



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

4.24.5

APRIL 16, 2024

## EFFECTIVE DATE

(04-16-2024)

## PURPOSE

- (1) This transmits a revision to IRM 4.24.5, Excise Tax, Large Business and International (LB&I) Examination Program Procedures for Excise Employees.

## MATERIAL CHANGES

- (1) This IRM section has been updated.
- (2) The table below identifies the significant changes in content.

Number	Subsection	Description of Change
1	IRM 4.24.5.1.3, Responsibilities and Roles	Incorporated guidance from IGM SB/SE 04-0623-0017, Excise Examination of Indian Tribal Governments, dated June 2, 2023, that provides notice Excise Tax Examination has jurisdiction over all non-wagering excise tax issues related to Indian Tribal Governments.
2	IRM Exhibit 4.24.5-2, Acronyms and Definitions	Added ITG and TE/GE.

- (3) Editorial changes, such as updates to IRM section references, citations, and websites have been made. Revisions to improve the content for plain language, active voice, and reorganize the same content so it is more cohesive, current, and accurate have also been made.

## EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 4.24.5 dated January 18, 2023. Incorporated Interim Guidance Memorandum (IGM) SB/SE 04-0623-0017, Excise Examination of Indian Tribal Governments (ITGs), dated June 2, 2023.

## AUDIENCE

This IRM section is for Small Business/Self Employed (SB/SE) revenue agents and fuel compliance agents (excise examiners), excise tax managers (excise managers), and personnel at Campus Exam/Automated Under Reporter Cincinnati (CEAC) who process excise tax returns (excise returns), excise tax refunds (excise refunds), and excise tax claims (excise claims) for LB&I taxpayers.

Daniel R. Lauer  
Director, HQ Exam



4.24.5

Large Business and International (LB&I) Examination Program Procedures for Excise Employees

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# Large Business and International (LB&I) Examination Program Procedures for Excise Employees 4.24.5

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## 4.24.5.1 (02-08-2019) Program Scope and Objectives

- (1) **General Overview** - This IRM section provides technical guidance and information processing steps necessary to prepare accurate excise tax examinations (excise examinations) with LB&I taxpayers unless otherwise noted in IRM 4.24, Excise Tax.
- (2) **Purpose** - This IRM section explains the procedures and updates related to the technical guidance and information processing steps and methods for LB&I taxpayers specific to excise returns, excise refunds, and excise claims.
- (3) **Audience** - This IRM section is for SB/SE excise managers, excise examiners, and personnel at CEAC who process LB&I taxpayers for excise returns, excise refunds, and excise claims.
- (4) **Policy Owner** - Director, Examination - Specialty Policy is responsible for the administration, procedures, and updates related to the technical guidance and information processing steps and methods for LB&I taxpayers specific to excise examinations.
- (5) **Program Owner** - Director, Examination - Specialty Examination owns Excise Tax Examination operations.
- (6) **Primary Stakeholders** - Appeals, Counsel, Field and Specialty Exam Quality (FSEQ), LB&I, and Specialty Examination are the primary stakeholders for this IRM section.

## 4.24.5.1.1 (02-08-2019) Background

- (1) Managers, senior management officials, excise examiners, and personnel at CEAC must understand and follow the technical guidance and information processes to ensure examinations of excise returns, excise refunds, and excise claims with LB&I taxpayers are accurately prepared and submitted.
- (2) Excise examinations are conducted by excise examiners located in field offices.

## 4.24.5.1.2 (01-18-2023) Authority

- (1) While not all inclusive, this table reflects many of the significant statutes affecting excise taxes with LB&I taxpayers.

Type of Excise Tax	Trust Fund	IRC
Air Transportation of Persons and Property	Airport and Airways Air Transportation	4261-4263, 4271-4272, 4281-4282, 4291, 6672, 7501, 6415
Coal	Black Lung Disability	4121
Communications	General	4251-4254, 4291, 6672, 7501
Foreign Insurance	General	4371-4374
Hazardous Chemicals	Hazardous Substance Superfund	4661-4662, 4671-4672
Heavy Highway Vehicle Use	Highway	4481-4483
Leaking Underground Storage Tank	Leaking Underground Storage Tank	4041, 4042, 4081

Type of Excise Tax	Trust Fund	IRC
Oil Spill	Oil Spill Liability	4611, 4612
Ozone Depleting Chemicals	General	4681-4682
Patients-Centered Outcomes Research Institute (fee)	Patients-Centered Outcomes Research Trust Fund	4375-4377
Retail Truck	Highway	4051-4053, 4221-4222
Repurchase of Corporate Stock	General	4501
Tax on Fuels (gasoline, diesel fuel, kerosene, other fuels)	Highway, Airport and Airway	4041, 4043, 4081-4083, 4101-4105
Tires	Highway	4071-4073, 4221-4222

**Note:** The Repurchase of Corporate Stock excise tax is effective January 1, 2023.

#### 4.24.5.1.3 (04-16-2024)

##### **Responsibilities and Roles**

- (1) Overall responsibility for examining corporations, Sub chapter S corporations and partnerships with assets greater than \$10 million is assigned to LB&I. These businesses typically employ large numbers of employees, deal with complicated tax law issues, as well as sophisticated accounting principles, and conduct business in an expanding global environment. Excise Tax Policy is responsible for developing additional guidance or reference materials for its specific functional administrative needs as they apply to excise examinations for LB&I taxpayers. Such material must remain consistent with LB&I policies and general procedural requirements.
- (2) Director, Examination - Specialty Policy is responsible for Excise Tax Examination policy and procedures.
- (3) Director, Examination - Specialty Examination is responsible for operational examination compliance activities.
- (4) Chief, Estate & Gift/Excise Tax Exam is responsible for ensuring that approved policies and procedures specific to Excise Tax Examination are communicated to and carried out by excise examiners.
- (5) Excise Tax Examination has jurisdiction over all non-wagering excise tax issues related to Indian Tribal Governments (ITGs). Tax Exempt & Government Entities (TE/GE) ITG has jurisdiction for all wagering excise tax issues relating to ITGs. Refer to IRM 4.24.6.2.14, Excise Examinations of Indian Tribal Government Cases, for procedures to follow on ITG cases.
- (6) Excise examiners are expected to collaborate and perform their professional responsibilities supporting the LB&I team. To achieve this, excise examiners work with the team members and taxpayer personnel who have knowledge of the issues and can most effectively assist in developing and managing excise tax examinations for LB&I taxpayers. For more detailed guidance, refer to IRM 4.46.1.2, Overview of the LB&I Examination Process.

4.24.5.1.4

(02-08-2019)

**Program Objectives and Review**

- (1) **Program Goals** - The program goals provided in this IRM section are designed to increase compliance with excise tax laws by applying them with integrity and fairness, as well as by providing taxpayers top quality post-filing services for excise taxes administered by SB/SE.
- (2) **Program Reports** - Information reporting of program objectives are included on Program Manager Monthly Briefings provided to Director, Examination - Specialty Policy.
- (3) **Program Effectiveness** - FSEQ uses National Quality Review System to measure program effectiveness based on independent case reviews from a sample of examination work. National, area, and territory trend analysis on the quality attributes are used to establish baselines to assess program performance, identify opportunities to improve work processes, analyze causes for failure, assess the feasibility of possible solutions, and measure the success of quality improvement efforts.
- (4) **Annual Review** - Program Manager - Excise Tax Policy is responsible for annually reviewing information in this IRM section to ensure accuracy and promote consistent tax administration.

4.24.5.1.5

(02-08-2019)

**Terms/Definitions/  
Acronyms**

- (1) Terms and their definitions used throughout this IRM section are listed in Exhibit 4.24.5-1.
- (2) Acronyms and their definitions used throughout this IRM section are listed in Exhibit 4.24.5-2.

4.24.5.1.6

(01-18-2023)

**Related Resources**

- (1) The IRM sections described below are the primary sources of information for excise examiners, excise managers, and personnel at CEAC who process excise examinations with LB&I taxpayers. Together this material forms the operating rules and explains the responsibilities for excise tax audit procedures used in the audit of an LB&I taxpayer.
  - a. IRM 4.24.6, Technical Guidance and Information Processing for Excise Tax Examination Issues - This IRM section provides the procedures and technical guidance specific to excise returns, excise refunds, and excise claims.
  - b. IRM 4.24.8, Examination Guidance for Excise Claims for Refund or Abatement - This IRM section provides general guidelines and report writing procedures for excise examiners and other IRS personnel who process claims for refund or credit.
  - c. IRM 4.24.20, Excise Tax Report Writing Guide - This IRM section provides the procedures for the preparation of excise reports.
  - d. IRM 4.24.25, Issue Management System (IMS), Notebook and Workpapers - This IRM section provides instructions for the mandatory use of IMS and Notebook, as well as the preparation of workpapers that support accurate excise examination reports.
  - e. IRM 4.46.1, General Information and Definitions - This IRM section defines the overall LB&I Examination Process (LEP), including roles and responsibilities, collaboration and communication, and the definitions of terms related to the LEP.

- f. IRM 4.46.3, Planning the Examination - This IRM section describes the planning phase of the LEP. This section also provides guidance and technical information on international referral criteria and procedures.
- g. IRM 4.46.4, Executing the Examination - This IRM section describes the execution phase of the LEP. Specifically, IRM 4.46.4 describes the process to implement audit steps, establishes policies and procedures to gather information, research federal law and issue Notices of Proposed Adjustment, establishes policies and procedures for the application of Economic Substance Doctrine and penalties, establishes procedures for Information Document Request (IDR) enforcement process, provides guidelines for monitoring and managing cases, provides guidelines for monitoring and developing issues, and provides guidelines for issuing an Acknowledgment of Facts (AOF) IDR for potentially unagreed issues.
- h. IRM 4.46.5, Resolving the Examination - This IRM section defines the resolution phase within the LEP, including roles and responsibilities, collaboration, and communication.
- i. IRM 4.46.6, Workpapers and Reports Resources - This IRM section provides guidelines for the development of workpaper content and organization, as well as preparation of audit findings for a completed report. These guidelines promote quality and consistency in examiner workpapers and reports. This IRM section also describes the electronic case files required in IMS.
- j. IRM 4.46.10, Outside Expert Program - This IRM section provides information for LB&I's Outside Expert Program. The guidelines and procedures described are designed to ensure proper procurement of outside expert services at the examination and Appeals levels.

- (2) Supplemental guidance that contains resources, job aids, and information for excise issues and cases, Form 637, Application for Registration (For Certain Excise Tax Activities), as well as the Fuel Compliance Program are housed at the *Excise Tax Knowledge Base Homepage*.
- (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. For more detailed guidance, refer to IRC 7803(a)(3) and the *Taxpayer Bill of Rights Website*.
- (4) Third-Party Contacts - The need to contact third parties should be considered early in the examination or as soon as the need arises. IRC 7602(c) provides that IRS personnel may not contact third parties with respect to the determination or collection of tax liability without providing advance notice to the taxpayer. IRS personnel are required to maintain a record of such contacts and provide taxpayers with this record upon request. For more detailed guidance, refer to IRM 4.46.3.4.1, Third Party Contacts.

4.24.5.2  
(01-18-2023)  
**Excise Examinations of  
LB&I Taxpayers**

- (1) An excise examination includes excise taxes filed on Form 720, Quarterly Federal Excise Tax Return, Form 720-X, Amended Quarterly Federal Excise Tax Return, Form 2290, Heavy Highway Vehicle Use Return, as well as claims for refund filed on Form 8849, Claim for Refund of Excise Taxes, and Form 720, Schedule C.
- (2) Excise examinations of LB&I taxpayers fall into two categories, Large Corporate Compliance (LCC) or an Industry Case (IC). Integrated Data Retrieval System (IDRS) materials submitted in a case file issued for examina-



tion will include Command Code (CC) INOLES. The CC INOLES screen shot will indicate a Business Operating Division (BOD) Code. If "LM" is shown as the BOD Code, the case is under LB&I. If "LM" is present, the excise examiner should review CC AMDISA for the LCC indicator. If present, the case is an LCC case; if not present, it is an IC.

**Note:** Refer to *Exhibit 4.50.2-1*, Criteria for the Identification of Large Corporate Compliance Cases, for information on LCC case criteria.

- (3) Excise examinations of LB&I taxpayers include three types:
  - a. LCC examination using an LB&I team approach (Excise Tax and LB&I Income Tax are involved in the examination).
  - b. IC examination using an LB&I team approach (Excise Tax and LB&I Income Tax are involved in the examination).
  - c. LCC/IC stand-alone examination (only Excise Tax is involved in the examination).
- (4) If an IC or LCC taxpayer is not under active examination status with LB&I, the case will be worked as an LCC/IC stand-alone examination.
- (5) Excise examiners working LCC or IC examinations using an LB&I team approach should follow LB&I examination procedures explained under IRM 4.46, LB&I Examination Process. For more detailed guidance, refer to IRM 4.24.5.8.
- (6) Not all excise examinations are classified or tracked by Excise Case Selection - Workload Selection and Delivery (ECS-WSD). These cases include but are not limited to Form 637 reviews and excise claims. If the excise examination is associated with a Form 637 review, the excise examiner follows procedures under IRM 4.24.23, Operational Procedures and Responsibilities for Form 637 Excise Tax Registrations and Secure Airport Terminals (SATs). Excise claims selected by Campus for examination are sent to field groups. For general guidance on claims, refer to IRM 4.24.8.2, Overview of Claims. For additional guidance on claims for LB&I taxpayers, refer to IRM 4.24.5.8.
- (7) Certain LB&I taxpayers are in the Compliance Assurance Process (CAP). CAP is a method of identifying and resolving tax issues through open, cooperative and transparent interaction between the IRS and LB&I taxpayers prior to the filing of a return. Through CAP, taxpayers should achieve tax certainty sooner and with less administrative burden than conventional examinations. For more detailed guidance, refer to IRM 4.51.8.1, Program Scope and Objectives.

## 4.24.5.3 (01-18-2023) Excise Examinations - Specialist Referral System - Overview

- (1) LB&I requests the participation of excise examiners by making a referral through the Specialist Referral System (SRS) to ECS-WSD.

**Note:** This section discusses LB&I referrals to Excise Tax. However, a referral is not required to conduct an excise examination on an LB&I taxpayer. The excise examiner assigned an examination of an LB&I taxpayer with no referral should follow applicable procedures. For more detailed guidance, refer to IRM 4.24.5.8.

**Note:** Refer to IRM 4.10.2.7.5, Specialist Referrals, and IRM 4.24.6.9, Specialist Referral System (SRS), for more information.

- (2) The excise group manager must submit a request through Business Entitlement Access Request System (BEARS), to gain access to Issue Based Management Information System (IBMIS), which produces SRS reports, to receive an online SRS referral. The excise examiner must request access to SRS by submitting a request through BEARS, subject to managerial approval to receive an online SRS referral.
- (3) SRS is programmed to require an entry in the excise screen for the team coordinator. ECS-WSD and the excise manager coordinate the referral assignment. The case is assigned to the excise examiner via SRS.
- (4) Notification of the case assignment is received via secure email from "SRS Referral System@irs.gov." The communication provides a direct link to the SRS so that the excise examiner can retrieve the referral information. For more detailed guidance, refer to the Excise Tax Knowledge Base Homepage, Excise Examination Shelf, Other Examination Work and Referrals book, *Large Corporate Compliance (LCC) Taxpayers, formerly Coordinated Industry Case (CIC) Taxpayers page*.
- (5) The referral includes the following information:
  - Taxpayer name and address
  - Taxpayer Employer Identification Number (EIN)
  - Tax periods under examination
  - Estimated starting date and closing date of the income tax examination
  - Comments concerning excise taxes
  - Team name, team manager and contact telephone numbers
- (6) If an excise examiner receives a referral for a taxpayer with an open LB&I examination, the excise examiner should contact the Income Tax Team Coordinator or LB&I Team Manager (non-LCC cases) prior to making contact with the taxpayer.
- (7) Territory manager approval is required for any referral rejected due to resource limitations.

## 4.24.5.4

(01-18-2023)

**Case Selection****Considerations and MFT  
B5 Case Controls**

- (1) MFT B5 is an interim non-examination **consultation** phase prior to contact with the LB&I-referred taxpayer. ECS-WSD establishes the referral in Examination Return Controls System (ERCS) under MFT B5 at the time a referral is assigned to the field. If a claim or other examination periods are already controlled, the SRS referral and corresponding MFT B5 case controls will be sent to the excise manager assigned to the claim or other examination tax periods already controlled.
- (2) The following codes are used for all referrals in IMS:
  - Cycle Type Code: EX - LCC 598 Referral
  - MFT: B5
  - Return Type: Form 720
  - Source Code (SC): 99
  - Activity Code: 598
  - Tracking Code: 6418 (Excise LCC and CAP Referrals)
  - Tracking Code 6500 (Excise IC Referrals)
  - Tracking Code 6501 (Excise SB/SE Referrals)
  - Standard Audit Index Number: EX-598

- (3) ECS-WSD provides comprehensive internal information for each referral, such as CC AMDIS, CC AMDISA, transcripts, etc.
- (4) The receiving excise examiner places the referral in IMS. If a related entity was controlled and subsequently examined, that event must be documented in the MFT B5 case file.
- (5) All referrals are initially worked as “consultations.” For more detailed guidance, refer to IRM 4.24.5.6 for pre-contact case coordination.
- (6) A request for books and records constitutes actual examination time and would not be charged under Activity Code 598.
- (7) If a “consultation” subsequently warrants examination, the excise examiner is required to follow procedures of an active examination. Examination controls will be requested on the entity at that time.

## 4.24.5.5 (01-18-2023) Time Charges

- (1) All time spent in actual examination activities are charged to regular excise tax controls. Pre-examination activities, such as consulting, research, and review of company information, are charged to Activity Code 598. All Activity Code 598 time is recorded on Form 9984, Examining Officer’s Activity Record.
- (2) Generally, MFT B5 “consultation” time should not exceed 24 hours without managerial approval, which allows for travel time, conferences, etc..
- (3) Once the first IDR requesting books and records is issued or work is performed on a specific issue, regular excise tax controls are requested and used.
- (4) Master File (MF) controls using Substitute for Return (SFR) procedures may be used when the taxpayer has not filed a Form 720, Quarterly Federal Excise Tax Return, and Form 720 taxes are under examination. Refer to IRM 4.24.6.6, Establishing Substitute for Return Controls on Non-Filer Cases, for the appropriate SFR procedures.
- (5) There is a need to document the EOAR when gaps occur in audit activity that exceed the recommended national timeframes for taking actions. Refer to IRM 4.24.21.3, Excise Tax Case Closing Timeframes, that provides a general overview for expectations for excise examiners.

## 4.24.5.6 (01-18-2023) Pre-Contact Case Coordination

- (1) Within 30 days after the SRS referral is received from the excise manager, the excise examiner is to contact the team coordinator. During the contact, the excise examiner:
  - a. Obtains information concerning the business operations of the taxpayer, including its subsidiaries.
  - b. Focuses special attention on the business activities of the taxpayer and its subsidiaries, which have excise tax potential.
  - c. Coordinates dates of the planning and opening meetings and on-site visits to the taxpayer.
  - d. Discusses the time commitment or number of days allocated to the excise tax issues, which helps determine the LCC examination plan.
  - e. Obtains a list of the other assigned specialists and the information located on-site, which is useful in pre-examination activities.

4.24.5.6.1  
(01-18-2023)

**Pre-Contact Information:  
Sources, Analysis and  
Review Procedures**

- (1) A Pre-Contact Analysis involves gathering sufficiently detailed information, both external and internal, about the taxpayer and its entire operations. The excise examiner reviews and analyzes this information to plan the examination and more efficiently deploy resources.
- (2) The excise examiner will document in the workpapers those actions taken to determine which excise taxes were considered in the examination planning process of the taxpayer or its subsidiaries.
- (3) The excise examiner should consider all excise taxes in the pre-planning of each LCC case. Refer to IRM 4.24.5.1.2 for a listing of excise taxes and applicable statutes. Excise taxes that are frequently present in LCC cases include, but are not limited to the following:
  - a. Ozone Depleting Chemicals and Imported Products - IRC 4681(b)(1) and IRC 4681(b)(2)
  - b. Premiums paid to Foreign Insurers - IRC 4371
  - c. Transportation of Persons by Air - IRC 4261
  - d. Tax on Fuels (gasoline, diesel fuel, kerosene, other fuels) - IRC 4041 and IRC 4081

**Note:** Fuel claims allowed under IRC 34 are processed on Form 4136, Credit for Federal Tax Paid on Fuel. Any proposed adjustment(s) will be made by LB&I Income Tax with guidance from the excise examiner.
- (4) Sources of pre-contact analysis information may be gathered from, but are not limited to, the following activities:
  - a. Review information contained in the case historical file from prior excise tax examinations. Information concerning the findings and resolutions of the case may be helpful in expanding or contracting the examination plan based on the facts and circumstances.
  - b. Request transcripts for all entities related to the taxpayer. From the transcripts, determine the filing status, the amount, and the types of excise taxes filed by each entity, as well as whether statutes are imminent.
  - c. Internet research may be used to identify domestic and international manufacturing, as well as products and services offered by the parent and its subsidiaries.
  - d. Inspect the income tax returns of the parent and any related entities to determine whether the taxpayer filed Form 4136. If so, obtain a copy of the form and any attachments. Review the information for any large unusual or questionable (LUQ) fuel credits or the potential for duplication of claims filed for the same type of fuel.
  - e. Review "Other Deductions and Cost of Goods Sold" reported on the income tax return(s) of the parent and any related entities for insurance expense. The balance sheet for long-term liabilities, which may include global debt obligations, should also be reviewed.
  - f. Review Form 851, Affiliations Schedule, to identify all affiliated taxpayers with potential excise tax issues and determine the business purpose for each. Request the appropriate IDRS research to determine each related entity's filing requirements and compliance status. Consider each subsidiary for inclusion in the examination plan. In cases where the subsidiary list is voluminous, use risk analysis procedures to prioritize those entities to include in the examination plan and identify those entities or areas,

which must be scheduled for another examination cycle. Refer to IRM 4.46.3.3, Risk Analysis Process, for more information.

**Note:** If a disregarded entity is listed on Form 851, the IRS disregards this type of entity as separate from its owner; however, a disregarded entity is not treated as a separate entity for purposes of certain excise taxes and employment taxes.

**Note:** If the taxpayer did not file Form 851, request a comprehensive subsidiary schedule with EINs for all subsidiaries from the LB&I Team Coordinator.

- g. Review all filed Form 720 and Form 8849, Claim for Refund of Excise Taxes, for LUQs, as well as for current or emerging issues. If taxpayer is a non-filer, consider all business activities for excise potential. Taxpayer claims on Form 8849 may include a blind credit or an informal attachment. Include these items for inspection during the review. Should a paid claim be selected for examination, follow paid claim procedures found at IRM 4.24.8.13, Paid Claims Audit Information Management System (AIMS) Source Code 31 - Introduction.
- h. Each business unit that has or is required to have a separate EIN must file a separate Form 720 and Form 8849.
- i. Inspect Form 5471, Information Return of US Persons with Respect to Certain Foreign Corporations, to identify ownership of foreign subsidiaries, their locations and business purpose. Information on the Form 5471 is helpful in determining potential imported products subject to excise tax, as well as foreign insurance on the transportation of these items. Form 5471 will also identify foreign insurance entities potentially subject to foreign insurance excise tax on premium transactions.
- j. Inspect Form 5472, Information Return of a Foreign-Owned Corporation, to monitor transactions of foreign-owned corporations. This information may aid in determining foreign manufacturers for potential imported products and foreign insurance on shipments. It is an information source for whether the foreign parent is providing insurance to domestic companies. It also helps identify foreign insurance entities for potential foreign insurance excise tax. Review the statement attachments pertaining to various expenses, looking for fuel expenses, heavy highway vehicle operations, air transportation, or any indication of possible excise tax exposure. If there is heavy highway vehicle use, this may lead to questions concerning the filing of Form 2290, Heavy Highway Vehicle Use Tax Return.
- k. Review corporate annual reports, 10-Ks and publicly available financial statements for the tax periods under examination, as well as for prior and subsequent tax periods, if available. Pay special attention to the discussions about the company's operations, litigation, risk factors, and note any changes in the corporate structure including new entities or divisions or sales or disbanded entities or divisions.
- l. All Securities and Exchange Commission (SEC) filings are available either on the taxpayer's website or independently through sources, such as SEC/ Electronic Data Gathering, Analysis, and Retrieval (EDGAR). All companies, foreign and domestic, are required to file registration statements, periodic reports, and other forms electronically through EDGAR.
- m. Review state and local governmental reports because they may aid in determining examination potential. Examples of state and local governmental reports are import documents, state fuel tax reports for fuels sold during the period, and annual state reports filed by insurance companies with

State Insurance Commissions. The annual state reports will note premium transactions with foreign reinsurers. In addition to the Office of Surface Mining Reclamation and Enforcement federal reports, many states prepare state coal reports. Reconcile the reported volumes on Form 720 to the federal and state reports.

- n. Review the Audit Technique Guides for each of the excise taxes to determine if potential tax issues are applicable to the taxpayer. If so, review the procedures necessary to properly develop the issue. For more information, refer to the Excise Tax Knowledge Base Homepage, Excise Examination shelf, Technical Assistance book, *Audit Techniques book*.
- o. Request and review all attachments (formal and informal) to returns that have been filed to identify any unusual credits or adjustments that are being claimed.
- p. Review all filed Forms 8275, Disclosure Statements, and Forms 8275-R, Regulation Disclosure Statements, for disclosure statements that have been attached to the returns.
- q. Request Currency and Banking Retrieval System import information to determine if the taxpayer imported petroleum products, trucks, sport fishing items, bows & arrows, tires, ozone depleting chemicals, etc. into the United States. Customs Form 7501, Entry Summary, is filed for entry of all goods into the United States. It includes the importer name, consignee name, entry port, harmonized tariff number, quantity, and value of goods.
- r. Consider a request to the Excise Case Selection - Joint Operations Center (ECS-JOC) to run Excise Summary Terminal Activity Reporting System volume comparison to Form 720 filing for entities that are taxable fuel registrants. To request this type of information, refer to *Joint Operations Center Request for Information* that is found at Excise Tax Knowledge Base Homepage.

4.24.5.6.2  
(01-18-2023)

#### Communications and Contacts with Other IRS Specialists

- (1) The excise examiner should meet with the other examination team members including:
  - **Computer Audit Specialist (CAS)** - The CAS should be consulted to determine if a high volume of records is needed, a specific type of file is required, or to determine if the excise tax records are machine-sensible and contained in the Retention Agreement. As machine-sensible records are identified, the excise examiner should consult with the CAS to include these records in the new Retention Agreement at the end of the current income tax examination cycle (useful for future excise tax examinations).
  - **Financial Products Specialist (FPS)** - The FPS helps in determining the amount and type of imported products, as well as the existence of any global notes and securities. The FPS should be consulted for information on debt, which was issued in foreign markets. For excise tax, the issue applies to Obligations Not in Registered Form.
  - **Excise Examiner on the Prior Cycle Examination** - The excise examiner assigned to the prior cycle examination of the taxpayer is a valuable source of information about the taxpayer. In addition to discussing the taxpayer and the taxpayer's operations, information concerning the taxes examined and findings during the prior cycle, the prior cycle excise examiner can help determine aspects of the current cycle examination plan. For example, if an area of tax planned for the current cycle was reviewed in the prior cycle with no adjustment or no unusual items were noted, and there has been no change in the opera-



tions of the taxpayer in this area of tax, the scope of the excise tax examination may be limited in respect to this tax. Facts and circumstances of the case need to be considered, as well as managerial approval for any limitations of examination scope.

- **Engineer** - The Engineer should be consulted on related excise tax issues, such as the water content of coal, various chemical manufacturing flow charts, chemical substance items, and ozone depleting chemical items. Depending on the expertise of the engineer assigned to the LCC examination, a separate excise tax referral to the engineer group for a mineral, chemical or other Specialty Engineer may be required.
- **Form 637 Territory Lead Technician (LT)** - IMS team website should be checked to determine if the taxpayer or any subsidiary holds a Form 637 registration. If they do, a review of the closed case files should be performed. The excise examiner will coordinate with the Excise Manager and Form 637 Territory LT, if a Form 637 compliance review is needed on the registrant. Copies of any findings of the regular excise examination are forwarded to the Form 637 LT for inclusion in the Form 637 IMS case file.
- **Excise Subject Matter Expert (SME)** - The SME can provide information concerning current issues pertaining to specific excise taxes, as well as ideas, and help in obtaining and reviewing information during the examination. Should an excise examiner discover an issue during the examination, a SME request is made by completing a Guidance Request Memorandum. Refer to IRM 4.24.6.13, Requesting Excise Subject Matter Expert Assistance, for procedures. The SME can supply support and help in working the issue. For more detailed guidance, refer to the Excise Tax Knowledge Base Homepage, Excise Examination shelf, Technical Assistance book, and the SME web page that is located at: *Requesting Subject Matter Experts page*.

- (2) For more detailed guidance, refer to IRM 4.10.2.7.5.1, Specialist Referral System (SRS) - Online Referrals.

## 4.24.5.6.3 (01-18-2023)

### **Specialist Withdrawal Notification Procedures**

- (1) If, after reviewing the available information concerning the taxpayer, it is determined that an excise examination is not warranted, the excise examiner will:
- a. Discuss the facts of the case, as well as the recommendation to close the consultation with the excise manager.
  - b. Upon excise manager concurrence, prepare a memorandum, which discusses the reasons for closing the consultation, and obtain the excise manager's signature.
  - c. Forward the original memorandum to the team coordinator and maintain a copy in the group's historical file and in the IMS MFT B5 case file.
  - d. Upload all work done in IMS and close the consultation in both ERCS and IMS. All work is performed in IMS, and there is to be no hard copy (paper file) of the consultation case.
  - e. Close the consultation case using Disposal Code (DC) 00 in IMS. ERCS Status Code should be updated to 90.

4.24.5.7  
(01-18-2023)

**Closing the MFT B5  
Case and Establishing  
an Examination**

- (1) Once the excise examiner determines that examination controls will be established on a particular entity, close the MFT B5 case and refer to IRM 4.24.5.6.3, Form 5345-D, Examination Request - ERCS (Examination Returns Control System) Users, is prepared. For non-filer cases, refer to IRM 4.4.9.3.1.2, Form 5345-D, Examination Request - ERCS (Examination Returns Control System) Users. The following items on Form 5345-D must be completed:
  - a. Under the drop down box, CIC-LCC-CD (C=CIC; L=LCC Low; M=LCC Medium; H=LCC High), choose one of the four options that matches the LCC indicator on the AMDISA Income Tax module.
  - b. Use SC 71 for the pick-up of the primary return and SC 72 for the subsequent/related pick-up returns. If the taxpayer is a non-filer, use SC 24 for the primary return and SC 44 for the subsequent returns.
  - c. Use the tracking code provided by ECS-WSD on the MFT B5 case when establishing the examination.
- (2) Notebook has mandatory administrative forms for use when establishing an examination with an LCC or IC taxpayer.

4.24.5.8  
(01-18-2023)

**Excise Tax  
Considerations and  
Techniques**

- (1) Generally, the excise examiner should comply with the procedures articulated in IRM 4.46, LB&I Examination Process, when examining an LCC or IC case with excise tax issues. Due to the discretionary authority granted to the team coordinator for directing an LCC or IC examination, considerations and techniques tailored for excise tax have become customary, especially if they are perceived to increase the efficiency of the examination process.
- (2) For an LCC or IC team approach examination, deviations from IRM 4.46 policies and procedures should be disclosed on Form 9984 or in the workpapers.
- (3) For an LCC/IC stand-alone examination, the excise examiner is not bound by IRM 4.46 policies and procedures.
- (4) Excise examiners working LCC/ IC stand-alone examinations may selectively use the lead sheets discussed in IRM 4.46 or those addressed under IRM 4.24.25, Issue Management System (IMS), Notebook and Workpapers. The excise examiner should document the case file accordingly.

4.24.5.8.1  
(01-18-2023)

**Excise Claims Scope  
Considerations**

- (1) In addition to the original issue identified on taxpayer's claim, the scope of an excise claim examination should include other significant issues identified during the examination.
- (2) An excise examiner should consider the taxpayer's entire business activity and other potential excise tax liabilities to determine if the excise examination should be expanded beyond the claim for refund. For example:
  - a. If a taxpayer files a claim for a refund of Air Transportation taxes (CRN 326) on Form 8849, the excise examiner should consider expanding the scope of the excise examination to include potential excise tax liabilities under abstract 026.
  - b. If a taxpayer files a biodiesel mixture credit (CRN 390) on Form 8849, then the excise examiner should consider expanding the scope of the excise examination to include any potential excise liabilities filed on Form 720.



- c. If a taxpayer files a kerosene for use in commercial aviation fuel credit (CRN 417 or 355) or kerosene used in aviation for nontaxable use credit (CRN 346 or 369) on Form 8849, then the excise examiner should consider expanding the scope of the excise examination to include any potential excise liabilities filed on Form 720.

- (3) Whenever possible, the excise examiner should consult with the excise manager when raising new issues. The excise examiner should document reasons for expanding or not expanding the scope beyond the original claim for refund. Document the substance of the conversation on Form 9984.

4.24.5.8.2  
(02-08-2019)  
**Risk  
Analysis/Examination  
Plan**

- (1) The risk analysis aids in developing an excise examination plan and should be performed for each entity and each type of excise tax. Risk analysis information is used to:
  - Define the issues with each particular excise tax.
  - Develop the audit potential for each excise tax.
  - Determine the initial scope of the excise examination for each entity.
  - Document reasons to examine or not examine a particular entity/excise tax.
- (2) The risk analysis should consider those excise taxes for which the taxpayer may be liable. The analysis includes identifying:
  - Potential computation errors.
  - Potential incorrect exemptions.
  - Tax avoidance schemes.
  - Impact on future years.
- (3) Excise Tax Examination is not subject to LB&I case materiality thresholds. For this reason, excise examiners should apply their best judgement when determining materiality.
- (4) The time allocated for the excise examination should consider:
  - Size and types of activities for the entity and its subsidiaries.
  - Experience of the excise examiner.
  - Potential research needed.
  - Time required for general excise examination procedures, such as statute controls, meetings, case closings, etc.
- (5) The time allocated to the excise examination may be reduced if the excise examiner is experienced in a specific type of excise tax; however, if this is not the situation, then the time allocated to the excise examination should be increased to allow for research and familiarization with the issues. Excise examination time may also be increased for actions by the SME or other specialists.
- (6) The excise examiner and the excise manager will determine the initial time allocated for a case, as well as an expansion or contraction of that time. This is done in collaboration with the team coordinator and team manager.
- (7) Once the excise examination plan is finalized, the excise examiner will obtain the excise manager's approval and forward it to the team coordinator. A copy of the excise examination plan will remain with the case file. If an appointment

date for an on-site visit has not been arranged, the excise examiner will collaborate with the team coordinator to schedule that appointment.

- (8) Consult with the team coordinator for input on proforma workpapers to use for documenting the risk analysis/excise examination plan. Depending on the type of LB&I examination, excise examiners may use the following forms:

- Form 13744, Risk Analysis Worksheet
- Form 13744-I, Issue Based Risk Analysis and Examination Plan
- Form 13745, Examination Timeline
- Form 4764, LMSB Examination Plan
- Form 4764-A, LB&I Examination Plan, Part III - Summary of Assignments
- Form 4764-B,, LB&I Examination Plan, Part III - Examination Procedures Section
- Form 4764-IC,, LB&I Examination Plan for Industry Case (IC) Audits

**Note:** The excise examiner has the flexibility to choose one or more of the preceding forms.

- (9) Refer to IRM 4.46.3.9, Examination Plan, for information about preparation of the risk analysis/excise examination plan.

4.24.5.8.3  
(02-08-2019)  
**Planning Meeting**

- (1) The planning meeting is an IRS meeting for all examiners, specialists, and managers that may also include the taxpayer. The purpose of the meeting is to discuss the taxpayer's business activities, as well as the planned areas of the examination. The excise examiner should be familiar with the types of excise taxes reported by the taxpayer. Refer to IRM 4.46.3.4, Internal Planning and Internal Planning Discussions, for information about the planning meeting.

4.24.5.8.4  
(02-08-2019)  
**Opening Conference**

- (1) The opening conference, which is conducted with the taxpayer present, introduces the examiners and specialists assigned to the case. The excise examiner provides a synopsis of the excise taxes that will be addressed and answers any questions raised by the taxpayer. Refer to IRM 4.46.3.6, Opening Conference/Meeting, for information about the opening conference.

4.24.5.8.5  
(01-18-2023)  
**Information Document Request (IDR) Procedures**

- (1) IDRs should be tailored to a specific issue or type of excise tax.
- (2) The team coordinator may determine the name of the person to whom the IDR should be issued and the numbering system used for all IDRs issued.
- (3) Prior to issuing an IDR, the excise examiner should discuss with the taxpayer and the team coordinator the specific information needed. The taxpayer may be able to explain what type of information is available. Conferring with the team coordinator also ensures that the excise examiner does not ask for readily available information.
- (4) The excise examiner should consider the amount of data potentially available with LCC & IC cases and tailor the IDR accordingly. For example, do not request all insurance contracts with the first IDR. Instead, request a summary of all activity and then choose specific contracts in a subsequent IDR.
- (5) A mutually agreeable response date must also be established. Refer to IRM 4.46.4.7, Information Document Request Process, for information about IDR procedures.

- 4.24.5.8.6  
(02-08-2019)  
**Periodic Examination Meetings**
- (1) Periodic examination meetings are arranged by the team coordinator and the taxpayer to discuss open IDRs and provide updates on outstanding issues. Refer to IRM 4.46.3.8, Issue Discussion Meetings, for information about periodic examination meetings.
- 4.24.5.8.7  
(01-18-2023)  
**Corporate Executive Compliance**
- (1) In support of the LB&I Executive Compensation Strategy, excise examiners should verify up-to-date filing of officers' and key executives' returns using IDRS command code IMFOLI when conducting an LB&I stand-alone excise tax examination. Excise examiners should use their judgement to determine if key officer and executive returns should be further inspected. If issues are found, Form 5346, Examination Information Report, will be completed and forwarded per local procedures. Guidance on inspection of officers' returns is found in IRM Exhibit 4.46.3-6, Inspection of Key Officer and Executive Returns. For more detailed guidance, refer to *Corporate Executive Compliance*.
- 4.24.5.8.8  
(01-18-2023)  
**Form 5701, Notice of Proposed Adjustment**
- (1) The excise examiner must issue Form 5701, Notice of Proposed Adjustment (NOPA), along with an explanation on Form 886-A, Explanation of Items, for each proposed issue unless it is an LB&I stand-alone excise examination. The excise examiner must collaborate with the team coordinator for the issuance and numbering of the NOPA. Refer to IRM 4.46.4.13, Notice of Proposed Adjustment (NOPA), for information about Form 5701.
- 4.24.5.8.9  
(01-18-2023)  
**Written Acknowledgment of the Facts (AOF)**
- (1) For complex facts and circumstances, a written AOFs may be necessary. Refer to IRM 4.46.4.11, Written Acknowledgment of the Facts (AOF), for information about AOF procedures.
- 4.24.5.8.10  
(02-08-2019)  
**Examination Report**
- (1) Once the taxpayer responds to the Form 5701, the appropriate excise examination reports are prepared. For more detailed guidance about excise report writing, refer to IRM 4.24.20, Excise Tax Report Writing Guide. If there is a proposed adjustment on Form 4136, the adjustment will be reflected on the Team Coordinator's examination report. Therefore, a memorandum of adjustments is prepared to notify the Team Coordinator about:
- The amount(s) adjusted.
  - The tax period(s) for the adjustment(s).
  - An explanation of the adjustment(s).
- 4.24.5.8.11  
(01-18-2023)  
**Penalty Considerations**
- (1) The Service maintains an ongoing effort to develop, monitor and revise programs designed to assist taxpayers in complying with legal requirements and avoiding penalties. As indicated in Policy Statement P-20-1, Penalties are Used to Enhance Voluntary Compliance, the Service uses penalties to encourage voluntary compliance. For more detailed guidance, refer to IRM 4.24.9, Excise Tax Penalties Guidance, or IRM 4.46.4.12, Penalty Consideration.

4.24.5.8.12  
(01-18-2023)  
**Closing Memorandum  
and Closing  
Examination Critique  
Meeting**

- (1) A closing memorandum may be requested at the conclusion of the excise examination, which identifies types of excise taxes examined, the entity name, EIN, and tax period(s) examined. A detailed discussion of each type of excise tax examined along with the findings is issued even if the excise examination resulted in a no-change. Refer to IRM 4.46.5.18, Post-Examination Management Critique, for information about a closing memorandum or closing examination critique meeting.

4.24.5.9  
(01-18-2023)  
**Appealed Unagreed  
Examinations**

- (1) For an LCC or IC examination using a team approach, refer to IRM 4.46.5.7.1, Types of Examination Reports Based on Agreement.
- (2) For an LCC or IC stand-alone examination, refer to IRM 4.24.10, Appeals Referral Procedures.

4.24.5.10  
(01-18-2023)  
**Case Historical Files**

- (1) The excise tax examination workpapers provide important historical information and are valuable for any subsequent cycles that may be opened. Electronic excise examination workpapers and related forms (i.e. copy of examination reports and attachments, Form 5384, Excise Tax Examination Changes and Consent to Assessment & Collection, Form 5385, Excise Tax Examination Changes, Form 9984, relevant workpapers, Risk Analysis, NOPAs, etc.) must be uploaded to IMS.
- (2) Best practices from Case Management Systems Solutions encourages the use of IMS to back up your data and workpaper files. Refer to Document 12990, Records and Information Management Records Control Schedules, Schedule 26, Item 47 - IMS, for the National Archives and Records Administration approved records retention and disposition authority to ensure records, in electronic format, are appropriately managed, retained and archived.
- (3) LB&I may maintain workpapers locally; however, workpapers must be retired to the Federal Records Center no earlier than 4 years after the date of closing (AIMS Status 90). For more detailed guidance, refer to Document 12990, Schedule 23.

**Note:** IMS is an approved electronic record keeping system equivalent to paper case files stored at the Federal Records Center. If the paperless closing method was followed, no paper file is required to be shipped to records.

## Exhibit 4.24.5-1 (01-18-2023)

### Terms and Definitions

Terms and their definitions used throughout this IRM are listed in the table below.

Term	Definition
AMDIS	Command Code that displays a summary of the Audit Information System File.
AMDISA	Command Code that displays up to six screens of information about the taxpayer's account for a specific tax period.
ECS-WSD	Excise Case Selection - Workload, Selection and Delivery function that manages the selection, classification and delivery of returns for SB/SE excise tax compliance functions.
IC	Any case within LB&I that has not been defined as an LCC case.
LB&I	The Large Business and International LB&I Division is one of IRS' four main operating divisions. LB&I serves corporations, sub chapter S corporations and partnerships with assets greater than \$10 million.
LCC	Successor to Coordinated Industry Case (CIC) program. An LB&I case where the taxpayer and effectively controlled entities warrant the application of team examination procedures. Cases are classified as LCC based on automatic pointing criteria and are classified into categories of risk based on data analytics.
MFT B5 Case	SRS inspection referral case that is generally an LCC taxpayer. Time is applied to a Non-Master File location to determine if an examination is warranted.
Retention Agreement	A formal agreement between IRS and taxpayers subject to mandatory record retention requirements specifying the taxpayer must maintain machine-sensible records generated by all automated data processing systems unless the Computer Audit Specialist (CAS) Territory Manager consented to limit the retention to certain specific records.
SME	Subject Matter Expert is an IRS employee with specialized knowledge about IRS topics, such as specific excise tax abstracts.

**Exhibit 4.24.5-1 (Cont. 1) (01-18-2023)**  
**Terms and Definitions**

Term	Definition
Specialists	Examiners that have received training in the respective specialty areas that include International, Excise, Employment, Financial Products, CAS, Engineer, Economist and Tax Computation Specialist.
Specialist Manager	The team manager for each of the specialists assigned to the case.
SRS	Specialist Referral System that automates the examination referral request process for LB&I, SB/SE, Tax Exempt & Governmental Entities and Wage & Investment field specialists.
Team Coordinator	The examiner who has been assigned the AIMS controls for the case.
Team Manager	A front-line manager in LB&I who supervises LB&I employees. For the LB&I Examination Process, a team manager can also be the case or issue manager.

## Exhibit 4.24.5-2 (04-16-2024)

### Acronyms and Definitions

Acronyms and their definitions used throughout this IRM are listed in the table below.

Acronym	Definition
AIMS	Audit Information Management System
AOF	Acknowledgment of Facts
BOD	Business Operating Division
CAP	Compliance Assurance Process
CAS	Computer Audit Specialist
CC	Command Code
CEAC	Campus Exam/Automated Under Reporter Cincinnati
DC	Disposal Code
ECS-JOC	Excise Case Selection - Joint Operations Center
ECS - WSD	Excise Case Selection - Workload Selection and Delivery
EDGAR	Electronic Data Gathering, Analysis, and Retrieval
EIN	Employer Identification Number
EOAR	Examining Officer's Activity Record
ERCS	Examination Return Control System
FPS	Financial Products Specialist
FSEQ	Field and Specialty Exam Quality
IC	Industry Case
IGM	Interim Guidance Memorandum
IDR	Information Document Request
IDRS	Integrated Data Retrieval System
IE	International Examination Examiner
IMS	Information Management System
ITG	Indian Tribal Government
LB&I	Large Business and International
LCC	Large Corporate Compliance
LT	Lead Technician
LUQ	Large, Unusual or Questionable

**Exhibit 4.24.5-2 (Cont. 1) (04-16-2024)**  
**Acronyms and Definitions**

<b>Acronym</b>	<b>Definition</b>
MF	Master File
RAR	Revenue Agent Report
SB/SE	Small Business/Self Employed
SC	Source Code
SEC	Securities and Exchange Commission
SFR	Substitute for Return
SME	Subject Matter Expert
SRS	Specialist Referral System
TBOR	Taxpayer Bill of Rights
TE/GE	Tax Exempt & Government Entities
WSD	Workload Selection and Delivery