IRM PROCEDURAL UPDATE

DATE: 06/30/2014

NUMBER: WI-03-0614-1078

SUBJECT: Archiving/Processing ITIN Returns, Classifying UND Mail, Correspondence

AFFECTED IRM(s)/SUBSECTION(s): 3.21.263

CHANGE(s):

IRM 3.21.263.5.2.3.7(3) IRM 3.21.263.5.2.3.7(4) revised instruction for processing R99 status cases.

3. Cases in R99 status are pulled daily from the Suspense wall and placed on a cart for stripping. Sign out one batch at a time by listing your SEID, the time and your team number. Process final status Reject R99 pages as follows:
   - Annotate "R 99" in red ink in the top left corner of the application on the Final W-7 Status Screen page. Circle out any other status codes present.

     NOTE: the status screen previously showed the Suspense Status

   - Stamp or annotate "ITIN Reject" in the TIN area of any attached return next to the applicant's name. If the applicant is the Primary and/or the secondary (only if Schedule SE attached is for the secondary), write the D.O.B. along the right side of the return in the MM/DD/YYYY format.
   - If Form 2848 or Form 8821 is not edited with the"ITIN", "ITIN Reject "or "No W-7" in the TIN area, edit before stripping.
   - Attach Form 3471 (Edit Sheet) only to R 99 applications from rejected dependents where the return requires a RPD. Edit the R 99 report date as the RPD onto Line 4 of Form 3471 only for returns being sent to processing.

     NOTE: See IRM 3.21.263.5.10.6 #

   - Gather all of the envelopes and place the tax returns on top followed by :

     - Copies of remittances, then
     - Form W7, then
     - Form W7 with tax returns going to Files, then
     - State returns

   - Count all Forms W-7
   - Return batch to the R 99 stripping cart. Enter your completed time and the count of your batch in the cart inventory log.

4. For R 99 cases, process rejected Form W-7 primary or secondary applicants returns as follows:

If Primary or secondary applicant...	Form W-7 has ...	Return has ...	Then ...
Rejects for not validating their identity,	Unsatisfied identity suspense codes written in the bottom center of Form W-7, and	Been flagged to indicate it should be routed with Form W-7 to Document Retention	Staple return (both balance due and refund returns) to back of Form W-7 for sending toDocument Retention. Do **NOT** process return. **EXCEPTION:** If either primary or secondary has a valid TIN and income, route the return to the pipeline for processing.
Validates their identity but rejects because is **NOT** eligible for an ITIN,	"N/A" is written in the bottom center of Form W-7, and	o "ITIN REJECT" in TIN box o DOB written next to TIN box **NOTE:** edit secondary applicants only if their Schedule SE is attached)	Route return to Entity for IRSN
Rejects for not satisfying S-50	"S-50" is written in the bottom center of Form W-7, and	Been flagged to indicate it should be routed with Form W-7 to Document Retention,	Staple return (both balance due and refund returns) to back of Form W-7 for sending to Document Retention. Do **NOT** process return. **EXCEPTION:** If either primary or secondary has a valid TIN and income, route the return to the pipeline for

			processing.

IRM 3.21.263.5.3.2(10) added" CAUTION" when processing amended return received with Form W-7 application.

10. When Form 1040X is received with a Form W-7 application:

CAUTION: See IRM 3.21.263.5.10.7 # if Form 1040X is for a primary or secondary applicant previously denied an ITIN.

If...	Then...
Form 1040X is to add a dependent or a spouse to an original tax return,	Process the Form W-7, annotate ITIN on tax return, where applicable, and continue processing.
Form 1040X is for the primary TIN,	Treat as "no tax return attached" to reject the Form W-7 unless the applicant submits a copy of IRS notice CP 54 or other proof of prior filing.

IRM 3.21.263.5.4.1(6) revised paragraph for processing W-7 for primary/secondary rejects.

6. Process rejected Form W-7 primary or secondary applicants as follows:

If Primary or Secondary applicant...	Then perfect Form W-7 by...	Process the return (both balance due and refund) by...	Update Remarks Screen by...
Rejects for not validating their identity,	Writing the unsatisfied identity suspense codes in the bottom center of Form W-7	Flagging the return (in a manner determined by local management) for Clerical to send the return with the Form W-7 to Document Retention. The return will **NOT** be processed. **EXCEPTION:** If either primary or secondary has a valid TIN and income, the return will be routed to the pipeline for processing. Write "N/A" in bottom center of Form W-7.	Adding statements about the return, such as "2013 return to Files", etc.
Validates	Write "N/A"	o Write "ITIN	Adding

| their identity but rejects because they are **NOT** eligible for an ITIN	in bottom center of Form W-7	REJECT" in the TIN box o Write the DOB next to the TIN box **NOTE:** If applicable, complete Form 3471 and attach to the back of the return facing out. See IRM 3.21.263.5.10.6 # **REMINDER:** Only route secondary applicants if their Schedule SE is attached.	statements about the return, such as "2013 return to Entity for IRSN".
Applicant rejects for **NOT** satisfying S 50	Writing "S 50" at bottom center of Form W-7, and	Flagging the return (in a manner determined by local management) for Clerical to send the return with the Form W-7 to Document Retention. The return will **NOT** be processed. **EXCEPTION:** If either primary or secondary has a valid TIN and income, the return will be routed to the pipeline for processing. Write "N/A" in bottom center of Form W-7.	Adding statements about the return, such as "2013 return to Files."

7. **Document the tax return as follows:**
    o   Write the ITIN(s) on the tax return in the space allocated for the primary, secondary and dependent taxpayer's SSN. Ensure that the ITIN is written on **each** tax return where the applicant is listed.

    CAUTION: Complete Form 3471 when required for returns being sent to processing. Enter the RPD date on line 4. See IRM 3.21.263.5.10.6 # to determine when Form 3471 is required and for instructions on computing the RPD.

    o   Ensure that a TIN status is indicated for **each** person listed on the tax return prior to release. If no SSN or ITIN processing information is available for a person shown on a tax return, write "No W-7" in the SSN box. This also applies to the spouse when filingstatus "3" is indicated.

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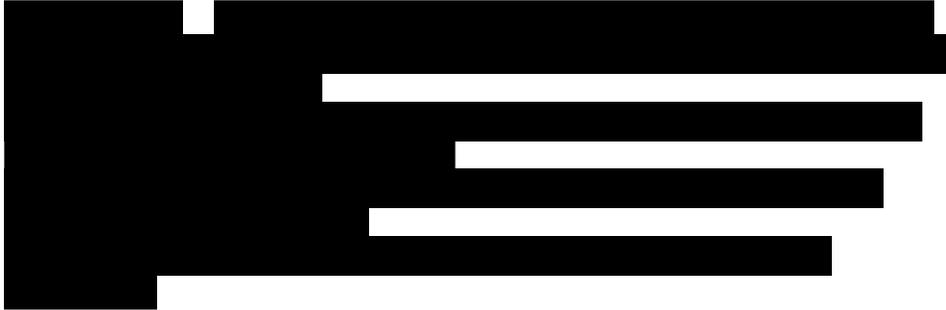
o   Write the DOB next to the TIN box for any primary/secondary applicant needing an IRSN.

   REMINDER: Only edit secondary applicants if their Schedule SE is attached.

o   Staple multiple copies of the exact same tax return for the same tax year together (do not stagger) and only edit the top tax return with the ITIN, or "ITIN Reject", or "No W-7".
o   Use **only** red erasable ink on the tax returns. Write in block letters that are easily legible. **Do not use white out, erasures** etc. in the primary and secondary taxpayer SSN boxes on the return. If something has already been written in the primary or secondary boxes or white out has been used, circle out this information and write the ITIN to the left of the SSN box. If something has already been written in the dependent SSN box and there is no room to enter the information to the left of the box, use white out tape **only** in this area. Be careful not to cover other return information such as the relationship or check box. If the dependent is listed on a continuation sheet that is attached to the return, enter the appropriate ITIN information on that sheet.
o   If no received date is present on the return but is present on the Form W-7, write the same received date as on the Form W-7 on the tax returns(s).

   CAUTION: Always write the received date as "MM-DD-YY" to the right of Line 6d on the front of the return.

- o If no received date is present on the Form W-7 or return, determine and write the received date on the return in the following priority order:
  - postmark date on the envelope
  - signature date
  - today's date minus 10 days

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IRM 3.21.263.5.10.8(6) IRM 3.21.263.5.10.8(7) IRM 3.21.263.5.10.8(8) revised instructions for CP 566 suspense code S 50; renumbered paragraph 12 and paragraph 13.

6. If this is in response to the CP 566 suspense status code S 50, review the response to determine if the taxpayer has verified that the income claimed on the Form W-2 is theirs and they need an ITIN to file a tax return. Submitted documents from the taxpayer to support the income should be one of the following:
   - o A corrected Form W-2 in the primary or secondary taxpayer's name, or
   - o A pay stub in the name that matches the Form W-2 name and tax return year (a single pay period with year-to-date totals is acceptable), or
   - o Bank statements showing this income being deposited into the taxpayer's account, or
   - o Acceptable ID (as defined by Form W-7) in the Form W-2 name.

   NOTE: Original supporting identification documentation must be retained until the ITIN is assigned or rejected; see IRM 3.21.263.5.3.4.2.4. Once the income has been verified as belonging to the applicant, the ID and Form W-7 is reviewed and processed

   CAUTION: This list of acceptable income documents is not all-inclusive. If the applicant provides another type of evidence that the income shown on the Form W-2 was actually earned by the same person submitting the Form W-7 application (even if the names are different):
   The income is substantiated.
   The need for an ITIN to file a tax return is proven.

   REMINDER: See IRM 3.21.263.5.3.4.4.

7. If the CP 566 suspense code S 50 response substantiates the income, attach the proof of income (Form W-2, pay stub, Form W-2C, bank statements, etc.) to the applicable tax return.
8. If the CP 566 suspense code S 50 response does not substantiate the income, the return will **NOT** be processed. Examples of insufficient responses to S 50 include:
    - Files another Form W-7 for exception processing, for example, exception 1b with bank documentation
    - Files Form 1040X
    - Files Form W-2C or Form 4852 completed in pen and ink and showing the name of the employee on the Form W-2 or Form 4852 as the employer and the name of the ITIN applicant as the employee on the Form W-2C or Form 4852

    If the above criteria are present, the return will **NOT** be processed. Update the Remarks Screen with the reason the Form W-2 was not substantiated, for example, "new W-7 but no corrected W-2".

    EXCEPTION: If applicant can validate identity and income, process the return.

9. When working CP 566 responses from primary or secondary applicants, send the return for IRSN assignment when:
    a. CP 566 responses satisfied the Form W-7 identity requirements, but
    b. Applicant is **NOT** eligible for an ITIN.
10. If the CP 566 response from the primary or secondary applicant does **NOT** satisfy the identity requirements and is eligible for an ITIN, the return will **NOT** be processed.

    EXCEPTION: If either primary or secondary has a valid TIN and income, the return will be processed.

11. If primary or secondary applicant files Form 1040X and
    - RTS shows applicant was previously rejected **AND**
    - Preliminary W-7 Applicant Data Screen shows same tax year previously submitted, **AND**
    - Applicant does not validate identity and income, return will **NOT** be processed.

    EXCEPTION: If applicant validates identity and income, process the return

12. If new supporting ID documentation is questionable or Remarks Field shows the previous application had questionable ID, review and compare new documentation to the information in the Remarks Field. If new documentation is questionable, select "No, FDC referral" from the Documentation Screen. Input to the Remarks Screen "ID still questionable". If new documentation appears valid, continue processing.
13. When Form 2848 is received after initial Form W-7 processing, add the POA name to the Remarks Screen. Do not revise the signature area of the Form W-7 with the Form 2848 information unless this was one of the system identified conditions preventing assignment (for example, S 14).