



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.25.1

MARCH 15, 2023

EFFECTIVE DATE

(03-15-2023)

PURPOSE

- (1) This transmits revised IRM 4.25.1, Estate and Gift Tax, Estate and Gift Tax Examinations.

MATERIAL CHANGES

- (1) IRM 4.25.1.1.4, Terms/Definitions/Acronyms paragraph (1), table was revised to add definitions.
- (2) IRM 4.25.1.1.4 paragraph (1), table – replaced “field estate tax attorneys, estate tax managers, lead estate tax attorneys” with the general titles “field estate and gift tax examiners, group managers” and added “generation-skipping transfer tax returns” to the classified returns reviewed.
- (3) IRM 4.25.1.1.4, Terms/Definitions/Acronyms paragraph (2), table – Added a term and acronym for Case Built File.
- (4) 4.25.1.2 paragraph (4) and IRM 4.25.1.8.8 paragraph (2) were revised. The word “secretary” was replaced with the broader term “administrative staff”.
- (5) 4.25.1.2.3 (4) added “PDF” before the word “print”.
- (6) IRM 4.25.1.3 paragraph 2 was revised. The record retention period for the estate tax return was changed from 75 years to 40 years.
- (7) IRM 4.25.1.3 paragraph 4 was deleted.
- (8) IRM 4.25.1.3.2 paragraph 2 was revised. The record retention period for estate tax return was changed from 75 years to 40 years.
- (9) IRM 4.25.1.7.2 paragraph (2), table, row one was revised to remove, “and maintain a copy in the hard copy administrative file”.
- (10) 4.25.1.8.8 (3) bullet list was revised from “should be filed under the Communications tab” to “should be uploaded to IMS”.
- (11) IRM 4.25.1.8.9 paragraph 1 was deleted and replaced with an explanation of the expected contents of the IMS electronic case file.
- (12) IRM 4.25.1.8.9 paragraph 2 was deleted and replaced with a new paragraph that establishes the requirement and timeframe for the examiner to import the Case Built File to the IMS workpapers folder within IMS.
- (13) IRM 4.25.1.8.9 paragraph 3 was moved to two bullet points under IRM 4.25.1.8.9 paragraph (2). The new paragraph 3 language clarifies that examiners must upload and synchronize all electronic case documents per the timeframes and requirements set forth in IRM 4.25.1-1.
- (14) IRM 4.25.1.9 paragraph (7) was revised to remove the first and third sentence. These sentences were duplicative of paragraph (2).
- (15) IRM 4.25.1.9, paragraph (9). Deleted reference to obsolete IRM 4.25.1-1.

- (16) IRM 4.25.1-1, Examination Process and Documentation Quick Reference Guide to Tools was deleted. The information is contained in IRM 4.25.1.9.
- (17) IRM 4.25.1-2, Required Uploads to IMS, was moved to IRM 4.25.1-1.
- (18) The documentation described and established timeframes in the table located in IRM 4.25.1-2, Required Uploads to IMS, were revised to reflect the requirements set forth in EQ attribute 720. See Document 12499, Estate and Gift Embedded Quality Examination Job Aid.
- (19) Changed the term “classification sheet” to “Risk Summary” throughout the IRM.
- (20) Editorial changes have been made throughout this IRM. Web page links, legal references, and IRM references were reviewed and updated as necessary.

EFFECT ON OTHER DOCUMENTS

IRM 4.25.1 dated June 14, 2021 is superseded.

AUDIENCE

Small Business/Self Employed Estate and Gift Tax Specialty Programs employees.

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4.25.1

Estate and Gift Tax Examinations

Table of Contents

- 4.25.1.1 Program Scope and Objectives
 - 4.25.1.1.1 Background
 - 4.25.1.1.2 Authority
 - 4.25.1.1.3 Program Objectives and Review
 - 4.25.1.1.4 Terms/Definitions/Acronyms
 - 4.25.1.1.5 Related Resources
- 4.25.1.2 Obtain and Review IDRS Transcripts
 - 4.25.1.2.1 Verify and Protect Statute of Limitations
 - 4.25.1.2.1.1 Estate Tax Return Statute of Limitations
 - 4.25.1.2.1.2 Gift Tax Return Statute of Limitations
 - 4.25.1.2.2 Verify Assessments and Payments
 - 4.25.1.2.3 Verify AIMS/ERCS Codes
 - 4.25.1.2.4 Required Filing Checks
- 4.25.1.3 Related Returns Necessary for Examination
 - 4.25.1.3.1 Obtaining Historical Gift Tax Returns (Form 709)
 - 4.25.1.3.2 Obtaining Estate Tax Returns (Form 706) for Reference
- 4.25.1.4 Scope of Examinations
 - 4.25.1.4.1 Limited Scope Examinations
 - 4.25.1.4.2 Project Cases
 - 4.25.1.4.3 Limiting the Scope of an Examination After Assignment
- 4.25.1.5 Perfection of Returns
- 4.25.1.6 Surveying Returns Selected for Examination
 - 4.25.1.6.1 Time Reporting for Surveyed Returns
 - 4.25.1.6.2 Closing a Surveyed Case
- 4.25.1.7 General Guidelines for Estate and Gift Examinations
 - 4.25.1.7.1 Inventory Management for Estate and Gift Tax Examinations
 - 4.25.1.7.2 Efficient Resolution and National Standard Timeframes
 - 4.25.1.7.3 Time Spent on Examination
 - 4.25.1.7.4 Professional Communication
 - 4.25.1.7.4.1 Oral Communication
 - 4.25.1.7.4.2 Written Communication
 - 4.25.1.7.4.3 Information Document Requests (IDRs)
 - 4.25.1.7.4.4 Documents Obtained From Taxpayer
 - 4.25.1.7.5 Taxpayer Rights and Notifications
 - 4.25.1.7.5.1 Taxpayer Rights Included with Initial Contact Letter

4.25.1.7.5.2 Taxpayer Rights and Notifications During Examination

4.25.1.8 Issue Management System (IMS)

- 4.25.1.8.1 Creating a Case in IMS
- 4.25.1.8.2 Entities: Related Returns
- 4.25.1.8.3 Team Members and Taxpayer Contacts
- 4.25.1.8.4 Revenue Protection Codes (RPC)
- 4.25.1.8.5 Standard Audit Index Number (SAIN) Codes
- 4.25.1.8.6 Uniform Issue List (UIL) Codes
- 4.25.1.8.7 Establishing the Actual Closed Date
- 4.25.1.8.8 IMS Time Sheet and Form 9984, Activity Record
- 4.25.1.8.9 Uploading and Importing Documents to IMS
- 4.25.1.8.10 IMS Synchronizations

4.25.1.9 Estate and Gift Tax Program Exam Process and Documentation

- 4.25.1.9.1 Estate Tax Mandatory Lead Sheet
- 4.25.1.9.2 Limited Scope Audit Mandatory Lead Sheet
- 4.25.1.9.3 Gift Tax Examination Mandatory Lead Sheet
- 4.25.1.9.4 Statute Verification Lead Sheet
- 4.25.1.9.5 Form 9984, Activity Record
- 4.25.1.9.6 Manager Plan to Close Lead Sheet
- 4.25.1.9.7 Penalty Approval Lead Sheet
- 4.25.1.9.8 Reasonable Cause Lead Sheet
- 4.25.1.9.9 Fraud Lead Sheet
- 4.25.1.9.10 Risk Analysis Lead Sheet
- 4.25.1.9.11 Issue Specific Lead Sheets
- 4.25.1.9.12 "All-in-One" Lead Sheet

4.25.1.10 Estate and Gift Notebook Job Aid

4.25.1.11 Manager Embedded Quality Review and Specialty Exam National Embedded Quality Review Programs

- 4.25.1.11.1 Office of Policy Manager Responsibilities
- 4.25.1.11.2 Territory Manager and Field Group Manager Responsibilities
- 4.25.1.11.3 Estate and Gift Tax Embedded Quality Job Aid

4.25.1.12 Protection of Returns (Physical)

4.25.1.13 Protection Against Unauthorized Disclosure

Exhibits

4.25.1-1 Required Uploads to IMS

4.25.1.1
(07-20-2018)
Program Scope and Objectives

- (1) **General Overview** - This IRM provides general information about basic estate and gift examiner responsibilities, estate and gift IRM sections, and forms used in the examination of estate, gift and generation-skipping transfer tax returns and claims.
- (2) **Purpose** - This IRM explains Estate and Gift examiner responsibilities so that managers, senior-level officials and estate, gift and generation-skipping transfer tax return examiners will be better equipped to prepare and submit accurate reports.
- (3) **Audience** - This IRM is for Estate and Gift Specialty Tax managers, examiners and personnel at the campus who process estate, gift and generation-skipping transfer tax returns, refunds and 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 Estate and Gift Tax examiner responsibilities, IRM subsections, and forms created for the examination of returns and claims.
- (5) **Program Owner** - Director, Examination - Specialty Examination owns Estate and Gift Tax Examination.
- (6) **Primary Stakeholders** - Advisory Collections, Appeals, Counsel, Estate and Gift Tax Workload Selection and Delivery, Specialty Examination, and SB/SE Examination Quality & Technical Support are the primary stakeholders for this IRM.

4.25.1.1.1
(07-07-2020)
Background

- (1) This section provides general instructions for protecting tax returns, protecting the statute of limitations, scope of examinations, surveying returns and general examination guidelines.
- (2) Examiners should also refer to the following examination chapters for guidance: IRM 4.10, Examination of Returns; IRM 4.11.55, Examining Officers Guide (EOG), Power of Attorney Rights and Responsibilities; and IRM 25.27.1, Third-Party Contact Program.

4.25.1.1.2
(07-07-2020)
Authority

- (1) Estate and gift tax examiners and managers assigned to examine and oversee the examination of estate and gift tax returns and issues are responsible for complying with servicewide policies and authorities set forth in IRM 1.2.1.5, Servicewide Policies and Authorities, Policy Statements for the Examining Process.
- (2) Examination of estate and gift tax returns should be conducted in a manner that will promote public confidence as stated in the Mission of the Service. See IRM 1.2.1.2.1, Policy Statement 1-1.
- (3) Policy Statement 4-52 established a general guideline that examination and processing of returns should be completed within 18 months of the filing date. See IRM 1.2.1.5.18, Policy Statement 4-52, Establishment of 18-month Examination Cycle.
- (4) Estate and gift examiners and managers assigned to examine and oversee the examination of international estate and gift tax returns and issues are responsible for complying with all applicable servicewide examination delegation orders and SB/SE delegation orders. A table summarizing estate and gift del-

egation orders is available at IRM 4.25.14.8, Estate and Gift Tax, Miscellaneous Procedures, Signature Authority.

- (5) Section 3504 of RRA 98, Public Law 105-206 requires the Service to include an explanation of the examination and collection process, as well as information about assistance from the Taxpayer Advocate with any first report/notice of proposed deficiency. Pub 3498, The Examination Process, must be used for this purpose.
- (6) Statement of Procedural Rules 601.506 requires that examiners must forward any correspondence (or copy), discussions, reports and/or other material to the taxpayer at the same time it is sent to the representative.
- (7) The Form 706 return instructions and CFR 20.6018-4, CFR 25.6019-3, and CFR 25.6019-4 list required filing documents.

4.25.1.1.3
(07-07-2020)

Program Objectives and Review

- (1) The National Quality Review System (NQRS) is a web-based review system used by Estate and Gift Tax Policy, Estate and Gift Tax Examination Management and Field and Specialty Examination Quality to generate and review reports analyzing national quality performance based upon standardized quality attributes set forth in Document 12499, Estate and Gift Tax Examination Embedded Quality Job Aid. NQRS report data is compiled by Field and Specialty Examination Quality on a quarterly basis, but ad hoc reports may be obtained monthly. The use of NQRS is explained in additional detail in IRM 4.25.1.11, Manager Embedded Quality Review and Specialty Exam National Embedded Quality Review Programs.
- (2) Operational reviews and related NQRS reports are conducted by territory managers and the Chief of Estate and Gift to measure national adherence to quality standards and managerial performance and/or oversight.
- (3) Customer (i.e., taxpayer) satisfaction reports are generated by SB/SE Operation Support Research on a quarterly basis. These reports provide masked taxpayer narratives that are responsive to a pre-defined set of survey questions. The quarterly survey reports are to be used to identify areas for examination quality improvement.
- (4) Frequent front-line manager reviews are conducted under the Examination Quality Review System (EQRS), with the frequency based on annual personnel requirements.

4.25.1.1.4
(03-15-2023)

**Terms/Definitions/
Acronyms**

- (1) The following table sets forth the Estate and Gift Tax program specific terms and definitions:

Term	Definition
Audit Information Management System (AIMS)	The Audit Information Management System is a computer system used by Appeals, Examination, and TE/GE to control returns, to input assessment/adjustments into the Master File and to provide management reports. IRM 4.4 covers Examination's use of AIMS and describes the data elements for AIMS.
Case Built File	Case-Built File is an online electronic repository for case related information that will be available to the employee(s) assigned to examine a return. For Estate and Gift cases, the Case-Built File may include the Risk Summary, transcripts, LIN Links or PDF copies of tax returns, yK1 reports, etc. Additional documents may be added to the Case-Built File throughout the case-building process. Case-Built files are requested through the front-line manager.
Classification	The process whereby a team of estate and gift tax examiners, group managers, paralegals and transfer tax technicians review all schedules on all estate, gift and generation-skipping transfer tax returns that met the initial screening criteria to identify any issues for examination. The issues selected for examination are documented in a Risk Summary. See IRM 4.25.3, Estate and Gift, Planning, Classification and Selection, for additional information.
Delegation Order	A formal numbered document that places authority in the position(s) where actual operational responsibility resides. It delegates authority to a certain level of management to execute given procedures. See IRM 1.2.2.

Term	Definition
Employee User Portal (EUP)	The EUP is a web hosting infrastructure that allows IRS employees to access business applications and data including e-Services. Access to EUP is subject to UNAX rules.
Examination Returns Control System (ERCS)	ERCS is an automated inventory management system used by employees in SB/SE and LB&I to request, update and close returns under examination. ERCS is also used to record technical time spent on cases and monitor statute expiration dates.
Federal Records Center	The final repository for estate and gift case files. All estate tax return files must be retired to the Federal Records Center 4 years after the date of closing and should be destroyed 40 years from the date of closing.
Historical Returns	A historical return is a return that is stored in a Federal Records Center or C-Site.
Issue lead sheet	Issue lead sheets must reflect the issue name, adjustments (when applicable), conclusion, audit steps, facts, law, and taxpayer's position in the body. This information should be presented in a logical order so reviewers can easily determine what audit steps and actions were taken to support the conclusion. Issue lead sheets are provided to examiners through the Estate and Gift Tax Notebook Job Aid. The lead sheets provided to examiners meet the SB/SE formatting and content requirements set forth in IRM 4.10.9.6.2.1, Issue Lead Sheet Format.

Term	Definition
Integrated Data Retrieval System (IDRS)	Integrated Data Retrieval System is a system that enables authorized IRS employees to have instantaneous visual access to certain taxpayer accounts and print PDF transcripts of account information. Additional information and definitions are found in the Document 6209 (as revised).
Issue Management System (IMS)	The Issue Management System is an electronic case management application for examiners, specialists, managers and others. IMS is a program that uses 2 different interfaces. One is a Web based application that requires no program installation and the other is a client-based application requiring installation by Information Technology. It supports existing and new examination processes. The application provides the Estate and Gift Tax program with case management tools needed to support planning, selection and examination. IMS is an official electronic record-keeping system used to store federal electronic records.
IMS Notebook Job Aid (Estate and Gift)	This is a proprietary combination of Access databases and Excel spreadsheets used by Estate and Gift Tax to generate reports and examination process and documentation (EPD).
Key case	The case designated as the controlling taxpayer and tax period within a group of entities. One of the major objectives of Estate and Gift is the concurrent consideration of the key case and all related returns under one examiner.

Term	Definition
Mandatory lead sheet	The mandatory lead sheets are provided to examiners through the Estate and Gift Tax IMS Notebook Job Aid. The mandatory lead sheets document Servicewide and SB/SE examination requirements. These examination requirements include but are not limited to: verifying and protecting the statute of limitations; pre-planning and identifying the scope of the examination; conducting filing checks; providing taxpayer rights documentation; considering appropriate penalties, and soliciting payments.
Perfection of return	The process of contacting the taxpayer, representative or preparer (when appropriate) for the sole purpose of obtaining information and documentation that is required as part of the return filing. The specific return instructions explain the form filing requirements.
Policy statement	Published "Service Policies" are major decisions of the Commissioner, Deputy Commissioners, Chiefs and Directors within the framework of basic tax administrative policies of Treasury and Congress. These "Service Policies" govern and guide Service personnel in the administration of the internal revenue laws. Policy statements are organized in IRM 1.2 by business process. See the Policy Statement web page at http://irm.web.irs.gov/imd/ps/ for access to the IRM 1.2 series.

Term	Definition
Significant activity	Any activity where the examiner performed substantial work that moved the case toward a conclusion. This does not include phone calls to or from the taxpayer to cancel or change appointments. It would include phone calls that discussed items which helped move the case toward a conclusion, appointments, requests for information, research, etc. Significant activity would also include follow-up contacts either to or from Engineers or other specialists.
Standard Audit Index Number (SAIN)	The SAIN is a numbering system for examination issues.
Uniform Issue List (UIL)	The Uniform Issue List is a list of codes used to track examination issues for various reports.
Workpaper	Workpapers support the information included on the lead sheets and, when applicable, should reflect what the examiner reviewed, requested and inspected to audit the issue. See IRM 4.10.9.7, Examination of Returns, Workpapers, for formatting requirements. Examples of workpapers are: <ul style="list-style-type: none"> • photocopies of relevant documents secured from the taxpayer and/or representative • internal source documents (e.g., transcripts used to support the examination process and conclusions reached) • correspondence

(2) The following table sets forth common Estate and Gift Tax program acronyms:

Term	Acronym
Case Built File	CBF
Centralized Authorization File	CAF

Term	Acronym
Estate and Gift Tax Embedded Quality Review System	EQRS or EQ
Estate and Gift Tax Exam Process and Documentation	EPD
Estate and Gift Tax Notebook Job Aid	Notebook
Fraud Technical Advisor	FTA
Generation-Skipping Transfer Tax	GSTT
Issue Management System	IMS
National Quality Review System (NQRS)	NQRS or NQ
Plan to Close Meeting	PTC
Substitute for a Return	SFR

4.25.1.1.5
(07-07-2020)

Related Resources

- (1) The Estate and Gift Tax program is required to follow all servicewide examination procedures and those set forth in the SB/SE examining process IRM. The following IRM subsections provide additional information relating to the processing, classification and examination of Estate and Gift Tax program returns and claims:
- IRM 4.25.2, Campus Estate and Gift
 - IRM 4.25.3, Planning, Classification and Selection
 - IRM 4.25.4, International Estate and Gift Tax Examinations
 - IRM 4.25.5, Technical Guidelines for Estate and Gift Tax Issues
 - IRM 4.25.6, Report Writing Guide for Estate and Gift Tax Examinations
 - IRM 4.25.7, Estate and Gift Tax Penalty and Fraud Procedures
 - IRM 4.25.8, Delinquent Returns and SFR Procedures
 - IRM 4.25.9, Requests for Abatement, Claims for Refund and Doubt as to Liability in Estate and Gift Tax Cases
 - IRM 4.25.10, Case Closing Procedures
 - IRM 4.25.11, Special Examination Procedures
 - IRM 4.25.12, Valuation Assistance
 - IRM 4.25.13, Appeals, Mediation and Settlement Procedures
 - IRM 4.25.14, Miscellaneous Procedures
 - IRM 4.2.8, Guidelines for SB/SE National Quality Review
 - IRM 4.10, Examination of Returns
 - IRM 25.6.1, Statute of Limitations Processes and Procedures
 - IRM 25.6.22, Extension of Assessment Statute of Limitations By Consent
 - IRM 25.6.23, Examination Process-Assessment Statute of Limitations Controls
 - IRM 3.5.61, Submission Processing, Accounts Services, Files Management and Services
- (2) Document 12499, Estate and Gift Tax Examination Embedded Quality Job Aid, is issued by Estate and Gift Tax Policy, and is relied upon for the application

and interpretation of the quality attributes. The job aid includes complete instructions, definitions, and examples of how cases are evaluated.

4.25.1.2
(03-15-2023)

**Obtain and Review IDRS
Transcripts**

- (1) The Integrated Data Retrieval System (IDRS) was designed to provide the most current information on tax accounts in an efficient manner. The system includes account data stored on Master File.
- (2) Procedures for requesting IDRS research are established locally based on the availability of IDRS users.
- (3) IDRS data reflects various codes that track the cycle of a tax return from the time it is originally filed until it reaches a permanent storage area. This includes any activity on the tax module.
- (4) The group administrative staff, examiner, and group manager are all responsible for the proper coding of the activity on the account while the return is assigned to the group.
- (5) This section will provide guidance on obtaining and verifying information on Master File using IDRS transcripts.
- (6) Document 6036, Examination Division Reporting System Codes Booklet, and Document 6209, IRS Processing Codes and Information serve as a reference for the codes and indicators in this section.

4.25.1.2.1
(07-07-2020)

**Verify and Protect
Statute of Limitations**

- (1) The group manager and examiner are responsible for verifying and protecting the statute of limitations on all assigned cases. As tax returns are received in the group, the manager is required to ensure controls verifying the accuracy of the assessment statute expiration date (ASED) are in place. See IRM 25.6.23.5.1.2, Screening for Statute Accuracy. Controls are for filed returns and non-filer examinations. At the time a case is assigned, an examiner is required to verify the statute of limitations by comparing the original tax return received date and postmark date with the statute date reflected on Master File.
- (2) The statute of limitations is to be calculated pursuant to IRC 6501.
- (3) The Statute Verification Lead Sheet is a mandatory workpaper that must be completed and uploaded to the Issue Management System (IMS) case administrative issue within 45 days of the examiner's case receipt.
- (4) When a signed return is filed by a taxpayer, the statute of limitations begins to run. If there is uncertainty after review of the guidance on statute date determination, use of the earliest potential statute date is encouraged. The examiner should document any uncertainty pertaining to the statute of limitations in the Statute Verification Lead Sheet.
- (5) Two digit alpha codes located in the "day" portion of the Statute of Limitations on Master File indicates there are special circumstances surrounding the statute. See IRM 25.6.23-3, Instructions for Updating the Statute on AIMS, paragraph (4) for a description of the available alpha codes.
- (6) The use of BMFOLT and/or AMDISA transcript will be necessary to verify the statute date.
 - a. A BMFOLT will provide the examiner with the statute date of record (next to Assessment Statute Expiration Date (ASED)). It will also reflect the

due date (next to RET DUE DT), any approved extensions (TC 460 under VARIABLE DATA), and the received date (TC 150 under VARIABLE DATA) on Page 1. An extension may be requested by the taxpayer by filing a Form 8892 or a Form 4868.

- b. An AMDISA will reflect the current statute date of record at the top left of the transcript next to ASED. It also reflects the date the return was received in the middle of the page next to RET-RECVD-DT.
- (7) If it is determined that the ASED is incorrect, update the ASED date as instructed in IRM Exhibit 25.6.23-3, Instructions for Updating Statute on AIMS.
 - (8) Once the correct ASED is determined and updated, if necessary, the statute date must be closely monitored to ensure the Government and Taxpayer's interests are protected. The statute date will not change unless it is updated to reflect the execution of a Form 872, Consent to Extend the Time to Assess Tax, or when input of an alpha statute code is appropriate. The manager and examiner must continue to monitor the statute using the monthly Inventory Validation List (IVL), ERCS Statute Reports and Table 4.1, Returns with Statute Date Pending (Status Codes 10, 12, 13, 14, 15, 17, and 18), to ensure statute control procedures are started within 180 days of the expiration of the ASED.
 - (9) Additional statute of limitations resources can be found in:
 - IRM 4.7.3, Examination Returns Control System (ERCS), Statute of Limitations
 - IRM 25.6.1, Special Topics, Statute of Limitations, Statute of Limitations Processes and Procedures
 - IRM 25.6.22, Extension of Assessment Statute of Limitations by Consent
 - IRM 25.6.23, Examination Process-Assessment Statute of Limitations Controls

4.25.1.2.1.1
(07-07-2020)
**Estate Tax Return
Statute of Limitations**

- (1) In general, IRC 6501(a) requires the IRS to assess an estate tax liability within three years after the filing date (or due date, if later) of the estate tax return.
 - a. When a false or fraudulent return has been filed with the intent to evade tax, the tax may be assessed at any time. See IRC 6501(c).
 - b. IRC 6501(e)(2) allows an extended six-year statute of limitations on assessment where omitted items includible in a gross estate exceed 25 percent of the total gross estate reported on the estate tax return. See IRC 6501(e)(2).

Note: A statute extended under IRC 6501(e)(2), will have an alpha statute code of 'NN'. See IRM Exhibit 25.6.23-3, Instructions for Updating the Statute on AIMS for procedures. **Due to the risk involved in letting the three year statute run, both Counsel and Territory Manager approval is required before updating the case to an 'NN' statute code.**

4.25.1.2.1.2
(07-07-2020)
**Gift Tax Return Statute
of Limitations**

- (1) In general, IRC 6501(a) requires the IRS to assess a gift tax liability within three years after the filing date (or due date of the gift tax return, whichever is later).
- (2) The statutorily-prescribed period for assessment of gift tax may be extended, if both the Secretary and the taxpayer agree to do so in writing. This written

agreement by the taxpayer and the Service to extend the ASSED is often referred to as an extension or consent. See IRM 25.6.22, Statute of Limitations, Extension of Assessment Statute of Limitations By Consent.

- (3) IRC 6501(c)(9) provides that if a gift is not shown on a gift tax return in a manner adequate to apprise the Secretary of the nature of the gift, then gift tax may be assessed at any time with respect to that gift. A gift may be inadequately disclosed if it is:
 - a. Omitted completely from the return.
 - b. Shown on the return, but the manner in which it is shown is not adequate to apprise the Secretary of the nature of the gift.
- (4) If an examiner determines that a gift or transfer is inadequately disclosed on a gift tax return, and the three year statute of limitations has not expired on the return on which the gift should be shown, then the examiner must secure a consent to extend the statute of limitations on the entire return in order to protect the Government's interest in all items shown on the return.
- (5) If the examiner is unable to secure a consent, the examiner may allow the three year statute to expire on that gift tax return, and rely on IRC 6501(c)(9).
 - a. In cases in which a gift is omitted from a gift tax return the examiner will document the case file with adequate justification for permitting the assessment statute applicable to the entire return to expire in reliance on IRC 6501(c)(9), and obtain written approval from the group manager in advance of the statute expiration date.
 - b. In cases in which a gift is disclosed on a gift tax return, the examiner will document the case file with adequate justification for allowing the assessment statute applicable to the entire return to expire in reliance on IRC 6501(c)(9), and obtain written approval from the Territory Manager in advance of the three year assessment statute expiration date.
- (6) Following receipt of the required managerial approval, the group manager should ensure the statute date is updated on ERCS to reflect an alpha "VV" ASSED date. See IRM Exhibit 25.6.23-3, Instructions for Updating the Statute on AIMS.

4.25.1.2.2 (07-07-2020)

Verify Assessments and Payments

- (1) At the time a case is assigned, an examiner is required to verify any assessments and payments made to the account by comparing the original tax return with a transcript of the tax account.
- (2) The verification of the assessments and payments should include the amounts indicating whether any tax, interest, or penalties are owed at the time the examination begins.
- (3) Command code BMFOLT will provide current data on the account activity.
- (4) See the CFOL Express guide available on the Estate and Gift SharePoint.

4.25.1.2.3 (03-15-2023)

Verify AIMS/ERCS Codes

- (1) The Audit Information Management System (AIMS) is a computer system used by Appeals, Examination, and TE/GE to control returns, input assessment/adjustments to Master File, and provide management reports. While the return is charged to Estate and Gift, the AIMS database tracks its location, age, and status.

- (2) Every Estate and Gift employee is responsible for ensuring the accuracy of the AIMS database.
- (3) This section will identify codes common to Estate and Gift Tax examinations, along with the IDRS command codes used to secure the current information reflected on Master File.
- (4) The following IDRS transcripts will be helpful in verifying account information. An examiner may request transcript PDF prints for one or all of the command codes listed below if they are not already in the file or if they are more than 60 days old:
 - AMDISA (Data on current audits)
 - BMFOLT (Instant transcript of tax module)
 - BMFOLI (List of online modules for a taxpayer)
 - CFINK (Information on Power of Attorney for an entity)
 - INOLES (Entity information such as name, address, date of birth, date of death, and scrambled SSNs)
 - MFTRA Type C and Type E (Overnight transcript request for complete account data for a specific SSN)
 - MFTRA Type M, 51 (if applicable) (Overnight transcript request for all Gift Tax returns filed by a taxpayer)
- (5) The following codes should be verified by the examiner at the start of an examination:
 - Activity Code
 - Aging Reason Code
 - Project Code
 - Source Code
 - Status Code
 - Tracking Code
- (6) See Document 6209, IRS Processing Codes and Information, for a complete listing and explanation of the codes used in Estate and Gift Tax examinations.

4.25.1.2.4 (07-07-2020)

Required Filing Checks

- (1) Required filing checks are necessary to ensure voluntary compliance. Examiners should determine that taxpayers are in compliance with all federal tax return filing requirements and that all returns reflect the substantially correct tax. Required filing checks are documented on the return specific mandatory case examination lead sheet and administrative case file workpapers. Required filing checks and related return research will vary based on the facts of each case.
- (2) IRM 4.10.5.2, Examination of Returns, Required Filing Checks, General Guidelines provides definitions and background information. Additional information on required filing checks can also be found at:
 - IRM 4.10.5.3, Prior and Subsequent Year Returns
 - IRM 4.10.5.4, Related and Spin Off Returns
 - IRM 4.10.5.6, Information Returns
 - IRM 4.10.5.7, Information Returns and Forms Involving Foreign Entities
 - IRM 4.10.5.9, Report of Foreign Bank and Financial Accounts (FBAR)

- (3) In addition to the filing check requirements discussed in paragraph (2), examiners are required to complete a filing check to ensure timely filing of Form 8971, Information Regarding Beneficiaries Acquiring Property from a Decedent.
 - a. Executors are required to file Form 8971. As a result of this filing requirement, estate tax return examinations will include a filing check for estate tax returns filed on or after July 31, 2015. If the return was due on or before July 31, 2015, but is filed after July 31, 2015, the Form 8971 rules and requirements also apply to that return. See Prop. Reg. 1.6035-1(d)(2). An executor of an estate or other person(s) required to file Form 706, Form 706-NA, or Form 706-A (hereinafter referred to collectively as Form 706) under IRC 6018(a) and 6018(b) or a qualified heir required to file Form 706-A under IRC 2032A, if the return is filed after July 2015, and whether or not that form is filed timely, is required to file Form 8971, and Schedule(s) A with the IRS and to provide each beneficiary listed on the Form 8971 with that beneficiary's Schedule A. The IRC 6035 filing requirement for Form 8971 and Schedule(s) A does not apply to estates filing to only elect portability of DSUE or make an allocation or election respecting generation-skipping transfer taxation. The Form 8971 is due 30 days after the filing of Form 706.
 - b. To determine whether the Form 8971 was timely filed the examiner must secure a BMFOL-T transcript. The transcript will show a 971 transaction code and a 368 action code if the Form 8971 was filed.

4.25.1.3
(07-07-2020)
**Related Returns
Necessary for
Examination**

- (1) Numerous business units within the IRS request Estate Tax Returns (Form 706) and Gift Tax Returns (Form 709) from Files or a Federal Records Center (FRC), including Estate and Gift Tax Field Examination. This section provides guidance on securing related tax returns.
- (2) Forms 706 and Forms 709 are filed and processed in Kansas City. All Forms 706 have an open AIMS module from the time of processing until manually closed. Form 706 is stored temporarily in Kansas City. If the Form 706 does not meet the screening criteria or is not selected for examination, the return is sent to the FRC for the 40-year required retention period. Form 709 is stored until the donor is deceased, at which time it is either associated with the estate tax return or scheduled for destruction if no estate tax return is required.
- (3) As part of the processing of a Form 706, an attempt is made by Files to associate any and all related gift tax returns filed by the decedent. See IRM 3.5.61.13.3, BMF Examination Programs for Form 706, U.S. Estate Tax Return/Form 706GS(D), U.S. Estate (and Generation-Skipping Transfer) Tax Return, and Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return.
- (4) Historical Forms 709 are not controlled on ERCS unless the controls are initiated by the examiner.
- (5) The following IRM subsections provide instructions for retrieving historical returns:
 - IRM 3.5.61, Files Management and Services
 - IRM 3.5.61.26, Form 709, United States Gift Tax Returns - Request/Retrieve the Return

- IRM 3.5.61.6, Document Requests - Forms Used to Request Returns/Documents

- (6) Before requesting a return, IDRS research is required to determine the status and location of the return.
- (7) The account transcript will show the return as available online or moved to retention. Information on Retention Register Module Research and Reinstatement is in IRM 21.7.10.4.6.4.1. Although it indicates ESTAB or Form 3774 can be used for the request, only use Form 3774 for an estate or gift tax return research request.

4.25.1.3.1 (07-07-2020)

Obtaining Historical Gift Tax Returns (Form 709)

- (1) Historical gift tax returns are stored at a consolidated site in Independence, MO referred to as the C-Site.
- (2) A document locator number (DLN) is assigned to a Form 709 at the time of processing. While gift tax returns are stored in Alpha order at the C-Site, they are stored in DLN order in Files, where current year returns are housed.
- (3) Gift Tax returns are temporarily stored until the donor is deceased at which time they are either associated with the estate tax return or scheduled for destruction if no estate tax return is required.
- (4) IDRS research must be conducted prior to submitting a request for a historical gift tax return. Using Command Code MFTRA Type C, verify the record for the gift tax return shows a transaction code (TC) 150 posting indicating a tax return has been filed. If a TC 421 is present on the account, the controlling DLN will appear next to it on the transcript.
- (5) For older returns, the MFTRA transcript may indicate that the MFT 51 has been removed to retention. An offline Retention Register is an account module that has been removed from Master File and stored on microfilm. If a Retention Register is needed, complete Sections 1-5 of Form 3774 and process as follows:
 - a. Section 1 – Check “BMF”; input SSN with V definer; leave V.D. box blank; the “District Code” is the ULC code which is found on a MFTRA transcript; the MFT is always 51; enter the tax period; the six-digit cycle is found on a MFTRA transcript near the ULC code.
 - b. Section 2 – Check “Original Request”.
 - c. Section 3 - Enter the taxpayer’s full name. No address needed.
 - d. Section 4 – Enter requester’s information in b. – d. Leave “a” blank. Provide the requester’s complete mailing address on the Fax Cover Sheet.
 - e. Section 5 – Check “Transcript”.
 - f. Fax the completed Form 3774 to the appropriate Service Center as shown in the table in IRM 3.12.179-2, refer only to the table from this exhibit. Wait up to 14 days for a response before submitting a follow up request. When the microfilm transcript is received, use Form 2275 to request the return.
 - g. If Form 3774 is returned without a transcript, verify the information on the original request and submit again.
- (6) Complete Form 2275 using the data from the MFTRA transcript or Retention Register. For returns filed within the last two years, use a separate Form 2275 for each tax year. For returns filed more than two years ago, a request may be

made on a single Form 2275 for the entire Alpha file. Provide all names and nicknames used by the taxpayer. See IRM 3.5.61.6 paragraph 2. Only complete the following information:

Form 2275 Box	Completion Instruction
Part A, Box 1	Taxpayer's SSN
Part A, Box 2	709
Part A, Box 4	Enter one tax period using YYYY format.
Part A, Box 5	List Year (Fill in year based on last number of DLN. For example, if 9, fill in 1979, 1989, 1999, 2009 or 2019 depending on the year the return was closed/processed.)
Part A, Box 6	Insert the TC150 DLN for returns filed within the last two years. For returns that are more than two years from filing put "see Box 19"
Part A, Box 7	Taxpayer's full name
Part A, Box 8	Complete this box if there is a TC421 DLN reflected on the transcript for a return filed within two years, otherwise leave blank.
Part A, Box 10 and 11	Manager's approval (Required).
Part B, Box 12	Box 12 – Check "Other" and specify "Field Audit"
Part B, Box 13	Leave blank.
Part B, Boxes 13A through 13J	Fill in the information for the person requesting the returns. This information will be used to mail the return, if found.
Part B, Box 14	Check Box A, Original Document
Part B, Box 15	Check Box A, Initial
Part C	Reserved for the Researcher except for Box 19. Box 19 allows for messages to be sent to the researchers or others handling Form 2275. If requesting the entire Alpha file, indicate that here. Also, if the return(s) will be sent back to the C-Site to be re-filed, add a message that "the return(s) will be returned to the C-Site to be refiled".

- (7) Route Form 2275 to Files for servicing. Fax requests per IRM 3.5.61.26. Wait 21 days for a response. Follow up with Files if no response.
- (8) When Form 2275 is stamped "DNIF" (Document Not In File) indicating the return was not located, it may indicate the document is waiting to be shelved. Wait 30 days for enough time to pass for the document to be refiled and submit the request again. Complete the Form 2275 as described in IRM 4.25.1.3.1 paragraph (6) except in Box 15, check B, Second.
- (9) When original Forms 709 need to be returned to the C-Site, use UPS. See the UPS address in IRM 3.5.61.3.3 paragraph (4).

Note: The United States Postal Service (USPS) does not deliver to the C-Site location.

4.25.1.3.2
(03-15-2023)

Obtaining Estate Tax Returns (Form 706) for Reference

- (1) Related estate tax returns, including a predeceased spouse's return, may provide valuable information on a current examination.
- (2) Closed estate tax returns are stored in DLN order in Federal Records Centers (FRC). Estate tax returns are retained for 40 years.
- (3) IDRS research must be conducted prior to submitting a request for an estate tax return. Using Command Code MFTRA Type C, verify the record for the estate tax return shows a TC 150 posting indicating a tax return has been filed. If a TC 150 is present on the account, research the controlling DLN, which appears next to TC 421 on the transcript.
- (4) For older returns, the MFTRA transcript may indicate that the MFT 52 has been removed to retention. An offline Retention Register is an account module that has been removed from Master File and stored on microfilm. If a Retention Register is needed, complete Sections 1-5 of Form 3774 and process as follows:
 - a. Section 1 – Check “BMF”; input SSN with V definer; leave V.D. box blank; the “District Code” is the ULC code which is found on a MFTRA transcript; the MFT is always 52; the tax period is always 000000; The six-digit cycle is found on a MFTRA transcript near the ULC code.
 - b. Section 2 – Check “Original Request”.
 - c. Section 3 - Enter only “Estate of . . .”. No address needed.
 - d. Section 4 – Enter requester’s information in b. – d. Leave “a” blank. Provide the requester’s complete mailing address on the Fax Cover Sheet.
 - e. Section 5 – Check “Transcript”.
 - f. Fax the completed Form 3774 to the appropriate Service Center as shown in the table in IRM 3.12.179-2. Refer only to the table from this exhibit. Wait up to 14 days for a response. When the microfilm transcript is received, use Form 2275 to request the return.
 - g. If Form 3774 is returned without a transcript, verify the information on the original request and submit again.
- (5) The location for fulfilling the request depends on the status code and EGC:

If	Then
Status 00, 05 and 06 in EGC 1000 or 1001.	Request is premature. Hold request until EGC Changes.
Status 06-08 in an EGC other than 1000 or 1001	Send Form 2275 Request to the E&G National Gatekeeper to be filled. Contact information is available on the Estate and Gift Tax SharePoint.

If	Then
Status 90	Use a transcript or retention register to verify a TC 150 has posted and use the controlling DLN (DLN after the TC 421). Contact information is available on the Estate and Gift Tax SharePoint.

- (6) Complete Form 2275 using the data from MFTRA or Retention Register. See IRM 3.5.61.6 paragraph 2. Only complete the following information:

Form 2275 Box	Completion Instructions
Part A, Box 1	Taxpayer's SSN
Part A, Box 2	706
Part A, Box 4	000000
Part A, Box 5	List Year (Fill in year based on last number of DLN. For example, if 9, fill in 1979, 1989, 1999, 2009 or 2019 depending on the year the return was closed/processed.)
Part A, Box 6	Insert the TC150 DLN
Part A, Box 7	Taxpayer's full name
Part A, Box 8	Insert the TC421 DLN, if one is reflected on the transcript. If there is no TC421 leave blank.
Part A, Boxes 10 and 11	Manager's approval (Required).
Part B, Box 12	Check "Other" and specify "Reference".
Part B, Box 13	Leave blank
Part B, Boxes 13A through 13J	Fill in the address information for the person requesting the returns. This information will be used to mail the return, if found.
Part B, Box 14	Check Box A, Original Document
Part B, Box 15	Check Box A, Initial
Part C	Reserved for the Researcher.

4.25.1.4
(03-15-2023)

Scope of Examinations

- (1) The scope of the examination of a return is defined on a Risk Summary that is maintained by Estate and Gift Workload Selection and Delivery. See IRM 4.25.3, Estate and Gift Tax, Planning, Classification and Selection. The classification check sheet is completed during the classification process. The scope of an examination should not be limited to the classified issues if other significant issues are revealed during the examination. At classification, significant examination issues are identified and detailed on a Risk Summary. Issues addressed on the Risk Summary should be addressed during the examination and docu-

mented in the workpapers. Lead sheets should be completed during the examination. Exceptions to the normal scope of examinations are Limited Scope Examinations, Project Cases, and cases with documented managerial direction. See IRM 4.25.1.9, Estate and Gift Tax Exam Process and Documentation (EPD).

- (2) Determining the scope of an examination is the process by which an examiner selects issues warranting examination. Examiners should thoroughly review the Risk Summary, if applicable, and select issues so that, with reasonable certainty, items necessary for a substantially correct determination of the tax liability have been considered.
- (3) Whenever possible, examiners should consult with their manager before raising new issues and document these conversations using the Form 9984, Activity Record.
- (4) Examiners must assess the facts and apply judgment in determining the scope of the examination. Examiners are expected to continually exercise judgment throughout the examination process to expand or contract the scope as needed and document these decisions in both the IMS electronic case file and the hard copy administrative case file.
- (5) If during the course of the examination, the scope is expanded to include additional tax period(s), the taxpayer should be notified in writing of the expansion and provided all required taxpayer rights documentation. If the taxpayer has a power of attorney and it does not cover the tax period(s) being picked up for examination, the taxpayer must be given time to secure a power of attorney for the additional tax period(s). Also, the examiner must allow the taxpayer time to submit records on the newly added year(s).

4.25.1.4.1
(07-07-2020)
**Limited Scope
Examinations**

- (1) During classification, returns may be identified as limited scope examinations.
- (2) Estate and Gift Workload Selection and Delivery (WSD) applies a project code 0902 on AIMS/ERCS before shipping the return to field offices.
- (3) The field offices may conduct limited scope examinations of items conducive to correspondence examinations and that do not require significant substantiation by the taxpayer.
- (4) Limited scope examinations do not require a probe for omitted assets and undisclosed transfers. The only lead sheets that are required for a limited scope examination are the Limited Scope Examination Mandatory Lead Sheet, the Statute Verification Lead Sheet and the Form 9984, Activity Record. See IRM 4.25.1.9, Estate and Gift Tax Exam Process and Documentation (EPD).
- (5) To make adjustments, complete reports in accordance with IRM 4.25.10, Case Closing Procedures.

4.25.1.4.2
(07-07-2020)
Project Cases

- (1) Occasionally, special issues or circumstances related to estate and gift are identified and Estate and Gift Workload Selection and Delivery (WSD) initiates project cases. Project cases may have a defined cycle time. See IRM 4.25.4.8, Classification of Non-Filer and Under-Reporter Project Cases.
- (2) Typically, specific directions and procedures are provided upon the assignment of the project case. Project Case Lead Sheets are available in Notebook.

- (3) Refer to IRM 4.25.8, Delinquent Returns and SFR Procedures, for detailed information regarding project codes, tracking codes and case procedures.

4.25.1.4.3
(10-30-2017)

Limiting the Scope of an Examination After Assignment

- (1) In pre-planning an examination, the examiner should use sound judgment to determine the significant issues to be examined. This may necessitate declassifying issues and or adding issues in lieu of those classified. The scope of the examination should be documented in the workpapers.
- (2) When a Risk Summary (e.g., gift tax return picked up during the course of an estate tax return examination) is not included with the return, the scope of the examination should be documented in the workpapers.
- (3) Depth is the extent to which an issue is developed. It demonstrates the degree of intensity and thoroughness applied in order to make a determination as to the correctness of an item.
- (4) Examiners must exercise judgment in determining the depth required for the examination. Determining the depth for different issues will help to estimate the time needed to complete the examination. The following factors should be considered:
 - Type of evidence available or expected for the issue
 - Complexity of the issue
 - Materiality of the issue
 - Internal controls and accuracy of the books and records

4.25.1.5
(07-07-2020)

Perfection of Returns

- (1) Requesting information that should have been provided with the filed return is considered perfection of the return and is not considered contact.
- (2) Perfection of an estate tax return is limited to requesting information required to be submitted by the instructions to the return and/or directions on the face of the return and to the following:
 - Certified copy of will, if decedent died testate
 - Certified copy of death certificate
 - Form 712, Life Insurance Statement, for all life insurance policies listed on return
 - If alternate valuation is elected, evidence of sale or distribution of assets made during the alternate period
 - If transfer is by trust, a copy of the instrument
 - Power of Appointment instruments
 - Appraisals on included real estate
 - Financial data on non-public enterprises
 - State certification of payment of state death taxes
 - Copies of Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return, filed by and for decedent
 - Form 706-CE, Certificate of Payment of Foreign Death Tax
 - For non-resident citizens, copies of inventory and other documents filed in a foreign probate court
 - For non-resident, possibly a former citizen, documents relating to possible expatriation

Note: Requesting and receiving items beyond those items enumerated or not required to be filed with the return results in the start of an examination

which requires an audit determination (change or no change decision). In this situation, the return cannot be surveyed.

- (3) Perfection of a gift tax return is limited to requesting information required to be submitted by the instructions to the return and/or directions on the face of the return and to the following:
- Information showing how the value of the gift was determined
 - Financial data on non-public enterprises
 - Form 712, Life Insurance Statement, for all life insurance policies listed on the return
 - If transfer is by trust, a copy of the instrument
 - Any appraisal used to determine the value of real estate or other property

Note: If the donor is deceased or has been declared legally incompetent, verification that the person signing the return is the authorized representative of the donor or the donor's estate is considered perfection.

- (4) Perfection of a Form 8971, Information Regarding Beneficiaries Acquiring Property from a Decedent and/or a Form 8971 Schedule(s) A is limited to requesting information required to be disclosed by the return and/or its instructions, and to requesting the information noted in a) through d), below.

Note: Review the Form 8971 carefully to determine whether information required by the form or instructions is missing. If required information is missing, the form may be subject to perfection.

- a. If the executor has not determined which beneficiary is to receive an item of property as of the due date of the Form 8971 and Schedule(s) A, the executor must list all items of property that could be used, in whole or in part, to fund the beneficiary's distribution on that beneficiary's Schedule A.

Note: The same property may be reflected on more than one Schedule A.

- b. Where any field on the Form 8971 or Schedule(s) A, including any TIN field, has the response "unknown", the form will be considered an incomplete return. Perfection includes asking for "unknown" fields to be properly completed.
- c. Descriptions of property to be acquired by the beneficiary that state "see Form 706" are subject to perfection. Similarly, a bare description without the Form 706 Schedule and Item reference (e.g., "as shown on Schedule A"), is also subject to perfection.
- d. If the executor is unable to locate a beneficiary, the executor must so report that on the return and explain the efforts undertaken to locate the beneficiary. Perfection includes asking for more complete information.

- (5) Contact beyond the scope of perfection includes:

- a. Talking with or writing to the taxpayer, the taxpayer's personal representative, return preparer, or other authorized representative of the estate, or the donor, in such a manner that they are aware that the return is being examined; or

- b. Requesting information which is not required to be filed with the return. The returns instructions and CFR 20.6018-4, CFR 25.6019-3, and CFR 25.6019-4 list required documents.

4.25.1.6
(07-07-2020)
**Surveying Returns
Selected for
Examination**

- (1) The group manager may survey cases before assignment and contact using Disposal Code 31 if, after reviewing the return and evaluating audit potential, workload considerations and resource availability, the manager determines that the examination of the return will likely not result in a material change in the taxpayer's tax liability, provided no records have been inspected and no contact has been made with the taxpayer or the taxpayer's representative other than for file perfection. Managers will ensure that an explanation (e.g., memo, notes to the file, etc.) supporting the decision to survey a case after assignment is included in the case file prior to case closure.
- (2) The examiner may survey a case after assignment if no contact has been made and if, after reviewing the return and evaluating the audit potential, the examiner determines that an examination of the return will likely not result in a material change in the taxpayer's tax liability, provided no records have been inspected and no contact has been made with the taxpayer or representative other than for file perfection.
- (3) For surveyed case IRC 6166 processing procedures see IRM 4.25.11.3.2.1, IRC 6166 Installment Procedure for Surveyed Cases.

4.25.1.6.1
(07-07-2020)
**Time Reporting for
Surveyed Returns**

- (1) Time spent reviewing a return and its attachments and/or perfecting the file may be shown as below-the-line time on ERCS/IMS, by using Code 615, Survey. The number of hours spent reviewing the return and perfecting the file is not a consideration in determining whether the return was examined.
- (2) If an examiner decides that a case is likely to result in a change in tax and there is a plan to examine the return, the case should be opened (AIMS status code 12) and time charged to the case. This time may include time for further review and/or file perfection. If it is later determined that contact with the taxpayer or the taxpayer's representative will not be made, the examiner may survey the return, even with time charged to the case on ERCS, provided there has been no activity beyond that of a survey.

4.25.1.6.2
(07-07-2020)
**Closing a Surveyed
Case**

- (1) See IRM 4.25.10.3, Survey, for instructions on closing a surveyed case.
- (2) If the estate has elected and qualifies for the election under IRC 6166 and there appear to be no substantive audit issues on the return, the return may be surveyed.

4.25.1.7
(07-07-2020)
**General Guidelines for
Estate and Gift
Examinations**

- (1) Examination of estate and gift tax returns should be conducted in a manner that will promote public confidence as stated in the Mission of the Service. See IRM 1.2.1.2.1, Policy Statement 1-1.
- (2) Document 12499, Estate and Gift Tax Examination Embedded Quality Job Aid, is issued by Estate and Gift Tax Policy, and is relied upon for the application and interpretation of the quality attributes. The Job Aid includes complete instructions, definitions, and examples of how cases should be evaluated.

- a. National Quality reviewers and group managers will apply these standards to each case reviewed to determine whether the examination standards have been met.
- b. The Estate and Gift Tax Embedded Quality Review System (EQRS) and the National Quality Review System (NQRS) are discussed at IRM 4.25.1.11, Manager Embedded Quality Review and Specialty Exam National Embedded Quality Review Programs and IRM 4.2.8, Guidelines for SB/SE National Quality Review.

4.25.1.7.1
(07-07-2020)
**Inventory Management
for Estate and Gift Tax
Examinations**

- (1) Policy Statement 4-52 established a general guideline that examination and processing of returns should be completed within 18 months of the filing date. See IRM 1.2.1.5.18, Policy Statement 4-52.
 - a. Returns will be examined in accordance with the required Examination Process and Documentation (EPD) tools and procedures.
 - b. An examiner will make initial taxpayer contact or survey the assigned case within 45 days measured from case receipt.
 - c. Significant activity is required at least every 45 days.
 - d. When a taxpayer or a taxpayer's representative has failed to meet two deadlines to provide information or documentation requested by the examiner, the manager should be informed and get involved in the examination to prevent further delays.
 - e. Examinations extending beyond 18 months may require frequent managerial involvement and monitoring.
 - f. When an examination is beyond the 18 month cycle, managers should ensure that the Service does not become a party to the continuing delay affecting the completion of the examination.
- (2) The term **significant activity** is defined as any activity where the examiner performed substantial work that moved the case toward a conclusion. This does not include phone calls to or from the taxpayer to cancel or change appointments. It would include phone calls that discussed items which helped move the case toward a conclusion, appointments, requests for information, research, etc. Significant activity would also include follow-up contacts either to or from Engineers or other specialists. Examples of significant activity include but are not limited to:
 - a. Discussions with the taxpayer or the taxpayer's representative which significantly move the examination toward completion.
 - b. Researching classified examination issues.
 - c. Reviewing documentation provided by the taxpayers.
 - d. Discussing the case with the group manager for guidance, including workload or open case reviews.
 - e. Documenting the Plan to Close (PTC) meeting in the case activity record.
 - f. Verifying the statute of limitations and filling out the necessary paperwork to change the ASSED date to the correct SOL date.
 - g. Reviewing the Risk Summary, tax return, related returns, and attached documentation in order to conduct an examination pre-plan.
 - h. Reviewing income tax returns to identify potential omitted assets and to verify consistent reporting amongst transfer tax returns.
 - i. Holding in-depth conference call(s) with an IRS Engineering or Outside Fee Appraiser to discuss the scope of a potential referral, documentation needed, examination strategies, etc. Reviewing a rough draft of an engagement letter and discussing the scope of the engagement with group

- manager to determine whether the proposed Engineering hours were reasonable given the valuation issues present in the case.
- j. Having discussions with management regarding potential badges of fraud and whether or not to seek Fraud Technical Advisor (FTA) assistance.
 - k. Preparing a third party summons to obtain specific documentation or information not in the possession of the taxpayer or the taxpayer's representative.
 - l. Writing a memorandum to the file to eliminate a classified issue using approved risk analysis techniques.
- (3) The group manager may assign returns for examination and direct the scope of items to be investigated, the depth of the examination, the records for examination and examination techniques employed consistent with IRS Policy Statements. The case file should be clearly documented to reflect such directions.
 - (4) While complexity of workload and conflicting demands are considered, the examiner should prioritize, plan, and schedule work accordingly. Generally, estate tax returns are examined in the order in which they are filed.
 - (5) Certain matters are considered priority work requiring immediate, prompt or preferred attention. The following list contains examples of matters that are considered priority work.
 - Cases where the statute of limitations is close to expiring
 - Cases returned after review
 - Cases where the 18 month cycle is about to run
 - Collateral examinations
 - Claims for refund
 - (6) Instances also occur where it is more practical to advance a recently filed case. Factors to consider:
 - Program priorities or initiatives
 - Return complexity
 - Cases in similar geographic areas
 - (7) Examiners may be required to examine cases in states other than their own. Online resources are available to assist in understanding distinctions among state laws. The online resources below are meant to be a starting point for the research and not a comprehensive listing.
 - a. Online resources for researching state law include LexisNexis, Accurint, Commercial Clearing House (CCH), Westlaw, IRM Online, the Estate and Gift Knowledge Management page, and the Estate and Gift SharePoint.
- (1) Case actions should be completed in an efficient manner that does not unnecessarily delay resolution of the examination.

4.25.1.7.2
(07-07-2020)
**Efficient Resolution and
National Standard
Timeframes**

- (2) The national standard timeframes (unless noted, measured in calendar days) by which action should be taken are as follows:

Days	Measured From	Measured To
45	Examiner's receipt of case	<ul style="list-style-type: none"> Examiner sends an initial contact letter to the taxpayer with a copy to the representative, or surveys the assigned case. Examiner will also upload a signed copy of the letter to IMS. Examiner verifies the statute, completes and uploads the Statute Verification Lead Sheet to IMS.
45	Last significant action (See IRM 4.25.1.1.4, for a definition and examples of significant activity.)	Next significant activity
1 business day	Taxpayer or representative telephone message	Return telephone call to the taxpayer or representative
14	Receipt of correspondence or documentation from taxpayer or representative	Provide follow up response to taxpayer or representative. The content required in the follow up response will depend upon the volume of information and documentation received from the taxpayer or representative. See Document 12499, Estate and Gift Tax Embedded Quality Job Aid for further explanations and examples.
24 hours	Receipt by Examiner	Review and process Form 2848
30	Receipt of signed Form 890, Waiver.	Close agreed case from group.
30	Date no-change status is communicated to the taxpayer.	Close no change case from group
20	Receipt of 30-day letter default or taxpayer's timely protest is received. The time period for closure is not extended while preparing the Rebuttal.	Close unagreed case from group.

- (3) All delays should be documented on the Form 9984, Activity Record.

4.25.1.7.3
(01-09-2014)
Time Spent on Examination

- (1) Examination activity should be commensurate with the time charged to the case. Factors to be considered in determining appropriate use of time are issue complexity and potential, condition of the books and records, depth of legal research required, taxpayer/representative cooperation, and other problems that affect use of time.

- 4.25.1.7.4
(07-07-2020)
Professional Communication
- (1) Communications with taxpayers, authorized representatives, and third parties must be made in a timely fashion and in a firm, businesslike, and professional manner.
 - (2) RRA '98 section 3705(a) requires that all oral and written communication with a taxpayer or authorized representative of a taxpayer shall include the name, telephone number and the unique identifying number (e.g., Smart-ID badge number) of the IRS employee the taxpayer may contact. The examiner will document the case Form 9984, Activity Record, to show that the taxpayer and/or representative was provided with the required identifying information during oral communications.
- 4.25.1.7.4.1
(08-05-2016)
Oral Communication
- (1) In order to secure the taxpayer's cooperation during the course of the audit, the examiner should use effective oral communication skills. The examiner should use communication methods appropriate to the listener, consider and evaluate the taxpayer's assertions and use tact to explain findings and conclusions.
 - (2) The examiner may not make an initial examination contact with the taxpayer or representative via telephone.
- 4.25.1.7.4.2
(07-07-2020)
Written Communication
- (1) The examiner should ensure that all correspondence is professional. Communication should be clear, concise, and reflect a courteous tone and appearance. It should also be neat, legible, and grammatically correct. Proper IRS letterhead (Form 13038), which can be found in the Estate and Gift Notebook Job Aid, should be used for all correspondence.
 - (2) All written correspondence sent to and received from the taxpayer must be maintained as part of the case file.
 - (3) All initial contacts with the taxpayer and representative must be in writing. See IRM 4.25.1.7.5.1, Taxpayer Rights Included with Initial Contact Letter.
 - (4) Publications sent to the taxpayer(s) should always agree with the enclosures identified on the letter. Blank forms and publications available on IRS.gov should not be included when sending copies of letters, examinations reports, waivers, etc. with Letter 937, Transmittal Letter for Power of Attorney, or other cover letter sent to representatives or appointees. For example, Publication 3498, The Examination Process, should not be included with a representative or appointee's copy of the examiner's report transmittal cover letter.
- Note:** This guidance is consistent with the Form 2848, Power of Attorney and Declaration of Representative, and Form 8821, Tax Information Authorization, instructions which state that representatives and appointees will not receive forms, publications or other related materials with notices.
- 4.25.1.7.4.3
(07-07-2020)
Information Document Requests (IDRs)
- (1) The examiner's initial request for information and documentation should be clear and concise and cover all issues that are apparent in the return.
 - (2) Requests for information should include a response date, such as a specific date or reference to a specific time-frame (e.g., "by May 24, 2020" or "within three weeks from the date on this letter").

- (3) The examiner should discuss the expected receipt date with the taxpayer or authorized representative and there should be a “meeting of the minds” (i.e., a mutually agreed upon date), if possible.
- (4) Subsequent document requests should be clear and concise with established response deadlines.
- (5) Sample letters and IDRs can be found in the Estate and Gift Notebook Job Aid Forms Library Folder.

4.25.1.7.4.4
(08-06-2015)
**Documents Obtained
From Taxpayer**

- (1) Obtain omitted copies of documents and information required to be filed with the estate tax return. Upon receipt, these documents should be included as exhibits in the case file.
- (2) Information and copies of documents should not be obtained and made a part of the case file unless they are:
 - a. Required to be filed with the return. See IRM 4.25.1.3
 - b. Necessary to support adjustments
 - c. Necessary for a complete examination of the return
 - d. Needed for complete explanation of questioned items which resulted in a no-change
- (3) Documents received from taxpayers or representatives (including correspondence) should not be used as workpapers. Instead of marking the original taxpayer provided documents, notes should be entered on separate workpapers or lead sheets, or a working copy of documents may be made and used to record examination information. A working copy of taxpayer provided documents may be made by using colored paper, marking or stamping the working copy as “copy”, or other means to identify the copy as a workpaper.

4.25.1.7.5
(01-09-2014)
**Taxpayer Rights and
Notifications**

- (1) The examiner should advise the taxpayer of all rights and provide the taxpayer appropriate publications. The examiner should also keep the taxpayer or authorized representative informed throughout the examination process. Proper documentation regarding taxpayer rights and notification should be included in the case file.

4.25.1.7.5.1
(07-07-2020)
**Taxpayer Rights
Included with Initial
Contact Letter**

- (1) *All* initial examination contacts with taxpayers must be made by mail, instead of by telephone. When a valid Form 2848, Power of Attorney and Declaration of Representative, or Form 8821, Tax Information Authorization, is on file for the taxpayer, or, in the case of estates, when page 2, part 4 of the Form 706 is properly signed, the appropriate initial contact letter will be mailed (i.e., post-marked) to the taxpayer and a copy of the letter will be mailed to the representative with Letter 937, Transmittal Letter for Power of Attorney. A sample of an appropriate initial contact letter is available in the Estate and Gift Tax Notebook Communications file. Prior to mailing the initial contact letter, examiners must review CC ENMOD or IMFOLE for an identity theft (IDT) indicator. IDT indicators are explained in IRM 4.10.27.8.1, Identity Theft Tracking Indicators. If an IDT indicator exists, examiners will send the initial contact letter to the last known address on Master File.
- (2) The examiner must enclose the following taxpayer rights documents with the examiner’s initial contact letter to the taxpayer:

- Pub 1, Your Rights As A Taxpayer, and
- Notice 609, Privacy Act and Paperwork Reduction Act.

- (3) Examiners should mail the initial contact letter to the taxpayer's last known address. The Service is required to exercise due diligence to find and use the taxpayer's last known address. Generally, the last known address is the address on Master File unless the taxpayer has provided "clear and concise" notification. For a definition of what constitutes "clear and concise" notification, see Rev. Proc. 2010-16 and 26 CFR 301.6212-2.

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

- (4) If the taxpayer doesn't respond to the initial contact letter and it is not returned as undeliverable, follow the procedures in IRM 4.10.2.8.3, No Response/No Show Procedures.
- (5) If the letter is returned undeliverable, follow the procedures in IRM 4.10.2.8.4, Undeliverable Initial Contact Letters.

4.25.1.7.5.2
(07-07-2020)
**Taxpayer Rights and
Notifications During
Examination**

- (1) Whenever a taxpayer is provided with a first report/notice of proposed deficiency that is not a formal 30-day letter, the Pub 3498, The Examination Process, must be provided. If subsequently a 30-day letter is issued to the taxpayer, this publication must also be enclosed. See IRM 4.25.10.2.1, General Case Closing Procedures, Taxpayer Rights, for determining when a Publication 3498 should be sent.
- (2) Any other rights should be addressed when appropriate, including a Letter 907, Request to Extend Assessment Statute, and Pub 1035, Extending the Tax Assessment Period.
- (3) The taxpayer or authorized representative should be informed of delays due to examiner training, details, etc. This can be accomplished through letters, IDRs, reports, telephone calls, or interviews. The examiner should document that the taxpayer or authorized representative was informed of delays in the Form 9984, Activity Record.
- (4) Written communications should be sent to both the taxpayer and representative to keep both apprised.
- (5) The examiner should ensure all conclusions reached have been discussed with the taxpayer or authorized representative prior to case closure. The examiner should document this discussion on the Form 9984, Activity Record.

4.25.1.8
(07-07-2020)
**Issue Management
System (IMS)**

- (1) Issue Management System (IMS) is a computer-based system that is used to manage the examiner's workload and complete timekeeping for estate and gift tax cases. IMS is designed to obtain and retain examination information in a centralized location on the IMS Server.

- (2) Information is uploaded to the IMS Server through synchronizations. Summary, ERCS, Case and Time Sheet Synchronizations must be performed weekly if actions were taken on the case since the last synchronization. However, it is recommended that synchronizations be performed more often.

Note: Beginning with IMS 3.9.3, users may create automatic case data synchronizations.

- (3) The Issue Management System Estate and Gift User Guide, is located in the IMS program. The IMS Job Aid, updates and alerts are located at the Estate and Gift SharePoint.

4.25.1.8.1
(07-07-2020)

Creating a Case in IMS

- (1) A new case can be created in IMS through the ERCS Case Inventory or through a manual case entry.
- (2) IMS will generate a Case Tree when the case is created. The Case Tree contains auto-populated Case Attributes. The Case Attributes menu option in each Case Tree contains options for the management of Entities, Team Members, and Issues. The Case Attributes apply to all returns included in the case folder.
- (3) 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.

4.25.1.8.2
(07-07-2020)

Entities: Related Returns

- (1) The Entities section of the case tree is used to show the returns in the case.
 - a. The entities screen is where returns can be added or copied for a case. ERCS update forms can be created and data can be exported from the case into IMS from the Estate and Gift Notebook Job Aid (Notebook). See IRM 4.25.6.3, Estate and Gift Tax Notebook Job Aid.
- (2) The Return section of the case tree is used to view all returns in a case.
- (3) The Returns screen is also used to merge manually added returns with an ERCS record in IMS and to add a Form 5344, Examination Closing Record, Form 5351, Examination Non-Examined Closings, and Form 8278, Assessment and Abatement of Miscellaneous Civil Penalties, when required, prior to closing a return off IMS.

4.25.1.8.3
(07-07-2020)

Team Members and Taxpayer Contacts

- (1) The Team Members (IRS) screen is used to add, edit, and remove contacts from returns on the case.
- (2) IRS Team Members can be added and assigned case issues.
 - a. 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.
- (3) Taxpayer contacts
 - a. The taxpayer contacts portion of IMS is where authorized personal representative contacts are added so they are displayed on the Form 9984,

Examining Officer's Activity Record. Only one contact can be listed on the Form 9984 as the Taxpayer and the Taxpayer's Power of Attorney.

- b. Taxpayer contacts need to be checked-in for the Export Data from IMS to Notebook command to work.

4.25.1.8.4
(07-07-2020)
**Revenue Protection
Codes (RPC)**

- (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 indication in ERCS allows tracking of claim examinations. On IMS, these indicators are Revenue Protection Codes (RPCs). The three codes are:
 - a. N – 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 – Used to record time spent protecting the revenue base (i.e., working the claim issue). Examiners cannot charge "N" and "P" for the same return. However, N can change to a P during an examination.
 - c. R – Used to record time spent examining regular (non P of RB) issues on returns where a request for refund has been filed. ERCS allows time charges to "P" and "R" for the same return on the same day.

Note: Once an examiner charges 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) The issue must be checked out to edit the Revenue Protection Code (RPC) in IMS.
- (3) Charging time to "P" and "R" does not change the process for requesting an update to the return for claim purposes. Although IMS will allow the correct P of RB codes to be input, the items ERCS needs to update the return are not included. See IRM 4.25.9, Requests for Abatement, Claims for Refund, and Doubt as to Liability in Estate and Gift Tax Cases.

4.25.1.8.5
(06-14-2021)
**Standard Audit Index
Number (SAIN) Codes**

- (1) Time is charged to the issues identified in the case. Issues are categorized in two ways: by selecting a Standard Audit Index Number (SAIN) and a number from the Uniform Issue List (UIL). Generally, the SAIN code relates to how an issue is reported on a return. Tracking issues using both the SAIN code and the UIL number will allow the IRS to plan and allocate resources more efficiently. Consequently, at least one SAIN code and one UIL number must be selected for each return within a case. Employees 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, workpapers will be associated with the **Administrative** SAIN code. Employees may charge time to the **Administrative** issue. However, where an examining employee spends a significant amount of time on a particular issue the time charge 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) All returns must have the following SAIN Code issues added on IMS. An Administrative Issue (EG080) and Case Issues (Classified Issues for Issue Tracking and Feedback Form purposes) are required on all cases. An Administrative Issue (EG080) 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 regardless of change that was not identified during classification) must be added. Reference documents identifying applicable SAIN and UIL codes used by the Estate and Gift Program are located in the "CBF Support Materials" folder on the Estate and Gift SharePoint.
- (3) 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.
- (4) Once an examiner's referral request to engineering is accepted and assigned, the examiner should add the assigned Engineer as a team member within IMS using the following steps:
 1. The LB&I employee should be assigned a "Referral to Specialist Issue" (SAIN EG081) issue.
 2. If not already identified in IMS, enter a UIL code that best represents the referred issue. Do not use UIL "00001.06-00 – Estates and Trusts." For resources identifying the applicable UIL codes see the "CBF Support Materials" folder on the Estate and Gift SharePoint.
 3. Consult with the assigned LB&I employee about the number of days to enter in the Original Days Assigned field when assigning the Referral to Specialist issue.
- (5) In the Add Issue Screen, enter the date the examination began in both the Start Date and End Date fields. Both dates should be the same. Having the dates consistently entered will keep the detailed case issue(s) from being displayed when time is entered into the time sheet screen.

4.25.1.8.6
(06-14-2021)
**Uniform Issue List (UIL)
Codes**

- (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. A UIL Code is required to close all cases off IMS.

4.25.1.8.7
(07-07-2020)
**Establishing the Actual
Closed Date**

- (1) A case may have multiple entities and each entity or return can close at a different time. There are two types of "Actual Closed Dates" - one date for the case and another date for each entity on the case. For the return that has been closed, close the case on the "Edit Entity" screen.
- (2) A Form 5344, Examination Closing Record, must be generated for each entity within IMS, before an actual closed date will be accepted for the case.

4.25.1.8.8
(03-15-2023)
**IMS Time Sheet and
Form 9984, Activity
Record**

- (1) The Time Sheet window allows the IMS user to enter the various categories of time applied. Time may be entered as direct examination time or below the line time.

Note: Time can be in increments of 0.3 = 15 minutes, 0.5 = 30 minutes 0.7 = 45 minutes, or in hourly increments

- (2) The Time Sheet window includes fields to explain the examination activity completed during the recorded time. This information is transferred to the Form 9984, Examining Officers Activity Record. The Form 9984 is used to document each action taken on the case. Documentation should include the date, location, time charged, and an explanation of each activity or contact. The activity record should provide a complete and concise case history. Recordation of events should be made by examiners or other employees responsible for activity on the case (e.g., group managers, engineers, clerical staff, team members, administrative staff, etc.)
- (3) Information recorded on the Form 9984 should include, but is not limited to:
- The date the case was received.
 - When forms and documents were sent or received.
 - All internal contacts.
 - Any other significant contacts or activities.
 - Delays with explanations for the delay (i.e., leave, details).
 - Documentation of all significant actions taken on the case. Significant case action should occur at least every 45 days. See IRM 4.25.1.1.4 for a definition of significant activity.
 - The examination start date. The examination should begin within 45 days of case receipt.
 - Documentation of the initial contact letter mailing date. The initial contact letter should be mailed within 45 days of case receipt. The examiner should document any reasons for not timely mailing the initial contact letter.
 - Notate whether the taxpayer was provided Pub 1 and Notice 609 upon initial contact.
 - Discussions with the taxpayer regarding their rights.
 - Work performed prior to, during, and subsequent to the initial taxpayer contact, including a general outline of research activities conducted.
 - Documentation of any tour or site visit of the taxpayer's business or real property.
 - Brief summaries of telephone conversations. However, lengthy telephone conversation notes should be uploaded to IMS.
 - Documentation of all contacts with taxpayers, representatives, and third parties.
 - Causes for any delays by the Service (training, details, etc.), the taxpayer, and/or representative. Examiners must ensure that they have notated and explained any delays, causes of delays, and whether or not delays were communicated to any of the affected parties (explain any lack of communication).
 - Group manager involvement (including informal discussions, formal discussions, in-process case reviews, on-the-job-visitations, and workload reviews, manager plan to close meetings, managerial approval for deviations from IMS document upload requirements, fraud awareness, and penalty assessments/abatements, etc.).
 - Documentation when collateral requests and referrals (e.g., Engineering or Art Appraisal Services) are made or accepted, when work begins, and when progress reports are received.
 - All actions with respect to the statute of limitations (e.g., verification, steps to protect the statute of limitation, Form 895 completion date(s), and consents to extend) should be fully documented in the Form 9984.
 - The date the draft report was issued and the response date.

- Document that a Pub 3498 was issued if required in order to close the case. See IRM 4.10.8.2.3.2, Publications
 - Documentation of the date when the examiner notified the taxpayer of their recommendation to close the case as a No-Change, when appropriate.
 - If a No Change No Adjustments report was issued, the examiner should confirm “NO CHANGE SUBJECT TO CHIEF, ESTATE AND GIFT TAX APPROVAL” language was included on the face of the report, when appropriate.
- (4) The Primary Team Coordinator may obtain copies of other team members’ (engineers, other examiners assigned to the case, etc.) Forms 9984 through the IMS team website.

4.25.1.8.9
(03-15-2023)

Uploading and Importing Documents to IMS

- (1) The IMS case file includes tax returns, lead sheets, completed forms, workpapers and supporting documentation, including the pre-audit/pre-planning notes. The IMS case file documentation provides detail about the examination trail, indicates the status throughout the examination and supports the conclusions reached. See IRM 4.25.1-2.
- (2) Case building documents from the Case Built File must be imported to the **workpapers** IMS folder within 30 days of receipt of the **CBF Notification Email**.
- Beginning with IMS version 3.9.10, users will be able to import documents from Case Built File to the “workpapers” folder within IMS.
 - The import will not occur automatically. Users must select the “Import” button within IMS or refer to the user manuals for alternative import methods.
- (3) The examiner must upload and synchronize all case documents to IMS per Exhibit 4.25.1-1, Required Uploads to IMS.

Note: The final version of the case workpapers and lead sheets should be the only versions uploaded in IMS at the time of case closure.

- (4) In IMS, workpapers are issue specific and uploaded from the Case Tree or in the Issue Tree. Workpapers, lead sheets, forms and letters can be created in IMS or they can be uploaded from previously created files. Workpapers, lead sheets, forms and letters can also be added to either an open or closed case file from the team website. For additional workpaper upload and sorting instructions see the Issue Management System (IMS) Estate and Gift User Guide.
- (5) The following documents should not be uploaded to IMS:
- Blank forms, instructions, workpapers or lead sheets
 - Duplicate copies or versions of workpapers or lead sheets
 - IRS Publications and Notices
 - Copies of code sections, regulations, PLRs, cases, articles, etc.
 - Multiple copies of a workpaper or lead sheet
 - Copies of job aids and quality tips

4.25.1.8.10
(07-07-2020)

IMS Synchronizations

- (1) Synchronization is the process of transferring specific material to/from the examiner's computer and the IMS Server. Once the synchronization is complete, any material synchronized on the examiner's computer will be identical to the material on the IMS Server. There are five types of synchronizations performed in IMS: Summary, ERCS, Case, Reminder and Time.
- (2) Summary – A Summary Synchronization downloads the case information for any case for which the user is a team member or manager.
- (3) ERCS – An ERCS Synchronization will download 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 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 TIN is incorrect in ERCS, the examiner must complete Form 5351, Examination Non-Examined Closings, to dispose of the wrong record on ERCS. 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 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. Examiners must run an IMS case synchronization at least once every week that they have taken action on a case. Examiners are not required to run a case synchronize for a case if no action was taken on that case since the last synchronization. The examiner will also check-in and synchronize all case documents at the time the examiner closes the case.
- (5) Reminder Synchronizations – The IMS Reminder menu is located on the IMS Toolbar. Users may view, edit, add, delete, activate, or deactivate reminders. Others cannot view an 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. A reminder five days prior to the end of each ERCS monthly reporting cycle.
 - b. 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.
- (6) Time Synchronizations – The IMS timekeeping system will track case time, miscellaneous direct examination time (MDET), and below-the-line (BTL) time. To input time on a return, the user must have created issues for the return. All direct examination time applied on IMS is by standard audit index number (SAIN) and uniform issue list (UIL) codes.
 - a. The time needs to be on the IMS Server by Thursday at 8:00 pm EST.
 - b. The user must synchronize their timesheet at least once a week (usually Thursday).

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 syn-

chronized and transferred. The user must communicate any time sheet correction made to a time charge in IMS that has transferred to ERCS with their timekeeper.

4.25.1.9
(03-15-2023)
**Estate and Gift Tax
Program Exam Process
and Documentation**

- (1) Estate and gift tax returns should be examined in a manner that will promote public confidence as stated in the Mission of the Service. See IRM 1.2.1.2.1, Policy Statement 1-1. The Estate and Gift EPD system is intended to assist the examiner in achieving this servicewide mission. EPD lead sheets and supporting workpapers constitute official government documents. They must be professional and objective in tone and language as well as free of unwarranted personal opinion and bias.
- (2) The Estate and Gift Tax Examination Process and Documentation (EPD) defines how cases are examined. It is a uniform system of planning, communication, risk analysis and documentation. EPD provides guidelines to ensure consistency and quality, employee satisfaction and customer satisfaction.
- (3) EPD is designed to foster good communications with the group manager, taxpayers and representatives. In addition, it has been structured to assist the examiner in producing a quality work product. Furthermore, it improves planning and documentation of the file.
- (4) A key component of EPD is risk analysis. Risk analysis helps examiners make decisions on whether to proceed with an issue or to begin developing a new issue that was discovered during the examination.
- (5) Adherence to the principles of EPD results in a well-organized case that can be easily reviewed by subsequent users such as reviewers, Appeals, Counsel and other examiners.
- (6) Estate and Gift Tax Policy is responsible for the ongoing monitoring of the EPD system and will make appropriate changes to the forms and procedures based on the needs of the Estate and Gift Tax program.
- (7) From the onset of the examination, the examiner must document and communicate the actions taken by using mandatory and non-mandatory workpapers and lead sheets. EPD lead sheets and workpapers serve four basic purposes:
 - a. Provide a framework to plan the audit, including the analysis of internal documents, and to set the scope of the exam.
 - b. Document the evidence gathered, audit steps and techniques applied, tests performed, and analyses conducted during the audit process.
 - c. Support the factual and technical conclusions.
 - d. Provide a basis for review by management and other stakeholders (e.g., Treasury Inspector General for Tax Administration (TIGTA) reviewers and Counsel). Well prepared workpapers facilitate review by numerous customers.
- (8) EPD leads sheets and workpapers are the written records that support the audit findings. EPD lead sheets and workpapers must document the audit activities including audit steps and techniques applied, tests performed, information obtained, and conclusions reached. They must include all the information necessary to support the audit results. Completed EPD lead sheets and supporting workpapers must:

- Reflect the evidence gathered, explanations, analyses and conclusions reached.
- Effectively explain the issues addressed during the audit.
- Provide the evidence to reflect the scope and depth of the audit.
- Support the determination of the tax liability.
- Reflect the audit process, allowing a subsequent reviewer to trace a transaction or event and related information from beginning to end.

Note: If a lead sheet contains check boxes, they should be used to notate the applicability of an action taken. Supporting documentation to explain the action taken should be included. Generally, check boxes by themselves are not adequate supporting documentation.

- (9) EPD lead sheets are located in the Estate and Gift Notebook Job Aid (Notebook) Forms Library. Lead Sheets are to be utilized for planning and prompting activities to comply both with administrative and procedural matters, as well as technical information. Issue specific lead sheets are to be utilized to assist the examiner in the steps needed to resolve issues.
- (10) Examiners must contemporaneously update the lead sheets and supporting workpapers during the audit. As issues are resolved, EPD lead sheets and workpapers should be finalized, printed and included in the case file or uploaded to IMS. See Exhibit 4.25.1-1. Case file and IMS upload checklist job aids are available for reference through the Estate and Gift SharePoint.

4.25.1.9.1
(07-07-2020)
**Estate Tax Mandatory
Lead Sheet**

- (1) The Estate Tax Mandatory Lead Sheet replaced the essential elements of the Examination Planning and Work Paper Index, the Administrative Lead Sheet, the Other Tax Return Lead Sheet, and the Asset Probe Lead Sheet. The combined lead sheet serves as an index and summary of supporting workpapers and provides the following benefits:
 - Identifies applicable dates, referrals, taxpayer related contacts, examination and penalty issues
 - Establishes a consistent format, making the case file easier to prepare and review
 - Streamlines the audit process by helping the examiner establish an effective pre-audit plan
 - Includes audit steps that assist the examiner through issues with which they are unfamiliar
 - Allows audit steps to be added, modified or eliminated through risk analysis
 - Addresses the administrative items requiring comment by the examiner (e.g., required filing checks, minimum income probes and related return research)
- (2) The Estate Tax Mandatory Lead Sheet is required for estate tax case examinations not designated with a limited scope audit project code. However, all fields are not required in all examinations. The examiner will exercise judgment in determining which items are required based on the facts and circumstances of the specific case.
- (3) The following examination techniques should be addressed in all estate tax examinations:
 - a. Transcript review and related return research

- b. Identification of examination issues
- c. Completion of asset probe and minimum filing checks
- d. Penalty and fraud analysis when the audit results in a deficiency
- e. Documentation of the issuance of applicable taxpayer rights publications and notices

Note: The Estate Tax Mandatory Lead Sheet addresses each of the required examination techniques. However, the examiner may need to expand the documentation of their actions and analysis using issue specific lead sheets, workpapers, correspondence and the activity record. Cross references should be provided when applicable.

4.25.1.9.2
(07-07-2020)

**Limited Scope Audit
Mandatory Lead Sheet**

- (1) The Limited Scope Audit Mandatory Lead Sheet replaced the essential elements of the LSA Examination Planning and Work Paper Index, the Administrative Lead Sheet, the Other Tax Return Lead, and the Asset Probe Lead Sheet. The new combined lead sheet serves as an index and summary of supporting workpapers and provides the following benefits:
 - Identifies applicable dates, referrals, taxpayer related contacts, examination and penalty issues
 - Establishes a consistent format, making the case file easier to prepare and review
 - Streamlines the audit process by helping the examiner establish an effective pre-audit plan
 - Includes audit steps that assist the examiner through issues with which they are unfamiliar
 - Allows audit steps to be added, modified or eliminated through risk analysis
 - Addresses the administrative items requiring comment by the examiner (e.g., required filing checks, minimum income probes and related return research)
- (2) In addition to the Limited Scope Audit Mandatory Lead Sheet, the examiner must complete a Form 9984, Activity Record and a Statute Verification Lead Sheet.
- (3) Limited Scope Audits will have specific examination issues designated in the Risk Summary or by the group manager. Unless permitted by the group manager, the examination issues will not be expanded beyond the selected/assigned issues.

4.25.1.9.3
(07-07-2020)

**Gift Tax Examination
Mandatory Lead Sheet**

- (1) The Gift Tax Mandatory Lead Sheet is required for gift tax case examinations not designated as limited scope audits. However, all fields are not required in all examinations. The examiner will exercise judgment in determining which items are required based on the facts and circumstances of the specific case.
- (2) The following examination techniques should be addressed in all gift tax examinations:
 - a. Transcript review and related return research
 - b. Identification of examination issues
 - c. Completion of minimum filing checks
 - d. Penalty and fraud analysis when the audit results in a deficiency

- e. Documentation of the issuance of applicable taxpayer rights publications and notices

Note: The Gift Tax Mandatory Lead Sheet addresses each of the required examination techniques. However, the examiner may need to expand the documentation of their actions and analysis using issue specific lead sheets, workpapers, correspondence and the activity record. Cross references should be provided when applicable.

- (3) In examining a gift tax return, it is the responsibility of the examiner to determine if prior gift returns were filed, and to verify the amount of Deceased Spousal Unused Exclusion (DSUE) used, when appropriate. The examiner should review the complete procedures for securing historic estate and gift tax returns. See IRM 4.25.1.3.1, Retrieving Historical Gift Tax Returns, and IRM 4.25.1.3.2, Retrieving Estate Tax Returns for Reference.
- (4) The examiner must verify the statute of limitations for each gift tax return under examination and discuss the actions necessary to protect the statute of limitations with the group manager. The examiner should document the verification of the statute of limitations on the Form 9984, Activity Record, and on the Statute Verification Lead Sheet. See IRM 4.25.1.9.4, Statute Verification Lead Sheet, IRM 4.25.1.2.1, Verify and Protect the Statute of Limitations, and IRM 25.6.23-3, Instructions for Updating the Statute on AIMS.
- (5) Pub 1, Your Rights as a Taxpayer, and Notice 609, Privacy Act and Paperwork Reduction Act, must be provided to the taxpayer in all gift tax examination cases where the taxpayer is contacted.
- (6) The examiner should document the case Form 9984, Examining Officer's Activity Record, with all actions relating to taxpayer rights. See IRM 4.25.1.8.8, IMS Time Sheet and Form 9984, Activity Record.
- (7) Except for a limited scope audit, the examiner should probe for undisclosed transfers.
- (8) The examiner must maintain significant examination activity every 45 days, and record their actions in the case Form 9984, Examining Officer's Activity Record. See IRM 4.25.1.8.8, IMS Time Sheet and Form 9984 Activity Record.
- (9) Request support from internal specialists, outside fee appraisers, and paraprofessionals, when their participation enhances the quality, accuracy, and fairness of the examination. However, the examiner to whom the return was assigned, under the direction of the group manager, is responsible for making the recommendation of tax liability, ensuring conclusions are properly supported by the facts and law, and explaining adjustments to the taxpayer. See IRM 4.25.12, Valuation Assistance.
- (10) Obtain omitted copies of documents and information required to be filed with the return. Original documents should not be marked.
- (11) Information and copies of documents should not be obtained and made a part of the case file unless they are:
 - Required to be filed with the return.
 - Necessary to support adjustments.
 - Necessary for a complete examination of the return.

- Needed for complete explanation of questioned items which resulted in a no-change.

4.25.1.9.4
(07-07-2020)

Statute Verification Lead Sheet

- (1) The purpose of the Statute Verification Lead Sheet is to verify the correct statute of limitations date. See IRM 4.25.1.2.1.
- (2) The examiner must verify the statute of limitations, complete the Statute Verification Lead Sheet and correct any statute inaccuracies on IDRS (e.g., ASSED date) for all assigned cases within 45 calendar days from case receipt.
- (3) The examiner may need to update the Statute Verification Lead Sheet throughout the examination in order to document changes to the statute date as a result of consents or to confirm required statute control procedures.

4.25.1.9.5
(07-07-2020)

Form 9984, Activity Record

- (1) The Form 9984, Examining Officer's Activity Record, is used to document the hours charged to a case and to briefly record the examiner's actions. The Examining Officer's Activity Record is created in IMS from time sheet entries. See IRM 4.25.1.8.8, IMS Time Sheet and Form 9984, Activity Record.
- (2) The case file must contain a Form 9984 for all team members (e.g., engineers, paraprofessionals, etc.) who charged time to the case.

4.25.1.9.6
(07-07-2020)

Manager Plan to Close Lead Sheet

- (1) The Manager Plan to Close Lead Sheet should not be completed until the examination has been in process for 120 days. Even at that point in the audit cycle, a further exception exists for examinations that are substantially complete and do not require further managerial involvement. The plan to close meeting between the examiner and manager provides for an opportunity to discuss the status of the examination, problems or difficulties obtaining requested items, and follow up actions to be taken.
- (2) A Mutual Commitment Date should be discussed and documented during the Manager Plan to Close meeting. If a Mutual Commitment Date cannot be established, the examiner should provide an Estimated Closing Date.
- (3) The Manager Plan to Close meeting can be held independently or as part of a workload or Technical Time Report (4502) review.

4.25.1.9.7
(07-07-2020)

Penalty Approval Lead Sheet

- (1) The applicability of penalties should be considered during every audit and, if warranted, developed as the audit progresses. Only after all facts and circumstances surrounding an audit have been developed can a determination be made as to the application of appropriate penalties. See IRM 20.1.5, Return Related Penalties.

Note: The examiner must not document conclusions regarding a return preparer's responsibility for errors and the assertion or non assertion of the return preparer penalty in the estate or gift tax case file. See IRM 4.25.7.4 for additional guidance.

- (2) IRC 6751(a) requires that the Service provide the taxpayer with the name of the penalty, the Internal Revenue Code section under which the penalty is imposed, and a computation of the penalty on the notice (report) imposing the penalty.

- (3) The Penalty Approval Lead Sheet must be used by the examiner to determine whether an assessment of penalties is warranted in all cases with an increase in tax. The Penalty Approval Lead Sheet requires that the examiner seek their immediate supervisor's approval. See IRM 20.1.1.2.3, Approval Prerequisite, and IRM 20.1.1.2.3.1, Timing of Supervisory Approval.
- (4) The assertion or non-assertion of penalties must be documented in the case file whenever an audit results in a deficiency. The extent of the documentation will depend on the nature of the adjustments and the amounts involved. Summary statements (e.g., negligence penalty applicable or negligence penalty deemed not applicable), are not sufficient. The examiner must cite the appropriate regulations, rulings or court decisions that are specific to the case's facts and circumstances for assertion or non-assertion of penalties. Alternative penalty positions must be documented in the workpapers when applicable.
- (5) The examiner must use the Penalty Approval Lead Sheet to document the verification of previously assessed penalties.
- (6) See IRM 20.1, Penalty Handbook, for more information regarding the assessment or abatement of penalties. See also IRM 4.25.7, Estate and Gift Tax Penalty and Fraud Procedures.
- (7) IRC 6751(b) generally prohibits assessment of a penalty unless the initial determination of the penalty assessment was approved, in writing, by the immediate supervisor of the individual who made the determination or such higher level official as the Secretary may designate. The immediate supervisor must perform a meaningful review of the penalty determination. Proper written approval of the primary penalty and any alternative penalties included in the case file is mandatory. The examiner should document all formal and informal immediate supervisor involvement relating to any assessment or non-assessment of penalties in the Form 9984, Examining Officer's Activity Record.
- (8) The examiner should also briefly address the assertion or non-assertion of penalties in the penalty portion of the case specific mandatory lead sheet (e.g., Estate Tax Mandatory Lead Sheet).
- (9) The examiner should review the accuracy of any previously assessed or abated penalties and document their findings in their workpapers.

4.25.1.9.8
(07-07-2020)

Reasonable Cause Lead Sheet

- (1) The examiner should use the Reasonable Cause Lead Sheet to document a taxpayer or preparer's reasonable cause defense to the assessment of penalties.

Note: A reasonable cause defense is just one potential taxpayer defense to the assessment of penalties. See IRM 20.1.1, Introduction and Penalty Relief for an overview of other penalty relief procedures and taxpayer arguments.

- (2) See IRM 20.1, Penalty Handbook and IRM 4.25.7, Estate and Gift Tax Penalty and Fraud Procedures, for reasonable cause analysis guidance.

4.25.1.9.9
(07-07-2020)

Fraud Lead Sheet

- (1) During every audit, examiners must be alert to fraud indicators and assert the civil fraud penalty when there is clear and convincing evidence to prove that some part of the adjustment increasing the tax was due to civil fraud. See IRM 25.1.2.3, Indicators of Fraud. Such evidence must show the taxpayer's intent to evade tax, which the taxpayer believed to be due. For every case resulting in a deficiency, examiners must document their consideration of fraud, including applicable fraud indicators, even if the civil fraud penalty is not pursued or developed.
- (2) The Fraud Development Lead Sheet should be used to assist the examiner in determining whether the assessment of fraud penalties is warranted. For more information regarding fraud see IRM 25.1, Fraud Handbook, and IRM 4.25.7.7, Estate and Gift Tax Penalty and Fraud Procedures, Fraud.
- (3) Fraud considerations and factors should also be documented on the case specific mandatory lead sheet and conversations with the examiner's group manager regarding fraud should be documented in the case Form 9984, Activity Record.

4.25.1.9.10
(07-07-2020)

Risk Analysis Lead Sheet

- (1) Risk analysis techniques are intended to assist the examiner in making decisions that may take additional time and involve some risk of failure or uncertainty of outcome. The examiner's risk analysis should be documented on the relevant issue specific lead sheet. Risk analysis should be used to focus the examiner's efforts on the issues that make a difference in the audit, instead of on the ones that have little or no adjustment potential. Risk analysis helps the examiner allocate time, resources, and efforts to gain efficiency, quality determinations, and taxpayer satisfaction. The examiner should apply risk analysis techniques to:
 - a. Expand the scope of the examination beyond the Risk Summary document prepared during classification and/or the group manager on assignment.
 - b. Facilitate conversations with management regarding the decision to cease work on classified issue(s) or managerial selected issues.
 - c. Assist other users of the file (cases that are reassigned, reviewed or sent forward to Appeals or Counsel) in understanding examination issue development decisions.
- (2) The examiner should consider the following concepts when applying risk analysis techniques:
 - Materiality
 - Resources
 - Adjustment Potential
 - Overall Compliance Considerations

4.25.1.9.11
(07-07-2020)

Issue Specific Lead Sheets

- (1) The use of a lead sheet is required for all issues. However, the examiner may choose whether an issue-specific lead sheet, generic lead sheet or risk analysis technique best suits their needs. Regardless of which lead sheet is chosen, the examiner must use it to identify the issue and steps or actions taken to develop the facts, determine the applicable law, arguments made (including taxpayer arguments), and determine a conclusion for all classified or managerial selected issues. The examiner should document all managerial discussions to limit the examination issues in the relevant issue lead sheet and in the case Form 9984, Activity Record.

- (2) Issue lead sheets must reflect the issue name, adjustments (when applicable), conclusion, audit steps, facts, law, risk analysis, taxpayer's position, and conclusions reached. This information should be presented in a logical order so that the audit steps taken to support the conclusions can be easily determined. See IRM 4.10.9.6.2, Issue Lead Sheet, IRM 4.10.9.6.2.1, Issue Lead Sheet Format, and IRM 4.10.9.6.2.2, Issue Lead Sheet Content.

Note: See IRM 4.10.9, Workpapers, for formatting, content and organization requirements of administrative case file workpapers.

4.25.1.9.12
(07-07-2020)
"All-in-One" Lead Sheet

- (1) The "All-in-One" lead sheet combines all Estate and Gift EPD into one Microsoft Word document and uses the Navigation feature of Word to navigate through the lead sheet. The All-in-One lead sheet changes Notebook's current "Deploy the Lead Sheets You Need One at a Time" method to a "Delete the Lead Sheets that You Do Not Need" method. The purpose behind the All-in-One lead sheets is to provide an "audit map" to guide the examiner through examination issues and an "audit trail" for a team member or reviewer to follow when reviewing the actions taken and the examination conclusions reached by the examiner.

Note: A Form 9984 is still required for all team members that charge time to the case.

4.25.1.10
(07-07-2020)
**Estate and Gift
Notebook Job Aid**

- (1) The Estate and Gift Notebook Job Aid (Notebook) is an essential part of the Estate and Gift Tax case management system. The Estate and Gift Notebook Job Aid (Notebook) is the only authorized report writer for Estate and Gift. Regardless of the access to other programs or systems capable of preparing reports, all Examination Reports must be created utilizing Notebook. Estate and Gift Notebook may also be used to prepare EPD by populating case data into forms, letters, workpapers and lead sheets. See IRM 4.25.6, Report Writing Guide for Estate and Gift Tax Examinations, for information regarding the report writing procedures in Notebook.

4.25.1.11
(07-07-2020)
**Manager Embedded
Quality Review and
Specialty Exam National
Embedded Quality
Review Programs**

- (1) Field and Specialty Exam Quality supports the Embedded Quality (EQ) program for the Estate and Gift Tax program in SB/SE. Embedded quality is designed to create a connection between individual performance and organizational goals. This connection is achieved through a common set of attributes that both national quality reviewers and Estate and Gift Tax managers use to rate the quality of case work.
- (2) Policies and procedures relating to the national embedded quality review process are located in IRM 4.2.8, Guidelines for SB/SE National Quality Review.
- (3) EQRS is used by managers who monitor an employee's action on a work product. EQRS reviews are conducted by rating case actions against quality attributes that are linked to employee Critical Job Elements (CJEs).
- (4) Field and Specialty Exam Quality review staff conduct national quality reviews on a statistically valid sample of unagreed, agreed and no change Estate and Gift tax cases using the quality attributes.
- (5) Quality data will be used by management to assess program performance.

- (6) Management will also use quality data to identify system changes, training and educational needs, and to identify opportunities to improve work processes.

4.25.1.11.1
(07-07-2020)
**Office of Policy Manager
Responsibilities**

- (1) An attorney advisor on the Estate and Gift Policy Program Manager's staff shall be assigned responsibilities for the Estate and Gift Embedded Quality Program.
- (2) At the direction of the Estate and Gift Policy Program Manager, such attorney advisor's responsibilities include:
 - a. Establishing and providing guidance to meet program objectives,
 - b. Ensuring the consistency of the Estate and Gift Job Aid and training materials with the IRM and other guidelines,
 - c. Recommending updates to the quality attributes and process measures,
 - d. Maintaining instructional guides, forms, letters and the EPD system as needed,
 - e. Host embedded quality summit to discuss quality trends with affected stakeholders, as needed.

4.25.1.11.2
(01-09-2014)
**Territory Manager and
Field Group Manager
Responsibilities**

- (1) Territory Manager responsibilities include:
 - a. Conducting analysis of the territory's NQRS and EQRS results and identifying opportunities for improvement, and
 - b. Conducting quality improvement initiatives to impact NQRS and EQRS results.
- (2) Field group manager responsibilities include:
 - a. Conducting quality reviews on case work and inputting the results into the EQRS system,
 - b. Assisting Territory Managers in conducting analysis of the territory's NQRS and EQRS results and identifying opportunities for improvement, and
 - c. Conducting quality improvement initiatives to impact NQRS and EQRS results.

4.25.1.11.3
(07-07-2020)
**Estate and Gift Tax
Embedded Quality Job
Aid**

- (1) Document 12499, Estate and Gift Tax Embedded Quality Job Aid, includes complete instructions, definitions, and examples of how cases should be evaluated by management and quality reviewers.

4.25.1.12
(07-07-2020)
**Protection of Returns
(Physical)**

- (1) Estate and gift tax returns are prepared under penalties of perjury. In the event of litigation it is important that the entire return, as originally filed and unaltered in any manner, be available for introduction into evidence. If the original return is not available for introduction into evidence, legal problems may arise prejudicing the Government's interest. For example, the absence of any part of the original return, or the presence of any writing or erasures made on the return after it was filed, makes it much more difficult to obtain a conviction for filing a fraudulent return. It is understood that ink and pencil marks may be made during processing; Estate and Gift tax examiners do not have authority to mark a return or return attachments.

- (2) All data attached to the return when filed, including appraisals, financial statements, probate records, etc., should remain with the return and not be separated, reorganized or filed in the workpapers. No marks are to be made on any attached data.
- (3) The problem posed by alteration or defacement deserves special consideration. The return shall not be used as a workpaper and neither notes nor writings shall be recorded on the return by the examiner. Arguments may arise that the instrument is no longer the tax return filed by the taxpayer, and thus inadmissible as evidence.
- (4) Instead of making marks on the original return, notes should be entered on separate workpapers or lead sheets, or a work copy of certain schedules of the return may be made and used to record examination information. A working copy of the return may be made using colored paper, marking or stamping the copy as **copy**, or other means to identify the document as a workpaper.

4.25.1.13
(07-07-2020)

**Protection Against
Unauthorized Disclosure**

- (1) In addition to protecting the return against alteration and loss, the return must be protected against unauthorized disclosure.
- (2) The Form 56, Notice of Fiduciary Relationship, is filed to notify the IRS of the creation or termination of a fiduciary relationship under IRC 6903 and give notice of qualification under IRC 6036. A fiduciary assumes the powers, rights, duties, and privileges of the taxpayer, until notice is given that the fiduciary relationship is terminated. Fiduciaries include administrators, conservators, designees, executors, guardians, receivers, trustees of a trust, trustees in bankruptcy, personal representatives, or persons in possession of property of a decedent's estate. There is no limit to the number of Forms 56 filed, or a limit to the number of fiduciary relationships with respect to a taxpayer or estate.
 - a. The Form 56 should be filed where the taxpayer for whom the fiduciary is acting is required to file tax returns. The Form 56 is established or perfected prior to classification of the return. See IRM 3.13.2.19, Form 56, Notice Concerning Fiduciary Relationship. A new fiduciary relationship or termination of an existing fiduciary relationship may occur during the examination.
 - b. If a fiduciary relationship is terminated or a new fiduciary is substituted for an existing fiduciary, the examiner should request a copy of the new Form 56 filed with the Campus and document the new taxpayer contact information in the relevant portions of the examination file.
 - c. If the new Form 56 is secured by the examiner, the Form 56 should be date-stamped or otherwise notated with the date of receipt. The examiner should verify the Form 56 for accuracy and completeness. The examiner should submit the new Form 56 to CAF by fax. See IRM 21.3.7.1.6, Audience-Processing Sites (CAF Function), to obtain the CAF unit fax number for submitting a new Form 56. The examiner should update the new taxpayer contact information in the relevant portions of the examination file. The Form 56 with the Centralized Authorization File (CAF) unit fax confirmation should be stapled to the reverse of the first page of the tax return.

- (3) If working with someone other than the taxpayer, the examiner must verify the taxpayer's authorization and document the administrative file that they are authorized to communicate with the specified individual. Unauthorized disclosure is strictly prohibited.
- a. A properly executed authorization in Part 4, Form 706, U.S. Estate Tax Return grants third party authorization. See IRM 21.3.7.2.1, Third Party Research Guidelines. If Part 4 of the Form 706 is incomplete, a Form 2848, Power of Attorney and Declaration of Representative should be obtained.
 - b. Upon receipt of a Form 2848, the examiner must review for accuracy. See IRM 21.3.7.5, Form 2848, Power of Attorney and Declaration of Representative and Form 8821, Taxpayer Authorization Overview. Form 8821, Tax Information Authorization, permits the third party to receive and inspect information provided by the examiner. The authorization does not allow for representation.
 - c. Third party authorizations must be submitted to the CAF unit as soon as possible or within 24 hours of receipt. See IRM 4.11.55.2.7.2, Processing of the POA for processing procedures and IRM 21.3.7.1.6, Processing Sites (CAF Function) for CAF Unit fax numbers. Examiners will check IDRS for posting of a Transaction Code (TC) 960 to make sure the Form 2848, Power of Attorney and Declaration of Representative, was accepted by the CAF unit. Examiners should allow several weeks for processing of the TC 960 to post to IDRS.
 - d. It is IRS policy for examiners to send correspondence directly to the taxpayer and provide a copy to the authorized representative. See IRM 4.11.55.2.9, Examining Officer's Guide, Notices and Communications.

Exhibit 4.25.1-1 (03-15-2023)

Required Uploads to IMS

Document Uploaded to IMS	Timeframe for Completing IMS Upload
All Case Built File documentation	Mandatory – within 30 days of receipt; <i>these documents are not required for limited scope audits (LSAs)</i>
Copy of the entire tax return (Form 706, Form 709, Form 8971, etc.)	Mandatory – within 30 days of case receipt
Risk Summary Sheet (not applicable in all cases)	Mandatory - within 30 days of case receipt
Statute Verification Lead Sheet	Mandatory - within 45 days of case receipt. See IRM 4.25.1.7.2, Efficient Resolution and National Standard Time-frames. Lead Sheet updated within IMS as needed. Example - Verification of statute as reported for completion of Form 895.
Statute Verification Lead Sheet and Form 895, if a consent is secured	Mandatory - within 14 days of execution of consent, or as requested by the manager.
Estate, Gift and/or Limited Scope Audit Mandatory Lead Sheet	Mandatory - within 45 days of case receipt, as updated throughout the examination and as requested by the manager in advance of a review.
Workpapers to include issue specific lead sheets, documents including preplanning notes, spreadsheets, all memoranda, and handwritten or electronic notes.	Mandatory - At least every 30 days that an action has been taken on a case and as requested by the manager in advance of a review. Examiners are not required to upload workpapers if no action was taken on that case since the last action.
Appraisals - key document provisions relied upon for valuation determinations.	Before issuing the report to the taxpayer. If the case is referred to engineering, before engineering referral.
Initial Contact Letter/Opening	Mandatory - within 45 days of case receipt.
Correspondence sent to taxpayer/representative, taxpayer created correspondence, and internal correspondence providing substantive information and pertinent to the audit trail.	Mandatory - throughout the examination and as requested by the manager in advance of a review.

Exhibit 4.25.1-1 (Cont. 1) (03-15-2023)
Required Uploads to IMS

Document Uploaded to IMS	Timeframe for Completing IMS Upload
All taxpayer/representative created correspondence including email correspondence. If email is secured, PDF email before uploading.	Mandatory - throughout the examination and as requested by the manager in advance of a review.
Form 2848/601 Declaration and proof of processing	Mandatory - within 14 days of processing to CAF.
Manager Plan to Close Lead Sheet, if applicable	Group Manager responsible for ensuring document is uploaded to IMS prior to case closure or when otherwise required.
Manager-executed Penalty Approval Form and/or Fraud Lead Sheet, if applicable	Mandatory - within 14 days of receipt of executed form and as requested by the manager.
All report forms (e.g., Form 3233, Form 1273, Form 6180, executed Form 890, Forms 886-A, etc.) and report XML/Zip file deployed from Notebook	Prior to case closure and as requested by the manager.
Case closing Forms (e.g., Form 3198, Form 5344 created using notebook, etc.)	Prior to case closure and as requested by the manager.
Executed 30-day Letter (unagreed case)	Prior to case closure and as requested by the manager.
Taxpayer's Protest(s) (unagreed cases)	Prior to case closure and as requested by the manager.
Rebuttal. Ensure that file is documented to show rebuttal was provided to the taxpayer. (unagreed cases)	Prior to case closure and as requested by the manager.
Relevant additional information provided by taxpayer related to unagreed issues	Prior to case closure and as requested by the manager.
Statutory Notice of Deficiency (90-day Letter) (unagreed cases)	Prior to case closure and as requested by the manager.