



COMMISSIONER
TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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MEMORANDUM FOR: TAX EXEMPT AND GOVERNMENT ENTITIES COMPLIANCE
UNIT EMPLOYEES

FROM: Steven A. Chamberlin /s/ *Steven A. Chamberlin*
Director, Government Entities

SUBJECT: Tax Exempt and Government Entities Title 26 Compliance Check
Process

This memo supersedes TEGE-04-0424-0007, Tax Exempt and Government Entities Title 26 Compliance Check Process. This memo changes the IRM section where you will find the procedures upon its publication (IRM 4.70.10, Compliance Checks).

Purpose:

This memo provides guidance and enacts the Tax Exempt and Government Entities (TE/GE) Compliance Check Process used in all TE/GE Compliance Checks. This memo defines the overall TE/GE Compliance Check Process and RCCMS Issue Code data grid functionality. TE/GE employees should refer to the TE/GE Title 26 Compliance Check Process Procedural Handbook for additional details.

Background/Source(s) of Authority:

Numerous TE/GE IRM sections describe the compliance check process to varying degrees of detail for each function. The authority to conduct compliance checks to determine whether an entity or organization is adhering to record keeping and information reporting requirements is stated in Revenue Procedure 2005-32, 2005-34 I.R.B 1206: The revenue procedure provides the Service's procedures with respect to the reopening of examination under IRC Section 7605(b) and describes a non-exclusive list of contacts with taxpayers and other action by the Service that are not examinations, inspections, or reopening of closed cases. The non-exclusive list includes taxpayer contacts to verify a discrepancy between the taxpayer's tax return and an information return, or between a tax return and information otherwise in the Service's possession.

Procedural Change:

The TE/GE Compliance Check Process gives an organizational approach for conducting professional compliance checks from the first contact with the taxpayer through the final stages of issue resolution and case closure. Our compliance check program takes a strategic approach to effective tax administration. Not all compliance checks are the same in scope, size, and complexity; thus parts of this guidance may be more applicable to some cases than others. This guidance supersedes and consolidates all existing procedural guidance describing functional compliance check processes.

There are three phases to the TE/GE compliance check process: Planning, Execution and Resolution

PLANNING PHASE

This phase of the process sets the scope of the compliance check. Issues selected should have the broadest impact on compliance regardless of the size and type of entity or organization.

Compliance Check Plan

The compliance check plan is issue focused and contains the following:

- issues (i.e., Large, Unusual, and Questionable) identified
- actions/activities required to work case
- timeline(s)

The plan is nimble, agile and adjusted throughout the compliance check, if/when warranted. You must obtain managerial approval upon development and/or later modification of the plan.

Once you identify the issues, take steps to complete the compliance check in a timely manner.

EXECUTION PHASE

At initial contact, explain TE/GE processes and procedures for conducting a compliance check, along with an overview of taxpayer rights.

Stages of issue development include:

- determining the facts,
- applying the law to those facts, and
- understanding the various tax or compliance implications of the issue.

Starting with issue development and continuing through issue resolution, early and frequent discussions are crucial for a complete understanding of the respective merits of the issue(s). Make every effort to resolve any factual differences. The entity or organization's response to the compliance check letter(s) and/or verbal contact will allow you to gain an understanding of the entity or organization's position and to obtain issue resolution at the earliest appropriate point.

RESOLUTION PHASE

The goal of the resolution phase is to reach agreement and achieve full compliance with the taxpayer's filing, reporting and payment requirements. When needed, refer the case for a potential examination based on the work in the execution phase.

Returns Secured

When you secure a return (i.e., Delinquent, Amended, Current, or Schedule) during a compliance check, send the secured return to the campus via Form 3210 to process the return to Masterfile. Once you receive the Form 3210 acknowledgment, you will:

- complete the Returns Secured page of the RCCMS 3198-A Checksheet to record the type and count of returns secured,
- document your actions in the Case Chronology Record, and
- close the compliance check.

RCCMS 3198-A Checksheet

- Refer to RCCMS Change Document for Release 3.7.0 for a description of the new RCCMS feature that automates this process, which started in January 2022.
- Complete the RCCMS checksheet for all cases requiring special handling, needing expedited processing, or having special features.
- Use the RCCMS checksheet to flag special characteristics specific to the case file to ensure proper and timely case processing and closing instructions.
- Complete the Returns Secured: Use this tab to capture the type and count of returns secured during a compliance activity.

RCCMS Issue Code Data Grid

Business Systems Planning added a new functionality to RCCMS that will help us to track compliance check development from case selection through case closure and beyond. This new functionality requires that all users familiarize themselves with its capabilities. You must use it for all compliance checks. Please review the TE/GE Title 26 Compliance Check Process Procedural Handbook for additional details.

A new workflow ensures a consistent level of managerial input in making key strategic decisions during our compliance checks. At a minimum, those decisions include plan creation, plan revision and compliance check scope modifications.

Submit requests for manager approval through RCCMS. These messages will go directly to the manager's inbox in RCCMS for approval or rejection. Managers must monitor this inbox to ensure appropriate and timely action on these messages. Please review the RCCMS Release 3.5.1 Change Document (July 2020) for additional details.

The Issue Code data grid replaces the use of Principal Issue Codes (or EP Issue Codes.) The data captured in the Issue Code data grid:

- consistently measures each technical issues impact in relation to the overall exam/compliance check results,

- helps evaluate the productivity of our various workload selection methodologies (i.e., compliance strategies, compliance query sets, referrals, claims, etc.) and systemic identification of potential emerging issues,
- systemically automates the compliance check plan approval process, and
- gives meaningful real-time feedback as to issue identification in the current workload.

Effective Oct 2024, TE/GE consolidated the three functional Information Systems Code books into one published document. Refer to Doc 11308, Information Systems Codes FY 2025 for detailed listings of Action, Disposal, and Issue Codes applicable to Compliance Checks.

Effect on Other Documents:

We'll incorporate this guidance into IRM 4.70 (sections to be determined) no later than January 3, 2027. We'll add references to IRM 4.70 (sections to be determined) in these sections as well.

Effective Date:

January 3, 2025

Contact:

For questions about these procedures, please contact Mildred L Jordan (GE), and Nicholas Schlarman (TECU).

Distribution:

IRS.gov (<http://www.IRS.gov>)

Attachment:

TE/GE Title 26 Compliance Check Process Map
TE/GE Title 26 Compliance Check Procedural Handbook