

IRM PROCEDURAL UPDATE

DATE: 03/17/2014

NUMBER: WI-21-0314-0501

SUBJECT: Sequestration of Form 8827 Credit on Certain Form 1120 Series Returns

AFFECTED IRM(s)/SUBSECTION(s): 21.7.4

CHANGE(s):

IRM 21.7.4.4.8.3.10(3) and (4) Updated the information regarding Form 8827. Added a link to new subsection 21.7.4.4.9, Sequestration of Form 8827 Credit - General Information.

3. For its first tax year ending after March 31, 2008, a corporation can elect to claim a refundable credit for certain unused minimum tax credits in lieu of the special depreciation allowance for eligible qualified property. For its first tax year ending after December 31, 2008, a corporation can choose to have this election apply to extension property (See IRM 21.7.4.4.18.10, The Housing and Economic Recovery Act of 2008 P.L. 110-289, Election to Accelerate Research Credit and Alternative Minimum Tax in Lieu of Bonus Depreciation, for more information), can choose not to have this election apply to extension property, or can choose to make this election only for extension property if the election was not made in its first tax year ending after March 31, 2008. See IRM 21.7.4.4.9.3, Sequestration of Form 8827 Credit, for cases involving Form 8827 for tax years ending in 2009 and subsequent.
4. Action required for tax years ending prior to 2009 and for working Form 8801 cases:
 - a. Math verify Form 8801 or Form 8827
 - b. Input TC 291 to increase the credit or TC 290 to reduce the credit

IRM 21.7.4.4.9.3 Added new subsection titled: Sequestration of Form 8827 Credit - General Information.

1. On March 1, 2013, the President issued a sequestration order in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act, as amended, 2 U.S.C. 901a. The order requires that budgetary resources in each non-exempt budget account be reduced by the amount calculated by the Office of Management and Budget (OMB) in its report to Congress, entitled OMB Report

to the Congress on the Joint Committee Sequestration for Fiscal Year 2013. These required reductions (referred to as "Sequestration") include a reduction to a refundable credit for corporations who are requesting a refund from Form 8827, *Credit for Prior Year Minimum Tax – Corporations*. Any refundable portion of the credit will be subject to a pre-defined percentage reduction to the credit claimed on the corporate return.

2. The following original and amended Form 1120 series corporate income tax returns (TY 2009 through TY 2012) processed on or after September 21, 2013 are subject to a sequestration rate of 7.2% of the refundable portion of the Corporate AMT credit reported on line 8c of Form 8827. The Form 8827 credit must exceed the tax (TC 150) on the module **regardless** of any other credits, credit elect from a previous tax year, offsets into, or payments on the account, net of credit elects to the subsequent period and offsets to other tax debts including non-master tax debts. For TY 2009 through 2011, the Form 8827 credit is reported with the credits from Form 3800, General Business Credit, on the corporate income tax return. For TY 2012 and subsequent the Form 8827 credit is reported on a separate line on the corporate income tax return. The Form 8827 credit must be determined and considered separately from other credits reported on the return. The chart below provides information on where to locate the Form 8827 credit on the return and if the Form 8827 credit was combined with credits from the Form 3800.

NOTE: Only returns that are open on statute for refund at the time the return/amended return is filed are subject to sequestration:

Tax Year	Form	Line Item for the Form 8827 Refundable credit	Included with Form 3800 Refundable Credit
2012 and 2013	1120	Schedule J, Part II, Line 19C	N/A
	1120-C	Line 29g	N/A
	1120-F	Line 5h	N/A
	1120-L	Line 29j	N/A
	1120-PC	Line 14j	N/A
	1120-REIT	Line 24g	N/A
	1120-RIC	Line 28h	N/A
2011	1120	Schedule J, Part II, Line 19C	Line 17c
	1120-C	Line 29g	Line 17c
	1120-F	Line 5h	Line 17c
	1120-L	Line 29j	Line 17c
	1120-PC	Line 17j	Line 17c

	1120-REIT	Line 24g	Line 17c
	1120-RIC	Line 28h	Line 17c
2010	1120	Line 32g	Line 19c
	1120-C	Line 29g	Line 19c
	1120-F	Line 5h	Line 19c
	1120-L	Line 29j	Line 19c
	1120-PC	Line 14j	Line 19c
	1120-REIT	Line 24g	Line 19c
	1120-RIC	Line 28h	Line 19c
2009	1120	Line 32g	Line 19c
	1120-C	Line 29g	Line 19c
	1120-F	Line 5h	Line 19c
	1120-L	Line 29j	Line 19c
	1120-PC	Line 14j	Line 19c
	1120-REIT	Line 24g	Line 19c
	1120-RIC	Line 28h	Line 19c

IRM 21.7.4.4.9.3.1 Added new subsection titled: Original Return Processing (SP) Procedures.

1. Code and Edit will identify any original returns meeting the criteria above claiming the Form 8827 credit and will edit computer condition code (CCC) "X" on the return
 - The Form 8827 credit will be input for the full amount claimed on the return.
 - The credit will appear on Command Code (CC) TXMOD and cc BMFOLT as a TC 766. Beginning January 2013, any tax year return with the Form 8827 credit will carry Credit Reference Number (CRN) 334 with TC 766/TC 767. TC766 CRN 334 could also include other refundable credits. Caution must be exercised when reviewing the account to determine the correct amount of the refundable Corp AMT Credit.
 - The CCC "X" will set the -R Freeze on the Module.
 - This will freeze any overpayment on the account from offsetting or refunding.
2. Code & Edit forwards a list daily to the Planning and Analysis (P & A) Staff in Cincinnati, Ogden, and the headquarters analyst of paper and electronic return

filings that have claimed the Form 8827 credit and there is an overpayment on the account that results in a refund. These cases are worked by the Large Corp Units in both campuses.

3. Carryback claims/applications filed on Form 1120 series corporate income tax returns with gain years of 2009 through 2012 processed on or after September 21, 2013 are subject to a sequestration of the refundable credit amount for a corporation electing to accelerate the minimum tax credit on Form 8827, Line 8c. See IRM 21.7.4.4.9.3.3 for the current sequestration rate and the obligation date. For guidance on processing carryback claims/applications that meet sequestration criteria, see IRM 21.5.9.5.14.8, Affect of Sequestration on the Refundable Amount of the Accelerated Minimum Tax Credit (Form 8827) for RINTS/TENTS – BMF Only. This workload must receive expedited processing in order to make the 45-day interest free period.

NOTE: Unusual situations or any issues not outlined in the technical procedures must be elevated to the headquarters analyst as soon as possible.

4. The headquarters analyst keeps a master spreadsheet of the cases that have been received from SP. Separate tabs are kept for those cases that:
 - have been sent to AM for action
 - remain open
 - are potential amended returns
 - are amended returns sent to AM
 - are potential carryback claims
 - are carryback claims sent to AM
5. After CCC "X" has been edited on the paper filings of original returns, Code & Edit copies page 1, 2 and page 3 for the TY 2009 through TY 2013 Form 1120 along with a copy of the Form 8827 as well as Form 3800 and route to AM for processing. Electronic returns are researched via the Employee User Portal.
6. Processing the Form 8827 credit subject to sequestration is a specialized procedure that is worked only in The Large Corp Units in Cincinnati and Ogden.
7. The Form 8827 cases subject to sequestration are routed as follows:
 - Cincinnati – Route to Large Corp, Stop 537G, Team 402. These cases are to be assigned to IDRS number 0231103798.
 - Ogden - Cases are scanned into CIS and assigned to IDRS number 0434905511.

IRM 21.7.4.4.9.3.2 Added new subsection titled: Determining if Form 8827 Credit is subject to Sequestration.

1. In order for the Form 8827 credit to be subject to sequestration, the Form 8827 credit must exceed the tax regardless of any other credits, credit elect from a previous tax year, offsets into, or payments (i.e., TC 640, TC 670, TC 716, etc.) posted to the account.

Example: TC 150 is \$10,000. Form 8827 refundable credit is \$20,000. This account may be subject to sequestration.

Example: TC 150 is \$20,000. Form 8827 refundable credit is \$10,000. This account is not subject to sequestration.

2. The credit must not be subject to an offset to a balance due on the account, cross referenced account or Non-Master File (NMF). Any portion of the refundable credit that is offset to balance due accounts is not subject to sequestration. Any excess of the refundable credit is subject to sequestration. Always research master file and non-master file for any tax debts. It may be necessary to manually offset to balance due accounts.

NOTE: Do not offset to accounts with a -E freeze.

3. If the taxpayer requests a credit elect of the entire overpayment, the credit is not subject to sequestration. The Form 8827 credit must be included in the overpayment on the account subject to refund after any credit elect requests and all balance due issues have been resolved.

NOTE: Once an amount is credit elected, the BMF taxpayer cannot request a refund. Also, once an amount has been sequestered and refunded, the taxpayer cannot return the money and request a credit elect. See IRM 21.7.4.4.5, Estimated Tax Overpayment, Credit Elect - General, for more information.

4. The general rule in determining the amount subject to sequestration is the lesser of (1) the Form 8827 credit in excess of the tax (TC 150) or (2) the amount of the refund after offsets and credit elect, For example:

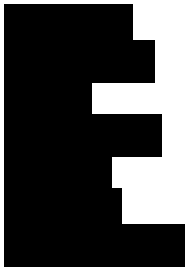
Example #1		
Total Tax (TC 150)	\$5,000	<ul style="list-style-type: none">○ Reminder: The amount of the Form 8827 credit subject to sequestration is the lesser of (1) Form 8827 credit in excess of tax (\$5,000) or (2) the amount of the refund after offsets and credit elect (\$3,000).
Form 8827 Credit	\$10,000	
Overpayment	\$5,000	
Offset to Balance Due	\$1,000	
Credit Elect	\$1,000	
Amount Subject to Sequestration	\$3,000	
Example #2		
Total Tax (TC 150)	\$5,000	<ul style="list-style-type: none">○ Reminder: The amount of the Form 8827 credit subject to sequestration is the lesser of (1) the Form 8827 credit in excess of tax (\$5,000) or (2) the amount of the refund after offsets and credit
Form 8827 Credit	\$10,000	
TC 650	\$25,000	

Payment		elect (\$19,000).
Overpayment	\$30,000	
Offset to Balance Due	\$4,000	
Credit Elect	\$7,000	
Overpayment	\$19,000	
Amount Subject to Sequestration	\$5,000	
Example #3		
Total Tax (TC 150)	\$5,000	<ul style="list-style-type: none">Reminder: The amount of the Form 8827 credit subject to sequestration is the lesser of (1) credit in excess of tax (\$5,000) or (2) the amount of the refund after offsets and credit elect (\$4,350).
Form 8827 Credit	\$10,000	
TC 170 ES Penalty	\$650	
Overpayment	\$4,350	
Amount to Sequestration	\$4,350	

5. Utilize the IF/AND/THEN chart below to determine when the Form 8827 credit is subject to sequestration.

If	And	Then	Additional Information/Examples
#1 The refundable Form 8827 credit <u>does not</u> exceed the tax		The Form 8827 credit is not subject to sequestration	Example: <ul style="list-style-type: none"> Form 8827 refundable credit is \$8,000 Tax is \$10,000
#2 The refundable Form 8827 credit exceeds the tax	The taxpayer requested a credit elect of he full overpayment	The Form 8827 credit is not subject to sequestration	Example <ul style="list-style-type: none"> Form 8827 refundable credit is \$8,000 Tax is \$2,000 Credit Elect requested is \$6,000
#3 The refundable Form 8827 credit exceeds	The entire overpayment is needed to satisfy a balance due	The Form 8827 credit is not subject to	Research, review: <ul style="list-style-type: none"> BMFOLI for evidence of

the tax		sequestration	<p>modules with balance due.</p> <ul style="list-style-type: none"> ○ ENMOD for the posting of an un-reversed TC 130, indicating a balance due exists on NMF. If a TC 130 is posted on ENMOD, # [REDACTED] to request an ANMF transcript of the balance due account(s). ○ ENMOD for cross-referenced TINs. If a cross reference TIN is listed, check the TIN for a balance due.
#4 The refundable Form 8827 credit exceeds the tax and there are other payment/credits on the module	The overpayment exceeds the balance due(s) on other module(s). The other payments/credits are used first to satisfy a balance due before the Form 8827 credit is used to satisfy a liability	The Form 8827 credit is not subject to sequestration	<p>Example:</p> <ul style="list-style-type: none"> ○ Form 8827 refundable credit is \$10,000 ○ Other credits and payments \$11,000 ○ Tax is \$2,000 ○ Form 8827 overpayment is \$8,000 ○ Total overpayment \$19,000

			<p>Balance due on prior tax year is \$9,000.</p> <p>The \$11,000 payment is used to satisfy the \$9,000 balance due.</p> <p>Therefore the \$8,000 Form 8827 credit over tax is subject to sequestration.</p>
<p>#5 The refundable Form 8827 credit exceed the tax and there are no other payment/credits on the module</p>	<p>The overpayment exceeds the balance due on another period and part of the Form 8827 credit remains in the overpayment</p> <p>NOTE: Review:</p> <ul style="list-style-type: none"> ○ BMFOLI for balance dues ○ ENMOD for the posting of an un-reversed TC 130, indicating a balance due exists on NMF. If a TC 130 is posted on ENMOD#  <p># to request an ANMF</p>	<p>Calculate the amount of the Form 8827 credit needed to pay off the balance due</p> <p>The remaining portion of the Form 8827 credit is subject to sequestration</p>	<p>Example</p> <ul style="list-style-type: none"> ○ Form 8827 refundable credit is \$10,000 ○ Tax is \$2,000 ○ Form 8827 refundable credit remaining is \$8,000 <p>Balance due on prior year (including penalty and interest) is \$2,000.</p> <p>Remaining Form 8827 credit is \$6,000. Apply the appropriate sequestration rate to the \$6,000.</p>

	transcript of the balance due accounts ○ ENMOD for cross-referenced TINs. If a cross reference TIN is listed, check the TIN for a balance due. Offset the credit to that balance due account		
#6 The Form 8827 credit exceeds the tax	The taxpayer requested a refund of the full overpayment and there are no balance due(s) on the account, NMF or cross-reference TINs	The Form 8827 credit is subject to sequestration	Example: <ul style="list-style-type: none"> ○ Form 8827 refundable credit is \$25,000 ○ Tax is \$10,000 ○ Form 8827 overpayment is \$15,000 The entire \$15,000 is subject to sequestration at the appropriate rate.

6. If the account is not subject to sequestration, input a TC 290 \$.00 to release the -R freeze. Notate the remarks field of REQ 54 - "No sequestration." Also notate, "No sequestration" if working case on CIS.

IRM 21.7.4.4.9.3.3.Added new subsection titled: Determining the Sequestration Amount and Inputting Adjustments on the Originally filed return.

1. Cases determined to be subject to the Corp AMT sequestration criteria identified in the previous subsections that were processible prior to October 1, 2013 had the Form 8827 credit reduced by 38%. Refunds issued on or after October 1, 2013 have a reduced Corp AMT sequestration rate of 7.2%. The sequestration rate is based on the obligation date (the date that all administrative actions have been completed). Guidance will be provided in the event of a sequestration rate change to clarify the calculation of the obligation date.
2. It may be necessary to issue manual refunds when the 45-day interest-free period is in jeopardy. Follow the chart in paragraph (3) below.

NOTE: All manual refunds on sequestration cases over \$10,000 must be 100% reviewed by another examiner to confirm the credit interest calculation.

3. The chart below provides guidance for making adjustments to the accounts when the Form 8827 credit is subject to sequestration on originally filed returns.

If	And	Then
#1 There are no offsets to balance due(s)	The 45-day interest free period is not in jeopardy	<ul style="list-style-type: none"> ○ Calculate the Corp AMT Sequestration amount using the appropriate OMB sequestration rate. ○ Reduce the Form 8827 credit by the calculated amount by inputting TC 290 \$.00 with CRN 334 and a minus sign to reduce the credit. ○ Include HC 3 on the adjustment to stop a CP 210 Notice from generating. ○ Notify the taxpayer via Letter 1721 (See IRM 21.7.4.4.9.3.5 below for verbiage to include in the letter) informing them that the Form 8827 credit subject to refund was reduced based on the sequestration of the Form 8827 credit.
#2 There are no offsets to balance due(s)	The 45-day interest free period is in jeopardy	<ul style="list-style-type: none"> ○ Calculate the Corp AMT Sequestration amount using the appropriate sequestration rate. ○ Reduce the Form 8827 credit by the calculated

		<p>amount by inputting TC 290 \$.00 with CRN 334 and a minus sign to reduce the credit.</p> <ul style="list-style-type: none"> ○ Include HC 4 on the adjustment to stop a CP 210 Notice from generating and hold credits. ○ Issue manual refund for the entire overpayment. ○ Notify the taxpayer via Letter 1721 (See IRM 21.7.4.4.9.3.5 below for verbiage to include in the letter) informing them that the Form 8827 credit subject to refund was reduced based on the sequestration of the Form 8827 credit. <p>NOTE: If the transaction goes unpostable, follow normal procedures to correct.</p>
<p>#3 There are offsets to balance due(s)</p> <p>Reminder: The amount of the Form 8827 credit subject to sequestration is the lesser of (1) credit in excess of tax or (2) the amount of the refund after offsets and credit elect.</p>	<p>The 45-day interest free period is not in jeopardy</p>	<ul style="list-style-type: none"> ○ If the balance due offsets are less than the overpayment, include the 8827 credit in the offset. ○ Determine the amount of offset needed for each balance due account using the appropriate "from" date. ○ Use a credit transfer to move the previously determined amount to the balance due and include a TC 570 on the debit side to ensure the debit side of the credit transfer does not post prior to the TC 767 posting. ○ Should the remaining overpayment include a portion of the Form 8827 credit, that portion is subject

		<p>to sequestration.</p> <ul style="list-style-type: none"> ○ Calculate the Corp AMT Sequestration amount on the portion of the Form 8827 credit remaining by using the appropriate sequestration rate per (1) above. ○ Reduce the Form 8827 credit by the calculated amount by inputting TC 290 \$.00 with CRN 334 and a minus sign to reduce the credit. ○ Include HC 3 on the adjustment to stop a CP210 Notice from generating. ○ Notify the taxpayer via Letter 1721 (See IRM 21.7.4.4.9.3.5 below for verbiage to include in the letter) informing them that the Form 8827 credit subject to refund was reduced based on the sequestration of the Form 8827 credit.
<p>#4 There are offsets to balance due(s)</p> <p>Reminder: The amount of the Form 8827 credit subject to sequestration is the lesser of (1) credit in excess of tax or (2) the amount of the refund after offsets and credit elect.</p>	<p>The 45-day interest free period is in jeopardy</p>	<ul style="list-style-type: none"> ○ If the balance due offsets are less than the overpayment, the offset will include the 8827 credit. ○ Determine the amount of offset needed for each balance due account using the appropriate "from" date. ○ Use a credit transfer to move the previously determined amount to the balance due and include a TC 570 on the debit side to ensure the debit side of the credit transfer does not post prior to the TC 767 posting. ○ Should the remaining overpayment include a portion of the Form 8827 credit, that portion is subject

		<p>to sequestration.</p> <ul style="list-style-type: none"> ○ Calculate the Corp AMT Sequestration amount on the portion of the Form 8827 credit remaining by using the appropriate sequestration rate. ○ Reduce the Form 8827 credit by the calculated amount by inputting TC 290 \$.00 with CRN 334 and a minus sign to reduce the credit. ○ Include HC 4 on the adjustment to stop a CP 210 Notice from generating. ○ Issue manual refund for the remaining overpayment after offset. ○ Notify the taxpayer via Letter 1721 (See IRM 21.7.4.4.9.3.5 below for verbiage to include in the letter) informing them that the Form 8827 credit subject to refund was reduced based on the sequestration of the Form 8827 credit. <p>NOTE: If the adjustment goes unpostable, follow normal procedures for correction.</p>
--	--	---

4. The headquarters analyst for sequestration will complete a separate template for each case to be sequestered. Due to programming problems, it may be necessary to issue a manual refund before adjusting the credit. Specific instructions will be issued to handle these cases.
5. An Excel spreadsheet has been developed to assist in determining the proper amount to be sequestered. The spreadsheet can be found under the supplemental tab on SERP. Click on Corporate AMT Sequestration. The spreadsheet is titled; Corp AMT Sequester Calculation Prototype. Complete the necessary fields on the spreadsheet to get the correct amount to sequester.

IRM 21.7.4.4.9.3.4 Added new subsection titled: Processing Amended Returns with Form 8827.

1. Amended returns subject to sequestration could potentially include those filed:
 - With Form 8827 reporting initial claims, increases or decreases to the refundable AMT credits claimed on original returns, **and**
 - Without Form 8827, but contain other adjustments, which could increase or decrease AMT credits claimed on the original return.
2. Route any amended return that meets the criteria in paragraph (1) directly above, to The Large Corp unit in Cincinnati or Ogden. See IRM 21.7.4.4.9.3.1 for the specific unit numbers.
3. Cases determined to be subject to the Corp AMT sequestration criteria identified in the previous subsections that were processed and a refund issued prior to October 1, 2013 will have the Form 8827 credit reduced by 38%. Those refunds issued on or after October 1, 2013 have a reduced Corp AMT sequestration rate of 7.2%.
4. The following IF/AND/THEN chart provides direction for processing adjustments for the reduction of the Form 8827 credit due to sequestration.

If	And	Then	Additional Information/Examples
#1 There are no offsets to balance due(s)	The 45-day interest-free period is not in jeopardy	<ul style="list-style-type: none"> ○ Check for CAT-A criteria and Route to Exam as Per IRM 21.5.3-2, Examination Criteria (CAT -A) - General or IRM 21.5.3-3, Examination Criteria (CAT -A) - Credits, notate the reason for the CAT-A referral on CIS and include the case is subject to sequestration on Form 8827 credits. ○ If the case is not subject to CAT-A criteria, calculate the Corp AMT Sequestration amount using the 	<p>Example:</p> <ul style="list-style-type: none"> ○ A case is received with an IRS received date of 9/25/2013 and is processed on 10/02/2013 with a Form 8827 credit of \$10,000 ○ Tax is \$5,000 ○ Remaining Form 8827 credit is \$5,000 and is subject to sequestration rate of 7.2%. ○ Input TC 290 \$.00 with CRN 334 and a minus sign to reduce the credit for \$360. ○ Input HC 3 on the adjustment to hold the CP 210 Notice

		<p>appropriate sequestration rate per IRM 21.7.4.4.9.3.3(1).</p> <ul style="list-style-type: none"> ○ Reduce the Form 8827 credit by the calculated amount by inputting TC 290 \$.00 with CRN 334 and a minus sign to reduce the credit. ○ Include HC 3 on the adjustment to stop a CP 210 Notice from generating. ○ Notify the taxpayer via Letter 1721 informing them that the Form 8827 credit subject to refund was reduced based on the sequestration of the Form 8827 credit. Verbiage to include in the letter can be found in IRM 21.7.4.4.9.3.5(1). 	<p>from generating.</p> <ul style="list-style-type: none"> ○ Issue Letter 1721 (See IRM 21.7.4.4.9.3.5(1) for verbiage to include in the letter) to notify the taxpayer of the adjustment to the Form 8827 credit.
#2 There are no offsets to balance due(s)	The 45-day interest-free period is in jeopardy	<ul style="list-style-type: none"> ○ Check for CAT-A criteria and Route to Exam as Per IRM 21.5.3-2, Examination Criteria (CAT -A) - General or IRM 21.5.3-3, Examination Criteria (CAT -A) - Credits, notate the reason for the 	<p>Example:</p> <ul style="list-style-type: none"> ○ A case with an IRS received date of 9/25/2013 and is processed on 10/02/2013 with a Form 8827 refundable credit of \$10,000 ○ Tax is \$5,000 ○ Remaining Form

		<p>CAT-A referral on CIS and include the case is subject to sequestration on Form 8827 credits.</p> <ul style="list-style-type: none"> ○ If the case is not subject to CAT-A criteria, calculate the Corp AMT Sequestration amount using the appropriate sequestration rate per IRM 21.7.4.4.9.3.3(1). ○ Reduce the Form 8827 credit by the calculated amount by inputting TC 290 \$.00 with CRN 334 and a minus sign to reduce the credit. ○ Include HC 4 on the adjustment to stop a CP 210 Notice from generating and to hold the credit. ○ Correspond with the TP via Letter 1721 including verbiage from IRM 21.7.4.4.9.3.5(1). ○ Follow normal Manual Refund procedures in IRM 21.4.4, Manual Refunds. ○ If the transaction goes unpostable, follow normal procedures to 	<p>8827 credit is \$5,000 subject to sequestration rate of 7.2%.</p> <ul style="list-style-type: none"> ○ Input TC 290 \$.00 with CRN 334 and a minus sign to reduce the credit for \$360. ○ Include HC 4 on the adjustment to hold the CP 210 Notice and the credit on the account. ○ Issue manual refund for the remaining overpayment. ○ Issue Letter 1721 (See IRM 21.7.4.4.9.3.5(1) for verbiage to include in the letter) to notify the taxpayer of the correction to the Form 8827 credit.
--	--	--	---

		correct.	
<p>#3 There are offsets to balance due(s)</p> <p>Reminder: The amount of the Form 8827 credit subject to sequestration is the lesser of (1) credit in excess of tax or (2) the amount of the refund after offsets and credit elect.</p>	<p>The 45-day interest-free period is not in jeopardy</p>	<ul style="list-style-type: none"> ○ Check for CAT-A criteria and Route to Exam as Per IRM 21.5.3-2, Examination Criteria (CAT -A) - General or IRM 21.5.3-3, Examination Criteria (CAT -A) - Credits, notate the reason for the CAT-A referral on CIS and include the case is subject to sequestration on Form 8827 credits. ○ If the case is not subject to CAT-A criteria, offset the overpayment to the balance due modules. ○ If the balance due offsets are less than the overpayment, the offset is to include the 8827 credit. ○ If the remaining overpayment includes a portion of the Form 8827 credit, that portion is subject to sequestration. ○ Calculate the Corp AMT Sequestration amount on the portion of the 	<p>Example #1:</p> <ul style="list-style-type: none"> ○ A case with an IRS received date of 9/25/2013 and is processed on 10/02/2013 with a Form 8827 refundable credit of \$10,000 ○ Tax is \$5,000 ○ A credit transfer is input to offset credit to a balance due on a Form 941 totaling \$3,000 including penalties and interest. ○ A TC 570 is input on the debit side of the credit transfer to ensure the TC 767 posts before the credit transfer. ○ The remaining Form 8827 credit of \$2,000 is subject to a sequestration rate of 7.2%. ○ Input TC 290 \$.00 with CRN 334 and a minus sign to reduce the credit for \$144. ○ Include HC 3 on the adjustment to hold the CP 210 Notice. ○ Issue Letter 1721 (See IRM 21.7.4.4.9.3.5(1))

		<p>Form 8827 credit remaining by using the appropriate sequestration rate per IRM 21.7.4.4.9.3.3(1).</p> <ul style="list-style-type: none"> ○ Reduce the Form 8827 credit by the calculated amount by inputting TC 290 \$.00 with CRN 334 and a minus sign to reduce the credit. ○ Include HC 3 on the adjustment to stop a CP 210 Notice from generating. ○ Correspond with the taxpayer via Letter 1721 and include verbiage from IRM 21.7.4.4.9.3.5(1). <p>NOTE: If the adjustment goes unpostable, follow normal procedures for correction.</p>	<p>for verbiage to include in the letter) to notify the taxpayer of the correction to the Form 8827 credit.</p> <p>Example #2:</p> <ul style="list-style-type: none"> ○ A case with an IRS received date of 9/25/2013 and is processed on 10/02/2013 with Form 8827 credit of \$6,000 and a previous year credit elect of \$4,000 ○ Tax is \$5,000 ○ A credit transfer is input to apply credit to a balance due on Form 941 totaling \$3,000 including penalties and interest. ○ A TC 570 is input on the debit side of the credit transfer to ensure the credit transfer does not post prior to the TC 767. ○ \$1,000 is subject to sequestration. ○ Reminder: The amount of the Form 8827 credit subject to
--	--	---	--

			sequestration is the lesser of (1) credit in excess of tax (\$1,000) or (2) the amount of the refund after offsets and credit elect (\$2,000).
<p>#4 There are offsets to balance due(s)</p> <p>Reminder: The amount of the Form 8827 credit subject to sequestration is the lesser of (1) credit in excess of tax or (2) the amount of the refund after offsets and credit elect.</p>	<p>The 45-day interest-free period is in jeopardy</p>	<ul style="list-style-type: none"> ○ Check for CAT-A criteria and Route to Exam as Per IRM 21.5.3-2, Examination Criteria (CAT -A) - General or IRM 21.5.3-3, Examination Criteria (CAT -A) - Credits, notate the reason for the CAT-A referral on CIS and include the case is subject to sequestration on Form 8827 credits. ○ If the case is not subject to CAT-A criteria, offset the overpayment to the balance due modules. ○ If the balance due offsets are less than the overpayment, the offset is to include the 8827 credit. ○ If the remaining overpayment includes a portion of the Form 8827 credit, that 	<p>Example #1:</p> <ul style="list-style-type: none"> ○ A case with an IRS received date of 9/25/2013 and is processed on 10/02/2013 with a Form 8827 refundable credit of \$10,000 ○ Tax is \$5,000 ○ A credit transfer is input to offset credit to a balance due on a Form 941 totaling \$3,000 including penalties and interest. ○ A TC 570 is input on the debit side of the credit transfer to ensure the TC 767 posts before the credit transfer. ○ The remaining Form 8827 credit of \$2,000 is subject to a sequestration rate of 7.2%. ○ Reminder: The amount of the Form 8827 credit subject to sequestration is

		<p>portion is subject to sequestration.</p> <ul style="list-style-type: none"> ○ Calculate the Corp AMT Sequestration amount using the appropriate sequestration rate per IRM 21.7.4.4.9.3.3(1). ○ Reduce the Form 8827 credit by the calculated amount by inputting TC 290 \$.00 with CRN 334 and a minus sign to reduce the credit. ○ Include HC 4 on the adjustment to stop CP 210 and hold credit. ○ Correspond with the taxpayer via Letter 1721 and include verbiage from IRM 21.7.4.4.9.3.5(1). ○ Follow normal manual refund procedures in IRM 21.4.4, Manual Refunds. NOTE: If the adjustment goes unpostable, follow normal procedures for correction. 	<p>the lesser of (1) credit in excess of tax (\$5,000) or (2) the amount of the refund after offsets and credit elect (\$2,000).</p> <ul style="list-style-type: none"> ○ Input TC 290 \$.00 with CRN 334 and a minus sign to reduce the credit for \$144. ○ Include HC 4 on the adjustment to hold the CP 210 Notice and the credit on the account. ○ Issue manual refund for the remaining overpayment. ○ Issue Letter 1721 (See IRM 21.7.4.4.9.3.5(1) for verbiage to include in the letter) to notify the taxpayer of the correction to the Form 8827 credit. <p>Example #2</p> <ul style="list-style-type: none"> ○ A case with an IRS received date of 9/25/2013 and is processed on 10/01/2013 with a Form 8827 refundable credit of \$6,000 and a
--	--	---	--

			<p>previous credit elect of \$4,000</p> <ul style="list-style-type: none"> ○ Tax is \$5,000 ○ A credit transfer is input to offset credit to a balance due on a Form 941 totaling \$3,000 including penalties and interest. ○ Based on the formula for determining the amount subject to sequestration, the amount subject to sequestration is \$1,000. ○ A TC 570 is input on the debit side of the credit transfer to ensure the credit transfer does not post prior to the TC 767. ○ Issue a manual refund for any remaining credit on the account.
--	--	--	---

IRM 21.7.4.4.9.3.5 Added new subsection titled: Responding to Taxpayers Concerning Sequestration of Form 8827 Credits.

1. After the tax module has been adjusted or if a manual refund was issued before the case was adjusted, send the taxpayer a L 1721C with the following information:
 - We received your Form XXXX, (Insert name of 1120 Return here) and Form 8827, Credit for Prior Year Minimum Tax – Corporations, for the tax period identified above claiming the Credit for Prior Year Minimum Tax. This notice is informing you of the reduction to your claim based on the following; Pursuant to the requirements of the Balanced Budget and

Emergency Deficit Control Act of 1985, as amended, certain automatic reductions take place as of March 1, 2013. These required reductions include a reduction to the refundable portion of the Credit for Prior Year Minimum Tax - Corporations. As a result, the refundable portion of your claim will be reduced by 7.2 percent. The sequestration reduction rate will be applied until the end of the fiscal year (September 30, 2014) or intervening Congressional action, at which time the sequestration rate is subject to change

2. If a L 1721C was sent before the adjustment was input, do not send another L 1721C after you adjust the account. Use a hold code to prevent a CP 210 or CP 220 Notice from generating.
3. If a call is received requesting clarification of sequestration use the Questions and Answers (Q & A) below to respond:
 - **(Q1) Why is my refund being reduced (sequestered)?** Budget and Emergency Deficit Reduction Act of 1985, as amended, requires certain spending cuts during Fiscal Year 2013 due to the sequester triggered earlier this year. These required cuts reduce the refundable portion of the credit for prior year minimum tax liability made to corporations. Refunds issued prior to October 1, 2013 have the Form 8827 credit reduced by 38%. Those refunds issued on or after October 1, 2013 have a reduced Corp AMT sequestration rate of 7.2%.
 - **(Q2) What is the credit for prior year minimum tax?** A corporation that can claim an additional first-year depreciation deduction under section 168(k) can choose instead to accelerate the use of its prior year minimum tax credits, treating the accelerated credits as refundable credits. Corporations making this section 168(k)(4) election and claiming a refund of prior year minimum tax credits should complete Form 8827. These corporations will be notified that a portion of their requested refund was subject to the sequester reduction.
 - **(Q3) When will the sequestration reductions apply to corporations claiming a refund from a Credit for a Prior Year Minimum Tax?** The automatic reductions apply beginning August 13, 2013.
 - **(Q4) How much will my payment be reduced?** The automatic reduction to refunds from a credit for prior year minimum tax processed before October 1, 2013 were subject to a reduction of 38 percent. Refunds processed after October 1, 2013 are subject to a reduction of 7.2 percent. The rate for FY 2014 remains at 7.2%
 - **(Q5) When will I receive the rest of my refund for the Credit for Prior Year Minimum Tax?** Sequestration requires a permanent reduction in expenditures for all federal programs, unless specifically exempted.
 - **(Q6) Should I adjust my corporate tax return to make the reduction?** No, the reductions will be automatically applied by the IRS.
 - **(Q7) How can I appeal this?** There is no general appeals process for sequestered payments.

- **(Q8) Who decided the percentage of the payment reduction?** The Office of Management and Budget determined the percentage under the provisions of the Budget Control Act.
 - **(Q9) Who decided what programs would be impacted by sequestration?** The Balanced Budget and Emergency Deficit Reduction Act of 1985, as amended, requires certain spending cuts during Fiscal Year 2013 due to the sequester triggered in 2013. The Bipartisan Budget Act of 2013, extended the automatic spending reductions applied to certain mandatory spending accounts through 2023 (those reductions are currently in effect through 2021).
4. Also, if someone calls or corresponds and asks: **if all corporations that file Form 8827 are subject to sequestration**, advise them that the sequestration reductions automatically apply to corporations that file the following corporate tax returns and are claiming a refund of the credit for prior year minimum tax:
- Form 1120
 - Form 1120-C
 - Form 1120-F
 - Form 1120-L
 - Form 1120-PC
 - Form 1120-REIT
 - Form 1120-RIC
 - Form 1120-X