Automated Underreporter and Correspondence Exam (edited transcript)

*Trisha Deubler:* Thank you. Hello, everybody. As she just mentioned, my name is Trisha Deubler, and I work in AUR in Ogden, Utah, as a senior tax analyst. Welcome to the Automated Underreporter and Correspondence Examination presentation for the Nationwide Tax Forums.

Today, I'm going to cover Correspondence Exam, which is referred to as “Corr Exam” (or “Exam”) throughout this presentation, and then I will cover Automated Underreporter, which I will refer to as “AUR.” I will cover some similarities and differences between these two programs, and I will provide a separate overview explaining the purpose of each program as well as the processes in each program individually.

There are two major correspondence compliance programs that operate out of IRS campuses. The campuses were formerly called service centers, and they are Correspondence Exam and Automated Underreporter. These two programs look at the items that are reported on the return and resolve issues primarily through the mail and telephone. As I mentioned earlier, Corr Exam and AUR share some basic similarities, but there are also some differences as well, and we are going to cover those today.

Corr Exam asks for verification of credits and deductions claimed on the tax return. The major areas covered by Correspondence Exam are Earned Income Tax Credit (or EITC), non-filers, and Schedule A deductions. The Schedule A deductions include items such as charitable contributions and employee business expenses. Correspondence Examinations are conducted on Wage and Investment and Small Business/Self-Employed taxpayers out of 10 campuses. Although the cases initiated in each campus are site-specific, the cases can be accessed universally allowing any Corr Exam tax examiner to assist the taxpayers (or you) during telephone calls.

Correspondence Exam will attempt to stagger how they start the cases and the types of issues to be examined in order to balance compliance risk, level the incoming mail as well as the telephone traffic, and minimize burden on practitioners and taxpayers alike. For examinations where collectability and timing are a factor – for example, on the Earned Income Tax Credit cases – we will initiate examination before releasing the refund. We generally will immediately release any money not related to the examination issue. Under a realignment that occurred in 2014, all Earned Income Tax Credit and other pre-refund audits are now worked in the Wage and Investment division within IRS. And the department that works these issues is Refund Integrity and Compliance Services, or the RICS organization.
Other issues initiated after we have had a chance to analyze the filing trends after the tax return has been processed: we will analyze the filing trends and the return entries. The majority of these issues are now worked in the Small Business/Self-Employed division (or SB/SE).

The AUR program is one of the largest compliance programs within the IRS. It is not uncommon for the AUR campuses to issue over four million notices. AUR issues notices about discrepancies identified between information reported on tax returns and information reported to us from various third parties. For example, information from employers, financial institutions, and banks is matched against the various tax return data, including the attached forms, schedules, and attachments. AUR notices could include a wide range of issues, such as pension distributions, interest, dividends, education credits and expenses, self-employment tax, or even withholding discrepancies. Once again, AUR notices can include issues for various types of income, credits, deductions, or other taxes.

As part of the realignment mentioned earlier, all AUR notices are now within the Small Business/Self-Employed division. AUR performs analysis and issues notices out of seven campus operations located across the country. Each notice does contain an AUR toll-free telephone number, and the AUR system does allow for universal case access, which allows the AUR cases to be viewed or worked from any of the AUR campuses. In addition, customer service representatives in Accounts Management can view the two primary AUR notices, which are the CP 2501 or the CP 2000. We will discuss those notices a little bit later in the presentation when I cover AUR.

Both programs offer practitioners who have urgent or unique issues service on the Practitioner Priority Service line. It is very important when you are using that line to use the specific options – follow the prompts – to expedite your call into the appropriate area, whether it be Correspondence Exam or AUR.

While there are some fundamental differences between these two campus programs, we realize that they are going to seem similar from the taxpayer's perspective. First off: notice progression. Each program starts with a notice asking about the tax return. Some of these letters propose a tax liability while others do not. If the taxpayer does not respond to the letter proposing the tax change, a certified letter or a Statutory Notice of Deficiency (which is often called a “90-day letter”) will be issued.

While we cannot extend the period of time in which you have to file a petition with tax court, it is important to note that in both programs, we encourage you to work with us prior to and during that 90-day statutory period. If you need an extension of time for any of the other letters, please call us and let us know. (You will hear a common theme throughout this presentation about responding timely as well as letting us know if you need an extension.)
there is no response to the Statutory Notice of Deficiency, the IRS will assess the proposed liability by default, and collection activity will begin shortly thereafter when there is a balance due.

Another common thread for both programs is the need for a written response. The following guidance will help us process your response more expeditiously. The first item is to respond timely. Each notice generally allows 30 days to respond, so please make every effort to respond within the timeframe and to the most recent notice on each issue. Include the IRS response page on top of your response. This helps ensure that the response will get to where it needs to go. Please address each and every issue in question, and securely attach the documentation or support for the issue in question behind the response page. Provide telephone numbers where you can be reached – day or night.

We have identified the callback feature on some phones as a potential barrier to making callbacks. We have heard from many employees that they are unable to contact taxpayers because the IRS number is not allowed to dial in. Another barrier is limitation on information we are allowed to leave on an answering machine or message, so it may not be obvious that the message is from an IRS representative. If you have requested a callback and you have not received a callback timely, please contact the number on the notice and talk to an employee about the callback request. The assistor should be able to research the case and let you or the taxpayer know about the documentation needed or any subsequent actions that are required. They are also able to leave a case note on the system to initiate a callback from a manager.

Another item is to please use the envelope provided with your response. If you cannot use the return envelope, be sure to write the complete address, including the P.O. Box and mail stops on the return envelope. You may also fax the information. Each notice contains a fax number for the department that is assigned your case. Faxes are handled in the same manner as a paper response. If you are filing an amended return, please submit it to the office that sent you the notice, not to where you usually file amended returns, and ensure that that amended return is placed behind the response page.

If you agree to the notice, please sign and return it. If you do not agree, please explain why not in detail and also include any of the documentation or the information that has been requested in the notice or letter. Again, if you cannot respond timely, please call and ask us for additional time. We may grant an extension, but note, we cannot extend the 90-day period for which you have to file a petition with tax court.

Even after an assessment has been made, a reconsideration can be submitted. A reconsideration should include new information or documentation that was not previously considered that will allow AUR or Corr Exam to adjust the
issue that was previously assessed. It is important to submit a reconsideration request timely, as soon as possible after the taxpayer has received a billing notice. Requests should be sent to the site where the original notice had been issued.

While the IRS can reconsider an unpaid balance and abate the assessment at any time, in general, the statute of expiration date normally expires three years from the date the original return was filed or three years from the due date of the return, whichever is later. In addition, a claim for refund must be filed within three years from the date the original return was filed or two years from the time the tax was paid. There is more information about the reconsideration process in Publication 3598 which is titled *What you Should Know About the Audit Reconsideration Process*.

Okay, now we will talk a little bit about some of the differences between the Corr Exam program and the AUR program, and we are going to go over Correspondence Exam first. The tax issues covered by each program are a little bit different. In Corr Exam, before the returns are selected for examination, they are analyzed using both internal and external data, as well as they look at the items on the return to try to project the potential for an adjustment. The tools that perform this analysis are generally updated each year and consider the following three factors to encourage that we have the most accurate information available as audit potential is evaluated. The three items that we look at are: results from prior audits; information from the third parties (the information documents that were submitted to IRS); as well as the entries on the tax return itself.

We also may receive referrals from other parts of the IRS, such as Criminal Investigation or from the enforcement activities related to return preparers and promoters. Correspondence Examinations are highly automated. This automation makes campus examinations the most efficient and timely way to address and resolve compliance concerns related to the filing of the original return or an amended return. However, since this is such a highly-automated process, it is important to respond timely or contact us for an extension prior to the case moving to the next phase. If you don’t respond timely or request an extension, notice progression will continue.

The criteria defining the type of examination case that can be worked via correspondence is pretty straightforward. For the most part, the case must have a defined scope. And what this means is a single issue, such as Earned Income Tax Credit, or limited audit issues only. The focus is generally on a specific schedule or a line item that is on the tax return rather than the entire tax return in itself. The audit issues are generally less complex than those conducted by a revenue agent or a tax compliance officer that is out in the field. However, there are times – if something is very unusual – we could expand the scope further or refer the case to another function within the IRS.
The focus of the examination is on recordation. We are seeking to get the substantiation to support that line item. A Correspondence Examination essentially will ask for documents and/or records to support the entry on the tax return or the schedule in question. If the requisite documents or records are not provided, we will disallow that item. There are times we will partially allow an item where the substantiation has been provided. Examples of recordation include the following: receipts to support the deductions, such as the car and truck expenses on Schedule C; we could request cancelled checks to support the charitable contributions deduction that is shown on Schedule A; we also could request birth certificates and school records to support an exemption or an Earned Income Tax Credit change.

We try to focus on issues where a face-to-face interview or discussion with the taxpayer or the representative is not necessary. Now, we have heard that oftentimes a face-to-face is preferred. While at times these issues seem like it would be best to resolve in a face-to-face meeting, the majority of the Correspondence Exam issues can be and are resolved through correspondence very successfully. The most common issues include:

- The Earned Income Tax Credit. A Correspondence Examination is the best venue to quickly conclude an audit involving Earned Income Tax Credit. Basically, we will ask for documentation, such as a birth certificate or school records, to support the claim for the credit. As mentioned earlier, we will generally release any refund up to the amount that is under examination, and we will work quickly to resolve examinations where the refund is impacted.

- Certain non-filing conditions. As mentioned previously, we receive information from various third parties, such as employers and payers, which we then will correlate against a tax return. If we find that there has been no tax return filed after attempts to secure one through the Correspondence Exam process, we will prepare a return using that third-party information.

- We also will look at Schedule A issues. The Schedule A is a significant part of our inventory and is also an area with a high level of incorrect deductions. Two major issues we cover on the Schedule A are:
  - employee business expenses. Now, while we hear at times concerns about these types of examinations, the results show that this issue overall is conducive for a Correspondence Examination. We have a high percentage of examinations where the individual comes in agreeing that the amount reported on the original return was actually incorrect.
  - Another item that we look at on the Schedule A is charitable contributions. We continue to see misreporting with charitable contributions, so please ensure that accurate records and receipts of both cash and non-cash deductions are kept. There is additional
information regarding charitable contributions and the requirements to claim the deduction available in Publication 526.

Correspondence Examinations are an important part of the Service’s compliance strategy for legislation enacted over the last several years. Compliance is a major concern when there is any kind of refundable credit that is involved. The campus operations are the best-poised compliance treatment for quickly resolving pre-refund examinations. Over the last few years, we have been very involved in examinations on the adoption tax credit as well as the first time home buyer's credit. This year, the premium tax credit is also an area of focus. Similar to the employee business expense examinations, we may also work entries that are generally supported with receipts regarding deductions shown on Schedule C, such as the car and truck expenses mentioned earlier. We also may work a broad number of other issues that are on the tax return and supporting schedules, such as self-employment tax or adjustments to income (such as alimony).

Although audit issues are identified and selected for examination through various automated and manual processes, a few different letters and notices are used for initial taxpayer contact depending on the issues being examined. Correspondence Examination uses these letters and notices to initiate the examination. They identify the issues under audit and request information and documentation from the taxpayer to verify and support these credits and deductions that were claimed on the original return or even perhaps a subsequently-filed amended tax return. Oftentimes, Form 886 with various suffixes (such as “A” or “H”) is used, and depending on the issues being examined, it is also included in the notices. These provide specific explanations of the issues being audited and the information and documentation that is required to be submitted by the taxpayers for the issue in question.

Now, if the information is not provided, we will be unable to allow that line entry on the tax return. Some initial contacts will also include issue-specific questionnaires, such as on employee business expense audits. This needs to be filled out and returned with the response. Also, all of the Correspondence Exam notices will include Publication 3498-A. This publication explains the examination process for examinations conducted by mail, and it also addresses taxpayer appeal and advocacy rights.

Some issues, such as non-filers, will start with a combination letter. We commonly refer to this letter as a “combo letter.” A combo letter combines the initial contact along with the examination report. This letter has the advantage of clearly representing any potential tax liability that may be due. We only use this combo letter in a limited number of instances based on feedback from practitioners as well as the National Taxpayer Advocate.
The main initial contact letters used in Correspondence Exam (and this would be the Wage and Investment function within the IRS) are the CP 75, which is used as the taxpayer initial contact letter for EITC and dependency issues when we are holding at least a portion of a refund. Now, the Notice CP 75A is used as the initial contact letter for the Earned Income Tax Credit or dependency issues when there is no frozen refund pending. The CP 06 and the CP 06A is used for the premium tax credit or the PTC audits. These audits are sent with Form 14950, which is the Premium Tax Credit Verification form, which explains what is needed to verify the amount of the premium tax credit that was claimed.

Most other issues under audit, via correspondence, will begin with a Letter 566. Now, the 566 letter explains that we are examining the return and states which issue we are looking at. This letter is issued from the SB/SE Correspondence Exam departments. This letter does not propose a potential tax liability. It does not contain the report. These letters allow 30 days to provide a response. Now, as I mentioned previously, we encourage a response to the initial letter or at the earliest time after our initial contact. So, if you have been granted an extension, please respond within that extension timeframe. Otherwise, letters will continue to be sent throughout the process depending on when and whether or not a response is received.

If we cannot close the case after we review the information that was submitted (the documentation and support for that line item) or if there is no response, we will send the next letter, which is Letter 525. Now, this letter will include the examination report. The examination report is the Form 4549, and it will show the proposed tax liability. Again, you have 30 days to respond to this letter. The response should include either the required taxpayer’s signature confirming agreement with the proposed liability that is on the Form 4549 (the report) or a disagreement response to the proposed liability that is shown on the Form 4549.

This process is highly automated as I mentioned before, and if you do not respond or request an extension, subsequent notices are issued automatically. If a sufficient, timely response to the report is not received, the next notice is a Statutory Notice of Deficiency. This is the Letter 3219, and it is issued via certified mail. This letter, as mentioned previously as well, is often referred to as the 90-day letter, and it is also used in the AUR program. If the taxpayer resides overseas, you are afforded 150 days to respond.

An audit will not begin with the Statutory Notice of Deficiency. I have heard people express that they never received any of the other notices. Well, perhaps they were undelivered, but the statutory notice is never the first initial contact notice. So, if you do have any specific examples of this, please provide them to the stakeholder liaison. This concern has come up in previous forums.
When we have researched it, there were actually notices that were issued earlier on in the process prior to the Statutory Notice of Deficiency.

Correspondence Exam Practitioner Concerns (or CEAP) was a major undertaking that started in Correspondence Exam, which began in 2012. We gathered, evaluated, and addressed all feedback received about the Correspondence Exam process. A large part of this effort was based on practitioner feedback that we gathered at venues such as this or through phone forums as well. In addition, we also included some of the information that was elevated through the stakeholder liaisons. During the course of this project, several improvements were made including changes to guidance. We identified over a dozen IRM changes that were necessary to clarify our examination procedures.

Also, we made changes to publications and letters. We completed several changes to the printed material, including to the Publication 3498-A, which is included in all of our notices. We also made changes to printed materials and letters such as to Letters 566 and 525, as well as the information request forms, the 886As that we issue for Schedule A and mortgage interest audits.

We increased the experience base of assistors on the Practitioner Priority Service line by removing the less experienced tax examiners from answering these types of calls. There was no substantial increase in wait time. We did check the wait time on the PPS line, and the time is about one minute total wait when the correct prompts are followed, so please listen to the prompts accordingly. And I know I hear chuckles constantly; this is not the first time that I have heard that. We did go back after this last forum, and we did call the PPS number and followed the appropriate prompts to reach the Correspondence or AUR, and it was less than one minute wait time. If you continue to have problems, please elevate those through the stakeholder liaison. It could be based on the time that you are calling into the PPS line as well.

We also piloted process changes to minimize the touches on a correspondence audit. We also rolled out Virtual Service Delivery. And what this is, this VSD equipment allows for a virtual face-to-face meeting. We piloted and tested this approach for some correspondence audits that occurred during FY13 and 14, and we are currently evaluating the cost and benefits of being able to provide this virtual face-to-face service avenue.

We also developed an Exam Mail Tool. This is an automated tool to help with the controlling and routing of all incoming mail, and it is uniform within Correspondence Exam in all of the campuses. So, mail is now controlled usually within four days of the IRS received date (once it is received in our department).
We also developed and delivered training to all employees on the results of this effort (the CEAP) with an emphasis on customer perspective, including the need to own contacts with the taxpayers over the toll-free line. Additionally, we developed new training on the proper use of sound judgment to help us resolve correspondence audits.

Now, this formal project concluded at the end of September 2014, but the long-term solutions identified through CEAP will continue as independent efforts, and these include taxpayer digital communications. We conducted some audits and pilots on a secure email portal; Internet videos explaining the Correspondence Exam process; and then also the future of Virtual Service Delivery. Now, we continue to work on many more suggestions and continue to gather feedback and share information with you, the practitioner community, through various phone forums and venues such as this.

Now we are going to discuss the AUR program (Automated Underreporter). As I briefly touched on earlier, AUR cases are created from two primary sources: this is the Individual Master File (or IMF), and that is the database that contains all of the tax return information that has been processed; and then also the Information Returns Master File (or IRMF), and that contains all of the payer information that was filed, the third-party documents, Forms W-2, 1099, 5498, et cetera.

After all current-year returns are processed, they are then computer matched to the corresponding information return file. IRS matches information from approximately 145 million 1040 returns to over 2.2 billion information returns that are submitted each year. Now, it is important to note that this is not a real-time matching process. When systemically-identified mismatches are encountered, cases are selected into the AUR program as potential inventory for analysis.

This analysis generally begins within seven months after that filing date. Not all mismatches will result in a notice being generated. Tax examiners screen the data to verify whether the mismatch is located elsewhere on the return before creating a case.

The amount of time it takes to contact the taxpayer is a recurring concern that we have received in the customer satisfaction survey, as well as in venues such as this. Now, we understand the challenges and frustration for both you and your client because this is not a real-time matching process, but it is important for you to inform your clients that contact cannot be made any sooner due to the time necessary it takes IRS to ensure that all information returns have been received and processed, as well as the complexity of the matching process in itself against the returns that have been filed.
As I mentioned, AUR cases are reviewed by tax examiners before a notice is issued and some of the discrepancies are identified. We can locate that information reported elsewhere. If income reported to IRS by these payers cannot be identified on the tax return, AUR will issue one of two notices. We will either issue the CP 2501 or a CP 2000. Depending on the conditions of the case itself, a CP 2501 notice will be issued first. This notice does not propose any tax liability, but it will supply the payer information and the explanation paragraphs concerning the apparent discrepant income or issue that we are questioning. If we do not receive a response to the 2501 timely, which is within 30 days, a CP 2000 will be issued; and if there is no response, the CP 2000 is systemically generated.

The CP 2000, as you know, is the most widely-issued notice in AUR. We could issue over four million of these notices between the seven AUR campuses per year. This is not a bill, but it does propose the change in the tax liability. Now, what we are asking for is the taxpayer to verify the income, credits, and deductions that were reported on the tax return because they differ from the information that we had received from the other sources (the third-party information).

This notice summarizes the income, payments, credits, and deductions reported to IRS by the payers, but not fully identified on the return. It will provide the payer, the payer's identifying number, what kind of document that it was reported to us on (whether it be a Form W-2 or a 1099); it also includes the Social Security number of whom the income was paid. Just as in Corr Exam, the Statutory Notice of Deficiency is a letter that will be issued when there is no response received to these prior notices. It is sent certified mail, and it will contain a partial reprint of the CP 2000 notice for reference. The reprint includes the proposed liability changes.

The format of this notice is very similar to the other two AUR notices. We have heard concerns that the Statutory Notice of Deficiency was the first notice that was issued, and some of that was driven because the CP 2501 and the CP 2000 follow the same formatting as a 3219. The timeframes for this Statutory Notice of Deficiency in AUR are the same as what is in Corr Exam. The notice provides 90 days in which you have to file a petition with tax court, and this timeframe cannot be extended. Filing a petition with tax court is not necessary if we can resolve the issues. Many of these issues can be resolved during that 90-day timeframe. If there is no response to this statutory notice, the case will default and progress to collections when there is a balance due.

I would like to take a moment to cover a few items regarding the AUR notices. It is important to read the notice and understand the issues that are being questioned. You can identify the notice type, the tax year in question, the taxpayer’s Social Security number, the AUR control number, and the
AUR toll-free telephone number by reviewing the top right of the notice. Now, this area will also include the last day to file a petition with tax court if it is the Statutory Notice of Deficiency.

The AUR control number is used internally and cannot be used to research or look at that taxpayer account. The taxpayer's SSN is what is needed. At this time – we understand because of identity theft and the issues surrounding that – we are working on implementing the use of barcodes in lieu of showing the full SSNs on these notices. But right now, due to some systemic and budgetary constraints, this is not going to be feasible until FY17.

Each notice under the additional information section on page two contains a Web landing page link, and this link will direct you to notice-specific items, such as various FAQs, helpful hints, how to avoid the same mistakes next year, direct links to the publications that you may find helpful, as well as links and information on various payment options that could be available, and also how to order a transcript. All AUR notices will contain Publication 1, *Your Rights as a Taxpayer*, as an enclosure, which addresses taxpayer rights and includes information on the examination process, the collection process, appeal, and taxpayer advocacy rights. Now, if you still have questions after reading the notice and reviewing this Web landing page, you may call the toll-free number that is shown on the notice.

Now, a CP 2000 response is generally recorded within the AUR system within 10 working days of being received assuming that it is properly routed. As mentioned earlier, we strongly encourage you to use the envelope provided. Make sure that if you don't use the envelope provided, notate and use the complete address from the return envelope including any P.O. Boxes and mail stops. This will help get the correspondence to the AUR examiner most efficiently. The fax number is also shown on the notice for the department that is assigned your case. You can choose to fax the information and not mail it in; however, there is no need to fax and mail both. If the CP 2000 response is improperly routed, it could take several weeks to post receipt of the correspondence to the AUR system.

Campuses attempt to work correspondence within 30 days of receipt, but it could take longer depending on workload. If the case cannot be worked within the 30-day timeframe, a letter will be sent out advising you that the correspondence was actually received and the case will be worked as soon as possible. This notification is made on Letter 4314C, and it is often called an interim letter or a stall letter.

I would like to cover a few helpful hints and some key items for you to follow when you are providing your response. The most common mistakes or common inquiries are due to netting amounts. Income should be reported in full with expenses or losses shown so we know how that taxable amount was
determined. Netting the income and not providing a breakdown of deductions will result in an AUR notice. Please report the income on the correct line. For example, wages should be reported on Line 7 of the Form 1040.

Now, when reporting items where there is not a specific line or designation, such as on the Form 1040 for other income, clearly identify the source of the reported amount. This not only assists the AUR tax examiner in identifying if the income is reported, it may also assist in determining if self-employment tax should or should not be proposed. Also, please do not group amounts: list multiple payers and amounts when reporting an income type or deduction that is a total of more than one source. For example, don’t group interest and dividend amounts by the same payer. It makes it difficult for the AUR tax examiner to identify that that is the information.

Provide corrected payer documents; if you have received a corrected 1099 or a W-2, provide a copy. For example, attach it to your return. Also, include all backup schedules and attachments. These schedules detail computations of amounts shown on the tax return. For example, include Form 8606, Nondeductible IRAs, to show how the taxable portion of the IRA distribution was arrived. With the improvements to the electronic filing database, many of these attachments are now available to view via the AUR system, and it should assist with us not issuing notices when we can identify these income types on attachments.

As in Corr Exam, you do not need to file an amended return in response to any AUR notice. However, if you decide that an amended return is necessary, please ensure it is signed and sent to the office that sent you the notice. Sending an amended return to the address where you usually file amended returns will more than likely delay resolution of your case. Also, please place the amended return behind the response form. Placing the notice response form on top of any response or amended return alerts the receiving area that the information relates to or was filed based on a correspondence notice. If you do not put that response form on the top of your information, it will more than likely delay AUR in receiving that response. Also, just like as in Corr Exam, any documentation should be securely attached behind the response form. AUR generally does not ask for any copies of books and records, but we may ask for a signed statement or a breakdown to support a deduction. For example, a signed statement outlining the education credit expenses.

Again, the key points we want to cover with you today is to make sure that you respond timely to our notices. If you can't respond timely, call in and request an extension, because if there is no record of a response or a granted extension, notice progression will continue. If you have issues, it is always best to work with the campus that is assigned your case. If trends are identified, please elevate them through your stakeholder liaison. Oftentimes, perhaps, information documents were processed by IRS in error or in
duplicate, and you help us identify those issues by notifying the stakeholder liaison if you see a trend.

I would also like to cover just a few items that have been brought up in previous forums as well. You know we have heard concerns regarding the size of the envelopes. I have repeated in both – for Corr Exam and in AUR – to use the envelope provided. Now, I realize a lot of the times the documentation that we are asking you to submit will not fit into the envelope provided. I realize that, and we have actually looked at a few different options, but none of them seem to be the best cost-effective method. What we have looked at is including return envelope labels, but often those labels become unattached when we are processing the responses when they come in-house, which will delay the correspondence from being associated to the Corr Exam or AUR case.

Also, there are concerns over the cost and print logistics, and it stopped us from moving on with some other alternatives. So, one creative solution that we heard at these forums is to put our return envelope or cut out the address on a larger envelope. So, if you are using a larger envelope, you could cut it out instead of writing the specific address with the P.O. Boxes or mail stops. That may help as well.

Another item is the average wait time on the toll-free telephone lines, and this is outside of PPS. Now, we understand that the taxpayers are placed on hold or placed in the queue. Normally, on average, the wait time is approximately 15 to 20 minutes, and it is going to depend on the time that you are calling in. Generally, mornings and late afternoons are the best. Another reason why we stagger the issuance of our notice is to try to limit and control the call traffic volumes.

We have recently implemented some changes to the phone services that are aimed to improve the wait time, as well as improving the scripts. You might be able to find answers to your questions just by following and listening to those scripts. But, you know, we are working. We do hear your concerns as far as the wait time. We have put measures in place – we call it “all hands on board” – where we try to get as many assistors on the line as possible when the wait time seems to be getting excessive, which us usually any time over 25 minutes. I mentioned the Practitioner Priority Service line. It is option six to reach Correspondence Exam and option five for AUR; that should help reduce your wait time.

I would like to thank you for attending today, and that concludes my presentation. Thank you.

[End of Audio]
Glossary

**Automated Underreporter (AUR)** – An Automated Underreporter (AUR) is defined as a case where the income information associated with a tax return is less than what is reported by third parties (e.g., banks, employers). A result of a mismatch between information that an individual reports on their tax return and information reported by third parties regarding that individual, such as an employer, a bank, or a financial institution. The program works its cases in a post-refund manner.

**Correspondence Examination** – A major compliance program, Correspondence Examination asks for verifications of credits and deductions claimed on a tax return to determine if they are being reported correctly. The major areas covered by this program are Earned Income Tax Credit, non-filers, and Schedule A deductions.

**Notice CP 75** – This is the taxpayer’s initial contact letter for EITC and dependency issues when IRS holds at least a portion of the refund.

**Notice CP 75A** – This is the taxpayer’s initial contact letter for EITC and dependency issues when there is no frozen refund pending.

**Notice CP 2000** – This notice shows proposed changes to your income tax return. This proposal is based on a comparison of the income, payments, credits, and deductions reported on your tax return with information on these items reported to us by employers, banks, businesses, and other payers. The CP 2000 also reflects any corrections we made to your original return when we processed it.

**Notice CP 2501** – This notice is a preliminary inquiry letter and does not propose a change to tax liability. It supplies payer information and explanation paragraphs concerning the income discrepancy.

**Statutory Notice of Deficiency (Letter 3219)** – This is frequently called the “90 day” letter. The certified letter is sent when the taxpayer does not respond to a notice.
Index

A
Automated Underreporter (AUR)
  Definition, 14
  Helpful hints, 11-12
  Notice details, 10-11
  Notice progression, 10
  Overview, 2, 9
  Similarities with Correspondence Examination, 2-4

C
Correspondence Examination
  Audit issues, 4-6
  Definition, 14
  Inventory selection, 4
  Letters and notices, 6-8
  Overview, 1-2
  Practitioner concerns (CEAP), 8-9
  Similarities with AUR, 2-4

N
Notice CP 75, 7, 14
Notice CP 75A, 7, 14
Notice CP 2000, 10-11, 14
Notice CP 2501, 10, 14

P
Practitioner concerns, 12-13

S
Statutory Notice of Deficiency, 2-3, 7-8, 10-11, 14