p>
Corporations and other business returns	<p>Balance sheet:</p> <ul style="list-style-type: none"> <li>• Perform balance sheet analysis, as appropriate.</li> </ul> <p>Shareholder and partners:</p> <ul style="list-style-type: none"> <li>• Evaluate individual returns of stockholders or partners with greater than 20% ownership.</li> <li>• Analyze yK1 and CKGE data, if available.</li> </ul> <p>Ratio analysis:</p> <ul style="list-style-type: none"> <li>• Perform horizontal and vertical analyses, as appropriate.</li> </ul> <p>IRP Review:</p> <ul style="list-style-type: none"> <li>• Review information reflected on IRP.</li> </ul> <p><b>Reminder:</b> Information returns are required for corporations providing medical and health care and legal services.</p> <p><b>Note:</b> Include consideration of Currency Transaction Reports (CTR).</p> <p>E-commerce and/or internet use:</p> <ul style="list-style-type: none"> <li>• Search internet for e-commerce activities.</li> <li>• Search internet for taxpayer and business name(s).</li> </ul> <p><b>Note:</b> See IRM 4.10.4.3.7, Minimum Income Probes: E-Commerce Income, for additional information.</p>

4.10.2.3.3  
(09-09-2019)  
**Required Filing Checks**

- (1) During the pre-contact phase of the audit, examiners should use internal sources of information, including IDRS and CFOL, to complete required filing checks. See IRM 4.10.5.2.2(1), Internal Sources of Information, for guidance.

- (2) Examiners must determine whether prior, subsequent and known related returns are filed. See IRM 4.10.5.2.1, Filing Verification, for additional information.
- (3) For all types of returns (i.e., business and nonbusiness), the examiner must complete a comparative analysis to assist in determining the audit potential of the year under examination, as well as prior and subsequent year(s). For guidance on completion of a comparative analysis, see IRM 4.10.5.3.1, Analysis of Prior and Subsequent Returns. The comparative analysis will be used throughout the examination (e.g., minimum income probes including horizontal analysis).
- (4) The examiner must document their comparative analysis and findings; see IRM 4.10.5.2.4, Case File Documentation, for guidance.

4.10.2.4  
(02-11-2016)  
**Evaluation of Audit  
Potential**

- (1) After completing the in-depth pre-contact analysis, examiners must evaluate the audit potential to determine whether the return warrants examination. To assist in evaluating the audit potential, examiners must consider the identified LUQs, pre-contact minimum income probes, including the materiality of any preliminary T-Account imbalances, and the results of the initial required filing checks. Examiners must compare the potential benefits to be derived from examining a return to the resources required to perform the examination.
- (2) If the decision is made that the return warrants examination, follow the procedures in IRM 4.10.2.7.
- (3) If the decision is made that the return does not warrant examination, follow the procedures in IRM 4.10.2.5.

4.10.2.4.1  
(09-09-2019)  
**Collectibility**

- (1) To decrease the Accounts Receivable Dollar Inventory (ARDI) and increase the quality of assessments, examiners should consider collectibility when evaluating audit potential and setting the scope of an examination. Collectibility will be based on the taxpayer's current financial condition and not the tax return (which reflects the taxpayer's past financial condition).
- (2) Form 5546, Examination Return Charge-Out Sheet, may provide alerts to potential collectibility issues. Examiners should review this form for collectibility indicators. See IRM 4.20.1.2.1, Collectibility Considerations, for a listing and definition of collectibility indicators and steps to take when evaluating collectibility potential during the pre-contact phase.
- (3) If Form 5546 is not in the file, the examiner must pull an AMDISA print to determine if there are any collectibility indicators. See IRM 4.20.1.2.1.
- (4) Not all taxpayers lacking the means to satisfy additional tax liabilities will be identified. Examiners should be alert for indications in the file that collectibility may be a factor to consider; e.g., the taxpayer is deceased, or the taxpayer is a defunct corporation and the issue of transferee liability is not present. Form 9439, Collectibility Evaluation Form, may be used to help document collectibility.
- (5) If collectibility is an issue in an assigned case, the group manager should be alerted as soon as the issue is discovered. Managers will make the final determination whether to survey the return or to limit the scope/depth of an examination. If a determination is made:



- a. To survey the return due to an absolutely uncollectible assessment, examiners should follow the procedures in IRM 4.10.2.5.
- b. To conduct a limited scope examination, examiners should follow the procedures in IRM 4.10.2.3.

**Note:** Returns should not be surveyed based solely on collectibility where a limited examination has the potential for developing leads to other non-compliant taxpayers.

- (6) Examiners are required to document their evaluation of collectibility on Lead Sheet 100-02, Revenue Agent (or TCO) Audit Plan, a supporting workpaper indexed to Lead Sheet 100-02, Form 9984, or Form 1900 (if surveyed). If collectibility is an issue, the reasons for the decision to survey or examine the return must be documented.

4.10.2.5  
(09-29-2022)  
**Decision to Survey a Return**

- (1) After completing and documenting the initial return screening, in-depth pre-contact analysis, and/or evaluation of audit potential, but before examining any books and records, examiners should decide whether an examination will be initiated. If the examiner concludes that an examination is not warranted, the examiner should survey the return after assignment if the conditions listed in IRM 4.10.2.5.1 are met.
- (2) Survey after assignment cases must be created and maintained in RGS and backed up to the CEAS file server. See IRM 4.10.15.10.3, Non-Examined Closures. In most circumstances, examiners are required to complete the in-depth pre-contact analysis and document their findings. The documentation must be included in RGS/CEAS when the case is closed in order to support the decision to survey the return. Even in those rare instances when the in-depth pre-contact analysis is not required, examiners are still required to document their reasons for the survey including all actions taken to support the decision, and their manager's approval to survey the return (i.e., signed Form 5351 and survey stamp). See IRM 4.10.2.5.2 for additional guidance on documentation that must be saved in RGS.

4.10.2.5.1  
(09-09-2019)  
**Conditions Allowing Survey of Returns After Assignment**

- (1) A return will be surveyed after assignment if, after conducting the initial return screening, in-depth pre-contact analysis, and/or evaluating the audit potential the following conditions are met:
  - a. The taxpayer (or representative) has not been contacted,
  - b. Taxpayer records have not been inspected, and
  - c. The examiner determined an examination will most likely not result in a material change in the taxpayer's tax liability.

**Note:** This authority extends to returns identified for examination on Form 3949, Information Report Referral, or Form 3949-A, Information Referral. For whistleblower claims see IRM 25.2.1.5.5.2, Form 11369 for Surveyed Claims, for additional information.

- (2) In accordance with IRC 7508, examiners must not conduct examinations on taxpayers on active duty to a combat zone, plus during any period hospitalized thereafter, plus 180 days. Also, ongoing examinations involving any individual identified as a combat zone taxpayer should be closed immediately, unless there is a compelling reason to suspend the examination. See IRM 4.2.1.4, Combat Zone, for guidance.

- (3) Under certain conditions, a return may be surveyed after the taxpayer has been contacted, but before records have been inspected. This could include instances where the taxpayer is deceased, has a terminal illness, or there are other extraordinary circumstances that may warrant the survey of the return. Letter 1024, Return Accepted as Filed, must be issued by the group if a decision is made to survey the return after taxpayer contact. Letter 1024 is signed by the group manager.
- (4) For guidance on survey after assignment documentation and closing procedures, see IRM 4.10.2.5.2.

4.10.2.5.2  
(09-29-2022)  
**Procedures for  
Surveying Returns After  
Assignment**

- (1) Procedures for surveying returns after assignment are as follows:
  - a. Stamp the tax return or electronic print with the following imprint:

**CLOSED SURVEY AFTER ASSIGNMENT**

Examiner's Signature (and Date)

(/s/ Examiner)

Approved — Group Manager's Signature (and date)

(/s/ Group manager)

**Note:** The stamp should be approximately 3" X 1" and procured locally by the area. Alternatively, an electronic **Closed Survey After Assignment** stamp is available (see *Add Survey Stamp to Adobe*).

- b. Examiners must sign and date (manually or digitally) the survey stamp imprint made on the tax return or electronic print.
  - c. Group managers must indicate concurrence with the examiner's decision to survey the return by signing and dating (manually or digitally) the survey stamp imprint on the tax return or electronic print.
- (2) An electronic print generated from the following systems or IDRS command codes can be used to survey the return:
  - Compliance Data Environment (CDE),
  - Modernized e-File System (MeF), or
  - BMFOL, BRTVU, IMFOL, RTVUE, TRDBV, TRPRT or TXMOD

**Note:** A copy of a tax return cannot be surveyed. To close the case without requesting the original return, the examiner must secure an electronic print and survey the print. The copy of the tax return included in the file must be clearly labeled "Copy Secured by Examination."

- (3) Examiners must document Form 1900 with the reason for the survey and all actions taken to support the decision, including conclusions from the in-depth pre-contact analysis (if required), with the surveyed tax year.
- (4) When a return is closed survey after assignment, disposal code 32 must be used.

**Caution:** Surveyed claims are closed with disposal code 34.



- (5) One of the following forms must be used to close a return as survey after assignment:
- Form 5546, Examination Return Charge Out, if available (enter the two-digit disposal code in the space on the second line of the form that follows the words “Non-Examined Disposal Code”), or
  - Form 5351, Examination Non-Examination Closings

**Note:** Form 5344, Examination Closing Record, is generally not used when closing survey after assignment returns (see IRM 4.10.2.5.3 for an exception for surveyed claims).

- (6) Examiners must also document the reason to survey a return after assignment using a Survey Reason Code (SRC) on the closing form (Form 5546 or Form 5351). The SRC will be entered on ERCS when the return is closed from the group.

- (7) The SRC values and definitions for survey after assignment are:

- a. Survey Reason Code A: No Large, Unusual or Questionable (LUQ) Items—Use if the primary reason for the survey is because there are no LUQ items on the return.
- b. Survey Reason Code B: No Change in Prior Year—Use if the primary reason for the survey is that the same issues identified on the current year return were similar in materiality to the amounts reported in either of the two preceding years and were no-changed or had a small tax change.
- c. Survey Reason Code C: Beyond Cycle (includes statute issue)—Use if the primary reason for the survey is because the return is not within the 26/27 month examination cycle and/or statute considerations.
- d. **Caution:** Survey Reason Code D: Lack of Resources—This SRC cannot be used with Disposal Code 32, Survey After Assignment. It can only be used for survey before assignment cases.
- e. Survey Reason Code E: Other—Use if no other SRC applies.

**Reminder:** Examiners must document the reason for the survey on Form 1900.

- f. Survey Reason Code F: Collectibility—Use if the primary reason for the survey is based upon collectibility.
- g. Survey Reason Code G: Combat Zone—Use if the primary reason for the survey is because the taxpayer or taxpayer’s spouse is in a combat zone.
- h. Survey Reason Code H: Timing Issues—Use if the primary reason for the survey is due to a timing issue.
- i. Survey Reason Code I: De minimus Tax—Use if the primary reason for the survey is because there would be a de minimus tax change.

**Note:** Only one SRC can be entered. If more than one SRC applies, use the code that reflects the primary reason for the survey.

- (8) For cases closed survey after assignment, examiners must save the following documents to RGS **Case File Documents** using established file naming conventions. See *RGS File Naming Conventions Job Aid*.

- a. Return (see *Digitizing Hardcopy Documents* for instructions on digitizing hardcopy documents) or electronic print with the signed survey stamp,
  - b. Form 1900,
  - c. Form 3198, and
  - d. Form 5546 or Form 5351 (including the Survey Reason Code).
- (9) Examiners must save the following documents to RGS **Office Documents** using established file naming conventions. See *RGS File Naming Conventions Job Aid*.
  - a. Documentation supporting the in-depth pre-contact analysis.
  - b. Other documents typically saved to RGS Office Documents (e.g., activity record, completed lead sheets, workpapers, etc.).
- (10) When the case is ready to close, the examiner must move the RGS file to the CEAS file server and notify the group manager by e-mail.
- (11) Generally, examiners should charge time devoted to surveying returns after assignment to Activity Code 615, Survey.

4.10.2.5.3  
(02-11-2016)  
**Surveying Claims**

- (1) Claims for refund (including amended returns and informal claims) of income, estate, and gift taxes may be surveyed after assignment if it is determined that the claim issue is clearly allowable and the return does not otherwise warrant examination.
- (2) Examiners must complete Form 1900 to explain why the claim is being surveyed. Instructions for completing the “Tax liability reported”, “Claim allowable”, and “Tentative allowance approved” sections of Form 1900 are listed below. Also, see IRM 4.10.2.5.2, for additional guidance regarding required documentation.
  - a. If a claim reducing the tax liability shown on the original return was filed after the due date of the return, the amended return is considered to be a claim and the tax shown on the original return should be entered under “Tax liability reported.” The difference between the tax liability reported on the original return and the amended return is entered under “Claim allowable.”
  - b. If an amended return, increasing the tax liability shown on the original return, was filed after the due date of the return, and the additional tax was assessed, then the tax as shown on the amended tax return should be entered under “Tax liability reported.”
  - c. Where tentative carrybacks have been filed on Form 1045, Application for Tentative Refund, or Form 1139, Corporation Application for Tentative Refund, and the refunds have been made to the taxpayer, the tax as shown on the return before administrative adjustment is entered under “Tax liability reported.” The amount refunded as a result of the filing of the tentative carryback is shown under “Tentative allowance approved.”
  - d. Where claims for refund (including amended and informal claims) have been filed, enter the tax liability as reported on the last processed return under “Tax liability reported” and enter the amount of the claim under “Claim allowable.”
- (3) Claims should be stamped with the “survey after assignment” imprint and signed/dated by both the examiner and the group manager (see IRM 4.10.2.5.2 above).

- (4) Examiners must prepare Form 5344, Examination Closing Record, for claims closed as a survey after assignment. See IRM 4.10.11.2.5, Claims for Refund - Survey After Assignment, Disposal Code 34, for additional guidance.
- (5) Any claim which, if allowed, would produce an overpayment, requiring reporting to the Joint Committee on Taxation (\$2,000,000 refund; \$5,000,000 for C corporations) may be allowed without examination (surveyed). However, the claim can be surveyed only after notification is received from the Joint Committee that the Service may proceed with disposition of the claim, as proposed in the report submitted to the Joint Committee, under the provisions of IRC 6405(a). See IRM 4.36.3.4, Survey After Assignment Criteria, for instructions on how to survey a Joint Committee case.
- (6) For surveyed estate or gift tax claims see IRM 4.25.1.6, Surveying Returns Selected for Examination.

4.10.2.5.4  
(04-02-2010)  
**Surveying Returns  
Transferred From  
Another Area**

- (1) If a return is received from another area and the other area only made the initial contact with the taxpayer, without beginning the examination and/or inspecting the taxpayer's books and records, the receiving area can apply the survey after assignment procedures if the return does not warrant examination. Letter 1024, Return Accepted as Filed, should be used to notify the taxpayer. Letter 1024 is signed by the group manager.

4.10.2.5.5  
(01-17-2012)  
**Surveying International  
Feature Returns**

rejected.

- (2) An international referral is made using the *Specialist Referral System (SRS)*. See IRM 4.46.3.2.6.2, International Referrals - Supporting Documentation and Informal Assistance, for guidance on international referrals.

4.10.2.6  
(09-29-2022)  
**Office Examination  
Scheduling and Use of  
Microsoft Outlook  
Calendar**

- (1) Office examiners must maintain their Microsoft Outlook calendar with examination activities firmly planned and scheduled for a three to four week period. Examination activities include first appointments, rescheduled appointments, pre-contacts, and follow up actions required for specific cases.
- (2) Planned non-examination activities should be recorded on the Microsoft Outlook calendar for a minimum of eight weeks in advance. This will allow the group manager to determine the examiner's availability for return ordering purposes.
- (3) The Microsoft Outlook calendar is a planning tool and should be updated as planned activities change. The calendar should not be updated after the fact.
- (4) Based on an optimal work week, a full-time office examiner's Microsoft Outlook calendar should generally reflect 8 hours of pre-contact activities, 24 hours of appointments, and 8 hours of follow-up activities each week. Taxpayer appointments, both initial and subsequent, should be recorded on the Microsoft Outlook calendar using the taxpayer's name control and the last two digits of the tax year. Examiners must encrypt any attachments to the calendar that contain Personally Identifiable Information (PII) or Sensitive but Unclassified (SBU) information. See IRM 10.5.1.6.18.1, Shared Calendar, and IRM 10.8.1.3.16.1.1(5), Sensitive But Unclassified (SBU) Information.

#  
#  
#

**Note:** Part-time office examiners should allocate the examination activities referenced in this paragraph in proportion to the total hours worked.

- (5) The 24 hours of appointments referenced in paragraph (4) above includes time to complete prior and subsequent year examinations. Prior and subsequent year initial appointments should be placed on the Microsoft Outlook calendar on a weekly basis to fill current time slots not scheduled with new taxpayer appointments. Action code 01, First Appointment - Initial Interview, is used to designate a new appointment or prior and subsequent year initial appointment on the ERCS Tax Auditor Daily Time Report.

**Note:** Generally, pre-contact time should not be applied to a prior or subsequent return if it is picked up for examination subsequent to the pre-contact phase of the primary year.

- (6) Based on the complexity of the issues and the volume of information requested, a second appointment may be scheduled for primary, prior and subsequent year returns. Time scheduled for second appointments is included in the 24-hour allocation. The Microsoft Outlook calendar entry should appear as "Taxpayer name control (2nd Appt.)". Action code 02, Subsequent Appointment, is used to designate a subsequent interview appointment on the ERCS Tax Auditor Daily Time Report.

- (7) Pre-contact time should be designated on the Microsoft Outlook calendar by the term "Pre-Contact" or "Pre-Audit" with the planned number of hours. The taxpayer name control does not need to be on the Microsoft Outlook calendar for pre-contact scheduling. Action code 06 is used to designate a pre-contact case on the ERCS Tax Auditor Daily Time Report. See IRM 4.10.2.3 for guidance on pre-contact time charges.

**Note:** Within two days of receipt of a case, the TCO or TE should review the Microsoft Outlook calendar, and schedule the case for pre-contact using action code 06, Schedule Pre-audit, on the ERCS Tax Auditor Daily Time Report.

- (8) When an initial appointment is rescheduled, the Microsoft Outlook calendar should be updated so the appointment appears on the new date and time and reflect R-1 for the first reschedule and R-2 for the second reschedule. The taxpayer will be advised that no further reschedules will be permitted after a second reschedule.

**Note:** Generally, in the event of a second reschedule, if income is not an issue, the examiner will prepare and send an appointment confirmation letter to the taxpayer, along with a report disallowing all classified issues and a 30-day letter. If income is an issue, examiners must follow the requirements of IRM 4.10.4.3, Minimum Requirements For Examination of Income, with respect to minimum income probes and the scope and proper development of income issues and consult with the group manager before preparing a report.

- (9) If the taxpayer reschedules an appointment and the original time slot is not filled with another appointment, the examiner should utilize the time slot to:
- Work priority cases including Strategic Priority Returns
  - Follow up on existing inventory
  - Conduct pre-contacts on new cases

- (10) Planned follow-up time or case write up time will be designated on the Microsoft Outlook calendar with the planned number of hours. Action Code 08, Follow-up Action, is used to designate follow-up time. The taxpayer name control is not required on the Microsoft Outlook calendar for follow up activities.
- (11) Group managers and support staff will be provided access to the office examiners' Microsoft Outlook calendars and will make entries as needed. Territory managers will be provided reviewer access.

## 4.10.2.7

(02-11-2016)

**Pre-Contact Planning of Examination Activities**

- (1) If the in-depth analysis and evaluation of audit potential indicate that a return should be examined, then examiners should begin planning the examination.
- (2) The planning process begins with the accomplishment of the steps and audit techniques listed on the mandatory lead sheets that are applicable at this stage of the examination. See IRM 4.10.9.6.1, Administrative Lead Sheets, for a listing of the mandatory lead sheets. Actions taken by examiners include, but are not limited to:
  - a. If the case is on Correspondence Examination Automation Support (CEAS), examiners should verify tax return information on Report Generation Software (RGS) matches IDRS, conduct the variance analysis, and enter all issues (classified and new issues added during pre-contact).
  - b. If the case is not on CEAS, examiners should input and verify tax return information on RGS, conduct the variance analysis, and enter all issues (classified and new issues added during pre-contact).
  - c. Prepare lead sheets. See IRM 4.10.9.6.2, Issue Lead Sheets, for additional guidance.
- (3) Office examiners must prepare an initial contact letter and focused information document request (IDR). See IRM 4.10.2.8.1.1.
- (4) Examiners are expected to complete the activity record and workpapers contemporaneously. Examiners should prepare to the extent possible, the mandatory lead sheets and issue specific lead sheets as they progress through the examination. See IRM 4.10.9, Workpaper System and Case File Assembly, for additional guidance.
- (5) Check boxes are found on some of the mandatory lead sheets used in the examination process and are intended to serve as a reminder of the actions the examiners should take. Checking a box does not necessarily mean comments and workpapers are not required; it depends on the audit procedure and/or examination technique. In all cases, professional judgment must be used and the examiner must ensure that the applicable tasks have been performed before checking the box(es).
- (6) As the audit progresses the actions and audit steps may change. Examiners are responsible for ensuring that comments and explanations are documented when applicable.

## 4.10.2.7.1

(02-11-2016)

**Scope of Examination**

- (1) Examiners must use their professional judgment to set the scope of the examination. Examiners should only work issues of merit and conclude the examination when the issues no longer warrant examination. Additional guidance is provided in the following sections:
  - a. Risk analysis - see IRM 4.10.2.7.1.1,

- b. Determining the scope of an examination - current, prior and subsequent years - see IRM 4.10.2.7.1.2,
- c. Limiting the scope - see IRM 4.10.2.7.1.3,
- d. Limiting the scope when issues were examined and no-changed in either of the two preceding years - see IRM 4.10.2.7.1.4, and
- e. Expanding the scope to related returns - see IRM 4.10.2.7.1.5.

4.10.2.7.1.1  
(02-11-2016)  
**Risk Analysis**

- (1) Once the decision is made to audit the return, priorities can be established. Examiners are expected to effectively manage their workload by prioritizing the issues so that the issues with higher audit potential are examined over those with lower potential. Issues with little or no audit potential should not be selected for examination. See IRM 4.10.2.7.1.4 for additional guidance on limiting the scope when issues were examined.
- (2) The goal of an examination is to determine the “substantially correct” tax liability. The 80/20 concept is “value-added” decision making that weighs the impact of our decisions (potential results) with the investment of additional case time (cost).

#  
#  
#  
#  
#  
#  
#  
  
#  
#  
  
#  
#  
#  
#

- (5) The 80/20 concept is applicable throughout the audit to determine the scope of the examination. In addition, the Mid-Audit Decision Point (50% Rule) is a tool designed to assist the examiner at the mid-point of an examination in making a judgment regarding whether it is in the Government’s best interest to continue the examination. See IRM 4.10.3.2.2, Mid-Audit Decision Point (50% Rule).

4.10.2.7.1.2  
(09-29-2022)  
**Determining the Scope of an Examination - Current, Prior and Subsequent Years**

- (1) Determining the scope of an examination is the process by which an examiner selects issues warranting examination. Examiners should select issues so that, with reasonable certainty, all items necessary for a substantially proper determination of the tax liability have been considered.
- (2) Examiners must assess the facts and apply judgment in determining the scope of the examination.
  - a. **Office Examination:** The scope of the examination of a return is documented on a classification check sheet during the classification process. However, the scope of an examination should not be limited to the classified issues if other significant issues are revealed during the examination.



Examiners must consult with and secure approval from their group manager before declassifying issues or raising new issues.

- b. **Field Examination:** The scope of the examination is determined by the examiner.

**Note:** If the scope is modified, revenue agents and tax compliance officers must document the decision, including how and when the taxpayer was notified, on Lead Sheet 100-02, a supporting workpaper indexed to Lead Sheet 100-02, or Form 9984.

- (3) Examiners are expected to continually exercise judgment throughout the examination process to expand or contract the scope as needed.
- (4) If, during the examination, the scope is expanded to include another tax period(s), the taxpayer must be notified orally or in writing of the expansion. The examiner should:
  - a. Use Letter 5968, Prior or Subsequent Year Pickup, for written notification. See IRM 4.10.5.3.2, Examination of Prior and Subsequent Returns, for additional information.
  - Reminder:** Pub 1, Your Rights as a Taxpayer, is only required with an initial contact letter. It is not required to be sent again when an examination is expanded to a prior or subsequent year.
  - b. Give the taxpayer time to secure a power-of-attorney for the additional tax period(s) if they have a power of attorney and it does not cover the tax period(s) being picked up for examination.
  - c. Request (using an Information Document Request (IDR)) and allow the taxpayer time to submit records for the new tax period(s).
  - d. **Office Examination:** Use the appropriate appointment confirmation letter. See IRM 4.10.2.8.1.1 for office letters.
- (5) When the minimum income probes have been completed for the current/primary year return and no income issues are identified, the income probe for the prior and/or subsequent year returns can be limited to an IRP analysis (including consideration of CTRs) **IF** the examiner has reviewed the prior and/or subsequent year returns to ensure there are no LUQ income issues (e.g., new Schedule C/F, large loss). Examiners must document the conclusions reached.

#### 4.10.2.7.1.3 (09-29-2022) Limiting the Scope

- (1) When a determination is made that a primary (see IRM 4.10.2.4, Evaluation of Audit Potential), prior/subsequent (see IRM 4.10.5.3, Prior and Subsequent Returns), or related (see IRM 4.10.5.4, Related and Spin-Off Returns) return warrants examination, the scope of the audit may be limited under the conditions described below:

**Caution:** Prior to limiting the scope of a primary individual business return, prior or subsequent return, or related return see (2).

- a. If no other items appear worthy of examination, the scope may be limited to one or two issues. For example, it may be necessary to examine a claim with a technical issue that requires factual development. If there are no other issues meriting development, then the audit should be limited to the claim issue.

- b. If a taxpayer is selected for examination for an IRP item, the scope of the examination is generally limited to resolving differences between items reported by the taxpayer and items reported on the information returns. Emphasis should be placed on determining why the income was omitted and whether the omission occurred in more than one year.
  - c. If collectibility is an issue, the scope of the examination may be limited. A collectibility determination should be made when the taxpayer has no ability to pay or expectation of a future ability to pay. See IRM 4.10.2.4.1 and IRM 4.20.1, Examination Collectibility Procedures, for additional guidance.
  - d. If issues were examined and no-changed in either of the two preceding years see IRM 4.10.2.7.1.4.
- (2) Before limiting the scope of an audit of a:
- **Primary individual business return** - the preliminary financial status analysis must not have a material imbalance; otherwise, all minimum income probes must be completed.
  - **Prior/subsequent return** - examiners must ensure no income issues were identified when completing the minimum income probes for the primary year; an IRP analysis (including consideration of CTRs) is performed for the prior/subsequent return; and all LUQ issues in the prior/subsequent return are addressed.
  - **Related return** - examiners must evaluate LUQ items (such as income, expense, or credit items) for audit potential and, for individual business returns, perform a preliminary financial status analysis based on the related return as filed and available data.
- Note:** Income probes for E-commerce and/or internet use must be completed for **all** individual business, corporate, and other business taxpayers, including those designated as limited-scope examinations.
- (3) When a Schedule K-1 is inspected to determine that the flow through items have been reported correctly, the taxpayer and/or representative should be advised that the inspection does not constitute an examination and the taxpayer's distributions from the related entity may be adjusted later if the related entity is examined.
- (4) Generally, short-term timing issues should not be examined. Timing issues with long term, indefinite or permanent deferral features should be examined. Unplanned timing issues which arise as correlative adjustments during an examination of non-timing issues should be made if it is cost effective to do so.
- (5) Any limitations placed upon the scope of the examination and the reasons for the decision to limit the scope must be documented on Lead Sheet 100-02, a supporting workpaper indexed to Lead Sheet 100-02, or Form 9984.



4.10.2.7.1.4  
(02-11-2016)

**Limiting the Scope  
When Issues Were  
Examined and  
No-Changed in Either of  
the Two Preceding Years  
(IMF Returns)**

- (1) Limiting the scope is appropriate when an examination of the same issue(s) in either of the two preceding years resulted in a no-change. All individual returns closed as a no-change require entry of an IMF no-change issue code to allow AIMS to record the issues considered during the examination and no-changed. The information is sent to Master file and captured by EOAD. You can review this information using command codes IMFOLZ. If a subsequent return is open on AIMS, the Form 5546 will display the IMF issue codes. Also, the examination return charge-out sheet can be referred to for indications of prior examinations. The charge-out sheet generally provides:
  - a. The year of the prior audit;
  - b. The disposal code;
  - c. The deficiency or overassessment amount; and
  - d. No-change issue codes.
- (2) If the issue(s) being considered in the current examination were no-changed in either of the two preceding years or resulted in a small tax change, the issue(s) should be eliminated from the audit plan unless some other information in the case file indicates that the issue(s) is worth examining.
- (3) If all issues are found to be repetitive the case may qualify for repetitive audit procedures. See IRM 4.10.2.13.

4.10.2.7.1.5  
(09-09-2019)

**Expanding the Scope to  
Related Returns**

- (1) Expanding the scope of the examination to a related return is based on the examiner's judgment. If in completing the required filing checks, an examiner discovers the taxpayer has not complied with a filing requirement or determines audit potential exists in another filed return, the examiner should expand the examination scope if warranted. See IRM 4.10.5, Required Filing Checks, for guidance.
- (2) **Office Examination:** If it appears a related return warrants examination and the examiner feels they cannot conduct the examination, the examiner should discuss the possible reassignment of the case with the group manager. The examiner should secure a copy of the related return and prepare the case file for transfer. If the group manager agrees that the case warrants transfer to another examiner, the manager should:
  - a. Reassign the related return to a more experienced examiner in office examination.
  - b. If the related return is outside the examination scope of office examination, the manager should contact a field examination group manager to assess the related return's audit potential.

If the group manager determines the related return does not warrant examination, this decision should be documented in the case file by either the examiner or the manager.

- (3) **Field Examination:** If a related partnership return should be examined and:

If	Then
Partners are individuals and/or non-individuals within the area.	Obtain group manager's approval to examine the partnership and proceed with the audit.
Partners are individuals and/or non-individuals, located outside the area.	Prepare Form 5346 for the partnership, submit to the group manager for approval, and if approved, forward to PSP.

- (4) Examiners should refer to IRM 4.31.2, TEFRA Examinations - Field Office Procedures, and IRM 4.31.5, Investor Level Statute Control (ILSC) Examinations - Field Office Procedures, for more detail information on flow-through entities.

4.10.2.7.2  
(02-11-2016)  
**Inventory Checks**

- (1) If inventory is classified as an issue, examiners will verify that inventories are reported correctly. If inventories are not examined but classified, examiners must document why inventories do not warrant examination on Lead Sheet 100-02, or a supporting workpaper indexed to Lead Sheet 100-02. See IRM 4.10.3.9.4.3, Inventories, for additional guidance.

4.10.2.7.3  
(04-02-2010)  
**Depth of an Examination**

- (1) Depth is the extent to which an issue is developed. It demonstrates the degree of intensity and thoroughness applied in order to make a determination as to the correctness of an item.
- (2) Examiners must exercise judgment in determining the depth required for the examination. Determining the depth of the examination for different issues will help to estimate the time needed to complete the examination. The following factors should be considered:
- Type of evidence available or expected for the issue,
  - Complexity of the issue,
  - Materiality of issue, and
  - Internal controls.

4.10.2.7.4  
(02-11-2016)  
**Preliminary Research**

- (1) Preliminary research of the applicable IRC sections, treasury regulations, rulings, and court cases, concerning the proper tax treatment of a particular issue, should be performed on the issues identified in the pre-contact analysis. This will assist in the development of specific interview questions, determine possible audit procedures, and help determine what information should be included on the IDR. It is critical that examiners become familiar with the issues on the return. Extensive research, however, should not be conducted until the facts of the issues are established. See IRM 4.10.7, Issue Resolution.
- (2) Secure the prior audit file(s), including report(s), from the CEAS database to determine the issues previously proposed and any problems encountered during the examination. If the prior audit file is not available in CEAS, ask the taxpayer for a copy of the report or request the administrative file from the Campus.

4.10.2.7.5  
(09-09-2019)  
**Specialist Referrals**

- (1) Specialists are available to provide assistance with developing and resolving significant complex tax issues. Generally, requests for specialist assistance must be made through the Specialist Referral System (SRS), see IRM 4.10.2.7.5.1. For requests that cannot be accessed through SRS, see IRM 4.10.2.7.5.2.
- (2) Mandatory referrals should be made as soon as possible; but, no later than 30 days after the initial appointment or Group Manager Concurrence Meeting (GMCM) (when required), whichever occurs first. Non-mandatory referrals should be requested as early in the examination as the need is identified.

**Note:** Generally, referrals must be considered for all entities with gross assets exceeding \$10 million and for cases with a single object of art and/or cultural property valued at \$50,000 or more. See the *Specialist Referral System (SRS)* website for mandatory referral criteria.

- (3) Time required to work the issue by the specialist (including travel time) is included in the case. It is important to determine the projected tax from the specialist issue versus the time required to develop the issue. Cases which would result in minimal change to the taxpayer's tax liability should not be referred.
- (4) Informal advice should be sought where the issues do not appear to warrant assignment of a specialist, but assistance is required. For specialists requested through the SRS, request a "Consultation" identifying the specific area(s) where assistance is needed in the "Additional Comments" field.
- (5) SRS referrals are automatically tracked. The system will automatically follow up with the manager if a response has not been made.
- (6) For referrals made outside of the SRS, a log of referrals from the examination group should be maintained.
  - a. Referrals not acknowledged within 30 days should be followed up with a request for assignment or rejection.
  - b. Referrals not assigned or rejected after the follow-up should be brought to the field examination territory manager for resolution.
- (7) Generally when a specialist is involved in a case, the examiner maintains control of the income tax return and its management. In some instances, the specialist may control non-income tax returns.
- (8) Specialist(s) assigned to the case should meet with the examiner and the taxpayer (if appropriate) to discuss the issue, information required, time for information to be presented, and an estimated completion date of the report.
- (9) Disagreements on proposed adjustments between the examiner and specialist should be elevated to their respective managers for resolution.
- (10) Rejected cases may be referred again based on additional information developed during the examination. If the case was rejected due to workload priorities, a specialist may be made available on a consulting basis for significant issues. For those specialist groups available through SRS, informal questions should be submitted using SRS. For specialist groups not available through SRS, arrangements for consultations should be made with the approval of both managers.

- (11) Documentation of consideration of referrals should be made for all entities meeting the mandatory referral criteria. If a case is referred, a copy of the referral is sufficient. If the case was not referred, the reasons for not referring a case should be documented in the workpapers or the activity record.

4.10.2.7.5.1  
(09-09-2019)

**Specialist Referral  
System (SRS) - Online  
Referrals**

- (1) The SRS is an online automated system that allows for submissions and approvals for specialist assistance. It automates the referral request process for LB&I, SB/SE, W&I and TEGE field specialists. It is accessed from the intranet at *Specialist Referral System (SRS)*.
- (2) The SRS must be used for referrals (includes questions and informal requests for assistance) to the following specialist groups:
- a. Art Appraisal Service (AAS) - see IRM 4.48.2, Valuation Assistance for Cases Involving Works of Art, and IRM 8.18.1, Valuation Assistance Procedures. The referral is mandatory for art or personal property with a claimed value of \$50,000 or more.
  - b. Computer Audit Specialists (CAS) - see IRM 4.47, Computer Audit Specialists;
  - c. Economists;
  - d. Employee Plan Specialists - see IRM 4.71, Employee Plans Examination of Returns, for additional information;
  - e. Employment Tax Specialists (LB&I, SB/SE, and TEGE) - see IRM 4.23, Employment Tax, for additional information;
  - f. Engineers - see IRM 4.48, Engineering Specialty, for additional information;
  - g. Excise Tax Specialists - see IRM 4.24, Excise Tax, for additional information;
  - h. Exempt Organizations Specialists - see IRM 4.75, Exempt Organizations Examination Procedures, for additional information;
  - i. Federal, State, and Local Government - see IRM 4.70.6, Classification and Case Assignment (C&CA) Procedures, for additional information;
  - j. Financial Products and Transactions Specialists - see IRM 4.37.1, Financial Products Specialty, for additional information;
  - k. Indian Tribal Government - see IRM 4.88.1, Examination Issues Pertaining to ITG Cases, for additional information;
  - l. International - see IRM 4.46.3.2.6.2, International Referrals - Supporting Documentation and Informal Assistance;
  - m. Tax Computation Specialists (TCS) - for agreed, partially agreed, and survey after assignment cases meeting JC criteria (see IRM 4.36.2, Identification of Joint Committee Cases, and *How to Submit SRS Request for Tax Computation Specialist (TCS)*);
  - n. Language Services – see IRM 22.31.1.5.4.4 (4), Translating Non-Vital Documents, for guidance on how to request translation services;
  - o. LB&I Actuary; or
  - p. Tax Exempt Bonds - see IRM 4.81, Tax Exempt Bonds (TEB) Examination Program and Procedures, handbooks for additional information.

**Reminder:** Collection SRS referrals are mandatory for agreed BMF cases with total unpaid liabilities over \$100,000 and agreed IMF cases with total unpaid liabilities over \$250,000. See IRM 4.20.1.3.4, Coordinate with Collection, for additional information.

- (3) When examiners submit an online request, SRS automatically notifies the appropriate Specialist manager of the request. The system is totally electronic and web-enabled, providing management necessary information reports.
- (4) Examiners will use a manual request only when the specialist groups cannot be accessed through SRS (i.e. Counsel assistance, TEGE, etc.).
- (5) The SRS maintains an archive of all referrals.

4.10.2.7.5.2  
(09-09-2019)

**Referrals Made Outside  
of SRS**

- (1) Referrals made outside of SRS will be prepared to request specialist services or other support not available using the SRS. For example, Area Counsel assistance, TEGE, etc.
- (2) Requests for informal legal advice from Chief Counsel should be directed to the group's Counsel point of contact, in those areas where Counsel points of contact have been designated. To request informal advice where local Counsel points of contact haven't been designated or to request a formal advice memorandum, contact the Appeals/Counsel Liaison in Technical Services. See IRM 4.8.8.12.1, Requests for Advice From Examiners, for additional information about requesting advice from Chief Counsel.
- (3) If the case has indications of fraud, the examiner will discuss the facts with their group manager and contact a fraud enforcement advisor (FEA) if the manager concurs. If the FEA agrees that there are sufficient indicators to warrant fraud development, the examiner will complete Form 11661, Fraud Development Recommendation – Examination. All parties will follow the fraud development procedures prescribed in IRM 25.1.2, Recognizing and Developing Fraud.
- (4) Use Form 4632-A, Employee Plans Referral Checksheet, when reviewing the pension plan Form 5500 series returns and see IRM 4.10.5.11, Pension Plan Returns, for additional information. If an examiner needs specialized assistance from TEGE, the examiner should submit a request for specialist assistance through the SRS. A copy of the Form 5500 series return, and a copy of the latest IRS determination letter, plan document and adoption agreement (if applicable) should accompany the case referral.
- (5) When an examination of a Joint Committee (JC) case is complete, examiners access the *Joint Committee Review SharePoint Referral Portal* to request JC review and have the case assigned to a JC Specialist.

**Reminder:** Requests for a TCS are made on the SRS, see IRM 4.10.2.7.5.1.

4.10.2.7.5.2.1  
(09-09-2019)

**Technical Guidance**

- (1) Headquarters analysts and technical advisors (TA) provide training, tools, and assistance to enhance examiners' skills and use of audit techniques to respond to the unique business practices of a particular industry, entity, or issue. They also mentor through field facilitators and assist in providing information to trade associations and professional communities as well as developing legal positions to ensure consistent taxpayer treatment.
- (2) See the various business units web pages for additional information:
  - a. Large Business & International (LB&I): *LB&I Practice Networks*
  - b. Small Business and Self Employed (SB/SE) Find an Expert: *SB/SE Find an Expert*

- c. Wage and Investment (W&I): *W&I Homepage*
- d. Tax Exempt and Government Entities (TE/GE): *TE/GE Connect Homepage*

4.10.2.8  
(11-04-2016)

#### Initial Contact: Overview

- (1) The “initial contact” is the first contact with the taxpayer. ALL initial taxpayer contacts must be made by mail using approved form letters.
- (2) The purpose of the initial contact is to:
  - a. Notify the taxpayer their return has been selected for examination, and
  - b. Schedule the initial appointment.
- (3) The pre-contact analysis must be conducted prior to mailing the initial contact letter to the taxpayer so the examiner is knowledgeable about the return. See IRM 4.10.2.3.
- (4) Examiners must document any contact or efforts to contact the taxpayer on Form 9984.
- (5) When returning telephone calls from taxpayers or representatives, examiners must not attempt contacts before 8:00 a.m. or after 9:00 p.m. (taxpayer’s time zone). This policy is consistent with the procedures followed by Collection employees related to collection activities as required by IRC 6304. See IRM 5.1.10.6.1, Contacting Taxpayers.

**Note:** Generally, contacts should be made during the normal business hours of 8:00 a.m. to 6:00 p.m. (taxpayer’s time zone).

4.10.2.8.1  
(09-29-2022)

#### Making Initial Contact

- (1) Examiners must send the taxpayer the appropriate initial contact letter listed in IRM 4.10.2.8.1.1 (Office) and IRM 4.10.2.8.1.2 (Field).
- (2) Examiners should mail the initial contact letter to the taxpayer’s last known address. The Service is required to exercise due diligence to find and use the taxpayer’s last known address. Generally, the last known address is the address on Master File unless the taxpayer has provided “clear and concise” notification. For a definition of what constitutes “clear and concise” notification, see IRM 4.10.2.11.

**Note:** The IRS receives weekly address updates from the United States Postal Service (USPS) National Change of Address (NCOA) database. The NCOA database helps IRS maintain the most current taxpayer addresses. A TC 014 with a special document locator number (DLN) on IMFOLE/BMFOLE/ENMOD identifies address changes due to the NCOA database. See IRM 5.1.18.11, United States Postal Service, for additional information about the NCOA database.

- (3) Prior to issuing the initial contact letter, examiners must:
  - a. Review ENMOD or IMFOLE for an identity theft (IDT) indicator. See IRM 4.10.27.8.1, Identity Theft Tracking Indicators. If an IDT indicator exists, the address on the return may not be valid. Examiners should send the initial contact letter to the address on the IDT referral (if applicable). If there is no IDT referral, examiners should search for other known addresses using TRDBV, FINDS, Accurant, etc. and verify the address using a postal tracer prior to sending the initial contact letter. If no other



address is identified, examiners should send the initial contact letter to the last known address on Master File.

- b. Review INOLE for undeliverable address indicators. The literal "UAA" - Undeliverable As Addressed, displays for accounts identified as having a bad address. The literal "UD" - Undelivered Mail, displays for accounts identified as having unsuccessful mail delivery by the USPS.
- c. Check IMFOLT/BMFOLT or TXMODA to determine if a valid power of attorney is on file for the year(s) under examination. If a TC 960 is posted, the examiner must secure a CC CFINK and retain a copy in the file. If CC CFINK indicates that a valid power of attorney is on file for the year(s) under examination, the examiner must make initial contact with the taxpayer and representative. For additional information regarding a power of attorney, see IRM 4.11.55, Power of Attorney Rights and Responsibilities.

**Note:** If a power of attorney is on file for the year(s) under examination, 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. For more information on mailing correspondence when a POA is involved, see IRM 4.11.55.2.9, Notices and Communications. See IRM 4.10.1.3.3, Written Communication to the Taxpayer's Representative, for additional guidance including the preparation and issuance of Letter 937.

- (4) If a power of attorney is not on file for the year(s) under examination, generally initial contact is made with the following:
  - a. For individual income tax returns, Form 1040, U.S. Individual Income Tax Return, the taxpayer(s) who signed the return.
  - b. For corporate returns, Form 1120, U.S. Corporation Income Tax Return, or Form 1120-S, U.S. Income Tax Return for an S Corporation, the officer who signed the return or other corporate officer.
  - c. For partnership returns, Form 1065, U.S. Return of Partnership Income, the partner who signed the return or the tax matters partner listed on the return.
  - d. For other returns, the person who signed the return.
- (5) Examiners must use approved form letters to schedule and confirm examination appointments.
- (6) For examinations involving a joint tax return, initial contact letters must be sent separately to both parties at the appropriate address. See IRM 4.10.1.2.2.1, Separate Notice Requirements, for additional information.
- (7) The following documents must be mailed to the taxpayer with the initial contact letter:
  - a. Pub 1, Your Rights As A Taxpayer
  - b. Notice 609, Privacy Act and Paperwork Reduction Act

**Note:** Pub 1 and Notice 609 should not be sent to the representative.

- (8) If the taxpayer does not respond to the initial contact letter and it is not returned as undeliverable, follow the procedures in IRM 4.10.2.8.3.

- (9) If the letter is returned undeliverable, follow the procedures in IRM 4.10.2.8.4.

4.10.2.8.1.1  
(11-04-2016)

**Office Examination  
Initial Contact**

- (1) Tax compliance officers (TCOs) must use one of the following initial contact letters to schedule the initial appointment:
  - a. Letter 2202, Initial Contact Letter - Firm Set Appointment Letter, is used to schedule a firm initial appointment date and time for individual taxpayers. TCOs should update the action code to 01.
  - b. Letter 3572, SBSE Office Exam Call-Back Appointment Letter, is used to request individual taxpayers call to schedule an initial appointment. TCOs should update the action code to 10, Call Back Letter, and allow the taxpayer 14 calendar days to respond (includes time for mailing).
  - c. Letter 3572-A, SBSE Office Exam Call-Back Appointment Letter for Forms 1120, 1120-S and 1065, is used to request that the taxpayer call to schedule an initial appointment for a corporate or partnership return. TCOs should update the action code to 10, and allow the taxpayer 14 calendar days to respond (includes time for mailing).
- (2) TCOs must include a focused IDR with the initial contact letter to inform the taxpayer of the specific information or documents they need to provide at the initial appointment. TCOs must tailor the IDR specifically to the tax return and issues to be examined. For any issues not covered by the focused IDR, TCOs must develop the list of documentation needed from the taxpayer and include it on the IDR. See IRM 4.10.2.10 for additional information.
- (3) When the taxpayer or representative calls to schedule the initial appointment, TCOs must follow the procedures in IRM 4.10.2.8.2.
- (4) After the initial telephone conversation, TCOs must issue one of the following letters to confirm the initial appointment:
  - a. Letter 3573, SBSE Office Exam Appointment Confirmation Letter, should be issued no later than one business day following confirmation of the appointment. TCOs should update the action code to 01.
  - b. Letter 3573-A, SBSE Office Exam Appointment Confirmation Letter for Forms 1120, 1120-S and 1065, is used for corporate and partnership taxpayers. TCOs should update the ERCS action code to 01.
- (5) If the taxpayer fails to respond to the initial contact letter within 14 calendar days and it is not returned as undeliverable, or the taxpayer does not show for the initial appointment when a firm appointment letter was sent (Letter 2202), TCOs must follow the procedures in IRM 4.10.2.8.3.
- (6) If the initial contact letter is returned undeliverable, TCOs must follow the procedures in IRM 4.10.2.8.4.
- (7) TCOs must use Lead Sheet 100-03, TCO Initial Discussion, to document the completion of any action items listed on Lead Sheet 100-03.

4.10.2.8.1.2  
(09-09-2019)

**Field Examination Initial  
Contact**

- (1) For all returns (with the exception of partnerships), revenue agents must use one of the following initial contact letters to request the taxpayer call to schedule the initial appointment :
  - a. Letter 2205, Initial Contact Letter, does not list the issues being examined. Allow the taxpayer 14 calendar days to respond (includes time for mailing).



- b. Letter 2205-A, Initial Contact Letter, lists the issues being examined. Allow the taxpayer 14 calendar days to respond (includes time for mailing).
- (2) For partnership returns, revenue agents must use Letter 2205-D, Initial Contact to Schedule Appointment - Partnership Returns, which does not list the issues being examined. Allow the taxpayer 14 calendar days to respond (includes time for mailing).
- (3) When the taxpayer or representative calls to schedule the initial appointment, revenue agents must follow the procedures in IRM 4.10.2.8.2.
- (4) After the initial telephone conversation, revenue agents must issue one of the following letters to confirm the initial appointment:
  - a. Letter 3253, Taxpayer Appointment Confirmation Letter, is used for individual, corporate, partnership or other return types.
  - b. Letter 3254, Representative Appointment Confirmation Letter, is used when the initial appointment is scheduled with the representative. A copy of the letter must be sent to the taxpayer.

**Note:** Revenue agents must mail a detailed Form 4564, Information Document Request, with the confirmation letter listing all the information needed at the initial appointment. See IRM 4.10.2.10 for additional information.

- (5) Revenue agents should confirm the appointment with the taxpayer or representative a day or two prior to the scheduled appointment date to ensure the taxpayer is prepared for the appointment. This will reduce the potential lost time traveling to an appointment when the taxpayer is not prepared for the examination or may not be available.
- (6) Revenue agents must document the initial conversation with the taxpayer or representative on Lead Sheet 100-03, RA Initial Discussion. The lead sheet will assist the revenue agent in conducting the initial conversation with the taxpayer.
- (7) If the taxpayer fails to respond to the initial contact letter within 14 calendar days and it is not returned as undeliverable, revenue agents must follow the procedures in IRM 4.10.2.8.3.
- (8) If the initial contact letter is returned undeliverable, revenue agents must follow the procedures in IRM 4.10.2.8.4.

4.10.2.8.2  
(09-29-2022)  
**Initial Telephone  
Conversation**

- (1) Whether the taxpayer or representative responds to the initial callback letter, or the examiner contacts the taxpayer by telephone after 14 calendar days have expired since the initial contact letter was mailed, during the initial telephone conversation examiners must:
  - a. Immediately identify themselves and provide their unique employee identification number; and group manager's name and phone number. See IRM 4.10.1.2.2.2, Employee Contact Information, for additional guidance.
  - b. Verify the identity of the taxpayer or representative. For required IMF and BMF authentication probes see IRM 21.1.3.2.3, Required Taxpayer Authentication. Also see IRM 4.11.55.2.3.1.5, Representative Calls the Examiner Without a POA.

- c. Inform the taxpayer or representative of the returns being examined and tax period(s) involved.
- d. Schedule the initial appointment at an appropriate time that is agreeable to the taxpayer and/or representative and reduces the number of re-scheduled appointments. See IRM 4.10.2.9.
- e. Briefly explain the examination process and answer the taxpayer's or representative's questions or concerns.

**Note:** If a taxpayer requests the specific reason for their examination, the examiner will provide the taxpayer with a response that is as accurate as possible, without revealing restricted use information. Examiners should engage their manager and a disclosure official if assistance is needed in determining what information can or cannot be released. Pub 1 provides a comprehensive explanation of how returns are selected.

- f. Discuss the issues to be examined and inform the taxpayer or representative that the examination may be expanded to additional issues.

**Caution:** Generally, the initial telephone conversation should not be used to verify items appearing on an income tax return; inspection of records or other data cannot be made by telephone. However, if the taxpayer or representative volunteers information concerning audit issues, the examiner should document the discussion.

- g. Explain what records should be available for the examination.
- h. Determine the type of business records maintained, as well as the location of the records.
- i. Ask the taxpayer about their use of electronic records for the tax year under examination, including the use of electronic accounting software (e.g., QuickBooks, Sage, etc.).

**Note:** Consider whether the services of a computer audit specialist are needed. If a computer audit specialist is needed or required, the request should be made at this time so the specialist can attend the initial interview. See the *Specialist Referral System (SRS)* for mandatory referral criteria.

- j. Identify the person(s) to be present at the initial interview.
- k. Ask for clear directions to the audit site if the audit will be conducted in the field.
- l. Ask the taxpayer if they plan to secure representation. If yes, explain that a Form 2848, Power of Attorney and Declaration of Representative, Form 8821, Tax Information Authorization, or a similar privately designed form, is needed.

**Caution:** If the taxpayer(s) states they will secure representation, allow the taxpayer a minimum of 10 business days to secure a representative before taking any follow-up action to schedule the appointment (extensions can be granted on a case by case basis). The examiner should not ask questions during this initial conversation because this may give the impression of attempting to by-pass the representative. For additional information, see IRM 4.10.3.3.7.2, Request for Representation - Suspension of Interview.

**Reminder:** If a Form 2848 or Form 8821 is received, see IRM 4.11.55.2.7.2, Processing of the POA, for guidance on how to process

the form and check IDRS to ensure the form was accepted by the Centralized Authorization File (CAF) unit.

- m. Inform the taxpayer or representative that a letter confirming the scheduled appointment will be mailed to them.

**Note:** Revenue agents should inform the taxpayer or representative that a detailed Form 4564 will be included with the confirmation letter.

- (2) During the initial conversation by telephone or in person, examiners must confirm receipt of Pub 1, explain and discuss the taxpayer's rights as outlined, and answer any questions the taxpayer may have concerning their rights. See IRM 4.10.1.2.1, Taxpayer Bill of Rights (TBOR), for additional guidance.

4.10.2.8.3  
(09-29-2022)

**No Response/No Show  
Procedures**

- (1) If the taxpayer fails to respond to the initial contact letter after 14 calendar days, and it was not returned as undeliverable, or the taxpayer does not "show" for the initial appointment when a TCO sent a firm appointment letter (Letter 2202), examiners must determine why the taxpayer is not responding.

**Note:** A no show case occurs once all attempts have been made to contact the taxpayer by telephone and/or certified/registered mail (see (4) below for certified/registered mail), and the examiner has confirmed a "deliverable" address exists (see paragraphs (6) and (7) below), but the taxpayer never responds or fails to show for a scheduled appointment.

- (2) Follow-up attempts must be made to contact the no response taxpayer (including by telephone) to encourage the taxpayer to schedule an appointment. If practicable, a revenue agent may conduct a field visit to the taxpayer's residence and/or business.

**Caution:** If there is a POA on file for the tax year(s) under audit, examiners must follow-up with the representative if the taxpayer fails to respond to the initial contact letter after 14 calendar days.

- (3) If follow-up attempts to contact the taxpayer or representative by telephone (or field visit) are successful, examiners must follow the procedures in IRM 4.10.2.8.2 to conduct the initial conversation. In addition, to confirm the initial appointment:

- a. TCOs must follow the procedures in IRM 4.10.2.8.1.1(4), and
- b. RAs must follow the procedures in IRM 4.10.2.8.1.2(3).

- (4) If follow-up attempts to contact the taxpayer or representative are **not** successful, examiners must reissue the initial contact letter or send Letter 2295, Follow-up to Initial Contact Letter. Letter 2295 advises the taxpayer their tax liability will be changed based on information on hand, or a summons may be issued. The original initial contact letter or Letter 2295 must be sent by:

- a. Certified mail with return receipt requested, when the taxpayer resides in the U.S., or
- b. Registered mail with return receipt requested, when the taxpayer resides outside the U.S.

**Note:** TCOs should update the action code to 08, Follow-up Activities, and allow up to 21 calendar days for a response from the U.S. Post Office.

- (5) Examiners can use the unique article number to check the *United States Postal Service* (USPS) online feature called “USPS Tracking”, to determine the delivery status of the certified or registered mail.
- (6) **Office Examination:** Follow the procedures below depending on the results of the return receipt:

If	Then
The return receipt indicates the taxpayer or a member of the household signed for the mail	<p>This confirms you have a “deliverable” address and the taxpayer has received the certified letter.</p> <p>Allow 10 calendar days from the date the certified mail was delivered for the taxpayer to call to schedule the appointment.</p> <p>If the taxpayer does not call, the minimum income probes have been completed, and:</p> <ol style="list-style-type: none"> <li>Income is not an issue, issue a report disallowing the expenses under examination. See (8) below for additional guidance.</li> <li>Income is an issue, TCOs must follow the procedures in IRM 4.10.4, Examination of Income.</li> </ol>
The return receipt and envelope are returned as refused or unclaimed	<p>This confirms you have a “deliverable” address and the taxpayer has refused or failed to claim the certified letter. If the minimum income probes have been completed and:</p> <ol style="list-style-type: none"> <li>Income is not an issue, issue a report disallowing the expenses under examination. See (8) below for additional guidance.</li> <li>Income is an issue, TCOs must follow the procedures in IRM 4.10.4, Examination of Income.</li> </ol>

If	Then
The return receipt indicates a new address for the taxpayer	<p>The U.S. Post Office will forward the mail to the new address unless the forwarding order has expired.</p> <p>If the forwarding order has expired, TCOs must reissue the initial contact letter or Letter 2295 to the new address using certified mail, return receipt requested.</p> <p>After the mail has been sent to the new address, TCOs must follow the procedures in this table depending on the result of the return receipt.</p> <p><b>Caution:</b> In addition, if the taxpayer does not respond, TCOs must issue the report to the last known address on Master File and the current address confirmed by the U.S. Post Office. For procedures regarding updating a change of address, see IRM 4.10.2.11.</p>
The certified letter is returned undeliverable	Additional steps must be taken to locate the taxpayer. TCOs must follow the procedures in IRM 4.10.2.8.4.

- (7) **Field Examination:** Follow the procedures below depending on the outcome of the return receipt:

If	Then
The return receipt indicates the taxpayer or a member of the household signed for the mail	<p>This confirms you have a “deliverable” address and the taxpayer has received the certified letter.</p> <p>Allow 10 calendar days from the date the certified mail was delivered for the taxpayer to call to schedule the appointment.</p> <p>If the taxpayer is not responsive, revenue agents must continue with normal audit procedures, including minimum income probes, summons and third-party contacts as needed, etc.</p>

If	Then
The return receipt and envelope are returned as refused or unclaimed	<p>This confirms you have a “deliverable” address and the taxpayer has refused or failed to claim the certified letter.</p> <p>If the taxpayer is not responsive, revenue agents must continue with normal audit procedures, including minimum income probes, summons and third-party contacts as needed, etc.</p>
The return receipt indicates a new address for the taxpayer	<p>The U.S. Post Office will forward the mail to the new address unless the forwarding order has expired.</p> <p>If the forwarding order has expired, revenue agents must reissue the initial contact letter or Letter 2295 to the new address using certified mail, return receipt requested.</p> <p>After the mail has been sent to the new address, revenue agents must follow the procedures in this table depending on the result of the return receipt.</p> <p><b>Caution:</b> In addition, if the taxpayer does not respond, revenue agents must issue the report to the last known address on Master File and the current address confirmed by the U.S. Post Office. For procedures regarding updating a change of address, see IRM 4.10.2.11.</p>
The certified letter is returned undeliverable	Additional steps must be taken to locate the taxpayer. Revenue agents must follow the procedures in IRM 4.10.2.8.4.

- (8) If the taxpayer does not respond or cannot be located, in addition to addressing income, examiners must consider the following:

- Generally, only classified issues will be disallowed. For a no show case, if certain issues were declassified at the group level due to time constraints, these items should be disallowed as well.
- All the necessary related or automatic adjustments will be made.
- The Service has no legal requirement to estimate expenses, including cost of goods sold. If the examiner has actual taxpayer information regarding expenses, then taxpayer specific information (not industry averages) should be used to determine expenses.
- If the sale of securities is an issue and in cases where the taxpayer has not substantiated stock basis, the Service has no legal requirement to obtain basis information from third-party sources, despite the fact that the proceeds of stock sales are included in income.
- Penalties will not be asserted solely due to the taxpayer's failure to appear for an audit or respond to an inquiry or notice. However, the facts and circumstances from the return and the case file may warrant assertion of the accuracy-related penalty attributable to negligence. See IRM 20.1.5.8.1(5), Negligence, and IRM 20.1.5.9.2(5), Penalty Assertion, for examples when accuracy-related penalties are warranted on No Show cases.
- Consideration will be given to picking up prior and subsequent years. See IRM 4.10.2.7.1.2 for determining the scope of current, prior and subsequent years.

4.10.2.8.4  
(09-29-2022)  
**Undeliverable Initial  
Contact Letters**

- (1) If the initial contact letter or certified (or registered) return receipt is returned undeliverable, the following steps must be taken to determine if a more current address or contact information can be obtained. If third party contacts will be made, see IRM 4.11.57, Third-Party Contacts, for guidance.
  - a. Follow the guidance in IRM 1.22.5.13.3(1), Handling Undeliverable Mail, if the returned mail has an affixed USPS Yellow Label.
  - b. Perform a search of the taxpayer's name, business name, or phone number by checking the local telephone directory or *www.whitepages.com*, for a current telephone number and/or address. Compare it to the information reflected on the tax return or Master File.

**Note:** If a telephone number is available, examiners can locate the provider (phone, cable, or cellular company), and issue a summons to secure the current address if needed. If the examiner issues a summons for this purpose, in the absence of a last known address the taxpayer's notice copy of the summons may be left with the person summoned (see IRC 7609(a)(2)).

**Reminder:** If a return was filed using MeF, examiners can access the Employee User Portal (EUP) to view the return, which may contain the taxpayer's telephone number.

- c. Check IDRS or other internal data such as INOLES, IMFOLE, ENMOD, FINDS, TRDBV, and IRPTRO for the last known address using both the primary and secondary SSNs.
- d. Review AIMS Weekly Update Report if available - the report is generated only when a change occurs at Master File that affects a case in a group status. A code 18 or 19 on this report indicates Master File has been updated with new address information.



- e. If the taxpayer cannot be located from the above steps, query the various sources in the Service's asset locator service at *Accurint*, such as business licensing information, city and county permits, etc.
- (2) Additional resources that may help to identify a more current address for the taxpayer are listed below:
- a. *CFOL Express* is a reference guide that may assist in determining additional IDRS command codes that can be used to locate a taxpayer.
  - b. The local governmental liaison may be contacted to determine if other governmental entities have more current address information. For example, some states provide information from unemployment insurance records. Your local governmental liaison can be found on the *Governmental Liaison* Knowledge Base.
  - c. IRM 5.1.18, Locating Taxpayers and their Assets, provides other methods of locating the taxpayer.
- (3) If a more current address cannot be identified after following the steps above, prepare and send Form 4759, Address Information Request - Postal Tracer. A postal tracer can be used to:
- a. Obtain the physical address of a post office box holder.
  - b. Verify an address that does not appear on the Master File.
  - c. Provide a new address if the address was changed within the past 48 months.
- (4) If a more current address for the taxpayer is identified after completing all the steps above, examiners should reissue the initial contact letter using certified (or registered) mail, return receipt requested. See IRM 4.10.2.8.3 for additional guidance.
- (5) If a more current address cannot be identified after completing all the steps above, examiners may contact third parties such as the taxpayer's employer, return preparer, representatives (use CFINK), banks, brokerage houses, mortgage companies and other third-party payor(s), if known.

**Caution:** The general advance notice of third-party contacts required by IRC 7602(c)(1) was significantly modified by section 1206 of the Taxpayer First Act of 2019, P.L. 116-25, effective August 15, 2019. At least 45 days before contact is initiated with third parties, the IRS must provide the taxpayer with advance notice informing the taxpayer the IRS intends to make third-party contacts within a specified time period not to exceed one year. Letter 3164-E, (Exam-1) Third Party Contact, is used to provide the advance notice. If the initial contact letter is returned as undeliverable, Letter 3164-E must be mailed to the last known address to satisfy general advance notification, see IRC 6212(b), Address for Notice of Deficiency; and 26 CFR 301.6212-2, Definition of Last Known Address, for definition of last known address.

**Note:** Revenue agents may visit the last known address.

- (6) If a "deliverable" address is identified (e.g., return receipt indicates signed, refused, or unclaimed) and the taxpayer does not respond to the initial contact letter, examiners must follow the procedures in IRM 4.10.2.8.3.
- (7) If the steps set forth above do not result in a "deliverable" address, examiners

must follow the procedures in IRM 4.10.2.8.6.

- (8) Examiners must document all steps taken to identify a current address on Form 1900-B, Unlocatable Taxpayer Checksheet.

4.10.2.8.5  
(02-11-2016)  
**Using Credit Bureau  
Information to Locate  
Taxpayers**

- (1) Examination employees can use their asset locator service to access information that is currently available in the short consumer credit report. Consequently, there is no need to request this report from Collection to locate a taxpayer.
- (2) Examiners must be alert to the appropriate use of credit bureau reports. There are two types of reports:
- a. Short consumer credit report – the short report contains consumer’s name, address, former address, and places of present and former employment.
  - b. Full consumer credit report – This report contains all of the information in the short report plus loan, employment, financial and payment information.
- (3) Examination is prohibited by the Fair Credit Reporting Act (F.C.R.A.) from using full consumer credit reports, if the reports were originally obtained for collection of a balance due. Therefore, examiners cannot request a full consumer credit report from Collection. If examiners need a full consumer credit report, a third-party summons must be issued to the credit reporting agency. Refer to F.C.R.A 15 U.S.C. 1681b(a) and IRM 25.5.4.5.6, Statutory Limitations on Acquiring Credit Reports From a Consumer Reporting Agency-Summons Required.

4.10.2.8.6  
(02-11-2016)  
**Case Closing  
Procedures if the  
Taxpayer Cannot be  
Located**

- (1) If the taxpayer cannot be located, a decision must be made whether the audit will continue. The examiner and group manager must consider if an assessment is appropriate when a taxpayer is not locatable.
- (2) There are instances where an examination report should be issued in order to preserve voluntary compliance. The list below provides some examples but is not all inclusive:
- a. Frivolous returns as defined in IRM 25.25.10, Frivolous Return Program.
  - b. Grossly overstated expenses or a material imbalance in income.
  - c. Abusive tax avoidance transactions, as defined in IRM 4.32.2.3, Abusive Transactions Defined. For assistance with promoter investigations, see IRM 4.32.2.8, Promoter Investigation Guidelines.
- (3) If an assessment is deemed appropriate, close the case to Technical Services for issuance of a statutory notice of deficiency using the following procedures:
- a. Nonfiled returns - follow the substitute for return procedures in IRM 4.12.1.8.4, Substitute for Return.
  - b. Filed returns - use available information to prepare the examination report.

Examiners must send all correspondence to the last known address. For guidance regarding the last known address, see IRM 4.10.2.11.

- (4) If an assessment is deemed not appropriate, close the case using the following procedures:

- a. Nonfiled returns - use Non-Examined Disposal Code 40 (No Return – Unable to locate).
  - b. Filed returns - use Non-Examined Disposal Code 32, Survey After Assignment. Complete Form 1900-B and attach it to Form 1900.
- (5) Examiners must document the reasons for issuing a report or surveying the return in the case file.

4.10.2.9  
(11-04-2016)

**Scheduling the  
Appointment: Overview**

- (1) Every effort should be made to hold the initial appointment within 28-35 calendar days of the first action on the case.
- (2) “First action” is considered to have occurred when the initial contact letter is mailed to the taxpayer or substantial work has taken place on the case, regardless of whether time has been charged. “First action” is determined on a case-by-case basis.
- (3) In the event that the initial appointment must be rescheduled, see IRM 4.10.2.9.4 for additional guidance. Rescheduling the initial appointment beyond 45 days from the first action on the case requires group manager approval. The group manager’s approval should be documented in the case file.

4.10.2.9.1  
(09-09-2019)

**Scheduling the Initial  
Appointment with the  
Taxpayer and/or  
Representative**

- (1) Generally, the initial appointment will be scheduled with the taxpayer. However, taxpayers have the right to representation at any time during the examination process.
- (2) If the taxpayer wants representation prior to scheduling the initial appointment, the examiner must allow the taxpayer a minimum of 10 business days to secure representation before taking any follow-up action to schedule the appointment. For additional information, see IRM 4.11.55.3.1.1, Request for Representation - Suspension of Interview, and IRM 4.10.3.3.7.2, Request for Representation - Suspension of Interview.
- (3) The examiner must be willing to talk to anyone who is authorized by the taxpayer. IRC 7521(c) states that when a taxpayer has executed a written power of attorney to represent the taxpayer in any interview, IRS cannot require the taxpayer’s presence without issuance of a summons. However, the representative must commit to having first-hand knowledge of the taxpayer’s business operations and affirm that the examiner can rely on the information provided. In addition, the representative should agree to provide follow-up information timely if he or she is unable to provide responses to questions at the initial interview. See IRM 4.11.55.3.1, Taxpayer’s Presence Required, for additional information.
- (4) If the taxpayer will be represented in the examination, proper authorization is required:
- a. Form 2848, Power of Attorney and Declaration of Representative, can be used to authorize an attorney, certified public accountant, enrolled agent/actuary, etc. See IRM 4.11.55.2.1, Practice Before the Internal Revenue Service, for detailed information regarding authorization to practice before the Service.
  - b. Form 8821, Tax Information Authorization, authorizes any individual, corporation, firm or partnership the taxpayer designates to inspect and/or

receive confidential information for the type of tax and years or periods listed on the form. See IRM 4.11.55.2.6.2, Form 8821 - Tax Information Authorization.

- c. If any other form is submitted to request representation or tax authorization, written approval by the group manager is required before relying on the authorization. See IRM 4.11.55.2.6.3, Non-Internal Revenue Service Power of Attorney Document.
- (5) When a valid Form 2848 or Form 8821 has been received from the taxpayer, the initial appointment must be scheduled with the representative. A copy of Letter 3254 must be mailed to the taxpayer, see IRM 4.10.2.8.1.2(4)(b) for information on Letter 3254.
  - (6) If the taxpayer's representative calls to obtain taxpayer account or return information, the examiner must ensure they are, in fact, speaking with the representative designated on the Form 2848, by asking for the taxpayer's name and TIN, and representative's name and identification number.
  - (7) Examiners will use their judgment to determine whether an authorized representative is sufficiently knowledgeable; however, examiners should take all reasonable steps to work effectively with authorized representatives. See IRM 4.11.55.4, By-Pass of a Representative, for additional guidance.
  - (8) Procedures for handling assertions of accountant/client privilege can be found in IRM 4.11.55.3.3, Privileged Communications, and IRM 4.10.20, Requesting Audit, Tax Accrual, or Tax Reconciliation Workpapers.

4.10.2.9.2  
(09-29-2022)  
**Place and Time of Examination**

- (1) IRC 7605(a) states, in part, that "the time and place of examination shall be such time and place as may be fixed by the Secretary and as are reasonable under the circumstances." It is the Service's goal to set the time and place for the examination to maximize the convenience of the taxpayer within the constraints of sound and efficient tax administration.
- (2) **Office Examination:** Generally, the examination will be conducted in the IRS office closest to the taxpayer's residence, providing the office has appropriate office examination personnel. In extenuating circumstances, the examiner may meet with the taxpayer at the taxpayer's home or place of business. This situation could occur due to the nature of the taxpayer's business or due to the incapacity of the taxpayer. See 26 CFR 301.7605-1.
- (3) **Field Examination:** Revenue agents have the responsibility to determine the most reasonable place to conduct the examination based on the circumstances. See IRM 4.10.2.9.2.1. Generally, the location of a taxpayer's representative will not be a consideration in determining the place of the examination.
  - a. Generally, the examination will be conducted at the location where the original books, records, and source documents are maintained. This includes all phases of the examination: the initial interview, review of books and records, fact finding, issue resolution, report writing, the closing conference, etc. This location is usually the taxpayer's principal place of business.

**Note:** Revenue agents must not copy taxpayer records only to continue the case work at an alternative location. This practice may increase

the burden on the taxpayer, prolong the examination, and discourage communication with the taxpayer and/or representative.

- b. If the location of the audit is not at the taxpayer's place of business, the revenue agent must document on the Form 9984 the reasons for conducting the audit at an alternative location. In cases where specialists are involved, the revenue agent will request enough space to accommodate the specialist's needs.

**Note:** Revenue agents should visit the taxpayer's business to establish facts that can only be ascertained by a tour, such as inventory and asset verification. See 26 CFR 301.7605–1(d)(3)(iii).

- (4) The definition of books and records means not only the bookkeeping and accounting records, but also the vouchers, invoices, canceled checks, and other source documents usually maintained at the business site.
- (5) If a taxpayer or a representative requests an accommodation for a physical or mental disability, examination personnel should make every effort to accommodate the request. The provisions of Policy Statement 1-47 (P-1-47) (see IRM 1.2.1.2.12(1), Reasonable Accommodations for People with Disabilities), regarding requests for reasonable accommodation by taxpayers or representatives with disabilities must be considered when scheduling the appointment.

**Example:** A reasonable accommodation for a taxpayer with a physical disability that impairs mobility could involve holding the examination at a location that is readily accessible to the taxpayer. Alternatively, the examination could be conducted by correspondence if the issues are conducive to being worked using that technique.

- (6) If the examiner does not feel safe in the taxpayer's place of business, the examiner should leave the examination site and call the group manager or contact TIGTA. The examiner should request that the taxpayer come to the IRS office for subsequent appointments. For further information concerning potentially dangerous taxpayers, see IRM 4.2.1.3.1, Potentially Dangerous Taxpayer (PDT) and Caution Upon Contact (CAU) Indicators; IRM 25.4.1, Potentially Dangerous Taxpayer; and IRM 25.4.2, Caution Upon Contact Taxpayer.

**Note:** For employee safety and security, both inside the workplace and in the field, Examination employees should refer to the guidance listed in IRM 4.2.1.3, Safety and Security Resources, and IRM 5.1.3, Safety, Security, and Control.

- (7) If the authenticity of an IRS employee's credentials is questioned by police, taxpayers, or POAs, refer to the guidance provided at *Field Employees Credential (ID) Verification Program*. The Field Employees Credential (ID) Verification Program provides local law enforcement and taxpayers a unique and necessary means to connect with credible contact representatives who can verify an IRS field representative is a current employee of the IRS.
- (8) Examiners will schedule examinations during normal business hours of the Service and without regard to seasonal fluctuations in the business hours of the taxpayer or their representative.

**4.10.2.9.2.1**  
(02-11-2016)**Requests to Change the Examination to other than the Place of Business**

- (1) On a case-by-case basis, examiners will consider requests by the taxpayer or representatives to change the place of the examination (26 CFR 301.7605-1(e)). In considering these requests, the following factors should be considered:
  - a. The location of the taxpayer's current residence and principal place of business.
  - b. The location where the books and records and source documents are maintained.
  - c. The physical restrictions at the place of business which could cause disruption of the taxpayer's daily operations. It is generally not reasonable for the examination to be conducted at the place of business if the business is so small that the examination would essentially require the taxpayer to close.
- (2) If the taxpayer states in writing that the examination would unduly disrupt business operations or force it to close, the examiner should verify this. Upon verification, the examiner will change the place of examination to an IRS office within the Area where the taxpayer's books, records and source documents are maintained. See 26 CFR 301.7605-1(d)(3)(ii). Also, an alternative work place can be the representative's office if it is in the taxpayer's local commuting area.
- (3) In most cases, the mere presence of an examiner on the premises would not disrupt a taxpayer's daily operations such that it would warrant changing the location of the examination. When assessing whether an examination would unduly disrupt a business, the examiner should consider where the major issues can most conveniently be resolved, along with other factors that may indicate conducting the examination at a particular location could pose undue inconvenience to the taxpayer.
- (4) If the examination is conducted at a place other than the taxpayer's place of business, the examiner should inform the taxpayer and/or representative that the Service reserves the right to later change the place of the examination if it will promote the effective and efficient conduct of the examination. The examiner should ensure that the place of the examination does not hinder or delay the examination and does not adversely impact the examiner's time utilization. See the note in IRM 4.10.2.9.2(3).

**4.10.2.9.3**  
(02-11-2016)**Scheduling Problems**

- (1) Examiners may encounter problems attempting to schedule the initial appointment during the initial contact with the taxpayer.
- (2) Examiners will attempt to minimize scheduling problems for taxpayers and representatives. It is expected that examiners will accommodate taxpayers for religious or secular holidays.

**4.10.2.9.3.1**  
(02-11-2016)**Taxpayers Who Delay**

- (1) Examiners must attempt to accommodate the valid needs of the taxpayer(s) in scheduling the initial appointment. However, examiners must not allow the taxpayer(s) to delay or circumvent the examination of their tax return(s). See IRM 4.10.2.9.4.
- (2) When it is apparent that the taxpayer is attempting to delay the examination, the examiner should discuss the situation with the group manager. Consider-



ation should be given to the issuance of a summons. Examiners must document the discussion with the group manager and summons consideration on Form 9984.

4.10.2.9.3.2  
(02-11-2016)  
**Appointments  
Scheduled During the  
Filing Season**

- (1) During the filing season, representatives are usually busy preparing the current year tax returns and will often request that the initial appointment be rescheduled until after the end of the filing season.
  - a. If the initial appointment can be rescheduled within 45 days after the first action on the case (see IRM 4.10.2.9(3)), the examiner may reschedule the appointment. Examiners must document the activity record with the reason for rescheduling.
  - b. If rescheduling the initial appointment would result in the appointment being more than 45 days after the first action on the case, then examiners should discourage the rescheduling of the appointment. If the taxpayer or representative persists, examiners must discuss the situation with the group manager. Group manager approval is required to reschedule the appointment beyond 45 days after the first action on the case. Examiners must document the activity record with the facts and the group manager's decision.

4.10.2.9.3.3  
(02-11-2016)  
**Taxpayer in Prison**

- (1) If the taxpayer is confined in prison or otherwise detained by federal, state or local authorities, the examiner will temporarily delay interviewing the taxpayer until the case has been evaluated for possible fraud potential.
- (2) If the case has no fraud potential, the examination should resume. The examiner may interview the taxpayer in custody without providing the taxpayer their constitutional rights in accordance with the rules of *Miranda v. Arizona*, 86 S. Ct. 1602 (1966).
- (3) If the case has indications of fraud, the examiner will discuss the facts with the group manager and contact a fraud enforcement advisor (FEA) if the manager concurs. See IRM 25.1.2, Recognizing and Developing Fraud, for additional guidance.

4.10.2.9.3.4  
(02-11-2016)  
**Taxpayer Identity Stolen**

- (1) If during the initial contact, the taxpayer advises the examiner or manager that their identity has been stolen and the identify theft impacts the tax year under examination, the taxpayer will need to provide documentation to support the identity theft. See IRM 4.10.27, Identity Theft Case Processing for Field Examiners, for additional guidance.

4.10.2.9.4  
(09-09-2019)  
**Rescheduling the Initial  
Appointment**

- (1) If the examiner finds that the initial appointment must be rescheduled, the examiner will attempt to contact the taxpayer by telephone to reschedule the appointment as soon as the conflict arises. If the examiner cannot personally contact the taxpayer due to illness or other emergency, the group manager or group clerk will attempt to telephone the taxpayer to reschedule the appointment or to advise the taxpayer that the examiner will contact them to reschedule the appointment.
- (2) If the taxpayer asks to reschedule the initial appointment, the examiner will attempt to accommodate the taxpayer when the request is reasonable. However, examiners must not allow taxpayers to delay the examination by continually rescheduling the initial appointment.



- (3) The examiner has the authority to allow the rescheduling of the initial appointment for a valid reason one time. Any subsequent requests by the taxpayer to reschedule the initial appointment must be approved by the group manager.
- (4) Whenever possible, the initial appointments will be rescheduled within 14 days from the previously scheduled appointment. If the appointment cannot be scheduled within 14 days, the examiner can extend this period. However, group manager approval is required in order to reschedule an initial appointment beyond the 45 day time frame. The examiner must document the reason(s) for rescheduling beyond the 45 day time frame on Form 9984.
- (5) Examiners will document all rescheduled appointments, the reasons for the rescheduling, and group manager discussion and approval (when required), on Form 9984.
- (6) Whenever the initial appointment is rescheduled, a confirmation letter will be mailed to the taxpayer with the new appointment date and time unless there is not time for the taxpayer to receive the confirmation letter prior to the rescheduled appointment (e.g., appointment is rescheduled for the next day).

4.10.2.10  
(08-01-2007)  
**Requesting Information:  
Overview**

- (1) It is vital to the audit process that records reviewed are timely requested and received. Examiners should ensure records requested are for information necessary to perform the examination.

4.10.2.10.1  
(09-09-2019)  
**Requesting Information  
or Documents from the  
Taxpayer**

- (1) On office examination cases, the examiners will prepare the Form 4564 to mail to the taxpayer with the initial contact letter. On field examination cases the Form 4564 will generally be sent with the appointment confirmation letter. See IRM 4.10.2.8.1.1 and IRM 4.10.2.8.1.2.
  - a. The Form 4564 and /or issues may be discussed with the taxpayer during the initial telephone call, see IRM 4.10.2.8.2.
  - b. During the discussion, the examiner will explain to the taxpayer that the examination will be facilitated by having the information and documentation organized before the initial interview.
- (2) Form 4564 will be used to document all requested information and documents needed to support items being examined. The Form 4564 will list the specific records, information, and documents the taxpayer should have available at the initial interview. Examiners should always carefully consider what data is necessary. Requests should be specific and should avoid requesting more information than is essential to resolve the issues identified.
- (3) Facts in each case will determine what is considered an adequate description of the requested data. A Form 4564 must sufficiently specify the books, papers, records, or other data. The request should also include the particular activity and time period. For example:
  - a. Books, papers, records and other data of the XYZ Manufacturing Company pertaining to the depreciation expense on keypunch presses purchased in 2016 as claimed on its federal income tax returns for the taxable years ending March 31, 2017 and 2018.
  - b. Bank records, including cancelled checks and bank statements, relative to income and expenses, as reported by the XYZ Corporation on its

federal income tax return for the taxable years ending February 15, 2017 and 2018. Include the records for the month prior to this period and the month following this period.

- (4) It is advisable to include a statement on the Form 4564 indicating that the examiner will probably request additional records as the examination progresses. This may help prevent a misunderstanding about the scope and depth of the examination.
- (5) Examiners may have access to pro-forma type IDRs that include a list of items which are commonly requested in examinations. Use of these pro-forma IDRs is acceptable; however, the examiner must be careful not to request everything on the list if some of it may not be relevant to the return under examination. The pro-forma Form 4564 must be modified to the particular return being examined.
- (6) The examiner may use either the electronic published version or a computer generated Form 4564. The 3-part form is designed to provide a taxpayer file copy; a copy for the taxpayer to submit with the records; and a requester file copy (i.e., copy for the case file).
- (7) The Form 4564 must always include a date for submission of the requested information or documents.
- (8) If it is necessary to make a second request for the same information or documents, the date(s) of previous request(s) will be entered in the appropriate space.

#### 4.10.2.10.2 (01-17-2012)

#### **Authority to Request Books, Records, and Accountant's Workpapers**

- (1) IRC 7602 and 26 CFR 301.7602-1(a) provide the examiner with the authority to request and receive the books, records, etc., necessary to properly examine an entity's tax return.
- (2) When a taxpayer indicates a reluctance to provide the necessary records, the examiner must be insistent, yet courteous, in requesting the records. The following suggestions can be adopted in handling this situation.
  - a. Apprise the taxpayer of the appropriate requirements to produce books and records. To deny access to the records will only prolong the examination or investigation since third-party inquiries will, by necessity, be initiated.
  - b. Do not ever attempt to mislead or misrepresent the scope of the examination or investigation in an effort to secure records.
  - c. Do not assert your authority in a manner that could be interpreted as a threat.
  - d. Do not summons the records unless the action is first approved by the group manager. If the examiner is advised that the taxpayer is the subject of a criminal investigation, typically indicated by a TC 914 or Z freeze code, the special agent assigned to the case should be contacted prior to issuing any summons.
- (3) Accountant's workpapers used in the audit of tax records or in preparation of a tax return are not the property of the taxpayer and are not privileged information. Therefore, the workpapers can be summoned.
- (4) In general, there are three types of workpapers:

- Audit
- Tax accrual
- Tax reconciliation

See IRM 4.10.20.2, Service Policy for Requesting Tax Reconciliation Workpapers, for a definition of these terms.

- (5) The Service has different policies for seeking access to each of the three types of documents listed above. The different policies are set forth in IRM 4.10.20.3, Service Policy for Requesting Audit or Tax Accrual Workpapers. Examiners should familiarize themselves with this section.
- (6) If it is necessary to issue a summons to secure workpapers, IRC 7603 provides that the records should be described with reasonable certainty. This requirement can be satisfied if the description of the records is specific and unambiguous, and the summoned party can reasonably identify the exact records sought.
- (7) The fact that the accounting firm whose workpapers are needed did not prepare the tax return in no way diminishes the authority by IRC 7602.

4.10.2.11  
(09-29-2022)  
**Taxpayer Change of  
Address or Name**

- (1) Form 2363, Master File Entity Change, is used by Examination to make changes (names, addresses, dates, etc.) to the Business Master File (BMF) and Individual Master File (IMF). The completed Form 2363 is efaxed to Centralized Case Processing (CCP). For guidance on change of address see paragraphs (2) - (4) below; for name change see paragraph (5)-(6).
- (2) Do not update the Master File address unless the taxpayer provides "clear and concise notification" in accordance with Rev. Proc. 2010-16, and 26 CFR 301.6212-2.
  - a. Clear and concise notification may be written, electronic, or oral.
  - b. In all cases, clear and concise written notification must be specific as to a change of address. Thus, a new address reflected in the letterhead of taxpayer correspondence will not by itself serve to change a taxpayer's address of record.
- (3) Master File data should not be updated based solely upon third-party information, such as a new address reflected in the letterhead or return envelope of a taxpayer's correspondence, even when verified by a postal tracer. Corroborating information should be obtained in these situations. See IRM 1.22.5.13.3 , Handling Undeliverable Mail, when mail is returned with an affixed USPS Yellow Label.
- (4) If the taxpayer's address has changed, the examiner must immediately submit Form 2363 to update internal information with the correct address, but only if clear and concise notification has been received. For joint returns, prepare one Form 2363 for both spouses when they reside at the same address. A separate Form 2363 is required if the spouses reside at different addresses.

**Note:** CCP will retain the Form 2363 to monitor the account for posting to Master File. Form 2363 will not be returned to the group. The group can verify the change was input by accessing the applicable IDRS command codes, for example, CC ENMOD, CC INOLES, etc.

- (5) Name line changes are one of the most common entity changes. It is important to ensure the name line is correctly reflected on Master File.
- If all name line changes are for a subsequent tax period, prepare Form 2363 to change the name line to the earliest tax period and filing status you are establishing. Never update a prior year name line with current processing year information.
  - If the name line reflects joint filing status and the filing status should be either single or married filing separate, prepare Form 2363 to change the name line. Again, make sure it's equal to or prior to the earliest tax period you are establishing.
- Note:** If the entity information does not exist, prepare Form 2363 to create an entity reflecting the single or married filing separate status.
- (6) When entering a name change to update/correct a joint return filer, it is important to ensure the joint names are in the proper format for the issuance of notices and overpayments.
- Although the Form 1040 consists of two lines for entering joint names, Master File is limited to ONLY one line for the "Primary Name Line."
  - The Name Line field for Master File must never exceed 35 characters/spaces. It is imperative the name line information is contained in the FIRST NAME LINE ONLY.
  - DO NOT use the second line as a continuation of the name line. The second name line is used to enter taxpayer information and titles such as DECD, Guardian, Custodian, In Care Of, etc.
  - For additional information see IRM 3.13.5.120.10, Inputting Name Changes for Married Filing Jointly (MFJ) Taxpayers, and Document 7071, Name Control Job Aid for Individual Master File Taxpayers.
- (7) For additional information on preparing Form 2363, see the article, *How do I prepare miscellaneous forms?* on the Exam Procedures Knowledge Base. For examples, see the *Form 2363 Job Aid - Address Change* and the *Form 2363 Job Aid - Name Change*.

4.10.2.12  
(09-09-2019)  
**Transfers of Returns  
Prior to the Initial  
Appointment**

- (1) Generally, the examination of any income, estate, or gift tax returns is the responsibility of the area in which the taxpayer resides, conducts its business, or maintains its principal office. The examination will generally be assigned to an examiner at the post-of-duty nearest to the taxpayer's residence for a nonbusiness return or place of business for a business return.
- (2) Transfer of returns for examination from area to area and between posts-of-duty in the same area is governed by 26 CFR 301.7605-1(e). See IRM 4.11.29, Transfer of Returns Open for Examination, for guidance and procedures on transferring returns.

4.10.2.13  
(02-11-2016)  
**Repetitive Audits**

- (1) Repetitive audit procedures apply to individual tax returns without a Schedule C or Schedule F, when the following criteria are met:
- An examination of one or both of the two preceding tax years resulted in a no change or a small tax change (deficiency or overassessment), and
  - The issues examined in either of the two preceding tax years are the same as the issues selected for examination in the current year.

**Note:** Prior year surveys do not meet the criteria for repetitive audit procedures.

4.10.2.13.1  
(02-11-2016)

**Repetitive Audits Before  
Initial Contact with the  
Taxpayer**

- (1) During the initial return screening of an individual tax return without a Schedule C or Schedule F, examiners must review Form 5546, if available, for any indication of an audit in the preceding two years. Information on Form 5546 should include:

- Prior audit year(s)
- Disposal code
- Deficiency or overassessment amount
- No-change issue codes

**Note:** See IRM 4.1.5, Case Building, Classification, Storage and Delivery, and related exhibit for a more detailed description of the information contained on Form 5546.

- (2) If Form 5546 is not available, examiners must secure an IDRS command code IMFOLZ print for the two preceding tax years. All individual returns closed as a no-change require entry of IMF no change issue codes to allow AIMS to record the issues that were no-changed. The IMFOLZ will display the no change issue codes. See IRM Exhibit 4.10.16.-1, IMF Issue Codes, for a list of IMF issue codes.
- (3) If there is a prior audit, examiners should thoroughly research the CEAS database to secure prior audit information.
- (4) If the review indicated the taxpayer was audited in one or both of the two preceding tax years, determine if the taxpayer meets the criteria in IRM 4.10.2.13(1), and proceed as follows:
- a. If the taxpayer meets the criteria, examiners should survey the return. Examiners must document their reason for the survey on Form 1900, and include the documentation with the surveyed tax year. Examiners should follow the survey after assignment procedures in IRM 4.10.2.5.2.
  - b. If the taxpayer does not meet the criteria, examiners must proceed with following the in-depth pre-contact analysis. See IRM 4.10.2.3.

4.10.2.13.2  
(02-11-2016)

**Repetitive Audits After  
Initial Contact with the  
Taxpayer**

- (1) If an individual taxpayer responds to the initial contact by stating that an examination of the same issue(s) in either of the two preceding years resulted in no-change or a small tax change (deficiency or over assessment), and an appointment has been scheduled, advise the taxpayer that the appointment is postponed pending a review to determine if the examination should be continued.
- (2) Examiners must review the criteria in IRM 4.10.2.13(1) to determine whether the taxpayer qualifies for closing the examination using repetitive audit procedures.
- a. If the criteria applies, examiners should follow the closing procedures in paragraph (3) below.
  - b. If the criteria does not apply, examiners must inform the taxpayer that repetitive audit procedures do not apply and the examination will be continued. Letter 2685, Repetitive Exam Letter, will be used to notify the taxpayer and reschedule the appointment.
- (3) Cases qualifying for repetitive audit should be closed as follows:

- a. If the taxpayer's records were not examined, even though contact was made, the case may be closed using "survey after assignment" procedures. Examiners must document the reason for the survey on Form 1900 and issue Letter 1024. See IRM 4.10.2.5.2.
- b. If the taxpayer's records were examined, the case will be closed using regular no-change procedures in IRM 4.10.8.3.1, No-Change (No Adjustments).