

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

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

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