



Internal Revenue Service
Employment Tax

National Reporting Officers Training Seminar

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Small Business/Self-Employed



Purpose of the IRS Presentation

- To discuss the Internal Revenue Service (IRS) audit process.
- Highlight the differences between IRS vs. Railroad Retirement Board (RRB) audit process



The Exam Process

- IRS follows Title 26, Internal Revenue Code (IRC)
- Treasury Regulations, court decisions, and other rules and procedures
- Railroad Retirement Tax Act (RRTA), Subtitle C, Employment Tax, Chapter 22



Interagency Agreement

Memorandum of Understanding (MOU) between RRB and IRS provides for:

- The sharing of information
 - Some information is shared automatically both ways
 - Some information must be requested in writing by either party
- Assistance in the examination of entities
- Coordination of RRTA administration



Overview of IRS Audit Process

- Case assignment/Pre-plan analysis
- Initial contact with taxpayer/meeting
- The audit
- Closing conference
- Case closing



Pre-plan Analysis

The Examiner will review:

- Filed Tax Returns (Income, ET and CT-1),
- Filed Information Return Documents (W-2s, 1099s)
- IRS Computer Records,
- Internet (SEC Filings, taxpayer web site, more),
- Information and filed documents requested from RRB

NOTE: The examiner can recommend that a case be closed at this point with no contact with the taxpayer.



Initial Contact & Meeting

- Initial contact will be by letter, never by e-mail
- A mutually agreed to date will be set
- Depending on the size of the business the meeting will include:
 - Formal Opening Conference,
 - Discussion of timelines,
 - Interview & Tour of Business,
 - Discussion of Alternative Resolution Methods,
 - Protecting the Statute of Limitations (if applicable),
 - More . . .



The Audit

The gathering and analysis of the facts and data ~~via~~:

- Information Document Requests (IDRs),
- Observations,
- Additional interviews,
- Third Party Contacts,
- Reconciling of 941s to W2s/CT-1s to BA-3a's, etc.
- More . . .



Closing Conference

- Presentation and discussion of the issues and findings of the audit
- Discussion of payment options
- Discussion of “Alternative Resolution” options
- Discussion of Statute of Limitations requirements



Closing the Case

Generally, the examiner will:

- Prepare the final examination report
- Discuss alternatives, if unagreed
- Write a rebuttal to taxpayer protest



Closing the Case

Generally, the examiner will:

- Prepare for alternative resolution meetings such as Fast Track Settlement or Pre-Appeals Conference.
- Prepare case for closure
 - Unagreed
 - Agreed



Reminders

IRS employment tax exam will include:

- CT-1s
- Forms 941 and Form 945
- W2s
- 1099s

IRS has no authority for RUIA

Assessment Authority?

- RRB – no
- IRS – yes

3 Year Statute of Limitations?

- RRB – yes for BA-3
- IRS – yes for CT-1 and Form 941



Timeframes

- An IRS audit can begin at any time during the year.
- The length of an IRS audit can be a few months to several years.

REMINDER: Generally, the statute of limitations is 3 years from the date a return is filed. This can be extended by mutual agreement of taxpayer and IRS.



Where to find information?

IRS Web site: www.irs.gov

Publications:

- Pub 1, *Your Rights as a Taxpayer*,
- Pub 5, *Your Appeal Rights...*
- Pub 15, *Employer's Tax Guide*
- Pub 5146, *Employment Tax Returns: Examinations and Appeal Rights (NEW)*



Thank you!
Questions?
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