



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.19.11

DECEMBER 22, 2023

EFFECTIVE DATE

(12-22-2023)

PURPOSE

- (1) This transmits revised IRM 4.19.11, Liability Determination, Examination Classification of Work

MATERIAL CHANGES

- (1) Significant changes to this IRM are listed in the table below.

Reference	Change Details
IRM 4.19.11.1	Updated verbiage for clarity including the purpose, audience, and owners.
IRM 4.19.11.1.1	Rewrote subsection to provide background information on CAT-A Classification program from start to finish of a case life cycle in Classification.
IRM 4.19.11.1.2	Updated to include additional authority references.
IRM 4.19.11.1.3	Rewrote subsection to clarify CEFS oversight of Classification program operations.
IRM 4.19.11.1.4	Retitled subsection from “Program Management and Review” to “Program Controls.” Rewrote subsection with focus on reports that benefit Classification.
IRM 4.19.11.1.5	Updated table to include current acronyms.
IRM 4.19.11.1.6	Updated Resource links to include current Classification resources.
IRM 4.19.11.2	Retitled from “Examination Classification of Work” to “Classifier Considerations.” Reorganized content and added content to ensure classifiers do not classify cases outside of their scope.
IRM 4.19.11.2.1	Removed “Procedures for Screening Individual Returns” and moved some content to newly created, Determining if Examination Should be Conducted in Correspondence Exam or Field Exam, which provides procedural guidance for determining where a selected claim is sent. Some content was moved to newly created IRM 4.19.11.4.3.2, Issues Appropriate for W&I versus SB/SE, to provide procedural guidance for determining if a claim should be worked by W&I or SB/SE.

Reference	Change Details
IRM 4.19.11.2.1.1	Removed “Non-Business Issue Conducive to Correspondence Examination” and moved some content to newly created IRM 4.19.11.4.3.1, Determining if Examination Should be Conducted in Correspondence Exam or Field Exam, which provides procedural guidance for determining where a selected claim is sent.
IRM 4.19.11.2.1.2	Removed “What are Significant Items?” and moved some content to newly created IRM 4.19.11.4.1, Large, Unusual, and Questionable (LUQ) Items, which provides guidance on determining the significance of an issue.
IRM 4.19.11.2.2	Removed “Sources of Returns for Classification” and moved some content to newly created IRM 4.19.11.3.1, Classification Inventory Sources, which provides guidance on where CAT-A claims originate.
IRM 4.19.11.2.3	Removed “Sources of Returns for Classification” and moved some content to newly created IRM 4.19.11.3.1, Classification Inventory Sources, which provides guidance on where CAT-A claims originate.
IRM 4.19.11.2.4	Removed “DIF Scored Returns” and moved content to newly created IRM 4.19.11.5.5, DIF Scored Returns.
IRM 4.19.11.2.4.1	Removed “Review of the Entire DIF Return” and moved content to newly created IRM 4.19.11.5.5.1, Review of the Entire DIF Return.
IRM 4.19.11.2.5	Removed “Non-DIF Scored Returns” and moved content to newly created IRM 4.19.11.5.5.2, Non-DIF Scored Returns.
IRM 4.19.11.2.6	Removed “International Returns,” and moved re-structured guidance to IRM 4.19.11.6, International Support.
IRM 4.19.11.2.7	Moved subsection “Form 1120-F, U.S. Income Tax Return of a Foreign Corporation” to IRM 4.19.11.6.1, Form 1120-F, U.S. Income Tax Return of a Foreign Corporation, to reorganize Classification guidance.
IRM 4.19.11.2.8	Moved subsection “Form 1120 IC-DISC, Interest Charge Domestic International Sales Corporation” to IRM 4.19.11.6.2, Form 1120 IC-DISC, Interest Charge Domestic International Sales Corporation, to reorganize Classification guidance.

Reference	Change Details
IRM 4.19.11.2.9	Moved subsection "Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation" to IRM 4.19.11.6.3, Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation, to reorganize Classification guidance.
IRM 4.19.11.2.10	Moved subsection "Section 761(a) Partnership Returns" to IRM 4.19.11.5.6, Section 761(a) Partnership Returns.
IRM 4.19.11.2.11	Deleted subsection "Returns to be Transferred" because the guidance is no longer relevant.
IRM 4.19.11.2.12	Moved subsection "Abatement of Interest" to IRM 4.19.11.5.7, Abatement of Interest.
IRM 4.19.11.2.13	Moved subsection "Administrative Adjustment Request (AAR) - Form 8082" to IRM 4.19.11.7.1, Administrative Adjustment Request (AAR) and Bipartisan Budget Act (BBA).
IRM 4.19.11.2.14	Deleted subsection "Form 5346, Examination Information Report" because the guidance is no longer relevant.
IRM 4.19.11.2.15	Renamed subsection "Form 8697, Look Back Method" to "Form 8697, Look Back Interest" and moved to IRM 4.19.11.5.8, Form 8697, Look Back Interest.
IRM 4.19.11.2.15.1	Moved subsection "Form 8697 General Procedures" to IRM 4.19.11.5.8.1, Form 8697 General Procedures, and restructured guidance.
IRM 4.19.11.2.16	Moved subsection "Prompt Assessments" to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.17	Renamed subsection "Unlawful Returns-Joint Filed Returns" to "Unlawful Returns-Joint Filed Returns 36F" and moved restructured guidance to IRM 4.19.11.5.9, Unlawful Returns-Joint Filed Returns 36F.
IRM 4.19.11.2.18	Removed "Identity Theft-BMF Accounts" and moved some content to newly created IRM 4.19.11.3.3, Identity Theft Accounts, which provides procedural guidance on how to handle Identity Theft claims in Classification.
IRM 4.19.11.2.19	Moved subsection "Low-Income Housing Credit (LIHC)" to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.19.1	Moved subsection "Form 8610, Annual Low-Income Housing Credit Agencies Report" to IRM 4.19.12, Classification Support.

Reference	Change Details
IRM 4.19.11.2.19.2	Moved subsection “Form 8609, Part II (Taxpayers)” to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.19.3	Moved subsection “Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition” to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.19.4	Moved subsection “Form 8693, Low-Income Housing Credit Disposition Bonds” to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.19.5	Moved subsection “Evaluations for Audit Potential” to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.19.6	Moved subsection “Contact Information” to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.20	Deleted subsection “Federal/State Exchange Agreements” because the guidance is no longer relevant.
IRM 4.19.11.2.21	Deleted subsection “Potentially Dangerous Taxpayers (PDT) – Caution Indicator (CAU)” because the guidance is no longer relevant.
IRM 4.19.11.2.22	Moved “Employee Returns” to newly created IRM 4.19.11.3.2, Employee Returns, which provides guidance on how to handle employee returns in Classification.
IRM 4.19.11.2.23	Deleted subsection “State Business Licensing Compliance Program” because the guidance is no longer relevant.
IRM 4.19.11.2.23.1	Deleted subsection “State Business Licensing Compliance Process” because the guidance is no longer relevant.
IRM 4.19.11.2.23.2	Deleted subsection “DLSE Database” because the guidance is no longer relevant.
IRM 4.19.11.2.23.3	Deleted subsection “Initial Screening of Applications” because the guidance is no longer relevant.
IRM 4.19.11.2.23.4	Deleted subsection “Inputting in the DLSE Database” because the guidance is no longer relevant.
IRM 4.19.11.2.23.5	Deleted subsection “Case Building” because the guidance is no longer relevant.
IRM 4.19.11.2.23.6	Deleted subsection “Application Verification” because the guidance is no longer relevant.

Reference	Change Details
IRM 4.19.11.2.23.7	Deleted subsection "Employment Tax Compliance Checks" because the guidance is no longer relevant.
IRM 4.19.11.2.23.8	Deleted subsection "Responding to Taxpayer Applications and Closing Cases" because the guidance is no longer relevant.
IRM 4.19.11.2.23.9	Deleted subsection "Responding to Taxpayer Hot line Telephone Calls" because the guidance is no longer relevant.
IRM 4.19.11.2.23.10	Deleted subsection "State Data Delivery" because the guidance is no longer relevant.
IRM 4.19.11.2.23.11	Deleted subsection "Point of Count and Data Reports" because the guidance is no longer relevant.
IRM 4.19.11.2.23.12	Deleted subsection "Disclosure Authentication" because the guidance is no longer relevant.
IRM 4.19.11.2.24	Moved subsection "Form 8282, Donee Information Return, Form 8283, Non-cash Charitable Contribution, Match Program" to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.24.1	Moved subsection "General Information" to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.24.2	Moved subsection "Form 8282 Processing" to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.24.3	Moved subsection "Form 8282 Database" to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.24.4	Moved subsection "Database Matching with Tax Return Information" to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.24.5	Moved subsection "Additional Information" to IRM 4.19.12, Classification Support.
IRM 4.19.11.2.25	Deleted subsection "Form 3949-A, Informant Referrals" because the guidance is no longer relevant.
IRM 4.19.11.2.26	Moved subsection "AUR Technical Advice and CAT A Referrals" to IRM 4.19.11.5.4, AUR Technical Advice and CAT-A Referrals.
IRM 4.19.11.3	Added subsection "CAT-A Claim Intake" to provide information on how a CAT-A claim is received in Classification.

Reference	Change Details
IRM 4.19.11.3.1	Added subsection "Classification Inventory Sources" to provide guidance on where a CAT-A claims originate. Restructured and incorporated IRM 4.19.11.2.2, Sources of Returns for Classification, which is being deleted.
IRM 4.19.11.3.1.1	Added subsection "Corporate Inventory" to provide procedural guidance for working corporate inventory.
IRM 4.19.11.3.1.2	Added subsection "Classification Case Definitions" to provide procedural guidance for definitions of a "Claim for Refund" and a "Request for Abatement."
IRM 4.19.11.3.2	Added subsection "Employee Returns" to provide procedural guidance on how to handle employee returns in Classification. Restructured and incorporated IRM 4.19.11.2.22, Employee Returns, which is being deleted.
IRM 4.19.11.3.3	Added subsection "Identity Theft Accounts" to provide procedural guidance on how to handle Identity Theft claims in Classification. Incorporated IRM 4.19.11.2.18, Identity Theft-BMF Accounts, which is being deleted.
IRM 4.19.11.3.4	Added subsection "Criminal Investigations" to provide procedural guidance on how to handle claims with Criminal Investigation involvement in Classification.
IRM 4.19.11.4	Added subsection "CAT-A Claim Determinations" to provide guidance for making CAT-A claim determinations.
IRM 4.19.11.4.1	Added subsection "Large, Unusual, and Questionable (LUQ) Items" to provide guidance on determining the significance of an issue. Restructured and incorporated IRM 4.19.11.2.1.2, What are Significant Items, which is being deleted.
IRM 4.19.11.4.2	Added subsection "Accepts, Disallows, Rejects" to provide procedural guidance for providing Classification determinations that align with IRM 21, Customer Account Services.
IRM 4.19.11.4.3	Added subsection "Selects" to provide guidance on how to handle a selected claim.

Reference	Change Details
IRM 4.19.11.4.3.1	Added subsection “Determining if Examination Should be Conducted in Correspondence Exam or Field Exam” to provide procedural guidance for determining where a selected claim is sent. Restructured and incorporated paragraphs 1-9 of IRM 4.19.11.2.1, Procedures for Screening Individual Returns, and IRM 4.19.11.2.1.1, Non-Business Issue Conducive to Correspondence Examination.
IRM 4.19.11.4.3.2	Added subsection “Issues Appropriate for W&I versus SB/SE” to provide procedural guidance for determining if a claim should be worked by W&I or SB/SE. Restructured and incorporated IRM 4.19.11.2.1, Procedures for Screening Individual Returns.
IRM 4.19.11.4.3.3	Added subsection “Correspondence Exam Referral Selects” to provide procedural guidance for how to refer a selected claim to Correspondence Exam.
IRM 4.19.11.4.3.4	Added subsection “Field Referral Selects” to provide procedural guidance for how to refer a selected claim to Field Exam.
IRM 4.19.11.4.3.4.1	Added subsection “Shared Drive Access” to provide procedural guidance for using the shared drive to refer selected claims to Field Exam.
IRM 4.19.11.4.3.4.2	Added subsection “Electronic Delivery” to provide procedural guidance for electronically referring selected claims to Field Exam.
IRM 4.19.11.4.4	Added subsection “Statute Considerations” to provide statute guidance.
IRM 4.19.11.5	Added subsection “Supplemental CAT-A Work Types” to provide guidance on work types not referred based on CAT-A criteria.
IRM 4.19.11.5.1	Added subsection “Audit Reconsiderations” to provide procedural guidance on how to handle Audit Recon claims in Classification. Incorporated IRM 4.19.11.2.3, Audit Reconsideration Program, which is being deleted.
IRM 4.19.11.5.1.1	Added subsection “IMF Audit Reconsiderations” to provide procedural guidance for how to handle IMF Audit Recon claims in Classification.
IRM 4.19.11.5.1.2	Added subsection “BMF Audit Reconsiderations” to provide procedural guidance for how to handle BMF Audit Recon claims in Classification.

Reference	Change Details
IRM 4.19.11.5.1.3	Added subsection "Carryback Audit Reconsideration Routing" to provide procedural guidance for how to handle Carryback Audit Recon claims in Classification.
IRM 4.19.11.5.2	Added subsection "Erroneous Refunds" to provide procedural guidance for how to handle Erroneous Refund cases in Classification.
IRM 4.19.11.5.3	Added subsection "Joint Committee" to provide procedural guidance for how to handle Joint Committee claims in Classification.
IRM 4.19.11.5.4	Moved subsection "AUR Technical Advice and CAT-A Referrals" from IRM 4.19.11.2.26, AUR Technical Advice and CAT A Referrals, and updated with a new mailbox.
IRM 4.19.11.5.5	Moved subsection "DIF Scored Returns" from IRM 4.19.11.2.4, DIF Scored Returns, and reconfigured guidance on DIF scored returns.
IRM 4.19.11.5.5.1	Moved subsection "Review of the Entire DIF Return" from IRM 4.19.11.2.4.1, Review of the Entire DIF Return.
IRM 4.19.11.5.5.2	Moved subsection "Non-DIF Scored Returns" from IRM 4.19.11.2.5, Non-DIF Scored Returns, and reconfigured guidance on non-DIF scored returns.
IRM 4.19.11.5.6	Moved subsection "Section 761(a) Partnership Returns" from IRM 4.19.11.2.10, Section 761(a) Partnership Returns.
IRM 4.19.11.5.7	Moved subsection "Abatement of Interest" from IRM 4.19.11.2.12, Abatement of Interest.
IRM 4.19.11.5.8	Renamed subsection "Form 8697, Look Back Method" to "Form 8697, Look Back Interest" and moved from IRM 4.19.11.2.15, Form 8697, Look back Interest. Restructured and added interest computation guidance.
IRM 4.19.11.5.8.1	Moved subsection "Form 8697 General Procedures" from IRM 4.19.11.2.15.1, Form 8697 General Procedures, and restructured guidance.
IRM 4.19.11.5.9	Renamed subsection "Unlawful Returns-Joint Filed Returns" to "Unlawful Returns-Joint Filed Returns 36F" and moved restructured guidance from IRM 4.19.11.2.17, Unlawful Returns-Joint Filed Returns.

Reference	Change Details
IRM 4.19.11.6	Renamed subsection “International Returns” to “International Support” and moved restructured guidance from IRM 4.19.11.2.6, International Returns.
IRM 4.19.11.6.1	Moved subsection “Form 1120-F, U.S. Income Tax Return of a Foreign Corporation” from IRM 4.19.11.2.7, Form 1120-F, U.S. Income Tax Return of a Foreign Corporation.
IRM 4.19.11.6.2	Moved subsection “Form 1120 IC-DISC, Interest Charge Domestic International Sales Corporation” from IRM 4.19.11.2.8, Form 1120 IC-DISC, Interest Charge Domestic International Sales Corporation.
IRM 4.19.11.6.3	Moved subsection “Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation” from IRM 4.19.11.2.9, Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation.
IRM 4.19.11.7	Added subsection “Cross-functional Inventory” to provide procedural guidance for inventory housed in Classification for other functions.
IRM 4.19.11.7.1	Added subsection “Administrative Adjustment Request (AAR) and Bipartisan Budget Act (BBA)” to provide procedural guidance for handling AAR/BBA cases remaining in Classification inventory. Incorporated IRM 4.19.11.2.13, Administrative Adjustment Request (AAR) - Form 8082.
IRM 4.19.11.7.2	Added subsection “LB&I CAT-A Inventory” to provide guidance on LB&I inventory being held in Classification CII CAT-A queues.
IRM 4.19.11.7.3	Added subsection “TE/GE CAT-A Inventory” to provide guidance on TE/GE inventory being held in Classification CII CAT-A queues.
IRM 4.19.11.7.4	Added subsection “SB/SE Employment Tax CAT-A Inventory” to provide guidance on Employment Tax inventory being held in Classification CII CAT-A queues.
Exhibit 4.19.11-1	Added exhibit “CII CAT-A HQ Reserved Codes” to provide a listing of HQ Reserved Codes and their uses.
Exhibit 4.19.11-2	Added exhibit Campus Exam Classification Unit IDRS Numbers to provide a listing of Classification teams’ IDRS numbers at all ten campuses.

- (2) The IRM was revised to review and clarify language throughout. All references and websites were also updated.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 4.19.11 dated December 15, 2021.

AUDIENCE

Small Business/Self Employed and W&I Campus Examination Operations.

Heather J. Yocum,
Acting Director, Examination - Field and Campus Policy
Small Business/Self-Employed

4.19.11

Examination Classification of Work

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4.19.11.1
(12-22-2023)
Program Scope and Objectives

- (1) **Purpose:** This IRM contains guidelines for campus personnel who classify CAT-A referrals to identify and select Exam workload.
- (2) **Audience:** These guidelines and procedures apply to SB/SE and W&I Exam employees who are responsible for the reviewing CAT-A referrals, identifying audit potential, and selecting cases for Correspondence and Field examinations.
- (3) **Policy Owner:** Small Business/Self-Employed (SB/SE), Campus Examination and Field Support (CEFS).
- (4) **Program Owner:** Small Business/Self-Employed (SB/SE) Examination - Field and Campus Policy (EFCP).
- (5) **Primary Stakeholders:** Small Business/Self-Employed Division (SB/SE) and Wage and Investment (W&I).
- (6) **Program Goals:** The program goals are to ensure uniform identification and classification of tax returns for examination to promote voluntary compliance.

4.19.11.1.1
(12-22-2023)
Background

- (1) Campus Exam Classification is responsible for reviewing amended returns/refund claims submitted to the Internal Revenue Service and referred to Exam under the CAT-A process. Accounts Management (AM), Submission Processing (SP) and other areas refer claims to Campus Exam Classification when they identify CAT-A criteria. Claims are typically referred via the Account Management Services (AMS) Correspondence Imaging Inventory System (CII) using the "2CATA" suspense option, which systemically reassigns the IDRS control base to the co-located Campus Exam Classification IDRS number.
- (2) The CII case (claim) is reviewed by Campus Exam Classification (Revenue Agents for BMF and Tax Compliance Officers for IMF) to determine whether the driver for the referral is allowable and whether the amended return has audit potential. Claims that are either accepted as filed, not allowable, or have insufficient information to make a determination are returned to AM/SP via CII, which reassigns the IDRS control base back to the originator. The AM/SP originator then processes the amended return according to classifier instruction and closes the CII case, which closes the IDRS control base. Claims that are considered to have audit potential are selected for examination and routed to Campus Exam Classification Support. The CII case is returned to AM/SP with notations that the claim was selected and the originator closes the CII case.
- (3) When a case is selected, Campus Exam Classification Support builds the case by opening an AIMS base (which establishes a TC 420), closing IDRS control bases on CC TXMOD as necessary, requesting original paper returns when necessary, creating a Form 3210, and electronically delivering the case via shared drive to local area office Planning and Special Programs (PSP). Cases sent to co-located Campus Exam could be hand-carried, sent through interoffice mail, or emailed. See IRM 4.19.12, Classification Support.

4.19.11.1.2
(12-22-2023)
Authority

- (1) IRM 1.1.16.5.5.1.5, Campus Exam and Field Support
- (2) IRM 1.1.16.5.5.3, Exam Case Selection

- (3) IRM 1.2.1.2.36, Policy Statement 1-236, Fairness and Integrity in Enforcement Selection
- (4) IRM 1.2.1.5.7, Policy Statement 4-9, Highest Integrity Expected
- (5) IRM 1.2.1.5.10, Policy Statement 4-21, Selection of returns for examination
- (6) IRM 1.2.1.5.22, Policy Statement 4-76, Disallowed claims may be reconsidered on the merits
- (7) IRM 1.2.1.5.23, Policy Statement 4-77, Claims may be allowed without examination
- (8) IRM 1.2.1.5.31, Policy Statement 4-103, Abatement claims considered only in exceptional circumstances
- (9) IRM 4.1.5.3, Classification
- (10) IRM 10.5.1, Privacy Policy

4.19.11.1.3
(12-22-2023)
Responsibilities

- (1) Examination Field and Campus Policy (EFCP) is responsible for leading the development and delivery of policy and guidance that impacts SB/SE taxpayers and SB/SE Campus and Field examination processes.
- (2) Campus Exam and Field Support (CEFS) is responsible for providing policy on compliance processes that relate to campus examination classification operations for Correspondence, Field, and Specialty Exam programs.
- (3) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accordance with taxpayer rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For additional information about the TBOR, see <https://www.irs.gov/taxpayer-bill-of-rights>.

4.19.11.1.4
(12-22-2023)
Program Controls

- (1) The following reports may be used to monitor inventory assigned in Classification:
 - Account Management Services (AMS) Correspondence Imaging Inventory System (CII) Category A (CAT-A) Claim referrals
 - Business Objects Enterprise (BOE) Crystal Reports
 - Case Control Activity (CCA) 4243/ Overage Report Compiler and Sorter (ORCAS)
 - Headquarters (HQ) Campus Exam and Field Support (CEFS) Classification SharePoint Reports
 - Statistical Sample Inventory Validation Listing (SSIVL)
 - AIMS Centralized Information System (A-CIS)

4.19.11.1.5
(12-22-2023)
Acronyms

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

Acronym	Definition
A-CIS	AIMS Centralized Information System

Acronym	Definition
AAR	Administrative Adjustment Request
ACTC	Additional Child Tax Credit
AIMS	Audit Information Management System
AM	Accounts Management
AMS	Account Management Services
AOTC	American Opportunity Tax Credit
ASFR	Automated Substitute For Return
AUR	Automated Under Reporter
BMF	Business Master File
BOD	Business Operating Division
BOE	Business Objects Enterprise
CAT-A	Category A (Examination Criteria)
CAU	Caution
CC	Command Code
CCA	Case Control Activity System
CDE	Compliance Data Environment
CEA	Campus Examination and Automated Underreporter
CEFS	Campus Exam and Field Support
CI	Criminal Investigation
CII	Correspondence Imaging Inventory
Corr	Correspondence Exam
CWA	Contemporaneous Written Acknowledgment
DBA	Doing Business As
DDB	Dependent Data Base
DEBR	Discretionary Exam Business Rules
DIF	Discriminant Function
DLN	Document Locator Number
EBE	Employee Business Expense
EFTPS	Electronic Federal Tax Payment System
EIN	Employer Identification Number
EITC	Earned Income Tax Credit
ELF	Electronic Return Filing
EUP	Employee User Portal

Acronym	Definition
EQ&TS	Exam Quality and Technical Support
ET	Employment Tax
FRP	Frivolous Return Program
FSLG	Federal, State, & Local Governments
GII	Generalized IDRS Interface
HQ	Headquarters
IAC	Interest Abatement Coordinator
IDRS	Integrated Data Retrieval System
IDT	Identity Theft
IMF	Individual Master File
IRA	Individual Retirement Account
IRDM	Information Reporting Document Matching
IRP	Information Reporting Program
IRMF	Information Return Master File
ITIN	Individual Taxpayer Identification Number
LB&I	Large Business and International
LIHC	Low Income Housing Credit
LIN	Large Income and International Image Network
MeF	Modernized E-File
MF	Master File
MFT	Master File Tax
MOU	Memorandum of Understanding
OFP	Organization Function Program
OIC	Offer in Compromise
ORCAS	Overage Report Compiler and Sorter
OUO	Official Use Only
PBC	Primary Business Code
PDT	Potentially Dangerous Taxpayer
POA	Power of Attorney
PSP	Planning and Special Programs
PTC	Premium Tax Credit
QRDT	Questionable Refund Detection Team
RA	Revenue Agent

Acronym	Definition
RGS	Report Generating Software
SARP	State Audit Report Program
SB/SE	Small Business Self-Employed
SEP	Simplified Employee Pension
SFR	Substitute for Return
SP	Submission Processing
SRA	System Research and Applications
SSIVL	Statistical Sample Inventory Validation Listing
SSN	Social Security Number
TC	Transaction Code
TCO	Tax Compliance Officer
TE	Tax Examiner
TE/GE	Tax Exempt/Government Entities
TIN	Taxpayer Identification Number
W&I	Wage and Investment

4.19.11.1.6
(12-22-2023)

Related Resources

- (1) IRM 4.1.5.3, Classification
- (2) IRM 4.13, Audit Reconsideration
- (3) IRM 4.10.11, Claims or Refund and Requests for Abatement
- (4) IRM 4.19.14, Refundable Credits Strategy
- (5) IRM 4.19.15, Discretionary Programs
- (6) IRM 21.5.2.4.23.6, Discriminant Index Function (DIF) SCORE or Classification Send Return(s) to Examination for Review
- (7) IRM 21.5.3, General Claims Procedures
- (8) IRM 21.5.3-2, Examination Criteria (CAT-A) - General
- (9) IRM 21.5.3-3, Examination Criteria (CAT- A) - Credits
- (10) IRM 21.5.3-4, First-Time Homebuyer Credit-Additional CAT-A Criteria
- (11) IRM 21.7.4.4.2.9, Form 1065 and 1065X, Amended Return, Administrative Adjustment Request (AAR) and Bipartisan Budget Act (BBA)
- (12) IRM 21.8.1.2.10, Examination Criteria CAT-A International
- (13) IRM 21.8.2.2.12, Examination Criteria
- (14) IRM 25.6, Statute of Limitations

(15) IRM 25.23, Identity Protection and Victim Assistance

4.19.11.2
(12-22-2023)
**Classifier
Considerations**

- (1) Category A (CAT-A) Classification is the process of determining whether a claim should be selected for audit, the initial issues to be audited, and who should conduct the audit.
- (2) Exam classifiers have a limited role in the examination process, which is to determine the audit potential of a return. Tax returns are to be selected and classified for audit by employees who will not be the examiner of the return. Therefore, classifiers do not take the following actions:
 - a. correspond or make contact with taxpayers for any reason, or
 - b. take any IDRS account actions.
- (3) The classifier must be familiar with the National Office Tax Compliance Officer (TCO) and Revenue Agent (RA) Classification Guidelines found in IRM 4.1.5. The guidance promotes classification consistency nationwide and selection of returns for examination with issues that are material in scope.
- (4) Claims should be classified by classifiers possessing experience commensurate with the type of return and issues they are classifying.
- (5) According to Policy Statement P-4-21, the primary objective in identifying tax returns for examination is to promote the highest degree of voluntary compliance. See IRM 1.2.1.5.10, Policy Statement 4-21.
- (6) Due to limited resources, the IRS can examine only a small percentage of the returns filed. The classifier's role is to ensure that these resources are used effectively.
- (7) The classifier must decide which returns are most in need of examination. Thorough examination promotes the highest degree of voluntary compliance.
- (8) Classification should be conducted by the most technically proficient experienced examiners, who have received appropriate tax law training.
- (9) The Examination Operation ensures that each employee assigned to classification is able to recognize and identify a tax return that has an early statute expiration and is aware of the statute control procedures.

4.19.11.3
(12-22-2023)
CAT-A Claim Intake

- (1) Accounts Management (AM), Submission Processing (SP), and other areas refer claims to Campus Exam Classification when they identify the claim meets Category A (CAT-A) criteria.
- (2) CAT-A criteria is outlined throughout IRM 21, Customer Account Services. Most of the CAT-A criteria is located in IRM 21.5.3, General Claims Procedures.

4.19.11.3.1
(12-22-2023)
**Classification Inventory
Sources**

- (1) Claims are received, scanned, and stored in the Account Management Services (AMS) Correspondence Imaging Inventory System (CII). When an AM or SP assistor identifies CAT-A criteria they refer the claim to Exam Classification using the "2CATA" suspense option, which systemically reassigns the IDRS control base to the co-located Campus Exam Classification IDRS team number (see Exhibit 4.19.11-2, Campus Exam Classification Unit IDRS Numbers). The original CII case is moved to the AM/SP assistor's CII

Suspense Folder and a copy of the CII case (with limited functionality enabled) is transferred to CAT-A inventory in CII.

- (2) Collection refers Automated Substitute for Returns (ASFR) returns and ASFR Reconsiderations meeting SFR Screening Matrix Criteria to Classification after the return has been processed and the adjustments posted to IDRS. See IRM 4.13.7-1, ASFR - Reconsideration Returns - Centralized Processing Sites.
- (3) The Dependent Database (DDB) is a rules-based selection application that is designed to identify potentially ineligible tax returns claiming Earned Income Tax credit (EITC) and other refundable credits (for example, Premium Tax Credit (PTC), Additional Child Tax Credit (ACTC) and American Opportunity Tax Credit (AOTC)). DDB selects returns using an automated process based on programmed selection criteria designed to select the most productive returns for examination. The highest scored returns are made available for audit selection.

4.19.11.3.1.1
(12-22-2023)
Corporate Inventory

- (1) The restructuring of the IRS in recent years resulted in numerous work types moving to new service centers. Since work is referred to Classification based on the co-location of the AM/SP site, and not based on the work type, Classification has no control over what work types are received in each site's Classification inventory.
- (2) SB/SE Exam Classification IMF sites (BSC, MSC & PSC) work IMF inventory corporately, out of all SB/SE CII Classification queues, according to established business unit procedures.
- (3) W&I Exam Classification IMF sites (ANSC, ATSC, AUSC, KCSC, & FSC) work IMF inventory corporately, out of all W&I CII Classification queues, according to established business unit procedures.

4.19.11.3.1.2
(12-22-2023)
Classification Case Definitions

- (1) Classification classifies both Claims for Refund and Requests for Abatement.
- (2) A **Claim for Refund** is an amended return or written request that asks for some amount of money to be refunded, whether or not it also involves an abatement. If a request is "part claim" and "part abatement" the request is a claim for refund, because the taxpayer is requesting an amount of money to be refunded. For additional information refer to IRM 4.10.11.2, Claims for Refund.

Note: Tax does not have to be full paid to be treated as a claim for refund.

- (3) A **Request for Abatement** is an amended return or written request that asks for a reduction of the assessed liability. A request for abatement does not involve a refund; only a reduction in the module balance. For additional information refer to IRM 4.10.11.3, Requests for Abatement.

4.19.11.3.2
(12-22-2023)
Employee Returns

- (1) To ensure impartiality, independence, and employee privacy, subordinates, associates or co-workers of an employee will not classify or examine that employee's return.
- (2) Command Code IMFOL on IDRS shows the IRS employee indicator. A "P" indicates the primary taxpayer is an IRS employee, an "S" indicates the secondary taxpayer is an IRS employee, and a "B" indicates both the primary

and the secondary taxpayers are IRS employees. See IRM 2.3.51-12, Command Code IMFOL Output Display - Index.

- (3) Classification Support will send employee returns selected for examination to the PSP area office closest to where the employee lives. Classification Support will not route employee returns to Campus Correspondence Examination.
- (4) For additional information reference IRM 4.1.1.6.7, Employee Audits and IRM 4.2.6, Examination of Employee Returns.

4.19.11.3.3
(12-22-2023)

Identity Theft Accounts

- (1) IRM 25.23, Identity Protection and Victim Assistance, provides servicewide guidance on Identity Theft (IDT) issues, including documentation and actions required for general processing of IDT claims.
- (2) BMF IDT indicators are not applied until required research has been completed to rule out a possible mixed entity issue. Never assume identity theft prior to completing preliminary research. Refer to IRM 25.23.9-7, BMF Identity Theft Research Requirement, and IRM 25.23.9-2, BMF ID Theft Indicators – Transaction Code (TC) 971 Action Code (AC) 522 IDTCLM - Initial Allegation or Suspicion of BMF Identity Theft, when researching BMF accounts.

4.19.11.3.4
(12-22-2023)

Criminal Investigations

- (1) A “-Z” freeze or an unreversed TC 914 on a tax module indicates that return has Criminal Investigation (CI) controls.
- (2) If a case is received in CAT-A Classification and there are CI controls on the tax module, return the case to AM with advise to follow IRM 21.5.6.4.52.

4.19.11.4
(12-22-2023)

CAT-A Claim Determinations

- (1) When a Correspondence Imaging Inventory System (CII) case meets CAT-A criteria and is referred to Exam Classification, a determination will be returned to Accounts Management (AM) or Submission Processing (SP) indicating whether the issue is allowable, whether the amended return has audit potential, and how the case should be handled.
- (2) Cases referred to Exam Classification remain under AM/SP adjustment function control until a determination is made. If a case is selected, Exam assumes adjustment function control.
- (3) Claims are returned to AM/SP via CII, which reassigns the IDRS control base back to the originator and returns the CII case back to their active inventory.
- (4) When leaving Case Notes on CII do not include Personally Identifiable Information (PII) or Official Use Only (OUO) (including CAT-A thresholds), as these notes are subject to Freedom of Information Act (FOIA) and could be requested by the taxpayer or other parties.
 - a. The term “Personally Identifiable Information” refers to information that can be used to distinguish or trace an individual’s identity, either alone or when combined with other information that is linked or linkable to a specific individual.
 - b. The term “Official Use Only” applies to sensitive information not made available to the public because it meets a Freedom of Information Act exemption and there is a reasonable expectation that disclosure would harm tax administration or IRS operations or when disclosure is specifically prohibited by law.

4.19.11.4.1
(12-22-2023)
**Large, Unusual, and
Questionable (LUQ)
Items**

- (1) Invariably, the definition of significant will depend on the classifier's perception of the return as a whole and the separate items that comprise the return. However, there are several factors to consider when determining whether an item is significant:
 - a. Comparative size of the item: A questionable expense item of \$6,000 with total expenses of \$30,000 would be significant; however, if total expenses are \$300,000, ordinarily the item would not be significant.
 - b. Inherent character of the item: Although the amount of an item may be insignificant, the nature of the item may be significant; for example, airplane expenses claimed on a plumber's Schedule C.
 - c. Evidence of intent to mislead: This may include missing, misleading, or incomplete schedules or incorrectly showing an item on the return.
 - d. Beneficial effect of the manner in which an item is reported: Expenses claimed on a business schedule rather than claimed as an itemized deduction may be significant.
 - e. Relationship to/with other item(s) on a return: Business expenses with corresponding income.
 - f. Similarly, the lack of dividends reported when Schedule D shows sales of stocks.
 - g. Taxpayer location: A taxpayer based out of a high cost of living area will incur higher expenses than a taxpayer based out of a moderate or low cost of living area.

4.19.11.4.2
(12-22-2023)
**Accepts, Disallows,
Rejects**

- (1) This subsection includes general and background information on Classification work processes.
- (2) Classification responses will not contradict IRM 21.5.3-1, Claims Processing with Examination Involvement, which is the IRM Accounts Management follows when they receive a response from CAT-A Classification.
- (3) Classification will only provide one determination when responding.
- (4) The table below only applies to complete cases containing the necessary returns and taxpayer documentation to make a determination. If the case is not complete and can't be classified, it will be returned to the requestor/originator with an explanation of why it can't be classified.

If Classification Determines:	Then Classification Will:	And Accounts Management Will:
<p>The amended return/claims will be Accepted as filed by the taxpayer and no examination should be started.</p>	<ol style="list-style-type: none"> 1. Leave CII case remarks if needed. 2. Return the case in CII by selecting the "Accepted" response option and clicking "Return to CSR." 	<ol style="list-style-type: none"> 1. Input the necessary actions to adjust the account and release any over-payment. Note: If the amount of the claim is not computed or is computed incorrectly, AM will re-compute the allowable amount, correct if necessary, and advise the taxpayer of any changes to the amount claimed. 2. Release the TC 470 (if appropriate). Note: Most adjustments will release the TC 470. 3. Notify the taxpayer the adjustment has been made.

If Classification Determines:	Then Classification Will:	And Accounts Management Will:
The amended return/claim can't be processed as filed (the issue is not allowable) and the claim must be Disallowed in part or in full.	<ol style="list-style-type: none"> 1. Leave CII case remarks advising why the claim cannot be allowed and provide correspondence guidance. 2. Return the case in CII by selecting the "Disallow" response option and clicking "Return to CSR." 	<ol style="list-style-type: none"> 1. Refer to IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. 2. Input the disallowance adjustment. 3. Send the appropriate disallowance letter. Use the explanation and citation of the law provided by the classifier.
The amended return/claim lacks enough information or documentation to properly consider the items, and the case must be Rejected/No Considered .	<ol style="list-style-type: none"> 1. Leave CII case remarks advising why the claim cannot be considered and provide correspondence guidance. Caution: Taxpayers should not be advised that the law does not allow them to file a claim to reduce the tax they owe. 2. Return the case in CII by selecting the "No Consider" response option and clicking "Return to CSR." 	<ol style="list-style-type: none"> 1. Refer to IRM 21.5.3.4.6.3, No Consideration Procedures and IRM 21.5.3.4.3, Tax Decrease and Statute Consideration, for information on processing statute year claims. 2. If additional information is needed from the taxpayer, AM will reject the claim and request the information. 3. If the reason for rejection is resolved the claim will resubmit the claim to CAT-A Classification.

If Classification Determines:	Then Classification Will:	And Accounts Management Will:
The amended return/claim should not have been sent to Classification and returns it as "Not Category A Criteria."	<ol style="list-style-type: none"> 1. Leave CII case remarks to explain why the case does not meet CAT-A criteria. 2. Return the case in CII by selecting the "Not Category A Criteria" response option and clicking "Return to CSR." 	Take the necessary actions to resolve the CII case.

4.19.11.4.3
(12-22-2023)
Selects

- (1) If a classifier determines a claim has audit potential and selects the case, they will take appropriate actions to ensure the case is built and sent to the appropriate area.
- (2) When Exam Classification selects a claim, AM/SP transfers claim resolution liability to the Exam function. Appropriate Exam functions are then responsible for establishing AIMS, and proceeding with auditing or processing the claim.

4.19.11.4.3.1
(12-22-2023)
Determining if Examination Should be Conducted in Correspondence Exam or Field Exam

- (1) Classifiers must be familiar with the National Office Tax Compliance Officer (TCO) and Revenue Agent (RA) Classification Guidelines. The guidance promotes classification consistency nationwide and selection of returns for examination with issues that are material in scope. The classification guidelines can be found in IRM 4.1.5.3, Classification.
- (2) Once you determine that the return will be selected, decide if the examination should be conducted by a Tax Compliance Officer (TCO) or a Revenue Agent (RA).
- (3) The designation of TCO or RA will be based upon:
 - a. the complexity of the issues involved,
 - b. the degree of accounting and auditing skills required to perform the examination, and
 - c. whether it can be effectively completed by Correspondence Exam.

Note: The Case Grading Tool is a working model of IRM 4.1.5.3.2.6, Grading Returns (RA, TCO-11, TCO-09 or below) and is available to classifiers to assist with making the determination of if the examination should be conducted by a TCO or RA. The Case Grading Tool can be found at *MYSBSE Field Exam Web Documents WorkloadID Classification*.

- (4) Do not exclude substantial issues to convert what would be a Revenue Agent examination to a Tax Auditor examination.
- (5) Do not exclude substantial items from the check-sheet to convert what might be an interview examination to a correspondence examination.

- (6) The number of issues, standing alone, do not determine if the return is to be examined by a RA or TCO.
- (7) Examinations are appropriate for Correspondence Exam when all the questioned items are verifiable by records that could be easily submitted by mail or when inspection of the previous or subsequent year returns is not necessary.
- (8) Examinations are NOT appropriate for Correspondence Exam when the return requires an in-depth knowledge of accounting principles or if the classifier feels an office interview or on-site inspection of the taxpayer's books, records or assets is needed. Examples of items which generally cause the return to be excluded from correspondence examination include:
 - Complex books and records for deductions and expenses
 - Complex Schedule D transactions
 - Returns with unusually complex rental income and expenses
 - Tax shelter returns
 - Donations of real property which would involve an engineering specialist
 - Alimony - if it appears there is a property settlement involving business property (accounts receivable, etc.)
 - Returns which would most likely have voluminous records
 - Extensive time frame could be required to complete the examination
 - Returns where inventories are substantial and material
 - Termination of business before the end of the taxable year
 - Unusual issues that appear to be complex and time consuming to develop (Complex oil or mineral explorations, unstated interest (IRC 483), nontaxable transfers, etc.)
 - Size of a business (high gross receipts, etc.)
 - Businesses not adaptable to office examination, such as manufacturers, auto dealers, and funeral parlors
 - Individual returns requiring the full accounting skills of a Revenue Agent
 - Tax Compliance Officer not available in the geographical location of the taxpayer

4.19.11.4.3.2
(12-22-2023)
**Issues Appropriate for
W&I versus SB/SE**

- (1) W&I Campus Correspondence Exam, SB/SE Campus Correspondence Exam and SB/SE Field Exam typically work different issues. There may be some program overlap between Correspondence Exam and Field Exam work. W&I Campus Correspondence Exam generally audits pre-refund issues and SB/SE Campus Correspondence Exam generally audits post-refund issues.
- (2) Correspondence Exam guidance for auditing pre-refund issues can be found in IRM 4.19.14, Refundable Credits Strategy. Correspondence Exam guidance for auditing post-refund issues can be found in IRM 4.19.15, Discretionary Programs.
- (3) W&I Campus Classification delivers selections to W&I Campus Correspondence Exam and SB/SE Field Exam. SB/SE Campus Classification delivers selections to SB/SE Campus Correspondence Exam and SB/SE Field Exam.
- (4) The following are examples of issues appropriate for selecting for W&I Campus Correspondence Exam:
 - Dependent exemptions when refundable credits are claimed
 - Wages
 - Interest
 - Dividends

- Unemployment Compensation
- Social Security Income Received
- American Opportunity Tax Credit (AOTC)
- Child Tax Credit
- Additional Child Tax Credit (ACTC), including ITIN returns
- Earned Income Tax Credit (EITC)
- Fuel Tax Credit
- Health Coverage Tax Credit
- Premium Tax Credit
- Mortgage Interest Credit Pre-Refund

(5) The following are examples of issues appropriate for selecting for SB/SE Campus Correspondence Exam:

- Dependent exemptions when Adoption Credit and Child Care Credit are claimed
- Schedule C - income/expense issues
- Schedule F - Farm income/loss
- Other Income to be characterized as Self Employment income
- Taxable Refunds
- Alimony
- Income exclusions such as personal injury, sick pay, disability pay
- IRA/Pension distributions
- Adjustment to Income issues (for example, Self-Employment Tax adjustment and Moving Expenses)
- Employee Business Expenses – Form 2106
- Home Office deductions
- Casualty theft/loss not requiring in-person audit
- Medical and Dental Expenses
- Real Estate Taxes
- State Taxes Paid
- Home Mortgage Interest
- Points paid
- Charitable Cash Contributions
- Charitable Non-Cash Contributions, not requiring an appraisal or engineering referral
- Miscellaneous Deductions
- Alternative Minimum Tax
- Self-Employment Tax
- 10% Tax on early retirement savings withdrawal
- Additional Child Tax Credit Non-ITIN Returns
- Adoption Credit
- Alternative Minimum Tax Credit (Form 8801)
- Premium Tax Credit
- Mortgage Interest Credit Post-Refund

(6) The following are examples of issues appropriate for selecting for SB/SE Field Exam:

- Income issues beyond the scope of a correspondence examination
- Debt forgiveness
- Deferred Compensation
- Schedule D issues requiring examination of capital gains/losses on Form 4797
- Investment Interest Expense

- Prior year cash contribution carried forward
- Non-cash charitable contributions requiring appraisal or engineering referral, such as artwork
- Complex casualty theft/loss requiring extensive research and verification of records
- Investment Expenses
- Attorney fees
- Gambling losses
- Alternative Minimum Tax

4.19.11.4.3.3
(12-22-2023)

**Correspondence Exam
Referral Selects**

- (1) This IRM subsection provides procedures for the delivery of IMF CAT-A cases selected in Exam Classification to Correspondence Exam.

#

- (3) Classifiers will forward a completed classification sheet to Classification Support to initiate the case assembly process.
- (4) The table below outlines the actions Classification and Accounts Management will take when a case is selected for Correspondence Exam.

If Classification Determines:	Then Classification Will:	And Accounts Management Will:
The amended return/claim has audit potential, and the case has been Selected in Exam for potential audit.	<ol style="list-style-type: none"> 1. Leave CII case remarks if needed. 2. Return the case in CII by selecting the "Selected" response option and clicking "Return to CSR." 3. Complete a Form 6754, Examination Classification Check-sheet (IMF) or a Form 10264, Revenue Agent – Classification Check-sheet (BMF). Note: Ensure the correct claim amount is computed. Include all increases and decreases on the amended return and compare the total to the original return/return as previously adjusted to calculate the claim amount. See IRM 4.10.11-6 for information on how to calculate the claim amount. 4. Route to local Campus Exam Classification Support for case building. 	<ol style="list-style-type: none"> 1. Refer to IRM 21.3.3.4.2.1, Use of 86C Letter - Referring Taxpayer Inquiry/Forms to Another Office. 2. Input any required letters to the taxpayer. 3. Input the necessary audit trail with a TC 971 and Action Code (AC) 013 (use the received date of the amended return for the transaction date) 4. Route the case if necessary. 5. Close the CII case.

4.19.11.4.3.4
(12-22-2023)
Field Referral Selects

- (1) This IRM subsection provides procedures for the electronic delivery of IMF and BMF Category A cases selected in Exam Classification to Field Case Selection (FCS) via local area Planning and Special Programs (PSP).
- (2) Classifiers forward a completed classification sheet to campus Classification Support to initiate the case assembly process.

- (3) The table below outlines the actions Classification and Accounts Management will take when a case is selected for Field Exam.

If Classification Determines:	Then Classification Will:	And Accounts Management Will:
The amended return/claim has audit potential, and the case has been Selected in Exam for potential audit.	<ol style="list-style-type: none"> 1. Leave CII case remarks if needed. 2. Return the case in CII by selecting the "Selected" response option and clicking "Return to CSR." 3. Complete a Form 6754, Examination Classification Check-sheet (IMF) or a Form 10264, Revenue Agent – Classification Check-sheet (BMF). Note: Ensure the correct claim amount is computed. Include all increases and decreases on the amended return and compare the total to the original return/return as previously adjusted to calculate the claim amount. See IRM 4.10.11-6 for information on how to calculate the claim amount. 4. Route to local Campus Exam Classification Support for case building. 	<ol style="list-style-type: none"> 1. Refer to IRM 21.3.3.4.2.1, Use of Letter 86C - Referring Taxpayer Inquiry/Forms to Another Office. 2. Input any required letters to the taxpayer. 3. Input the necessary audit trail with a TC 971 and Action Code (AC) 013 (use the received date of the amended return for the transaction date) 4. Route the case if necessary. 5. Close the CII case.

4.19.11.4.3.4.1
(12-22-2023)

Shared Drive Access

- (1) In March 2018, the President's Management Agenda established multiple goals to transition federal agencies' business processes and record keeping to a fully electronic environment.
- (2) The PSP shared drive (\\VPWSENTHRCMN43\Common\EO\HQ\ECS\FCS\Claims) was created to establish an electronic case delivery process and is available to stakeholders involved in Field case delivery.
- (3) Whenever possible, Classification will transfer cases to Classification Support electronically via the designated PSP shared drive.

4.19.11.4.3.4.2
(12-22-2023)

Electronic Delivery

- (1) Each site will establish and follow local procedures for sending selected cases from Exam Classification to Classification Support.
 - a. The Classification folder in the shared drive is designated for Classifiers. It can be used by sites for pre-referral coordination between classifiers and Classification Support.
- (2) Classifiers will ensure a Classification sheet and any other supporting documentation is provided to Classification Support.

4.19.11.4.4
(12-22-2023)

Statute Considerations

- (1) Statute awareness is vital and required to minimize barred assessments and erroneous abatements.
- (2) When a tax assessment is not made within the prescribed period for assessment it is considered a "barred assessment."
- (3) In the event an Assessment Statute Expiration Date (ASED) expires while a tax return is under Classification control, a statute expiration report must be prepared using Form 3999, Statute Expiration Report.
- (4) IRM 25.6.1.13.2.8.1, Procedures for the Submission of SB/SE Statute Expiration Reports, outlines additional SB/SE procedures that must be followed when a return has a barred statute.
- (5) AM/SP will not refer an amended return to CAT-A if it results in a balance due, or increases the balance.
- (6) A "bundled claim" is an amended return with both an increase and a decrease (for example, a tax decrease and a credit decrease or a credit increase and a tax increase).
- (7) AM/SP will refer amended returns with bundled claims to Classification using HQ Reserved 7 unless it would be referred under referral reason HQ Reserved 3, HQ Reserved 5, HQ Reserved 10, HQ Reserved 18, or OAR-HQ Reserved XX.
- (8) Each campus will ensure bundled claims within 60 days of the ASED are identified in Classification inventory and worked on a priority basis.

4.19.11.5
(12-22-2023)

**Supplemental CAT-A
Work Types**

- (1) In addition to general IMF and BMF Category A (CAT-A) claims, Classification may also review inventory based on work type, and not only line-item CAT-A criteria.

- 4.19.11.5.1
(12-22-2023)
Audit Reconsiderations
- (1) An audit reconsideration is the process the IRS uses to reevaluate the results of a prior audit where additional tax was assessed and remains unpaid, or a tax credit was reversed.
- 4.19.11.5.1.1
(12-22-2023)
IMF Audit Reconsiderations
- (1) For procedures for working IMF audit reconsiderations see IRM 4.13, Audit Reconsideration.
- (2) Area Office (AO) Exam Audit Reconsiderations are routed to the Central Reconsideration Unit (CRU) at each Campus per Central Audit Reconsideration addresses and IRM 4.13.7-3, Routing of Area Office Reconsideration Requests.
- (3) Campus Exam Audit Reconsiderations are routed to the campus that conducted the original audit per IRM 4.13.2.2 and IRM 4.13.7-2, Routing of Campus Reconsideration Requests.
- (4) The appropriate SB/SE campus can be identified based on the alignment to AIMS Primary Business Code (PBC) in the TC 420.
- 4.19.11.5.1.2
(12-22-2023)
BMF Audit Reconsiderations
- (1) Audit Reconsiderations for BMF are routed through Accounts Management (AM) to BMF Classification at the Cincinnati and Ogden campus for determination.
- (2) Both Area Office (AO) Exam Audit Reconsiderations and Campus Exam Audit Reconsiderations are routed to the Ogden Service Center (Mail Stop 6552) and are then routed through Accounts Management to CAT-A Classification per IRM 4.13.2.2.
- (3) Classification will determine if the original exam assessment needs to be adjusted based on the new information/return received from the taxpayer.
- (4) BMF Audit Reconsiderations are worked by Accounts Management if they are not selected in Exam. Refer to IRM 21.5.10.4.3, BMF Audit Reconsiderations.
- (5) If a BMF Audit Reconsideration in IDRS Status 26 (assigned to a Revenue Officer) is received outside of the Account Management Services (AMS) Correspondence Imaging Inventory System (CII) system, the classifier will classify the case and return the determination to the originator for case processing/resolution.
- 4.19.11.5.1.3
(12-22-2023)
Carryback Audit Reconsideration Routing
- (1) All Carrybacks (including Audit Reconsiderations for IMF and BMF) are routed to the Collection Centralized Case Processing team (also known as the FORT team) for processing to Accounts Management (AM). Refer to IRM 5.1.15.5.3, Amended Return/Claims – Carryback.
- 4.19.11.5.2
(12-22-2023)
Erroneous Refunds
- (1) When the Service issues an erroneous refund on a BMF return that must be recovered with a Statutory Notice of Deficiency (SNOD), the case will be routed to the co-located Campus Examination function. Reference IRM 21.4.5, Erroneous Refunds.

Note: SNODs are not used to recover erroneous refunds made on Employment Tax returns.

- (2) BMF Classification will provide support for these cases by completing a technical review of the case. The technical review will include:
 - a. confirming the erroneous refund meets criteria to be recovered with a SNOD,
 - b. determining the amount to be recovered, and
 - c. reviewing the case for any unusual issues and documenting the findings.
- (3) After completing the review, BMF Classification will return the erroneous refund case to the Campus Examination operation to take the next routing or processing steps.

4.19.11.5.3
(12-22-2023)
Joint Committee

- (1) Accounts Management (AM) and Submission Processing (SP) assistors identify Joint Committee cases by applying Category A (CAT-A) criteria outlined in IRM 21.5.3-2, Examination Criteria (CAT-A) – General. When any case results in a refund or credit greater than \$2 million (\$5 million for a C Corp), regardless of the issue, the case is referred to CAT-A Classification.

Note: Joint Committee criteria does not apply to Employment Tax returns or refundable credits.

- (2) All refunds from source years open with respect to the statute of limitations need to be considered in determining the jurisdictional amount. For example, if tentative refunds added together exceed \$2 million (\$5 million for C Corporations), both the source years and tentative refund years will be reported. This is true if none, one, or all, of the separate tentative refunds exceed \$2 million (\$5 million for C Corporations).
- (3) Classifiers must be aware that refunds meeting Joint Committee criteria require special processing. Generally, IRC 6405 requires the submission of reports by the IRS to the Joint Committee on Taxation.
- (4) Classifiers will select all Joint Committee cases.

Note: Joint Committee cases will be opened with Project Code 0077 on AIMS and delivered to Area PSPs based on the taxpayer's location and BOD.

- (5) LB&I provides support to SB/SE, TEGE and LB&I for the Joint Committee Review (JCR) program and oversees the preparation of the report sent to the Joint Committee for all agreed, partially agreed, no-change, and surveyed cases meeting Joint Committee criteria. Reference IRM 4.36, Joint Committee Procedures.

4.19.11.5.4
(12-22-2023)
Automated Underreporter (AUR) Technical Advice and CAT-A Referrals

- (1) Exam will monitor for incoming Automated Underreporter (AUR) technical advice and CAT-A referrals daily. Referrals will be received physically from co-located sites and via EEFax inbox from non-co-located sites. Incoming referrals will contain: a fax cover sheet (if applicable), an AUR/Examination CAT-A Referral Form, AUR case contents (including a copy of the last CP 2000 or CP 2501 Notice), and the document the taxpayer submitted.
- (2) Exam Classification will review the referral to determine if the expenses are allowable or if the case meets audit criteria within 15 calendar days of receipt.
- (3) Exam Classification will work AUR referrals from the aligned SBSE Exam site(s) as outlined below.

If case originates in	referral will be delivered via	to Exam Classification in
Ogden (co-located)	Local procedures to hand-deliver or EEFax	Ogden
Fresno	EEFax 855-244-3572	Ogden
Brookhaven (co-located)	local procedures to hand-deliver or EEFax	Brookhaven
Andover	EEFax 855-241-0446	Brookhaven
Atlanta & Austin	EEFax 855-887-7739	Cincinnati
Philadelphia (co-located)	Local procedures to hand-deliver or email *SBSE IMF CLASSIFICATIONS PSC REROUTES	Memphis/Philadelphia

- (4) If Classification determines the referral will be **selected for audit**:
- Classification will send the AUR coordinator an email stating Exam is selecting the case and AUR can close their controls (email title "Selected - Close AUR Controls").
 - Exam Case Building will open AIMS prior to routing to the correspondence Exam area and/or Field PSP.
 - Utilize project code 1504, AUR Amended Returns/A-CIS Priority - Miscellaneous Referrals Discretionary.
- (5) If Classification determines the referral will be **accepted as filed**:
- Classification will send the AUR coordinator an email stating the Form 1040X can be accepted as filed (email title "Accepted as Filed").
- (6) If Classification determines the additional expense is not allowable by law:
- Exam will send the AUR coordinator an email stating the expense is **not allowable** and provide a standard paragraph that can be sent to the taxpayer explaining why it is not allowable (email title "Not Allowable").

4.19.11.5.5
(12-22-2023)
DIF Scored Returns

- (1) The DIF system is used to evaluate the examination potential of:
- All individual returns
 - All Form 1120 returns for those corporations with assets of less than \$10 million
 - S Corporations
 - Partnership returns

4.19.11.5.5.1
(12-22-2023)
Review of the Entire DIF Return

- (1) Regardless of the type or class of return being classified/screened, you must first review the return in its entirety. This is important in that it:
- Provides a complete overview of the total return.

- b. Establishes the interrelationship of the various income, expense, and credit items on the return.
 - c. Puts the classifier in a position to evaluate each item as to its significance.
 - d. Provides an opportunity to quickly eliminate items or areas of the return with minimum or no examination potential.
- (2) Remember that the DIF score indicates the overall tax change potential of the return as a whole.
- Do not assume any single item on a return caused the return to receive a high DIF score.
 - The absence of any item(s) may have been equally important in the scoring process.
 - In other words, the significant items that the classifier identifies may or may not have been scored.
- (3) Give equal consideration to items that would result in potential over assessments.
- (4) Classifiers need to be aware of the following:

If	Then
The classifier identifies a relationship with the taxpayer which may create a potential conflict of interest	Immediately alert management.
The classifier is unfamiliar with the type of return, or industry, or potential issues	Alert management.
Frivolous filings are identified (See IRM 25.25.10, Frivolous Return Program)	<ul style="list-style-type: none"> • Refer to Ogden, Attn: FRP M/S 4450 (MAIN), 1973 N Rulon White Blvd., Ogden, UT 84404, or • Coordinate with the campus Frivolous Return Preparer (FRP) Coordinator.
Questionable returns which indicate fraudulent refund schemes are identified	Report them to: <ul style="list-style-type: none"> • QRDT (Questionable Refund Detection Team) at the Campus. <p>Note: See IRM 4.19.10.5, Questionable Refunds, for additional information.</p>
A return preparer scheme may be identified if a pattern of non-compliant issues appear on 3 or more original or amended returns.	See IRM 4.19.10.6, Return Preparer Scheme Identification, for additional information.

If	Then
The return has international issues . See IRM 21.8.2.2.12, Examination Criteria for International criteria.	Refer to an International Examiner.

(5) All returns are identified for assignment to:

- A Revenue Agent (RA),
- A Tax Compliance Officer (TCO), or
- A Correspondence Tax Examiner (TE).

(6) Assignment is based upon:

- The complexity of the issues involved,
- The degree of accounting and auditing skills required to conduct a quality examination,
- The degree of tax law knowledge required, and
- Whether the issue can effectively be examined by correspondence.

(7) Give priority treatment to early expiration returns.

- These are returns with 13 months or less remaining on the assessment statute that are received in Classification. See IRM 4.4.34, AIMS Procedures and Processing Instructions, Updating/Correcting AIMS Data Base, for transfer-out time frames and conditions for updating to an alpha code.
- The returns are immediately classified.
- If a return is selected for examination, it must be enclosed in a red file folder and Form 895, Notice of Statute Expiration, prepared.

(8) During the classification process:

- The scope of the examination is determined for all TCO and TE returns , and
- For designated RA returns.

Note: The scope can be changed by TCOs and RAs.

4.19.11.5.5.2
(12-22-2023)

Non-DIF Scored Returns

(1) The following are returns that do not receive a DIF score.

- a. Returns not processed as an original return
- b. Claims
- d. Miscellaneous Corporate Returns. See IRM 4.1.2.7.3, Miscellaneous Corporation Returns

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(2) Returns that bypass the automatic DIF scoring are referred to Campus Classification when Exam criteria is met. See IRM 21.5.2.4.23.6, Discriminant Index Function (DIF) SCORE or CLASSIFICATION Send Return(s) to Examination for Review.

4.19.11.5.6
(12-22-2023)

Section 761(a)
Partnership Returns

- (1) A Section 761(a) partnership return is an unincorporated organization which qualifies under IRC 761(a) as:

- an investing partnership, or
- is participating in the joint production, extraction, or use of property under an operating agreement.

A qualifying partnership may elect under IRC 761(a) to be excluded from treatment as a partnership. (See Regulation 1.761-2.)

- (2) Additional processing information and Exam criteria can be found in the following:

- IRM 3.12.15.2.14.1.2, IRC 761(a) Return/Election
- IRM 3.11.15.5.6.1, IRC 761(a) Returns
- IRM 21.8.4.4.12.7.1, IRC 761 Partnerships

- (3) For the first year for which it wants the exclusion, the unincorporated organization should make the election in a statement attached to the Form 1065, U.S. Partnership Return of Income.

- (4) Submission Processing (SP) suspends processing 761(a) elections until a review is made by Classification .

- (5) Classification will review returns that are identified as potential IRC 761(a) elections. Classification is responsible for making classifiers available to Code and Edit in SP to determine if IRC 761(a) elections will be accepted or rejected before processing is completed.

- (6) If the classifier determines missing information needs to be obtained to validate the IRC 761(a) election:

- The classifier instructs Code & Edit to send Letter 1355C, Partnership Return Incomplete for Processing Form 1065 providing the applicable paragraphs, and
- Suspends the return for 45 days. If a response is not received timely the election will be rejected.

- (7) Phone inquires and technical responses by taxpayers on the aforementioned letters are also directed to Classification.

- (8) Classifiers of IRC Sec. 761(a) elections should have experience in tax shelters.

- (9) Classifiers reject elections that are determined to be invalid. Valid elections are accepted as filed.

- (10) After a determination is made on an IRC 761(a) election, SP processes the return as follows:

- a. Elections accepted are handled as a short return.
- b. Elections rejected are processed as regular returns.
- c. Elections selected for examination will be processed with an Audit Code 1.

- (11) Returns selected for examination are forwarded to their respective area offices.

4.19.11.5.7
(12-22-2023)

Abatement of Interest

- (1) The taxpayer may request abatement of interest due to an error or delay in the performance of a ministerial/managerial act.
 - The IRS has the authority to abate interest in cases where the additional interest was caused by IRS errors or delays, per 6404(e). See IRM 20.2.7.5, Unreasonable Error or Delay in Performing a Ministerial or Managerial Act- IRC 6404(e)(1).
 - However, the IRS may act only if there was an error or delay in performing either a ministerial act or a managerial act (including loss of records by the IRS, transfers of IRS personnel, extended illness, extended personnel training or extended leave) and only if the abatement relates to a tax of the type for which a notice of deficiency is required.
 - Such taxes would be those relating to income, generation-skipping transfers, estate, gift and certain excise taxes, but not abatement of interest for employment taxes or other excise taxes.
- (2) The Accounts Management Operation at each campus generally receives requests for abatements of interest and determines which functional area is the source of the claimed error or delay. See IRM 21.5.2.4.10.1, Ministerial/ Managerial Interest Abatement. Accounts Management will:
 - Obtain the administrative file,
 - Current transcripts and
 - Route the file to the Interest Abatement Coordinator (IAC) in that functional area.
- (3) Accounts Management will forward claims originating in Customer Account Services (CAS) to Examination as technical advice requests. Examination will review and return them with a recommendation whether to allow or disallow the claims.
- (4) Interest abatement claims may also be received directly in Examination either in the processing of an examination program, or in a prior examination reconsideration request.
 - a. If the interest abatement claim/request is received during the examination process, it should be forwarded to the IAC before the issuance of the statutory notice of deficiency and/or closing of the case.
 - b. Correspondence examiners should initially screen the interest abatement claim for validity.

Reminder: The Internal Revenue Service does not have the authority to abate interest charges due to reasonable cause, on the part of the taxpayer, for underpayment of taxes.
 - c. If there is any question regarding the validity of the interest abatement claim, it should be forwarded to the IAC in the Campus Examination Operation.
- (5) See IRM 20.2.7.5, IRC 6404(e)(1), Unreasonable Error or Delay in Performing a Ministerial or Managerial Act, for additional information.

4.19.11.5.8
(12-22-2023)
**Form 8697, Look Back
Interest**

- (1) Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, is required for each year after February 28, 1986, when a taxpayer completes a long-term contract that was accounted for using either the percentage of completion method or the percentage of completion - capitalized cost method for Federal income tax purposes.
- (2) Form 8697 is required for any tax year in which the contract price or contract costs are adjusted for one or more of these long-term contracts from a prior year. See IRM 20.2.11.12, Look-Back Interest, and IRM 20.1.3.2.6, Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, for additional information.
- (3) Refer to IRM 21.7.4.4.20, Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts and IRM 21.7.12.5.8, Form 8697 - Interest Computation Under the Look-Back Method for Completed Long-Term Contracts Overview, for additional information.

4.19.11.5.8.1
(12-22-2023)
**Form 8697 General
Procedures**

- (1) When a Form 8697 meets CAT-A criteria, as outlined in IRM 21.5.3-2, Examination Criteria (CAT-A) – General, Accounts Management (AM) forwards the case to Classification.
- (2) Classification reviews the Form 8697 for completeness and accuracy. If errors are found, the Exam Operation will correspond to the taxpayer explaining what information is needed and advise them to return the completed form.
- (3) If the refund varies more than \$50 from an amount computed by the closing unit, the case is returned to the classifier for resolution.
 - a. If the correct amount is more than the amount claimed by the taxpayer, allow the additional amount and prepare a Form 3198, Special Handling Notice, with processing instructions.
 - b. If the correct amount is less than the amount requested by the taxpayer, the Exam Operation will issue a partial refund and send Letter 106C, Claim Partially Disallowed.

4.19.11.5.9
(12-22-2023)
**Unlawful Returns-Joint
Filed Returns**

- (1) Claims contending the taxpayer's signature was forged or they were not legally married may be referred to campus classification by Accounts Management (AM). See IRM 21.6.1.5.7, Married Filing Joint or Married Filing Separate is Invalid or Filed with Incorrect Status, for exam referral criteria.
- (2) Allow claims based on unlawful filings where the marriage was not valid if the following is present:
 - a. verification, such as court documents, showing the marriage was not valid for the tax period involved, and
 - b. proper allocation of all return income, credits, and payments is provided.
- (3) In accordance with IRC 6064, the taxpayer must prove that they did not intend to file jointly and that the signature was forged. If the claim cannot be allowed, follow selection criteria for field and campus exam for audit referrals. Classifiers should be alert to indications of identity theft on the account. Suspected Identity Theft Category A claim referrals should be returned back to Accounts Management for research and processing as outlined in IRM 25.23, Identity

Protection Program. The following subsection contains procedures on identity theft accounts. IRM 4.19.15.37, Multiple Filers, provides guidance for Correspondence exam to process the claim.

- (4) Generally, AM will attempt to secure the return before referring to Classification, but there are situations where Classification may receive the case without the return. See IRM 21.6.7.4.4.1, TRNS36 - Control, for additional information.

4.19.11.6
(12-22-2023)
International Support

- (1) Accounts Management (AM) processes Foreign Tax Credit claims according to IRM 21.8.1.4, Foreign Tax Credit (Form 1116).
- (2) AM determines which cases are defined as International in Account Management Services (AMS) Correspondence Imaging Inventory System (CII). See IRM 3.12.2.3.7, International Returns.
- (3) Campus Classification provides support to LB&I by reviewing both IMF and BMF International claims meeting CAT-A criteria. See IRM 21.8.2.2.12, Examination Criteria.

4.19.11.6.1
(12-22-2023)
**Form 1120-F, U.S.
Income Tax Return of a
Foreign Corporation**

- (1) Every foreign corporation that is engaged in trade or business in the United States or is subject to tax under Subtitle A of the Internal Revenue Code must file a Form 1120-F, U.S. Income Tax Return of a Foreign Corporation. However, a foreign corporation which at no time during the taxable year is engaged in a trade or business in the United States is not required to file a return for the taxable year if its tax liability for the taxable year is fully satisfied by the withholding taxed at the source under chapter 3 of the Code.
- (2) If required to file a return, a foreign corporation that has no gross income for the taxable year is not required to complete the return schedules but:
 - must attach a statement to the return indicating the nature of any exclusions claimed, and
 - the amount of such exclusions to the extent such amounts are readily determinable.
- (3) Form 1120-F returns are filed at the Ogden Campus.
- (4) See IRM 21.8.2.2.12, Examination Criteria, for claims and examination referral issues. Amendments to Form 1120-F are forwarded to Ogden and Cincinnati campuses for classification.

4.19.11.6.2
(12-22-2023)
**Form 1120 IC-DISC,
Interest Charge
Domestic International
Sales Corporation**

- (1) Form 1120-IC-DISC, Interest Charge Domestic International Sales Corporation Return, is an informational return and is filed by a domestic corporation that has elected to be treated as an Interest Charge Domestic International Sales Corporation (IC-DISC) and has satisfied the requirements under IRC 992. It is also filed by a domestic corporation that is a former DISC or former IC-DISC. Generally, an IC-DISC is not taxed on its income. Shareholders of an IC-DISC are taxed on its income when the income is actually (or deemed) distributed. See IRM 21.7.4.4.4.11.6, Form 1120-IC-DISC, Interest Charge Domestic International Sales Corporation Return for additional information.
- (2) A 1120-IC-DISC is required to make an election using Form 4876-A, Election To Be Treated as an IC-DISC, in order for it to be treated as an IC-DISC. Form 4876-A must be filed within 90 days after the beginning of the tax year if it is

the taxpayer's first tax year. For any tax year other than the taxpayer's first tax year, the election must be made during the 90 days preceding the first day of that tax year. If the election is not timely filed, then the corporation must file the appropriate corporate (or other) return and pay income tax.

- (3) The Form 4876-A election determination is made by Kansas City Submission Processing (SP). A **data file** is kept by Code and Edit during the processing of these forms. For additional information see IRM 3.11.16.41.1, Form 4876-A and Form 1120-IC-DISC "Data File."
- (4) Generally 1120-IC-DISC are not subject to tax.
- (5) However, the shareholders of an IC-DISC are:
 - taxed on distributions from the IC-DISC, and
 - pay an interest charge with respect to any such tax that is deferred.
- (6) If a corporation files as an IC-DISC but does not qualify as an IC-DISC Kansas City SP initiates correspondence to notify and explain to the corporation why it does not qualify as an IC-DISC. See IRM 3.11.16.42.2, Ineligible Filers.

4.19.11.6.3
(12-22-2023)
**Form 926, Return by a
U.S. Transferor of
Property to a Foreign
Corporation**

- (1) The Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation, is filed for transfers made after August 4, 1997. These forms are considered information returns, and must be filed with the U.S. Transferor's annual tax return for the tax year that includes the date of transfer.
- (2) Returns processed by Submission Processing with Form 926 attached are identified with audit codes. See IRM 3.12.2-5, Audit Codes, and IRM 3.11.3-3, Audit Codes.
- (3) Claims filed with a Form 926 are considered Examination International Category A (CAT-A) criteria and are classified by an LB&I International Examiner. See IRM 21.8.1.2.10, Examination Criteria CAT-A International.

4.19.11.7
(12-22-2023)
**Cross-functional CAT-A
Inventory**

- (1) Claims are received and stored in the Account Management Services (AMS) Correspondence Imaging Inventory System (CII). When an Accounts Management (AM) or Submission Processing (SP) assistants identify Category A (CAT-A) criteria they refer the claim to Exam Classification using the "2CATA" suspense option in CII, which systemically reassigns the IDRS control base to the co-located Campus Exam Classification IDRS number. See Exhibit 4.19.11-2, Campus Exam Classification Unit IDRS Numbers. The original CII case is moved to the AM/SP assistant's CII Suspense Folder and a copy of the CII case (with limited functionality enabled) is transferred to the co-located CAT-A inventory queue in CII.
- (2) The restructuring of the IRS resulted in numerous work types moving to new service centers. Since work is referred to Classification based on the co-location of the AM/SP site, and not based on the work type, Classification has no control over what work types are received in each site's Classification inventory.
- (3) AM does not separate its inventory by BOD or by the same work types that Exam does. Since referrals are received in CII based on co-location, SB/SE often receives work types that cannot be worked in SB/SE, which forces SB/SE to hold inventory for other BODs, including LB&I and TE/GE. Until

systemic corrections can be implemented, and to the extent possible, SB/SE will avoid holding inventory in teams that are not responsible for the work type received.

4.19.11.7.1
(12-22-2023)
**Administrative
Adjustment Request
(AAR) and Bipartisan
Budget Act (BBA)**

- (1) From 2019 to 2022 SB/SE held Bipartisan Budget Act (BBA) cases in their Correspondence Imaging Inventory (CII) System inventory under HQ Reserved Code 15, pending review by LB&I.
- (2) SB/SE CAT-A classifiers will not classify BBA returns, invalid BBA Administrative Adjustment Requests (AAR), or imputed underpayment penalty issues. These issues must be worked in LB&I.
- (3) SB/SE CAT-A Classification will only classify Form 1065 when it is determined the taxpayer has followed required procedures to properly opt out of BBA.

Note: SB/SE CAT-A classifiers will not take actions that contradict tax law, form instructions, and/or established IRM procedures, especially when making BBA statute determinations.

- (4) If a taxpayer has not properly elected out of BBA (based on incorrect filing or other indicators), reject the case back to AM as “Not CAT-A” and explain it is a BBA return because the taxpayer did not properly elect out of BBA and the case needs to be sent to BBA per IRM 21.7.4.4.2.9, Form 1065 and Form 1065X, Amended Return, Administrative Adjustment Request (AAR) and Bipartisan Budget Act (BBA).
- (5) Related resources:
 - IRM 4.31.4, TEFRA Administrative Adjustment Requests (AAR)
 - IRM 4.31.9, Centralized Partnership Audit Regime (BBA) Field Examination Procedures
 - IRM 21.5.3-2, Examination Criteria (CAT-A)-General
 - IRM 21.7.4.4.2.9, Form 1065 and Form 1065X, Amended Return, Administrative Adjustment Request (AAR) and Bipartisan Budget Act (BBA)

4.19.11.7.2
(12-22-2023)
LB&I CAT-A Inventory

- (1) SB/SE holds Large Business & International (LB&I) cases in their Accounts Management System (AMS) Correspondence Imaging Inventory (CII) system inventory under referral reason “HQ Reserved 3” and “HQ Reserved 5,” pending review by LB&I.
- (2) SB/SE Classification will not work any of the LB&I inventory housed in CII CAT-A queues under referral reason “HQ Reserved 3” and “HQ Reserved 5.”

4.19.11.7.3
(12-22-2023)
TE/GE CAT-A Inventory

- (1) SB/SE holds Tax Exempt/Government Entities (TE/GE) cases in their Accounts Management System (AMS) Correspondence Imaging Inventory (CII) system inventory under referral reason “HQ Reserved 18”, pending review by TE/GE.
- (2) TE/GE claims are identified by BOD “TE” on IDRS. TE/GE claims must be referred under “HQ Reserved 18.” See IRM 21.5.3-2, Examination Criteria (CAT-A)-General.

Note: TE/GE claims may also be found under any referral reason, including incorrect referral reasons. They are commonly referred under: "FICA Med/Dent/Student", "Other", and "HQ Reserved 10."

- (3) SB/SE Classification will not work any of the TE/GE inventory housed in CII CAT-A queues.

4.19.11.7.4

(12-22-2023)

SB/SE Employment Tax CAT-A Inventory

- (1) SB/SE holds SB/SE Employment Tax (ET) cases in their Accounts Management System (AMS) Correspondence Imaging Inventory (CII) system inventory under referral reason "HQ Reserved 10", pending review by SB/SE ET classifiers.
- (2) "HQ Reserved 10" claims typically involve high dollar net tax and refundable credit changes on an amended Employment Tax return. See IRM 21.5.3-2, Examination Criteria (CAT A)-General
- (3) SB/SE Classification will not work any of the SB/SE ET inventory housed in AMS CII CAT-A queues.

Exhibit 4.19.11-1 (12-22-2023)
CII CAT-A HQ Reserved Codes

HQ Reserved Code	Description
HQ Reserved 1	<ul style="list-style-type: none"> Currently unused Previously used for TAS OARs, prior to CII including a primary referral reason "OARs" Previously used for Black Liquor (Cellulosic Biofuel) claim
HQ Reserved 2	<ul style="list-style-type: none"> IMF only Adoption Credit claims
HQ Reserved 3	<ul style="list-style-type: none"> IMF usage: First Time Home Buyer Credit (FTHBC) BMF usage: Domestic Production Activities Deduction (DPAD)
HQ Reserved 4	<ul style="list-style-type: none"> BMF only Worker Classification: Refund/abatement requests of prior audit assessments of employment taxes involving worker classification Hiring Incentives to Restore Employment (HIRE) Act COBRA Premium Assistance payments claimed on any Form 94XX series return
HQ Reserved 5	<ul style="list-style-type: none"> Worked only by LB&I classifiers BMF only Research credits reported on Form 6765, when the taxpayer's BOD is LB&I Combination Carryback Claims (RINTS) Involving Research Credits Certain IRC 847 Insurance Company Claims Carryback refund claims (Forms 1120-X) from financial institutions in receivership Insolvent Financial Institutions / Failed Savings and Loans or Bank Type Entity Adjustments (RTCs/FDICs) Certain Orphan Drug Credit claims
HQ Reserved 6	<ul style="list-style-type: none"> DIF Score criteria: See IRM 21.5.2.4.23.6, Discriminant Index Function ((DIF) SCORE or CLASSIFICATION "Send Return(s) to Examination for Review" DIF Score criteria exists for both IMF and BMF returns
HQ Reserved 7	Bundled Claims, see IRM 4.19.11.4.4, Statute Considerations.
HQ Reserved 8	Currently unused
HQ Reserved 9	Currently unused

Exhibit 4.19.11-1 (Cont. 1) (12-22-2023)
CII CAT-A HQ Reserved Codes

HQ Reserved Code	Description
HQ Reserved 10	<ul style="list-style-type: none"> • Worked only by SB/SE Employment Tax classifiers • BMF only
HQ Reserved 11	<ul style="list-style-type: none"> • Currently unused • Previously used for ACA Texas vs. U.S. protective claims
HQ Reserved 12	Currently unused
HQ Reserved 13	<ul style="list-style-type: none"> • Worked only by SB/SE BMF Classifiers • IMF only • Research credits reported on Form 6765
HQ Reserved 14	Currently unused
HQ Reserved 15	<ul style="list-style-type: none"> • Currently unused • Previously used for Bipartisan Budget Act of 2015 (BBA) – TEFRA claims
HQ Reserved 16	Currently unused
HQ Reserved 17	Currently unused
HQ Reserved 18	<ul style="list-style-type: none"> • Worked only by TE/GE Classifiers • Used when the taxpayer's BOD code is "TE" regardless of the issue
HQ Reserved 19	IRC 199(a) Qualified Business Income Deductions (QBID)

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Exhibit 4.19.11-2 (12-22-2023)**Campus Exam Classification Unit IDRS Numbers**

BOD	Campus	Classification Unit IDRS Number
W&I	Andover	08607
W&I	Atlanta	07609
W&I	Austin	06634
SB/SE	Brookhaven	01785
SB/SE	Cincinnati	02609
W&I	Fresno	10609
W&I	Kansas City	09621
SB/SE	Memphis	03607
SB/SE	Ogden	04607
SB/SE	Philadelphia	05606

