



COMMISSIONER  
LARGE AND MID-SIZE  
BUSINESS DIVISION

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

July 9, 2004

MEMORANDUM FOR LARGE AND MID-SIZE BUSINESS DIVISION  
EXECUTIVES, MANAGERS, AND EXAMINERS

FROM Deborah M. Nolan *Deborah M. Nolan*  
Commissioner, Large and Mid-Size Business Division

SUBJECT: Requesting Audit, Tax Accrual, or Tax Reconciliation Workpapers

The purpose of this memorandum is to issue interim guidance for examiners regarding the policy and procedures for requesting tax accrual workpapers, audit workpapers, or tax reconciliation workpapers. The attached guidance will be incorporated into part 4 of the IRM and is effective immediately. This new IRM section is a crucial tool in our efforts to curb abusive tax avoidance transactions and ensure that taxpayers comply with the law. All requests for audit workpapers or tax accrual workpapers must follow the procedures outlined in the attached IRM.

I want to emphasize that the new IRM follows Announcement 2002-63 in making clear that a request for tax accrual workpapers is mandatory when a taxpayer claims the benefit of a listed transaction for a return filed on or after July 1, 2002, and for some returns filed before that date. Revenue agents will issue an Information Document Request (IDR) for tax accrual workpapers as soon as it is determined that the taxpayer is involved in a listed transaction. Local counsel will be involved in drafting the IDR and addressing any legal issues, such as whether a transaction is a listed transaction, whether the transaction has been properly disclosed by the taxpayer, or whether a privilege claim has merit. A support cadre of PFTG Technical Advisors has been established to assist examiners with questions and issues related to securing and evaluating tax accrual workpapers. The names and contact information for these Technical Advisors are available on the OTSA website. When an administrative summons is needed to obtain tax accrual workpapers that have not been produced, local counsel will be involved in drafting the summons and the Director of Field Operations (DFO) must pre-review the summons. Counsel's review of the summons will be coordinated through the appropriate Division Counsel and the Associate Chief Counsel (Procedure & Administration).

The attached interim guidance modifies and supercedes all previous memoranda from my office concerning the policy and procedures for requesting audit workpapers, tax accrual workpapers, or tax reconciliation workpapers.

Questions related to this memorandum, the attached interim guidance, or requests for tax accrual workpapers can be directed to Bisamber Misir, Senior Analyst in the Office of Tax Shelter Analysis (OTSA) at [bisamber.misir@irs.gov](mailto:bisamber.misir@irs.gov) or telephone 202-283-8420 or Ken Bachman, Manager Technical Advisor Team 06 at [ken.p.bachman@irs.gov](mailto:ken.p.bachman@irs.gov) or telephone 972-308-1530 or 7243.

Attachment

cc: Chief Counsel  
LMSB Division Counsel  
Commissioner, Small Business/Self-Employed Division