

LIFE IS AN ACCELERATED, ISSUE DRIVEN EXAMINATION PROCESS THAT EMBODIES THE FOLLOWING CHARACTERISTICS:

<p>LIFE is a unique examination process:</p> <ul style="list-style-type: none">• Will be recognized as a “process” in the IRM (LMSB only)<ul style="list-style-type: none">- LIFE must be considered on all LMSB examinations- Applies to domestic and all specialists issues- Does not change mandatory referral requirements• Determination that examination will be conducted using LIFE may be made by:<ul style="list-style-type: none">- Team Manager (management), individually or with team- Revenue agent, with team manager approval- Taxpayer <u>must</u> concur with decision to designate as LIFE <p>Mandatory Compliance Checks:</p> <ul style="list-style-type: none">• If designated as LIFE, manager <u>may</u> waive some including:<ul style="list-style-type: none">- Income probe, inventory checks and others• <u>May not</u> waive review of prior, subsequent and related returns <p>Memorandum of Understanding:</p> <ul style="list-style-type: none">• Mandatory, must be signed by both parties• Template provided and must be followed	<p>Scope of the Examination:</p> <ul style="list-style-type: none">• Full Risk Analysis by all team members including specialists is used to identify LUQ items• Only those issues representing the greatest compliance risk should will be selected for LIFE• Materiality principles and other considerations are used to select and prioritize LUQ items in order to limit the scope• Materiality principles include:<ul style="list-style-type: none">- Dollar value- Timing; short period - less material v. long period - more material- Permanent• Other considerations include method changes, compliance risk, tax administration, and examiners professional judgment• The full scope and LIFE issues will be shared with the taxpayer• Materiality threshold will be established by the examiner to govern any scope expansion by either party• Correction of any computational/accounting errors will be made regardless of thresholds• No threshold for tax shelters, coordinated issues, fraud, items contrary to public policy, Field Directive issues, and some employment tax issues• Taxpayer <u>must</u> agree not to file claims/affirmatives below thresholds• Once set, scope expansion requires managerial approval
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LIFE IS AN ACCELERATED, ISSUE DRIVEN EXAMINATION PROCESS THAT EMBODIES THE FOLLOWING CHARACTERISTICS (CONTINUED):

<p>Taxpayer Role and Responsibilities:</p> <ul style="list-style-type: none"> • <u>Should</u> brief team on significant business events, practices, and tax records • <u>Should</u> be participant in planning phase • <u>Must</u> agree to meet established response times for IDRs • <u>Must</u> discuss NOPAs when issued and not wait until the end of the examination • <u>Encouraged</u> to utilize full range of issue resolution tools • <u>Must</u> furnish computations/detail for AGREED rollover/recurring issues, early in the examination • <u>Encouraged</u> to suggest efficiencies to improve the examination • <u>Must</u> agree not to file claims/affirmatives below the materiality thresholds • <u>Must</u> agree to file any claims/affirmatives above the materiality threshold by an agreed upon date and provide supporting documentation • <u>Must</u> commit to communicating regularly with the examiner 	<p>Team Role and Responsibilities:</p> <ul style="list-style-type: none"> • <u>Should</u> explain and market the LIFE process to taxpayers • <u>Must</u> involve the taxpayer fully in the planning process • <u>Must</u> complete a full risk analysis with input from all specialists and the taxpayer • <u>Must</u> limit the scope • <u>Must</u> determine a materiality threshold to govern scope expansion • <u>Should</u> discuss IDRs before issuing to the taxpayer • <u>Should</u> timely respond to the taxpayer after receiving IDR response: <ul style="list-style-type: none"> - Information is sufficient – examination of item is completed - Follow-up IDR will be issued - Issued NOPA, or - Need an extension of time to determine one of the above • <u>Should</u> discuss potential adjustments with the taxpayer prior to issuing a NOPA • <u>Should</u> work with taxpayer to resolve issues throughout the examination
<p>Termination of LIFE Process:</p> <ul style="list-style-type: none"> • Either party may terminate the process if commitments in MOU are not adhered to • Termination would result in reverting to a traditional, full scope examination • Scope may expand to include any item identified in the full scope issues • Mandatory compliance checks may be done; manager and agent will determine 	