



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.50.2

JULY 26, 2022

EFFECTIVE DATE

(07-26-2022)

PURPOSE

- (1) This transmits revised IRM 4.50.2, LB&I Compliance Integration, Other Workload Selection and Research – Non-Campaign Compliance Programs. This IRM describes the functions, procedures, tools, and systems for LB&I workload selection methods that are non-campaign-sourced.

MATERIAL CHANGES

- (1) IRM 4.50.2.1.6: Added additional treatment streams.
- (2) IRM 4.50.2.2.2.1: Added Global High Wealth Program Processes and Procedures section due to duplication in IRM 4.52.1, Global High Wealth Program Processes and Procedures.
- (3) IRM 4.50.2.2.2.1: Removed GHW Risk Assessment and Case Building section due to duplication in IRM 4.52.1, Global High Wealth Program Processes and Procedures.
- (4) IRM 4.50.2.2.2.2: Removed Supplemental GHW Inventory Sources section due to duplication in IRM 4.52.1, Global High Wealth Program Processes and Procedures.
- (5) IRM 4.50.2.2.2.2: Removed Cross-Divisional Pass-Through Entity Workload procedures and retained reference to IRM 4.2.1.7, Collateral Examinations.
- (6) IRM 4.50.2.4: Moved Other Source Workload items to the applicable Mandatory and Discretionary Compliance Programs.
- (7) IRM 4.50.2.2.4.1: Revised to reflect current procedures.
- (8) IRM 4.50.2.2.4.2: Revised to reflect current procedures.
- (9) IRM 4.50.2.2.5.2: Revised to reflect current procedures.
- (10) IRM 4.50.2.4: Removed reference to CISC as they are no longer involved in this process.
- (11) Editorial changes made throughout.

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EFFECT ON OTHER DOCUMENTS

This IRM supersedes IRM 4.50.2, LB&I Compliance Integration - Other Workload Selection and Research – Non-Campaign Compliance Programs dated September 23, 2021.

AUDIENCE

LB&I employees

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4.50.2

Other Workload Selection and Research – Non-Campaign Compliance Programs

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4.50.2.1
(07-26-2022)
Program Scope and Objectives

- (1) **Purpose:** This IRM provides an overview of LB&I non-campaign workload selection.
- (2) **Audience:** All LB&I employees.
- (3) **Policy and Program Owner:** LB&I Assistant Deputy Commissioner Compliance Integration.
- (4) **Primary Stakeholders:** Including, but not limited to, all geographic and subject matter practice areas in LB&I.
- (5) **Program Goals:** The overall program goal is to direct LB&I resources toward the highest compliance risks and to select the best work.

4.50.2.1.1
(09-23-2021)
Background

- (1) LB&I work processes are evolving to meet the needs of a rapidly changing taxpayer environment. This section describes the current state of workload identification and selection from non-campaign-generated sources.

4.50.2.1.2
(04-22-2019)
Authority

- (1) This IRM provides the authority to conduct research. The research extends to all LB&I returns, including related forms and schedules.

4.50.2.1.3
(08-12-2020)
Responsibilities

- (1) Compliance Planning and Analytics (CP&A), is the responsible function in LB&I for all campaign (see IRM 4.50.1) and non-campaign workload selection methods in LB&I. CP&A is responsible for establishing return coverage across LB&I practice areas. This business unit is in the Assistant Deputy Commissioner Compliance Integration (ADCCI) organization.
- (2) CP&A also manages research requests (as described in IRM 4.50.2.1.5) from the practice areas in LB&I.
- (3) The non-campaign workload selection programs are described in IRM 4.50.2.2.

4.50.2.1.4
(04-22-2019)
Program Management and Review

- (1) **Program Reports:** Research studies include:
 - Conducting environmental scans on filing information
 - Examining compliance of specific taxpayer segments
 - Developing mathematical models and expert systems to support audit selection
- (2) Business Performance Reports contain metrics used to gauge the effectiveness of current workload selection methods and processes.
- (3) **Program Effectiveness:** The business objective for conducting research studies is to make informed decisions, drive compliance efforts and improve voluntary compliance by identifying and delivering the highest risk returns to audit or by sending soft notices to ensure the methodology applied is aligned to the IRS mission. The business objective for producing performance reports is to provide LB&I management with statistics and trends to evaluate the various workload selection activities.

Term	Definition
E-Classifier	E-Classifier is an electronic classification tool currently used to classify LB&I returns.
LB&I Workload Identification System (LWIS)	Delivery system for delivering case built files for examination.
Risk Identification Control Board (RICB)	The Risk Identification Control Board (RICB) is the governance body over models/filters/research used in workload selection.
Treatment streams	Treatment streams are approaches to achieving taxpayer compliance including administrative guidance, events & outreach, issue-based examinations, new legislation, procedures-IIRs, published guidance, soft letter/notice, and tax forms and publications.

4.50.2.1.7
(04-22-2019)
Related Resources

- (1) See IRM 4.50.1, LB&I Compliance Integration, Campaign Development Process, for information about campaign-sourced workload selection. Resources for campaign work are the Campaign Quick Start Guide, the Campaign Process chart, and the LB&I Campaign Guide.
- (2) The *ADCCI website* provides more information about their programs and services.

4.50.2.2
(09-23-2021)
Workload Selection Program Areas

- (1) LB&I administers the following compliance programs:
 - Compliance Assurance Process (CAP) - See IRM 4.51.8, Compliance Assurance Process (CAP) Examinations
 - Large Corporate Compliance (LCC)
 - Global High Wealth (GHW)/High Income Individual (HII)/Pass-Through Entities (PTE)
 - Campaigns - See IRM 4.50.1, Campaign Development Process
 - Foreign Payments Practice
 - Mandatory
 - Discretionary

4.50.2.2.1
(09-23-2021)
Large Corporate Compliance (LCC)

- (1) The Large Corporate Compliance Program (LCC) is the successor program to the Coordinated Industry Case (CIC) program. LCC employs a risk based selection process to address selected compliance risks in the large corporate taxpayer population using a finite amount of resources, through the application of one or more treatment streams to achieve the intended compliance outcomes.

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- (3) The data analytics method must be approved by the Risk Identification Control Board (RICB). See IRM 4.50.2.1.5, Program Controls.
- (4) See IRM 4.50.3, Large Corporate Compliance Program, for more information about LCC.

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4.50.2.2.2
(07-26-2022)
**Global High Wealth
(GHW)/High Income
Individual
(HII)/Pass-Through
Entities (PTE)**

- (1) ADCCI has primary responsibility for overall coordination of the compliance plan and workload identification with the exception of the GHW Model.
- (2) The Data Solutions Models team in ADCCI uses mathematical models for workload selection. Similar to the Campaign and LCC Programs, GHW models must be approved by the RIBC. See IRM 4.50.2.1.5, Program Controls.
- (3) The Pass-Through Entities Practice Area has the primary responsibility over the GHW/HII/PTE Compliance Program, which includes the processes and oversight required to identify, prioritize and allocate resources towards pass-through returns.

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- (6) The GHW/HII/PTE program was formed to take a holistic approach in addressing the high-income, high-wealth population, including consideration of items associated with pass-through returns. This program leverages data, applied analytics, algorithms and institutional experience to assess the compliance risk that these enterprises pose with their increasingly sophisticated tax strategies.
- (7) The GHW/HII/PTE program covers the entire business enterprise of entities controlled by high wealth individuals. These enterprises may include interests in partnerships, trusts, subchapter S corporations, private foundations and others.
- (8) In addition, under the GHW/HII/PTE program, LB&I will develop, test, enhance, and monitor mathematical and machine learning models to identify partnership and S corporation returns with examination potential.

- (9) GHW consists of two functions: Workload Services (WLS) and field examination groups. The GHW returns identified by the models are made available to the WLS for classification and risk assessment.
- (10) Partnership or S corporation returns identified under these models will be classified and risk-assessed in Content Management and Collaboration (CMC). In certain circumstances, Individual returns will also be classified and risk assessed in CMC.
- (11) An “enterprise” is defined as a group of entities that are managed for the economic and tax benefit of a controlling interest. Enterprise Risk Assessment uses the evaluation of multi-entity and multi-year related return groupings to determine what constitutes a single economic “enterprise.”
- (12) Models to be developed include:
 - Single return selection systems
 - Enterprise selection systems
 - Single year and/or multi-year models
- (13) Models will be developed using internal and external data sources. The validation of models and data fields will be analyzed and gathered from examination feedback and operational databases to monitor the model’s effectiveness in identifying the next best case.
- (14) See IRM 4.52.1, Global High Wealth Program Processes and Procedures, for more information.

4.50.2.2.2.1
(07-26-2022)

**Pass-Through Entities
that Cross Operating
Divisions**

- (1) See IRM 4.2.1.7, Collateral Examinations.

4.50.2.2.3
(04-22-2019)

**Foreign Payments
Practice (FPP)**

- (1) The Foreign Payments Practice (FPP) includes the processes and oversight required to identify, prioritize and allocate resources towards foreign withholding tax matters and foreign financial institution compliance under Chapters 3 and 4 of the Internal Revenue Code. See IRM 4.63.1.5, Foreign Payment Practice (FPP) Field Operations Overview.
- (2) The FPP provides oversight of non-resident alien withholding tax matters with an emphasis on Service-wide coordination of technical issues, compliance, processing and other information relating to non-resident aliens. The FPP is also responsible for monitoring and enforcing compliance of foreign financial institutions participating in the Foreign Account Tax Compliance Act Program (FATCA).
- (3) The FPP focuses resources through coordinated development of information and educational material, improved forms and publications, processing capabilities, examination strategies and other treatment streams to achieve intended compliance outcomes.
- (4) FPP identifies compliance risks within the non-resident alien withholding population.

4.50.2.2.4
(07-26-2022)

Mandatory

- (1) The Mandatory Compliance Program includes the processes and oversight required to identify, prioritize and allocate resources towards defined forms of mandatory work that demand application of resources and can arise unexpectedly such as Joint Committee, NRP, and selected tax shelter returns and disclosures.

4.50.2.2.4.1
(07-26-2022)

Joint Committee Case Work

- (1) The primary reference for Joint Committee cases is IRM 4.36. Any Form 1139,(Corporation Application for Tentative Refund), Form 1120-X, (Amended U.S. Corporation Income Tax Return), or other claim for refund, in excess of \$5,000,000 for the same taxpayer must be reviewed and either surveyed or opened for examination. These claims meet Joint Committee criteria.

Note: As of December 19, 2014, the Joint Committee refund threshold was increased to \$5,000,000 for C corporations. The threshold remains at \$2,000,000 for all returns other than C corporations.

- (2) Returns meeting Joint Committee criteria are updated with project code 0077 and the appropriate source code.

4.50.2.2.4.2
(07-26-2022)

Tax Shelters and Disclosures

- (1) The Office of Tax Shelter Analysis (OTSA) receives and reviews Form 8886, Reportable Transaction Disclosure Statements and Form 8918, Material Advisor Disclosure Statements.
- (2) OTSA analysts review each disclosure for completeness, large, unusual, questionable (LUQ) items, or Listed Transactions requiring further action or review.
- (3) Disclosures requiring further action are distributed to the established point of contact (POC) within the appropriate business operating division (BOD).

- (5) If the Form 8918 disclosure requires further information or potential promoter examination:
 - a. OTSA will follow the procedures outlined in IRM 4.32.2.4.3.1.1 to refer an LB&I Material Advisor to the LB&I Technical Tax Shelter Promoter Committee (TTSPC).
 - b. For an SB/SE or other BOD Material Advisor, OTSA will refer the disclosure to the SB/SE Lead Development Center or TE/GE Abusive Transactions function as appropriate.

- (6) OTSA will also use information received from the Form 8886, Form 8918, and other tax forms to determine taxpayer compliance with disclosure laws and identification of tax returns with potential tax shelter issues.

4.50.2.2.4.2.1
(07-26-2022)

Listed Transactions

- (1) As emerging issues in the tax shelter area are developed, they may result in the issuance of a Notice or other published guidance officially identifying the transaction as a listed transaction.

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- (2) Transactions that have been determined by the Service to be tax avoidance transactions are “listed transactions”. As a result, taxpayers may need to disclose their participation in these listed transactions as prescribed in 26 CFR 1.6011-4, and material advisors may need to disclose these transactions under 26 CFR 301.6111-3 of the Procedure and Administration Regulations. Taxpayers who fail to disclose may be subject to penalties under IRC 6662A and IRC 6707A. Material advisors who fail to disclose may be subject to penalties under IRC 6707. In addition, material advisors must maintain lists of advisees and other information with respect to these listed transactions pursuant to 26 CFR 301.6112-1. Material advisors who fail to furnish a list as required under this regulation may be subject to penalties under IRC 6708.
- (3) Notice 2009-59, 2009-31 IRB 170, contains the list of transactions that have been determined by the Internal Revenue Service to be “listed transactions”. See <https://www.irs.gov/businesses/corporations/listed-transactions> for a chronological listing of listed transactions and recognized abusive transactions. In addition to the list of listed transactions described in Notice 2009-59, and the link referenced in the previous sentence, the link includes additional information related to some of the listed transactions including, but not limited to, settlement initiatives and Appeals Settlement Guidelines.
- (4) If the listed transaction surfaces during an examination, it must be raised as an issue following the listing notice. Examiners should contact the subject matter expert and provide the name of the taxpayer, taxable period(s) involved, type of listed transaction, the name of the promoter, if known, the name and telephone number of the team/group Manager and, if applicable, the name and telephone number of the team coordinator. The initial contact may be via e-mail (using secure messaging), fax or telephone.
- (5) Examiners should consult with subject matter experts and local area Counsel on the development of the issue. Examiners must secure the concurrence of the appropriate subject matter expert if their examination deviates from any mandated specific examination techniques proposed for issue development or their proposal for adjustment deviates from any stated legal positions. Examiners must also consult with and secure the concurrence of the appropriate subject matter expert and Counsel before proposing any resolution other than full concession of the issue by the taxpayer. No proposals can be made without the concurrence of the Issue Champion.
- (6) After initial publication of guidance identifying a listed transaction is released, the responsible division and Chief Counsel staff will meet to discuss the need to further develop the issue. The discussion will include whether there is a need for Counsel to provide a thorough legal analysis of the issue or other guidance. If additional guidance is needed, the group will decide what format should be used to issue the additional legal analysis. For example, the additional legal analysis might take the form of a Chief Counsel Notice, a part of an audit handbook/ techniques guide, or a revenue ruling. An Associate Chief Counsel will be assigned primary responsibility for preparing the additional legal analysis. That Associate office will work with the Issue Team on the analysis and coordinate with other Associates as necessary. The issue team should regularly coordinate with Chief Counsel staff during the development of the legal analysis.

4.50.2.2.5
(07-26-2022)
Discretionary

- (1) The Discretionary Compliance Program includes, but is not limited to, the following. Some of these sources of work may be priority but not required to be worked.
 - Training Returns
 - Claims
 - Bankruptcy
 - Information Referrals and Reports
 - Program Action Cases
 - Change in Accounting Method-Voluntary Change-Advance Consent
 - Emerging Issues
 - Transactions of Interest
- (2) LB&I uses workload selection criteria (models, filters, Discriminant Analysis System (DAS), etc.) to identify and allocate resources towards the discretionary program. Similar to all the other programs, workload selection criteria used to identify discretionary work must be approved by the RICB.
- (3) LB&I Planning and Special Programs (PSP) in LB&I's practice areas have primary responsibility for ordering LB&I returns using the LB&I Workload Identification System (LWIS).

4.50.2.2.5.1
(09-23-2021)
**Training Returns -
Project Code 0204**

- (1) Project Code 0204, Training Return, should be applied to all returns assigned and started during formal training.
- (2) All related, subsequent year, and/or prior year returns secured in connection with the training return will also have Project Code 0204 assigned, provided they are started during formal training.
- (3) Formal training is defined as scheduled, organized online or classroom training and on-the-job training phase.
- (4) Training may include returns identified through other compliance programs such as campaigns.
- (5) Project code 0204 should be removed from any key case return assigned during training but NOT started during training.

4.50.2.2.5.2
(07-26-2022)
Claims

- (1) Claims for refund - LB&I taxpayers generally file claims for refund on Form 1120-X, Amended U.S. Corporation Income Tax Return, or Form 1139, Corporation Application for Tentative Refund. Also see IRM 25.6.1.10, Claims, Abatements and Refunds. Claims related to returns already controlled by the field are not classified, but rather forwarded to the field for association with controlled return(s). All other claims, (i.e., without open AIMS) that meet Category A criteria (IRM Exhibit 21.5.3-2) are classified prior to processing. The classifier may review and request other relevant returns.
 - Claims in excess of \$5 million for corporations are to be reviewed by Joint Committee Review per IRM 4.36.1.1.2, Authority, and are subject to mandatory review per IRM 4.36.3.1. These claims must be reviewed and either surveyed or opened for examination.
 - All claims selected for examination are sent to SB/SE Classification Control Unit (CCU). CCU updates the claim to Exam Organization Code 1086; status 08 and the appropriate activity and/or source code (Refer

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4.50.2.2.5.5
(07-26-2022)
Program Action Cases

- (1) Program Action Cases (PACs) are preparer investigations where clients of preparers of interest are examined to determine whether preparer penalties and/or injunctive actions against the preparers are warranted. If a preparer’s misconduct appears to be pervasive and not isolated to a single taxpayer, consideration should be given to opening a PAC.
- (2) Information on the PAC approval process and return identification and selection is found in IRM 4.1.10, Return Preparer Program Coordinator.
- (3) Return preparer penalties are described in IRM 20.1.6 , Penalty Handbook, Preparer, Promoter, Material Advisor Penalties.
- (4) Any inquiry regarding a return preparer penalty or PAC should be referred to the LB&I Return Preparer Coordinator (RPC), who is located in the Penalty Practice Network.

4.50.2.2.5.6
(07-26-2022)
Change in Accounting Method - Voluntary Change - Advance Consent

- (1) Form 3115, Application for Change in Accounting Method (CAM), is filed with National Office and a copy attached to the taxpayer’s tax return in the year of change. National Office reviews the Form 3115 and issues determination letters to taxpayers authorizing or denying a change in accounting method.

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#4.50.2.2.5.7
(07-26-2022)**Emerging Issues**

- (1) Emerging issues can come in many forms. An emerging issue may have one or more of the following characteristics:
 - a. It arises from a new or novel set of facts or through questions of the proper application of tax law.
 - b. It has not been addressed by published legal guidance or administrative pronouncements of the Service.
 - c. It is susceptible to inconsistent treatment by both the Service and LB&I taxpayers.
 - d. It may or may not involve a potential abusive tax avoidance transaction.
 - e. It is not necessarily limited to a specific industry and can impact across Service Divisions.
- (2) Tax issues can be identified by examiners, managers, specialists, subject matter experts, and other IRS personnel. Sources for identifying issues include, but are not limited to, current examinations, news articles, the Tax Shelter Hotline, taxpayer inquiries and industry contacts. Issues identified should be brought to the attention of the applicable Issue Practice Network as early as possible.

#4.50.2.2.5.8
(07-26-2022)**Transactions of Interest**

- (1) The reportable transaction category “transaction of interest” (TOI) is defined as a transaction that the IRS and the Treasury Department believe is a transaction that has the potential for tax avoidance or evasion, but lack sufficient information to determine whether the transaction should be identified specifically as a tax avoidance transaction. The TOI category of reportable transactions will apply to transactions entered into on or after November 2, 2006.
- (2) Notice 2009-55, 2009-31 IRB 170, provides a list of transactions that have been identified by the Internal Revenue Service as “transactions of interest” for purposes of Treas. Reg. 1.6011-4(b)(6) and IRCs 6111, 6112, 6662A, 6707, 6707A and 6708
- (3) See <https://www.irs.gov/businesses/corporations/transactions-of-interest> for a list of these transactions and related notices.

4.50.2.3
(07-26-2022)**Classification**

- (1) Classification is mandatory for any compliance programs approved by the Compliance Strategy Council with an issue-based audit treatment stream. Exceptions to this requirement include returns that don't require classification, or upon ad hoc approval by the Compliance Strategy Council (“CSC”).

4.50.2.3.1
(07-26-2022)**Classification Tools**

- (1) The main functions, tools, and systems for classification are (not all-inclusive):
 - Content Management and Collaboration (CMC)
 - E-Classifier

- (2) CMC is utilized for classifying and risking returns. CMC provides enhanced inventory management to CMC managers, leads and team members. CMC allows for cases to be assigned to a group, assigned to a specific team member and submitted for approval to the manager by the team member with system generated e-mail alerting the appropriate person when an action is needed. CMC allows for cases to be automatically updated on AIMS when the manager approves a case to be sent to the LWIS system for assignment to the field. Feedback is provided in the risk assessment form in CMC.
- (3) The E-Classifier is a secured virtual and physical environment used for classifying case work from large volumes of international data that must be analyzed to identify compliance issues, to support the case processing mission. The E-Classifier tool enables classifiers access to a wide range of returns and works seamlessly within the classification process. The E-Classifier tool provides electronic feedback measurements from classifiers that identify non-compliant activity.

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Exhibit 4.50.2-3 (09-23-2021)**Acronyms**

Acronym	Definition
ADCCI	Assistant Deputy Commissioner Compliance Integration
AIMS	Audit Information Management System
BOD	Business Operating Division
CCU	Campus Compliance Unit
CIC	Coordinated Industry Case
CMC	Content Management and Collaboration
CP&A	Compliance Planning and Analytics
FPP	Foreign Payments Practice
GHW	Global High Wealth
JCC	Joint Committee Case
LCC	Large Corporate Compliance Program (aka CIC Successor Program)
LUQ	Large, Unusual and Questionable
NAICS	North American Industry Classification System
OTSA	Office of Tax Shelter Analysis
PAC	Program Action Case
PSP	Planning and Special Programs
RICB	Risk Identification Control Board
SB/SE	Small Business/Self-Employed
WLS	Workload Services