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SMALL BUSINESS / SELF-EMPLOYED DIVISION

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MEMORANDUM FOR DIRECTORS, COLLECTION AREA OPERATIONS

FROM: Frederick W. Schindler /s/ *Laura Hostelley (for)*
Director, Collection Policy

SUBJECT: Interim Guidance on the Suspension of the Collection Statute
Expiration Date as provided by Internal Revenue Code 6503 (c)
when a Taxpayer is Outside the United States

This memorandum provides interim guidance regarding how to adjust the Collection Statute Expiration Date (CSED) on a taxpayer's account due to statute suspension when Internal Revenue Code (IRC) 6503 (c) applies.

IRC 6503 (c) suspends the period of collection with respect to taxpayers outside of the United States and Commonwealth Territories. It provides that "the running of the period of limitations on collection after assessment...shall be suspended for the period during which the taxpayer is outside the United States if such period of absence is for a continuous period of at least six months...". As the application of this provision can result in the CSED being suspended for a very long time, policies for the administration of this code section are being issued in this memorandum.

The policies below are designed to promote consistency of procedure when working International cases and to make more comparable the procedures applied to Domestic and International taxpayers in statute suspension matters. These policies apply to taxpayers who are presently abroad as well as those taxpayers who are currently in the US but who have been abroad for at least six months after the tax assessment date.

The policies are:

- With respect to taxpayers currently outside the United States with installment agreements (systemically loaded and manually monitored) and periodic payment offers in compromise, the maximum length of the CSED recalculation will be 16 years from the date of assessment, when the completion of the installment agreement or offer in compromise is going to take longer than 24 months.
- Continuous levies for taxpayers with international addresses will be recalculated and updated for however many years the IRC 6503 (c) provision allows if the taxpayers involved have not cooperated with IRS to resolve their liabilities. In rare instances where a taxpayer has decided and agreed with the IRS to let the continuous levy be in effect as if it were a formal installment agreement, the statute will only be recalculated to a maximum duration of 16 years.
- Taxpayers currently in the United States who had previously been outside the United States since the date of assessment will have a maximum of five years added to their CSED for prior IRC 6503 (c) suspensions. For example, a taxpayer who was outside the United States for three years after the assessment was made would have a CSED recalculation and update of three years. A taxpayer who had been abroad for seven years after the assessment was made would have a CSED recalculation and update of five years. In rare instances where a taxpayer with significant collection potential had been abroad for decades, recalculate the statute five years from the point of their return to the United States.
- The period that the CSED is recalculated and updated will be more limited with respect to taxpayers who have cooperated with IRS to resolve their liabilities or with whom we have maximized the IRS's ability to collect. A taxpayer will be considered "cooperative" if the IRS determined that the taxpayer has fully responded to the IRS and has provided full information to the IRS with respect to collection of the assessment. In such instances, the case may be resolved by a taxpayer entering into a formal installment agreement or an offer in compromise or with the case being closed as currently-not-collectible for hardship reasons with closing codes 24 through 32. This policy does not apply to international taxpayers who have not resolved their liabilities and who are not cooperative. In those situations, where a taxpayer has been uncooperative or has not resolved the liability, the CSED will be recalculated and updated for the maximum amount of time allowed by IRC 6503(c) if the IRS determines that there is significant collection potential. International taxpayers who are being reported as currently-not-collectible with closing codes 03 (unable to locate), 06 (International) and 12 (unable to contact) may be subject to ongoing recalculations and updates. Again, a determination of significant collection potential should be made when determining how long the collection statute should be recalculated. The collection statute should not be recalculated and updated for international taxpayers who have been reported as currently-not-collectible for hardship reasons (closing codes 24 through 32), except in rare instances where a mandatory follow-up date was set to determine if an asset had matured for collection potential.

Recalculating the CSED for IRC 6503 (c) reasons can be based on the following criterion (applied to the extent that the policies above allow):

- A Form 433A that the taxpayer or power of attorney has signed stating the dates of residence outside the United States and Commonwealth Territories.
- Any other written information from the taxpayer or power of attorney stating the taxpayer was outside the United States and Commonwealth Territories.
- Oral statements by the taxpayer or power of attorney stating the dates the taxpayer was outside the United States and Commonwealth Territories so long as this information is clearly documented in the case history.
- Tax returns consistently filed since the year of tax assessment with a foreign address (with recalculation and update of the CSED up to the date the taxpayer signed the return).
- When you are not able to use one of the methods above to determine and verify the period the CSED is suspended, check data sources such as Accurint, Smart.Alx, IRP, third party testimony, etc., to determine whether a taxpayer has been outside the United States for a long period of time. You cannot rely solely on these sources to justify updating the collection statute, but they may be used in a later discussion with the taxpayer or POA to confirm the dates of foreign presence. If you are ultimately unable to communicate with the taxpayer or POA, you may be able to confirm that the taxpayer has been outside the United States with a government-based travel or residency source of information such as TECS Historical Travel Records or Department of State records of registration with a US Consulate in a foreign country. When a case has significant collection potential and the preponderance of information assembled at that point indicates being outside the US for the time period in question, you can update the statute for that period.

The prior practice of recalculating and updating CSEDs in two-year increments under IRC 6503 (c) as stated on the Form 8620 is obsolete. Instead, you should request an update via Form 8620 for whatever length of time is correct at the time of the request within the guidelines defined by these policies. Since IRC 6503 (c) automatically suspends the statute, there is no reason for the taxpayer to sign Form 8620. Form 8620 is going to be revised in the near future to reflect the procedures outlined in this guidance.

Tax periods open on the Integrated Collection System (ICS) can be updated on ICS for 6503 (c) reasons with managerial approval. A Form 8620 is not needed for making an update for open ICS periods.

Forms 8620 should be sent via secured e-mail to Case Processing (CCP) the campus address to which input requests are sent.

Statute recalculations and updates for 6503(c) must have managerial approval on Form 8620 or on ICS.

This guidance will be incorporated in the next revisions of IRM 5.1.19, 5.8, 5.11, 5.14 and 5.19.

If you have any questions, please contact International and Insular Compliance Policy Analyst, David Killough.