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## STATEMENT OF AUDIT PROCEDURE

### TAXPAYER CLAIM OF PRIOR RESOLUTION AT THE CONCILIATIONS BUREAU

#### I. BACKGROUND

From time to time, the Audit Division may propose an audit adjustment on an issue that had been the subject of a disagreement between the taxpayer and the Audit Division in the past. If the taxpayer challenged the Audit Division's position before the Department's Conciliations Bureau ("Conciliations") and the taxpayer can show that Conciliations resolved that issue in the taxpayer's favor, the Audit Division will consider canceling the proposed adjustment.

The Audit Division will consider cancellation if both the issue and the relevant facts are the same as in the prior audit. Also, the prior case must have been resolved on the merits, not as part of a compromise or settlement, and must meet the specific criteria outlined below.

#### II. SCOPE

This Statement of Audit Procedure will apply to all audits conducted by the Audit Division.

#### III. PROCEDURE

A. The Division will consider canceling an adjustment proposed by an auditor on a particular issue if:

- (i) the same issue was resolved on the merits in the taxpayer's favor at Conciliations;
- (ii) that prior resolution related to any of the three years immediately preceding the current audit period; and
- (iii) there have been no changes in the applicable law.

- B. Any taxpayer requesting that a proposed adjustment be cancelled must submit to the auditor:
- (i) a copy of the Conciliation Request, Proposed Resolution and Conciliation Determination that dealt with the same issue;
  - (ii) a short written explanation demonstrating that the current issue is the same as the one resolved in Conciliations.
- C. If the audit manager determines that cancellation is appropriate, the audit will proceed to completion. After following applicable case-closing procedure, the auditor will forward the case to the Quality Management Support Group (QMSG). **Cancellation of an adjustment because the issue had been resolved in a prior period by Conciliations is subject to review as part of QMSG's normal review procedures for completed audits.**