



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

SMALL BUSINESS/SELF-EMPLOYED DIVISION

5/29/2008

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MEMORANDUM FOR EXAMINATION/EXCISE FIELD OPERATIONS

FROM: W. Ricky Stiff **/S/ W. Ricky Stiff**
Chief, Excise Tax Program

SUBJECT: Interim Guidance on No-Change Substitute for Return (SFR)
Cases

The purpose of this memorandum is to update guidance on No-Change SFR case processing procedures. In addition to the instructions provided in the November 18, 2005 memorandum titled *Guidance on Non-Examination Action Taken on Non-filer Cases*, examiners will follow the additional case closing procedures stated below. The memorandum dated January 22, 2008 regarding the use of Letter 930 is no longer valid.

SFR No Change-Taxpayer Not Liable for Excise Taxes

If an examination of records results in a decision that the taxpayer is not liable for an excise tax in the period examined or for any future periods, the examiner will:

1. Prepare a no-change report, Form 5384, *Excise Tax Examination Changes and Consent to Assessment and Collection* [Revenue Agent Report (RAR)].
 - a) A no-change examination will be accounted for by writing "none" or "0" in columns 6 and 8 for the appropriate tax period.
 - b) "No change, Subject to Chief, Excise Tax Program Approval" will be written in the *Other Information* section.
2. Prepare Letter 3401-E, *No Change Report Transmittal Letter*, for the group manager's approval and issuance to taxpayer.
3. Prepare the case file for closure using disposal code 02 on Form 3198, *Special Handling Notice for Examination Case Processing*.
4. Prepare Form 5344, *Examination Closing Record*, and enter zero (0) in 404d.
5. Prepare Letter 590, *No Change Final Letter*. Letter 590 will be signed by the manager for W. Ricky Stiff, Chief, Excise Tax Program, and retained in the case file. It will be dated and mailed to the taxpayer by Centralized Case Processing (CCP).
6. On Form 3198, check the following boxes in the *Letter Instructions for CCP* section: *No-Change Letters* and *Letter 590 (straight N/C)*.
7. Review the BMFOLE to determine if the Form 720, *Quarterly Federal Excise Tax Return*, filing requirement indicator is present.

- a) If the filing requirement is present, then prepare Form 3177, *Notice of Action for Entry on Master File*. Check the "Other" box and insert Transaction Code 591 and Closing Code 75 to remove the filing requirement indicator. Include the form in the case file, and check the Form 3177 box on Form 3198.
- b) If no filing requirement is present, then no further action is necessary.

SFR No Change-Taxpayer May be Liable in Subsequent Periods for Excise Taxes

If an examination of records results in a decision that the taxpayer is not liable for an excise tax in the period examined, but concludes the taxpayer may have a filing requirement in a subsequent quarter, the examiner will:

1. Follow the procedures in items 1-6 above.
2. Review the BMFOLE to determine if the Form 720 filing requirement indicator is present.
 - a) If the filing requirement is present, then no further action is necessary.
 - b) If the filing requirement is not present, then Form 2363, *Master File Entity Change*, will be prepared. Check the F720 box to set the filing requirement indicator. Leave the completed form in the case file, and check the Form 2363 box on Form 3198.

Letter 930 for No-Liability cases will be issued if the taxpayer has been contacted, has no filing liability, records were not examined, and an SFR was not established.

The above guidance will be included in IRM 4.24.10.6.2.1, *No Change SFR Case Processing* by May 29, 2009.

If you have any questions, please contact Chris Steadham, Senior Program Analyst, Excise Tax Policy, PSP Field Operations.

Cc: www.irs.gov