



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

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MEMORANDUM FOR DIRECTOR, FILING AND PAYMENT COMPLIANCE (SB)  
DIRECTOR, ADVISORY AND INSOLVENCY

FROM: Scott D. Reisher /s/ **Scott D. Reisher**  
Director, Collection Policy

SUBJECT: Identity Theft (IDT) Transaction Codes and Processing in  
Bankruptcy Cases

The purpose of this memorandum is to provide guidance on required actions when a taxpayer states he/she is a victim of identity theft. It also provides guidance on required actions when a third party, such as the bankruptcy trustee, states that the debtor is a victim of identity theft or the caseworker identifies that the taxpayer (debtor) is a victim of identity theft. Internal Revenue Manual (IRM) 5.9.5.12, *Opening a Bankruptcy Case, Identity Theft*, will be updated to include this guidance. Refer to IRM 10.5.3, *Identity Protection Program*, for Servicewide guidance on identity theft. Refer to IRM 5.1.12.2, *Identity Theft*, for general guidance for Collection employees. See IRM 5.1.12.2.1.6.2 for the miscellaneous fields that must be input with identity theft transactions or included on Form 4844.

Insolvency may encounter unique situations when the taxpayer is in bankruptcy. Actions taken on the Insolvency case will depend on whether or not there is a balance due on the debtor's account or if the account in question had a refund or credit balance.

Generally, in working possible identity theft cases, caseworkers should:

1. Ask for substantiation, unless the debtor has already provided it.
2. Make an identity theft determination when the debtor has submitted IDT substantiation to the Service, or the bankruptcy trustee or attorney identified the potential identity theft and the debtor has not provided the substantiation, as requested.
3. If identity theft occurred, take whatever action is required by the case.

The caseworker may encounter situations where the debtor states that he/she is a victim of identity theft. Attachment 1, *Debtor States Identity Theft*, includes actions required of the caseworker and step-by-step procedures for inputting the identity theft transaction codes.

During the normal course of business, a Service employee may identify that a possible identity theft has occurred and the case has not been resolved. Attachment 2, *IRS Identified Identity Theft*, provides guidance for the caseworker to follow, should the caseworker or another IRS employee identify the identity theft.

Finally, the bankruptcy trustee or attorney for the debtor may contact an Insolvency caseworker when he/she suspects identity theft has occurred. For example, the bankruptcy trustee may contact the caseworker upon receipt of a refund check in a refund turnover case (RTO) when the debtor had previously provided information that he/she had no income tax filing requirements. In most instances, the caseworker will attempt to secure the ID Theft substantiation documentation from the taxpayer. The caseworker may not be able to secure identity theft substantiation if:

- The debtor is deceased.
- The debtor is unwilling to provide the substantiation because he/she is receiving the benefit of the refund from the identity theft return.

Caseworkers must follow the procedures in Attachment 3, *Trustee or Debtor's Attorney States Debtor is a Victim of Identity Theft*, in these cases.

In all instances, the caseworker must document the AIS history with all actions taken in the identity theft case. Preparation and routing of Form 3870 for any account requiring an adjustment due to identity theft is the same for all cases. It does not matter if the taxpayer, a Service employee, or a third party, such as the bankruptcy trustee or attorney, identified the identity theft. Caseworkers should follow the procedures below for preparing and routing Form 3870.

### **FORM 3870 PREPARATION**

If it is determined that the debtor is a victim of identity theft, Form 3870 is prepared to correct the victim's account. The following guidelines should be followed when preparing Form 3870:

- Prepare Form 3870 and write Identity Theft in Item 11, *Reason for Adjustment*, in bold letters.
- Include specific instructions on actions needed to correct the account. For example, state that TC 150 for \$XX is for the return filed by an identity thief. Note any other information that is needed to adjust the account correctly. For example, indicate if there are any estimated tax payments made by the victim-debtor that should remain on the account. Note when a refund generated by the identity theft return is offset to another tax liability. These examples are not all inclusive.

- Indicate on Form 3870 if contact is needed when the adjustment is completed or when the adjustments cannot be completed as requested. This will allow the Insolvency caseworker to file an amended proof of claim at the earliest possible time in the bankruptcy proceeding. The function working the adjustments will alert the caseworker when the adjustments have been completed or when the adjustments cannot be processed as requested.
- Attach the following documentation to Form 3870:
  - Copy of substantiation documentation (evidence of identity theft and authentication of identity). Maintain a second copy of the substantiation until all adjustments have posted to IDRS. Once the adjustments have posted to IDRS, destroy the second copy.
  - NUMIDENT – Obtained by requesting MFTRA type U, if available.
  - Original return, if secured from victim-taxpayer.
- Do not attach IDRS prints.
- Request input of TC 971 AC 501 or AC 506 on Form 3870. TC 971 action code will be input when the account is corrected.
- Request input of TC 470 CC 90 if the adjustments will result in complete satisfaction of the tax module.
- Forward Form 3870 to the appropriate function for adjustment based on the type of assessment.
- Incomplete referrals will be rejected.

### **ROUTING OF THE FORM 3870**

The completed Form 3870 is routed based on the type of assessment that needs to be adjusted.

- Audit reconsideration – Prepare Form 3870 and route based on IRM Exhibits 4.13.7-3 and 4.13.7-4. This includes a return filed under the taxpayer's Social Security number by an identity thief and a subsequent audit assessment made by Examination.
- AUR reconsideration – Prepare Form 3870 and route based on IRM Exhibit 4.13.7-6. This includes a return filed under the taxpayer's Social Security number by an identity thief and a subsequent AUR assessment.
- SFR/ASFR (Brookhaven/Fresno) - Prepare Form 3870 and route based on IRM 5.1.15.4.3(7) and (8).
- Identity Theft Return – This is a return filed under the taxpayer's Social Security number by an identity thief. Submit the Form 3870 to the new SB/SE Designated Identity Theft Adjustment (“DITA”) team if there is no subsequent Audit or AUR assessment. The Form 3870 must be mailed, rather than sent electronically by fax or email, if an original return is attached to the Form 3870. DITA accepts Forms 3870 via fax or email when no original return is included in the adjustment package.

The contact information for the new DITA team is as follows:

Internal Revenue Service  
DITA Mail Stop 4-G20.500  
2970 Market Street  
Philadelphia, PA 19104  
Fax # 1-855-786-6575  
Outlook mailbox for electronic submission is \*SBSE CCS DITA

Please note before attempting to resolve an identity theft issue, determine if the trustee or debtor's attorney has filed an objection to the claim or a motion to determine tax liability. If the tax period involving the identity theft is listed on the claim or is being considered as part of the motion to determine tax liability, do not work the identity theft issue without first coordinating with Counsel, as the identity theft issue is already being raised in a court proceeding.

Consider whether the taxpayer should be referred to the Taxpayer Advocate Service (TAS). In cases where the identity theft issue is being litigated in the bankruptcy court, it is not appropriate to refer the case to TAS, as TAS has no authority to intervene in the litigation. In all other cases, consider whether the taxpayer should be referred to TAS. If the IRS can provide relief or take steps towards providing relief within 24 hours, the case should not be referred to TAS unless the taxpayer requests TAS assistance and the case meets TAS criteria. If you think referral to TAS is necessary, you must first determine the TAS criteria applicable to the case. See IRM 13.1.7, *Taxpayer Advocate Service Case Criteria*. If the taxpayer meets TAS criteria 1-4 and thus may be experiencing a financial hardship as a result of a tax-related identity theft issue, prepare and submit Form 911/Form e-911, *Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order)*. If the taxpayer requests to contact TAS directly, advise the taxpayer to call 1-877-777-4778 toll-free, or go to <http://www.irs.gov/advocate/>.

If you have questions, please contact me, or members of your staff should contact Collection Policy analyst, Deborah Fowler.

Attachments (3)

cc: Director, Campus Compliance Services (SB)  
Director, Field Collection  
[www.irs.gov](http://www.irs.gov)

## DEBTOR STATES IDENTITY THEFT

Step	TC 971 Action Code	Employee Actions	Notes
1	TC 971 AC 522 <b>PNDCLM</b>	<p>When a taxpayer states that s(he) is a victim of identity theft, request input of TC 971 AC 522 with source code <b>PNDCLM</b>. Prepare Form 4844 to request input of the TC 971 if the debtor states that s(he) did not earn income or that the return in question was not filed by him/her, and the debtor has not yet provided ID Theft substantiation.</p> <p>If the return filed by an identity thief resulted in issuance of the refund to the debtor, the bankruptcy estate or trustee, ask the debtor or trustee to return the refund to the Service.</p> <p>See Step 9 for actions to take when the refund is not returned to the Service.</p> <p><b>Caution:</b> Prior to marking an account with TC 971 AC 522 PNDCLM or IRSID, research ENMOD/IMFOLE to ensure the account has not already been marked for the same tax year/incident. If the coding already exists, do not input a second code for the same tax year/incident.</p>	<p>The Secondary Date field will reflect the tax year of the identity theft incident. Use Form 4844 to request input of the TC 971 AC 522 <b>PNDCLM</b> and forward to the SB/SE Designated Identity Theft Adjustment (DITA) team. Contact information for DITA is included in the related Interim Guidance Memorandum.</p> <p><b>NOTE:</b> To prevent systemic issuance of the refund on the potential identity theft account:</p> <ul style="list-style-type: none"> <li>• Input TC 520 CC 81 to the module on IDRS.</li> <li>• Write in the AIS history in all capital letters: POTENTIAL IDT CASE. DO NOT ISSUE REFUND ON 30-20XX12.</li> <li>• Add the case classification "Iden Theft" to the case classification screen on AIS to alert users of the AIS system that there is an open IDT issue in the case.</li> </ul>

2	TC 971 AC 522 <b>NODCRQ</b>	<p>To reduce burden on the taxpayer, review IDRS CC ENMOD/IMFOLE to determine if the taxpayer has already provided IDT substantiation. Additional documentation is not required when a review of CC ENMOD/IMFOLE shows the following conditions exist:</p> <ol style="list-style-type: none"> <li>1. There is a posted/unreversed TC971 AC501/506 or TC 971 AC 522 Source Code INCOME, MULTFL, INCMUL, NOFR, or <b>OTHER and</b></li> <li>2. The posted transaction falls within the three year period described in IRM 10.5.3.2.7(10) <b>and</b></li> <li>3. The statement relates to a previously reported incident described in IRM 10.5.3.2.7(10).</li> </ol> <p>If the above criteria are met, request input of TC 971 AC 522 with source code <b>NODCRQ</b> and skip Steps 3 through 4. Go to Step 6. (See IRM 10.5.3.2.7.4 regarding source code NODCRQ.)</p>	<p>The Secondary Date field will reflect the tax year of the identity theft incident. Use Form 4844 to request input of the TC 971 AC 522 <b>NODCRQ</b>. Forward the Form 4844 to the DITA team.*</p>
3		<p>If a review of CC ENMOD/IMFOLE does not show that the conditions in Step 2 have been met, the taxpayer must provide ID Theft substantiation.</p> <p>Establish a 30-day</p>	<p>IRM 5.1.12.2.1, <i>Standard Identity Theft Documentation Requirements</i>, discusses ID Theft substantiation.</p> <p><b>Authentication of Identity</b> Ask the taxpayer to</p>

		<p>deadline for the taxpayer to provide the substantiation documentation. Set a follow-up for 45 days on AIS.</p> <p>If the debtor has not filed a tax return for the tax year in question, has an income tax filing requirement and the return due date has passed, ask the debtor to file their delinquent tax return with Insolvency by the 30-day deadline established above.</p>	<p>provide a copy of one form of valid U.S. federal or state government - issued identification, such as:</p> <ul style="list-style-type: none"> <li>• Driver's license</li> <li>• State ID Card</li> <li>• Social Security Card</li> <li>• Passport</li> </ul> <p style="text-align: center;">AND</p> <p><b>Evidence of Identity Theft (IDT):</b></p> <ul style="list-style-type: none"> <li>• Police Report or</li> <li>• Form 14039, <i>Identity Theft Affidavit</i></li> </ul>
4	TC 972 AC 522 source code <b>NOREPLY</b>	<p>If the debtor stated s(he) is a victim of IDT and does not provide the required ID Theft substantiation by the established deadline, contact the debtor and advise the debtor that the IRS is not going to work the identity theft issue because the debtor has not provided the ID Theft substantiation. If the taxpayer does not indicate that the substantiation was previously submitted, reverse the identity theft indicator on IDRS.</p> <p>If the debtor states that they have sent the substantiation to the Service, ask him/her to submit a duplicate copy by a mutually agreed upon date. Advise the taxpayer that the Service</p>	<p>Request input of TC 972 AC 522 with source code NOREPLY to reverse the ID theft indicator. Submit Form 4844 to DITA.*</p> <p>Continue with routine case processing using established bankruptcy procedures.</p> <p><b>Note:</b> Close the "Iden Theft" case classification on AIS.</p> <p><b>Do not proceed further in the chart.</b></p>

		<p>will not work the identity theft issue if the substantiation is not received by that date.</p> <p>Reverse the identity theft indicator on IDRS if the duplicate copy is not received by the date established.</p> <p>NOTE: See Attachment 2, <i>IRS Identified ID Theft</i> and Attachment 3, <i>Trustee or Debtor's Attorney States Debtor is a Victim of Identity Theft</i>, for instructions in cases where the bankruptcy trustee stated that the taxpayer is a victim of IDT or the Service identified the IDT.</p>	
5	TC 971 AC 522 with source code <b>INCOME, MULTFL, INCMUL, NOFR</b> or <b>OTHER</b>	If the taxpayer provides complete and legible ID Theft substantiation, request input of a TC 971 AC 522 with source code <b>INCOME, MULTFL, INCMUL, NOFR</b> or <b>OTHER</b> .	Use Form 4844 to request input of the TC 971 AC 522 with the respective source code. Forward the Form 4844 to the DITA team.*
6		<p>The caseworker must conduct research to determine if (in his/her judgment), identity theft occurred.</p> <p>For example, review:</p> <ul style="list-style-type: none"> <li>• Accurint</li> <li>• IRPTR</li> <li>• PACER (Petition, Statement of Financial Affairs and Bankruptcy Schedules)</li> <li>• IDRS (INOLES,</li> </ul>	



		<p>ENMOD, RTVUE, etc.)</p> <ul style="list-style-type: none"> <li>If a paper return was filed, compare the signature on the tax return to the signature on Form 14039, the bankruptcy petition, etc.</li> </ul>	
7	TC 972 AC 522 with source code <b>NOIDT</b>	<p>If the taxpayer has provided ID Theft Substantiation or if substantiation is not required because it was previously submitted (see Step 2), <i>and</i> the caseworker has determined that in his/her judgment Identity theft <b>did not occur</b>, the caseworker should request input of a TC 972 AC 522 source code <b>NOIDT</b>.</p> <p>Contact the debtor. Advise the debtor that we have determined that identity theft did not occur and we are closing the identity theft issue. If the debtor has additional information that the debtor would like for the Service to consider, ask him/her to provide the additional information to the caseworker.</p>	<p>If the caseworker determines that in his/her judgment identity theft did not occur, reverse the TC971 AC 522 with TC 972 AC 522 source code <b>NOIDT</b>. Use Form 4844 to request input and forward to DITA team.*</p> <p>Continue with routine case processing using established bankruptcy procedures. <b>Note:</b> Close the "Iden Theft" case classification on AIS.</p> <p><b>Do not proceed further in the chart.</b></p>
8	TC 971 AC 501	<p>If the taxpayer submitted the ID Theft substantiation or was not required to submit the substantiation because the documentation was previously submitted, and</p>	<p>See memorandum for preparation and routing of Form 3870.</p>

		<p>the caseworker has determined that in his/her judgment Identity Theft has occurred, prepare Form 3870 to correct the taxpayer's account. <b>Write, "Input the TC971 AC 501 once all adjustments have been input" on the Form 3870.</b></p> <p>Contact the debtor. Advise the debtor that we have determined that s(he) is a victim of identity theft and will be adjusting his/her account accordingly.</p> <p><b>NOTE:</b> If the address on ENMOD/IMFOLE for the taxpayer is incorrect, include instructions for an address change on the Form 3870.</p>	
9		<p>Once the identity theft issues have been resolved, the caseworker will need to take actions specific to the bankruptcy case.</p>	<p>If the debtor's account had a <b>balance due</b> to an identity theft return, the caseworker will need to:</p> <ul style="list-style-type: none"> <li>• Amend the proof of claim so that it reflects the debtor's correct liability as a result of the identity theft investigation. The liability could be increased or decreased depending on the result of the investigation. If the amendment will increase the amount of tax the debtor must pay,</li> </ul>

			<p>consult with Area Counsel before proceeding. If an objection to claim or motion to determine tax liability is pending, consult with Area Counsel before amending the claim.</p> <ul style="list-style-type: none"> <li>• Determine if the Service received any payments on the proof of claim for a liability resulting from identity theft. If there are no other outstanding tax liabilities, the bankruptcy payments applied to the thief's liability should be returned to the bankruptcy estate.</li> <li>• If there are remaining liabilities, the caseworker should consult with local Area Counsel whether the payments should be applied to those liabilities, returned to the bankruptcy estate, or refunded to the taxpayer.</li> <li>• <b>Note:</b> Close the "Iden Theft" case classification on AIS.</li> </ul> <p>If a return prepared by an</p>
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			<p>identity thief resulted in a <b>refund return</b>, adjusting the account may result in a balance due. The caseworker will need to determine if the refund was issued to the trustee in the debtor's bankruptcy case, offset to a tax liability owed by the debtor, offset to a student loan, child support obligation, etc. of the debtor through the TOP offset program, or, if the refund was systemically issued to the identity thief.</p> <p>If the entire refund was issued to the identity thief, the debtor should not be penalized by owing a balance due on the account because the Service could not secure the refund back from the identity thief. The caseworker should include instructions to remove transactions from the IDT return from the taxpayer's account on Form 3870.</p> <p>If the refund or a portion of the refund did not refund to the thief, additional actions are needed:</p> <ol style="list-style-type: none"> <li>1. Did the refund offset to a tax debt owed by the debtor? Transfer the credit back to</li> </ol>
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			<p>the module with the return prepared by the identity thief.</p> <p>2. Did the refund offset to a student loan, child support obligation, or other debt through the TOP offset program? If the offset is reversed, there should be no balance due on the account. Additional guidance will be forthcoming concerning the recovery of TOP offsets. The federal or state agency that received the TOP offset should NOT be contacted to request the return of the refund. There was a refund turnover order in the case. The refund due to the ID Theft return was issued to the bankruptcy trustee. Ask the trustee to return the refund to the Service. Upon receipt, post the payment using Form 3913. If the money cannot be refunded because it has already been disbursed to the debtor's creditors, see below.</p>
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			<p><b>Refund Not Returned or Offset Not Reversed:</b> If it appears that the debtor received some benefit related to the refund generated by a tax return prepared by an ID thief and s(he) played no direct or indirect part in the identity theft, the caseworker should consult with local Area Counsel. Discuss actions that may be available to the Service to recover some or all of the refund. Possible actions may include:</p> <ol style="list-style-type: none"><li>1. Refer the case to Area Counsel to initiate a <i>Suit to Recover an Erroneous Refund</i>, subject to the # [REDACTED] # refund tolerance amount.</li><li>2. Additional guidance is forthcoming regarding recovering refunds less than # [REDACTED] # [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] #</li></ol> <p>When the refund cannot be recovered, the taxpayer's account is</p>
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			corrected and no further action is taken. <b>Note:</b> Close the "Iden Theft" case classification on AIS once all action in the case involving identity theft has been completed.
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**\*NOTE:** Functions with on-line IDRS input capabilities should follow instructions for inputting the TC 971 and TC 972 in IRM 10.5.3, *Identity Protection Program*. See IRM 5.1.12.2.2.1.6.2 for the required miscellaneous fields that must be included on Form 4844 or included when manually inputting IDT transactions to IDRS.

**IRS IDENTIFIED IDENTITY THEFT**

Step	TC 971 Action Code	Employee Actions	Notes
1	TC 971 AC 522	<p>Request input of TC 971 AC 522 with source code <b>IRSID</b> using Form 4844.</p> <p><b>Caution:</b> Prior to marking an account with TC 971 AC 522 PNDCLM or IRSID, research ENMOD/IMFOLE to ensure the account has not already been marked for the same tax year/incident. If the coding already exists, do not input a second code for the same tax year/incident.</p>	<p>The Secondary Date field will reflect the tax year of the identity theft incident. Use Form 4844 to request input of the TC971 AC 522 with source code <b>IRSID</b> and forward to DITA for input.*</p> <p><b>Note:</b> Add the case classification "Iden Theft" to the case classification screen on AIS to alert users of the AIS system that there is an open ID Theft issue in the case.</p>
2		<p>In all instances, the caseworker must conduct research to determine if (in his/her judgment), identity theft occurred.</p> <p>For example, review:</p> <ul style="list-style-type: none"> <li>• Accurint</li> <li>• IRPTR</li> <li>• PACER (Petition, Statement of Financial Affairs and Bankruptcy Schedules)</li> <li>• IDRS (INOLES, ENMOD, RTVUE, etc.)</li> <li>• If a paper return was filed, compare the signature on the tax return to the signature on the bankruptcy petition.</li> </ul>	
3	TC 972 AC 522 with source code	If the caseworker has determined that in his/her	Reverse the TC971 AC 522 with TC 972 AC 522



	<b>NOIDT</b>	judgment Identity theft <b>did not occur</b> , the caseworker should request input of a TC 972 AC 522 source code <b>NOIDT</b> .	source code <b>NOIDT</b> . Use Form 4844 to request input and forward to DITA team.*  Continue with routine case processing using established bankruptcy procedures. <b>Note:</b> Close the "Iden Theft" case classification on AIS.  <b>Do not proceed further in the chart.</b>
4	TC 971 AC 506	Prepare Form 3870 to correct taxpayer's account when the caseworker has determined that identity theft has occurred. <b>Write "Input TC 971 AC 506 when all adjustments have been input" on the Form 3870.</b>  Contact the debtor. Advise the debtor that we have determined that s(he) is a victim of identity theft and will be adjusting their account accordingly.  <b>NOTE:</b> If the address on ENMOD/IMFOLE for the taxpayer is incorrect, include instructions for an address change on the Form 3870.	TC 971 AC 506 is input when account has been corrected.
5		Once the identity theft issues have been resolved, the caseworker may need to take actions specific to the bankruptcy case.	If the debtor's account had a <b>balance due</b> to an identity theft return, the caseworker will need to: <ul style="list-style-type: none"> <li>• Amend the proof of claim so that it reflects the</li> </ul>

			<p>debtor's correct liability as a result of the identity theft investigation. The liability could be increased or decreased depending on the result of the investigation. If the amendment will increase the amount of tax the debtor must pay, consult with Area Counsel before proceeding. If an objection to claim or motion to determine tax liability is pending, consult with Area Counsel before amending the claim.</p> <ul style="list-style-type: none"> <li>• Determine if the Service received any payments on the proof of claim for a liability resulting from identity theft.</li> <li>• If the debtor has no other outstanding liabilities, the bankruptcy payments should be returned to the bankruptcy estate.</li> <li>• If there are remaining liabilities, the caseworker should consult with local Area Counsel</li> </ul>
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			<p>whether the payments should be applied to those liabilities, returned to the bankruptcy estate, or refunded to the taxpayer.</p> <ul style="list-style-type: none"> <li>• <b>Note:</b> Close the "Iden Theft" case classification on AIS.</li> </ul> <p>See Step 9 in Attachment 1, <i>Debtor States Identity Theft</i>, for instructions on addressing modules with a refund due to a return prepared by an identity thief.</p>
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\*Functions with on-line IDRS input capabilities should follow instructions for inputting the TC 971 and TC 972 in IRM 10.5.3, *Identity Protection Program*. See IRM 5.1.12.2.2.1.6.2 for the miscellaneous fields that must be input with identity theft transactions or included on Form 4844.

**TRUSTEE OR DEBTOR'S ATTORNEY STATES DEBTOR IS A VICTIM OF IDENTITY THEFT**

Step	TC 971 Action Code	Employee Actions	Notes
1	TC 971 AC 522 <b>PNDCLM</b>	<p>A person other than the debtor in the debtor's bankruptcy case, such as the debtor's attorney or bankruptcy trustee, contacts Insolvency. They suspect the debtor may be a victim of identity theft because:</p> <ul style="list-style-type: none"> <li>• The debtor previously gave the trustee an affidavit stating they did not file tax returns because s(he) had no taxable income. Yet, the trustee received a refund for a tax period covered in a refund turnover order.</li> <li>• The debtor contacted the trustee or bankruptcy attorney about a letter s(he) received from the Service saying that their tax refund had offset to child support, a student loan or some other debt. S(he) does not remember filing a tax return, or</li> <li>• The debtor told the trustee that s(he) is required to file tax returns. S(he) attempted to file</li> </ul>	<p>The Secondary Date field will reflect the tax year of the identity theft incident. Use Form 4844 to request input of the TC 971 AC 522 <b>PNDCLM</b> and forward to SB/SE Designated Identity Theft Adjustment (DITA) team. Contact information for DITA is included in the related Interim Guidance Memorandum.</p> <p><b>NOTE:</b> To prevent systemic issuance of a refund on the potential identity theft account:</p> <ul style="list-style-type: none"> <li>• Ensure that a TC 520 cc 81 is present on IDRS to prevent systemic issuance of the refund.</li> <li>• Notate the AIS history in all capital letters: <b>POTENTIAL IDT CASE. DO NOT ISSUE REFUND ON 30-20XX12.</b></li> <li>• Add the case classification "Iden Theft" to the case classification screen on AIS to alert users of the</li> </ul>

		<p>his/her tax return electronically. The tax return was rejected because there was already a tax return filed for the tax year in question under his/her SSN.</p> <p>Request input of TC 971 AC 522 with source code <b>PNDCLM</b>.</p> <p><b>Caution:</b> Prior to marking an account with TC 971 AC 522 PNDCLM or IRSID, research ENMOD/IMFOLE to ensure the account has not already been marked for the same tax year/incident. If the coding already exists, do not input a second code for the same tax year/incident.</p> <p>If there was a refund issued to the trustee or taxpayer ask for the return of the refund to the Service.</p> <p>See Step 9 in Attachment 1, <i>Debtor States Identity Theft</i>, for instructions on actions to take when the refund is not returned to the Service.</p>	<p>AIS system that there is an open ID Theft issue in the case.</p>
2	TC 971 AC 522 <b>NODCRQ</b>	<p>To reduce burden on the taxpayer, review IDRS CC ENMOD/IMFOLE to determine if the taxpayer has previously provided IDT substantiation.</p>	<p>The Secondary Date field will reflect the tax year of the identity theft incident. Use Form 4844 to request input of the TC 971 AC 522 <b>NODCRQ</b>.</p>

		<p>Substantiation has been provided when:</p> <ol style="list-style-type: none"> <li>1. There is a posted/unreversed TC971 AC501/506 or TC 971 AC 522 Source Code INCOME, MULTFL, INCMUL, NOFR, or <b>OTHER and</b></li> <li>2. The posted transaction falls within the three year period described in IRM 10.5.3.2.7(10) <b>and</b></li> <li>3. The statement relates to a previously reported incident described in IRM 10.5.3.2.7(10).</li> </ol> <p>If the above criteria are met, request input of TC971 AC522 with source code <b>NODCRQ</b>. Skip Steps 3 through 4. Go to Step 6. (See IRM 10.5.3.2.7.4 regarding source code NODCRQ.)</p>	<p>Forward the Form 4844 to the DITA team.*</p>
3		<p>If a review of CC ENMOD/IMFOLI does not show that the conditions in Step 2 have been met, contact the taxpayer and request that s(he) provide ID Theft Substantiation within 30 days. Set a follow-up for 45 days on AIS.</p> <p>If the debtor has not filed a tax return for the tax year in question, has an income tax filing requirement and the return due date has passed, ask the taxpayer to file his/her tax return</p>	<p>IRM 5.1.12.2.1, <i>Standard Identity Theft Documentation Requirements</i>, discusses ID Theft substantiation.</p> <p><b>Authentication of Identity</b> Ask the debtor to provide a copy of one form of valid U.S. federal or state government - issued identification, such as:</p> <ul style="list-style-type: none"> <li>• Driver's License</li> <li>• State ID Card</li> <li>• Social Security Card</li> <li>• Passport</li> </ul>

		with Insolvency by the 30-day deadline established above.	<p>AND</p> <p><b>Evidence of Identity Theft (IDT):</b></p> <ul style="list-style-type: none"> <li>• Police Report or</li> <li>• Form 14039, <i>Identity Theft Affidavit</i></li> </ul>
4	TC 971 AC 522 with <b>IRSID</b>	<p>If the ID Theft substantiation is not received by the established deadline, it may be because the debtor has received the benefit of the refund from the identity theft return.</p> <p><b>Treat the case as IRS identified Identity Theft.</b></p> <p>Request input of TC 971 AC 522 with source code <b>IRSID</b> using Form 4844.</p> <p><b>Caution:</b> Prior to marking an account with TC 971 AC 522 PNDCLM or IRSID, research ENMOD/IMFOLE to ensure the account has not already been marked for the same tax year/incident. If the coding already exists, do not input a second code for the same tax year/incident.</p>	<p>Prepare Form 4844 to request input of the TC 971 AC 522 with source code IRSID when the caseworker has determined that IDT has occurred.*</p>
5	TC 971 AC 522 with source code <b>INCOME, MULTFL, INCMUL, NOFR or OTHER</b>	<p>If the taxpayer provides substantiation documentation when required, request input of the TC 971 AC 522 with the appropriate source code.</p>	<p>Prepare Form 4844 to request input of the TC 971 AC 522 with the respective source code. Forward the Form 4844 to the DITA team to request input.*</p>
6		<p>The caseworker must conduct research to</p>	<p><b>Note:</b> To facilitate processing of the</p>

		<p>determine if (in his/her judgment), identity theft occurred.</p> <p>For example, review:</p> <ul style="list-style-type: none"> <li>• Accurint</li> <li>• IRPTR</li> <li>• PACER (Petition, Statement of Financial Affairs and Bankruptcy Schedules)</li> <li>• IDRS (INOLES, ENMOD, RTVUE, etc.)</li> <li>• If a paper return was filed, compare the signature on the tax return to the signature on Form 14039, the bankruptcy petition.</li> </ul>	<p>potential IDT case, the caseworker must complete research to determine if s(he) agrees the taxpayer is a victim of identity theft while s(he) is waiting for the taxpayer to submit the requested IDT substantiation.</p>
7	<p>TC 972 AC 522 with source code <b>NOIDT</b></p>	<p>If the caseworker has determined that in his/her judgment Identity theft <b>did not occur</b>, the caseworker should request input of a TC 972 AC 522 source code <b>NOIDT</b>.</p> <p>Contact the debtor. Advise the debtor that we have determined that identity theft did not occur and we are closing the identity theft issue. If the debtor has additional information that the debtor would like for the Service to consider, ask him/her to provide the additional information to the caseworker.</p>	<p>Reverse the TC971 AC 522 with TC 972 AC 522 source code <b>NOIDT</b>. Use Form 4844 to request input and forward to DITA team.*</p> <p>Continue with routine case processing using established bankruptcy procedures. <b>Note:</b> Close the "Iden Theft" case classification on AIS.</p> <p><b>Do not proceed further in the chart.</b></p>



8	TC 971 AC 501	<p>If the debtor submitted Identity Theft substantiation or if ID Theft substantiation was not required because it was previously submitted, and you determined identity theft occurred, prepare Form 3870 to correct the taxpayer's account. <b>Write, "Input the TC971 AC 501 once all adjustments have been input" on the Form 3870.</b></p> <p>Contact the debtor. Advise the debtor that we have determined that s(he) is a victim of identity theft and will be adjusting his/her account accordingly.</p> <p><b>NOTE:</b> If the address on ENMOD/IMFOLE for the taxpayer is incorrect, include instructions for an address change on the Form 3870.</p>	See memorandum for preparation and routing of Form 3870.
9	TC 971 AC 506	<p>If the debtor did not submit ID Theft substantiation and you have determined that identity theft has occurred, prepare Form 3870 to correct the debtor's account. <b>Write, "Input the TC 971 AC 506 once all the adjustments have been input" on the Form 3870.</b></p> <p>Contact the debtor. Advise the debtor that we have</p>	See memorandum for preparation and routing of Form 3870.

		<p>determined that s(he) is a victim of identity theft and will be adjusting his/her account accordingly.</p> <p><b>NOTE:</b> If the address on ENMOD/IMFOLE for the taxpayer is incorrect, include instructions for an address change on the Form 3870.</p>	
10		<p>Once the identity theft issues have been resolved, the caseworker may need to take actions specific to the bankruptcy case.</p>	<p>If the debtor's account had a <b>balance due</b> to an identity theft return, the caseworker will need to:</p> <ul style="list-style-type: none"> <li>• Amend the proof of claim so that it reflects the debtor's correct liability as a result of the identity theft investigation. The liability could be increased or decreased depending on the result of the investigation. If the amendment will increase the amount of tax the debtor must pay, consult with Area Counsel before proceeding. If an objection to claim or motion to determine tax liability is pending, consult with Area Counsel before amending the claim.</li> <li>• Determine if the Service received any payments on</li> </ul>

			<p>the proof of claim for a liability resulting from identity theft.</p> <ul style="list-style-type: none"> <li>• If the debtor has no other outstanding liabilities, the bankruptcy payments should be returned to the bankruptcy estate.</li> <li>• If there are remaining liabilities, the caseworker should consult with local Area Counsel whether the payments should be applied to those liabilities, returned to the bankruptcy estate, or refunded to the taxpayer.</li> <li>• <b>Note:</b> Close the "Iden Theft" case classification on AIS.</li> </ul> <p>See Step 9 in Attachment 1, Debtor <i>States Identity Theft</i>, for instructions on addressing modules with a refund due to a return prepared by an identity thief.</p>
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\*Functions with on-line IDRS input capabilities should follow instructions for inputting the TC 971 and TC 972 in IRM 10.5.3, *Identity Protection Program*. See IRM 5.1.12.2.2.1.6.2 for the miscellaneous fields that must be input with identity theft transactions or included on Form 4844.