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# 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.



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# Campus Correspondence Compliance Programs

- Two major compliance programs within the Campus organizations:
  - Correspondence Examination
  - Automated Underreporter (AUR)



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# Similarities between AUR and Correspondence Exam

- Notice progression
- Timely written response
  - Response page
  - Detailed explanation for each issue with supporting documents
  - Contact number



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# Similarities between AUR and Correspondence Exam, cont.

- Using the envelope provided
- Signed agreement (and payment) if agree with notice
- Reconsideration of findings



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# 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



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# 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



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# Correspondence Exam Letters and Notices



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- 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

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# Correspondence Exam - Practitioner Concerns, cont.

- Future Initiatives –
  - Digital communications
  - Internet videos
  - Virtual Service Delivery

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# 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



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# 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](http://www.irs.gov/cp2501)
  - [www.irs.gov/cp2000](http://www.irs.gov/cp2000)
  - [www.irs.gov/cp3219a](http://www.irs.gov/cp3219a)



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# 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



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# Correspondence Exam and AUR Compliance Programs

- Key Points:
  - Respond to notices timely
  - Work with Exam/AUR to resolve issues

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# Questions



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Hot Topics on IRS.gov	Search Word(s)
Affordable Care Act	ACA
Annual Filing Season Program	Filing season program
Continuing education for tax pros	tax pros
E-Services – online tax tools	eservice
Identity theft	ID theft
Practitioner events on IRS.gov	Practitioner events
Tangible Property Regulations	Tangible
Third party reporting information center	Third party
SB/SE Tax Calendar	Tax calendar