

III.D.6 Comparison of Company Organizational Charts

Introduction	Company organization charts may provide information helpful to identifying tax shelters.
What to Look For	<p>As part of a pre-audit analysis, agents should review company organizational and affiliation charts, or secure similar information, for indications of abusive tax shelter activity. Specifically, agents should look for:</p> <ol style="list-style-type: none">1. Newly formed entities, including corporations and partnerships;2. Entities that were dissolved;3. Changes in capital structure, such as the issuance of a new class of stock or stock redemption; and4. Disregarded entities (check the box election).
Partnerships and Joint Ventures	Partnerships and other joint ventures may not be reflected on organizational or affiliation schedules. Because abusive tax shelters are frequently conducted through these types of vehicles, it is advisable to ask the taxpayer to identify all new partnerships and joint ventures entered into and terminated during the years under examination.
Other Factors	<p>In addition, although not necessarily reflected on the organizational charts, the presence of tax shelters may be indicated by:</p> <ol style="list-style-type: none">1. Corporations filing consolidated returns, newly consolidated or deconsolidated entities; and2. New activity in a previously dormant company (i.e., beginning balance sheet reflects little or no assets/liabilities and ending balance sheets shows significant changes).
