

FY 2002 EXEMPT ORGANIZATIONS (EO) IMPLEMENTING GUIDELINES



The Mission of the Exempt Organizations Segment is to provide Exempt Organizations customers top quality service by helping them to understand and comply with applicable tax laws, and to protect the public interest by applying the tax law with integrity and fairness to all.

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FY 2002 IMPLEMENTING GUIDELINES

TELEPHONE CONTACTS

Questions regarding the Guidelines should be referred to the following individuals as indicated.

<p>Sanford Ayers, Executive Assistant to the Director Exempt Organizations</p> <p>Staff Contact: Margaret Ransom</p> <ul style="list-style-type: none"> ➤ General Questions ➤ PAC 2C - Account Management and Assistance-Electronic/Correspondence Assistance Planning Guidelines ➤ PAC 5A – Unit General Management and Administration Planning Guidelines 	<p>(202)283-2300</p> <p>(202)283-2300</p>
<p>Joseph Urban, Manager Technical Guidance and Quality Assurance</p> <ul style="list-style-type: none"> ➤ PAC 1B - Tax Law Interpretation and Published Guidance Planning Guidelines 	<p>(202)283-2300</p>
<p>Roberta Zarin, Director Customer Education and Outreach</p> <ul style="list-style-type: none"> ➤ PAC 1C – Taxpayer Communication and Education Planning Guidelines 	<p>(202)283-2300</p>
<p>Lois Lerner, Director Rulings and Agreements</p> <p>Staff Contact: Michael Rachael</p> <ul style="list-style-type: none"> ➤ PAC 1E - Rulings and Agreements Planning Guidelines 	<p>(202)283-2300</p> <p>(202)283-2300</p>
<p>Rosie C. Johnson, Director Examinations</p> <p>Staff Contact: Roger Greening</p> <ul style="list-style-type: none"> ➤ PAC 7G – Tax Reporting-Field Examinations Planning Guidelines 	<p>(214)767-1490</p> <p>(214)767-1490</p>
<p>Margaret Ransom</p> <ul style="list-style-type: none"> ➤ Activity Codes and Project Codes ➤ Form 5440 Instructions 	<p>(202)283-2300</p>

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Executive Summary

Exempt Organizations

FY 2002 Implementing Guidelines

The Implementing Guidelines direct how the Exempt Organization segment will apply resources to programs that support our major strategies and operational priorities. The Guidelines identify projected staff resources and describe the work in following areas:

- Activities within the Office of the Director, Exempt Organizations
- Customer Education and Outreach program emphasis areas and activities
- Rulings and Agreements emphasis areas, including tax law interpretation and published guidance
- Examination emphasis areas and planned compliance activities

Activities within the Office of the Director, Exempt Organizations

The Office of Director, Exempt Organizations plans, manages, directs and executes nationwide activities for Exempt Organizations (EO).

Our FY 2002 initiatives will be:

Exemption Letter Determinations

EO will reassign determination work from the Director, Examinations, to dedicated determination groups reporting to Rulings and Agreements. This will provide a single management chain and promote more efficient use of resources to process the determination workload.

The office will continue to support the redesign and enhancement of the TE/GE Determination Letter System (EDS) to eliminate downtime and delays in the overburdened system.

Examinations

We will stabilize the Examination program and increase EO's presence in the community. We will use CE&O and compliance contacts, in addition to traditional tools, to improve performance in the examination program and to establish a resource-appropriate EO-wide compliance presence. The EO compliance program will be based on market segment research and will include issue-specific projects.

Electronic Filing

EO will continue developing an electronic filing option for Forms 990. Electronic filing will reduce customer burden yet allow us to capture more data with fewer errors.

Customer Education and Outreach Emphasis Areas

Customer Education and Outreach (CE&O) develops nationwide education and outreach programs for EO customers to promote up-front voluntary compliance. The new Office of the Director, EO Customer Education and Outreach was created as part of the reorganization. In FY 2002, the Office will concentrate on hiring staff, develop a strategic multi-year education and outreach plan and begin to implement that plan.

Conferences

During FY 2002, CE&O and other EO staff will develop and present customer conferences.

- Small and Mid-sized Exempt Organization Conferences -- These one-day conferences, throughout the country, will include guidance on filing requirements, recordkeeping, unrelated business income and other issues.
- IRS/State Charity Officials Joint EO Conferences -- This pilot program will involve jointly-held conferences across the country with the National Association of Attorney Generals and/or the National Association of State Charity Officials.
- CEP/ISP Conferences -- This "Issue Conference" will focus on technical issues relating to healthcare and colleges and universities. This is a pilot program to disseminate issues we identify in our examination and determination processes to the public through educational and outreach programs. CE&O expects to work with Examination to expand the program on a national level.

Publications

During FY 2002, CE&O will initiate or update the following publications:

- Church Publication – Churches are not required to apply for exempt status or file Forms 990. However, as exempt organizations, they and other religious organizations are subject to various tax rules. To explain these rules and exceptions, CE&O will produce an updated version of the Church Publication.
- Donated Vehicles – Soliciting donations of cars and other assets has become a popular fundraising technique. Unfortunately, if not handled properly, these activities can raise compliance issues. CE&O will coordinate with other EO staff and state charity officials to help exempt organizations avoid problems raised by vehicle donation programs.
- Precautions to Take When Making a Charitable Contribution – Concerns have been raised about certain fundraising activities. We will work with the Wage & Investment Division, state charity officials, and outside stakeholders to develop a pamphlet to help prospective donors.
- 527 Political Organizations – Significant new legislation affecting 527 organizations was passed in 2000. CE&O will develop a brochure describing the tax rules pertaining to these organizations.
- Should My Organization Apply for Tax Exempt Status? - CE&O will prepare a "beginner" brochure explaining "pros" and "cons" of exemption for organizations that are considering applying for tax exemption.
- Dos and Don'ts for Exempt Organizations –CE&O will prepare a brochure covering "basic" steps exempt organizations should take or avoid.

- Publication 557, Tax Exempt Status for Your Organization – Pub. 557 discusses the rules and procedures for all 501(a) exempt organizations that seek to obtain recognition of exemption under the federal income tax code. CE&O will review the publication to determine how to make it easier to use.
- Gaming Publication for Tax Exempt Organizations – Minor changes will be made to update this publication.

Customer Partnerships

CE&O will identify various EO stakeholders and begin on-going relationships with these organizations.

Rulings and Agreements Emphasis Areas

In FY 2002, Rulings and Agreements will plan, manage, direct, and execute nationwide activities in the following areas:

- The exemption application process, including, in the coming year, studying the effectiveness of the advance ruling and follow-up process to identify improvements, and reviewing criteria for group exemption rulings;
- EO's responsibilities in issuing technical guidance documents, including working with Counsel and Treasury on regulations for intermediate sanctions and corporate sponsorship, and developing projects on the "two-year" list of the IRS-Treasury Business Plan, for example, guidance on allocating expenses in calculating unrelated business income tax;
- Issuing private letter rulings requested by external customers, and providing technical advice and other assistance to other segments of TE/GE and IRS, including work on streamlining the provision of technical assistance to agents;
- Developing and issuing the Exempt Organizations Continuing Professional Education text and other training for TE/GE EO personnel;
- Helping CE&O provide guidance through "plain language" publications, the IRS website, and other media;
- Providing technical expertise for updating exempt organization forms, including several forthcoming modifications to the Forms 990.

Examination Emphasis Areas

EO Examinations is comprised of EO examination specialists, supervised by EO Group Managers who are supervised by the EO Area Manager within a given geographic area. The Director, EO Examinations, supervises the activities of EO Examination Programs and Review (EPR) and the six EO Area Offices.

This year's examination plan, part of the TE/GE Strategic Plan, is intended to enhance IRS's presence in the exempt organizations community. Our objective is to promote voluntary compliance. The plan balances the need for broad coverage with the need to use our resources to learn more about the EO community. The FY 2002 plan also recognizes EO Examination's role in education and outreach and acknowledges that we can no longer limit our exam resources to conducting "traditional" examinations.

In FY 2002, Examination will begin an initiative to research internal and external data to identify compliance problems. The Director, EO Examinations, formed the EO Compliance Council in FY 2001 to integrate, develop and recommend compliance activities within EO. The Council will identify areas that need attention and recommend the best way to address them, including: direct case examinations; compliance checks and other non-examination compliance activities; customer education and outreach; and general compliance research activities.

Market Segment Approach

The Compliance Council recognizes that the “EO community” is comprised of widely diverse organizations with widely diverse needs. For example, small volunteer organizations have issues and needs that are very different than the issues and needs of larger non-profit hospital systems. The Compliance Council has been asked to identify “market segments” within EO, collate all available information, including compliance information for each segment, and identify and analyze the compliance risks associated with each segment. The Compliance Council has preliminarily identified 35 segments. If the IRS does not have sufficient information to assess the characteristics of a particular segment, we will develop market segment studies to obtain the information.

We will begin six market segment studies in FY 2002. We will examine statistically valid samples in each of the following categories:

- 501(c)(7) Social Clubs
- 501(c)(5) Labor Organizations
- 501(c)(6) Business Leagues
- Community Trusts
- Social Services
- Religious Organizations (not churches)

Compliance/Education Projects

The Director, EO Examination, has also designated several compliance/education projects for FY 2002. In keeping with the overall compliance strategy, these projects will address concerns or known areas of non-compliance. We will implement the following projects:

- IRC 527 Organizations – An EO Examinations task group will contact political organizations treated as section 527 organizations whose Form 8871 and 8872 returns are inconsistent, conduct a sample to validate that the filings were filled out correctly, and develop a non-filer initiative.
- Private School Schedule A Filers – Our records indicate that certain private schools have failed to file Form 5578, *Annual Certification of Racial Nondiscrimination for a Private School Exempt from Federal Income Tax*. We will verify the accuracy of our records; determine why there is noncompliance through a compliance check project of a sample of organizations; and initiate a compliance/education program.
- UBI (Debt-Financed Property) – A previous local project identified significant non-compliance with Forms 990 showing both rental income and a mortgage payable, but no corresponding Form 990-T reporting debt-financed income.
- Status 40/41 (Filed but no record of exemption) Project – We will develop a Compliance Contact Project, in which we will contact a sample of 501(c)(3), (c)(9) and (c)(17) organizations that filed a series 990 return, but for which we have no record of exemption.

- Political Contributions made by IRC 501(c)(3) Organizations – Certain governmental entities have published lists of organizations making political contributions. We are developing a strategy to use these lists to identify exempt organizations that may be prohibited from making such contributions.
- Donor-advised Funds – The media has focused on exempt organizations, such as commercial investment funds offering charitable accounts, receiving a large volume of contributions. A cross-functional taskforce will provide the Director, EO Examinations, with strategies to determine the organizations' level of compliance with the tax laws, including the rules relating to section 170.
- Inurement and the Application of the Intermediate Sanctions Rules -- EO Examination will undertake one or more projects in the area of inurement and the application of the intermediate sanctions rules. An EO Examinations taskforce will develop an overall strategy relating to these rules.
- Compliance Initiatives for IRC 501(c)(15) Organizations -- A cross-functional taskforce, made up of EO Examinations, Rulings & Agreements and TE/GE Counsel will provide the Director, EO Examinations, with a plan to determine the organizations' level of compliance with tax laws. These strategies may include a market sample or one or more compliance projects.
- Fundraising Activities -- A taskforce will design EO Examinations projects to monitor this activity.

Form 990 Program

In addition to those projects described above that will utilize a compliance check approach, during FY 2002, EO Examinations will design one or more Form 990 “compliance check” projects to address specific compliance issues. Under these projects, we will begin to contact taxpayers for information about a specific compliance issue based on information reported on Form 990. Some responses may lead to a limited scope examination of a particular issue, but the primary goal of these projects is to improve quality of reporting on Form 990.

Coordinated Examination Program

For FY 2002, the EO Steering Committee will continue to review the focus and direction of the Coordinated Examination Program (CEP). The Committee will consider using the team audit concept and design on taxpayers traditionally beyond the focus of CEP.

ATTACHMENT I

Planning Process

INTEGRATION OF BUDGET PLANNING WITH WORK PLANNING

The IRS strategic and planning process is designed to integrate resource allocation with strategic and program planning to determine the effective use of those resources. Within Tax Exempt and Government Entities (TE/GE) Division, each segment (EP, EO, GE and CAS) will develop the following three components:

- a) Strategic Plan – The Strategic Plan identifies specific trends, issues and problems (TIPs) and details the strategies that will be applied to address them. The Plan summarizes the operating priorities and improvement projects for each approved TIP.
- b) Program Plan – A Program Plan is prepared by each Operating Division and functional unit. The Plan contains specific information about the scope and resource allocations proposed for the programs that support the major strategies, operational priorities, and improvement projects in each area.
- c) Implementing Guidelines and Plan (formerly known as Workplan Guidelines and Plan) – The Implementing Guidelines provide direction for preparing the fiscal year Implementing Plan of how resources will be applied to programs that support the major strategies and operational priorities of the Operating Division and functional unit. The Guidelines identify planned staff days/FTEs by budgetary categories (i.e., budget activity codes (BACs) and program activities codes (PACs)). The Guidelines also identify:
 - Tax Law Interpretation and Published Guidance activities
 - Rulings and Agreements Program emphasis areas, projected determination inventory, planned determination case closures, and planned technical activities closures
 - Customer Education and Outreach Program emphasis areas and activities
 - Activities within the Office of the Director, Exempt Organizations
 - Examination Program emphasis areas, planned compliance activities, and planned return examination closures

These three components are linked through a structural planning and budget layout of the following codes.

- **Budget Accounting Codes (BAC)** (Pre-filing Services, Filing and Account Services, Unit General Management and Administration, Compliance Services, Research and SOI)
 - **Program Accounting Codes (PAC)** (subcategories within each BAC)
 - **Activity Codes (AC)** (Technical Time and AIMS activity codes)
 - **Project Codes (PC)** (Technical Time and AIMS project codes)

EO performs activities in the following BACs and PACs:

BAC 21 – Prefiling Taxpayer Assistance & Education

PAC 1B – Tax Law Interpretation and Published Guidance

Activities under PAC 1B consist of providing interpretations of laws and procedures by developing and publishing guidance through news releases, announcements, notices, revenue rulings, and revenue procedures. Technical assistance is provided to Treasury on Regulations and proposed legislation, to Congress on new law, and to Chief Counsel and other federal agencies. Technical assistance and guidance are provided to other Service employees through the publication of the annual Continuing Professional Education text. Activities under this PAC are primarily performed by employees located in the Washington, DC office.

PAC 1C – Taxpayer Communication and Education

Activities under PAC 1C consist of developing and delivering education and outreach programs to the exempt organizations community to promote voluntary compliance by assisting customers in understanding their tax responsibilities. This is accomplished through IRS and EO community sponsored conferences, seminars, speeches, panels, and workshops. Customer partnerships/liaisons and focus groups are also utilized to educate and communicate with the EO community. Published documents and websites are used for indirect communication with customers. Activities also include tax forms, publications, form letters, and form development. All exempt organization employees participate in education and outreach program activities.

PAC 1E – Rulings and Agreements

Activities under PAC 1E consist of providing pre-transactional rulings to specific requestors and issuing technical advice and technical assistance regarding exempt organizations. These activities are performed by employees located in the Washington, DC office. In addition, the Washington, DC office develops and operates voluntary correction programs and issues compliance and correction statements or enters into closing agreements under these programs. Activities under PAC 1E also consist of processing determination letter requests from organizations seeking recognition of tax-exempt status. These activities are

performed by the centralized determination processing site in Cincinnati, Ohio, assisted by employees located throughout the country.

BAC 22 – Filing and Account Services

PAC 2C – Account Management and Assistance – Electronic/Correspondence Assistance

Even though EO does not have management responsibility for employees assigned to this PAC, EO does provide support services and program assistance to Customer Account Services (CAS), the segment responsible for managing the program.

BAC 25 – General Management

PAC 5A – Unit General Management and Administration

Activities under PAC 5A consist of planning, managing, directing and executing nationwide activities for Exempt Organizations. Employees assigned to this PAC consist of the Director, Exempt Organizations, the Executive Assistant to the Director, and the Program Management Staff.

BAC 37 – Compliance Services

PAC 7G – Tax Reporting Compliance-Field Examinations

Activities under PAC 7G consist of developing the overall enforcement strategy and goals to enhance compliance consistent with overall TE/GE strategy. This includes implementing and evaluating EO examination policies and procedures, and monitoring and evaluating the quality and effectiveness of the Examination programs. Activities also include regulating and monitoring exempt organizations through examination of returns and other compliance efforts, with emphasis on assuring that exempt organizations continue to meet the statutory requirements for exemption and their other federal tax responsibilities, including employment taxes. Tax administration and enforcement activities are coordinated with other federal and state agencies.

MANAGEMENT INFORMATION REPORTS (MIRs)

The TE/GE Technical Time Reporting System (ETS) will be used to capture and monitor time application by EO technical, managerial, and some non-technical employees.

ETS Table 14 will follow the BAC and PAC structural layout as defined above. EO technical time activity codes and project codes have been aligned under the appropriate BAC and PAC. Exhibit A includes EO activity codes and project codes aligned under the appropriate BAC/PAC along with their definitions for FY 2002.

BALANCED BUSINESS MEASURES

The IRS has worked to implement a system of balanced measures that include employee satisfaction, customer satisfaction and business results. For FY 2001, balanced measures were implemented at the national level for TE/GE and other operating divisions and functional divisions. To realize the full benefits of the program, Exempt Organizations balanced measures will be deployed down to the Area Office level.

EO Balanced Business Measures for FY 2002 are listed below by PAC. A discussion of the measures, as well as their goals for FY 2002, can be found under the planning guidelines for the applicable PAC.

PAC 1B – Tax Law Interpretation and Published Guidance

- None. Measures will be developed during FY 2002.

PAC 1C – Taxpayer Communication and Education

- Education and Outreach FTE Applied
- Number of Outreach Efforts
- Customers Reached (direct)
- Customers Reached (indirect)

PAC 1E – Rulings and Agreements

- Determination Customer Satisfaction
- Determination Cases Closed (all case closures)
- Determination Letter Timeliness
- Determination Letter Quality
- EO Technical Activities Closed

PAC 7G – Tax Reporting Compliance-Field Examinations

- Examination Customer Satisfaction
- EO CEP Examination Customer Satisfaction
- Examination Quality
- EO CEP Examination Quality
- Examination Timeliness (excludes CEP)
- EO CEP Examination Timeliness
- Examination Cases Closed
- EO CEP Taxpayers Closed
- EO CEP Direct Staff Days

Measures for employee satisfaction for all of the PACs will be developed during FY 2002.

ATTACHMENT II

BAC 25 – GENERAL MANAGEMENT AND ADMINISTRATION

PAC 5A – Unit General Management and Administration

GENERAL MANAGEMENT AND ADMINISTRATION PLANNING GUIDELINES

OFFICE OF THE DIRECTOR, EXEMPT ORGANIZATIONS

Director, Exempt Organizations is responsible for planning, managing, directing and executing nationwide activities for Exempt Organizations. The Director reports to the TE/GE Division Commissioner. The Executive Assistant to the Director and the Program Management Staff support the activities of the Director's office. The Director, Exempt Organizations also supervises and is responsible for the activities of the Directors Customer Education & Outreach (CE&O), Rulings & Agreements (R&A), and Examinations.

Activities of the Office of the Director include:

- Coordinating with the TE/GE Planning office to develop and implement measures for the EO segment that balance employee satisfaction, customer satisfaction and business results;
- Coordinating with state agencies and the Director, TE/GE Customer Account Services on the design of EO forms and instructions and on the processing of EO forms.;
- Coordinating with the TE/GE Finance office to develop, implement, and monitor budgeted funds;
- Maintaining an effective internal communications program to keep employees informed of EO policies, procedures, laws and regulations;
- Developing functional implementing guidelines (formerly known as workplan guidelines) in consultation with the Directors CE&O, R&A, and Examinations, and monitoring accomplishments;
- Assisting in the development of business review criteria and participating in visitation programs;

- Coordinating activities of oversight agencies;
- Participating on IRS/NTEU partnering council;
- Participating on the TE/GE Advisory Committee; and,
- Assisting in the development of Internal Revenue Manual and other required procedural guidelines.

FY 2002 INITIATIVES

During FY 2002, the following initiatives will be continued and/or undertaken:

- Determination work currently assigned and reporting to the Director Examinations will be assigned to dedicated determination groups reporting to Rulings and Agreements in order to promote more efficient use of available resources to process determination workload.
- Stabilize the Examination program and improve EO's presence in the community. Performance trends are being studied and areas of concern identified for additional management action to improve performance on balanced measures. EO will ensure that best practices are identified and disseminated nationally. The goal of this initiative is to improve performance in the examination program and to establish a resource-appropriate EO-wide compliance presence through the work of both CE&O and Examinations using compliance contacts based on market segment research and profiling efforts already underway. Resources for processing determination workload will be limited to those used in FY 2001 and processed by dedicated workgroups reporting to the Director, Rulings & Agreements.
- Partner with Electronic Tax Administration (ETA) and Information Technology Services (ITS) to develop Form 990 electronic filing. Electronic filing will allow more taxpayer data to be captured with fewer errors while enabling the electronic disclosure of return data to internal and external requestors. This initiative will lessen customer burden, improve the accuracy of Exempt Organization account information, facilitate timely and accurate electronic access to disclosable return information, reduce repetitive paper processes and data entry, and decrease taxpayer contacts/correspondence and unpostable situations at the EO Business Master File.
- Continue to support the redesign of the TE/GE Determination Letter System (EDS). EDS redesign will eliminate downtime and delays in the overburdened legacy system and will provide system enhancements to automate case grading, classification and assignment (eliminating time-consuming manual intervention). Some of the major business capabilities that may be delivered by the re-engineered and redesigned system include improved receipt and control of applications for determination, more accurate and efficient processing of user fees, improved inventory and status control of determination cases, automatic generation of acknowledgements and other

correspondence to filers, accurate creation and updating of master file entities and account information, and generation of final determination letters for organizations.

ATTACHMENT IIIA

BAC 21 - Prefiling Taxpayer Assistance and Education

PAC 1B – Tax Law Interpretation and Published Guidance

TAX LAW INTERPRETATION AND PUBLISHED GUIDANCE PLANNING GUIDELINES

OFFICE OF THE MANAGER, TECHNICAL GUIDANCE AND QUALITY ASSURANCE

The activities of PAC 1B are supervised by the Manager, Technical Guidance and Quality Assurance, who reports directly to the Director, EO Rulings & Agreements. The Technical Guidance and Quality Assurance office staff is located in Washington, D.C. and is responsible for providing technical interpretations of laws and procedures relating to exempt organizations by publishing revenue rulings, revenue procedures, announcements and notices for the public in conjunction with TE/GE Division Counsel and the Department of Treasury. This office also works with other EO and TE/GE offices to identify and address emerging issues, share best practices, design proactive education and communication programs to meet internal and external customer needs, and develop programs to increase the quality of the work product.

PRIMARY INITIATIVES FOR FY 2002

The Office will focus on encouraging voluntary compliance and promoting technical quality. It will assist external and internal customers. Its internal customers are primarily the other segments of Rulings and Agreements (EO Technical and EO Determinations) as well as other EO functions, primarily Customer Education and Outreach (CE&O), and EO Examinations. It will provide interpretations of laws and procedures through the issuance of technical guidance documents (e.g., revenue rulings, revenue procedures, etc.) that it develops in cooperation with TE/GE Division Counsel and the Department of Treasury. In issuing Revenue Rulings the Office will follow Revenue Procedure 2001-4 issued in the Internal Revenue Bulletin No. 2001-1, January 2, 2001. The Office will provide technical expertise and assistance to EO Technical in individual cases.

It will provide technical expertise and assistance to the Director, Customer Education & Outreach in developing plain language publications and other material designed to help exempt organizations and the general public understand their rights and responsibilities in this area of tax law. It will achieve these objectives by:

- Working with TE/GE Counsel and Treasury to develop and issue the EO guidance items on the IRS/Treasury Priority Guidance Plan including final regulations on corporate sponsorship, intermediate sanctions, and qualified state tuition plans, and revenue rulings or procedures under sections 501(c)(4), 501(c)(12), 507, 514, and 4947(a)(2).
- Working with Employee Plans to identify and make needed revisions to the procedural revenue procedures (Rev. Proc. 2001-4, Rev. Proc. 2001-5, and Rev. Proc. 2001-8) that are published each year in the first issue of the IRB.
- Working with TE/GE Counsel and Treasury to develop EO guidance projects on the “two-year” list of the IRS/Treasury Priority Guidance Plan including guidance on group rulings under section 501(c)(3), simplification of the advance ruling process under section 509(a), and guidance for allocating deductions in computing UBIT.
- Reviewing “significant” technical work performed in EO Technical, including adverse rulings subject to declaratory judgment, rulings in which the opinion of TE/GE Counsel is being requested, other cases presenting difficult interpretative issues, and holding conferences with the requesting organizations in those cases.
- Working with TE/GE Counsel to resolve particular cases, including cases in litigation, and identify developing issues.
- Monitoring legislative developments and coordinating with other IRS offices, including TE/GE Counsel and Treasury, to develop internal and external guidance needed to implement the legislation.
- Seeking and reviewing input from customers on their guidance needs and priorities, and issues suitable for EO voluntary corrections programs.
- Responding to congressional and customer correspondence on EO issues.
- Working with Counsel and Treasury to identify guidance projects for the annual IRS/Treasury Priority Guidance Plan.
- Assisting the Director, Customer Education and Outreach in developing materials such as plain language publications and web-site content to assist customers in how to understand and comply with their requirements.
- Developing technical training materials for EO employees using media including the IRM, memoranda, CPE, the IRS intranet, and IVT’s. Topics for the IVT’s will be developed in conjunction with EO Examination.
- Coordinate with the National Association of State Charity Officials (NASCO) through development of joint initiatives and provision of mutual support. Activities will include providing speakers for various symposiums and attendance at meetings; facilitation of timely sharing of enforcement and other information relative to applications for exemption, annual information returns and group exemptions; and providing invitations to IVT’s.

BUSINESS PERFORMANCE

For the Fiscal Year 2002, a major workload indicator for this Office will be accomplishing its responsibilities in producing required public guidance, including the nine items in the annual IRS/Treasury Priority Guidance Plan, the annual updates of procedural guidance, preliminary drafts or studies of items on the two-year plan, and guidance needed to implement provisions of any legislation affecting exempt organizations enacted in FY 2002. For this fiscal year the expected number of Guidance Documents to be issued is 20. Published guidance will be enhanced with general information articles and lesser forms of guidance which, while not establishing precedent, will give an indication of the author's position.

Another major workload indicator will be the EO Technical casework reviewed and the ability to resolve or elevate the issues as appropriate.

Also in accordance with the IRS Modernization Plan, Balanced Measures for this Office will be developed during this fiscal year. Additionally, all employees and Managers of this Office will begin preparing (for the first time) Technical Time Reports under ETS beginning on October 01, 2001 to develop baseline data to enable more efficient and effective planning and monitoring of work performed in the Office.

ATTACHMENT IIIB

BAC 21 - Prefiling Taxpayer Assistance and Education

PAC 1C – Taxpayer Communication and Education

CUSTOMER EDUCATION AND OUTREACH PLANNING GUIDELINES

OFFICE OF THE DIRECTOR, CUSTOMER EDUCATION AND OUTREACH

The activities of PAC 1C are supervised by the Director, Customer Education and Outreach, (CE&O) who reports to the Director, Exempt Organizations. The Director CE&O is responsible for developing the strategic direction of the nationwide education and outreach programs for EO customers in order to promote up-front voluntary compliance. The CE&O office staff is located in Washington, DC. The CE&O office should be fully staffed by the end of FY 2003.

OVERVIEW

Customer Education & Outreach (CE & O) will focus on helping EO external customers understand their tax responsibilities by achieving the following objectives:

- Develop a tailored education program focused on customer sub-segments.
- Monitor non-compliance trends to design proactive outreach products for use by customers.

EO's compliance activities relating to CE & O include both direct and indirect contacts with external customers. The ***Customer Education Program*** involves direct contact with customers through IRS participation at conferences/seminars/workshops and the delivery of speeches either individually or as part of a panel. ***Outreach*** involves indirect contact with customers through articles, publications, websites and customer partnerships.

CE & O will support and leverage the programs of the other two EO key processes (Examinations and Rulings & Agreements) through both the ***Customer Education Program*** and ***Outreach***.

The Office of the Director, EO Customer Education and Outreach was created as part of the reorganization and did not exist prior to that time. As a result, in FY 2002, the Office will concentrate on hiring staff, developing a strategic multi-year education and outreach plan and will begin implementation of that plan.

I. CUSTOMER EDUCATION PROGRAM (Direct Contact)

CE & O initiatives will be identified through direct contacts (***Customer Education Program***) either by initiated contacts from EO customers or from EO initiated contacts as part of proactive education to customers. Speeches/panels/workshops are examples of such initiatives. Staff from Rulings and Agreements and Examinations will support these initiatives.

Conferences

EO Small and Mid-sized Conferences -- During FY 2002, EO Examination Revenue Agents will present one-day conferences to small and mid-sized exempt organizations in various cities throughout the country. These conferences will include guidance on:

- Exemption
- Filing requirements and properly filling out the form
- Recordkeeping
- Unrelated Business Income
- Wagering Excise Tax (Gaming)
- Disclosure/Charitable Contributions
- Employment Taxes
- Audit Process
- Customer Service

CE&O will begin to coordinate and support the planning and delivery of these conferences.

The coordination will involve:

- Determining appropriate conference locations,
- Partnering with Examination to assign agents to specific conferences, and
- Working with Rulings and Agreements and Examination to accomplish this goal.

CE&O support will include:

- Advertising the conference on the EO internet site,
- Participating in the marketing of the conferences through contact with stakeholders,
- Generating invitations and preparing mailings,
- Allowing for on-line registration (via e-mail directly to EO CE&O),
- Developing a centralized registration process for receiving conference registrations,
- Sending follow-up confirmation letters,
- Retaining historical data on types of organizations interested in EO conferences, and
- Capturing conference attendee feedback, to be used to improve future conferences.

Application for Exemption Conferences -- Using the framework developed for the Small and Mid-sized EO Conferences, CE&O will plan to expand the conference program by adding separate workshops on applying for exempt status.

Conference Cadre -- In an effort to further expand this application across the nation, EO CE&O will plan and develop a Conference Cadre of presenters, made up of staff from Ruling

and Agreements and EO Examination. Involvement in the Conference Cadre will include training on preparing to present a conference.

IRS/State Charity Officials Joint EO Conferences -- In order to provide a broader-range of information to our customers, EO CE&O and the other two EO processes will build a pilot program where we will develop and prepare to present jointly-held conferences across the country with NAAG/NASCO or its constituent members.

The planning/coordination of a conference includes the time spent on all activities involving: choosing an adequate conference facility, marketing and advertising the conference, and compiling the registration information. Delivery includes the time applied to preparing to deliver the presentation. EO participants at IRS sponsored conferences should charge technical time to EO Conferences/Seminars Activity Code 101. Attendance is applicable for all other employees who are not directly delivering but support the **Customer Education Program** and includes the activities necessary to travel to/from and to attend the actual conference/seminar. Participant travel is charged to Activity Code 104.

CEP/ISP Conferences/Seminars -- During the second or third quarter of FY 2002, EO Examinations will conduct a pilot "Issue Conference" focusing on technical issues relating to healthcare and colleges and universities. This pilot program represents how issue identification, recognized through the examination and determination processes, is being retained and how emerging issues will be disseminated to the public through educational and outreach programs. CE&O expects to work with Examination to expand the program on a national level.

Time applied to this conference will also fall under the Activity Code 101 (participant travel – Activity Code 104); however, the Project Codes for CEP/ISP conferences will differ.

Speeches/Panels/Workshops

EO staff will continue to respond to invitations for speakers to address the exempt organizations' community. This initiative applies to non-IRS sponsored or co-sponsored conferences, seminars or workshops (external meetings) where an exempt organization employee delivers a speech or makes a presentation either individually or as a part of a panel.

Staff involvement in this initiative, Activity Code 102, includes the planning/coordination and the delivery of and the attendance at speeches/panels/workshops. Planning/coordination includes all activities that occur before the actual speech or presentation. Delivery includes all time applied to the delivery of the speech or panel presentation. Attendance is applicable for all other employees who are not directly delivering but support the **Customer Education Program** and includes the activities necessary to travel to/from and to attend the actual speech/panel/workshop. Participant travel is attributed to Activity Code 105.

CEP/ISP Speeches/Panels/Workshops that are not IRS-sponsored or cosponsored use the same activity codes; however, the project codes differ from the above.

Speaker/Mentor Pilot Program. -- To fully support this EO education initiative, EO CE & O, along with EP CE&O, will coordinate and monitor the TE/GE Speaker Mentoring Pilot Program.

This pilot program includes a Mentor portion and Speaker portion. The program will match a mentor to each speaker wanting to improve his or her presentation skills. The mentors will work with their designated speakers in a non-evaluative manner by providing feedback and suggestions for improving the quality of the speakers' presentation skills.

The Speaker portion of this program will be attributed to Activity Code 102; the Mentor portion of the program will be attributed to Activity Code 107.

II. OUTREACH (Indirect Contact)

CE & O will centrally coordinate outreach activities to foster customer partnerships, increase customer education and leverage existing resources to develop and deliver outreach products. For instance, CE & O will reach out to customers by indirect contacts through articles and publications. The available products will be offered to customers through various options (for example, IRS Internet website or customer partnerships).

As a member of the Examination Compliance Council, CE&O will participate in Council meetings to identify emerging issues and trends that will lead to the development of compliance/education efforts. These efforts may be directed to either market segments or compliance initiatives. In addition, it is expected that the Advisory Committee for TE/GE (ACT) will provide CE&O with direction and other assistance on publications/articles and other types of outreach products.

Forms/Publications

Publications

The exempt organizations community consists of approximately 1.5 million organizations with assets totaling over \$2 trillion. This community includes numerous market segments, ranging from the neighborhood PTAs to private foundations. The degree of sophistication and level of professional support varies from segment to segment. In the coming year, the Office of Customer Education and Outreach will prepare plain language publications – publications that can be easily read and understood – for various EO customers.

CE&O is faced with the challenge of determining what types of publications are needed and which audiences to reach. For example, although many of the rules that apply to Veterans' Organizations may be the same as those that apply to Trade Associations, it may be more effective to develop two separate publications, each focusing directly on the specific needs of that particular type of organization. On the other hand, certain tax rules apply to the majority of exempt organizations. In those cases, one publication may suffice.

Once a publication is prepared, CE&O faces the challenge of distributing the publication and reaching the proper audience. Beyond conducting targeted mailings to organizations listed on the Business Master File (BMF), CE&O will work with stakeholders to advertise and distribute new publications and place the publications on the Internet.

During FY 2002, CE&O will begin to prepare/update the following publications:

- Church Publication – Churches are not required to apply for exempt status or file Form 990s; however, as exempt organizations, there are various tax rules that continue to apply to churches (e.g., employment tax, unrelated business income (UBI), limited lobbying activity). To explain these rules and exceptions, an updated version of the Church Publication will be printed during the first quarter of FY 2002.
- Donated Vehicle – The receipt of cars and other large donated vehicles has become a popular fundraising technique used by exempt organizations. Unfortunately, if not handled properly, these activities can result in compliance problems. CE&O will coordinate with EO Examinations and the State Charity Officials to develop a brochure addressing compliance issues within vehicle donation programs. CE&O will work with W&I and SB/SB to develop corresponding materials for their customers.
- Precautions to Take When Making a Charitable Contribution – Concerns have been raised about certain fundraising activities. This pamphlet, to be done in partnership with W&I, state charity officials, and outside stakeholders, will outline what questions a prospective donor may wish to ask before making a contribution.
- 527 Political Organizations – New legislation pertaining to 527 organizations was passed in 2000. CE&O will develop a brochure, possibly in conjunction with external partners, describing the tax rules pertaining to these organizations.
- Should My Organization Apply for Tax Exempt Status? - CE&O will prepare a “beginner” brochure for organizations that are considering applying for tax exemption. The brochure will explain the “pros” and “cons” of tax-exempt status.
- Dos and Don’ts for Exempt Organizations – During the fiscal year, CE&O will prepare a brochure covering the “basics” for exempt organizations.
- Publication 557: Tax Exempt Status for Your Organization - Pub. 557 discusses the rules and procedures for all 501(a) exempt organizations that seek to obtain recognition of exemption under the federal income tax code. CE&O will review the publication to determine whether it should be divided into separate publications, each focusing on a specific market segment.
- Gaming Publication for Tax Exempt Organizations – Minor changes will be made to update this publication.

Forms

EO CE & O will work with Rulings and Agreements to maintain existing forms. Efforts will be undertaken to assess external customers’ needs on any necessary changes to existing forms. In addition, EO CE&O will work with external stakeholders to obtain their input on the development of electronic filing for Form 990.

Time applied to support the production or revision of tax forms and publications will be attributed to Activity Code 112.

Websites

Internet

During FY 2002, EO CE & O will maintain and continue to develop the EO website. All of the material currently on the EO website will be reviewed, revised and updated, as needed. New

material will be added in a timely manner and placed in obvious locations so the user can easily find it.

Upcoming events, such as conferences, will also be advertised on the Internet, and conference registration forms will also be made available.

Efforts are already underway to develop a comprehensive index, cataloged by subject, of EO CPE articles published since 1979. The index will be linked to the text of the article, and Internet users will easily be able to immediately retrieve the relevant CPE article(s). This information will be accessible during FY 2002.

Time spent for creating, enhancing and updating the Internet website will be applied to Activity Code 113.

Intranet

The purpose of the IRS Intranet site is to provide IRS employees with easy access to information that is relevant to and essential in meeting their job responsibilities. For example, CE&O should receive and post all issued memorandums and procedures to the Intranet for access by EO employees.

Currently, the EO Intranet site houses a limited amount of information. In the coming year, EO CE & O will aim to coordinate with Rulings and Agreements and EO Examination to develop and deliver information for the Intranet. In addition, speeches, outlines and PowerPoint presentations will be added to the Library on the CE&O Intranet page. EO employees will be able to easily access these materials to help them prepare for a presentation to the public.

Activity Code 116 will be used for time applied to creating, enhancing and updating the EO Intranet site.

Customer Partnerships

Establishing a master list of EO stakeholders and beginning an on-going relationship with these organizations is a major goal for EO CE&O during the coming year. These partnerships will be with other offices within the IRS, other government agencies, practitioner/stakeholders groups (e.g., ABA, NAAG/NASCO, ASAE, NACUBO, etc.) and advisory councils of practitioners who provide input to EO.

Input from stakeholders will be particularly important in the areas of 990 E-filing, CEP/ISP programs, compliance initiatives and the determination redesign.

The time applied to the development of external stakeholder relationships will be recorded under Activity Code 114.

BUSINESS PERFORMANCE

In FY 2002, EO will begin development of applications to track education and outreach programs. This project will provide reliable nationwide information to plan future outreach

events, facilitate relationship building and coordination with external stakeholders, and serve as a knowledge base for issues and resources.

In addition to staff days applied to CE&O efforts, which is currently being measured, CE&O will maintain separate databases to monitor speeches, conferences, speaker/mentor events and customer partnership meetings. The following information will be collected:

- Date
- Location
- Sponsor
- IRS Speaker(s)
- Number of Attendees
- Topics Covered
- Cost

ATTACHMENT IIIC

BAC 21 - Prefiling Taxpayer Assistance and Education

PAC 1E – Rulings & Agreements

RULINGS AND AGREEMENTS PLANNING GUIDELINES

OFFICE OF THE DIRECTOR RULINGS AND AGREEMENTS

The activities of PAC 1E are supervised by the Director, Rulings & Agreements (R&A) who reports to the Director, Exempt Organizations. The Director R&A is responsible for planning, managing, directing, and executing nationwide activities for the EO Determinations, Rulings and Technical Guidance programs using measures that balance customer satisfaction, employee satisfaction and business results. The Managers of EO Determination (Cincinnati), EO Determination Quality Assurance (Cincinnati), Technical Guidance & Quality Assurance (Washington, DC) and EO Technical (Washington, DC) report to the Director R&A.

EO Determination is comprised of EO determination specialists (Revenue Agents, Tax Law Specialists, etc.) managed by EO Group Managers and a Support & Processing function that are supervised by the Manager, EO Determination. EO Determination Quality Assurance is comprised of EO determination specialists (case reviewers) managed by the Manager EO Determination Quality Assurance. EO Technical Guidance & Quality Assurance is comprised of tax law specialists managed by the Manager EO Technical Guidance & Quality Assurance. EO Technical is also comprised of tax law specialists managed by EO Group Managers supervised by the Manager, EO Technical.

OVERVIEW

The Director focuses on ensuring compliance through up-front compliance programs by achieving the following objectives:

- Provide a timely and consistent application process.
- Provide timely and consistent private letter rulings and technical advice memorandums.
- Provide timely development and issuance of the EO CPE text and other technical assistance for TE/GE EO personnel.
- Provide guidance to customers through formal reliance documents, “plain language” publications, the IRS Internet site, and other media.

- Provide technical expertise to keep forms used by exempt organizations up-to-date.

CINCINNATI OFFICE

OVERVIEW

The objective of the EO Determination Program is to issue correct determination letters as soon as possible after completed applications are processed and user fees received.

No unusual increase in the number of applications is expected during FY 2002. We are projecting application receipts of approximately 84,458. Approximately 31,469 of these applications will be shipped to offices outside of Cincinnati for processing. This includes cases that are re-established after a failure to establish (FTE) is input to the EP/EO Determination System (EDS) by these offices. It is intended that sometime during FY 2002 determination workload currently managed by the Areas will come under Cincinnati management.

The following guidelines apply:

- Technical screening time should be planned only by the determination processing office in Cincinnati.
- Any case transferred from Determination Processing in Cincinnati to an office outside of Cincinnati should be mailed by Cincinnati **within one workday** of placement of the case in EDS status Code 58 (Workload Transfer).
- Upon receipt of a case from Cincinnati Determination Processing, the office outside of Cincinnati should update the case on EDS to status code 75 (Unassigned Inventory) **within one workday** of receipt, unless the case is assigned to a specialist within that time frame. In that situation, the status update should be from 58 to 52 (Case Assignment).
- In the Cincinnati office, any case moved from Centralized Files to a work group should be updated to status 75 **within one workday**, unless the case is assigned to a specialist within that time frame. If the case is assigned within one workday, the status update should be from 51 to 52.

EMERGING ISSUES AND TRENDS

Determination specialists should be encouraged to look for unusual issues or trends that may emerge as they consider applications. Unusual issues and trends noted by specialists in the respective determination processing offices in or outside of Cincinnati should be referred to the Director, EO Rulings & Agreements, as well as to the Directors, Customer Education & Outreach, Examinations, and Research & Analysis. Each of these offices should ensure that the Compliance Council is made aware of such issues or trends.

TECHNICAL SCREENING (MERIT CLOSURES)

Technical screening is the initial step in the application review process. All technical screening is conducted in Cincinnati. Screening is the assessment of determination letter applications to quickly identify and approve complete applications from organizations that have historically demonstrated a high level of compliance with the Internal Revenue Code and Regulations.

If an application lacks only minimal, non-complex information or documentation, the screener may contact the organization, by telephone and fax, to secure the additional information. Information requested should reasonably be expected to be secured and returned within five days. Once the application is complete, an approved determination letter is prepared and the case is closed on merit.

Technical screening also includes time spent determining that an application must be assigned to a technical specialist for a more in-depth review.

Cases established on EDS are automatically placed in status 50 (Area Office Receipt). Upon receipt by the Centralized Files Unit in EP/EO Determination Processing in Cincinnati, cases are updated to status 60 (Open in Technical Screening). In-process screening cases are identified by EDS status code 62 (Assigned in Technical Screening). Screening closures are identified by EDS status code 06 (Screened Out).

Technical screening time is reported under Activity Code 131.

DETERMINATION CASES (NON-MERIT CLOSURES)

Applications that cannot be closed on merit are those that are incomplete, involve complex issues and/or require research of issues. Screeners identify and note the relevant issue(s) on a check sheet and the application is sent to a technical group to be worked. Certain cases are further classified to be worked in Cincinnati, based on specialization, age of case, expedite criteria, etc.

Certain types of cases, such as group rulings, are not screened prior to assignment because they historically have not met the merit closure criteria.

Unassigned non-merit cases are identified by EDS status code 51 (Waiting Assignment – Technically Screened). In-process non-merit cases are identified in status code 52 (Case Assignment). Closures are identified by EDS status codes 01 (Approved), 02 (Disapproved), 04 (Withdrawn by T/P), 08 (Refusal to Rule), 11 (Failure to Establish) and 12 (Other).

Time spent on processing assigned determination cases is reported under Activity Code 130.

OTHER DETERMINATIONS

Authorized special determination projects, approved by the Director, Rulings and Agreements, are considered other determination activities. Time spent on other determination activities is reported under Activity Code 133.

DETERMINATION CASE REVIEW

The Manager, EO Determination Quality Assurance (EODQA) is responsible for the determination case review program and its objectives.

Completed determination applications are subject to selection for review for technical and procedural accuracy. Certain types of applications, such as private schools and proposed adverse determinations, are reviewed as part of the mandatory review program. A random sample of applications is selected for review under the Tax Exempt Quality Measurement System (TEQMS).

In addition to the actual review, research time, preparation of reviewers' memoranda, reviewers' feedback reports, preparation of educational guidance on technical and procedural matters, and issuance of the determination letters or transfer to Appeals fall under this determination activity.

The TEQMS quality scores for FY 2000 were calculated by giving some standards greater weight than others. For example, in EO determinations Standards 3 and 5 were each valued at 20% and the other four standards were worth 15%. In FY 2001, all standards were given equal value and fluctuations affect the total score in differing degrees. Also, in FY 2000, each standard did not receive an overall rating but this was changed in FY 2001 with each standard being rated as met or not met overall. This allowed the Reviewer to use judgment based on the circumstances of each case. Two times per quarter, all reviewers participate in a consistency review to discuss how each reviewer interprets and applies the TEQMS standards. Each reviewer independently completes the appropriate checksheet for a case from each of the three categories of TEQMS. The Manager, EODQA analyzes the checksheets and prepares a comparison distributed to each reviewer. The reviewers and Manager meet to discuss any differences in checksheet responses and how standards are being applied.

The Manager, EODQA will provide feedback on Quality during FY 2002, with emphasis on the standards needing most improvement. The TEQMS process includes a validity review, which is the means by which the Reviewers are evaluated on their correct application of the TEQMS standards. Validity reviews were not conducted during FY 2001 based on the request of the Project Management Analyst for the TEQMS program; however, they are expected in FY 2002. This key piece of the TEQMS program helps to ensure consistency, uniformity, and management oversight.

In-process review cases are identified by EDS status codes 31 (In Review), 32 (Returned on Review Memo), 33 (Returned to Review), 35 (30-Day Letter Sent) and 38 (Review Suspense). Reviewers' time spent on these activities is reported under Activity Code 134. Project Code 703 is used for mandatory review cases; Project Code 704 is used for TEQMS cases. Time spent on the preparation and presentation of educational material is reported under Activity Code 135.

RULINGS AND AGREEMENTS SUPPORT ACTIVITIES IN THE CINCINNATI OFFICE

Other review activities, not part of the activities specifically described under Determination Case Review, are identified in this section. Activities include technical assistance, liaison activities, management studies and assignments, technical coordination, special reports and procedures, clarification of technical screening questions, etc. Time spent on other review activities is reported under Activity Code 135.

Saturation reviews of specific issues identified through workload analysis, other than TEQMS and mandatory review fall under this activity. Time applied to saturation reviews is reported under Activity Code 270. Its use is limited to Cincinnati.

Some determination cases are reviewed in the workgroup by senior revenue agents/specialists to assist the manager with status 55 (Waiting for Closing Approval) closures. Time spent on this type of case review is reported under Activity Code 271.

➤ Strategic/Program Planning and Business Performance

Strategic/Program planning and Business Performance includes developing guidelines and initiatives, as well as monitoring established objectives. Time spent on these activities is reported under Activity Code 140.

➤ Automation Activities

Automation activities include coordination and non-case related usage of management information systems by technical personnel. In addition, application development, electronic data transmission and troubleshooting for technical TE/GE personnel are categorized as automation activities. Automation activities are reported under Activity Code 141.

➤ EP/EO Determination Processing

Beginning in FY 2002, certain clerical employees will utilize the TE/GE Technical Time System (ETS) and report their time on Form 6490. Many of these employees work in EP/EO Determination Processing in Cincinnati.

1. Centralized Files

After initial case processing at the Cincinnati Submission Processing Center, determination applications are sent to the Centralized Files Unit (CFU) in Cincinnati. CFU employees are responsible for maintaining the unassigned inventory. They assign both screening and non-merit cases to revenue agents in Cincinnati, ship cases to the other offices outside of Cincinnati to be worked, process incoming mail, input cases on EDS, and notify state officials. Time expended on these activities is reported under Activity Code 148. Specific Project Codes are used to distinguish the type of work performed.

2. Adjustments

Adjustment employees work primarily with unpostable transactions and user fee issues, such as non-remit applications, dishonored checks and refunds of overpayments. In addition, letters concerning foundation follow-up issues are generated from this unit. Time spent on Adjustments work is reported under Activity Code 146. Specific Project Codes are used to distinguish the actual type of work performed.

3. Records

The Records Unit is the final stop for determination applications. Employees mail determination letters, microfiche EO cases and prepare EP cases for shipment to the Federal Records Center. Time expended on these activities is reported under Activity Code 147. Specific Project Codes are used to reflect the actual work performed.

BUSINESS PERFORMANCE

Determination Program objectives and measures will be reported on national and office basis for FY 2002. All offices in monitoring their case inventory should use determination inventory reports produced and distributed by EO Determination Processing in Cincinnati. EO Determination Management Information Reports produced by the Staff of the Director, Rulings & Agreements will be used to monitor accomplishments for Balanced Measures and Workload Indicator purposes. Technical Time Reporting System Table 14, EO Technical Time Analysis (Staff days/FTE and Plan) will be used to monitor staff days/FTE applied to the Determination Program. Narrative reports, specific program/project reports, special purpose visits, as well as other means of communication, will also be used to monitor activities and accomplishments under this program.

Balanced Business Measures for FY 2002 are as follows:

- Quality Measures
 - EO Determination Customer Satisfaction
 - EO Determination Letter Quality
 - EO Determination Letter Timeliness
 - Employee Satisfaction
- Quantity Measures
 - EO Determination Cases Closed

The objective for determination customer satisfaction for FY 2002 is a score of 5.7. Measures for determination letter quality is expected to be at 80 percent with Quality Assurance Staff providing advice from trend analysis to managers, reviewers and determination specialists on targeted actions to improve scores in TEQMS standards most frequently failed. Quality will be the focus of improvement projects developed and implemented by a process team of

Cincinnati employees. Employee satisfaction objectives for Rulings and Agreements are under development.

Within the framework of the Balanced Business Measures concept, determination cases closed will be used as a quantity measure for the determination program in FY 2002. The target for FY 2002 is 84,866 closures.

Computation of case timeliness (cycle time) is based on a 12-month rolling average. Cases not included in computing case timeliness are: cases returned from post review; and cases that have been in suspense status codes 37 (Group Suspense), 38 (Review Suspense), 39 (Technical Screening Suspense), 54 (Transferred to Appeals) and 56 (Technical Advice Transfer – Suspense).

- *Merit Closures* (applicable to Cincinnati only)
These cases are closed with closing code 06. The national objective is 35 days from the control date to the closing date.
- *Cases worked at the group level*
These cases include all non-merit closures identified by closing codes 01, 02, 08 and 12, except those applications processed by EO Technical in the Washington, D.C. office. The national objective is 65 days from the unassigned date (status 75) or the assignment date (status 52), whichever comes first, to closure.
- *All cases*
This represents all cases closed (closing codes 01, 02, 06, 08 and 12) with a determination letter issued, excluding those applications processed by EO Technical in the Washington, D.C. office. The national objective is 89 days from the control date to the closing date.

WASHINGTON, DC OFFICE

EO Technical, in Washington, DC, will process initial applications for recognition of exemption referred from the Cincinnati office, Technical Advice and Assistance Requests from the Office of EO Examinations, private letter rulings, and other requests (e.g., information letters, changes in accounting period or method) in accordance with procedures in Revenue Procedures 2001-4, 2001-5, 2001-8 issued in the Internal Revenue Bulletin No. 2001-1, January 2, 2001. Specific work includes:

- The Cincinnati Determination Processing Office refers to EO Technical the applications for recognition of exemption that require interpretation of the tax laws, *i.e.*, those that are not covered by established precedent or otherwise have a high level of technical difficulty. These cases are controlled on the EDS system upon initial receipt and remain so while under consideration by EO Technical. User Fees for these cases are received and processed in the Covington Submission Processing Center. When these cases are completed they are closed on EDS, the determination letter is issued from EO Technical, and the case files are returned to the Cincinnati Office to be microfiched and stored.

- EO Technical receives requests for private letter rulings with appropriate User Fees directly from customers. Private letter rulings interpret and apply the tax laws or any non-tax laws applicable to exempt organizations to the taxpayer's specific set of facts. They are issued on proposed transactions and on completed transactions if the request is submitted before the return is filed for the year in which the transaction that is the subject of the request was completed. Seven other items on which Letter Rulings are issued are shown in Section 6.01 of Rev. Proc. 2001-4, 2001-1 I.R.B. 121, at 129. User Fees for these letters are set out in Rev. Proc. 2001-8, 2001-1 I.R.B. 239, at 245.
- EO Technical also handles requests from exempt organizations for change in accounting period or method. See Section 6.08 of Rev. Proc. 2001-8, 2001-1 I.R.B. 239, at 245, for User Fee applicability.
- EO Technical issues information letters calling attention to a well-established interpretation or principle of tax law (including a tax treaty) without applying it to a specific set of facts. They are issued under procedures in Section 16 of Rev. Proc. 2001-4, 2001-1 I.R.B. 121, at 156. Requests for information letters may be received from individual customers or groups representing a class of customers. No User Fees are charged for this type of letter.
- EO Technical responds to Requests for Technical Advice it receives from EO Area Offices through the Office of EO Examinations, the EO Determinations Processing Office, or from an Appeals Area Director, SB/SE-TE/GE. They are processed under procedures in Rev. Proc. 2001-5, 2001-1 I.R.B. 164, and frequently require coordination with TE/GE Division Counsel. Requests should be made when there is a lack of uniformity regarding the disposition of an issue or when an issue is unusual or complex. Also, a taxpayer whose case is under the jurisdiction of one of the preceding offices may request that an issue be referred for technical advice.
- EO Technical, with Technical Guidance and Quality Assurance, plans, develops, and issues the text for the annual EO Continuing Professional Education (CPE) program provided for EO technical personnel. EO Technical also provides instructors for the sessions.
- EO Technical identifies issues that require coordination with other offices in IRS, counsel, or Treasury and works with the appropriate offices to resolve the issues. This includes resolution of technical questions and identifying issues on which additional guidance is needed.
- EO Technical provides technical expertise to EO Determinations and other segments of TE/GE and IRS in various ways including formal requests for Technical Assistance and requests by e-mail or telephone.
- EO Technical participates with other TE/GE segments in teams or task groups devoted to specific issues, such as developing procedures, revising forms, revising or reorganizing the IRM, or long-range planning.

- EO Technical holds pre-submission conferences requested by customers when warranted and coordinates with appropriate offices in EO Examination as required.
- EO Technical supports Customer Education and Outreach with technical expertise in initiating or reviewing publication items and providing personnel to represent TE/GE before customer groups.
- EO Technical provides strategic and technical help to audit teams to ensure national consistency and quality.
- EO Technical provides litigation support.

BUSINESS PERFORMANCE

FY 2002 will be a year of “first impression” for EO Technical. The Office will adopt a more extensive inventory control system (including a greater role for EDS) and will initiate a time reporting system for all managers and employees effective with the beginning of FY 2002. Also, EO Technical will develop Balanced Measures appropriate to its work. This will also be the first year that EO Technical has program objectives and business measures similar to those for the EO Determination Program. Technical Time Reporting System Table 14, EO Technical Time Analysis (Staff days/FTE and Plan) will be used to monitor staff days/FTE applied in EO Technical. Its activities and accomplishments will be monitored through narrative reports, specific program reports, and other means of communication. It will use current EDS Tables to monitor initial EO applications (determinations) referred from EO Determinations. EO Technical will use data from the inventory control and time reporting systems to develop baselines for future planning.

An Assignment and Closing Unit has been established for the Washington, DC Office for the purpose of assuming the administrative burden associated with the processing of work accomplished in that Office.

During FY 2002 the following initiatives will be continued and/or undertaken:

- A proposal will be developed and implemented under which all determination work, whether located in Cincinnati or otherwise, will be organized in groups dedicated to such work and reporting to the Director, Rulings & Agreements. This action will provide a single management chain and will promote a more efficient use of available resources to process the determination workload.
- The process for grading EO determination cases will be reviewed from the perspective of determining the appropriate grade levels of cases currently received for the determination program.

ATTACHMENT IV

BAC 22 - Filing & Account Services

PAC 2C – Account Management & Assistance **– Electronic/Correspondence Assistance**

Customer Services Planning Guidelines

Management of Customer Account Services is under the Director, Customer Account Services (CAS) who reports to the TE/GE Division Commissioner. Customer Account Services is centralized in our Cincinnati, Ohio site. Taxpayers should contact the centralized site for customer account inquiries. The Director, Rulings & Agreements should plan at least 251 staff days to fully support this activity. Support and program assistance will be provided to handle:

- Public Inspection/FOIA/Disclosure Requests
- Telephone Inquiries
- Correspondence Inquiries
- Walk-in Inquiries
- Congressional Inquiries
- Taxpayer Advocate Office Inquiries/Cases

Minimal support should be required from the Directors Examinations and Customer Education and Outreach.

BUSINESS PERFORMANCE

Customer service objectives will be reported on a national basis for FY 2002. Technical Time Reporting System Table 14, EO Technical Time Analysis (Staffdays/FTE and Plan), will be used to monitor staff days applied. Narrative reports, specific program/project reports, special purpose visits, as well as other means of communication, will also be used to monitor activities and accomplishments under this program.

ATTACHMENT V

BAC 37 – Compliance Services

PAC 7G – Tax Reporting Compliance – Field Examinations

EXAMINATIONS PLANNING GUIDELINES

OFFICE OF THE DIRECTOR, EXAMINATIONS

The Director, Examinations reports to the Director, Exempt Organizations. The Director, Examinations supervises the activities of EO Examination Programs and Review (EPR) and the six EO Area Offices. EO Examinations is comprised of EO examination specialists, supervised by EO Group Managers who are supervised by the EO Area Manager within a given geographic area. The Director is responsible for:

- Developing overall EO enforcement strategy and goals to enhance compliance consistent with overall TE/GE strategy, and implementing and evaluating EO examination policies and procedures.
- Regulating and monitoring exempt organizations through examination of returns, with emphasis on assuring that exempt organizations continue to meet the statutory requirements for exemption and their other federal tax responsibilities, including employment taxes.
- Coordinating tax administration and enforcement activities with other federal and state agencies.
- Developing and implementing measures for the EO examination program that balance customer satisfaction, employee satisfaction and business results.
- Monitoring and evaluating the quality and effectiveness of the EO Examination programs.
- Developing and implementing the EO returns classification and selection process, and the case review and closing processes.

EO Examinations will focus on identifying and correcting non-compliance by achieving the following objectives:

- conduct focused, efficient examinations.
- resolve issues at the lowest possible level using appropriate resolution mechanisms.
- ensure consistency and fairness in application of law.

GENERAL

As set forth in the TE/GE Strategic Plan, this year's examination plan is intended to enhance IRS's presence in the exempt organizations community. The objective is to promote voluntary compliance with the rules relating to tax exempt organizations. What follows is an attempt to balance both the need to provide broad coverage with the need to focus resources in a manner that will allow the IRS to learn from its examinations. The FY 2002 plan also recognizes that the EO Examination function plays a key role in education and outreach and acknowledges that examination resources will be utilized in a flexible manner, well beyond use in the traditional direct examination context.

EO Examinations will take appropriate actions to address improvement factors derived from the Customer Satisfaction Survey and the results of TEQMS reviews.

During FY 2002 it is expected that some EO Examination resources currently dedicated to the determination program will continue to work on determinations.

Audit Techniques

The audit techniques for conducting examination activities are field, office, and correspondence. Field examinations of large, complex organizations that require a team of specialized revenue agents, as well as coordination between IRS functions and other governmental agencies, are conducted using coordinated examination procedures. Generally, area offices have a responsibility to determine which audit technique is appropriate for a case based on the potential issues involved, the scope of the examination, and the most effective way to gather required information.

During FY 2002, EO Examinations will conduct compliance check projects. These projects will be developed to address specific compliance issues. Compliance check projects will be designed to contact taxpayers to obtain information relating to the specific compliance issue under review. When warranted, based on the information provided by the taxpayer, the inquiry may be converted to an examination where the scope of the examination is generally limited to the specific compliance issue. In certain instances these checks will be based on an item as reported on a recent return and thus will be made after a review of the most recently filed returns of the organization. It is intended that through these efforts, as well as by the other actions outlined in these guidelines, the Service can improve the quality of the reporting on Forms 990.

In conjunction with Rulings and Agreements, EO Examinations will explore alternatives to the required utilization of mandatory technical advice in any examination where an excess benefit excise tax is at issue. To assist in monitoring activities in this area, EO Examinations will continue to use principal issue code 67, "Excess Benefit Transactions under IRC 4958" and disposal code 50, "Agreed Intermediate Sanction Payments" (where applicable) must be recorded on Form 5599 (AIMS Closing Record) when this issue is involved.

EO Examination personnel will continue to utilize the Classification Settlement Program (CSP) to resolve Employee vs. Independent Contractor issues.

Emerging Issues and Focus Areas

The Examination Program for FY 2002 will focus primarily on the areas outlined in the "Examination" and "Research Program" sections below. Examinations will continue for entities that have filed claims for refund of FICA taxes paid on behalf of Medical/Dental Residents. Coordination between Counsel and EO Examinations is an essential factor in the examination of these cases. Examiners will charge their time to the appropriate examination activity code and Project Codes 117 (Medical/Dental FICA-NonCEP) and 007 (Medical/Dental FICA-CEP).

During FY 2002, EO Examinations will encourage future voluntary compliance with filing and recordkeeping requirements by continuing to place emphasis on the issuance of Inadequate Recordkeeping Reports and the imposition of penalties for incomplete returns (i.e., omitted or inaccurate information on the compensation of officers, etc.). To assist in monitoring EO cases where Inadequate Recordkeeping Reports are issued and where penalties are imposed for incomplete returns, principal issue codes #12 (Inadequate Records), #13 (Incomplete Returns), and #28 (Public Information Not Reported 501(c)(3)) must be recorded on Form 5599 (AIMS Closing Record) when these issues are involved.

Agents who examine Forms 990 of public charities will check to see whether fund raising income and expenses are being properly reported. Media reports suggest that a significant number of well-established organizations are netting fund raising expenses against fund raising income. Agents should check amounts reported on Form 990 against the organization's audited financial statements and/or other books and records to determine whether the fund raising income and expenses are properly reported. Penalties under IRC 6652(c) should be imposed, where appropriate. As discussed below, a group will be convened to determine what projects should be undertaken in this area.

Emerging issues and trends identified in the Examination Program will be coordinated with the Director EO Rulings & Agreements, the Director Customer Education & Outreach, and the Director Research & Analysis. This coordination will produce the development of outreach efforts, internal training modules and compliance initiatives to address the emerging issues and trends. For example, TE/GE is developing an administrative policy and procedures on an emerging issue dealing with FICA claims filed by universities regarding employees participating in State optional retirement programs treated as 403(b) plans.

EO Examinations will work with the Director, Customer Education & Outreach to develop talking points that will be incorporated, as appropriate, in speeches conducted by EO Examination personnel to encourage electronic filing of Form 940 and Form 941.

During FY 2002, EO Examinations will develop a strategy to address compliance issues within donation programs such as Used Car programs. It is expected that the strategy will include the development of an Educational Project aimed at increasing Exempt Organizations' awareness of compliance issues that need to be considered if the organization participates in a donation program.

Continued emphasis should be placed on the maximum collection of agreed deficiencies.

Referrals

Referrals will continue to be designated as priority work. EO Examination Planning & Programs (EPP) will prioritize referral categories/issues. Referrals in the area of IRC 527 filings will be priority among referrals to be processed in FY 2002. Other priorities will be established as necessary. All referrals and/or information items received by EO Examinations must be processed through EPR Classification prior to assignment to the field groups. As part of the IRM revision process, the most current procedures regarding referral processing will be included in the new IRM.

Reserve Time

EO Examinations has reserved time to apply towards market segments or compliance initiatives developed during the fiscal year, for follow up activities based on recommendations in published compliance project reports, or for examinations involving emerging issues or focus areas.

BUSINESS PERFORMANCE

Examination Program objectives and measures will be developed and reported on a national and Area basis for FY 2002. The Director, EO Examinations and the Area Managers will establish objectives for Balanced Business Measures for each Area for FY 2002. The Technical Time Reporting System, AIMS, RICS, CEMIS, TEQMS, narrative reports, specific program/project reports, special purpose visits, as well as other means of communication, will be used to monitor the accomplishment of FY 2002 Implementing Plan objectives and the applicable Balanced Business Measures.

Balanced Business Measures for FY 2002 are as follows:

PAC 7G	FY 2002 Goals
EO Examination Customer Satisfaction	5.7
EO Examination Cases Closed	6138
EO Examination Timeliness	240
EO Examination Quality	81%
EO CEP Direct Staff Days	9696
EO CEP Taxpayers Closed	22
EO CEP Quality	Baseline
EO CEP Exam Timeliness	758
EO CEP Examination Customer Satisfaction	Baseline

Managers and employees should be familiar with all released measuring techniques (such as TEQMS) and procedures affecting measures.

EXAMINATION PROGRAM

A. COORDINATED EXAMINATION PROGRAM (CEP)

As of March 31, 2001, there were 902 organizations identified in the approved CEP universe based on current criteria. From FY 1991 through March 31, 2001, 198 CEP cases were closed nationwide. Issues identified in 129 healthcare and college/university entities closed from FY 1991 through March 31, 2001, disclosed the following areas of potential noncompliance:

- Employment taxes, i.e., fringe benefits, student FICA, nonresident aliens receiving compensation.
- Employee benefit issues, i.e., qualified plans, section 403(b) plans, section 457 plans.
- UBI issues, i.e., allocation of expenses, advertising income, sales of merchandise.
- Exemption issues, i.e., inurement/private benefit.

During FY 2002, under the direction of the EO CEP Steering Committee, a review will continue of the focus and direction of the CEP program. Consideration will be given to utilizing the team audit concept/design on a wider array of taxpayers than have traditionally been the focus of CEP. EO Examinations will identify and examine those CEP entities with the greatest audit potential. Consideration will also be given to the availability of resources and budgetary constraints. EO Examinations will continue working to expand our knowledge of the specific problems and needs of different market segments.

The compliance strategy developed to address challenging issues in the healthcare industry, will continue in FY 2002 with Large and Mid-Size Businesses (LMSB). Examination activities will be monitored by Project Code 111 for healthcare acquisitions and/or joint ventures that are

in the approved EO CEP universe. For those acquisitions and/or joint ventures that are **not** in the approved EO CEP universe, Project Code 112 will be used to monitor examination activities under the “**Casework**” category.

Area Managers are responsible for coordinating FY 2002 CEP examination support needs (e.g. Computer Audit Specialists, EP Agents, Income Tax Agents, Engineers, etc.) with other functions to ensure that adequate support will be provided in a timely manner.

For returns of related taxable entities not under the jurisdiction of TE/GE, the examination should be performed by support personnel from W&I, SB/SE and/or LMSB Divisions. If these operating divisions determine (and the EO Case Manager agrees) that an examination is not warranted for the Forms 1040/1120, a discrepancy adjustment can be made by TE/GE in accordance with applicable guidelines and procedures – appropriate project codes should be used with discrepancy adjustment returns. If the EO Case Manager does not agree and believes an examination is warranted, the Director, EO Examinations can request a transfer of jurisdiction to TE/GE to examine the Forms 1040/1120. An explanation should be provided in the Narrative Screen on CEMIS, or in Part III of Form 4451, if space is not available on the Narrative Screen, to document either action.

In addition, as part of the ongoing coordination with LMSB, TE/GE should provide support for the LMSB team (formerly identified as CEP) examinations, when requested and as appropriate. Examination time for support of LMSB team cases will be included in calculating the EO CEP 30% time applied objective described below.

Jurisdiction for the examination of farmers’ cooperatives was transferred to LMSB in FY 2000. Therefore, farmers’ cooperatives have been removed from the EO CEP universe. For FY 2002, EO examiners may continue to charge time **only** to those farmers’ cooperative cases in process as of October 1, 2001. As of May 2001, 18 farmers’ cooperative returns are in process by EO Examination personnel.

Multiple year or related returns (of the exempt organization) picked-up and established during the examination of the primary return should reflect the same project code as the primary return, except for EO CEP related returns. Project code 091 should be used for CEP related entity returns.

In FY 2002, EO Examinations will provide assistance to Employee Plans Examinations as necessary in their examinations of Section 403(b) plans.

CEP Training

During FY 2002 EO Examinations will conduct an “Issue Conference” that will focus on both healthcare and college/university technical issues. The conference will be held during the second or third quarter of FY 2002.

The EO CEP Team Member training course (Course #4246) for new case managers, team coordinators and team members will be held during the second or third quarter of FY 2002. The course is two weeks in length.

The Case Manager CPE course (Course #4280) will be held the second or third quarter. The course is five days in length (including travel). Each area manager should send their CEP managers and group managers examining CEP cases.

The TEQMS EO Coordinated Examination Program course (Course #4320a) will be held during the first quarter. The course is 3 days in length (including travel). This course will provide training for EO agents involved in the “quality” review of closed EO CEP examinations. This course will focus on the newly developed quality standards and scoring process for reviewing closed EO CEP examinations.

The TEQMS EO Coordinated Examination Program Awareness Training course (Course #4320b) will be held during the first quarter as a train-the-trainer class. The training is scheduled for 2 days (including travel). Each Area will send two participants to this train-the-trainer class. Those individuals attending this class will then provide the training in an informal setting to all other EO personnel (managers and agents) involved in the examination of EO CEP cases. This training will only provide an awareness of the quality standards and scoring process, which will be used to measure the quality of an EO CEP examination. The training for EO CEP Personnel is approximately 4–6 hours in length.

CEP Planning and Business Performance

For FY 2002, time (staff days) planned for CEP is limited to approximately 30% of total direct examination time (Line 103 on Form 5440). Examination time for “limited scope examinations” of CEP entities will be included in the 30% calculation. In addition, examination time for “Medical/Dental FICA Claims-CEP” under Project Code 007 will be included in the 30% calculation. Examination time planned for Project Code 068 (CEP Claims) will **not** be included in computing the 30% objective.

The EO Steering Committee will continue its efforts to refocus and further define the CEP program. The EO Steering Committee is in the process of revising the criteria that would be used to identify those entities for the approved EO CEP universe. Any time spent to identify the CEP universe under current procedures should be charged to Activity Code 188 (CEP/ISP Program Planning and Business Performance) and Project Code 280. The EO Steering Committee is expected to submit their recommendations for the new identification criteria to the Director, EO Examinations by January 31, 2002.

For FY 2002, CEP audits will be selected from the approved CEP universe. Requests to open a CEP audit not previously planned will be forwarded to the EO Steering Committee. The Committee will consider the impact starting the case would have on long-term plans and will make a recommendation to the Director of EO Examinations as to whether the examination should be initiated. No CEP examination can be initiated until a CEP Case Identification Worksheet has been approved. Copies of the worksheets must be submitted to the Manager, EO Examination Planning & Programs.

The Following EO CEP Project Codes Will Be Used:

<u>Project Code</u>	<u>Description</u>
007	Medical/Dental FICA Claims - CEP
012	EO support time and units for all other LMSB Team (formerly known as CEP) examinations
045	EP support time and units for EO CEP examinations
068	Claim for Refund case for the CEP entity (where no coordinated examination conducted)
069	Limited scope examination for a CEP entity (when no coordinated examination conducted)
078	For all returns of the EO CEP primary entity (Forms 990, 990-PF, 990-T, 990-C and 1120 (for Farmers' coops that are still in-process), 1120-POL, 720, 940, 941, etc.)
091	For all returns of the related entities under TE/GE jurisdiction
097	EO support time and units for LMSB's VEBA Project
111	Healthcare Joint Venture Referrals-CEP (Healthcare acquisitions and/or joint ventures which are in the approved EO CEP universe.)
116	Health Maintenance Organization (HMO)

Project Codes 012, 078, 091, 097, 111 and 116 take priority over all other project codes.

B. GAMING (GAMBLING) ACTIVITIES

For FY 2002, time has been planned (staff days) for Gaming (Line 95 on Form 5440). Area Gaming Coordinators have been identified for each of the Areas. In addition to the activities described below, each of the Coordinators, in conjunction with their respective Area Manager, will work with the Group Managers and the state gaming authorities in their Areas to identify and implement projects to focus on gaming issues. Issues to be addressed should include the requirements for exemption, employment tax, excise tax and/or other filing requirements. The projects should be designed to focus on those organizations most likely to be non-compliant.

As new initiatives are developed they should be coordinated through EPP for approval and assistance in implementation. Reserve time will be utilized to implement these new gaming initiatives in FY 2002.

Area Gaming Coordinators should also establish relationships or continue relationships with state/local gaming regulatory agencies. In addition, education and outreach initiatives as appropriate should be considered to encourage voluntary compliance by organizations engaging in gaming activities. All Education and Outreach initiatives should be coordinated with the Director, EO Customer Education and Outreach.

Coordinated examination techniques may be used where there would be a material benefit from a coordinated examination approach in concurrently examining the exempt organization, the for-profit gaming operator, and peripheral entities such as gaming suppliers and security firms.

Project Codes should be assigned to new local gaming projects. Project Code 086, Gaming (Gambling) Activities, is only used for general cases with gaming issues.

Activity Codes 197 and 198 should be used for examination time expended on Form 11-C (Occupational Tax and Registration Return on Wagering) and Form 730 (Monthly Tax on Wagering), respectively. Forms 11-C and Forms 730 filed by exempt organizations should be established on AIMS using the AIMS Source Code which best describes the reason for the examination. However, a flow through indicator of "1" is required. Flow through indicator "1" is required on all discrepancy adjustments.

C. CASEWORK AND TRAINING CASES

Time will be planned to conduct casework. Casework arises from known noncompliance issues related to specific taxpayers, or where Service action is otherwise necessary. Examples include referrals, claims, emerging issues, training cases, and general case examinations. In FY 2002, we will not, except in extraordinary circumstances, devote resources to start new examinations categorized as "general casework" under Project Codes 000 and 010. Instead, the resources devoted to examinations in this category will be re-directed to conduct Non-Compliance Indicator Return examinations as described in the Compliance/Education Projects section at the end of this document.

EO Examinations will generally conduct limited scope examinations for entities that have filed claims for refund of FICA taxes paid on behalf of Medical/Dental Residents and 403(b) Plan Participants. Examiners will charge their time to the appropriate examination activity code and Project Code 117 (Medical/Dental FICA) for non-CEP entities, Project Code 007 (Medical/Dental FICA-CEP) for CEP entities and Project Code 122 (403(b) Claims).

When appropriate, EO Examinations will continue to devote resources to the following non-CEP industry specialization program (ISP) casework and to provide coordinated support to LMSB:

- (a) Non-CEP ISP casework includes examination of Private Colleges or Universities (Project Code 052), Hospitals (Project Code 075), Public Colleges or Universities (Project Code 080), and Other Healthcare organizations such as nursing homes, skilled nursing care facilities, home healthcare organizations, clinics, etc. (Project Code 115).

- (b) Partnership returns (Forms 1065) which identify an exempt organization(s) and/or healthcare entity (ies) as a partner(s) may be examined simultaneously with the EO return as joint healthcare examinations between TE/GE and LMSB.

EO examiners should be alert to EOs holding an interest in a charitable family limited partnership and coordinate the referral with LMSB or SBSE, as appropriate. Project Code 112 should be used for healthcare acquisitions and/or joint ventures, which are not in the approved EO CEP universe and Project Code 113 for partnership returns, Forms 1065, which identify an exempt organization as a partner.

D. VOLUNTARY COMPLIANCE ON ALIEN WITHHOLDING PROGRAM (VCAP)

VCAP is a voluntary compliance program for colleges, universities and related organizations that may not be in compliance with the withholding tax regulations on payments to non-resident aliens. There are approximately 5,000 colleges and universities nationwide and many may not be in compliance with the regulations. VCAP became effective on February 26, 2001, and the acceptance of submissions for this program is scheduled to end on February 28, 2002. VCAP will require coordination with LMSB.

Each area will designate a VCAP coordinator to process VCAP requests for organizations located in their area. Organizations will submit VCAP requests to the Manager, Examinations Planning & Programs (EPP). EPP will control the VCAP request and will forward it to the appropriate area for processing. EPP personnel are currently preparing internal procedures for processing VCAP requests.

Time applied to administer VCAP should be charged to the appropriate examination Activity Code and Project Code 658. Time applied for performing VCAP administrative duties should be charged to Activity Code 187 and Project Code 658.

EO Examinations will make every effort to assist the organization in complying with VCAP procedures by securing any missing information and resolving disputes. Field examinations can be initiated on eligible or ineligible VCAP applicants at the discretion of the VCAP Coordinator providing justification for the examination is documented. In the case of egregious non-compliance or deliberate misrepresentation of the facts or the lack of good faith on the part of the applicant, the VCAP Coordinator may recommend the initiation of a field examination. It is not the intention of the Service to open an examination on VCAP submission, except in cases involving significant disputes that cannot be resolved.

Examiners working cases with the non-resident alien issue that were not submitted under VCAP should charge case examination case time to the appropriate examination Activity Code and Project Code 055 unless a higher priority project code is applicable. It is intended that members of the regulated community who come forward into the VCAP program are to receive more favorable treatment than those who are found to have this issue present during an audit.

Prior to the sunset of VCAP, EO will evaluate the effectiveness of the program and, if necessary, develop follow-up compliance initiatives for those remaining organizations that were subject to but did not utilize VCAP.

E. COMPLIANCE PROGRAM

The EO Compliance Program is part of the IRS's overall Strategic Compliance Approach. The EO Compliance Program is a systematic method to understand and improve compliance through its constituent compliance activities: direct case examinations, non-examination compliance/education activities and general compliance research activities. Direct case examinations and non-examination compliance activities are included in the following categories:

- a) New Compliance/Education Projects (FY 2002)**
- b) Market Segment Studies**

The objective of the EO Compliance Program is to continually build knowledge through the research of all available internal and external data. Information will also be gathered through research sampling via examinations of various market segments within the exempt organizations universe. EO Compliance Program activities will be coordinated with the office of the Director, Research and Analysis.

Exempt Organization Compliance Council

In FY 2001, the Director, EO Examinations, formed the EO Compliance Council. The EO Compliance Council will be responsible for the integration, development and recommendation of compliance activities within EO. The Council will endeavor to improve compliance through EO's constituent activities: direct case examinations; non-examination compliance activities; customer education and outreach; and general compliance research activities. Compliance activities will focus on data driven internal and external research, identification of market segments, risk assessment and development of strategies to address non-compliant behavior.

Specific activities of the Compliance Council will include:

- Functioning as an advisory body to the Director, Exempt Organizations;
- Ensuring consistent and frequent communication and feedback with internal stakeholders, and external stakeholders via Customer Education & Outreach;
- Prioritizing and recommending market segment studies and compliance/education projects;
- Identifying and developing compliance/education projects for implementation;
- Identifying and refining EO market segments;
- Identifying and re-assessing compliance risks;
- Soliciting input from Area offices regarding emerging issues and recommending appropriate actions; and
- Identifying and providing input on technical training needs for examination, determination and Customer Account specialists.

The EO Compliance Council consists of Managers and Revenue Agents from each of the Area Offices, EO Compliance Coordinators and Analysts from EPP, representatives from EO Rulings & Agreements, and representatives from Customer Education & Outreach. In addition, representatives from EO Customer Account Services, TE/GE Counsel, and EO Research and Analysis may also participate on the EO Compliance Council.

Market Segment Approach

The Market Segment approach is based on the recognition that the EO community is comprised of widely diverse segments of organizations with widely diverse needs. For example, small volunteer organizations have very different issues and needs than larger non-profit hospital systems. The Compliance Council has been asked to identify market segments within EO, collate all available information, including compliance information for each segment, and identify and analyze the compliance risks associated with each segment. While the market segment identification process continues, the Compliance Council has preliminarily identified 35 segments. To the extent the IRS does not have sufficient information upon which to assess the characteristics of a particular segment, market segment studies may be necessary. These studies may or may not require examinations.

The studies are comprised of research samples designed to profile unique segments of the EO universe and are essential to the risk assessment process. Profiling is an activity designed to obtain and collect data on market segments. The profile of a market segment contains information on its:

- (a) characteristics;
- (b) geographical location;
- (c) compliance levels with
 - technical requirements under the Internal Revenue Code and the Regulations and
 - procedural requirements for completeness and accuracy of the return filing; and
- (d) examination coverage.

Each study will measure compliance with all requirements applicable to that segment. Long range goals call for the ratable completion of studies on most or all identified EO market segments. Non-compliance identified through the market segment studies will then be assessed for the level of associated risk. Compliance improvement projects and educational activities will be designed to address areas of non-compliance identified through the risk assessment process.

The results of completed samples and profiling activities will be discussed in formulating the EO Compliance Program Plan. The plan will be submitted to the Director, Exempt Organizations for review and approval prior to implementation.

All studies and projects are documented (by a Project/Study Proposal form and a Final Compliance Report) in the EO Compliance Library (part of the IRS IS Bulletin Board System). The library will also reflect a Summary of EO Compliance Study/Project Recommendations.

NEW STUDIES AND PROJECTS FY 2002

MARKET SEGMENT STUDIES

Six market segment studies using statistically valid sampling techniques will start in FY 2002. EPP staff will coordinate the design and implementation of these market segment studies. Examinations will be based on a nation-wide sample of 150 returns in each of the following categories:

- 1.) Social Clubs – Project scheduled to begin December 1, 2001 – Data will be captured on issues relating to social clubs: organizational test; filing requirements; employment tax; unrelated business income tax; gaming and other fundraising; non-exempt activities; member-related issues; discrimination; public disclosure; and scholarships. In addition, general demographic data will be captured for use in building the social club profile.
- 2.) 501(c)(5) Labor Organizations – Project scheduled to begin January 1, 2002 – Data will be captured on issues relating to labor organizations: filing requirements; employment tax; unrelated business income tax; fundraising; non-exempt activities; lobbying and political activities; inurement; public disclosure; and scholarships. In addition, general demographic data will be captured for use in building the labor organization profile.
- 3.) 501(c)(6) Business Leagues – Project scheduled to begin January 1, 2002 – Data will be captured on issues relating to business leagues: organizational test; filing requirements; employment tax; unrelated business income tax; fundraising; non-exempt activities; lobbying and political activities and proxy tax; inurement; public disclosure; and scholarships. In addition, general demographic data will be captured for use in building the business league profile.
- 4.) Community Trusts – Project scheduled to begin April 1, 2002 – Data will be captured on issues relating to community trusts: organizational test and foundation status; filing requirements; employment tax; unrelated business income tax; fundraising; section 170 issues; non-exempt activities; inurement/private benefit; intermediate sanctions; and public disclosure. In addition, general demographic data will be captured for use in building the community trust profile.
- 5.) Social Services - Project scheduled to begin July 1, 2002 – Data will be captured on issues relating to social service organizations: organizational test and foundation status; filing requirements; employment tax; unrelated business income tax; gaming and other fundraising; section 170 issues; non-exempt activities; inurement/private benefit; intermediate sanctions; public disclosure; joint ventures and scholarships.

In addition, general demographic data will be captured for use in building the social service organization profile.

- 6.) Religious Organizations (excluding churches) – Project scheduled to begin September 1, 2002 – Data will be captured on issues relating to religious organizations: organizational test and foundation status; filing requirements; employment tax; unrelated business income tax; gaming and other fundraising; section 170 issues; non-exempt activities; inurement/private benefit; intermediate sanctions; lobbying; political activity; joint ventures; public disclosure; and scholarships. In addition, general demographic data will be captured for use in building the religious organization profile.

COMPLIANCE/EDUCATION PROJECTS

Several compliance projects will start in FY 2002 and will be designated as priority work. In keeping with the overall compliance strategy, these projects will address concerns or known areas of non-compliance through compliance checks, educational programs or possibly examinations. The following projects will be implemented in FY 2002:

- 1.) UBI (Debt-Financed Property) – A previous local project has identified significant non-compliance with Forms 990 showing rental income and a mortgage payable. This examination project is designed to address the issue on a national level. EPP staff will coordinate the project. Returns will be selected using condition codes and will be assigned to the field as orders for returns are received.
- 2.) Private School Schedule A Filers – During recent fiscal years, a Non-Certification listing has been generated from the Business Master File (BMF) that contained information related to those private schools that are not required to file Forms 990, yet may be required to, but have not filed Form 5578, “Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax.” The listing also contains those organizations that have filed Form 5578. A Form 5578 is required to be filed by those exempt organizations that operate, supervise, or control a private school or schools. The criteria for an entity to be included on this listing depends upon the activity codes entered on the original Form 1023 determination application submitted by the organization. Certain activity codes indicate that the organization is required to file Form 5578.

During FY 2002, we will conduct a correspondence compliance project in which we will contact a sample of organizations that did not file Form 5578 to determine why the form was not filed by the organization. The project will be conducted in two separate phases. The initial phase of the project will consist of reviewing internal sources to verify the accuracy of the listing. In this initial phase we will conduct an analysis to determine both the accuracy of activity code input on the Form 1023 submissions and the extent of the entities coded correctly that did not file a Form 5578. The initial phase of the project will not require contact with the taxpayer.

Based on the results of the initial phase, the second phase of the project will require contact with the taxpayer. In this phase we will contact, via correspondence, those organizations in the sample whose Form 1023 contained correct activity codes, but who did not file Form 5578. The purpose of the contact will be to determine reasons that Forms 5578 were not filed. After responses are received and analyzed, we will submit recommendations for educational and/or compliance initiatives to improve any non-compliance found in this area.

- 3.) IRC 527 Organizations – EO Examinations has formed a task group to develop an initiative to address technical compliance of Forms 8871 and 8872 filed by political organizations treated as section 527 organizations. Initiatives developed by the task group will address consistencies of filings, accuracy of information reported on the returns, and non-filers.

During FY 2002, EPP Staff will coordinate an examination project designed to ensure substantive compliance by these organizations as to the completeness and accuracy of information filed. Examinations will be based on a nationwide statistically valid sample. Due to the fact that some 527 organizations dissolve quickly, Forms 8871 or 8872's that are selected for examination should be less than six months old and the project will be completed within a short time period.

The task group will develop a strategy to identify and locate 527 organizations that have failed to register with the Service. The existing database will be utilized to address inconsistencies between Form 8871 and Form 8872 filings.

It should also be noted that approved referrals in this area will receive priority.

- 4.) Status 40/41 (Filed but no record of exemption) Project – During FY 2002 we will develop a Correspondence Compliance Project, in which we will contact a sample of 501(c)(3), (c)(9) and (c)(17) organizations that filed a series 990 return that Ogden Service Center posted to the masterfile, but for which we have no record of exemption. We will determine why they have not filed a request for recognition of exemption and determine what further actions are needed. A separate sample of other non-(c)(3) filers will also be drawn.
- 5.) Political Contributions made by IRC 501(c)(3) Organizations - Individual states have published lists of entities making political contributions. The lists include a number of IRC 501(c)(3) organizations that are prohibited from making political contributions. A task group will be formed to develop a strategy to address this area of noncompliance.
- 6.) Donor-advised Funds – These exempt organizations have been receiving media attention highlighting the large volume of contributions they have received particularly in those commercial investment funds offering charitable accounts. At present, we have no quantitative information on the level of compliance in this area. The market segment study on community trusts may provide some information. However, the study will not capture information on donor-advised funds

carried on by other types of organizations. A cross-functional taskforce consisting of representatives from EO Examinations, TE/GE Counsel and EO Rulings & Agreements will provide the Director, EO Examinations with a detailed plan by April 1, 2002. This plan will specify how we will identify organizations that provide donor-advised funds. The plan will also include strategies to determine the organizations' level of compliance with the tax laws, including the rules relating to section 170.

- 7.) In FY 2002, it is intended that one or more projects will be undertaken by EO Examinations in the area of inurement and the application of the intermediate sanctions rules. A taskforce has been established to develop an overall strategy relating to these rules. That taskforce will report to the Director, EO Examinations on potential projects by January 1, 2002. Approved referrals in this area will continue to receive priority.
- 8.) In FY 2002, EO Examinations will work with EO Rulings & Agreements and TE/GE Counsel to develop future compliance initiatives for IRC 501(c)(15) Organizations. A cross-functional taskforce consisting of representatives from EO Examinations, TE/GE Counsel and EO Rulings & Agreements will provide the Director, EO Examinations with a detailed plan by April 1, 2002. The plan will include strategies to determine the organizations' level of compliance with tax laws. It is possible that the strategies may include profiling or compliance projects.
- 9.) In FY 2002, a taskforce will be established to design one or more projects to be undertaken by EO Examinations in the area of monitoring fundraising activities. A report from the taskforce is due to the Director, EO Examinations by April 1, 2002.

OTHER FY 2002 COMPLIANCE INITIATIVES

Delinquent Form 990 Series Returns Filers & Form 990 Series Returns Non-filers

During FY 2002, the Director, EO Examinations will create a Delinquent and Non-filer Return Task Group to:

- develop a strategy, which may include a compliance check project, to improve voluntary compliance among delinquent Form 990 series returns filers and Form 990 series returns non-filers, and
- to review and evaluate the daily delinquency penalty assessment and penalty relief processes followed by Service Center and EO Examination personnel. Based on the results, recommendations will be made to ensure consistent treatment by Service Center and EO Examination personnel and/or reducing taxpayer burden.

The Group will be chaired by an EO management official and will be composed of appropriate personnel from CAS, Research & Analysis, CE&O, R&A, Examinations, and TE/GE Division Counsel. Other appropriate Ogden Campus Submission Procession and Accounts Management Centers, Business Systems Planning and SB/SE Compliance Collection

personnel involved in the delinquent Form 990 series return filers and Form 990 series return non-filers processes may become ad hoc members of the Group.

Non-Compliance Indicated on Returns

In addition to the compliance initiatives outlined above, EO Examinations will develop Non-Compliance Indicator Return projects to be implemented in FY 2002. The cases selected for examination under these projects will meet certain condition codes that are developed by Examination Planning & Programs and Classification. The condition codes that will be developed will identify returns that have potential for non-compliance based on information provided by the taxpayer. The scope of Non-Compliance Indicator returns will generally be limited to the potential compliance issue identified with the condition code, the Operational/Organizational test and large, unusual or questionable items on the return.

Non-Compliance Indicator Return projects will not require the completion of a compliance checklist. Instead, data from EO RICS will be used to analyze examination results. Project Code 251 will be utilized for returns selected for examination in FY 2002 under a Non-Compliance Indicator Return projects. Individual condition codes will be assigned to each condition code criteria that are developed and will be used in the monitoring of individual project results. Once it is determined that significant non-compliance can be identified using a certain condition code, that information will be relayed to the RICS team to have the condition code criteria added to EO RICS for future selections. RICS can also be programmed to list the condition code, if the criteria are met, on the classification sheet for any return selected for examination from EO RICS that meets individual condition code criteria. Printing the condition code information would alert the examining agent that attention should be given to compliance issues relating to the condition code even if the return was selected for another compliance project or Non-Compliance Indicator Return project.

ATTACHMENT VI

Form 5440 (Implementing Plan Source Document) - Instructions

The following instructions are applicable in completing the FY 2002 Form 5440 Workbook ("Workbook"). The Workbook was designed using Microsoft Excel (file saved as Excel 97 & 5.0/95 Workbook). The Excel file name for the Workbook is FY 2002 Form 5440 EXCEL WORKBOOK. Due to the size of the file, it is recommended that the file be saved to a hard drive for use in entering Implementing Plan data. Individuals completing the workbook should be familiar with Microsoft Excel.

The Workbook consists of the following 10 worksheets:

Worksheet	Instructions
INSTRUCTIONS	Instructions for completing the line items on Form 5440
CEP	Inventory worksheet for calculating CEP staff days and units
GAMING	Inventory worksheet for calculating Gaming staff days and units
RESEARCH	Inventory worksheet for calculating Research staff days and units
CASEWORK	Inventory worksheet for calculating Casework staff days and units
VCAP	Inventory worksheet for calculating VCAP staff days and units
TRAINING CASES	Inventory worksheet for calculating Training Cases staff days and units
EXAMINATION SUMMARY WORKSHEET	The CEP, Gaming, Research, Casework, VCAP, and Training Cases worksheets are linked to this worksheet to automatically calculate summary staff days and units information.
BALANCED MEASURES AND WORKLOAD INDICATORS WORKSHEET	Worksheet for projecting determination program average hours per case, merit closure rate, cycle time, and workload. The worksheet is also used to establish FY 2002 goals for balanced measures and workload indicators.
FORM 5440	FY 2002 Implementing Plan source document – used for recording staff days (for every employee completing Form 6490) and examination units

Moving around an Excel workbook is very user-friendly. Clicking (with the left mouse button) on the Tab Scrolling buttons scrolls the worksheet tabs. There is a separate worksheet tab for each worksheet applicable to the workbook. In order to reflect the applicable worksheet area, the applicable worksheet tab must be clicked (with the left mouse button).

All cells reflecting formulas are protected. The user may only enter data in designated input cells.

If any user needs assistance or guidance in completing the Excel workbook, please contact Margaret Ransom on (202)283-8841.

ADDENDUM OF EXHIBITS

- | | |
|------------------|--|
| Exhibit A | Alignment of Activity Codes and Project Codes under the BACs/PACs Along with the Code Definitions |
| Exhibit B | FY 2002 Form 5440 (Implementing Plan Source Document) |

EXHIBIT A

FY 2002 EO ACTIVITY CODES AND PROJECT CODES EO TECHNICAL TIME REPORTING SYSTEM (ETS) AND EO AUDIT INFORMATION MANAGEMENT SYSTEM (AIMS)

With the restructuring of EP/EO into three distinct customer segments (Employee Plans, Exempt Organizations and Government Entities), Technical Time and AIMS monitoring will become even more vital as many employees will charge time to multiple processes. For example, an employee might charge time to examinations, determinations, and education and communication. It is imperative that management overseeing these processes can rely on the accuracy of the technical time and AIMS data. It is also essential to be able to monitor returns from AIMS data to properly track examination inventories and closures by categories and statuses that fully reflect the findings from EO examinations.

A critical factor in achieving the Tax Exempt and Government Entities Division's (TE/GE) mission is the accurate reporting of program accomplishments. The proper use of EO activity codes and project codes is critical if we are to accomplish our mission.

TOTAL OPERATIONAL

PAC 1B – TAX LAW INTERPRETATION AND PUBLISHED GUIDANCE

	Activity Code	Project Code	
NEWS RELEASES	115	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for the coordination, preparation and publication of news releases.
ANNOUNCEMENTS	118	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for the coordination, preparation and publication of announcements.
CPE TEXT	119	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for the coordination, preparation, and publication of CPE Text.
NOTICES	127	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for the coordination, preparation, and publication of notices.
REGULATION PROJECTS	171	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for regulation projects.
LEGISLATIVE PROJECTS	172	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for legislative projects.
REVENUE RULINGS AND REVENUE PROCEDURES	173	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for the preparation and publication of revenue rulings and revenue procedures.
PAC 1B RESERVED ACTIVITY CODE	128	N/A	To be determined.
PAC 1B RESERVED ACTIVITY CODE	129	N/A	To be determined.

PAC 1C – TAXPAYER COMMUNICATION AND EDUCATION

A. EDUCATION

	Activity Code	Project Code	
STRATEGIC/PROGRAM PLANNING AND BUSINESS PERFORMANCE	100	N/A	Time applied to developing educational strategic/program guidelines and initiatives, and to monitoring established goals/objectives.
CONFERENCES/SEMINARS – ALL OTHER	101		Time applied to conferences and seminars that are either sponsored or co-sponsored by the IRS .
Planning/Coordination		750	Time applied to Planning/Coordination (not related to CEP/ISP) includes all activities that occur before the actual conference/seminar.
Delivery		751	Time applied to Delivery (not related to CEP/ISP) includes the activities of participants necessary to deliver a speech or presentation either individually or as part of a panel group.
Attendance		760	Time applied to Attendance (not related to CEP/ISP) includes the activities necessary to travel to/from and to attend the actual conference/seminar. (Participants' travel time should be charged to Activity Code 104)
CONFERENCES/SEMINARS – CEP/ISP	101		Time applied to conferences and seminars that are either sponsored or co-sponsored by the IRS .
Planning/Coordination		752	Time applied to Planning/Coordination (related to CEP/ISP) includes all activities that occur before the actual conference/seminar.
Delivery		753	Time applied to Delivery (related to CEP/ISP) includes the activities of participants necessary to deliver a speech or presentation either individually or as part of a panel group.
Attendance		761	Time applied to Attendance (related to CEP/ISP) includes the activities necessary to travel to/from and to attend the actual conference/seminar. (Participants' travel time should be charged to Activity Code 104)

	Activity Code	Project Code	
SPEECHES/PANELS/WORKSHOPS – ALL OTHER	102		Time applied to: <ul style="list-style-type: none"> ◆ Attend non-IRS sponsored or co-sponsored conferences, seminars or workshops (i.e., external meetings); and ◆ Deliver a speech or presentation either individually or as part of panel.
		750	Time applied to Planning/Coordination (not related to CEP/ISP) includes all activities that occur before the actual speech or presentation.
		751	Time applied to Delivery (not related to CEP/ISP) includes the activities of participants necessary to deliver a speech or presentation either individually or as part of a panel group.
		760	Time applied to Attendance (not related to CEP/ISP) includes the activities necessary to travel to/from and to attend the actual conference/seminar/workshop. (Participants' travel should be charged to Activity Code 105)
SPEECHES/PANELS/WORKSHOPS – CEP/ISP	102		Time applied to: <ul style="list-style-type: none"> ◆ Attend non-IRS sponsored or co-sponsored conferences, seminars or workshops (i.e., external meetings); and ◆ Deliver a speech or presentation either individually or as part of panel.
		752	Time applied to Planning/Coordination (related to CEP/ISP) includes all activities that occur before the actual speech or presentation.
		753	Time applied to Delivery (related to CEP/ISP) includes the activities of participants necessary to deliver a speech or presentation either individually or as part of a panel group.
		761	Time applied to Attendance related to CEP/ISP) includes the activities necessary to travel to/from and to attend the actual conference/seminar/workshop. (Participants' travel should be charged to Activity Code 105)

	Activity Code	Project Code	
SUPPORT FOR FOCUS GROUPS	103		Time applied planning, coordination and delivery activities of focus groups. This includes participation in or attendance at focus group meetings, conferences, etc..
		756	Gaming Focus Group
		757	PAC 1C Reserved Project Code
		758	PAC 1C Reserved Project Code
		759	PAC 1C Reserved Project Code
CONFERENCES/SEMINARS – Travel by Participants	104	620	Time applied for Travel to/from Conferences/Seminars-All Other
		621	Time applied for Travel to/from Conferences/Seminars – CEP/ISP
SPEECHES /PANELS/WORKSHOPS – Travel by Participants	105	622	Time applied to Travel to/from Speeches/Panels/Workshops - All Other
		623	Time applied to Travel to/from Speeches/Panels/Workshops - CEP/ISP
MENTORING PROGRAM	107	624	Time applied for mentoring activities (non-travel time)
		625	Time applied for travel to/from mentoring activities
PAC 1C RESERVED ACTIVITY/PROJECT CODES	108	626 and 627	To be determined.

B. COMMUNICATIONS

STRATEGIC/PROGRAM PLANNING AND BUSINESS PERFORMANCE	110	N/A	Time applied to developing communication strategic/program guidelines and initiatives, and to monitoring established goals/objectives.
NEWSLETTERS/PUBLIC COMMUNICATION DOCUMENTS/GENERAL PUBLICATIONS	111	N/A	Time applied to any activity relating to preparation and issuance of newsletters/any communication documents released to the public.

	Activity Code	Project Code	
TAX FORMS/PUBLICATIONS/FORM LETTERS/FORMS	112		Time applied to support the production/revision of tax forms, publications, form letters and forms.
		261	Tax Forms
		262	Publications
		263	Forms and Form Letters
WEBSITES (INTERNET)	113	N/A	Time applied to creating/enhancing/updating Internet websites.
CUSTOMER PARTNERSHIPS/LIAISON	114		Time applied to development of external stakeholder relationship among government agencies, practitioner groups (e.g., ABA, ASPA, AICPA, TEAC, etc.) and other advisory councils/groups. Also includes time applied handling inquiries from Federal, state and local agencies by telephone or correspondence (including e-mail).
CEP/ISP		754	Customer partnership/liaison activities relating to CEP/ISP.
All Other		755	Customer partnership/liaison activities not relating to CEP/ISP.
WEBSITES (INTRANET)	116	640 641	Time applied to creating/enhancing/updating the IRS Intranet. To be determined.
PAC 1C RESERVED ACTIVITY/PROJECT CODES	117	642 and 643	To be determined.
PAC 1C RESERVED ACTIVITY/PROJECT CODES	274	630 and 631	To be determined.
PAC 1C RESERVED ACTIVITY/PROJECT CODES	275	632 and 633	To be determined.

PAC 1E – RULINGS AND AGREEMENTS

A. DETERMINATIONS

	Activity Code	Project Code	
DETERMINATION CASES/APPLICATIONS	130	N/A	Time applied (by Cincinnati and Area Office employees) to cases that are assigned to be worked (status 52 to closing). Applies to time spent by Specialists in analyzing and technically processing applications, requests for amendments and terminations, and advance determination follow-ups. Included are analyses, administrative functions, writing of memorandums, preparation of Form 5666 (TE/GE Information Report) etc. This activity code will include all document preparation time spent on related EO/BMF activities.
TECHNICAL SCREENING (SPECIALISTS)	131	N/A	Time applied by Specialists (in the Cincinnati office) performing the technical screening function. This includes closing applications on merit and determining that applications must be assigned to a specialist for review. Technical screeners will also record their actual time spent determining that an application can be closed on merit (status code 06). Time spent in determining if an examination is warranted and preparation of Form 5666 will also be charged to this activity code.
TECHNICAL SCREENING (PARA-PROFESSIONALS)	132	N/A	Time applied by Para-Professionals (in the Cincinnati office) performing the technical screening function. This includes closing applications on merit and determining that applications must be assigned to a specialist for review. Technical screeners will also record their actual time spent determining that an application can be closed on merit (status code 06). Time spent in determining if an examination is warranted and preparation of Form 5666 will also be charged to this activity code.
OTHER DETERMINATIONS	133	N/A	Time applied (by Cincinnati and Area Office employees) to all other determination activities. This activity code is ONLY used when special determination projects are authorized or approved by the Director, Rulings and Agreements. This code WILL NOT include time spent by specialists answering calls from taxpayers.

	Activity Code	Project Code	
DETERMINATION CASE REVIEW	134		Time applied by Reviewers (working for Cincinnati and Dallas) reviewing requests for determination for technical and procedural accuracy. This includes time spent for research, preparation of reviewer's memoranda, and reviewer's feedback reports and issuance of the determination letters.
		703	Time applied to quality review of determination letter cases under the Tax Exempt Quality Measure System (TEQMS).
		704	Time applied to mandatory review determination letter cases.
OTHER QUALITY ASSURANCE/REVIEW ACTIVITIES	135	N/A	Time applied by Reviewers (working for Cincinnati and Dallas) on all other review functions not enumerated under Activity Code 134. Included are special reports and procedures, informants' communications and reward claims, technical assistance (formal and informal), liaison activities, management studies and assignments, technical coordination, BMF activities where the case is not controlled under EACS/EDS, resolution of unpostable questions, clarification of technical screening questions, and coordination of 90-day letters with Appeals.

B. RULINGS

INITIAL DETERMINATION APPLICATIONS	177		Time applied by Rulings and Agreements employees in the Washington, DC office on initial determination applications.
		404	Initial application with tax-exempt bond issues.
		407	Initial application with all other issues.
PROPOSED TRANSACTIONS/RULINGS REQUESTS	136		Time applied by Rulings and Agreements employees in the Washington, DC office on proposed transactions and rulings requests.
		264	Proposed transactions.
		265	Other rulings.

	Activity Code	Project Code	
TECHNICAL ADVICE REQUESTS (FROM WITHIN TE/GE)	137		Time applied by Rulings and Agreements employees in the Washington, DC office on technical advice requests from within TE/GE.
		266	Proposed revocation.
		267	All Others
TECHNICAL ADVICE REQUESTS (FROM APPEALS)	138		Time applied by Rulings and Agreements employees in the Washington, DC office on technical advice requests from Appeals.
		266	Proposed revocation.
		267	All Others
IRC 1402(e) APPLICATION	139	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office on IRC 1402(e) applications.
PAC 1E RESERVED ACTIVITY CODE	200	N/A	To be determined.
PAC 1E RESERVED ACTIVITY CODE	201	N/A	To be determined.

C. OTHER RULINGS AND AGREEMENTS ACTIVITIES

STRATEGIC/PROGRAM PLANNING AND BUSINESS PERFORMANCE	140	N/A	Time applied to developing Rulings and Agreements strategic/program guidelines and initiatives, and to monitoring established goals/objectives.
AUTOMATION ACTIVITIES –for R&A systems	141	N/A	Time applied to coordination and non-case related usage of management information systems by Rulings & Agreements technical personnel. This includes “trouble shooting” activities for other TE/GE personnel. Also includes application development, downloading reports, transmitting data electronically, etc.

	Activity Code	Project Code	
QUALITY IMPROVEMENT PROJECT (QIP)	142	N/A	Time applied to quality projects when mandated by management to be a QIP.
GRAND JURY	143	N/A	Time applied by Agents/Specialists on grand jury investigations. Also includes time spent by Reviewers reviewing or providing technical assistance on grand jury investigations.
DATABASE MANAGEMENT	144	N/A	Time applied by technical personnel analyzing and correcting information in the database management information systems, working errors and other registers, etc.
PROCESSING-SUPPORT	145		Time applied by Cincinnati non-technical employees assigned to Processing-Support. Appropriate project code is required.
		501	Secretary/Group Clerk
		503	Report Preparation
		505	Information Referrals
		507	IDRS Input/Research
		509	EDS Research
		511	Microfiche Research
		513	Mail
		515	Lead Clerk Time
		517	Timesheet Preparation
		519	Time & Attendance
		521	Breaks
		523	PAC 1E Reserved Project Code
		525	PAC 1E Reserved Project Code
		527	PAC 1E Reserved Project Code

	Activity Code	Project Code	
PROCESSING-ADJUSTMENTS	146		Time applied by Cincinnati non-technical employees assigned to Processing-Adjustments. Appropriate project code is required.
		507	IDRS Input/Research
		509	EDS Research
		511	Microfiche Research
		513	Mail
		515	Lead Clerk Time
		517	Timesheet Preparation
		519	Time & Attendance
		521	Breaks
		523	PAC 1E Reserved Project Code
		525	PAC 1E Reserved Project Code
		527	PAC 1E Reserved Project Code
		601	EP/EO Masterfile Unpostables
		603	EP/EO EDS Unpostables
		605	EP/EO User Fee
		607	EO Advance Ruling Case Processing
		609	EO 30-Day Hold Cases & Letters
		611	EP/EO Non-Remit Processing
		613	Processing-Adjustment Reserved Project Code

	Activity Code	Project Code	
PROCESSING – ADJUSTMENTS (continued)	146		Time applied by Cincinnati non-technical employees assigned to Processing-Adjustments. Appropriate project code is required.
		615	Processing-Adjustment Reserved Project Code
		617	Processing-Adjustment Reserved Project Code
PROCESSING-RECORDS	147		Time applied by Cincinnati non-technical employees assigned to Processing-Records. Appropriate project code is required.
		507	IDRS Input/Research
		509	EDS Research
		511	Microfiche Research
		513	Mail
		515	Lead Clerk Time
		517	Timesheet Preparation
		519	Time & Attendance
		521	Breaks
		523	PAC 1E Reserved Project Code
		525	PAC 1E Reserved Project Code
		527	PAC 1E Reserved Project Code
		701	EO Closed Cases (purge, mail letter, camera prep)
		705	Federal Records Center Input
		707	Camera
709	Jacketer		

	Activity Code	Project Code	
PROCESSING – RECORDS (continued)	147		Time applied by Cincinnati non-technical employees assigned to Processing-Records. Appropriate project code is required.
		711	Typing
		713	Pull/File Microfiche
		715	EO Microfiche Add-ons
		717	Processing-Records Reserved Project Code
		719	Processing-Records Reserved Project Code
		721	Processing-Records Reserved Project Code
		723	EO Closed Cases (purge)

	Activity Code	Project Code	
PROCESSING-CENTRALIZED FILES	148		Time applied by Cincinnati non-technical employees assigned to Processing-Centralized Files. Appropriate project code is required.
		507	IDRS Input/Research
		509	EDS Research
		511	Microfiche Research
		513	Mail
		515	Lead Clerk Time
		517	Timesheet Preparation
		519	Time & Attendance
		521	Breaks
		523	PAC 1E Reserved Project Code
	525	PAC 1E Reserved Project Code	

	Activity Code	Project Code	
PROCESSING – CENTRALIZED FILES (continued)	148		Time applied by Cincinnati non-technical employees assigned to Processing-Centralized Files. Appropriate project codes are required.
		527	PAC 1E Reserved Project Code
		801	Receive, Sort & File EP/EO Cases
		803	EP/EO Associations
		805	Establish EP/EO Cases on EDS
		807	Assign EP/EO Cases
		809	Prepare & Ship EP/EO Cases
		811	Release EP/EO Cases on BBTS
		813	Pull/Refile EP/EO Cases
		815	Prepare EP/EO Closing Letters & Documents
		817	EO State Notification Letters
		819	Process EO FTE Files
		821	Process EP Forms 5310-A
		823	Processing-Centralized Files Reserved Project Code
825	Processing-Centralized Files Reserved Project Code		
827	Processing-Centralized Files Reserved Project Code		
QUALITY ASSURANCE	149	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for quality assurance activities.
PROJECTS AND STUDIES	160	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for projects and studies.

	Activity Code	Project Code	
VOLUNTARY COMPLIANCE PROGRAMS	161	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for voluntary compliance programs.
TECHNICAL GUIDANCE	162	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for preparation, issuance, and publication of technical guidance.
TECHNICAL ASSISTANCE REQUESTS (FROM WITHIN TE/GE)	163	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for responding to technical assistance requests from within TE/GE.
TECHNICAL ASSISTANCE REQUESTS (FROM OUTSIDE TE/GE)	164	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for responding to technical assistance requests from outside of TE/GE.
ASSIGNMENT OFFICER DUTIES	165		Time applied by Rulings and Agreements employees in the Washington, DC office for assignment officer duties.
		268	Case assignment activities
		269	Case closing activities
IRM/INTERNAL MANAGEMENT DOCUMENTS	166	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for the preparation and issuance of IRM material and other internal management documents.
ACCOUNTING PERIOD/METHOD CHANGE	167	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for accounting period/method change requests.
TECHNICAL COORDINATION REPORTS	168	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for responding to and/or preparing technical coordination reports.
PROCESSING EMPLOYEE SUGGESTIONS	169	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for processing employee suggestions.
REVIEW OF FIELD DETERMINATIONS	170	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for reviewing field determination cases.

	Activity Code	Project Code	
REVIEW AND CONFERENCE	174		Time applied by Rulings and Agreements employees in the Washington, DC office for review and conference activities.
		402	Review Branch Use Only
		403	All Other Use
CLOSING AGREEMENTS	175		Time applied by Rulings and Agreements employees in the Washington, DC office for closing agreements.
		400	Related to Coordinated Examination Program (CEP) Case
		401	Not Related to CEP Case
CLOSING AGREEMENTS – HOSPITALS/REVENUE STREAM	176	N/A	Time applied by Rulings and Agreements employees in the Washington, DC office for closing agreements relating to hospital/revenue stream.
ADP COORDINATION	179	N/A	Time applied by Rulings & Agreement personnel for liaison and coordination of procedures involving flow of work between area office and Service Centers, including troubleshooting duties.
SATURATION REVIEW OF DETERMINATION CASES	270	N/A	Time applied by EODQA reviewers (in Cincinnati only) for saturation review of specific issues identified through workload analysis other than TEQMS and mandatory review.
REVIEW OF DETERMINATION CASES IN GROUP BY REVENUE AGENTS/SPECIALISTS	271	N/A	Time applied by senior agents/specialists to assist group manager with the review of status 55 closures.
PAC 1E RESERVED ACTIVITY CODE	272	N/A	To be determined.
PAC 1E RESERVED ACTIVITY CODE	273	N/A	To be determined.

PAC 2C – Account Management & Assistance – Electronic/Correspondence Assistance

	Activity Code	Project Code	
STRATEGIC/PROGRAM PLANNING AND BUSINESS PERFORMANCE	120	N/A	Time applied to developing strategic/program guidelines and initiatives relating to taxpayer assistance, and to monitoring established goals/objectives.
PUBLIC INSPECTION/FOI/DISCLOSURE	121	N/A	Time applied to providing appropriate information upon public request.
TELEPHONE	122	N/A	Time applied to handling non-case related taxpayer inquiries by telephone.
CORRESPONDENCE	123	405	Time applied to handling non-case related taxpayer inquiries by correspondence (including e-mail). Executive Control Management System (ECMS) Correspondence
		406	General Correspondence
CONGRESSIONALS	124	N/A	Time applied to handling congressional inquiries (includes telephonic and correspondence).
TAXPAYER ADVOCATE OFFICE (TAO)	125	N/A	Time applied to responding to requests for problem resolutions from taxpayers. Includes handling taxpayer assistance orders.
WALK-INS	126	N/A	Time applied to handling “walk-in” taxpayer inquiries.
PAC 2C RESERVED ACTIVITY CODE	276	N/A	To be determined.
PAC 2C RESERVED ACTIVITY CODE	277	N/A	To be determined.

PAC 5A – GENERAL MANAGEMENT AND ADMINISTRATION

	Activity Code	Project Code	
PROGRAM MANAGEMENT STAFF ACTIVITIES	106	N/A	Time applied by the staff of the Director, Exempt Organizations.
PAC 5A RESERVED ACTIVITY CODE	278	N/A	To be determined.
PAC 5A RESERVED ACTIVITY CODE	279	N/A	To be determined.

PAC 7G – TAX REPORTING–FIELD EXAMINATIONS

RETURN ACTIVITY CODES

Time spent by Agents/Specialists involving a return/entity under examination will be charged to the following activity codes. Applies to time spent in the analysis, examination and processing of returns/entities. Time expended for the examination of converted returns (i.e., converted from Form 990 to Form 1120) should be reported on separate lines using the appropriate activity code for each return (Form 990 and Form 1120). Returns for Discrepancy Adjustments will be requested (using AM424) with the appropriate Activity Code

Activity Code	Description
197	Form 11-C Wagering (Occupational Tax/Register)
198	Form 730 Wagering (Excise Tax)
202	Related Form 1120S (Other) Returns – Taxable
203	Related Form 1120 (Other) Returns – No balance sheet
209	Related Form 1120 (Other) Returns – Under \$250,000
213	Related Form 1120 (Other) Returns - \$250,000 under \$1 Million
215	Related Form 1120 (Other) Returns - \$1 Million under \$5Million
217	Related Form 1120 (Other) Returns - \$5 Million under \$10 Million
219	Related Form 1120 (Other) Returns - \$10 Million under \$50 Million
221	Related Form 1120 (Other) Returns - \$50 Million under \$100 Million
223	Related Form 1120 (Other) Returns - \$100 Million under \$250 Million
225	Related Form 1120 (Other) Returns - \$250 Million and Over
241	Related Form 1120F (Other) Returns –1120FSC
259	Related Form 1120F (Other) Returns – Under \$50 Million
263	Related Form 1120F (Other) Returns - \$50 Million under \$250 Million
265	Related Form 1120F (Other) Returns - \$250 Million and Over
287	Related Form 1120S (Other) Returns – Nontaxable-Processed Prior to 1-1-91
288	Related Form 1120S (Other) Returns – Nontaxable - Assets under \$200,000 – Processed After 1-1-91
289	Related Form 1120S (Other) Returns – Nontaxable – Assets \$200,000 under \$10 Million – Processed After 1-1-91
290	Related Form 1120S (Other) Returns – Nontaxable – Assets \$10 Million and Over – Processed After 1-1-91
305	TEFRA-PCS Referred from LMSB, SB/SE, and W&I
310	Related Form 5330 (Other) Returns

Activity Code	Description
318	IRC 501(f), Cooperative Service Organizations of Operating Educational Organizations
323	IRC 501(c)(27), State Sponsored Workers Compensation Reinsurance
324	IRC 501(n), Charitable Risk Pool
327	IRC 501(c)(1), U. S. Instrumentality
328	IRC 501(c)(2), Title Holding Corporation
329	IRC 501(c)(3), Private Foundation (Assets Under \$25,000)
330	IRC 501(c)(3), Private Foundation (Assets \$25,00 Under \$100,000)
331	IRC 501(c)(3), Private Foundation (Assets \$100,000 Under \$500,000)
332	IRC 501(c)(3), Private Foundation (Assets \$500,000 Under \$1 Million)
333	IRC 501(c)(3), Private Foundation (Assets \$1 Million and Over)
334	Form 4720, IRC 4911, 4941-4945, 4955, 4958 (Private Foundation and Individual)
335	Form 5227, IRC 4947(a)(1) & (a)(2) NECT (Assets Under \$100,000)
336	Form 5227, IRC 4947(a)(1) & (a)(2) NECT (Assets \$100,000 and Over)
337	Form 1041, Standard Form 1041A
338	Form 1120, Standard Form for a Private Foundation with Revoked Exemption
339	Private School
340	Educational Other than Private School
341	IRC 501(c)(3) Other
342	Religious Organization

343	Scientific Organization
344	Hospital/Other Health Service

346	Form 990-PF, NECT
347	IRC 501(c)(4), Civic League, Social Welfare
348	Form 990/990EZ, NECT
349	Approved Church Examination
350	IRC 501(c)(5), Labor Organization
351	IRC 501(c)(5), Agriculture or Horticultural Organization
352	IRC 529, Qualified State Sponsored Tuition Program
353	Form 990-T, IRC 529, Qualified State Sponsored Tuition Program
354	IRC 501(c)(6), Business League (Gross Income Under \$100,000)
355	IRC 501(c)(6), Business League (Gross Income \$100,000 and Over)

356	IRC 501(c)(26), State Sponsored High Risk Health Insurance Organization
358	IRC 501(c)(7), Pleasure, Recreational or Social Club
359	Form 990-T, IRC 501(c)(27), State Sponsored Workers Compensation Reinsurance

Activity Code	Description
360	IRC 501(c)(8), Fraternal Beneficiary Lodge
361	IRC 501(c)(9), Employee Beneficiary Association
362	Form 990-T, IRC 501(c)(26), State Sponsored High Risk Health Insurance Organization
363	IRC 501(c)(10), Fraternal Lodge
364	IRC 501(c)(11), Teachers Retirement Fund Association
365	IRC 501(c)(12), Mutual (Assets Under \$500,000)
366	IRC 501(c)(12), Mutual (Assets \$500,000 and Over)
367	IRC 501(c)(23), War Veterans Before 1880
368	Form 990-T, IRC 501(n), Charitable Risk Pool
369	IRC 501(c)(13), Cemetery Company
371	IRC 501(c)(14), Credit Union (Assets Under \$500,000)
372	IRC 501(c)(14), Credit Union (Assets \$500,000 and Over)
373	IRC 501(c)(15), Mutual Insurance Association
374	IRC 501(c)(16), Financing of Crop Operations

375	IRC 501(c)(17), Supplemental Unemployment Trust
376	IRC 501(c)(18), Employee Funded Pension Trust
377	IRC 501(c)(19), Veterans Organization
378	IRC 501(c)(20), Legal Service Organization
379	IRC 501(c)(21), Black Lung Trust

380	IRC 501(d), Religious or Apostolic Association
381	IRC 501(e), Cooperative Hospital Service Organization
382	IRC 501(c)(22), Withdrawal Liability Payment Fund
383	IRC 521, Farmers' Cooperative (Gross Income Under \$10 Million)
384	IRC 521, Farmers' Cooperative (Gross Income \$10 Million and Over)
385	Taxable Farmers' Cooperative

386	Form 990-T, IRC 501(c)(2), Title Holding Corporation
387	Form 990-T, IRC 501(c)(3), Private Foundation
388	Form 990-T, IRC 501(c)(3), Other than Private Foundation
389	Form 990-T, IRC 501(c)(4), Civic League, Social Welfare
390	Form 990-T, IRC 501(c)(5), Labor, Agricultural, or Horticultural Organization
391	Form 990-T, IRC 501(c)(6), Business League
392	Form 990-T, IRC 501(c)(7), Pleasure, Recreational or Social Club
393	Form 990-T, IRC 501(c)(8), Fraternal Beneficiary Lodge
394	Form 990-T, IRC 501 All Others
395	Form 1120-POL/Exempt

Activity Code	Description
396	Form 1120-POL
398	IRC 501(c)(24), Trust of Terminated Plans
399	IRC 501(c)(25), Real Property Title Holding Company
463	Form 945, Annual Federal Income Tax Withheld
464	Form 940, Employer's Annual Federal Unemployment Tax Return
465	Form 941, Employer's Quarterly Federal Tax Return
466	Form 942, Employer's Quarterly Tax Return for Household Employees
467	Form 943, Employer's Annual Tax Return for Agriculture Employees
468	Form CT-1, Employer's Annual Retirement Tax Return
469	Form CT-2, Employee Representatives Quarterly Railroad Retirement Tax Return
470	Form 1042, Foreign U. S. Income Source
471	Form 1040PR
480	Related Form 1065 (Other) Returns – Processed before 1988
481	Related Form 1065 (Other) Returns - 10 or less Partners, Gross Receipts Under \$100,000
482	Related Form 1065 (Other) Returns - 10 or less Partners, Gross Receipts \$100,000 and Over
483	Related Form 1065 (Other) Returns - 11 or more Partners
495	Related Form 1041 (Other) Returns – Fiduciary Non-Automatic
496	Related Form 1041, (Other) Returns – Fiduciary Automatic
530	Related Form 1040 (Other) Returns – 1040A TPI Under \$25,000
531	Related Form 1040 (Other) Returns – Non-1040A, TPI Under \$25,000
532	Related Form 1040 (Other) Returns - NB TPI \$25,000 Under \$50,000
533	Related Form 1040 (Other) Returns - NB TPI \$50,000 Under \$100,000
534	Related Form 1040 (Other) Returns - NB TPI \$100,000 and Over
535	Related Form 1040 (Other) Returns - C-TGR Under \$25,000
536	Related Form 1040 (Other) Returns - C-TGR \$25,000 and Under \$100,000
537	Related Form 1040 (Other) Returns - C-TGR \$100,000 and Over
538	Related Form 1040 (Other) Returns - F-TGR Under \$100,000
539	Related Form 1040 (Other) Returns - F-TGR \$100,000 and Over

A. EXAMINATION CATEGORIES

	Activity Code	Project Code	
COORDINATED EXAMINATION PROGRAM (CEP)	Use Return Activity Codes Listed Above		Time applied to the CEP Program.
		007	Medical/Dental FICA Claims-CEP
		012	EO support time and units for all other Large & Mid-Size Business Division CEP examinations.
		069	Limited scope examination for a CEP entity (when no coordinated examination conducted).
		078	For all returns of the EO CEP primary entity.
		091	For all returns of the related entities under TE/GE jurisdiction.
		097	EO support time and units for Large & Mid-Size Business Division VEBA Project.
		111	Healthcare Joint Venture Referrals – CEP
		116	Health Maintenance Organization (HMO)
		101-103	CEP Reserved Project Codes
GAMING (GAMBLING) ACTIVITIES	Use Return Activity Codes Listed Above	086	Time applied to general examination cases with gaming issues (do not use for Compliance Project cases).

	Activity Code	Project Code	
CASEWORK	Use Return Activity Codes Listed Above		Time applied to case examinations arising from known noncompliance activities of specific taxpayers, or where Service action is required.
		000	General Casework
		010	General Casework
		011	Referral/Information Report
		051	Private School – Elementary and/or Secondary
		052	Private School – College or University
		054	Other Private Schools
		068	CEP Claims
		070	TCMP
		072	Large Case – Code 9
		073	Large Case – Code 8
		074	Political Action Committee
		075	Hospitals
		077	Form 990-T Filed by a Church
		079	Delinquent Forms 990-T
		080	Public College or University
		088	Corporate Sponsorship
		089	Claims (Non-CEP)
		090	Charitable Fundraising
		092	Media Evangelist
		093	Lobbying and Political
		094	Marketing Activity
		095	Office/Correspondence Examination Program (OCEP)
		112	Healthcare Joint Venture Referrals – Non-CEP
		113	Partnership Initiative
		115	Other Healthcare
		117	Medical/Dental FICA Claims
		118-121	Potential Casework
		122	IRC 403(b) Claims

	Activity Code	Project Code	
CASEWORK (continued)	Use Return Activity Codes Listed Above	200 201 202 203 204	IRC 509(a)(2) Condition Code Project Net Operating Loss (NOL) Condition Code Project Social Club with Public Use >15% Project IRC 501(c)(7) Filing Form 990-T Sheltering Income Project Form 990-T Showing Loss After COGS Project
VOLUNTARY COMPLIANCE ON ALIEN WITHHOLDING PROGRAM (VCAP)	Use Return Activity Codes Listed Above	055 658	Time applied to cases with the Non-resident alien issue that were not submitted under the VCAP program. Time applied to processing VCAP requests and returns. Also includes time spent by the VCAP coordinator to administer the VCAP program.
TRAINING CASES	Use Return Activity Codes Listed Above	042	Time applied to training cases.

B. RESEARCH PROJECTS

	Activity Code	Project Code	
MARKET SEGMENTATION PROJECTS	Use Return Activity Codes Listed Above	059 060 061 062 063 064 065 066 067 071 087 096 098 099 100 205 206 207 208 209 210	Time applied examining or processing market segmentation projects. Travel Tours Market Segmentation Project Market Segmentation Project Market Segmentation Project Market Segmentation Project IRC 501(c)(8) Organizations IRC 501(c)(10) Organizations IRC 501(c)(7) – Investment Income Low Income Housing Market Segmentation Project IRC 527 Project Market Segmentation Project Market Segmentation Project TEFRA-PCS Cases Income From Debt Forgiveness Social Clubs IRC 501(c)(6) Business Leagues IRC 501(c)(5) Labor Organizations Community Trusts Social Services Market Segmentation Project
COMPLIANCE PROJECTS	Use Return Activity Codes Listed Above	001-006, 008, 009, 013-016, 019, 026-040, 043-049, 081-085, 250-260	Time applied examining or processing compliance projects.

C. GENERAL RESEARCH ACTIVITIES

	Activity Code	Project Code	
PROFILING SUMMARIES	180	N/A	Time applied to conducting profiling of Market Segments or preparation of summaries of completed research samples.
PROFILING PROJECT	181	N/A	Time applied to non-examination Profiling Project through sending compliance check letters to taxpayers. The Profiling Project identifies where there is incomplete or unclear answers observed during the profiling efforts.
RETURNS COMPARISON PROJECT	182	N/A	Time applied to non-examination Returns Comparison Project through sending compliance check letters to taxpayers. The Returns Comparison Project compares data where there are discrepancies in return data over multi-years (comparing prior year data to the subsequent year for significant differences).
COMPLIANCE RESEARCH	183	N/A	Time applied by Research Analysis Coordinators or by individuals selected to work research assignments.
TOTAL FED FED/FED STATES COORDINATION	184	106 107 108 109	Time applied to coordinating with other Federal agencies and with State/local government agencies Fed Fed/Fed State Coordination – State Attorneys General Gaming State Charity Officials Other
COMPLIANCE PROTOTYPES	185	N/A	Time applied to activities to support Compliance Prototypes.

	Activity Code	Project Code	
OTHER RESEARCH	186	N/A	<p>Time applied to planning and development of research projects including:</p> <ul style="list-style-type: none"> ◆ Compliance team meetings ◆ Preparation of planning process forms ◆ Designing checksheet/information gathering tools ◆ Report writing ◆ Recording non-exam samples <p>Also includes other compliance research time applied to other examination programs/projects/emphasis areas.</p>

D. OTHER EXAMINATION ACTIVITIES

	Activity Code	Project Code	
EXAMINATION SUPPORT			
Referrals Screened	190	N/A	Time applied by Classifiers/Agents/Specialists to screen referrals (not involving an assigned return/case) from other IRS functions/offices, other governmental agencies and from third parties in determining whether or not an examination or some other enforcement action is warranted. Time spent reviewing referrals that involve an assigned return/case will be charged to the case examination or to survey after assignment.
Classification	191	N/A	Time applied by Classifiers to classify returns generated by RICS or from other sources; and taxpayer requests (formal and informal) for adjustments to tax liability (includes claims for refund, amended taxable returns, applications for tentative refunds, and other items showing an increase or decrease in tax liability). Also applies to other classification activities such as processing and reviewing informants' communications; and Forms 5666 (TE/GE Information Report). Private school follow-up activities that do not involve an examination should also be charged to this activity code.
Survey	192	N/A	Time applied by Agents/Specialists to "survey after assignment" returns and claims for refund in which no examination activity is initiated. This includes time spent processing (screening) questionnaires, inquiry letters, etc. related to information/tax returns. Time spent on claims surveyed at service centers is reported as Classification, code 191.

	Activity Code	Project Code	
EXAMINATION SUPPORT (continued)			
Information and Collateral Reports	193	N/A	Time applied by Agents/Specialists/ Reviewers to information and collateral reports, engineering and valuation, and offers in compromise that do not involve an assigned return/case.
Church Tax Inquiries	345	N/A	<p>Time applied by Agents/Specialists to Church Tax Inquiries that are limited under IRC 7611 to determining:</p> <ul style="list-style-type: none"> (a) Whether the organization is exempt under IRC 501(a) by reason of its status as a church; or (b) Whether the church is carrying on unrelated Trade or business as defined in IRC 513; or (c) Whether it is otherwise engaged in activities Subject to federal tax; and thereafter, if a Subsequent church examination is approved: <ul style="list-style-type: none"> 1. If time was charged to activity code 345 in Previous month, show that the Church Tax Inquiry case is closed by entering the number of hours spent on activity code 345 in the “closed hours” column. 2. Include the Church Tax Inquiry time (from The “closed hours” column) in the “opening inventory hours” column for the Approved Church Examination (activity code 349). Use a “T” to indicate a transfer. Charge all additional time spent to the approved church examination.

	Activity Code	Project Code	
EXAMINATION CASE REVIEW	194		Time applied by Reviewers to review reports of examination (as opposed to determination) for technical and procedural accuracy. This includes time spent on research, preparation of reviewer's memoranda, and reviewer's feedback reports. Do not include time spent reviewing offers in compromise as this time is reported under activity code 193. Time devoted to the preparation of statutory notices of deficiency is included in this activity code.
		702	Time applied to quality review of CEP examination cases under the Tax Exempt Quality Measure System (TEQMS).
		703	Time applied to quality review of all other examination cases under the Tax Exempt Quality Measure System (TEQMS).
		704	Time applied to mandatory review examination cases.
CLOSING AGREEMENT COORDINATION	195	N/A	Time applied by designated closing agreement coordinators and other designated technical personnel to carry out their assigned responsibilities and duties relating to closing agreements.
EXAMINATION SUPPORT PROCESSING	196	N/A	Time applied by non-technical employees assigned to Examination Support Processing.
EXAMINATION SPECIAL SUPPORT	150	N/A	Time applied by non-technical employees assigned to Examination Special Support.
STRATEGIC/PROGRAM PLANNING AND BUSINESS PERFORMANCE	187	N/A	Time applied to developing strategic/program guidelines and initiatives relating to the examination program, and to monitoring established goals/objectives.

	Activity Code	Project Code	
CEP/ISP PROGRAM PLANNING AND BUSINESS PERFORMANCE	188		Time applied to developing strategic/program guidelines and initiatives relating to the CEP and ISP programs, and to monitoring established goals/objectives.
		280	CEP Universe
		281	CEP Case Classification
		282	CEP/ISP Program Planning
		283	CEP/ISP Program Monitoring
TAXPAYER DELINQUENCY INVESTIGATIONS (TDIs) AND INFORMATION RETURN PENALTY	157	N/A	Time applied by technical personnel conducting taxpayer delinquency investigations and processing penalties on information returns that do not involve examinations.
PREPARER PROJECT	158	N/A	Time applied by technical personnel to the development, investigation and determination of the return preparers penalties or on injunctions.
OTHER EXAMINATION			
Other Review	151	N/A	Time applied by Reviewer on all other review functions not enumerated under Activity Code 194. Included are special reports and procedures, informants' communications and reward claims, technical assistance (formal and informal), liaison activities, management studies and assignments, technical coordination, BMF activities where the case is not controlled under AIMS, resolution of unpostable questions, and coordination of 90-day letters with Appeals.
Automation Activities – for Exam systems	152	N/A	Time applied to coordination and non-case related usage of management information systems by technical personnel. This includes “trouble shooting” activities for other TE/GE personnel for applications such as EOIC, AIMS, and ETS. Also includes application development, downloading reports, transmitting data electronically, etc.

	Activity Code	Project Code	
OTHER EXAMINATION (continued)			
Workcenter Coordination	153	N/A	Time applied to developing and testing workcenter applications. Also includes coordination activities relating to workcenter development, implementation, and operation.
Quality Improvement Project (QIP)	154	N/A	Time applied to quality projects when mandated by management to be a QIP.
Grand Jury	155	N/A	Time applied by Agents/Specialists on grand jury investigations. Also includes time spent by Reviewers reviewing or providing technical assistance on grand jury investigations.
Database Management	156	N/A	Time applied by technical personnel analyzing and correcting information in the database management information systems, working errors and other registers, etc.
ADP COORDINATION	230	N/A	Time applied by Director Exam employees for liaison and coordination of procedures involving flow of work between area office and Service Centers, including troubleshooting duties.
INVENTORY OR AIMS	231	N/A	Time applied for taking physical inventory of returns, including non-case time spent on AIMS forms and follow-up of AIMS establishments and case closings.
RESERVE TIME	159	N/A	Time reserved during the work planning process for later use on items that develop during the fiscal year that require immediate resources.
AUTOMATION ACTIVITIES – DST Designated Personnel	109	N/A	Time applied to automation activities by DST designated personnel.
PAC 7G RESERVED ACTIVITY CODE	199	N/A	To be determined.

TOTAL OTHER OPERATIONAL TIME

A. ADMINISTRATIVE DUTIES AND OTHER SUPPORT ACTIVITIES

	Activity Code	Project Code	
NON-CASE TECHNICAL DUTIES – DIRECTOR RULINGS & AGREEMENTS EMPLOYEES ONLY	178	N/A	Time applied for technical duties not attributable to a specific case or activity. Generally, this includes attending meetings (except those held for training purposes), reading technical or procedural issuances not directly related to a case, and preparing for and attending technical conferences. Managers will not charge time to this activity code. However, members of management “CADRE” assigned as assistant to a group manager will charge their time to this activity code. Other time spent by “CADRE” members will be reported to the activity code under which the person’s time is actually spent.
RECRUITMENT ACTIVITIES			
	700	N/A	Recruitment Training – Time applied to developing, teaching, and attending recruitment training.
	701	N/A	On-site Recruitment – Time applied to traveling to and participating in on-site recruitment.
	702	N/A	All Other Recruitment Activities – All other recruitment activities not included under Project Codes 700 and 701.
GENERAL SUPPORT (CLERICAL)	703	N/A	Time applied by employees providing general clerical support.
CUSTOMER SATISFACTION SURVEYS – NOT RELATED TO CEP	704	N/A	Time applied to developing, administering, and analyzing customer satisfaction surveys not related to CEP.
EMPLOYEE SATISFACTION SURVEYS	705	N/A	Time applied to developing, administering, participating in, and analyzing employee satisfaction surveys.
GENERAL PROGRAM PLANNING/BUSINESS PERFORMANCE	706	N/A	Time applied to developing general strategic/program guidelines and initiatives and to monitoring established goals/objectives. Does not include time that should be charged to Activity Codes 100, 110, 140, 120, 187 and 188.

	Activity Code	Project Code	
NON-CASE TECHNICAL DUTIES – DIRECTOR EXAMINATIONS EMPLOYEES ONLY	707	N/A	Time applied for technical duties not attributable to a specific case or activity. Generally, this includes attending meetings (except those held for training purposes), reading technical or procedural issuances not directly related to a case, and preparing for and attending technical conferences. Managers will not charge time to this activity code. However, members of management “CADRE” assigned as assistant to a group manager will charge their time to this activity code. Other time spent by “CADRE” members will be reported to the activity code under which the person’s time is actually spent.
TECHNICAL SUPPORT TO OTHER EMPLOYEES	710	N/A	Time applied to providing technical support to TE/GE employees and other IRS employees.
GAO/TIGTA/OTHER EXTERNAL REVIEW COORDINATION	715	N/A	Time applied for GAO, TIGTA, and other external review coordination.
IRM/INTERNAL MANAGEMENT DOCUMENTS (EMPLOYEE ASSIGNED TO DIRECTOR, EXAMS AND R&A EMPLOYEES ASSIGNED TO CINCINNATI OFFICE)	716	N/A	Time applied for preparing IRM material and other internal management documents. R&A employees in DC office should charge time to Activity Code 166.
MANAGEMENT REVIEWS AND OTHER VISITS	717	N/A	Time applied to prepare for and conduct management review and other visits. Also include time applied to prepare review/visitation reports.
CUSTOMER SATISFACTION SURVEYS – RELATED TO CEP	718	N/A	Time applied to developing, administering, and analyzing customer satisfaction surveys related to CEP.

	Activity Code	Project Code	
ADMINISTRATIVE DUTIES	730	N/A	Time applied by technical personnel for non-technical duties involving: <ul style="list-style-type: none"> ◆ Combined Federal Campaign ◆ EEO ◆ Civil Defense ◆ Savings Bonds ◆ Forms and records management ◆ Preparation of time reports and travel vouchers ◆ General housekeeping, such as moving, ordering supplies and surveying space, etc. ◆ Participation in surveys not included under Activity Codes 704 and 705. ◆ Personnel investigations ◆ Interviewing applicants ◆ Incentive awards and performance rating committees
ADMINISTRATIVE DUTIES RESERVED ACTIVITY CODE	719	N/A	To be determined.
ADMINISTRATIVE DUTIES RESERVED ACTIVITY CODE	720	N/A	To be determined.
ADMINISTRATIVE DUTIES RESERVED ACTIVITY CODE	721	N/A	To be determined.

B. MANAGEMENT

	Activity Code	Project Code	
GROUP MANAGER	619	N/A	<p>Time applied to supervisory duties by group managers or persons acting in such capacity including:</p> <ul style="list-style-type: none"> ◆ Surveys before assignment ◆ Attending meetings (except training) ◆ Preparation and analysis of statistical reports ◆ Workload Reviews ◆ Case Evaluations ◆ On-the-Job Visitations ◆ Employee Development/Counseling ◆ Administrative Duties ◆ CEP case management activities <p>Time spent for other activities will be charged to the appropriate activity code.</p>
AREA MANAGER	630	N/A	<p>Time applied to managerial duties by area managers or persons acting in such capacity. Time spent for other activities will be charged to the appropriate activity code.</p>
NON-SUPERVISORY MANAGEMENT OFFICIAL	640	N/A	<p>Time applied to management support duties by non-supervisory staff assistants, management assistants, etc., or persons acting in such capacity. Time spent for other activities will be charged to the appropriate activity code.</p>
OTHER MANAGEMENT	660	N/A	<p>Time applied by:</p> <ul style="list-style-type: none"> ◆ Other supervisory personnel permanently assigned or acting in a position that cannot be reported under Activity Codes 619, 630, 640, 670 or 680. ◆ Non-supervisory personnel and management personnel when participating in team meetings with higher level management to resolve management problems. For example, members of a task force appointed to consider solutions to problems identified by survey would charge their time to this activity code. ◆ Management “CADRE” members assigned as assistants to any of the listed management positions. <p>Time spent for other activities will be charged to the appropriate activity code.</p>

**Activity
Code** **Project
Code**

EXECUTIVE ASSISTANT	670	N/A	Time applied to managerial duties by executive assistants or persons acting in such capacity. Time spent for other activities will be charged to the appropriate activity code.
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SENIOR EXECUTIVE	680	N/A	Time applied to managerial duties by senior executives or persons acting in such capacity. Time spent for other activities will be charged to the appropriate activity code.
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C. TRAINING

	Activity Code	Project Code	
FORMAL	681		Time applied by technical personnel (as students) for classroom training. Includes travel time to and from the class. Formal classroom training is defined as a formal course developed and approved by TE/GE Headquarters.
CEP/ISP		754	Formal training relating to CEP/ISP
All Other		755	Formal training not relating to CEP/ISP
ON-THE-JOB TRAINING	682		Time applied by: <ul style="list-style-type: none"> ◆ Technical personnel assigned as on-the-job instructors. However, time spent by on-the-job instructors on functions other than those involving the training of personnel is reported under the activity code corresponding to the type of work performed. ◆ Trainees in on-the-job training status that does not relate to a specific case. DO NOT INCLUDE THE TIME SPENT BY TRAINEES ON CASES ACTUALLY ASSIGNED DURING THE ON-THE-JOB TRAINING. CASE TIME SHOULD BE REPORTED UNDER THE APPROPRIATE RETURN ACTIVITY CODE.
CEP/ISP		754	On-the-job training relating to CEP/ISP
All Other		755	On-the-job training not relating to CEP/ISP
OTHER TRAINING	683		Time applied by technical personnel (as students) for all other training. Includes locally approved classroom courses and correspondence courses.
CEP/ISP		754	Other training relating to CEP/ISP
All Other		755	Other training not relating to CEP/ISP

	Activity Code	Project Code	
CONTINUING PROFESSIONAL EDUCATION (CPE)	684		Time applied (by students) for Continued Professional Education training provided by the Service. Includes related reading assignments prior to CPE training attendance.
CEP/ISP		754	CPE training relating to CEP/ISP
All Other		755	CPE training not relating to CEP/ISP

DEVELOPMENT OF TRAINING MATERIALS	685		Time applied to prepare material that is going to be used in training courses or seminars, as well as time spent to deliver/present the training material. The time spent to prepare the training material must be reported separately from the time spent to deliver/present the training material to the class/seminar participants. TIME OF EMPLOYEE SELECTED AS A CLASSROOM INSTRUCTOR SHOULD BE REPORTED UNDER ACTIVITY CODE 686.
Planning/Coordination – All Other		750	Time applied to Planning/Coordinating/Preparing the training material (not relating to CEP/ISP) prior to the start of the class/seminar.
Delivery – All Other		751	Time applied to Delivery (not relating to CEP/ISP) includes the activities necessary to Deliver/present the training material.
Attendance – All Other		760	Time applied to Attendance (not related to CEP/ISP) includes the activities necessary to travel to/from and to attend the actual class/seminar.
Planning/Coordination – CEP/ISP		752	Time applied to Planning/Coordinating/Preparing the training material (relating to CEP/ISP) prior to the start of the class/seminar.
Delivery – CEP/ISP		753	Time applied to Delivery (relating to CEP/ISP) includes the activities necessary to Deliver/present the training material.
Attendance – CEP/ISP		761	Time applied to Attendance related to CEP/ISP) includes the activities necessary to travel to/from and to attend the actual class/seminar.

	Activity Code	Project Code	
INSTRUCTOR ASSIGNMENTS	686		Time applied by an employee who has been selected as an instructor for a formal training class (class with a course number). The time spent to prepare training material must be reported separately from the time spent to deliver/present training material to the class participants.
Planning/Coordination – All Other		750	Time applied to Planning/Coordinating/Preparing training material (not relating to CEP/ISP) prior to the start of the class. Also includes other instructor duties.
Delivery – All Other		751	Time applied to Delivery (not relating to CEP/ISP) includes the activities necessary to deliver/present the training material to the class.
Attendance – All Other		760	Time applied to Attendance (not related to CEP/ISP) includes the activities necessary to travel to/from and to attend the actual class.
Planning/Coordination – CEP/ISP		752	Time applied to Planning/Coordinating/Preparing training material (relating to CEP/ISP) prior to the start of the class. Also includes other instructor duties.
Delivery – CEP/ISP		753	Time applied to Delivery (relating to CEP/ISP) includes the activities necessary to deliver/present the training material to the class.
Attendance – CEP/ISP		761	Time applied to Attendance related to CEP/ISP) includes the activities necessary to travel to/from and to attend the actual class.

D. DETAILS

	Activity Code	Project Code	
DETAILS TO OTHER OPERATING DIVISIONS	815	N/A	Time spent by EO personnel detailed to other Operating Divisions. No Personnel Action taken to officially reassign employee to another organization code.
DETAILS TO TE/GE WASHINGTON, DC POST-OF-DUTY	816	N/A	Time spent by EO personnel detailed to TE/GE Headquarters in Washington, DC. No Personnel Action taken to officially reassign employee to another organization code.
DETAILS TO EMPLOYEE PLANS	817	N/A	Time spent by EO personnel detailed to Employee Plans. No Personnel Action taken to officially reassign employee to another organization code.
DETAILS TO GOVERNMENT ENTITIES	818	N/A	Time spent by EO personnel detailed to Government Entities. No Personnel Action taken to officially reassign employee to another organization code.
DETAILS TO CUSTOMER ACCOUNTS SERVICES	819	N/A	Time spent by EO personnel detailed to Customer Accounts Services. No Personnel Action taken to officially reassign employee to another organization code.
DETAILS TO DIRECTOR, EO EXAMINATIONS	820	N/A	Time spent by EO personnel detailed to the office of the Director, Exempt Organizations. No Personnel Action taken to officially reassign employee to another organization code.
DETAILS TO DIRECTOR, EO RULINGS AND AGREEMENTS	821	N/A	Time spent by EO personnel detailed to Rulings and Agreements. No Personnel Action taken to officially reassign employee to another organization code.
DETAILS TO DIRECTOR, EO CUSTOMER EDUCATION AND OUTREACH	822	N/A	Time spent by EO personnel detailed to EO Customer Education and Outreach. No Personnel Action taken to officially reassign employee to another organization code.
ALL OTHER DETAILS	823	N/A	Time spent by EO personnel for all other details. No Personnel Action taken to officially reassign employee to another organization code.
DETAILS/NTEU:GENERAL	827	N/A	Time spent by EO personnel assigned to NTEU:General.
DETAILS/NTEU:GENERAL PARTNERSHIP	828	N/A	Time spent by EO personnel assigned to NTEU:General Partnership. Includes participation on partnering councils.
DETAILS-IN	840	N/A	Details into TE/GE (Negative Adjustment)

E. LEAVE

	Activity Code	Project Code	
LEAVE	830	N/A	Applies to all leave granted to technical personnel, including sick leave, annual leave, compensatory time (including religious compensatory time) military leave, administrative leave, and other leave. Employees in the Washington, DC area will consider Inauguration Day as administrative leave and accordingly count it a work day.
LEAVE WITHOUT PAY	831	N/A	Applies to leave without pay granted to technical personnel. Does not include “extended” leave without pay as defined in the IRM,
ALTERNATE WORK SCHEDULE	860	N/A	+ or – Adjustment