



**EFFECTIVE DATE**

(11-23-2021)

**PURPOSE**

- (1) This transmits new IRM 4.24.25, Excise Tax, Issue Management System (IMS), Notebook and Workpapers.

**MATERIAL CHANGES**

- (1) As part of the reorganization and restructuring of IRM 4.24.6, Technical Guidance and Information Processing for Excise Tax Examination Issues, selected subsections were incorporated into new IRM 4.24.25. Refer to the table below for a detailed list of guidance added.

<b>New IRM Section</b>	<b>Description of Change</b>
4.24.25.1 Program Scope and Objectives	Incorporated guidance that addresses: a. Instructions for mandatory use of Issue Management System (IMS) and Notebook, as well as preparation of workpapers. b. Mandatory use of IMS, Notebook and preparation of workpapers specific to excise tax. c. Identification of Service employees directly impacted by this IRM Section (section). d. Identification of executive responsible for the administration, procedures and technical guidance specific to Excise Tax issues. e. Identification of executive who owns Excise Tax Examination operations. f. Identification of Business Operating Divisions that are primary stakeholders in section's subject matter.
4.24.25.1.1 Background	Incorporated guidance that discusses the environment in which excise examinations are conducted and pinpointed why it is essential Service employees follow this section's guidance.

New IRM Section	Description of Change
4.24.25.1.2 Authority	Incorporated guidance that identifies the foundational support under IRM 4.24 series, specific Policy Statements and Delegation Orders, as well as Memorandum of Understanding, Mandatory Use of Issue Management System and the Library of Forms Notebook, which was dated October 22, 2009.
4.24.25.1.3 Responsibilities	Incorporated guidance that identifies executives responsible for Excise Tax Examination policy and procedures, operational examination compliance activities, as well as policies communicated and carried out by excise examiners.
4.24.25.1.4 Program Objectives and Reviews	Incorporated guidance that addresses Program Goals, Program Reports, Program Effectiveness and the Annual Review.
4.24.25.1.5 Terms/Definitions/ Acronyms	Incorporated guidance listed in tables that itemizes terms and definitions, as well as acronyms used throughout this section. Modified the term attribute as recommended by FSEQ.
4.24.25.1.6 Related Resources	Incorporated guidance that includes an electronic link to statutory authority for the Taxpayer Bill of Rights, as well as to the Knowledge Management website, which provides further guidance for excise-related examination issues.
4.24.25.2 Issue Management System (IMS)	Moved and modified selected guidance from 4.24.6.2 and 4.24.6.2.1. Added the statement Form 637 reviews are an examination for purposes of this IRM although not a traditional one.
4.24.25.2.1 IMS Help Function: A Useful Tool to Navigate IMS	Incorporated procedural guidance that describes the functionality of IMS Help, which includes screens for Client Application, Case Management, Case Tree, Timekeeping and Team Website Applications.

New IRM Section	Description of Change
4.24.25.2.2 Creating a Case in IMS	Incorporated procedural guidance that describes the IMS process, which generates a Case Tree when the case is created, deploys a Case Attributes menu and allows the user to customize grids for individual use.
4.24.25.2.3 Entities: Returns	Incorporated procedural guidance that describes the Entities section of the case tree, which allows additional returns to be added or copied for a case.
4.24.25.2.4 Team Members and Taxpayer Contacts	Incorporated procedural guidance that describes the IMS Team Members screen, which adds, edits or removes IRS Members from a case and the Taxpayer Contacts screen, which adds New Taxpayer Contacts, Deletes Contacts, Copies Taxpayer Contacts, Customizes Grids and Exports Grids to Microsoft Excel.
4.24.25.2.5 Revenue Protection Codes (RPCs)	Incorporated procedural guidance that describes the applications for RPCs, which include three different tracking codes that monitor time spent examining claims.
4.24.25.2.6 Standard Audit Index Number (SAIN) Codes	Incorporated procedural guidance that describes SAINs, which monitor excise examiner time spent on specific case issues.
4.24.25.2.7 Uniform Issue List (UIL)	Incorporated procedural guidance that describes UIL numbers, which relate examination issues to applicable primary sections.
4.24.25.2.8 Uploading Documents to IMS	Incorporated procedural guidance that addresses uploading applicable source documents into IMS, which support examination findings.
4.24.25.2.9 Charging Time on Cases/Returns and Issues	Incorporated procedural guidance that addresses charging time within IMS for cases, returns and issues, as well as for each tax period and issue examined.

New IRM Section	Description of Change
4.24.25.2.10 Closing Cases in IMS	Incorporated procedural guidance that addresses closing cases in IMS, which include actions using the Edit Entity screen, Closing Data Tab, Form 5344 Data Tab, and entering closing data in Case Attributes, as well as synchronizing and checking in all checked out items.
4.24.25.2.11 Synchronization	Incorporated procedural guidance that describes the five types of synchronization, which transfer specific information and documents to/from the excise examiner's computer and the IMS Server.
4.24.25.2.12 Other IMS Issues, File Size, File Limitations and Encryption Policy	Incorporated guidance that cautions against adding, importing or uploading very large files, as well as importing databases, zipped files, password-protected files and encrypted files directly from the Sensitive But Unclassified folder in IMS.
4.24.25.3 Guide for Using Notebook	Moved and modified selected guidance from 4.24.6.3. Added a note about the role of the Notebook Policy Analyst and Notebook update actions that are taken by the excise examiner.
4.24.25.4 Workpaper Preparation: The General Process	Moved and modified selected guidance from 4.24.6.4. Added a note that POA Admin Forms are mandatory only if an active POA is on file. Added a second note that Mandatory Admin Forms folder contains the RA Admin Folders folder. Added a third note about the Examination Forms folder and Initial Contact Letters folder. Electronically linked IRM Sections in the table.
4.24.25.4.1 Workpaper Preparation - Other Resources	Moved guidance from 4.24.6.4.1.
4.24.25.5 Workpaper and Lead Sheet Expectations	Moved guidance from 4.24.6.5.
4.24.25.5.1 Form 4318-E, Excise Workpapers Index	Moved guidance from 4.24.6.5.1.

New IRM Section	Description of Change
4.24.25.5.2 Form 9984, Examining Officer's Activity Record	Moved and modified guidance from 4.24.6.5.2. Added statement that entries on the CAR should be meaningful. Electronically linked the referenced IRC Section.
4.24.25.5.3 A105 - Administrative Check Sheet	Moved and modified selected guidance from 4.24.6.5.3. Added references to IRM 10.2, IRM 4.24.23 and IRM 4.24.24. Added a reference and electronic link to the Excise Tax Knowledge Base Homepage.
4.24.25.5.3.1 Taxpayer's Right to Representation	Moved guidance from 4.24.6.5.3.1.
4.24.25.5.3.2 Processing Power of Attorney	Moved and modified selected guidance from 4.24.6.5.3.2. Added note that POAs for Forms 637 are not posted to CC CFINK in IDRS.
4.24.25.5.3.2.1 Form 2848, Power of Attorney and Declaration of Representative	Moved and modified selected guidance from 4.24.6.5.3.2.1. Clarified guidance that the Form 2848 must be posted to the CAF as soon as possible or within 24 hours of the receipt date. Added a note the excise examiner must confirm the Form 2848 was processed by the CAF and, if this did not occur, resubmit the paperwork.
4.24.25.5.3.2.1.1 Instructions for Form 2848	Moved and modified selected guidance from 4.24.6.5.3.2.2.1. Added an electronic link to the IRS website for Form 2848 instructions.
4.24.25.5.3.2.1.2 Fax Sheet Power of Attorney	Moved guidance from 4.24.6.5.3.2.1.2 and incorporated new content from NHQ 01-1019-0001, Clarification of Policy for Use of Fax in Taxpayer Submissions, dated October 29, 2019, and revision memorandum issued on November 19, 2015. Updated the IRM reference for POA Rights and Responsibilities.
4.24.25.5.3.2.2 Form 8821, Tax Information Authorization	Moved guidance from 4.24.6.5.3.2.2.
4.24.25.5.3.2.3 Letter 937, Transmittal Letter for Power of Attorney	Moved guidance from 4.24.6.5.3.2.3.

New IRM Section	Description of Change
4.24.25.5.3.2.4 Letter 3254, Representative Appointment Confirmation Letter	Moved guidance from 4.24.6.5.3.2.4.
4.24.25.5.3.3 Pre-Audit Issues - Collectibility	Moved guidance from 4.24.6.5.3.3.
4.24.25.5.3.4 Letter 2205-A	Moved guidance from 4.24.6.5.3.4 and incorporated a note about Letter 2205-E, Excise Initial Contact. If the challenges created by the COVID 19 pandemic impact the taxpayer's ability to effectively prepare to an examination, an excise examiner may issue it in lieu of Letter 2205-A.
4.24.25.5.4 A110 - Excise Tax Plan to Close Check Sheet	Moved guidance from 4.24.6.5.4.
4.24.25.5.5 A115 - Group Manager Concurrence Meeting Check Sheet	Moved guidance from 4.24.6.5.5.
4.24.25.5.6 A120 - Initial Appointment Check Sheet	Moved guidance from 4.24.6.5.6.
4.24.25.5.7 A125 - Initial Interview Questions and Notes	Moved guidance from 4.24.6.5.7.
4.24.25.5.7.1 Tour of Business	Moved and modified selected guidance from 4.24.6.5.7.1. Electronically linked the referenced Treasury Regulation.
4.24.25.5.8 B200-1 - Required Filing Checks Prior/ Subsequent Period Returns, Related Excise Tax Returns, Filing Verification	Moved guidance from 4.24.6.5.8. Clarified that excise examiners should use both external and internal sources of information when conducting required filing checks. Added an electronic link to the Excise Tax Knowledge Management Homepage.
4.24.25.5.8.1 Form 5346, Examination Information Report	Moved guidance from 4.24.6.5.8.1.
4.24.25.5.9 B200-2 - Related Excise Tax Returns Considerations	Moved guidance from 4.24.6.5.9.
4.24.25.5.10 C300 - Book to Return Reconciliation Check Sheet	Moved and modified guidance from 4.24.6.5.10. Added an electronic link to the Excise Tax Knowledge Management Homepage.

New IRM Section	Description of Change
4.24.25.5.11 C305 - Internal Controls Check Sheet	Moved and modified guidance from 4.24.6.5.11.
4.24.25.5.12 C310 - Fraud Awareness Check Sheet	Moved and modified guidance from 4.24.6.5.12. Changed the title to Fraud Enforcement Advisor from Fraud Technical Advisor. Added an electronic link to the Fraud Development Knowledge Base.
4.24.25.5.13 D400 - Initial Taxpayer Contact Check Sheet	Moved guidance from 4.24.6.5.13.
4.24.25.5.14 E500 - Penalty Check Sheet and Approval Form	Moved and modified selected guidance from 4.24.6.5.14. Electronically linked the three referenced IRC Sections. Clarified that an excise examiner must include a completed and signed E 500 in the case file. Added an electronic link to the Penalties Knowledge Base Homepage.
4.24.25.5.15 Risk Analysis Workpaper	Moved and modified guidance from 4.24.6.5.15. Added a reference to IRM 4.10.3.2.
Exhibit 4.24.25-1 Acronyms	Moved and modified acronyms from Exhibit 4.24.6-1 so they apply to 4.24.25. Deleted acronyms that applied to 4.24.6. Added a new acronym for 4.24.25.

### EFFECT ON OTHER DOCUMENTS

This material supersedes selected subsections that are identified in the Material Changes Table above from IRM 4.24.6, dated February 11, 2019. This incorporates Interim Guidance Memorandum NHQ 01-1019-0001, Clarification of Policy for Use of Fax in Taxpayer Submissions, dated October 29, 2019.

### AUDIENCE

This IRM Section (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).

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Small Business/Self Employed



4.24.25

Issue Management System (IMS), Notebook and Workpapers

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Exhibits

- 4.24.25-1 Acronyms

4.24.25.1  
(11-23-2021)  
**Program Scope and Objectives**

- (1) **General Overview** - This section provides instructions for the mandatory use of Issue Management System (IMS) and Notebook, as well as the preparation of workpapers that support accurate excise examination reports unless otherwise noted in IRM 4.24, Excise Tax.
- (2) **Purpose** - This section explains the procedures and updates related to the mandatory use of IMS and Notebook and provides guidance for the preparation of workpapers specific to excise returns, excise refunds and excise claims.
- (3) **Audience** - This section is for SB/SE excise managers, excise examiners and personnel at CEAC who process 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 specific to Excise Tax Examination issues.
- (5) **Program Owner** - Director, Examination - Specialty Examination owns Excise Tax Examination operations.
- (6) **Primary Stakeholders** - Appeals, Agency Wide Shared Services, Counsel, Field and Specialty Exam Quality (FSEQ), Large Business and International and Specialty Exam are the primary stakeholders for this section.

4.24.25.1.1  
(11-23-2021)  
**Background**

- (1) Excise examinations are conducted primarily by excise examiners located in field offices. CEAC personnel conduct correspondence excise examinations and assess excise tax penalties.
- (2) For compliance purposes, it is essential excise managers, senior management officials, excise examiners and personnel at CEAC understand and follow correctly the responsibilities explained in this section regarding IMS, Notebook and the preparation and use of workpapers to ensure appropriate audit procedures are consistently applied, as well as meet quality standards.

4.24.25.1.2  
(11-23-2021)  
**Authority**

- (1) IRM 4.24 provides Servicewide instructions for all operating divisions with employees involved with the correct filing, reporting and payment of excise taxes. IRM 4.24 serves as the foundation for consistent administration of excise taxes by various Service operating divisions. By providing one source of authority for all operating divisions, the Service greatly reduces philosophical and procedural inconsistencies.
- (2) The Excise Tax Program is governed by Policy Statements and other internal guidance that apply to all Service personnel regardless of operating division. The Policy Statements found in IRM 1.2.1, Servicewide Policies and Authorities, Policies of the Internal Revenue Service, apply to all excise tax issues and examinations. Excise examiners should review these Policy Statements to properly perform their examination duties.
- (3) A website, Delegation Orders by Process, summarizes data relating to Delegation Orders contained in the applicable sections under IRM 1.2 in a single, electronic source.

- (4) Memorandum of Understanding, Mandatory Use of Issue Management System and the Library of Forms Notebook, dated October 22, 2009, establishes a framework for IMS and Notebook requirements.

**Note:** An excise examination case file may require more (or) less documentation than the outlined IMS upload requirements. Deviations from IMS upload requirements must be pre-approved and fully documented by the excise manager.

4.24.25.1.3  
(11-23-2021)  
**Responsibilities**

- (1) Director, Examination - Specialty Policy is responsible for Excise Tax Examination policy and procedures.
- (2) Director, Examination - Specialty Examination is responsible for operational examination compliance activities.
- (3) Chief, Estate & Gift/Excise Tax is responsible for ensuring the policies and procedures specific to Excise Tax Examination are communicated to and carried out by excise examiners.

4.24.25.1.4  
(11-23-2021)  
**Program Objectives and Review**

- (1) **Program Goals** - The program goals provided in this section are designed to increase compliance with excise tax laws by applying the tax laws with integrity and fairness and to provide SB/SE 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** - Program effectiveness is measured by the Exam Quality Review Staff, located in FSEQ. FSEQ supports the SB/SE Quality Improvement Program utilizing National Quality Review System (NQRS) to conduct independent case reviews from statistically valid samples of examination case 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 of 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 reviewing annually the information in this section to ensure accuracy and promote consistent tax administration.

4.24.25.1.5  
(11-23-2021)  
**Terms/Definitions/  
Acronyms**

- (1) The following chart contains terms and their definitions used throughout this section.

Term	Definitions
AIMS	Audit Information Management System - Used by Appeals, Examination and TE/GE to control returns, input assessments/adjustments to Master File and provide management reports.
AMDIS	IDRS Command Code used to access AIMS display.

Term	Definitions
attribute	A specific measurement criteria used to evaluate the quality of case work.
BMFOL	Business Master File On-Line: An IDRS Command Code that provides business account information. Used in conjunction with a variety of definers to view specific account information, depending on which definer is used.
BMFOLI	IDRS Command Code that provides a summary screen of Business Master File accounts.
CFINK	IDRS Command Code used to check the Centralized Authorization File (CAF) where third party authorizations are recorded.
IMFOL	Individual Master File On-Line - An IDRS Command Code that provides individual tax account information. Used in conjunction with a variety of definers to view specific account information, depending on which definer is used.
MeF	Modernized e-File receives and processes electronically filed returns in a digital environment.
SUMRY	This IDRS Command Code displays a summary of a taxpayer's account and should generally be used as a first contact with IDRS to determine if a tax module or control base exists.
TC	Transaction Code - A three-digit code used to identify a transaction being processed and to maintain a history of actions posted to a taxpayer's account on the Master File. A transaction code identifies the precise actions taken on a taxpayer's account.
TXMOD	Tax Module - IDRS Command Code used to request all tax module information for a specific tax period on IDRS.

- (2) Refer to Exhibit 4.24.25-1 for Acronyms and the associated words or phrase that define them as used throughout this section.

4.24.25.1.6  
(11-23-2021)  
**Related Resources**

- (1) 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. Refer to IRC 7803(a)(3), *Commissioner of Internal Revenue; other officials, execution of duties in accord with taxpayer rights*. For additional information about the TBOR, refer to *Taxpayer Bill of Rights*.

- (2) Procedures, law and regulations on a wide variety of excise-related examination issues are addressed on the *Excise Tax Knowledge Base Homepage*.

4.24.25.2  
(11-23-2021)  
**Issue Management  
System (IMS)**

- (1) IMS is a computerized tool required for all excise examinations, including Form 637 registration reviews. IMS is designed to initiate, work and close examinations.
- (2) For purposes of this section, IMS treats a Form 637 registration review as an “examination” although it is not an examination in the traditional sense of the word.
- (3) Access to IMS is restricted to authorized users. Permission for IMS access is granted through the Business Entitlement Access Request System (BEARS).
- (4) The majority of excise cases are established in IMS by CEAC using information provided by Excise Case Selection/Workload Selection and Delivery (ECS/WSD) or the Form 637 Registration Group. One exception is when a paper excise claim is sent to an excise group. If the paper excise claim case is not established in IMS, the excise examiner must manually create it in IMS.

4.24.25.2.1  
(11-23-2021)  
**IMS Help Function: A  
Useful Tool to Navigate  
IMS**

- (1) The IMS Help function is designed so that a user may navigate IMS to initiate, work and close an examination.
- (2) To access IMS Help, click the IMS desktop icon, then select Help from the top tool bar menu to select Help from the drop-down menu choice. The Welcome to IMS Help screen will appear.
- (3) The Welcome to IMS Help screen explains IMS is designed to take the user to the topic most relevant to the screen or page currently accessed.
- (4) The Client Application screen explains IMS Client is the laptop application that provides the tools to support examination planning, examination selections and the examinations themselves. IMS is used by excise examiners to undertake the following responsibilities:
  - a. Set up the examination.
  - b. Request information from taxpayers.
  - c. Propose adjustments.
  - d. Record hours.
  - e. Make recommendations for Form 637 registration reviews.
  - f. Track elapsed time between activities through the use of the activity record.
  - g. Upload lead sheets and workpapers.
  - h. Record examination case results.
  - i. Generate examination closing reports.
  - j. Close examination cases.
- (5) The Case Management screen includes information to help a user navigate basic case management. The topics covered are:
  - Access to IMS.
  - How to (Case Management).
  - IMS Basic Functions.
  - IMS Adobe Forms Viewer.

(6) The Case Tree screen identifies program functions for excise tax that include:

- Case Attributes.
- WP Index.
- Entities.
- Team Members.
- Issues.
- Activity Record.
- IDRs.
- Workpapers.
- 637 Recommendation.
- Feedback Forms.
- Correspondence Letters.
- Documents to Taxpayer.
- Useful Links.
- Recycle Bin.

**Note:** Functions available for other Specialty organizations that are not currently available for Excise Tax, such as Case Documents, Risk and Technical Issues, etc., may be added at a later date.

(7) The Timekeeping screen provides information about how to enter and classify examination time.

(8) The Team Website Application (TWS) screen provides information about the many different Business Operating Divisions and roles that use the TWS.

(9) The FAQs screen can be accessed for situations where the user is not sure what topic is available within the Help file. Many of the FAQs will link to the applicable topic within the Help file.

**Note:** If a user needs additional specialized assistance from an IMS Super User, an OS GetServices ticket should be submitted. The excise examiner should state in the ticket "Please assign ticket to IMS Excise Super User" and then state the issue.

## 4.24.25.2.2 (11-23-2021) Creating a Case in IMS

(1) A new IMS case can be created from existing ERCS Case Inventory or manually.

**Note:** Under no circumstance is a Form 637 IMS case to be created locally by the excise examiner. The Form 637 Registration Group must create and assign all Form 637 IMS cases to the excise groups.

(2) IMS will generate a Case Tree when the case is created. The Case Tree contains auto-populated Case Attributes. The Case Attributes apply to all returns included in the case folder.

(3) For the Case Tree, the Case Attributes menu contains the following options:

- Workpaper Index.
- Entities.

**Note:** This is categorized by Returns and Other Type.

- Team Members.

**Note:** This is categorized by IRS and Taxpayer Contacts.

- Issues.

**Note:** This is categorized by Activity Record, IDRs and Workpapers.

- Documents to Taxpayer.
- Correspondence Letters.
- Useful Links.
- Recycle Bin.

- (4) IMS has features that allow the user to customize the grids displayed on several of the screens. Once the grid is customized, IMS will show the information for all cases in that format.

#### 4.24.25.2.3 (11-23-2021)

##### **Entities: Returns**

- (1) The Entities section of the case tree is used to show the returns in the case. The Entities screen is where additional returns can be added or copied for a case. ERCS update forms can be created and the taxpayer closing data can be imported from Notebook into IMS. Additional topics relevant to Entities are:

- a. View - Edit Entities.
- b. Manage Entity - Coordinators.
- c. Populate Closed Dates.
- d. Populate Planned Close Date.
- e. Verify Entity.
- f. Export Taxpayer Entity Data.
- g. Manage Claim.

- (2) The Returns section of the case tree has two grids, a top and bottom grid. The top grid is the Returns grid, which lists all the Tax Returns within the IMS case. The Returns grid is only a listing of ERCS and manual tax returns already added to the IMS case. It will not include Other Type Entities. The bottom grid is the Returns Document grid, which lists all documents associated to the return highlighted in the Returns grid.

#### 4.24.25.2.4 (11-23-2021)

##### **Team Members and Taxpayer Contacts**

- (1) The IMS Team Members screen is used to add, edit and remove IRS Members contacts from the case.
- (2) IRS Team Members screen is used to add Team Member, Populate Planned Completion Date, Delete (an IRS Team Member), Customize Grid and Export Grid to Microsoft Excel. Team Coordinator permissions are not automatically given to IRS Team Members but may be granted to each Team Member as appropriate. Team Coordinator Permissions are managed from the Case Attributes screen. Manage Entity Coordinators is managed on the Entities Screen.
- (3) The Taxpayer Contacts screen portion of IMS is used to add New Taxpayer Contact, Delete Contact, Copy Taxpayer Contact, Customize Grid and Export Grid to Microsoft Excel.

**Note:** The authorized contact person or personal representative contacts are added so they are displayed on Form 9984, Examining Officer's Activity Record. Only one contact can be listed on Form 9984 as the taxpayer and the taxpayer's representative.

4.24.25.2.5  
(11-23-2021)  
**Revenue Protection  
Codes (RPCs)**

- (1) Time spent examining claims is tracked using three different tracking codes. These codes are referred to as Protection of Revenue Base (P of RB). Time spent examining the P of RB issues is separate from regular examination time. The P of RB indicator in ERCS allows tracking of claim examinations. On IMS, these indicators are Revenue Protection Codes (RPCs). The three codes are:
  - a. N = Neither (i.e., no claim filed) – Used when there is no filed request for refund. “N” applies to regular examination activities prior to any request for refund. Once there is a request for refund, all subsequent time charges should be made to either “P” or “R.”
  - b. P = Claims Issues (Protection) – Used to record time spent protecting the revenue base (i.e., working the claim issue). Excise examiners cannot charge “N” and “P” time for the same return; however, “N” can change to “P” during an examination when the issue is identified from the Entities Screen.
  - c. R = Related – Used to record time spent examining regular (non P of RB) issues on returns where a claim has been filed. ERCS allows time charges to “P” and “R” for the same return on the same day. Once an excise examiner charged either “P” or “R” time to a return, ERCS will no longer allow “N” time to be charged. The “N” time charges become invalid and will be converted to “P.” Once a protection code issue is identified, IMS users should refer to IMS Help under Update RP Code for assistance.
- (2) RPC’s are no longer modified at the issues level. Issue changes are done on the Entities screen when a claim is filed. All Issues related to the claim must be identified and edited for the claim amount. The RPC for the claims will change from an “N” to a “P” and the remaining issues will change to an “R.” Any additional issues created will show an “N” until the case is synchronized and then “N” will change to “R.” Manually entered claims will automatically change when the ERCS case is updated to the IMS case.

4.24.25.2.6  
(11-23-2021)  
**Standard Audit Index  
Number (SAIN) Codes**

- (1) Time is charged to the issues identified in the case. Issues are classified by selecting a Standard Audit Index Numbers (SAIN) or a number from the Uniform Issue List (UIL). Generally, the SAIN relates to how an issue is reported on a return. Tracking issues using both the SAIN and the UIL number will allow the Service to plan and allocate resources more efficiently. Consequently, at least one SAIN and one UIL number must be selected for each return within a case. Excise examiners will use their professional judgment to determine the appropriate SAIN codes to apply to the case issues. SAIN codes will be entered for case issues; however, all mandatory and administrative workpapers will be associated with the Administrative SAIN code. For situations where an excise examiner spends a significant amount of time on an particular issue, the time charged should be associated with the SAIN code for that issue. In situations where a case is not started on IMS and therefore time needs to be entered retroactively, these time charges may be input in IMS in blocks of up to 99 hours and a specific SAIN code need not be identified.
- (2) An Administrative Issue (EX080) and Case Issues (Classified Issues for Issue Tracking and Feedback Form purposes) are required on all cases. An Administrative Issue (EX080) is created automatically. All case issues (classified issues) for the return and major issues that were not classified in the case file (i.e., any issues in the case that resulted in significant time expenditures re-

ardless of change that was not identified during classification) must be added. Administrative Issues and Case Issues may be established for the Team Coordinator or assigned to other Team Members. From the Add Issue screen, select the Team Member to be assigned to the issue from the drop-down list. IMS defaults to the user adding the issue and can be changed by clicking the drop-down list and selecting a different Assigned Team Member.

- (3) In the Add Issue Screen, enter the date the examination began in the Start Date and one year out for the from the Start Date for the End Date field. Having the dates consistently entered will keep the detailed case issue(s) from being displayed when time is entered into the time sheet screen.

4.24.25.2.7  
(11-23-2021)

#### Uniform Issue List (UIL)

- (1) The UIL number relates the issue or SAIN to the applicable primary section. If not already populated in the Add Issue screen, add a UIL code that corresponds to the Issue from the pull-down menu. A UIL Code is required to close all cases off IMS. The Search UIL screen enables users to find the correct UIL code for the issue without scrolling through the entire UIL listing. To limit the number of UIL codes displayed, enter an Internal Revenue Code section in the Code box and/or a description of the issue in the Description box and click on the Search button. Select the appropriate UIL code for the issue from the grid and click OK to add the UIL code to the issue. Access this screen by clicking the Find UIL button on the Add Issue or Issue Details screen.

4.24.25.2.8  
(11-23-2021)

#### Uploading Documents to IMS

- (1) The excise examiner will export entity data from IMS into Notebook or manually input case specific information into Notebook and generate the appropriate mandatory workpapers, lead sheets and letters. The excise examiner will then upload these documents into IMS from Notebook.
- (2) The excise examiner will upload applicable source documents to support the examination findings. IMS lead sheets and workpapers should support the audit trail. Mandatory workpapers and all supporting documents should be maintained within IMS; however, when warranted, the excise examiner may obtain and document managerial authorization to deviate from IMS/Notebook guidance.
- (3) To ensure consistency, all excise examiners will maintain Information Document Requests (IDRs) within IMS, including annotating the Form 4564, Information Document Request, as appropriate (e.g., Date IDR Issued, Information Due Date).

4.24.25.2.9  
(11-23-2021)

#### Charging Time on Cases>Returns and Issues

- (1) To charge time to a case within IMS, issues will be entered for each tax period and issue examined. The time spent on the case will be charged to the examined EX issue(s) that are reflected on the key return(s), as appropriate.
- (2) Each return or claim must have time charged except when the return is closed using a non-examined disposal code, such as Disposal Code "32" or "34."

**Note:** Time must be charged for each abstract examined.

- (3) For charging time, refer to IRM 4.9.1.7.2, Time Input on ERCS and IMS, through IRM 4.9.1.7.2.2, Inputting Time into IMS. The Examination Returns Control System (ERCS) Group Handbook also addresses ERCS time entry and fractional hours.

- (4) The Time Sheet in IMS Client allows the IMS user to enter all categories of daily time applied, including case time and below the line (BTL) time.

**Note:** Time can be in increments of .3 = 15 minutes, 0.5 = 30 minutes, 0.7 = 45 minutes or in hourly increments.

- (5) Form 9984 in IMS Client is used to document each action taken on the Entity/Return issues. Documentation should include the date, location, contact, time charged and an explanation of each activity. The activity record should provide a complete and concise case history. Recordation of events should be made by excise examiners or other employees responsible for activity on the case as warranted (e.g., excise managers, team members, etc.).

## 4.24.25.2.10 (11-23-2021) Closing Cases in IMS

- (1) To close a case in IMS the excise examiner will take the following actions on the Edit Entity screen:

- a. Access the Edit Entity screen from the Entities section. Double click on an entity period. This will open the Edit Entity screen.
- b. Complete the Disposal Code field under the ERCS Data Tab. This will activate the Entity Closing Data Tab.
- c. Complete the appropriate adjustment information under Issue Closing Data Tab for each issue.
- d. Complete the Entity Closing Data Tab with applicable data. If a data field is not applicable to the return, enter zero in the field.

**Note:** Amount Claimed cannot be edited. The Amount Claimed field is populated from ERCS.

**Note:** Complete the IRC section, Penalty and Penalty Abatement data fields, if applicable. Zeros are not required in these data fields, if they are not relevant or applicable to the return.

**Note:** Reference Form 5384 or Form 5385 and penalty workpapers generated from Notebook to complete these entries.

- e. Complete any applicable fields on the 5344 Data Tab.

**Note:** There will be an Edit Entity screen for every return/period in the IMS case. The case will not close in IMS until this closing data is entered for each return on the Issue Data screen.

- (2) The excise examiner must also add return closing documents under Entities section to close a case in IMS. The excise examiner must select Returns and then select the Add Return Documents icon (which is the + symbol). There may be different types of closing documents (e.g., Form 3198, Form 5344, Form 5351 or Form 8278 ). Certain closing documents are required for each return period. For example, a Form 5344 is entered for each return period, but a Form 3198 is only entered for the primary period.

**Note:** Every return period in the IMS case must have the required closing documents or the case will not close in IMS.

- (3) Synchronize and check in all checked out items.

- (4) Once all closing data is entered under the Entity tab and closing documents are created in the Entities>Returns, the excise examiner must enter the closing date in Case Attributes and populate the closing date in Entities.
- (5) Excise examiners must close their cases in IMS to correspond with closure of the paper case file to the excise manager. Excise managers can then perform their reviews and indicate concurrence with the closure of cases from the group using the Manager Concurrence feature on the Team Website (TWS) and selecting yes. These timely steps allow other stakeholders (e.g., Appeals, Technical Services, FSEQ and Centralized Case Processing) to access cases electronically in IMS/TWS. IMS case closing procedures and processes are described in more detail in EX IMS course books, job aids, and check sheets. Refer to IRM 4.24.21.4.1, Paper Excise Closing/Electronic Issue Management System Excise Closing, for additional information.

4.24.25.2.11  
(11-23-2021)  
**Synchronization**

- (1) Synchronization is the process of transferring specific information and documents to/from the excise examiner's computer and the IMS Server. Once the synchronization is complete, any information and documents synchronized on the excise examiner's computer will be identical to the information and documents on the IMS Server. There are five types of synchronizations performed in IMS:
  - Summary.
  - ERCS.
  - Case (Express or Detailed).
  - Time Sheet.
  - Reminder.
- (2) Summary Synchronization downloads the case information for any case for which the user is a Team Member or Manager.
- (3) ERCS Synchronization downloads the return data assigned to the user in ERCS. IMS receives a download from ERCS nightly.
  - a. ERCS changes made in IMS will not appear in ERCS. If information from ERCS is incorrect, the excise examiner should complete Form 5348, AIMS/ERCS Update, to change the data on ERCS. The ERCS record will be updated and downloaded through the ERCS synchronization.
  - b. If the recorded Taxpayer Identification Number (TIN) is incorrect in ERCS, the excise examiner must complete Form 5351 to dispose the wrong record on ERCS. Excise examiners can also establish a new record on ERCS with the correct TIN using Form 5345-D, Examination Request - ERCS (Examination Return Control System Users).
- (4) Case Synchronization allows the excise examiner to ensure that all uploaded work is saved to the IMS Server in the event of computer failure. Case specific information such as Issues, Information Document Requests (IDRs) and Workpapers upload and download using the Case Synchronization process. Excise examiners must run an IMS case synchronization at least once every week that they have taken action on a case. Excise examiners are not required to synchronize a case if no action was taken on that case since the last synchronization. The excise examiner will also check-in and synchronize all case documents at the time the case is closed.
- (5) Time Synchronization – The IMS timekeeping system will track Direct Exam Time, Miscellaneous Direct Exam Time (MDET) and BTL time. To input time on

a return, the user must have created issues for the return. All Direct Exam Time applied on IMS is by EX-Issue, SAIN and UIL code. The time needs to be on the IMS Server by Thursday at 8:00 p.m. EST.

**Note:** Time entered in IMS and not entered in ERCS will transfer. Corrected time does not transfer from IMS to ERCS after time for that period has been synchronized and transferred. The user must communicate any time sheet correction made to a time charge in IMS that transferred to ERCS with the timekeeper.

- (6) Reminder Synchronization – The IMS Reminder menu is located on the IMS Toolbar. Users may view, edit, add, delete, activate or deactivate reminders. Others cannot view an excise examiner’s reminders. IMS also generates system reminders. The user should run a Reminder Synchronization to view the IMS generated reminders. These system reminders include:
- A reminder five days prior to the end of each ERCS monthly reporting cycle.
  - A reminder for any case not having a new activity record (or modifying an existing activity record) or a case comment on a particular case for more than 25 days.

4.24.25.2.12  
(11-23-2021)  
**Other IMS Issues, File  
Size, File Limitations  
and Encryption Policy**

- (1) Do not add/import/upload large files (over 40 megabytes per file) to IMS.
- (2) Do not import databases of any size (e.g., a Microsoft Access file) or IRS databases (e.g., IRPTR-I or IRAS). Excise examiners may add/import/upload reports generated from databases.
- (3) Do not import zipped files of any size; they cannot be unzipped within IMS.
- (4) Do not import password-protected files; they are not viewable on the Team Website.
- (5) Excise examiners may add/import/upload encrypted files directly from the Sensitive But Unclassified folder in IMS.

4.24.25.3  
(11-23-2021)  
**Guide for Using  
Notebook**

- (1) Notebook is a mandatory computerized tool that guides and directs users in preparing tax reports and documents, which creates mandatory administrative and lead sheets addressed in the paragraphs below.
- (2) Notebook, which is used in all excise case work, pre-populates many of the headers and footers on workpapers and the contact information on letters. Documents are imported into IMS from Notebook by excise examiners and should be organized in a logical manner.
- (3) Notebook contains a standard library of:
  - Audit Technique Guides.
  - Standard Forms and Letters.
  - Mandatory and Discretionary Administrative Forms.
  - Issue Lead Sheets.
  - Reference Materials.
  - Suggested IDR Language for Some Excise Issues.

- (4) Notebook is updated as needed. The excise examiner is instructed when to perform updates by the Notebook Policy Analyst. Update actions may include opening the Notebook Update Manager and selecting the Update Forms Library, Update Notebook Front End, Update Notebook Back End, Update Administrative Features and then selecting Perform Notebook Updates. Once the update is complete, the excise examiner opens Notebook to verify the Notebook version number is correct.

**Note:** If an excise examiner has an issue with Notebook forms, letters or rates, notify the Notebook Policy Analyst and copy the Excise Policy Program Manager on the communication.

4.24.25.4  
(11-23-2021)

**Workpaper Preparation:  
The General Process**

- (1) Issue-specific workpapers, letters, forms and other documents are generated and imported from Notebook into IMS as a part of the pre-audit process.
- (2) All excise examiners must have access to Notebook. Workpaper preparation is generally completed within IMS. The workpapers should be completed contemporaneously with the excise examination process.

**Note:** IMS has a synchronization feature that saves the excise examiner's work to the IMS Server automatically. The information saved at the IMS Server is protected from loss.

- (3) Notebook can be accessed by clicking on the Notebook desktop icon.
- (4) The excise examiner may create a case in Notebook by exporting data from IMS or by establishing it manually in Notebook.
- (5) Once a case is created, the excise examiner selects the appropriate Mandatory Admin Forms from one of six available drop-down menu choices, which are:
1. 637 Admin Forms.
  2. 720-CS Admin Forms.
  3. 720-TO Admin Forms.
  4. CIC Admin Forms.
  5. FCO Admin Forms.
  6. POA Admin Forms.
  7. RA Admin Forms.

**Note:** The POA Admin Forms are classified as mandatory only if an active valid POA is on file.

- (6) The selection of Mandatory Admin Forms will deploy the appropriate Excise Tax Case Lead Sheets (Lead Sheets) also known as Excise Tax Case Check Sheets (Check Sheets). The Lead Sheets are tailored to the type of excise tax case being examined.

**Note:** The Mandatory Admin Forms are not uniform among the drop-down menu choices (1-7). Therefore, it is essential the excise examiner choose the appropriate area of classification.

**Note:** The Mandatory Admin Forms folder contains the RA Admin Forms folder. The Examination Forms folder and the Initial Contact Letters folder are in the RA Admin Forms folder.

**Note:** Administrative lead sheets are in the Examination Forms folder, while initial contact letters are in the Initial Contact Letters folder.

- (7) The following table lists the excise examination RA Mandatory Admin Forms deployed by Notebook. Form 9984, Examining Officer's Activity Record, is generated in IMS under the Time Reports feature.

Index Number	Lead Sheet Title	IRM Cite
Form 4318-E	Excise Workpapers Index	IRM 4.24.25.5.1
A105	Administrative Check Sheet	IRM 4.24.25.5.3
*Form 2848	Power of Attorney and Declaration of Representative	IRM 4.24.25.5.3.2.1
*Instructions for Form 2848	Not Applicable	IRM 4.24.25.5.3.2.1.1
*Fax Sheet Ogden Power of Attorney	Not Applicable	IRM 4.24.25.5.3.2.1.2
*Form 8821	Tax Information Authorization	IRM 4.24.25.5.3.2.2
*Letter 937	Transmittal for Power of Attorney	IRM 4.24.25.5.3.2.3
Letter 3253	Taxpayer Appointment Confirmation	IRM 4.24.25.5.3.4
*Letter 3254	Representative Appointment Confirmation	IRM 4.24.25.5.3.2.4
Letter 2205 A	Initial Contact	IRM 4.24.25.5.3.4
Letter 2205 E	Excise Initial Contact	IRM 4.24.25.5.3.4
A110	Excise Tax Plan to Close Check Sheet	IRM 4.24.25.5.4
A115	Group Manager Concurrence Meeting Check Sheet	IRM 4.24.25.5.5
A120	Initial Appointment Check Sheet	IRM 4.24.25.5.6
A125	Initial Interview Questions and Notes	IRM 4.24.25.5.7

Index Number	Lead Sheet Title	IRM Cite
B200-1	Required Filing Checks, Prior/ Subsequent Period Returns, Related Excise Tax Returns, Filing Verification	IRM 4.24.25.5.8
Form 5346	Examination Information Report	IRM 4.24.25.5.8.1
B200-2	Related Excise Tax Returns Consideration	IRM 4.24.25.5.9
C300	Books to Returns Reconciliation Check Sheet	IRM 4.24.25.5.10
C305	Internal Controls Check Sheet	IRM 4.24.25.5.11
C310	Fraud Awareness Check Sheet	IRM 4.24.25.5.12
D400	Initial Taxpayer Contact Check Sheet	IRM 4.24.25.5.13
E500	Penalty Check Sheet and Approval Form	IRM 4.24.25.5.14
Risk Analysis	Not Applicable	IRM 4.24.25.5.15

**Note:** Mandatory Admin Forms notated with an asterisk (\*) that are itemized in the table above are POA Admin Forms. If the taxpayer has a valid authorization on file, the POA Admin Forms must be deployed. Those forms that apply must be completed and submitted timely. The excise examiner should document Form 9984 as to the verification check for a valid authorization and whether the POA Admin Forms were deployed, as appropriate.

**Note:** Check boxes are found on several of these forms, which serve many purposes, such as a reminder or an action completion list. Checking a box does not mean comments and workpapers are not required.

- (8) Refer to Notebook Mandatory Admin Forms for information about RA Admin Forms, which are fourteen Excise Tax Lead Sheets, and POA Admin Forms that are eight documents, which include three fax sheets, two forms plus instructions and two letters.
- (9) Refer to the table below for more information about the Mandatory Admin Forms required for use in other case workload types:

Workload Type	IRM Section
Fuel Compliance Officer Inspections	4.24.13, Overview of Excise Fuel Compliance Program, 4.24.14, Excise Fuel Compliance Safety, Uniform and Motor Vehicle Requirements, 4.24.15, Excise Fuel Compliance Inspection, Sampling and Shipping
Coordinated Industry Examinations	4.24.5, Large Business and International (LB&I) Examination Program Procedures for Excise Employees
Form 637 Registration Cases	4.24.2, Form 637 Excise Tax Registrations, 4.24.23, Form 637 Registration and Secure Airport Terminal Operational Procedures and Functions, 4.24.24, Form 637 Registration Files - Administration and Required Documentation
ExSTARS Compliance Examinations	4.24.17, Excise Summary Terminal Activity Reporting System (ExSTARS) Compliance Examination Procedures

4.24.25.4.1  
(11-23-2021)

**Workpaper Preparation:  
Other Resources**

- (1) By selecting NB Menu and then References, the excise examiner can access Audit Guides, Rate Reference, FCO Tool Kit, RA Tool Kit and Forms Library Updates.
- (2) For each option, the excise examiner will find reference materials useful in successfully completing the appropriate Excise Lead Sheets.

4.24.25.5  
(11-23-2021)

**Workpaper and Lead  
Sheet Expectations**

- (1) Use of Lead Sheets helps the excise examiner meet all workpaper requirements. The use of non-standard workpapers does not relieve the excise examiner from meeting workpaper requirements.
- (2) Properly prepared workpapers must provide adequate documentation to support conclusions. Sufficient documentation allows reviewers to verify whether the scope of the excise examination is appropriate or the basis of a proposed adjustment is accurate. The excise examiner should always cite legal authority to support the conclusions (e.g., IRC sections, applicable regulations, court cases, revenue rulings and/or revenue procedures).
- (3) Workpapers and reports must be neat, legible, clear and concise and are an important aspect of the overall quality of the examination.
- (4) Workpapers must contain headers that identify:
  - Taxpayer Name.
  - TIN.

- Tax Period Examined.
- Date Workpapers were Prepared.
- Name or Initials of the Excise Examiner.
- Issues or Items Examined.

- (5) Workpapers must be indexed and numbered. If an issue cannot be fully explained on the specific issue Lead Sheet, supporting workpapers must be prepared, indexed and identified as an attachment to the respective Lead Sheet. Supporting workpapers provide detailed explanations, analyses, schedules and/or computations.
- (6) The number of supporting workpapers prepared during an excise examination depends on the size and complexity of the entity, as well as, the number and type of issues developed. While no fixed requirement exists to include specific schedules or analyses in the supporting workpapers, the excise examiner must include suitable and appropriate information to support the conclusion documented on the lead sheet. Any notes taken during interviews conducted must be included in the case file as additional support for the final case resolution.
- (7) Workpapers should reflect actual accomplishments during the excise examination. The workpapers should exclude unnecessary documentation or data. For example, copies of the Certified Public Accountant's workpapers or reports should not be included in the workpapers, if they do not contribute to the development of an issue. The excise examiner's personal opinions relating to a taxpayer are not appropriate. Case file workpapers are included under the Freedom of Information Act.
- (8) If the case was initiated by a referral, the excise examiner must include a copy of the referral from the Specialist Referral System in the IMS MFT B5 case file.

4.24.25.5.1  
(11-23-2021)

**Form 4318-E, Excise  
Workpapers Index**

- (1) Form 4318-E, Excise Workpapers Index, refers to the examination workpapers cover sheet that indexes the Lead Sheets, issue workpapers and supporting workpapers (e.g., appointment letters, IDRs, correspondence, case building materials, etc.). Form 4318-E pertains to one taxpayer.
- (2) Adjustments reported on Form 5384, Excise Tax Examination Changes and Consent to Assessment & Collection, and/or Form 5385, Excise Tax Examination Changes, are documented on Form 4318-E. The explanations must correspond chronologically to the issue workpapers and supporting workpapers.

4.24.25.5.2  
(11-23-2021)

**Form 9984, Examining  
Officer's Activity Record**

- (1) The excise examiner must document each substantive action taken on a case on Form 9984. Form 9984 is required for uniform case file documentation of examination activities, NQRS case reviews, determining whether taxpayers cooperated fully with reasonable requests for information and the possibility of responding to a taxpayer's claims for interest abatement under IRC 6404, *Abatement of interest attributable to unreasonable errors and delays by Internal Revenue Service*. In some situations, Form 9984 will reference other workpapers or relevant lead sheets for more detail.

**Note:** Appropriate documentation on lead sheets does not need to be repeated on Form 9984.

- (2) Form 9984 should be prepared contemporaneously with the actions taken on the case and provide a complete and concise case history. Form 9984

chronicles all substantive actions taken during the course of an examination by excise examiners, excise managers, clerical support staff, the taxpayer and/or the representative. Alternatively, in lieu of Form 9984, excise managers may use the Case Level Activity Record feature at the IMS Team website.

- (3) All entries on Form 9984 should be written factually and professionally. Form 9984 is used to document activity including the date of the activity, location of the activity, contact code, time charged and remarks and/or substantive actions taken. Entries on Form 9984 should not be so brief as to be meaningless, i.e., “worked on case.”
- (4) If no significant activity occurs on a case for 45 days, the excise examiner must provide a written comment on Form 9984 fully explaining why this occurred and whether the delay was communicated to the affected parties. Significant activity includes any activity where the excise examiner performed substantial work that moved the case toward a conclusion. This does not include telephone calls to or from the taxpayer to cancel or change an appointment. It would, however, include telephone calls if issues were discussed that helped move the case toward a conclusion, such as appointments were arranged, information requested, research conducted, etc. This requirement includes leave and extended temporary detail assignments.
- (5) Each action taken on the case must be documented on Form 9984 or the Case Level Activity Record feature in IMS. This includes, but is not limited to:
  - a. Pre-contact examination steps.

**Note:** Refer to IRM 4.10.2.8, Examination of Returns, Pre-Contact Responsibilities, Initial Contact: Overview, for additional information about initial contact with taxpayers.
  - b. All research activities.
  - c. Any evaluation of collectibility and any decision to survey or examine a return.
  - d. Significant travel time to and from the examination location.
  - e. Verification the taxpayer and/or the representative has the excise examiner’s correct name, telephone number and unique employee identification number at the inception of the examination.
  - f. Confirmation of taxpayer receipt of Publication 1, (Pub 1), Your Rights as a Taxpayer, Notice 609, Privacy Act Notice, and the related discussion held with the taxpayer and/or the representative.
  - g. If a tour or site visit of the taxpayer’s business was conducted.
  - h. Reasons for expanding or contracting the examination and the related discussions with the excise manager.
  - i. All actions taken with respect to the statute of limitations (SOL), including verification of the SOL, steps to protect the SOL, status of Form 895, Notice of Statute Expiration, completion date(s), discussions with the excise manager regarding soliciting statute extensions and actions taken for securing consents to extend.
  - j. The completion of the required filing checks, actions taken and the decisions made by the excise examiner, including internal documents secured and any analysis performed or workpapers created by the excise examiner in making this determination.

**Note:** If the required filing checks are not completed, the excise examiner must document the reasons why and the extent of managerial involvement.

- k. If an excise examiner determines a required return has not been filed (except when fraud or willful failure is indicated), actions and conclusions must be prepared addressing how the issue was resolved.
- l. If the taxpayer was notified the inspection of a return did not result in an examination.
- m. If an extension of the mutual commitment date (MCD) for more than 30 days was granted, the related discussions with the taxpayer and/or representative and excise manager must be prepared addressing how the issues were resolved.
- n. When records are incomplete, nonexistent or suspect, all attempts to obtain the taxpayer's records and actions to keep the excise manager informed.
- o. Document any attempts by the taxpayer or the representative to delay the examination.
- p. Documentation of excise manager involvement, including formal and informal discussions, in-process case reviews, on-the-job visitations and workload reviews, plan to close meetings, fraud awareness discussions and the date the case was closed to Centralized Case Processing or Technical Services.
- q. If the facts and circumstances warrant a partial overassessment, excise manager approval and concurrence prior to such allowance.
- r. If the taxpayer wants to submit a fax signature for consents or closing agreements, the related discussions and actions regarding contact with the taxpayer, the date of the contact and the desire of the taxpayer to submit the consent or closing agreement by fax.
- s. Managerial involvement for all unagreed cases.
- t. Actions related to report delivery and receipt, including date(s) of the notice, method of delivery of notice (i.e., personal delivery, regular mail, certified mail, etc.), person(s) to whom notice(s) were delivered and items included in the delivery (i.e., letter, report form, publications, etc.).
- u. When collateral requests and referrals are made, accepted, when work begins and when progress reports are received.
- v. Any actions taken regarding Form 5346, Examination Information Report.
- w. If the facts and circumstances warrant the assertion of penalties, related actions and decisions.
- x. If a deficiency results, the discussions about the solicitation of payment and payment options.

4.24.25.5.3  
(11-23-2021)  
**A105 - Administrative  
Check Sheet**

- (1) A105 - Administrative Check Sheet provides administrative guidelines for examination tasks. The excise examiner completes the following portions of A105 by addressing:
  - a. Pre-audit issues, including verification of SOL and collectibility. Refer to IRM 10.2, Examination of Returns, Pre-Contact Responsibilities, and IRM 4.20.1, Examination Collectibility, Examination Collectibility Procedures.
  - b. Form 637 Registration information, if applicable. Refer to IRM 4.24.2, Introduction to Form 637 Excise Tax Application for Registration for Certain Excise Tax Activities, IRM 4.24.23, Operational Procedures and Responsibilities for Form 637 Excise Tax Registrations and Secure Airports

Terminals (SATs), and IRM 4.24.24, Form 637 Registration Files: Administrative Procedures for Initial Applications and Case Reviews.

- c. Power of Attorney (POA).
- d. Initial taxpayer contact by mail.

**Note:** Initial contact by telephone is prohibited. After mailing the contact letter and sufficient time lapsed for the taxpayer to respond (14 calendar days from mailing the letter), the excise examiner may initiate contact with the taxpayer by telephone as needed.

- e. Initial appointment.
- f. Referrals.
- g. Extensions to SOL.
- h. Issue resolution.
- i. Payment. Refer to IRM 4.20.1, Examination Collectibility, Soliciting Payment, for guidance on using the tiered interview approach for soliciting payment, securing levy source information and coordinating with Collections.

**Note:** The excise examiner must check yes on A105 under the Payment heading (IRM 4.20.3 - IRM 4.4.24.2) to establish that payment was solicited whether full or partial. The substance of the discussion with the taxpayer or the representative as to payment options, how the taxpayer indicates the deficiency will be addressed and acknowledgement of the obligations must be documented on Form 9984.

- j. For additional procedural items, including third party contacts, inadequate records notice and conversion of QuickBooks accounting software, refer to IRM 4.24.6.

- (2) For case file assembly, refer to Excise Examination shelf, Closing an Examination book, Case File Assembly page located at the *Excise Tax Knowledge Base Homepage*.
- (3) Excise examiners need to be aware of the Potentially Dangerous Taxpayer and Caution Upon Contact Programs. Refer to IRM 25.4.1, Employee Protection, Potentially Dangerous Taxpayer, and IRM 25.4.2, Caution Upon Contact Taxpayer.

#### 4.24.25.5.3.1 (11-23-2021) **Taxpayer's Right to Representation**

- (1) Taxpayers have the right to retain an authorized representative at any time during an examination. Both excise managers and excise examiners are responsible for ensuring this right. Refer to IRM 4.10.1.2.1.9, Overview of Examiner Responsibilities, Taxpayer Rights.
- (2) Prior to issuing Letter 2205-A, Initial Contact, excise examiners must determine if a valid POA is on file for the tax periods under examination. If a Transaction Code (TC) 960 is posted to the account, the excise examiner must secure a Command Code (CC) CFINK and include it in the file. If a valid POA is on file for the tax periods under examination, Letter 2205-A should be mailed to the taxpayer with a copy to the POA using Letter 937, Transmittal of Information to the Power of Attorney, for the POA. Refer to IRM 4.10.2.8.1, Making Initial Contact.
- (3) The excise examiner must be willing to communicate with any POA authorized by the taxpayer. Refer to IRM 4.10.2.9.1(3), Scheduling the Initial Appointment with the Taxpayer and/or Representative.

- (4) When a taxpayer has executed a valid POA, the taxpayer's presence at the interview cannot be required without the issuance of a summons. However, the POA must demonstrate first-hand knowledge of the taxpayer's business operations and provide reliable information to the questions asked. Refer to IRM 4.11.55.3.1, Examining Officer's Guide (EOG), Power of Attorney Rights and Responsibilities, Taxpayer's Presence Required.
- (5) If the taxpayer states during the interview he or she wishes to consult with a representative, the interview must be suspended to allow 10 business days to consult or secure representation. Refer to IRM 4.10.3.3.7.2, Examination Techniques, Request for Representation - Suspension of Interview; see exception.
- (6) Excise examiners must document requests to consult or secure representation on Form 9984 or the appropriate workpapers.

4.24.25.5.3.2  
(11-23-2021)

**Processing Power of Attorney**

- (1) The excise examiner should check Centralized Authorization File (CAF) using the Integrated Data Retrieval System (IDRS) CC CFINK to determine if a POA exists for the taxpayer and for which types of tax returns and periods. The box for this action should be checked on A105 and the finding documented on Form 9984.

**Note:** POAs for Forms 637 are not posted to CC CFINK in IDRS.

- (2) If the taxpayer retained representation, the excise examiner must select the POA Admin Forms and deploy the appropriate POA Lead Sheets.

4.24.25.5.3.2.1  
(11-23-2021)

**Form 2848, Power of Attorney and Declaration of Representative**

- (1) Form 2848, Power of Attorney and Declaration of Representative, authorizes an individual to represent the taxpayer before the Service. The individual authorized by the taxpayer must be a person eligible to practice before the Service. The eligible individuals are listed in Part II, Declaration of Representative, items a-h.
- (2) The excise examiner will process Form 2848 to the CAF as soon as possible or within 24 hours of the receipt date. Delays should be documented on Form 9984. If the POA is not properly executed, return it to the taxpayer for corrections and document Form 9984.
- (3) The excise examiner will check CC CFINK to ensure Form 2848 was processed by the CAF.

**Note:** If this did not occur, the excise examiner will re-submit Form 2848 and re-check CC CFINK to ensure the document was processed by the CAF.

- (4) For guidance about Form 2848 and the POA, refer to IRM 4.11.55.2.6.1, Form 2848 - Power of Attorney and Declaration of Representative.

4.24.25.5.3.2.1.1  
(11-23-2021)

**Instructions for Form 2848**

- (1) For greater clarity, review the *Instructions for Form 2848, Power of Attorney and Declaration of Representative*.

4.24.25.5.3.2.1.2  
(11-23-2021)  
**Fax Sheet Power of  
Attorney**

- (1) The excise examiner must download and complete Fax Sheet POA, included in the POA Lead Sheets within Notebook.
- (2) For guidance about fax signatures, refer to IRM 4.11.55.2.7.2, Examining Officer's Guide, Power of Attorney Rights and Responsibilities.

**Note:** Fax signatures should be construed to include electronic images of scanned original signatures transmitted by Enterprise Electronic Facsimile (EEFAX) or e-mail. Refer to Revision of Policy Use of Fax and Signature Stamps in Taxpayer Submissions, a memorandum dated November 19, 2015, and Clarification of Policy for Use of Fax in Taxpayer Submissions, a memorandum dated October 29, 2019, for more detailed guidance.

4.24.25.5.3.2.2  
(11-23-2021)  
**Form 8821, Tax  
Information  
Authorization**

- (1) Form 8821, Tax Information Authorization, provides the authority for any individual, corporation, firm, organization or partnership designated by the taxpayer to inspect and/or receive confidential information for the type of tax returns and the years or periods authorized. The taxpayer must include all of the information requested on Form 8821. If incomplete, the excise examiner must return it to the taxpayer for corrections and document Form 9984 accordingly.
- (2) Form 8821 is not used to appoint a representative.
- (3) Refer to IRM 4.11.55.2.6.2, Form 8821 - Tax Information Authorization.

4.24.25.5.3.2.3  
(11-23-2021)  
**Letter 937, Transmittal  
Letter for Power of  
Attorney**

- (1) Letter 937 transmits copies of correspondence addressed to the POA.

4.24.25.5.3.2.4  
(11-23-2021)  
**Letter 3254,  
Representative  
Appointment  
Confirmation Letter**

- (1) The initial appointment for an examination is confirmed on Letter 3254, Representative Appointment Confirmation. The letter is used for individual, corporate, partnership or other types of tax returns.

**Note:** The excise examiner must follow the initial contact procedures described under IRM 4.10.2.8.1, Making Initial Contact.

4.24.25.5.3.3  
(11-23-2021)  
**Pre-Audit Issues  
Collectibility**

- (1) ECS/WSD uses collectibility factors to determine if a case should be selected for examination. Cases selected for field examination that have known collectibility issues are identified on the Classification Checksheet included in the case file. The Classification Checksheet also documents how the collectibility problem was overcome (with ECS/WSD Management support) to justify case selection for field examination. This information is found in the Classification Checksheet Field Notes section.
- (2) Collectibility must be considered when setting the scope of an examination. Collectibility is based on current financial condition and not the tax return reflecting the taxpayer's earlier financial condition. Excise examiners must document collectibility evaluation during the pre-planning phase of the examination using A105.

- (3) Refer to IRM 4.20.1.2.1, Examination Collectibility, Examination Collectibility Procedures, Collectibility Considerations, for collectibility indicators and steps to take when evaluating collectibility potential during the pre-planning phase.
- (4) The excise examiner should obtain a CC AMDIS with definer A (AMDISA) print, which will display collectibility indicators such as:
  - BANKRUPTCY – Taxpayer is currently in bankruptcy or bankruptcy discharge in a prior period.
  - CURNOTCOLL - Prior period was closed as Currently Not Collectible.
  - COLLSTCD26 - Open Collection status (i.e., assigned to revenue officer, Automated Collection, or is in Collection queue).
  - Offer-In-Compromise (OIC) Pending.
- (5) If collectibility indicators are present or there are reasons to believe the taxpayer has liabilities outstanding for other tax periods, CC SUMRY, CC IMFOLI (for information on sole proprietor or individual account balances) or CC BMFOLI should be obtained. They reveal any previous tax periods with account balances. A CC TXMODA for those tax periods reveals account activity. If TC 480 is present on any of the modules, an OIC is under consideration. The group and employee number of the revenue officer charged with the account is reflected on CC TXMODA.
- (6) Not all taxpayers lacking the means to satisfy additional tax liabilities are identified. Excise examiners should be alert for indications in the case file that collectibility may be a consideration (i.e., the taxpayer is deceased, the taxpayer is a defunct corporation and/or the issue of transferee liability is not present). Form 9439, Collectibility Evaluation Form, may be used to accurately document collectibility.
- (7) If collectibility is an issue for an assigned case, alert the excise manager as soon as the issue is discovered. Excise managers will make the final determination whether to survey the return or to limit the examination scope/depth. A return may be surveyed due to an absolutely uncollectible assessment or subjected to a limited scope examination when there is lack of collectibility.
- (8) Returns should not be surveyed based solely on collectibility when a limited examination has the potential for developing leads to other non-compliant taxpayers or for cases involving fraud or special cases referred by Counsel.

4.24.25.5.3.4  
(11-23-2021)

**Letter 2205-A, Initial Contact**

- (1) Letter 2205-A, Initial Contact, is used by excise examiners to request taxpayer call-back to schedule an initial appointment for an examination.

**Note:** Letter 2205-E, Excise Initial Contact, was prepared to respond to challenges created by the COVID 19 pandemic that could impact the taxpayer's ability to effectively prepare for an examination. If facts and circumstances warrant the use of this letter, excise examiners may issue it in lieu of Letter 2205-A.

- (2) If the taxpayer responds timely, issue Letter 3253, Taxpayer Appointment Confirmation, to confirm the appointment.

**Note:** If the taxpayer has an authorized representative, use Letter 3254.

- (3) If the taxpayer does not respond timely to the initial contact letter, the excise examiner may issue Letter 2295, Follow Up to Initial Contact Letter, which extends the response time by 10 days. If this letter is issued, the case file should be fully documented.

4.24.25.5.4  
(11-23-2021)  
**A110 - Excise Tax Plan  
to Close Check Sheet**

- (1) A110 - Excise Tax Plan to Close Check Sheet serves as a guide for the examination planning phase. A110 is a summary sheet of task reminders to complete as part of the examination process.

- (2) A110 ensures the excise examiner:

- Is focused on a plan to close.
- Is organized.
- Knows the next steps needing completion.
- Completes each step in logical procession.
- Is prepared to go to the next step.

- (3) A110 consists of the following steps:

- a. Review the case-built file.
- b. Establish initial taxpayer contact by mail.
- c. Import, prepare and mail the approved taxpayer and/or the representative an appointment letter.

**Note:** Refer to IRM 4.10.2.5.5, Surveying International Feature Returns, for exceptions for international excise examination cases.

- d. If the appointment must be scheduled or re-scheduled beyond 45 days after the initial contact, managerial involvement must be documented in the case file.
- e. Obtain the excise manager's audit plan concurrence within 30 business days after initial appointment if case is not closed.

4.24.25.5.5  
(11-23-2021)  
**A115 - Group Manager  
Concurrence Meeting  
Check Sheet**

- (1) A115 - Group Manager Concurrence Meeting Check Sheet documents the group manager concurrence meeting (GMCM). This occurs between the excise examiner and the excise manager within 30 business days after the initial meeting with the taxpayer or the first receipt of information from the taxpayer in a correspondence case. The GMCM will cover:

- The initial appointment meeting with the taxpayer or the first receipt of information from the taxpayer in a correspondence case.
- The reasonableness of the MCD established.
- Accomplishments and planned actions for completing the case.
- Issues identified.
- Location of the examination work.
- Concerns or barriers to closing the case.

**Note:** In situations where it takes more than one meeting with the taxpayer to complete the planning tasks, the GMCM should be scheduled 30 business days after the completion of those tasks. The GMCM may not necessarily occur after the initial meeting with the taxpayer.

- (2) The GMCM is required for all excise examiners GS-12 and below.

- (3) Excise examiners, GS-13, are encouraged to utilize a GMCM process to provide updates on cases and to obtain guidance from excise managers.
- (4) When the 30 business day requirement cannot be met, reasons for the delay must be documented sufficiently. Only in rare circumstances should the meeting occur prior to the initial meeting with the taxpayer or the first receipt of information from the taxpayer in a correspondence case.
- (5) The excise manager acknowledges completion of the GMCM by initialing and dating the A115.
- (6) Refer to IRM 1.4.40.7.6, Resource Guide for Managers, SB/SE Field and Office Examination Group Manager, Group Manager Concurrence Meeting (GMCM) for Revenue Agents.

**Note:** A GMCM is not required, if the case is closed to the excise manager within 30 business days of the initial appointment or the first receipt of information from a taxpayer in a correspondence case.

4.24.25.5.6  
(11-23-2021)  
**A120 - Initial  
Appointment Check  
Sheet**

- (1) A120 - Initial Appointment Check Sheet provides guidance in conducting the initial appointment with the taxpayer. It serves as a guide to assist the excise examiner for completing the excise examination. Additionally, it provides an index and reference to supporting workpapers.
- (2) Initial contact procedures found in IRM 4.10.2.8 apply.

**Note:** The excise examiner must use an appropriate initial contact letter, such as Letter 2205-A, to notify the taxpayer his or her return was selected for examination. Initial contact will not be made by telephone. After mailing the contact letter and sufficient time lapsed for the taxpayer to respond (14 calendar days from mailing the letter), the excise examiner may initiate contact with the taxpayer by telephone as needed. When a valid Form 2848 is on file for the taxpayer, the appropriate initial contact letter will be mailed to the taxpayer and a copy of that letter will be mailed to the representative along with Letter 937.

**Note:** For International excise examinations, the excise examiner may include an IDR with the initial contact letter.

- (3) At the beginning of the initial appointment, the excise examiner will discuss and document the following:
  - a. The mutual responsibilities (i.e., what the taxpayer can expect from the excise examiner and what the excise examiner can expect from the taxpayer).
  - b. The excise examiner's availability to meet and resolve issues, the normal working hours of the excise examiner and the contact information for the excise manager, including name, address and telephone number.
  - c. The excise examiner will discuss the excise examination issues and explain the scope of the excise examination may expand as additional issues arise.
- (4) Prior to concluding the initial appointment, the excise examiner will work with the taxpayer and/or the taxpayer's representative to set the MCD. Consideration must be given to the number of expected field visits, the availability of the

excise examiner and the taxpayer. Every effort should be made to complete the excise examination as soon as possible.

**Note:** If the MCD is later changed by more than 30 calendar days, the excise examiner must discuss the new date with the excise manager and the taxpayer.

4.24.25.5.7  
(11-23-2021)  
**A125 - Initial Interview  
Questions and Notes**

- (1) Interviews will be documented on A125 - Initial Interview Questions and Notes.
- (2) If not already addressed during the pre-contact phase of the excise examination, the excise examiner must take the following actions during the initial interview:
  - a. Verify the taxpayer's receipt of Pub 1 and Notice 609.
  - b. Briefly describe the rights described in Pub 1 and Notice 609 and respond to any questions.
  - c. Briefly describe the excise examination process and inform the taxpayer and/or the representative of the options available for resolving unagreed cases.
  - d. Document confirmation of receipt of Pub 1 and Notice 609 and the discussion held with the taxpayer and/or the representative on Form 9984.
- (3) Interviews provide information about the taxpayer's financial history, business operations, use of internal controls and books and records not available from other sources. Interview questions are planned to address items specific to the taxpayer under excise examination. The type of return and relevant facts and circumstances need to be considered in the interview plan.
- (4) Interviews should be documented in sufficient depth to give a clear understanding of the taxpayer and the taxpayer's operations.
- (5) Interviews should obtain the information needed to make informed judgments about the scope and depth of the excise examination and to correctly resolve issues.
- (6) Questions specific to the abstracts should be incorporated into A125.

**Note:** The completion of A125 does not necessarily constitute a complete interview.

- (7) Appropriate follow-up questions should be asked. The person interviewed should have sufficient knowledge of the taxpayer's operations to answer questions.
- (8) Adequate narrative and specific abstract commentary is essential. Excise examiners need to follow the interview guidance contained in IRM 4.10.3.3, Examination of Returns, Examination Techniques, Interviews: Authority and Purpose.

4.24.25.5.7.1  
(11-23-2021)  
**Tour of Business**

- (1) Tours of business sites should be conducted during examinations of all business entities. Touring the business as part of the initial interview process helps the excise examiner obtain a better understanding of the taxpayer's operations and business flow. Generally, the principal location and any pertinent locations acquired during the period under excise examination should be visited. However, consideration should be given to the cost effectiveness and

practicality of conducting the tour. Consideration should be given to the taxpayer's right to privacy, which under TBOR, ensures any inquiry or excise examination will be no more intrusive than necessary. When appropriate, alternatives should be considered. The excise examiner needs to document all findings and conclusions on the A125.

- (2) Treas. Reg. 301.7605-1(d)(3)(iii), *Time and place of examination*, states that "[r]egardless of where an examination takes place, the Service may visit the taxpayer's place of business... to establish facts that can only be established by direct visit."
- (3) Refer to IRM 4.10.3.4, *Tours of Business Sites and Inspection of Residences*, for more detailed guidance.

4.24.25.5.8  
(11-23-2021)  
**B200-1 - Required Filing Checks  
Prior/Subsequent Period Returns, Related Excise Tax Returns, Filing Verification**

- (1) The excise examiner documents evidence of voluntary compliance on B200-1 - Required Filing Checks Prior/Subsequent Period Returns, Related Excise Tax Returns, Filing Verification, (RFC).
- (2) Excise examiners should perform taxpayer filing verification checks to determine taxpayers are in compliance with all federal tax return filing requirements and all returns reflect the substantially correct tax. Refer to IRM 4.10.5, *Examination of Returns, Required Filing Checks*, for more detailed guidance.
- (3) The excise examiner will:
  - a. Identify all prior, subsequent and related returns.
  - b. Include a summary of the analysis performed.
  - c. Document the conclusions reached.
- (4) The excise examiner will indicate why a prior or subsequent period is not picked up when an adjustment is proposed in the current period.
- (5) The RFC includes the analysis of prior, subsequent and related returns. The analysis and pick-up of prior, subsequent and related returns, when warranted, is an excise examiner's primary responsibility.
- (6) Limited scope examinations do not eliminate the need to perform RFC.
- (7) The inspection of a return is not an examination. The excise examiner may question the taxpayer concerning items on the return in an attempt to understand how or why they occurred. The excise examiner may not request documentation concerning items on the return. If documentation is requested, an examination has been opened.
- (8) When possible, excise examiners should use external sources of information, (e.g., FINCIN, Accurant, internet research, K-1s, etc.), as well as internal sources of information, (e.g., IDRS, Modernized e-File (MeF) and Compliance Data Environment), to complete the RFC. Filing should be verified for prior and subsequent period returns, related returns, information returns, employment tax returns, gift tax returns, other excise tax returns, pension plan returns, etc.
- (9) Case file documentation should include key or summary documents secured from IDRS verifying filing such as:
  - BMFOLI.
  - BMFOLT.
  - SUMRY.

- (10) MeF is a web-based system that allows electronic filing of corporate, individual, partnership and other returns, including excise returns. The MeF system provides the excise examiner original transmitted tax return data in various formats, including a Form View, which resembles a tax return. If a return was filed using MeF, an excise examiner can access the Employee User Portal (EUP) to view the return. For additional information on EUP, refer to the Excise Examination shelf, Initiating an Examination book, EUP page located at the *Excise Tax Knowledge Base Homepage*.

4.24.25.5.8.1  
(11-23-2021)  
**Form 5346, Examination  
Information Report**

- (1) When the excise examiner receives information containing sufficient compliance value that may warrant another compliance action, that excise examiner completes Form 5346. Examples include:
- Non-related taxpayers having similar audit issues present.
  - A referral of the taxpayer for non-excise related issues (i.e., income tax or employment tax referrals).
- Note:** If the excise examiner has related tax periods for the same taxpayer, those tax periods are established on Form 5345-D, Examination Request - ERCS (Examination Returns Control System) User. This would include parent/subsidiary relationships and brother/sister businesses, as well as prior and subsequent tax periods for the primary entity.

- (2) Form 5346 must be electronically submitted to the excise manager. Once approved, the excise manager sends Form 5346 and additional information to the *\*SB/SE Excise WSD mailbox*. Refer to IRM 4.24.18.5.3, Excise Case Selection, Data Acquisition, for additional information.

4.24.25.5.9  
(11-23-2021)  
**B200-2 - Related Excise  
Tax Returns  
Consideration**

- (1) B200-2 - Related Excise Tax Returns Consideration documents the excise examiner's appropriate follow-through, i.e., whether the taxpayer:
- Manufactures, produces, recycles or imports items for sale or use subject to excise taxes.
  - Uses products subject to excise taxes.
  - Receives payment for services subject to excise taxes.
  - As a retailer or importer, engages in the sale, lease or use of goods subject to excise taxes.
  - Has been a party to transactions subject to excise taxes.
  - Engages in miscellaneous activities subject to excise taxes.

4.24.25.5.10  
(11-23-2021)  
**C300 - Book to Return  
Reconciliation Check  
Sheet**

- (1) C300 - Book to Return Reconciliation Check Sheet documents the excise examiner's analysis and consideration of the taxpayer's operations and activities for determining the proper excise examination scope.
- (2) In the course of examining Form 720, Quarterly Federal Excise Tax Return, it is often necessary for the excise examiner to verify the taxpayer's total sales of relevant products for a tax period.
- (3) The excise examiner will often review the total sales for a year shown on a taxpayer's income tax return and inquire into the purpose of any adjustments. This information helps establish the accuracy of all Form 720 returns filed during the taxable year.

- (4) Conducting a books-to-return analysis is especially important when the taxpayer has not filed an excise return. Even if the taxpayer has not filed an excise return and there is no amount on the excise return to reconcile, the excise examiner must still perform a books-to-return analysis and document the conclusions reached regarding what sales/revenue should have been reflected on the non-filed return.

**Note:** The inspection of the year-end books and records to determine year-end adjustments and total sales for the year for excise purposes and tying the year-end books and records to reported sales on the income tax return are part of an excise examination. There is no legal requirement to treat a thorough review of the annual sales receipts and any documents related to adjustments as reported on the annual return as a separate income tax examination. When the period under examination is the third quarter, the review of the year-end books and records for sales and adjusting entries does not constitute an examination for the fourth quarter Form 720 return.

- (5) An excise examination is started when actual books and records of sales are requested and examined for a period for which a return has been filed or is due to have been filed.
- (6) The excise examiner will reconcile all sales/revenues shown on the excise return with those on the income tax return. The excise examiner will document the justification for any differences between the two amounts. The excise examination should account for all sales/revenues (and sometimes uses) as if they are subject to excise tax until verified and proven otherwise. Through the excise examination process, the excise examiner verifies and eliminates those sales/revenues (and sometimes uses) not subject to excise tax. All remaining items are then taxable.

**Note:** An excise examiner who only verifies the accuracy of the taxpayer-prepared worksheets is not properly considering all sales/revenues and uses that the taxpayer may not have included on those schedules.

- (7) The excise examiner will document any adjustments made by the taxpayer to the amounts shown for sales/revenues on the books of the taxpayer.
- (8) An in-depth job aid covering the book to return reconciliation may be found at the Excise Examination shelf, Examination in Process book, Books to Return Reconciliation page located at the *Excise Tax Knowledge Base Homepage*.

4.24.25.5.11  
(11-23-2021)

**C305 - Internal Controls  
Check Sheet**

- (1) C305 - Internal Controls Check Sheet documents the analysis of internal controls and assesses the level of control risk.
- (2) It is important to obtain sufficient evidence to determine the accuracy of the taxpayer's return. The excise examiner must determine the appropriate amount of evidence to accumulate and establish the proper depth of the excise examination. This decision is a matter of judgment and important because of the prohibitive cost of examining and evaluating all available evidence. Factors to consider when establishing the depth of the excise examination include:
- a. The risk of taxpayer errors that are individually or collectively material.
  - b. The risk that excise examination tests will fail to uncover material errors (e.g., the excise examination techniques used, the nature of the errors (intentional or unintentional) and the reliability of available evidence).

4.24.25.5.12  
(11-23-2021)

## **C310 - Fraud Awareness Check Sheet**

(3) The excise examiner should either flowchart key business operations or document, in narrative form, with sufficient detail to provide information comparable to that shown by flowcharting the process.

(1) Excise examiners should familiarize themselves with the IRM 25.1, Fraud Handbook, when developing a fraud case.

(2) IRM 25.1.7, Failure to File, discusses the various procedures concerning fraud in failure to file cases.

(3) To assist in the timely development of fraud cases, the excise examiner, with the excise manager's concurrence, should contact a Fraud Enforcement Advisor (FEA) and the Excise Fraud Analyst (Fraud Analyst) when initial indicators of fraud are uncovered. A plan of action is developed jointly to document firm indications of fraud. An integral part of the plan requires establishing that sufficient affirmative acts exist confirming fraud. The plan should be a joint effort by the excise examiner, the excise manager, the FEA and the Fraud Analyst.

(4) The FEA and Fraud Analyst serve as consultants during case development.

(5) The excise examiner will use the C310 to document actions taken.

(6) The excise examiner will complete Form 11661, Fraud Development Recommendation - Examination, when he or she suspects fraud. Form 11661 should be forwarded electronically via secure e-mail to the FEA through the excise manager. Upon receipt of an approved Form 11661, the case is placed in Status Code 17 (Fraud Development Status) on AIMS.

(7) When the excise examiner, excise manager and FEA have agreed that the case contains sufficient evidence to prove the existence of firm indicators of fraud, the excise examiner (with the help of the FEA, if needed) prepares Form 2797, Referral Report of Potential Criminal Fraud Cases, to refer the case to Criminal Investigation (CI). The excise examiner will route Form 2797 via secure e-mail to the excise manager, who forwards it to the FEA via secure e-mail.

**Note:** Form 2797 is not required for civil fraud referrals.

(8) CI has 10 business days after receipt of the referral to contact the excise examiner, excise manager and FEA and set up a meeting to discuss the case. At the 10-day meeting, the excise examiner provides CI with the entire case file and discusses the issues.

(9) If a case referred to CI is accepted for a criminal investigation, the case will be placed in Status Code 18 (Accepted by CI). The excise manager monitors Status Code 18 cases through quarterly four-way conferences with CI.

(10) Excise examiners are responsible for monitoring all civil assessment Statutes of Limitations (SOLs) during joint investigations, including prior and subsequent tax periods and related tax returns under examination/collection activity.

a. When fewer than 210 days remain on the SOL for assessment, the excise examiner completes Form 10498-B, Joint Investigations Intent to Solicit Consent to Extend Statute, to request CI's permission to solicit the

taxpayer's consent to extend the assessment SOL to issue a notice of deficiency. The completed Form 10498-B is sent via secure e-mail by the excise manager to the Supervisory Special Agent (SSA). CI must accept or decline the request within 10 days after receipt of Form 10498-B. The SSA indicates the desired action by checking the appropriate boxes on Form 10498-B. The SSA then forwards via secure e-mail Form 10498-B to the Special Agent in Charge (SAC). The SAC indicates approval by entering his/her signature and the date. The SAC forwards via secure e-mail the completed Form 10498-B to the Compliance Authorizing Official, who is generally the excise territory manager. The Compliance Authorizing Official forwards via secure e-mail the approved Form 10498-B to the excise manager.

- b. For instructions on updating the statute on AIMS, refer to Exhibit 25.6.23-3, Instructions for Updating the Statute on AIMS and to Form 10498-B instructions.
  - c. Refer to IRM 25.1.4.3.8, Administrative Joint Investigation, Statute Protection, for further guidance.
- (11) For additional information regarding fraud, refer to the *Fraud Development Knowledge Base*.

4.24.25.5.13  
(11-23-2021)  
**D400 - Initial Taxpayer  
Contact Check Sheet**

- (1) D400 - Initial Taxpayer Contact Check Sheet documents action items the excise examiner should consider when making initial contact. Examples include:
  - a. Discussed taxpayer rights.
  - b. Discussed the examination process.
  - c. Advised the taxpayer that his or her return was selected for excise examination.
  - d. Addressed questions or concerns of the taxpayer.
- (2) Initial contact procedures found under IRM 4.10.2.8 apply.
- (3) All initial taxpayer contacts must be made by mail. For this reason, the excise examiner will issue Letter 2205-A, with Pub 1 and Notice 609. Prior to contacting the taxpayer, the excise examiner must determine if a POA is on file before mailing Letter 2205-A. If a valid POA is on file for the tax period(s) under examination, the excise examiner must make initial contact with the taxpayer and the representative. After mailing the contact letter and allowing sufficient time for the taxpayer to respond (allow 14 calendar days from mailing), excise examiners may initiate contact by phone with the taxpayer as needed. The initial IDR is not issued with this initial contact letter except for situations involving excise International examinations. The IDR is instead sent with the appointment confirmation letter after contact with the taxpayer is established and the appointment is scheduled.

**Note:** When the taxpayer responds to the initial contact letter, the excise examiner will follow the D400 and address all required information.

- (4) The excise examiner discusses taxpayer rights as outlined in Pub 1 with the taxpayer and answers questions the taxpayer may have about his or her rights.

- (5) The excise examiner must explain to the taxpayer the records that should be available for the examination. If the taxpayer volunteers information concerning examination issues, the excise examiner should include that information when documenting the discussion.
- (6) When the initial appointment is scheduled, Letter 3253 and/or Letter 3254 are mailed to the taxpayer and/or the taxpayer's representative confirming the time/place of the excise examination and the records that must be available. The items shown below must be enclosed with the letter to the taxpayer:
  - Pub 1.
  - Notice 609.
  - Form 4564, Information Document Request.
- (7) If the attempts to contact the taxpayer are not successful, refer to IRM 4.10.2.8.4, Undeliverable Initial Contact Letters.

4.24.25.5.14  
(11-23-2021)  
**E500 - Penalty Check  
Sheet and Approval  
Form**

- (1) The E500 - Penalty Check Sheet and Approval Form documents the assertion or non-assertion of penalties by excise examiners and excise managers.
- (2) IRC 6751(b)(1), *Approval of assessment, in general*, states that “[n]o penalty under this title shall be assessed unless the initial determination of such assessment is personally approved (in writing) by the immediate supervisor of the individual making such determination or such higher level official as the Secretary may designate.”
- (3) Notwithstanding the exception noted in paragraph 4 below, this approval requirement also applies to the imposition of any fraud penalty including fraudulent failure to file penalty under IRC 6651(f), *Increase in penalty for fraudulent failure to file*.
- (4) IRC 6751(b)(2), *Approval of assessment, exceptions*, provides an exception to the managerial approval requirement for certain penalties calculated through electronic means. This exception applies to the following penalties:
  - IRC 6651, *Failure to file tax return or pay tax*.
  - IRC 6654, *Failure by an individual to pay estimated income tax*.
  - IRC 6655, *Failure by corporation to pay estimated tax*.
  - Failure to deposit penalty IRC 6656, *Failure to make deposit of taxes*, if using CC FTDPN without any independent judgment with respect to the applicability of the penalty. Refer to IRM 20.1.1.2.3.2, Penalty Handbook, Introduction and Penalty Relief, Automated Underreporter and Correspondence Examination Automation Support Programs, and IRM 20.1.4.21.7, Failure to Deposit Penalty, Managerial Approval.
  - Any other penalties calculated automatically through electronic means.

**Note:** A penalty calculated automatically through electronic means is more than merely an electronic device used to perform arithmetic functions. Instead, the assessment of a penalty qualifies as one calculated through electronic means, if the penalty is assessed free of any independent determination by a Service employee as to whether the penalty should be imposed against a taxpayer.

- (5) For purposes of this section, the term “penalty” includes “any addition to tax or any additional amount.” Refer to IRC 6751(c), *Penalties*.
- (6) The excise manager must perform a meaningful review of the excise examiner’s penalty determination prior to assessment. The excise manager should verify the penalty impositions are accurate, as well as confirm that the excise examiner documented the findings in the case file including conclusions regarding the assertion or non-assertion of penalties. Excise examiners must include a completed and signed E500 - Penalty Check Sheet and Approval Form, located in the Forms Library of the Notebook, to document the assertion or non-assertion of penalties. Refer to IRM 20.1.1.2.3, Penalty Handbook, Introduction and Penalty Relief, Approval Prerequisite for Penalty Assessments.
- (7) Group manager involvement is not required on automatic penalties such as Failure to File and Failure to Pay. Managerial review and written approval is required on assertion of all other penalties and the non-assertion of IRC 6719 and/or IRC 6725 penalties. Effective May 20, 2020, for all penalties subject to IRC 6751(b)(1), written supervisory approval must be obtained prior to issuing any written communication of penalties that offers the taxpayer an opportunity to:
- **Sign an agreement or consent to assessment of a penalty:** A form soliciting a signature, which the IRS relies upon to make an assessment. For example, Form 2504-E, Agreement to Assessment and Collection of Additional Tax and Acceptance of Overassessment (Excise Tax); Form 5384, Excise Tax Examination Changes and Consent to Assessment and Collection; or Form 5816, Report of Tax Return Preparer Penalty Case.
  - **Sign a consent to proposal of a penalty:** A taxpayer may be provided an opportunity to consent to proposal of a penalty by signing an IRS form even though the IRS does not rely on the form to make the assessment. For example, the taxpayer has the opportunity to sign Form 5701, Notice of Proposed Adjustment, even though the IRS does not rely upon Form 5701 to make an assessment.
- (8) Refer to IRM 4.10.6, Penalty Considerations, for the assertion and non-assertion of penalties.
- (9) Refer to IRM 20.1.1.3.2, Reasonable Cause, for penalty relief.
- (10) Refer to IRM 4.24.9, Excise Tax Penalties Guidance, and IRM 20.1.11, Excise Tax and Estate and Gift Tax Penalties.
- (11) Refer to the *Penalties Knowledge Base Homepage Site*, Excise Tax Penalties Shelf for an overview of penalties applicable to excise tax including the Affordable Care Act and other penalties.
- (1) The excise examiner should compare the potential benefits derived from examining a return to the resources required to perform the excise examination.
- (2) The excise examiner is expected to effectively manage his or her workload by prioritizing the issues so that issues with higher audit potential are examined compared to those with lower potential.

- (3) The excise examiner is expected to use professional judgment to determine if it is in the government's best interest to continue the excise examination and to document the excise examiner's risk-based decisions with regard to depth and scope of the excise examination.
- (4) At the mid-point of the excise examination, using risk analysis, the excise examiner should determine whether the remaining classified/identified issues should be examined. This decision should be based on the facts and circumstances, evaluation of internal controls (refer to IRM 4.24.25.5.11) and the excise examiner's judgment. For example, if the resulting additional tax is not expected to be material, or the time to develop additional issues is not justified based on the potential for more tax, further examination steps are not appropriate.
- (5) Refer to IRM 4.10.2.4, Evaluation of Audit Potential, for more detailed guidance.
- (6) Refer to IRM 4.10.3.2, Examination Techniques, Risk Analysis, for more detailed guidance.

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**Exhibit 4.24.25-1 (11-23-2021)**

**Acronyms**

The following table contains acronyms and their definitions used throughout this IRM.

<b>Acronym</b>	<b>Associated Words or Phrase</b>
AIMS	Audit Information Management System
CAF	Centralized Authorization File
CI	Criminal Investigation
CEAC	Campus Exam/Automated Under Reporter Cincinnati
ECS	Excise Case Selection
ERCS	Examination Returns Control System
EUP	Employee User Portal
ExSTARS	Excise Summary Terminal Activity Reporting System
FCA	Fuel Compliance Agent
FCO	Fuel Compliance Officer
FEA	Fraud Enforcement Advisor
FSEQ	Field and Specialty Exam Quality
GMCM	Group Manager Concurrence Meeting
IDR	Information Document Request
IDRS	Integrated Data Retrieval System
IGM	Interim Guidance Memorandum
IMS	Issue Management System
IRC	Internal Revenue Code
IRM	Internal Revenue Manual
LB&I	Large Business & International
MCD	Mutual Commitment Date
MeF	Modernized e-File
NQRS	National Quality Review System
POA	Power of Attorney
SAC	Special Agent in Charge
RFC	Required Filing Check
SB/SE	Small Business/Self Employed
SSA	Supervisory Special Agent

**Exhibit 4.24.25-1 (Cont. 1) (11-23-2021)****Acronyms**

<b>Acronym</b>	<b>Associated Words or Phrase</b>
SOL	Statute of Limitations
TBOR	Taxpayer Bill of Rights
TIN	Taxpayer Identification Number
WSD	Workload Selection and Delivery