Automated Underreporter and Correspondence Exam

Exam/AUR Policy
Objective

• At the end of this learning experience, you will be able to explain to your clients what is involved in the Automated Underreporter (AUR) and Correspondence Exam programs.
Campus Correspondence Compliance Programs

• Two major compliance programs within the Campus organizations:
  – Correspondence Examination
  – Automated Underreporter (AUR)
Similarities between AUR and Correspondence Exam

- Notice progression
- Timely written response
  - Response page
  - Detailed explanation for each issue with supporting documents
  - Contact number
Similarities between AUR and Correspondence Exam, cont.

– Using the envelope provided

– Signed agreement (and payment) if agree with notice

• Reconsideration of findings
Correspondence Exam
Inventory Selection

• Original or amended returns with potentially questionable deductions, expenses or credits:
  – Use data to identify returns with high potential for a tax adjustment
  • Third party information
  • Potentially inconsistent line items on return
  – Referrals from Electronic Fraud Detection System, Criminal Investigation and preparer /promoter actions
Correspondence Exam Audit Issues

- Earned Income Tax Credit
- Certain non-filing conditions
- Schedule A issues
  - Employee business expenses
  - Charitable contributions
- Emerging issues and tax credits
- Schedule C issues
Correspondence Exam

Letters and Notices

• Initial contact letters, no examination report
  – CP 75/75A – Earned Income Tax Credit
  – CP 06/06A – Premium Tax Credit
  – Letter 566 – Most other issues

• Letter 525 – Follow-up including the examination report (Form 4549)

• Letter 3219 - Statutory Notice of Deficiency, “90 Day” Letter
Correspondence Exam - Practitioner Concerns

• Correspondence Exam Assessment Project
  – Revised IRM, publications and letters
  – Increased experience level of PPS assistors
  – Tested alternative work processes
  – Timely controlled mail
  – Delivered CEAP findings to all employees
Correspondence Exam - Practitioner Concerns, cont.

• Future Initiatives –
  – Digital communications
  – Internet videos
  – Virtual Service Delivery
Automated Underreporter

- Matches amounts reported on returns with information returns submitted by third parties
- Computer matching begins after original return due date
  - not a real time process
- If a discrepancy is identified, an AUR case is created
AUR Notice Progression

- Cases are screened to attempt resolution of the discrepancy prior to taxpayer contact
  - CP 2501 – preliminary contact
  - CP 2000 – proposed changes and tax calculations
  - Letter 3219A - Statutory Notice of Deficiency, “90 Day” Letter
AUR Notice Details

- Top right of notice or letter contains specific taxpayer information
- Top left of notice indicates IRS campus that generated notice
- Each notice includes IRS.gov webpage address:
  - www.irs.gov/cp2501
  - www.irs.gov/cp3219a
CP 2000 Process

- CP 2000 notice issued
  - Wait for taxpayer response

- Taxpayer disputes CP 2000:
  - Sends response or makes telephone contact
  - IRS AUR Unit reviews response
  - Possible phone contact or letter issued
  - Determination made on case
AUR - Helpful Hints

- Do not net amounts
- Report on correct line
- Include a breakdown of grouped amounts
- Include any corrected payer documents
- Include all back-up schedules and attachments
Correspondence Exam and AUR Compliance Programs

• Key Points:
  – Respond to notices timely
  – Work with Exam/AUR to resolve issues
Questions
<table>
<thead>
<tr>
<th>Hot Topics on IRS.gov</th>
<th>Search Word(s)</th>
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<tbody>
<tr>
<td>Affordable Care Act</td>
<td>ACA</td>
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<tr>
<td>Annual Filing Season Program</td>
<td>Filing season program</td>
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<td>Continuing education for tax pros</td>
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<td>E-Services – online tax tools</td>
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<td>ID theft</td>
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<tr>
<td>Practitioner events on IRS.gov</td>
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