

## IRM PROCEDURAL UPDATE

**DATE:** 11/04/2014

**NUMBER:** SBSE-04-1114-1560

**SUBJECT:** Post Publication Revision to TY 2012 IRM 4.19.3, IMF Automated Underreporter Program

**AFFECTED IRM(s)/SUBSECTION(s):** 4.19.3

**CHANGE(s):**

### IRM 4.19.3.7.27.1(6) - new for sending GRDIS IR

6. If an EARN IR is marked U/R, also send the associated GRDIS IR. The gross distribution amount is used by taxpayer to calculate the taxable portion of the earnings. The distribution is not taxable if the paid expenses minus the expenses claimed for credits or tuition and fees deduction exceeds the gross distribution amount.

### IRM 4.19.3.20.1.19(8) table 2nd Then column - added step 2 to send Special Paragraph

8. Form 1040X adjustment has posted.

If	And	Then
The Form 1040X includes <b>all</b> U/R issues.		Close the case using the appropriate PC.
The Form 1040X addresses <b>all</b> of the U/R issues BUT does not include the Accuracy related penalties,	The Form 1040X was filed <b>AFTER</b> the AUR contact date.	<ol style="list-style-type: none"><li>1. Pursue the penalty through the manual notice process (Letter 1151C and STN 90 through to default).</li><li>2. Send a Special Paragraph using the following verbiage as an example: "We received your Form 1040X, Amended U.S. Individual Income Tax Return, in response to our previous notice. The Form 1040X did not include penalties which are included in this notice."</li><li>3. Close the case with</li></ol>

		appropriate PC.
	The Form 1040X was filed <b>BEFORE</b> the AUR contact date.	Do not pursue the penalty. Close the case with the appropriate PC.
The Form 1040X does NOT include all U/R issues		<ol style="list-style-type: none"> <li>1. Adjust the U/R by reworking the case.</li> <li>2. Send the appropriate recomputed notice for the taxpayer's signature.</li> </ol> <p><b>CAUTION:</b> Ensure all windows reflect the processed Form 1040X information/figures.</p>

**IRM 4.19.3.20.2.4(7) - new for taxpayer requests to add balance to existing IA, renumbered remainder of subsection**

- 7. If the taxpayer agrees and requests to add the AUR balance due to an existing installment agreement or states they can pay within 120 days:**
1. Instruct the taxpayer to sign and date the notice in the space provided.
  2. Advise the taxpayer to include the request to add to an existing installment agreement or their intent to pay within 120 days on their signed agreement.

**IRM 4.19.3.20.2.4(19) - new for taxpayer agrees to submit documentation, renumbered remainder of subsection**

19. If during a phone call, AUR or IDRS research shows the taxpayer's account balance due status **is the result of an AUR assessment** and the taxpayer agrees to send in documentation, advise the taxpayer they will continue to receive notices until the documentation is received and reviewed.

**NOTE: DO NOT check the action required box.**

**IRM 4.19.3.20.7.4(3) From/To/Then chart 1st Then box - added new step 3 to send Letter 1802C, renumbered remainder of step; Note - revised to indicate lawfully married same sex couples**

3. If the taxpayer requests to change his/her filing status:

<b>From</b>	<b>To</b>	<b>Then</b>
Married filing separately, single, or head of household	Married filing jointly	<p>Check Tax Account for a TC 640/670. If no payment is present go to step 5 otherwise:</p> <ol style="list-style-type: none"> <li>1. Access the AUR Assessment Window and change the AUTO/MANUAL indicator from "A" (auto) to "M" (manual).</li> <li>2. Commit &lt;F4&gt; the Assessment Window.</li> <li>3. Send Letter 1802C to inform the taxpayer their request for a filing status change has been sent to the appropriate area.</li> <li>4. Input closing PC 71 (CP 2000) or PC 96 (Stat).</li> </ol> <p><b>NOTE:</b> A manual adjustment must be input on IDRS.</p> <ol style="list-style-type: none"> <li>5. Access IDRS and input TC 290 .00 with Hold Code 4.</li> <li>6. Send the case file to Accounts Management.</li> </ol> <p><b>CAUTION:</b> Be sure that all U/R issues have been answered by the taxpayer prior to transferring the case to Accounts Management. If not, correspond with the taxpayer to resolve all U/R issues before sending the case to Accounts Management.</p>
Married Filing Joint	Any other filing status after the due date of the return	<ol style="list-style-type: none"> <li>1. Disallow the request.</li> <li>2. Send the appropriate letter and include a Special paragraph using the following verbiage as an example: "Once you file a joint return, you may not change your</li> </ol>

		<p>filing status for that year after the due date of the return."</p> <p><b>NOTE:</b> If the taxpayer states the return is invalid, see IRM 4.19.3.4.8.2, Examiners Fraud Responsibilities.</p>
Any other filing status		<p>Master File adjustments are necessary. IDRS CC ENMOD must be updated.</p> <p><b>NOTE:</b> When the filing status is changed on the Return Value screen, the system uses the correct filing status to recompute the tax.</p>

**NOTE:** AUR may receive requests for filing status changes based on the June 26, 2013 Supreme Court ruling on a provision of the 1996 Defense of Marriage Act (DOMA) which treats same-sex couples that were lawfully married under state law as married for all federal tax purposes including income and gift and estate taxes. This is true, regardless of whether a couple resides in a jurisdiction that recognizes same-sex marriage or in a jurisdiction that does not recognize the validity of same-sex marriages. The ruling applies to all federal tax provisions where marriage is a factor, including filing status, claiming personal and dependency exemptions taking the standard deduction, employee benefits, contributing to an IRA and claiming earned income tax credit (EITC) and child tax credit (CTC).

**IRM 4.19.3.20.7.4(6) b - expanded to include information on filing status change prior to petitioning U.S. Tax court**

6. If the taxpayer wants their case sent to their local **Area Office**, advise the taxpayer that their case cannot be transferred to the local Area Office. Attempt to resolve the issue(s) by telephone contact. If the telephone contact does not resolve the issue(s) and:

**NOTE:** See IRM 4.19.3.20.1.8, *Appeals*, when the taxpayer wants the case sent to Appeals.

- a. The **Statutory Notice has not been issued:** Inform the taxpayer that a Statutory Notice of Deficiency will be issued via certified mail. Leave a Case Note documenting the phone contact (including if the taxpayer is uncooperative). Input PC 75.
- b. The **Statutory Notice has been issued:** Advise the taxpayer that they need to file a petition with the US Tax Court, following the instructions

in the Statutory Notice they received. For filing status other than married filing joint, advise the taxpayer that if their intent is to change their filing status to Married Filing Joint, **they MUST do so before** filing a petition with the Tax Court as they will be precluded from changing their filing status once the petition is filed with the Tax Court. Remind the taxpayer that they must file their petition within the 90-day period. Also, inform the taxpayer that a case petitioned to the tax court will usually be considered for settlement by Appeals before their trial date. If necessary, refile the case for the remainder of the Statutory Notice suspense period or until you are notified to pull the case from suspense because the taxpayer filed a tax court petition.

If unable to contact the taxpayer by telephone, leave a case note documenting the attempt.

- a. The **Statutory Notice has not been issued**: Issue a Letter 2626C, advise the taxpayer that we are unable to transfer their case to the local area office. Inform the taxpayer that a Statutory Notice of Deficiency will be issued via certified mail. Input PC 75.
- b. The **Statutory Notice has been issued**: Issue a Letter 2626C advising the taxpayer that we are unable to transfer the case to the local area office and that they need to file a petition with the US Tax Court, following the instructions in the Statutory Notice they received. Remind the taxpayer that they must file their petition within the 90-day period. Also, inform the taxpayer that a case petitioned to the tax court will usually be considered for settlement by Appeals before their trial date.