



**EFFECTIVE DATE**

(09-16-2021)

**PURPOSE**

- (1) This transmits revised IRM 4.46.6, LB&I Examination Process, Workpapers and Reports Resources.

**BACKGROUND**

- (1) This revision incorporates the changes to the LB&I examination plan and adds the electronic case file requirements for IMS.

**MATERIAL CHANGES**

- (1) Incorporated LB&I-04-0321-0001, Interim Guidance on Standard Electronic Workpaper Naming Convention and Uploading Documents in Issue Management System (IMS), into IRM 4.46.6.1.1, 4.46.6.2 and Exhibits 4.46.6-4 and 4.46.6-6.
- (2) Added references for electronic workpapers to IRM 4.46.6.1.1.
- (3) Added new acronyms to IRM 4.46.6.1.2.
- (4) Revised workpaper naming convention in 4.46.6.2.
- (5) Updated team manager instructions for documenting case activity using the IMS team website in IRM 4.46.6.2.1.
- (6) Added reference to IRM 10.5.4, Incident Management Program, for information on loss of records to IRM 4.46.6.2.1(3)
- (7) Removed paragraph (2) from IRM 4.46.6.2.3.
- (8) Added references to CCP virtual case closing process and Form 15292 to IRM 4.46.6.2.5.
- (9) Moved IRM 4.60.9, International Examiner's Report, into IRM 4.46.6.3.
- (10) Added new paragraph referencing report writing procedures section in Interim Guidance for BBA cases in IRM 4.46.6.4(5).
- (11) Added statement indicating TCS is required to input tax return information to verify there are no errors in filed return for no change examination in IRM 4.46.6.4.1(1). Added new paragraph referencing interim guidance for BBA no change cases in IRM 4.46.6.4.1(2). Changed Non-TEFRA to Investor Level Statute Control (ILSC) pass-through in IRM 4.46.6.4.1(3). Added exception to CCP sending examination letters for virtually closed cases in IRM 4.46.6.4.1.
- (12) Removed duplicate sentence (e) in IRM 4.46.6.5.
- (13) Added new paragraph 1) referencing agreed case procedures (IRM 4.10.8.4) in IRM 4.46.6.8. Added reference to Interim Guidance for BBA for securing agreements to IRM 4.46.6.8 (5). Added new paragraph 11) informing taxpayers case is subject to review and Letter 987, including exception for virtually closed cases.
- (14) Added new paragraph 7) to IRM 4.46.6.9 referring to Interim Guidance for 30-day letters for BBA cases.

- (15) Added Executive Summary information and reference to FRE in IRM 4.46.6.10.
- (16) Added reference to Document 12990, Records Control Schedule, for records retention information for records retained in IMS to IRM 4.46.6.12(2).
- (17) Added reference to PGLD for information on records and information management to IRM 4.46.6.12.1(3).
- (18) Added Exhibit 4.46.6-4, Uploading Documents to IMS.
- (19) Changed BNA references to Corporate Tax Analyzer (CTA) throughout document.
- (20) Added Exhibit 4.46.6-5, Best Practices for IMS Documents.
- (21) Moved Exhibit 4.46.6-4, IMS Mandatory Minimum Input Requirements for Cases Other than Virtual Case Closure to Exhibit 4.46.6-6.
- (22) Revised or added the following SAIN codes in Exhibit 4.46.6-1:

<b>SAIN Code</b>	<b>Description</b>
012	Information Document Request - Removed reference to Form 5699
016	Emails (with attachments)
090	Case Closing Documents
404-011	Deferred Foreign Income (TCJA) §965(a)
404-021	Participation exemption to included income (TCJA) §965(c)
518-01	Limitations on business interest expense under §163(j) (TCJA)
604-02	Possession tax credit
604-03	Additions to regular total tax
610-031	Base erosion and anti-abuse tax (BEAT) (TCJA §59A)
624-12	IRC 6676 Penalties
724	TEFRA/BBA

- (23) Editorial changes and corrections made throughout.

#### **EFFECT ON OTHER DOCUMENTS**

IRM 4.46.6 dated December 26, 2019 is superseded. Incorporated LB&I-04-0321-0001, Interim Guidance on Standard Electronic Workpaper Naming Convention and Uploading Documents in Issue Management System (IMS).

**AUDIENCE**

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4.46.6

Workpapers and Reports Resources

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### Exhibits

- 4.46.6-1 LB&I Corporate SAIN Codes
- 4.46.6-2 Life Insurance SAIN Codes
- 4.46.6-3 Property & Casualty Insurance SAIN Codes

- 4.46.6-4 Uploading Documents to IMS for Virtual Case Closing
- 4.46.6-5 Best Practices for IMS Upload and Storage of Electronic Workpapers
- 4.46.6-6 IMS Mandatory Minimum Input Requirements for Cases Other than Virtual Case Closures

4.46.6.1  
(12-26-2019)  
**Program Scope and Objectives**

- (1) **Purpose:** This IRM provides guidelines for the development of workpaper content and organization, as well as preparation of audit findings for a completed report. These guidelines promote quality and consistency in examiner workpapers and reports. This section also describes the electronic case files required in the Issue Management System (IMS).
- (2) **Audience:** All LB&I personnel
- (3) **Policy Owner:** Assistant Deputy Commissioner Compliance Integration
- (4) **Program Owner:** The LB&I Policy Office within ADCCI
- (5) **Primary Stakeholders:** Many internal functions review LB&I case files after they leave the group, including:
  - Subject matter experts and technical specialists
  - SB/SE Technical Services reviewers
  - Joint Committee reviewers
  - Appeals officers
  - LB&I Quality Review and Analysis reviewers
  - Tax examining technicians
  - TIGTA and GAO auditors
  - LB&I and Chief Counsel attorneys
  - Taxpayer Advocate case advocates

4.46.6.1.1  
(09-16-2021)  
**Definition and Purpose of Workpapers**

- (1) Examiners prepare workpapers to show the audit trail and to provide support for the conclusions reached in the examiner's report.
- (2) Workpapers document the:
  - Procedures applied
  - Tests performed
  - Information obtained
  - Conclusions reached in the examination
- (3) Electronic files are workpapers. Refer to:
  - Exhibit 4.46.6-4 for guidance on uploading documents to IMS
  - Exhibit 4.46.6-5 for best practices for IMS upload and storage of electronic workpapers
  - Exhibit 4.46.6-6 for mandatory minimum input requirements for IMS workpapers for cases other than virtual case closures
- (4) Workpapers serve four basic purposes:
  - Assistance in planning the audit and setting the scope of the exam
  - Record of the evidence gathered, procedures completed, tests performed, and analyses conducted during the examination process
  - Support for technical conclusions
  - Basis for review by management
- (5) Workpapers reflect on the quality of the examination. Well-prepared workpapers quickly communicate the facts regarding the taxpayer's tax liability. Poorly prepared and disorganized workpapers may confuse stakeholders. Electronic workpapers and case documents for virtual case closings must be uploaded in IMS. Electronic workpapers for other case closings identified as mandatory in Exhibit 4.46.6-6 must be uploaded to IMS.

- (6) Workpapers, emails, reports, research, correspondence, photos and documents should be prepared with the expectation that they might be released to the public under the Freedom of Information Act.

4.46.6.1.2  
(09-16-2021)  
**Acronyms**

- (1) The following table contains commonly used acronyms.

<b>Acronym</b>	<b>Definition</b>
BMF	Business Master File
EOAD	Examination Operational Automation Database
IER	International Examiner's Report
IMF	Individual Master File
IMS	Issue Management System
ITA	Issue Tracking Attribute
LIN	LB&I Image Network
MAP	Mutual Agreement Procedures
PII	Personally Identifiable Information
RA	Revenue Agent
RAR	Revenue Agent Report
RGS	Report Generation Software
SAIN	Standard Audit Index Number
SRS	Specialist Referral System
TC	Team Coordinator
TCS	Tax Computation Specialist
UIL	Uniform Issue List

4.46.6.1.3  
(12-26-2019)  
**Related Resources**

- (1) The following IRMs are related to workpapers and reports:
- IRM 4.10.9, Examination of Returns, Workpaper System and Case File Assembly
  - IRM 4.10.15, Examination of Returns, Report Generation Software (RGS)
  - IRM 4.10.16 , Examination of Returns, Examination Operational Automation Database (EOAD)

4.46.6.2  
(09-16-2021)  
**Workpaper Organization and Considerations**

- (1) Workpapers must be legible, indexed and organized. The workpapers are required to be identified by the appropriate Standard Audit Index Number (SAIN) and indexed in a logical order within each section so that others such as a reviewer or an Appeals Officer, can easily follow the work product.
- (2) A workpaper index must be used to organize electronic workpapers within IMS. The standard index will allow others to quickly find documents within the work-

papers loaded in IMS and will serve as a reminder that all documents needed for a quality exam should be included. The workpaper index should be labeled as “000-00.00-Workpaper Index” so that the document filters to the top during a workpaper sort within IMS. This will enable files to be easily located within IMS or the team website by using the index.

- (3) Electronic workpapers must be named with a 3-digit SAIN (or 4 to 6-digit IMF issue code for 1040 returns) - SAIN extension, numeric number - description. This naming convention ensures that the workpapers within each SAIN will show up in the desired order. If the SAIN extension or workpaper number is left out of the middle of the file name, the workpaper will show up in the alphabetical order of the 1st letter in the description. The mandatory standard naming convention is shown in the following examples:

<p><b>Mandatory Standard Naming Convention - SAIN</b>  <b>SAIN-##.xx-Workpaper Description</b>  <b>SAIN - SAIN Extension.2-digit document number-workpaper description</b></p>
<ul style="list-style-type: none"> <li>• Use “00” if the issue code does not have a 2-digit SAIN extension code</li> <li>• Insert hyphen (“-”) between SAIN and SAIN extension code; a period (“.”) between the 2-digit SAIN extension code and 2-digit document number; and a hyphen between the 2-digit document number and workpaper description</li> <li>• Do not insert any spaces before or after the hyphen or period</li> <li>• Use a brief enough phrase as the workpaper description as shown in the examples below</li> </ul>
<p><b>515-00.00-Lead sheet</b></p>
<p><b>526-15.00-Lead sheet</b></p>
<p><b>520-00.01-TP Depreciation Schedule</b></p>
<p><b>526-10.02-Sampling of Education Expenses</b></p>
<ul style="list-style-type: none"> <li>• Examination case cycles that have multiple years with the same SAINs/Issues can be differentiated in the workpaper descriptions as follows:</li> </ul>
<p><b>517-00.00-Lead sheet 201812</b></p>
<p><b>517-00.00-Lead sheet 201912</b></p>

<p><b>Mandatory Standard Naming Convention - IMF Issue Code</b>  <b>IMF Issue Code-##.xx-Workpaper Description</b></p>
<ul style="list-style-type: none"> <li>• An <b>IMF issue code</b> will be used for an individual return examination electronic workpaper file. IMF issue code is comprised of 4 to 6 alpha-numeric digits. Refer to IRM Exhibit 4.10.16-1 for a list of IMF issue codes. Examples of IMF issue code workpapers:</li> </ul>

<b>Mandatory Standard Naming Convention - IMF Issue Code IMF Issue Code-##.xx-Workpaper Description</b>
<b>4E131-00.00-Sch E -Inc/Loss-Partnership/S Corps-Passive/Non-Passive</b>
<b>4E123-00.01-Real Estate Professional Consideration</b>
<b>4E123-00.02-Form 8582 Analysis</b>

- (4) Lead sheets with standardized audit procedures, which can be tailored to each examination, are available in IMS for many SAIN numbers. IMS provides an electronic index, named WP Index, for all case documents under the case attributes on the case tree.
- (5) Workpapers (electronic or paper) should appropriately document techniques used and conclusions reached. For additional information regarding workpapers, refer to IRM 4.10.9, Workpaper System and Case File Assembly.
- (6) Workpapers (electronic or paper) required to be uploaded to IMS should identify the issue and show the development and conclusions reached. If electronic files are provided that are considered pertinent to the development of the issue, they should be added to IMS. All workpapers included in IMS should be associated with the appropriate issue SAIN number and issue name. Extraneous documents (electronic or paper) should be properly disposed or returned to the taxpayer and should not be included in IMS. Relevant workpapers should be separated from extraneous documents. Extraneous documents include duplicate copies and documents not needed to support adjustments made on audit or critical to the case. Consult with your manager before disposing of extraneous documents to prevent unlawful/inadvertent destruction of records.
- (7) IMS offers examiners the option of using lead sheets for many issues based on SAIN input. Examiners should tailor these standardized audit procedures to each issue. Lead sheets created in IMS should be renamed to reflect the content of the workpaper, for example, "004-00.00- Preparing the Examination Plan" .
- (8) For examinations closing virtually, all forms and documents that are required in a paper case file must be uploaded in IMS. It is recommended that examiners upload these documents to IMS for all case closings as LB&I moves towards a paperless system. See Exhibit 4.46.6-4 for instructions on uploading documents to IMS. See Exhibit 4.46.6-5 for recommended best practices for IMS upload and storage of workpapers.

4.46.6.2.1  
(09-16-2021)  
**Examining Officer's  
Activity Record**

- (1) Activity records must properly document examination activities. All examiners, including the case manager and issue manager(s), are required to document case activity on Form 9984, Examining Officer's Activity Record.
- (2) Examiners are required to maintain Form 9984 in IMS. Examiners can enter their time and case activity in IMS by checking the box for "Open Activity Record with time entered" on the timesheet. Information entered on Form 9984 can be viewed from the team website. Team managers can document their examination activities on a case level using *Case Level Activities (TWS)* on the

team website. Team Managers using the IMS client may also use the Case Comments button on the IMS timesheet if recording activity for an entity (rather than a case).

- (3) The team activity record becomes especially important if the taxpayer files a claim for interest abatement under IRC 6404(e). Examples of other events that should be documented on the activity record include loss of records, team member transfer, extended details, extended training, extended leave, extended acting assignments or any other event(s) that has the potential for delaying the closing of the examination. See IRM 4.10.9.5, Activity Record. Refer to IRM 10.5.4, Incident Management Program, for guidance on timely handling/reporting records loss.

4.46.6.2.2  
(12-26-2019)  
**Standard Audit Index  
Number (SAIN)**

- (1) The primary purpose of the SAIN is to provide a consistent numbering system for examination workpapers. IMS uses SAIN to establish all issues. IMS also uses each issue’s SAIN to track the time charged to the issue. Time charged to the case is required to be entered and maintained in IMS.
- (2) SAIN codes have at least 3 digits with no alpha characters. The first digit identifies the code’s location as shown in the following table.

<b>First 3 Digits:</b>	<b>Item is:</b>
<b>000-099</b>	Administrative
<b>100-199</b>	Balance Sheet - Assets
<b>200-299</b>	Balance Sheet - Liabilities
<b>300-399</b>	Balance Sheet - Equity
<b>400-499</b>	Profit & Loss - Income
<b>500-599</b>	Profit & Loss - Expenses
<b>600-699</b>	Income Tax Computations & Credits
<b>700-799</b>	Miscellaneous items
<b>800-899</b>	Specialists
<b>900-999</b>	Other Income and Expense Items

- a. The IRS uses SAINs to track trends within LB&I and other IRS functions. A primary SAIN’s second and third digits may represent a line number on Form 1120. For example, the second and third digit of SAIN 517 refers to line 17, “Taxes and licenses” on page 1 of Form 1120. However, a SAIN number will not change when the tax return’s line number for an item changes, but will remain constant for the Examination Operational Automation Database (EOAD).
- b. In some circumstances, multiple items might apply to a primary SAIN and a single line item on Form 1120. In instances where further refinement of a primary SAIN is appropriate, the number is extended by adding a hyphen and two additional digits. See the example below:

Primary SAIN	SAIN	Description
Three Digit SAIN	322	Capital stock
Five Digit SAIN	322-01	Preferred
Five Digit SAIN	322-02	Common

Five Digit SAIN codes also occur when a primary activity has more than one significant aspect; for example, mandatory compliance checks, SAIN codes 713 through 713-07. The fourth and fifth digits are frequently referred to as second tier SAIN codes.

- (3) The second tier SAIN is added on the issue screen in IMS. Team managers use these codes to plan and track activity on specific cases. Teams may use second tier codes 00-99 (nn) to identify issues, examiners, divisions, or activities on their examinations. There are no restrictions on available captions.

**Example:** Team coordinators often use second tier SAIN codes to track the source of audit adjustments. For example, a team coordinator uses SAIN 514, Repairs and Maintenance, for the examination of a parent corporation and its three subsidiaries. The team coordinator may use SAIN codes 514.01 for the parent corporation, 514.02 for domestic Sub A, 514.03 for domestic Sub B and 514.04 for domestic Sub C to track the source of any audit adjustment.

**Example:** A team coordinator may track team member's activity through second tier SAIN codes. For example, the team coordinator may assign two agents to work on a corporation's repairs and maintenance accounts. The first agent reconciles the corporate book repair and maintenance expenses to the tax return. The team coordinator assigns the first agent SAIN 514.05. The team coordinator may assign a second agent SAIN 514.06 for coordinating with an engineer on the capitalization of the corporation's property, plant, and equipment maintenance and repair expenses.

- (4) IMS gives team managers flexibility to track activity by particular subsidiaries, divisions, agents or specialties. These options should be considered before assigning second tier SAINs for this purpose
- (5) See Exhibit 4.46.6-1 for the SAIN table used for corporate and partnership examinations. Special SAIN tables are used for life insurance examinations, Exhibit 4.46.6-2, and property and casualty company examinations, Exhibit 4.46.6-3.
- (6) Use IMF codes for Form 1040 examinations. See IRM 4.10.16, Exhibits 1 - 3. SB/SE maintains and controls these tables.

#### 4.46.6.2.3 (09-16-2021)

#### Issue Tracking Attribute

- (1) Neither the SAIN nor the second tier SAIN is designed to track results of issues. IMS has an Issue Tracking Attribute (ITA) to accomplish the issue tracking functions assigned to the second tier SAIN. This attribute code also applies to specialist issues, tax shelters, listed transactions or items of interest. This attribute will also track results when a specialist is assigned to develop a primary SAIN issue.

4.46.6.2.4  
(12-26-2019)  
**Relationship Between  
SAIN, UIL, and ITA**

- (1) SAIN identifies an issue location on a tax return or in an audit plan; i.e., **where it is**.
- (2) Uniform Issue Locator (UIL) codes are unique eight-digit numbers keyed to the Internal Revenue Code or to the International Matrix for international issues; i.e., **why it is**.
- (3) ITA codes identify the assigned examiner and name of an issue, transaction, or other item of interest; i.e., **what it is** and **who is assigned to it**.
- (4) Tracking all three of these components will enhance LB&I's issue management strategy.

**Note:** The Office of Chief Counsel maintains Servicewide UIL codes. LB&I uses a subset of these UIL Codes.

4.46.6.2.5  
(09-16-2021)  
**Managerial Involvement**

- (1) The case and issue manager(s) will ensure that workpapers include all required team manager comments and document managerial involvement during the development of the case.
- (2) Documentation includes:
  - Signatures
  - Notations in the activity records
  - Workpapers summarizing discussions of issues

The case and issue manager will verify the UIL codes in IMS prior to case closure. The examiner and the case manager will certify all required forms and documents are uploaded in IMS for cases closed virtually. Documentation of this review must be included by signing Form 15292, Case Closing Cover Sheet. Form 15292 is completed by the examiner and signed by the examiner, the case manager and CCP.

4.46.6.2.6  
(12-26-2019)  
**Administrative Lead  
Sheet**

- (1) The Administrative Lead Sheet is included in IMS. Users creating a new SAIN 030 issue can "Create a Lead Sheet" through Administrative Issues.
- (2) The Administrative Lead Sheet includes links under each step with other resources and guidance (IRM citations, for example). This lead sheet does not eliminate administrative steps provided in the IRM. Rather, it eliminates non-value-added documentation, thereby reducing administrative burden. This streamlined administrative lead sheet replaces the following administrative lead sheets:
  - SAIN 001 - Pre-contact Analysis
  - SAIN 003 - Preliminary Examination Time
  - SAIN 033 - Pre-audit Interview History
  - SAIN 080 - Planning file
  - SAIN 701 - Minutes and other records

4.46.6.3  
(09-16-2021)  
**International Examiner's  
Report (IER)**

- (1) The International Examiner's Report (IER) serves several purposes:

- a. It documents the results of the international portion of the examination.
  - b. It transmits the international audit conclusions and relevant information to the team coordinator or the controlling examiner. In addition to providing information on the results of the international portion of the examination, the IER provides information that the controlling examiner may use for CTA or RGS input.
  - c. Although IMS now captures CTA report input for LB&I cases, the IER isolates the international adjustments and can be useful to validate and perfect the CTA coding and input.
  - d. The IER provides historical information that is used to evaluate subsequent international referrals.
  - e. Part 4 of the Form 3963 is used for the Mutual Agreement Procedures (MAP) Report if one is required (see IRM 4.60.2, Mutual Agreement Procedures and Report Guidelines).
- (2) International examiners will prepare a report of findings for each case in which they participate as a team member. A report is not required for consultation assignments.
- (3) The IER package consists of 4 parts:
- a. Form 3963.
  - b. Narrative comments regarding the international examination.
  - c. Form 4549-B or Form 4605.
  - d. Form 886-A, Explanation of Items. Local practice may eliminate the inclusion of Form 886-A for LCC cases.
- Note: Form 3963 and the narrative comments described in a) and b) above should not be shared with the taxpayer**
- (4) The international examiner should include in the narrative part of the report:
- a. A brief description of the taxpayer's operations and history.
  - b. An explanation of issues considered and not changed that would be useful for evaluating future referrals and planning future audits.
  - c. An organization chart, if warranted.
  - d. Any other information that may be helpful to the next international examiner such as foreign tax credit carryover amounts, claim information, etc.
- (5) Examination must maintain a copy of the IER in the examination case file (paper or electronic).

4.46.6.3.1  
(09-16-2021)  
**IER - General  
Instructions**

- (1) Form 3963 is the transmittal memorandum used by the international examiner for all reports of completed examinations.
- (2) The international examiner will submit the completed report to the international manager for administrative review and signature. The approved report is then forwarded to the team manager of the controlling examiner.
- (3) If there are multiple international examiners and/or multiple international managers on the case, they should collaborate on who will prepare and sign the final IER package.

4.46.6.3.2  
(09-16-2021)  
**IER - Specific  
Instructions for  
Preparing Form 3963**

- (1) Form 3963 is a two-page document consisting of eight parts that requires international entries for all applicable items. The entry fields in the parts are mostly self-explanatory.
- (2) Form 3963 may be generated in the IMS. The instructions for generating Form 3963 are located in the IMS Help file. The key word “3963” can be searched using the Help File Index or search functions.
- (3) Business Code: enter the six-digit NAICS code shown on the return.
- (4) Foreign Controlled – country: Enter the name of the country where the corporation, partnership, trust, or person that controls the taxpayer under examination is located.
- (5) Start Date: Enter the date when time was first applied to the case by any international examiner.
- (6) Report Date: Enter the date that the report was completed by the international examiner.
- (7) Part 3 reflects the total international examiner’s recommended adjustments by year and category.
- (8) Provide a brief and concise narrative for the fields in part 4 of the Form 3963 (Mutual Agreement Procedures).
- (9) The international team manager will review the international examiner’s responses and initial and date part 4.
- (10) The international examiner and the international team manager must print their name in part 5 and provide the relevant telephone number. The international examiner and the international team manager must also sign at the bottom of the last page of the form.
- (11) Part 8 - Comments: There are no mandatory items that require a comment by the international examiner in this part of the form 3963. To the extent not otherwise commented upon in the narrative part of the IER package the international examiner may comment on any pertinent information that will be useful for future international examinations, including:
  - a. Remark on taxpayer cooperation.
  - b. Identify potential issues, areas with no potential, changes that occurred after the audit years that may be relevant, FTC carryovers, and claims.
  - c. The international examiner may also make comments concerning penalty consideration including what penalties were considered; whether penalties were proposed; and if not proposed, why. If any penalties were considered, the international examiner should follow procedures in IRM 20.1, Penalty Handbook. Use penalty lead sheet (currently SAIN 011) to document supervisory approval of penalty assertions or for the non-assertion of the substantial understatement when it is statutorily applicable under IRC 6662(d). Prepare penalty workpapers and use penalty lead sheet as applicable.

4.46.6.3.3  
(09-16-2021)

**Specific Instructions for Preparing the 4 Parts of the IER Package to be Given to the Controlling Agent**

- (1) Page 1 of Form 3963 must be completed (and, serves as the cover page for the MAP report).
- (2) Ensure that the following information and schedules are included in the narrative:
  - a. Index;
  - b. A brief description of the taxpayer's operations and history;
  - c. A brief explanation of issues considered and changed if relevant (i.e. unagreed issues and information that would be helpful evaluating subsequent referrals and for future audits). Include covered issue diagrams (diagrams, charts, tables, or similar representations, as described more fully in the Appendix to Rev. Proc. 2015-40 (or its successor), that depict the structure and value chain of the proposed covered group as they relate to the proposed covered issue(s) and (if applicable) interrelated issues). Information in the Form 886-A should not be included;
  - d. An explanation of issues considered but not raised or changed. This information will be useful for evaluating future referrals and planning future audits;
  - e. An explanation (if applicable) of any other issues which may be relevant to competent authority issue(s) at issue, including issues relevant to Subpart F, IRC 59A (BEAT), IRC 245A (participation exemption), IRC 936(h)(3)(B) (intangible property), IRC 951A (GILTI), IRC 965 (transition tax), and sourcing rules based upon location of production;
  - f. Other comments;
  - g. An organization chart.
- (3) In each case prepare the Form 4549-B or Form 4605, listing each recommended adjustment as follows:
  - a. **Primary Adjustments: Income adjustments:** Use a separate line item to identify each proposed *Income Adjustment* recommended. Include the Form 5701 number.
  - b. **Sourcing Adjustments:** List all proposed adjustments to sourcing. Include the Form 5701 number.
  - c. **Foreign Tax Credit Adjustments:** List all proposed adjustments to foreign tax credits. Include the Form 5701 number.
  - d. **Alternative Adjustments:** Identify a separate Form 4549-B as "**Alternative Adjustments to Income**". List each proposed alternative adjustment and show the dollar amount of adjustments by year(s). If more than one alternative adjustment is recommended, identify each as First Alternative, Second Alternative, etc. Provide an explanation of alternative adjustments in the body of the report.
  - e. Reflect dollar amounts in the appropriate **year** columns.
- (4) **Form 886-A (Explanation of Items)** : Form 886-A, Explanation of items, should be attached to Form 4549-B or Form 4605-A for each primary and alternative issue.

4.46.6.3.4  
(09-16-2021)

**International Report Writing - Mutual Agreement Procedure (MAP) Report**

- (1) The U.S. competent authority relies on well-developed international examiner and Mutual Agreement Procedure (MAP) reports in competent authority negotiations. Therefore, the international examiner must ensure that the tax issue(s) is well-developed and the reports are factually and technically accurate.

- (2) If problems arise during the preparation or review of a report about a competent authority issue, the international examiner should consult with the international team manager, who may contact U.S. competent authority for assistance. See IRM 4.60.2.3.3, Contacting the U.S. Competent Authority, for information on contacting U.S. competent authority.
- (3) The MAP report is unique from the IER package, although it contains some similar information. The international examiner prepares the MAP report either when preparing the IER with any potential double tax adjustments, or when the taxpayer files a competent authority request. A MAP report is not required if the case does not have adjustments subject to potential competent authority procedures. Page 1 of Form 3963 serves as the cover page for the MAP report.
- (4) The international examiner shall forward the MAP report to the U.S. competent authority within 30 days of receiving notification from U.S. competent authority that the taxpayer has filed a competent authority request.
- (5) The MAP report should include the following information regarding the taxpayer:
  - a. A brief description of the taxpayer's U.S. business operations and the operations of all subsidiaries and foreign entities involved in the competent authority request, including the control, ownership, and entity classification of all of the entities involved (if applicable). This should include applicable organization chart(s). If the structure of an entity is different for U.S. and foreign tax purposes, please indicate such.
  - b. Copies of the IER and workpapers pertinent to the competent authority issues.
  - c. A statement appraising the degree of the taxpayer's cooperation in providing information. Note: a taxpayer's failure to cooperate during the examination may result in denial of competent authority assistance under Rev. Proc. 2015-40 and Rev. Proc. 2006-23 (or their successors).
  - d. A statement, including reasons, indicating the examiner's position concerning the facts in the MAP report.
  - e. The status of the statute (or other domestic period) of limitations and the expiration dates for each year included in the MAP report.
  - f. A narrative explaining each issue that potentially results in taxation inconsistent with an applicable tax treaty or tax coordination agreement (e.g., instances of economic double taxation between U.S. and foreign affiliates). When applicable, such evaluation of the competent authority issues should be made in view of the U.S. taxpayer's business operations and arms'-length standards.
  - g. Comment on requests for economic assistance or technical advice and the results of those requests (if any).
  - h. A copy of the notification of potential double taxation or taxation otherwise inconsistent with a tax treaty/tax coordination agreement issued to the taxpayer (e.g. Letter 1853(P) or Letter 1915(P)) with required schedules/attachments. See IRM 4.60.2.8, Foreign Initiated Adjustments Affecting a U.S. Tax Return or Claimed During an Examination, for additional information.
  - i. At the request of U.S. competent authority, copies of the taxpayer's related U.S. tax return(s). Original copies of tax returns should not be sent

- to the U.S. competent authority. If Examination possesses copies of the taxpayer's related foreign tax return(s), such return(s) should also be included in the MAP report.
- j. A statement indicating Examination's agreement or disagreement with the facts in the competent authority request and the reason for any disagreement.
  - k. To the extent not addressed in the preceding paragraph, Examination should affirm their agreement with taxpayer's statements of fact; clearly identify any taxpayer or Examination disagreements as to factual information; and thoroughly explain the implications to taxpayer and Examination positions.
- (6) The MAP report should include the following information regarding the competent authority issue(s):
- a. An explanation of the U.S. and/or foreign initiated adjustments.
  - b. A comment about whether the competent authority issue(s) is expected to occur in subsequent cycles.
  - c. **Royalty issues:** A copy of the taxpayer's royalty agreement(s) and copies of any royalty agreements used as comparables; description(s) of the underlying intellectual property, experience, or other basis for which the royalties are paid.
  - d. **Transfer pricing issues:** Taxpayer's transfer pricing documentation and IRS transfer pricing analysis (including business descriptions of the comparable companies, search matrix for the comparable data, other documentation used for selection of the comparables, the IRS economist's report, if any, and a functional analysis, if any).
  - e. **Imputed interest issues:** The capital and debt structure of the U.S. and foreign entities; a breakdown of the accounts on which interest is imputed with details of the adjustment computation; and, a reconciled schedule of the U.S. entity's accounts with its foreign affiliates.
  - f. The international examiner's evaluation of the competent authority issues, particularly as they relate to the U.S. taxpayer's business operations and to the arm's length standard (if not already provided in the MAP report).
  - g. State if any of the competent authority issues also existed in prior audit cycles, and explain the status of any prior cycle adjustments. Also, list the date of any notification(s) of potential double taxation or taxation otherwise inconsistent with a tax treaty/tax coordination agreement (e.g. Letter 1853(P) or Letter 1915(P)) that were issued in the prior cycle.
  - h. Copies of any written economist reports or technical assistance, if applicable.
- (7) The MAP report should include information about the basis for assertion or non-assertion of the IRC 6662(e) penalty where potentially applicable.
- (8) The international team manager (or international reviewer if applicable) should initial and date the appropriate boxes next to the descriptions of Form 3963 part 4 (Mutual Agreement Procedures).
- (9) Refer to IRM 4.60.2, Mutual Agreement Procedures and Report Guidelines, for procedural guidance and technical information relevant to Examination on MAP articles and other income tax treaty issues.
- (10) International examiners working on US-initiated adjustment(s) competent authority cases will ensure that, after all other administrative processes are complete, the returns are in AIMS/ERCS Status Code 15 with Aging Reason

Code 02. They will use Activity Code 507(000) to track their time assisting with the MAP process. International examiners working on foreign-initiated adjustment(s) competent authority cases, where no return is under examination, will use Activity Code 550(000) to track their time assisting with the MAP process,

- (11) Examination must maintain a copy of the MAP report in the examination case file.

4.46.6.4  
(09-16-2021)  
**Examination Reports**

- (1) Examination reports should contain all the information necessary to ensure a clear understanding of the adjustments and tax computation. Examination reports serve as the basis for assessment and collection action. Examiners should take all necessary steps to ensure the accuracy of examination reports. Unless stated otherwise, the provisions of IRM 4.10.8, Examination of Returns, Report Writing, apply to reports prepared by LB&I teams for consistency. The team coordinator should specify workpaper style and composition preferences before the report is prepared.
- (2) Tax computation and report preparation software is used by TCS to generate examination reports.
- a. Bloomberg BNA Corporate Tax Analyzer (CTA) Software is used to generate Form 1120, income tax examination reports.
  - b. Report Generation Software (RGS) is used to generate individual, partnership and S corporation income tax examination reports.
  - c. The 1041 Workcenter is used to generate trust income tax examination reports.
  - d. See IRM 4.10.16 , Examination Operational Automation Database (EOAD) for procedures related to EOAD.
- (3) Form 4549, Report of Income Tax Examination Changes, is used to prepare reports for most individual and corporate agreed examinations.
- a. Form 4549-A, Report of Income Tax Examination Changes, is used in partially agreed cases, unagreed and Joint Committee cases. However, LB&I cases may make it practical to prepare reports using Form 4549-A with Form 870, Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment, even for agreed cases.
  - b. Continuation sheet Form 4549-B, Report of Income Tax Examination Changes, is used on any case with adjustments exceeding the number allowed on Form 4549 or Form 4549-A.

**Note:** The Form 4549-B is also used to list adjustments by entity for consolidated return reports. The total adjustments listed on Forms 4549-B are carried to Form 4549 or Form 4549-A, line 1a.

**Note:** Reference the source year for all NOL or credit carryback or carryover adjustments in the issue caption as well as any CTA or RGS entry.

- (4) Form 4605, Examination Changes - Partnerships, Fiduciaries, S Corporations and Interest Charge Domestic International Sales Corporations, is used to prepare reports for partnerships and S corporations.

**Note:** Use TEFRA examination procedures and report forms for applicable returns. See IRM 4.31.2, Pass-Through Entity Handbook, TEFRA Examinations, Field Office Procedures.

- (5) Refer to the Report Writing section of *LB&I-04-1019-010*, Interim Guidance on the Centralized Partnership Audit Regime Field Procedures, for Bipartisan Budget Act (BBA) examinations.
- (6) Use Form 4666, Summary of Employment Tax Examination, to summarize the employment tax examination results. Also use Form 4667, Examination Changes – Federal Unemployment Tax, and Form 4668, Employment Tax Examination Changes Report. Refer to IRM 4.23.10, Report Writing Guide for Employment Tax Examinations.
- (7) Report adjustments and explanations must reconcile to the workpaper conclusions. Written explanations should be issued to the taxpayer on Form 5701, Notice of Proposed Adjustment, prior to issuing the final examination report. Form(s) 886-A, Explanation of Items, should be attached to all final agreed and unagreed reports issued to the taxpayer.

**Note:** A separate Form 5701 or Form 886-A must be prepared for each adjustment, including all automatic adjustments.

4.46.6.4.1  
(09-16-2021)  
**No-Change Examination  
(Disposal Code 02)  
Procedures**

- (1) The requirement for issuing a no-change revenue agent report (RAR) for disposal code 02 examination closures has been eliminated. However, the no-change process does not eliminate the requirement to submit an SRS referral for a tax computation specialist (TCS) when an examination is initiated. The TCS is required to input the return information into the applicable tax computation software and perform a preliminary analysis to determine if computational errors exist on the return as filed.
- (2) Refer to the No Change Exam section of *LB&I-04-1019-010*, Interim Guidance on the Centralized Partnership Audit Regime Field Procedures, for BBA examinations.
- (3) An RAR is required for the following:
  - No-change examinations with adjustments (Disposal Code 01)
  - Examination with adjustments in one or more years which net to zero
  - Returns subject to Joint Committee review
  - Offshore Voluntary Disclosure Initiative cases
  - TEFRA examinations
  - Investor Level Statute Control (ILSC) pass-through returns which are linked
- (4) Revenue agents and team coordinators will contact the assigned TCS to inform them that the case will be no-changed and that all IMS files are checked in.
- (5) Once all IMS files are checked in, the revenue agent or team coordinator will prepare the appropriate no-change letter (Letter 590, for example), leaving the date field blank, and obtain the manager's signature on the letter.
- (6) The revenue agent or team coordinator will also check the applicable no-change letter box on page 2 of Form 3198 before forwarding the case to the Centralized Case Processing (CCP) function following existing case closing procedures.
- (7) CCP will date and issue the no-change letter to the taxpayer and any applicable representatives, when the examination is officially closed.

**Exception:** For virtually closed cases, CCP will not mail case closing letters to taxpayers. Examiners must send the closing letters to the taxpayer when CCP returns signed Form 15292 to the exam team. Examiners can send closing letters to taxpayers by mail, Efax or other approved digital methods. See IRM 4.46.5.11.2.2, General Information for all Paperless Case Closures.

4.46.6.5  
(09-16-2021)  
**Report Standards**

- (1) Examination reports must meet the following standards:
  - a. Examiners will adequately address issues, facts, law, taxpayer's position(s), arguments and conclusions for all agreed and unagreed issues. See IRM 4.46.6.9, Explanation of Items: Form 886-A.
  - b. Examiners should reconcile reports to supporting workpapers and tax return data to a current transcript.
  - c. The examiner's report will address pertinent legal arguments on unagreed issues. Legal citations support application of law for unagreed and agreed issues. IRM references, law or accounting journal articles, IRS training material and other internal communications do not qualify as legal citations.
  - d. Examiners will acknowledge the taxpayer's position on agreed issues and respond to the taxpayer's position on unagreed issues.
  - e. The examiner's report will include any specialists' adjustment(s).
  - f. A Joint Committee spreadsheet that traces the appropriate carrybacks and carryforwards must be included if the case meets Joint Committee Review criteria. See IRM 4.36.2, Identification of Joint Committee Cases.
  - g. MAP (Mutual Agreement Procedure) report is required if the audit proposes adjustments that affect the taxpayer's income in a treaty country. See IRM 4.46.6.3.4, International Examiner Report Writing, Mutual Agreement Procedures (MAP) Report.

4.46.6.6  
(12-26-2019)  
**Mandatory Managerial Approval**

- (1) Team managers are required to approve audit reports before they are issued to taxpayers. The manager's approval must be documented in the case file. This approval may be documented via email, the manager's initials on the audit report, a notation in the activity report, or other documentation in the case file. Secure the team manager's documented approval of the audit report prior to issuing it to the taxpayer.
- (2) For LB&I examinations that result in a no-change report with no adjustments (disposal code 02), management approval will be evidenced by the manager's signature on the no-change letter before closing the case to CCP. (See IRM 4.46.6.4.1).
- (3) The assertion of penalties requires the written approval of the immediate supervisor of the issue team members determining the assertion of penalties before the Notice of Proposed Adjustment is issued to the taxpayer. This approval must be documented in the case file. (See IRM 4.46.4.12.6 Workpaper Documentation on Penalties).
- (4) In any case where there is a substantial understatement of tax and no penalty is proposed, the non-assertion of the IRC 6662(d) penalty must be approved in writing by the immediate supervisor of the issue team members determining the non-assertion of this penalty. This approval must be documented in the case file.

4.46.6.7  
(12-26-2019)

**Tax Computations**

- (1) LB&I revenue agents will use a tax computation specialist (TCS) for all LB&I cases with the exception of international withholding tax computations, excise tax computations and most employment tax computations. Requests for TCS services are made by the team coordinator (TC). A single request for TCS services is done through the Specialist Referral System (SRS) at the beginning of every case.
- (2) Separate SRS referrals for related entities (e.g., shareholders' returns, officers' returns, etc.) should be submitted as soon as it is determined that the returns will be examined. For S corporation examinations, separate SRS referrals for each S corporation shareholder should be submitted as soon as it is determined that the S corporation will have adjustments, if referrals have not already been submitted for the shareholders and the S corporation is not linked.
- (3) The SRS request for a TCS should include a LIN link for the latest return of the exam cycle. Amended returns and Forms 1139 should be provided by the TCS once a TCS is assigned to the case.
- (4) The TCS provides services that differ from those provided by other specialists. It is therefore important that the requesting revenue agent selects the **correct practice area and DFO** when submitting the SRS request. This will direct the request for TCS services to the correct practice area and TCS group.
- (5) Once a referral has been made and a TCS has been assigned to the case, the revenue agent will communicate directly with the assigned TCS to provide documents needed for the return input, any what-if computations, and to have RARs prepared.
- (6) Once the request has been assigned by the TCS manager, the revenue agent will assign the TCS "team coordinator" privileges in IMS so the TCS may complete the request for input, RAR computation, or tentative calculations.
- (7) For carryback cases, examiners are to provide the TCS with Forms 1120X, 1139, 1040X or 1045 that are the source documents for NOL, capital loss and credit carrybacks.

**Note:** It is the responsibility of the revenue agent to obtain the interest amount from Ogden CCP if the examination results in a deficiency.

- (8) The revenue agent will verify the accuracy of the RAR prior to issuing it to the taxpayer.

4.46.6.7.1  
(12-26-2019)

**TCS Procedures**

- (1) The TCS will utilize RGS and CTA software to generate the appropriate report and associated tax computations and schedules.
- (2) The TCS is required to reconcile the income, deductions and tax per return to a current transcript.
- (3) For cases where amended returns were filed, the TCS may need to prepare two audit reports depending on whether the campus processed the amended return. One report (the case processing report) will be sent to Ogden CCP or Technical Services for case processing purposes. The other report will show the audit adjustments and will be provided to the taxpayer.

- (4) If the taxpayer filed Form 1139, a case processing report will also be required (presuming that the refund was remitted to the taxpayer as required by law).
- (5) The TCS should prepare CTA tax reports inside of IMS and create a final working copy of the CT file as a case document. If the CTA file was completed outside of IMS, the final CT file should be imported into IMS as a case document. RGS tax reports and RGS data files should be imported into IMS as a case document once the reports are finalized.
- (6) For Joint Committee cases the TCS will prepare the Joint Committee spreadsheets and Forms 2285.
- (7) The TCS will copy electronic workpaper files directly related to the tax computation, Joint Committee spreadsheet and Forms 2285 into the IMS Case Documents section
- (8) Electronic workpapers related to the report and computation of tax are saved in IMS Case Documents.

**Note:** Time will be applied to SAIN 007 with the appropriate secondary SAIN and UIL combinations. SAIN 007.101 and UIL 07453.31-10 are used for return inputs. SAIN 007.201 and UIL 07453.31-09 are used for tentative computations. SAIN 007.301 and UIL 07453.31-08 are used for RAR computations.

- (9) For LB&I no-change examinations with no adjustments (disposal code 02), the TCS will complete the initial input of all returns to verify the accuracy of the per return tax computations. Once accuracy of the return is verified, the TCS will check in all IMS files instead of preparing a no-change RAR. (See IRM 4.46.6.4.1(2) for exceptions).

4.46.6.8  
(09-16-2021)  
**Signed Agreement  
Procedures**

- (1) Refer to IRM 4.10.8.4., Regular Agreed Cases, for agreed report procedures.
- (2) Secure the taxpayer's agreement to the examination report on one of the following forms:
  - Form 4549, Report of Income Tax Examination Changes
  - Form 4605, Examination Changes - Partnerships, Fiduciaries, S Corporations, and Interest Charge Domestic International Sales Corporations
  - Form 2504, Agreement to Assessment and Collection of Additional Tax and Acceptance of Overassessment (Excise or Employment Tax)
  - Form 870, Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment

See IRM 4.10.8.5.3, Instructions for Completing Waiver.

- (3) Agreement waivers are considered executed after the taxpayer has signed them. Executed agreement waivers should be date stamped upon receipt.
- (4) In the event the taxpayer does not sign the waiver form, the examiner will follow the unagreed procedures. (See IRM 4.10.8.6, , Partially Agreed Cases and IRM 4.10.8.12, Unagreed Case Procedures.
- (5) For securing agreements for TEFRA entities refer to IRM 4.31.2.3.11, Securing Agreements from the TMP and the Partners. For securing agreements for BBA entities refer to Resolving the Examination section of *LB&I-04-1019-010*, Interim Guidance on the Centralized Partnership Audit Regime Field Procedures.

- (6) All TEFRA agreements must be executed by a Technical Services TEFRA coordinator or other employee delegated by Delegation Order 4-19, Partnership Matters.
- (7) The TC and case manager will ensure that cases are processed promptly following receipt of signed agreement forms.
- (8) Solicitation of Deficiency - Examiners must solicit payment of tax deficiency, penalty and interest. Examiners will document this action on Form 9984, Examining Officer's Activity Record.

**Note:** If an examiner does not secure full payment or an installment agreement from the taxpayer, a referral to SRS Collection is mandatory for agreed unpaid BMF cases over \$100,000 and should be considered for agreed unpaid IMF cases up to \$100,000. For payments over \$100,000 or more see IRM 4.4.24.8, Payments of \$100,000 or More.

- (9) Cash Bonds or Payments - Taxpayers may pay a deficiency or proposed deficiency by making a deposit or making an advanced payment by check or electronic funds transfer. For payments received by check, prepare and process Form 3244-A, Payment Posting Voucher -- Examination, with the funds received, according to LB&I guidelines. If the taxpayer wishes to make a deposit under IRC 6603 for the purpose of suspending the running of interest on a potential underpayment, the taxpayer must follow the procedures in section 4 of Rev. Proc. 2005-18. If the taxpayer wishes to identify a deposit in the nature of a cash bond (that was previously made under Rev. Proc. 84-58) as a deposit eligible for interest under IRC 6603(d), the taxpayer must follow the procedures in section 5 of Rev. Proc. 2005-18. The taxpayer may also make advance payments or cash bond payments using Same Day Wire Transfer via the EFTPS (Electronic Federal Tax Payment System) systems.
- (10) Processing Checks Received – Procedures for processing remittance checks received from taxpayers are found at the *Remittance Processing for LB&I Cases web site*. See IRM 4.20.1.3.2, Processing Payments Received and IRM 4.4.24.8, Payments of \$100,000 or More.
- (11) Inform taxpayers that the agreed case is subject to review and once it is accepted they will receive Letter 987, Agreed Income Tax Change, stating the case is closed. Examiners will prepare Letter 987, which is signed by the team manager, and leave it undated in the case file (with a copy for the case file). CCP will date and issue Letter 987 to the taxpayer.

**Exception:** For virtually closed cases, CCP will not mail case closing letters to taxpayers. Examiners must send the closing letters to the taxpayer when CCP returns signed Form 15292 to the exam team. Examiners can send closing letters to taxpayers by mail, Efax or other approved digital methods. See IRM 4.46.5.11.2.2 , General Information for all Paperless Case Closures.

4.46.6.9  
(09-16-2021)  
**Unagreed Report**

- (1) Report forms for an unagreed case are similar to those used for agreed cases. The instructions to complete agreed case reports generally apply; however, unagreed report forms do not include a signature line for the taxpayer. All unagreed reports and related documents/workpapers (tax computations / RAR / protest / rebuttal / T-letter, etc.) are mandatory items that are required to be included in the IMS case file.

- (2) Form 4549-A or Form 4605-A are used to summarize all adjustments. Explain each issue on a Form 886-A, Explanation of Items, detailing the facts, law and argument, taxpayer's position, and a conclusion. See IRM 4.10.8.12, Unagreed Case Procedures.
- (3) Inform taxpayers of their rights to discuss proposed adjustments with the examiner's team manager and of their formal appeal rights.
- (4) Examiners will solicit payment for tax deficiency, penalties and interest for all agreed issues, unless the agreed adjustments would generate a net refund.
- (5) If the taxpayer submits a protest, the examiner must review it and prepare a timely rebuttal. The rebuttal will address and/or resolve any factual differences between the protest and the audit report. The rebuttal will also address any new arguments or legal positions presented by the taxpayer.
- (6) If agreement is reached on some, but not all, issues or years, encourage the taxpayer to enter into a partial agreement by executing a waiver on Form 870, Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment. No agreement should be solicited if the agreed adjustments would generate a net refund. See IRM 4.10.8.6, Partially Agreed Cases, for instructions on the preparation of partially agreed RARs. See IRM 4.46.6.11, Cases with Unagreed Issues - Minimum Refund, paragraph (2).
- (7) Refer to the 30-Day Letter Package section of *LB&I-04-1019-010*, Interim Guidance on the Centralized Partnership Audit Regime Field Procedures, for BBA examinations.

4.46.6.10  
(09-16-2021)  
**Explanation of Items:  
Form 886-A**

- (1) Prepare Form 886-A and attach it to the report form to explain the adjusted items. Use a separate Form 886-A for each adjusted issue. If the adjustment applies to more than one year, show the years and adjustments on one combined Form 886-A. The Form 886-A attachment is mandatory and must be attached to all Form(s) 5701 for all unagreed issues. For Joint Committee cases, Form 886-A is required for all agreed and unagreed issues.
- (2) The following format should be used for LB&I cases:
  - a. **Issue** -- Number and label each issue explanation to correspond with the adjustment on the audit report. Include a reference to SAIN to facilitate tracing back to workpaper detail of the adjustment. For clarity, include the amount per return, the amount per audit, and the resulting adjustment
  - b. **Facts** -- Include a narrative statement of the facts upon which the adjustment is based. State the facts accurately and objectively. Include all relevant facts whether favorable to the IRS' or taxpayer's position.
  - c. **Applicable Law** -- Cite and explain the applicable authority correctly. Clearly state the rulings and opinions relied upon in the explanation. Reports should fully inform the taxpayer of the legal basis for the proposed adjustments.
  - d. **Taxpayer's Position** -- State the taxpayer's position in narrative form. Include any legal authority the taxpayer cites as the basis for the taxpayer's position. If the taxpayer provides a written position statement, include the entire statement in this section or summarize the statement and include the entire document in the report as an exhibit.

- e. **Argument** – Prepare a narrative with related facts, as previously discussed in b), and cite the authority to support the IRS’ position and the IRS’ rebuttal of the taxpayer’s position.
- f. **Conclusion** -- Briefly state a conclusion of the IRS’ position.
- g. **Executive Summary**– An Executive Summary can be used for lengthy 886-A’s (in excess of 10 pages) and is recommended for unagreed issues. The Executive Summary should summarize the contents of the 886-A in a few paragraphs.

- (3) For taxpayer’s statements marked as “FRE 408” or “For Settlement Purposes Only,” or variations thereof, see IRM 4.46.5.3.

4.46.6.11  
(12-26-2019)  
**Cases with Unagreed  
Issues – Minimum  
Refund**

- (1) A taxpayer could be due a net refund upon completion of an examination even if none of the unagreed issues are resolved in the taxpayer’s favor. This is referred to as a “minimum refund” case. This is more likely in situations where the taxpayer has filed a claim for refund for one or more of the years in the cycle.
- (2) The examination team should solicit a partial agreement relating to the agreed issues. See IRM 4.10.8.6, Partially Agreed Cases, for instructions on the preparation of partially agreed RARs.
- a. The taxpayer agrees to the partial refund by signing Form 870, Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment.
  - b. Other instructions in IRM 4.10.8, Examination of Returns, Report Writing, for the preparation of reports and the processing of partial agreements remain in effect.
  - c. If the taxpayer declines to execute the Form 870, the case is considered unagreed with respect to all issues.
  - d. In all minimum refund cases Form 9984, Examining Officer’s Activity Record, and Form 4665, Report Transmittal, will document the efforts to solicit a partial agreement from the taxpayer and the taxpayer’s response. After processing of the partial agreement, unagreed issues are forwarded to Appeals in the regular manner.
- (3) In the event the minimum refund amount exceeds \$2,000,000 (\$5,000,000 for corporations), and the taxpayer has demonstrated agreement with the examiner’s findings by executing the Form 870, the refund must be reported to the Joint Committee on Taxation and processed before the unagreed issues are forwarded to Appeals. For instructions on the preparation of case files for review and preparation of the report to the Joint Committee on Taxation see IRM 4.36.3, Examination Team Responsibilities.

4.46.6.12  
(09-16-2021)  
**Computer Data Backup**

- (1) The loss of computerized records related to examinations can have catastrophic consequences to the tax administration process and can potentially result in the loss of large sums of current and future revenue. Proper backup procedures facilitate data recovery if a data loss occurs. Workpapers that are maintained, uploaded and synchronized in IMS are automatically saved every 2 hours or when you close the case attribute screen.
- (2) Best practice from Case Management Systems Solutions encourages the use of IMS and Virtual Servers to back up your data and workpaper files. Refer to Document 12990, Records Control Schedule (RCS) 26, Item 47 - Issue Management System (IMS) for the National Archives and Records Administration

(NARA) approved records retention and disposition authority to ensure records, in hard copy and electronic format, are appropriately managed, retained and archived.

4.46.6.12.1  
(09-16-2021)  
**Files from Laptop  
Computers**

- (1) Examiners are responsible for backing up the files from laptop computers that are not stored anywhere else. IMS and virtual servers are the primary backup storage devices.
- (2) Requirements for electronic record keeping systems are determined by the business unit and must comply with statutes and regulations of the records management regulatory agency, the National Archives and Records Administration.
- (3) The IRS Records Officer participates with the business unit and Information Technology in the design and development of recordkeeping systems to ensure the proper protection and disposition of recorded information. Contact the IRS Records Officer in the Records and Information Management (RIM) Program Office within Privacy, Governmental Liaison and Disclosure (PGLD), for additional guidance.

4.46.6.12.2  
(12-26-2019)  
**Labeling Backup Media**

- (1) Each backup media will be properly labeled. A label will be attached to the outside of each backup media (portable storage device or DVD) with at least the following information:
  - a. Team coordinator's name
  - b. Audit site
  - c. Backup date
  - d. Taxpayer name
  - e. Tax form and examination year(s)

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**Exhibit 4.46.6-1 (09-16-2021)**  
**LB&I Corporate SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
000	Issue Does Not Exist
001	Precontact Analysis
002	Pre - Exam Conference
003	Preliminary Examination Time
004	Preparing Examination Plan
005	Coordination
006	Travel Time
007	Report Preparation
007-05	Qualified Tax Computation
008	Examination Critique
009	Meetings
010	Review Protest / Prepare Rebuttal
010-01	Fast Track
011	Penalty Consideration
012	Information Document Request
013	Issue Control Sheet - Form 5701 (Notice of Proposed Adjustments)
014	Referrals to Specialists
015	Financial Interest
016	Correspondence
016-01	Emails (with Attachment)
017	POA / Form 8821 (Tax Information Authorization)
018	Statute of Limitations
020	Prior Revenue Agent Report
021	Prior Appeals Report
022	Joint Committee Reports
024	Risk Analysis
030	Administration Lead Sheet
033	Pre-audit Interview History Lead Sheet
034	Examiner's RRA 98 Compliance Guide
060	Claims

**Exhibit 4.46.6-1 (Cont. 1) (09-16-2021)**  
**LB&I Corporate SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
061	Self-Audit Adjustments (Affirmative Adjustments)
080	Planning File
090	Case Closing Documents
100	Balance sheet (no balance sheet attached)
101	Cash
102	Trade notes & accounts receivable
102-01	Allowance for bad debts
103	Inventories
104	U.S. government obligations
105	Tax-exempt securities
106	Other current assets
107	Loans to stockholders
108	Mortgage & real estate loans
109	Other investments
110	Buildings & other depreciable assets
110-01	Accumulated depreciation
111	Depletable assets
111-01	Accumulated depletion
112	Land
113	Intangible assets
113-01	Accumulated amortization
114	Other assets
216	Accounts payable
217	Mortgages, notes, bonds payable in less than 1 year
218	Other current liabilities
218-01	Related party accruals
219	Loans from stockholders
220	Mortgages, notes, bonds payable in 1 year or more
221	Other liabilities
322	Capital stock
322-01	Preferred

**Exhibit 4.46.6-1 (Cont. 2) (09-16-2021)**  
**LB&I Corporate SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
322-02	Common
323	Additional paid-in capital
324	Retained earnings - appropriated
325	Retained earnings - unappropriated
325-01	Reconciliation of retained earnings
326	Cost of treasury stock
327	Adjustments to shareholders equity
328	Distribution of property
329	Distributions, bargain sale

<b>SAIN Code</b>	<b>Description</b>
401	Gross receipts or sales
401-01	Sales to related entities
402	Returns & allowances
404	Dividend
404-01	Deferred foreign income (TCJA) §832(b)(5)(8)
404-011	Deferred foreign income (TCJA) §965(a)
404-02	Dividend income (pro-ratable)
404-021	Participation exemption to included income (TCJA) §965(c)
405	Interest income
406	Gross rents
407	Gross royalties
408	Capital gain net income Schedule D
409	Net gain (loss) - Form 4797, Part II
410	Other income
411	Merchant card and third-party payments
420	Extraterritorial income
421-01	Subpart F - inclusion (TCJA)
421-02	Global Intangible Low-Taxed Income (TCJA - GILTI)
430	Income (Expenses) Flow-through from Other Entities
431	Anti-hybrid provisions (TCJA)

**Exhibit 4.46.6-1 (Cont. 3) (09-16-2021)**  
**LB&I Corporate SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
502	Cost of goods sold (No Sch. A or F1125-A Detail)
502-01	Inventory (beginning)
502-02	Purchases
502-03	Cost of labor
502-04	Additional Section 263A costs
502-05	Other costs
502-10	Inventory (ending)
512	Compensation of officers
513	Salaries and wages
514	Repairs and maintenance
515	Bad debts
516	Rents
517	Taxes and licenses
518	Limitation on business Interest expense
518-01	Limitations on business interest expense under §163(j) (TCJA)
519	Charitable contributions
520	Depreciation
521	Depreciation (other than page 1 - Form 1120)
522	Depletion
523	Advertising
524	Pension, profit sharing plans
525	Employee benefit programs

<b>SAIN Code</b>	<b>Description</b>
526	Other deductions (not listed)
526-01	Administrative fees
526-02	Amortization
526-03	Auto & truck expenses
526-04	Bonus expense
526-05	Consulting fees
526-06	Contract labor

**Exhibit 4.46.6-1 (Cont. 4) (09-16-2021)**  
**LB&I Corporate SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
526-07	Commissions
526-08	Computer expense
526-09	Dues & subscriptions
526-10	Education expenses
526-11	Equipment rental
526-12	Fringe benefits
526-13	Fuel expense
526-14	Gifts & awards expenses
526-15	Insurance expenses
526-16	Janitorial services
526-17	Leasing expense
526-18	Legal and professional fees
526-19	License and permit expenses
526-20	Maintenance and cleaning
526-21	Management and director fees
526-22	Meals and entertainment
526-23	Meetings, seminars, conventions
526-24	Miscellaneous expenses
526-25	Other expenses
526-26	Outside services
526-27	Postage & courier expense
526-28	Proposal or bidding expense
526-29	Public relations expense
526-30	Publication expense
526-31	Recruiting & training
526-32	Research & development
526-33	Royalty expense
526-34	Security expense
526-35	Shipping, freight & handling
526-36	Supplies - office
526-37	Supplies - tools & factory

**Exhibit 4.46.6-1 (Cont. 5) (09-16-2021)**  
**LB&I Corporate SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
526-38	Telephone expense
526-39	Travel expense
526-40	Utility expense

<b>SAIN Code</b>	<b>Description</b>
527	Domestic production activities
528	Reconcile Schedule M-1 (Reconcile 1120A Part IV)
529-01	Net operating loss deduction (NOLD)
529-02	Special deductions
530	Foreign-derived intangible income (TCJA - FDII)
601	Income tax computation
601-01	Member of controlled group
601-02	Tax brackets and additional tax allocations
601-03	Qualified personal service corporation
601-04	Additions to regular income tax
604	Credits
604-01	Foreign tax credit
604-02	Possessions tax credit
604-021	Disallowance of foreign tax credit (TCJA) §965(g)
604-03	Orphan drug credit
604-04	Non-conventional source fuel credit
604-05	Qualified electric vehicle credit
604-06	General business credits
604-07	Credit for prior year minimum tax
604-08	Prepayment credits
604-09	Bond credits
604-11	Section 45R credit for health care
604-12	Recapture of investment credit
604-13	Recapture of low-income housing credit
605	Research credit
606	Other nonrefundable credits

**Exhibit 4.46.6-1 (Cont. 6) (09-16-2021)**  
**LB&I Corporate SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
607	Personal holding company tax
608	Recapture taxes
608-01	Other recapture taxes
609	Alternative minimum tax
609-01	AMT Adjustments and Preferences
609-02	Pre-Adjustment AMTI
609-03	Adjusted Current Earnings
609-04	AMT Net Operating Loss Deduction
609-05	Alternative Minimum Taxable Income
609-06	Alternative Minimum Tax
609-07	AMT Foreign Tax Credit
609-08	Tentative Minimum Income Tax
609-09	Environmental tax
610-01	Accumulated earnings tax
610-02	Other taxes
610-03	Additions to regular total tax
610-031	Base erosion and anti-abuse tax (BEAT) under §59A (TCJA)
610-04	Lookback interest
611	Enhanced Oil Recovery Credits
622-03	Additional LIFO Reserve LIFO tax
623-01	Payments
623-02	Tax deposits
623-06	Fuel tax credit
623-07	Telephone excise tax credit
624-01	Accuracy-Related Penalty - 6662
624-02	Fraud penalty - 6663
624-03	Delinquency penalty - 6651
624-04	Estimated Tax penalty (Individual) - 6654
624-05	Promoter penalties
624-10	Other penalties (includes FBAR)
624-11	Estimated Tax Penalty (Corporation) - 6655

**Exhibit 4.46.6-1 (Cont. 7) (09-16-2021)**  
**LB&I Corporate SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
624-12	IRC 6676 Penalties
630	Renewable Electricity Tax Credit
631	Refined Coal Tax Credit
632	Indian Coal Production Tax Credit
633	Interest due under the look-back method - completed long term contracts
634	Interest due under the look-back method - income forecast method
635	Alternative tax on qualifying shipping activities
636	Withholding

<b>SAIN Code</b>	<b>Description</b>
701	Minutes & other records
702	Intercorporate allocations
703	Acquisitions, liquidations, reorganizations
703-01	Schedule M-2
703-02	S Corp. vs. C Corp. Issues
704	Corporate slush fund checks
705	Consolidations
706	Section 482 potential
706-01	Advance Pricing Agreement
707	Method of accounting
708	Initial return - IRC 195, 246, 1060
709	Final return - distributions
710	Related party transactions
711	Distributions of earnings & profits
712	Distributions in excess of basis
713	Mandatory compliance checks
713-01	Related returns
713-02	Prior & subsequent returns
713-03	Minimum inventory checks
713-04	Minimum income probe
713-05	Other filing checks

**Exhibit 4.46.6-1 (Cont. 8) (09-16-2021)**  
**LB&I Corporate SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
713-06	Officers' returns
713-07	Partnership
722	NOL-Shareholder Basis
724	TEFRA/BBA
726	Potentially abusive schemes
726-01	Form 8275 disclosure statement
726-02	Form 8886 reportable transaction
726-03	Transaction lacks economic substance
732	Corporate level limits
750	M-3
750-01	M3 Part 1: Financial Statements
750-02	M3 Part 1: Includible & Non-includible entities
750-03	M3 Part 2: Income
750-04	M3 Part 3: Expenses & deductions
801	Statistical sampling procedures
802-01	Computer Audit Specialist (CAS) Non-Issue Data Preparation
802-03	International Examiner
802-05	Exempt Organization Examiner
802-06	Excise Tax Examiner
802-09	Actuary
802-10	Employee Plans
802-12	Exam Tech/Audit Aides
802-13	Contracting Officer's Technical Representative (COTR)
802-14	Tax Computation Specialist
803-01	Life Insurance Examiner
803-02	Property & Casualty Insurance Examiner
804	Other Classified Issue #1
805	Other Classified Issue #2
806	Other Classified Issue #3
807	Other Classified Issue #4
808	Other Classified Issue #5

**Exhibit 4.46.6-1 (Cont. 9) (09-16-2021)**  
**LB&I Corporate SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
809	Other Classified Issue #6

**Note:** Use SAIN codes 804-809 only in return classification when no other appropriate line item applies.

**Exhibit 4.46.6-2 (12-29-2009)****Life Insurance SAIN Codes**

Use the SAIN codes on this list for Forms 1120-L only. All the primary corporate SAIN codes from IRM 4.46.6-1 will remain available for these returns.

<b>SAIN Code</b>	<b>Description</b>
240	Increase in Policy Cash Value – IRC §264(f)
241	Assets
242	Earnings Rates
243	Average Interest Rate Assumed
244	Pension Plan Reserves
245	Adjusted Life Insurance Reserve
246	Interest Paid
247	Reserve Deduction and Reconciliation
340	Policyholders/Shareholders Surplus Account
341	Surplus
404-02	Dividend Income (Proratable)
404-03	Domestic < 20% Owned
404-04	Domestic > 20% Owned
404-05	Debt Financed Stock
404-06	Public Utility Stock < 20% Owned
404-07	Public Utility Stock > 20% Owned
404-08	Foreign < 20% Owned
404-09	Foreign > 20% Owned
404-10	Wholly-owned Foreign Corporations
404-11	Certain Affiliated Company Dividends
404-12	Dividend Income (Not Proratable)
404-13	Affiliated Company Dividends
404-14	Other Corporate Dividends
406-01	Leases and terminations
460	Non-Insurance Trade or Business Income
461	Tax Exempt Interest
462	Increase in Policy Cash Value – IRC §264(f)
463	Premiums

**Exhibit 4.46.6-2 (Cont. 1) (12-29-2009)**  
**Life Insurance SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
464	Separate Accounts
465	Reserve Weakening
540	Policyholder Dividends and Reconciliation
541	Policy Acquisition Expenses
542	Small Life Insurance Company Deduction
543	Limitation on Non-Insurance Losses
544	Death Benefits
545	Reserve Strengthening
546	Assumption of Liabilities by Others
547	Reimbursable Dividends
548	Other Life Insurance Deductions
760	Gross Investment Income Reconciliation
761	Life/Non-Life Reconciliation
762	Reinsurance

**Exhibit 4.46.6-3 (12-26-2019)**  
**Property & Casualty Insurance SAIN Codes**

Use the SAIN codes on this list for Forms 1120-PC only. All the primary corporate SAIN codes from IRM 4.46.6-1 will remain available for these returns.

<b>SAIN Code</b>	<b>Description</b>
222	Losses Unpaid
223	Reinsurance Payable
224	Loss Adjustment Expenses
225	Commissions payable
226	Taxes, Licenses Fees
227	Unearned Premium Reserves
228	Advance Premiums
229	Dividends Declared Unpaid
230	Ceded Reinsurance Premiums Payable
231	Funds held by company under reinsurance treaties
232	Amounts withheld or retained by company-account of others
233	Remittances and items not allocated
234	Provisions for reinsurance
235	Liability for amounts held under uninsured accident and health plans
236	Schedule P Part 2 Reserve Development - PC AS
236-01	Part 2B - Analysis Claims Unpaid - Health AS
325-02	Adjustments to shareholders' equity
325-03	Adjusted surplus for Section 833 organizations
401-02	Premiums earned
401-03	Net premiums written
401-04	Unearned premiums
401-05	Sec. 832(b)(7)(A) life insurance reserves included in unearned premiums
401-06	Unearned premiums attributable to insuring certain securities
401-07	Discounted unearned premiums attributable to title insurance
404-01	Div. Rec'd deduction subject to Sec. 832(b)(5)(B)
405-01	Amortization of Bond Premium
405-02	Amortization of Tax-Exempt Bond Premium
405-03	Interest exempt under Sec. 103

**Exhibit 4.46.6-3 (Cont. 1) (12-26-2019)**  
**Property & Casualty Insurance SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
440	Sec. 834, Electing Small Company
441-01	Limitation on deduction for investment expenses
441-02	Income from leases described in sections 834(b)(1)(B) and 834(b)(1)(C)
442	Certain mutual fire or flood ins. co. premiums Sec. 832(b)(1)(D)
443	Income on account of special income & deduction accounts
444	Income from protection against loss account
445	Mutual interinsurers or reciprocal underwriters – decrease in subscriber accounts
446	Income from a special loss discount amount, Sec. 847
515-01	Agency balances and bills receivable that become worthless during tax year
517-01	State and local insurance taxes
517-02	State premium taxes
517-03	Regulatory authority licenses and fees
517-04	Payroll taxes
531	Claim adjustment services
531-01	Direct
531-02	Reinsurance assumed
531-03	Reinsurance ceded
532	Commission and brokerage
532-01	Direct excluding contingent
532-02	Contingent - direct
533	Reimbursement by uninsured accident and health plans
534	Aggregate write in for miscellaneous expenses
535	Blue Cross Schedule H- Special Deduction
535-01	Claims and Expenses
535-02	Prior Year Surplus computations
536	Section 847 Additional Deduction
610-05	Tax that reciprocal must include
623-03	Special estimated tax payments (Sec. 847)
623-04	Credit by reciprocal for tax by attorney-in-fact under sec. 835(d)
640	Surtax Exemptions
770	Elections

**Exhibit 4.46.6-3 (Cont. 2) (12-26-2019)**  
**Property & Casualty Insurance SAIN Codes**

<b>SAIN Code</b>	<b>Description</b>
770-01	Elections - Sec. 953(c) & (d)

**Exhibit 4.46.6-4 (09-16-2021)****Uploading Documents to IMS for Virtual Case Closing**

All required forms and documents that would otherwise be required in a paper case file per this IRM and IRM 4.10.9 Examination of Returns, Workpaper System and Case File Assembly, should be uploaded to IMS. Examiners should ensure that all information critical to the case or that support an adjustment are included in IMS, including lead sheets, supporting workpapers and any other pertinent documents, and uploaded to the correct SAIN.

All uploaded documents should follow a naming convention described in IRM 4.46.6.2, Workpaper Considerations.

Documents required to be uploaded include all administrative documents such as statute extensions, closing agreements, signed RARs, signed NOPAs, etc. Generally, if it's a signed document, it should be uploaded and retained in IMS. IRM 4.10.9.4, Workpaper System, specifies lead sheets and supporting workpapers should:

- 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 trail, allowing a subsequent reviewer to trace a transaction or event and related information from beginning to end.

Managers must also review the Examiner's workpapers for accuracy and ensure the uploaded files are not corrupt. Documentation of this review must be included by completing a signed **Form 15292**, Case Closing Cover Sheet, which is to be completed by the examiner and signed by the examiner, the case manager and CCP and uploaded to IMS.

**Cases involving potential Fraud:**

After uploading to IMS, the exam team should keep the following paper records for any matter involving potential criminal fraud until the examiner determines that the case has no criminal fraud potential:

- a. Records which contain color (such as blue ink, color letterhead).
- b. Records in which the taxpayer used white-out or any other alterations or markings that would render the scanned document not identical to the original document.

Keep these paper records with the case file until either:

- a. Criminal Investigation accepts the referral and exam transfers the record for inclusion in their investigative file; or
- b. Exam Team/Manager/Fraud Enforcement Advisor/Criminal Investigation Division determine that the case has no criminal fraud potential.

When you determine there is no criminal fraud potential, you don't need to keep these records in the case file. However, you must keep these records per normal record retention requirements in IMS before proper disposal.

Refer to IRM 1.15.3, Records and Information Management, Disposing of Records, for guidance on proper disposal of records/documents that contain SBU data (including PII or tax information).

## Exhibit 4.46.6-5 (09-16-2021)

## Best Practices for IMS Upload and Storage of Electronic Workpapers

**General Rule: If there is a specific SAIN already identified for a document type or issue, upload in IMS Workpapers under that SAIN.**

Document	Recommended IMS Location	Explanation & Exceptions
Communication agreements with the taxpayer	Case Documents (IMS case tree)	IMS Case Documents is programmed to store the Secure Email Messaging (SEM) Memorandum of Understanding (MOU) and the Taxpayer Digital Communication (TDC) Consent Form.
IDRS prints from the beginning of the audit	SAIN 001	Prints requested in the beginning of the audit, should be stored with preliminary research or mandatory compliance checks and identified as such.
IDRS prints requested with 30 days of case closures	SAIN 007 or Case Documents (IMS case tree) for closing research	Prints requested within 30 days of case closure should be kept together (either in a zipped folder or combined into a single PDF) and stored with other case closing records under either SAIN 007 or IMS Case Documents.
Exam plan* and timeline	SAIN 004	Examiners and managers should use the IMS approval process for exam plans and timelines. In the case of an item signed by the team manager <i>outside</i> of IMS or when the taxpayer signs, the item should be properly uploaded under SAIN 004.
Risk analysis	SAIN 024	Examiners and managers should use the IMS approval process for risk analysis. In the case of a risk analysis signed by the team manager <i>outside</i> of IMS, the item should be properly uploaded under SAIN 024.
Form 9984 - Examining Officers Activity Record (including specialists)	SAIN 005	Once a case is closed, not everyone has permissions to run an Examiner's Activity Record from IMS or the Team Website (TWS). Therefore, all team member's activity records should be uploaded to IMS Workpapers under SAIN 005. If team manager uses an activity record, it should be stored under the SAIN 005 with all other activity records.

**Exhibit 4.46.6-5 (Cont. 1) (09-16-2021)****Best Practices for IMS Upload and Storage of Electronic Workpapers**

<b>Document</b>	<b>Recommended IMS Location</b>	<b>Explanation &amp; Exceptions</b>
Form 906 - Closing Agreement	SAIN 007	The signed copy of Form 906, Closing Agreement, should be uploaded to IMS under SAIN 007.
Agreed RAR (signed by team manager and taxpayer)	SAIN 007	The signed copy of an agreed RAR should be uploaded to IMS under SAIN 007.
Taxpayer's Protest and Examiner's Rebuttal	SAIN 010	A taxpayer's valid protest should be clearly labeled as such and should be uploaded under SAIN 010. The examiner's rebuttal should also be clearly labeled and uploaded under SAIN 010. Examiners (or specialists) may choose to upload a duplicate copy of either the protest or the rebuttal under another area of IMS (such as the respective technical issue SAIN).
Penalty lead sheet	SAIN 011	The manager-signed Penalty Consideration Lead sheet should be properly labeled as such and uploaded under SAIN 011.
External correspondence (letters issued to taxpayer and POA)	Correspondence Letters (IMS case tree) or SAIN 016	Keep form and letter numbers in document description (L-2205, F970).
Closing letters	SAIN 007 or Case Documents (IMS case tree)	A copy of the dated closing letter signed by team manager should be uploaded to IMS under SAIN 007 or Case Documents. <ul style="list-style-type: none"> <li>Modify document description when using Letter 937 to identify the associated item.</li> </ul>
Internal correspondence	SAIN 016 or related SAIN	Examinations may have several pieces of internal correspondence documents such as emails, Practice Network inquiries, discussions with Counsel, etc. Internal communications are case records and should be retained with the case file. Examiners may choose to combine all internal communications and upload them under SAIN 016 with cross referencing as needed. If a piece of internal communications is pertinent to a Technical Issue, Examiners may choose to upload it under the respective Technical Issue SAIN.

**Exhibit 4.46.6-5 (Cont. 2) (09-16-2021)**

**Best Practices for IMS Upload and Storage of Electronic Workpapers**

Document	Recommended IMS Location	Explanation & Exceptions
Form 2848 or Form 8821	SAIN 017	The final version of a valid Form 2848 or 8821 should be uploaded to IMS under SAIN 017.
Statute extension and related documents	SAIN 018	Examiners may upload in IMS under SAIN 018 the Form 10949, Statute Extension Check Sheet, IDRS research, a copy of the signed Form 895, and a scanned copy of the fully executed statute extension. Correspondence related to statute extensions should be in IMS under Correspondence Letters

- \*Best Practice- Exam Plans from the Team Coordinator, CAS, International Agent, Engineer and FP should be scanned in one file and uploaded. This makes it very easy to review all of the case exam plans. IMS automatically generates Exam Plan and Risk Analysis under one place on case tree. This does not include the taxpayer’s signature on the exam plan and the manager’s signature on the risk analysis if prepared outside of IMS.

**Exhibit 4.46.6-6 (12-26-2019)****IMS Mandatory Minimum Input Requirements for Cases Other than Virtual Case Closures**

The purpose of this exhibit is to provide guidance to managers, team coordinators, and team members on input requirements for all in-process cases.

All IMS data input is mandatory unless it is identified as optional in the following grid. The amount of data to be input is based upon the requirements for LB&I at all levels.

<b>IMS Module</b>	<b>All Cases</b>
<b>Case Inventory</b>	Mandatory
<b>Create Case</b>	Mandatory
<b>Case Attributes</b>	Mandatory
<b>ERCS Inventory</b>	Mandatory
<b>Entities</b>	Mandatory
<b>Survey Return</b>	Mandatory
<b>Team Members</b>	Mandatory
<b>Taxpayer Contact for Post Exam Survey</b> – (Name and address only)	Mandatory
<b>Taxpayer Contact</b> – Unagreed Cases	Mandatory - Phone Number
<b>Taxpayer Contact</b> - Other than Mandatory - listed above	Optional
<b>Issues</b>	Mandatory
<b>Issue Attributes</b>	Mandatory
<b>IDRs – No Narrative</b>	Mandatory
<b>IDRs – Narrative</b>	Optional
<b>IDR Enforcement Date</b>	Mandatory
<b>Workpapers</b> - associated with an unagreed (partially agreed) Issue	Mandatory - Workpapers include all electronically created or received documentation associated with an unagreed issue. The workpapers should also include closing documents such as: <ul style="list-style-type: none"> <li>• Narrative for the RAR (886-A explanations)</li> <li>• Transmittal letter</li> <li>• Any additional reports created (international reports, engineer reports, etc. for the specialists unagreed issues)</li> <li>• Protest</li> <li>• Protest rebuttal, etc.</li> </ul>
<b>5701 – No Narrative</b>	Mandatory

## Exhibit 4.46.6-6 (Cont. 1) (12-26-2019)

## IMS Mandatory Minimum Input Requirements for Cases Other than Virtual Case Closures

IMS Module	All Cases
5701 Narrative - Reasons for Proposed Adjustment or Form 886-A (Explanation of Items)	Mandatory for 5701s associated with an unagreed or partially agreed issue. Optional for other issues
Examination Plan	Mandatory
Case Pointing	Mandatory (LCC)
Tax Computation	Mandatory
Examination Closing Record	Mandatory
Timekeeping – User Setup	Mandatory
Timekeeping – Time Input	Mandatory
Case Activity Record	Mandatory
CAP Documents	Mandatory
Team Web Site Entity Closing Data Screen	Mandatory

**Mandatory Workpapers:** Any electronic data received in response to IDRs and 5701s is required to be maintained (uploaded) into IMS for the unagreed issue(s). If examiners chose to create Word or Excel files outside of IMS they should upload these documents to IMS workpapers for the unagreed issue(s). Please note, under no circumstances are examiners required to create an electronic version of a paper document solely for the benefit of Appeals in an unagreed case. But, if electronic documents are available they should maintain them in the unagreed IMS case.

