



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
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SMALL BUSINESS/SELF-EMPLOYED DIVISION

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4.10.26
21.5.3.4.15
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MEMORANDUM FOR: All Employees

FROM: Duane M. Gillen /s/ Duane M. Gillen
Director, Exam Policy

SUBJECT: Interim Guidance: Treatment of Net Rate Netting (NRN) Requests

The purpose of this memorandum is to communicate an update to [IRM 20.2.14.6](#), *Net Rate Interest Netting*. The impacted Internal Revenue Manuals will be updated to reflect the procedures outlined in this memorandum within one year from the date of issuance.

Purpose: To implement procedures for handling net rate netting (NRN) requests where both resolved¹ and unresolved² periods exist.

Background/Source(s) of Authority: Section 6621(d) of the Internal Revenue Code provides that, to the extent that for any period interest is payable under Subchapter A (sections 6601 and 6602) and allowable under Subsection B (section 6611) on equivalent underpayments and overpayments of tax by the same taxpayer imposed by the Code, the net rate of interest under section 6621 on the amounts shall be zero for the period.

¹ A resolved period is where the overlapping underpayment and overpayment amounts have been identified and the amounts have been determined and are no longer subject to controversy in Exam, Appeals, or a court.

² An unresolved period is where the overlapping underpayment and overpayment amounts have not been determined because they are in Exam, Appeals or the taxpayer is pursuing litigation.

Net rate netting under section 6621(d) is available only when there exists overlapping periods of overpayment and underpayment upon which interest is both payable and allowable. Prior to the time an overpayment or underpayment is determined for a tax period there is no principal upon which interest can be computed. Amounts are resolved when the amount is no longer subject to controversy in Exam, Appeals, or a court. An unresolved amount is an amount that is still under consideration in Exam, Appeals or a court. Net rate netting cannot be computed prior to the time that an overpayment or underpayment amount is determined for a tax period.

Procedural Changes:

New Inventory

Pursuant to the soon to be published [IRM 20.2.14.6.1.1](#), *Post-Enactment Date Interest Periods*, NRN requests where all periods are resolved will be processed at the Ogden Campus by the Accounts Management (AM), Complex Interest Team. NRN requests that include resolved and unresolved periods will be sent to the Ogden Campus, Centralized Case Processing (CCP) team. (See Section B below).

- A. When an NRN request is received by the AM Complex Interest Team at the Ogden Campus, that site will perform IDRS research (TXMOD, and CFOL) on **all** tax periods included in the NRN request to determine if any period has an open “L” Freeze, which is an indicator of Examination or Appeals involvement. (See [IRM 21.5.10-1](#)).
 - 1) If there is no “L” Freeze and/or no Examination or Appeals involvement, the AM Complex Interest Team will ensure the NRN request properly identifies the taxpayer, the taxpayer identification number (TIN), the overlapping underpayment and overpayment amount(s) and date(s), and the tax years and type(s) of overpayment and underpayment taxes involved, and will process the request.
 - a) If the required information is not present, the AM Complex Interest Team will notify the taxpayer in writing that the information is not complete and the NRN request can not be processed. The notification will specify what information is missing, and will advise the taxpayer that he has 30 days to perfect the information.
 - b) If the required information is not received within the 30 days, the AM Complex Interest Team will cross out the received date stamp and return the request to the taxpayer with a letter explaining the reasons the NRN request is being returned.

- 2) **If there is an “L” Freeze**, the AM Complex Interest Team will access the AIMS database for each tax period that has an “L” Freeze to determine its status code.
- a) If the AIMS status code is **8 or less** for **any** of the NRN request tax periods and all tax periods are resolved for the NRN request, the AM Complex Interest Team will process the NRN request as usual. If, prior to closing the NRN request, **any** of the NRN request’s tax period status codes change to 9 and above and less than 80, the AM Complex Interest Team will send the NRN request to CCP at Ogden using [Form 3210](#). The AM Complex Interest Team will issue a letter of transfer to the taxpayer.
 - b) If the AIMS status code is **9 through 79** for **any** of the NRN request tax periods, AM Complex Interest Team will forward the **entire** NRN request to the CCP function at the Ogden Campus using [Form 3210](#). The AM Complex Interest Team will issue a letter of transfer to the taxpayer.
 - c) If the AIMS status code is **80 through 89** for any of the NRN request tax periods, the AM Complex Interest Team will contact the Appeals Senior Program Analyst, Tax Policy and Procedure, to coordinate processing.

B. When an NRN request is received by CCP in Ogden, that function will review the NRN request to determine if the NRN request can be processed, or whether it has unresolved periods.

1) Resolved Periods:

- a) If all periods involved are resolved, CCP will ensure the NRN request properly identifies the taxpayer, the taxpayer identification number (TIN), the overlapping underpayment and overpayment amount(s) and date(s), and the tax years and type(s) of overpayment and underpayment taxes involved, and will process the request.
- b) If all periods are resolved, but the required information is not present, CCP will notify the taxpayer in writing that the information is not complete and the NRN request can not be processed. The notification will specify what information is missing, and will advise the taxpayer that he has 30 days to perfect the information.
- c) If the required information is not received within the 30 days, CCP will cross out the received date stamp and return the request to the taxpayer with a letter explaining the reasons the NRN request is being returned.

2) Both Unresolved and Resolved Periods:

- a) CCP will contact the taxpayer and/or his representative in writing to notify them that the NRN request has one or more unresolved period(s) and any resolved periods will be processed, as soon as possible, and the information for any unresolved periods will be retained.
- b) CCP will contact the Field Examination team when an open exam exists to explain that the resolved periods will be processed, as soon as possible. CCP will forward a copy of the unresolved periods in the NRN request to Field Exam, if necessary. Field Exam will follow the procedures in IRM 4.10.26 for the unresolved periods.
- c) CCP will advise the taxpayer to notify CCP when the unresolved periods are resolved and update and perfect the information upon resolution of the unresolved periods or submit a new NRN request. The received date will be the date CCP receives the updated/perfected information.
- d) The original received date stamp will not apply to unresolved periods.

C. When an NRN request³ or [Form 843](#) is received by Field Examination or Appeals, the function will review the NRN request to determine if the request can be processed, or whether it has unresolved periods.

1) Resolved Periods:

- a) If all periods involved are resolved, Field Examination or Appeals will ensure the NRN request properly identifies the taxpayer, the taxpayer identification number (TIN), the overlapping underpayment and overpayment amount(s) and date(s), and the tax years and type(s) of overpayment and underpayment taxes involved in order for the NRN request to be processed.
 - Field Examination will transfer the NRN request with resolved periods on a [Form 3210](#) to the Ogden Campus CCP team for processing.
 - Appeals will transfer the NRN request with resolved periods on a [Form 3210](#) to the Ogden Campus AM Complex Interest team for processing.

Exception: This does not include any NRN requests that are part of the current closing process being performed by Appeals Tax Examiners.

³ If a NRN request is received verbally, the function will instruct the taxpayer to submit their request in writing. The NRN request does not have to be submitted on Form 843.

2) Both Unresolved and Resolved Periods:

- a) Field Examination will contact the taxpayer and/or his representative to notify them that the NRN request contains one or more unresolved period(s) and explain the NRN request will be transferred to CCP and the resolved periods will be processed, as soon as possible, and a copy of the information for the unresolved periods will be retained. Field Examination will transfer the entire NRN request on a [Form 3210](#) to CCP.

Exception: Field Examination will hold the NRN request if the unresolved period will be **agreed upon and closed to CCP within 90 days**. The NRN request should be included in the administrative file when the case closes and the Form 3198 should indicate the NRN request is included. CCP will work these NRN requests in conjunction with the closure of the examination.

- b) Appeals will contact the taxpayer and/or his representative to notify them that the NRN request has one or more unresolved period(s) and process any resolved periods that can be netted. A copy of the request for the unresolved periods will be forwarded to the proper function following the guidelines under A(2) above. Unresolved periods that would otherwise be sent to Appeals [per A(2)(c)] will remain in Appeals.

Current Inventory

Current Inventory is any NRN request that is currently being held by CCP, Field Exam or Appeals pending resolution of one or more unresolved tax periods.

1. Those NRN requests must be reviewed by each function to determine if there is any portion of the NRN request that can be immediately processed per the procedures in this memorandum under "New Inventory."
2. Each function will contact the taxpayer to explain the resolved periods of the NRN request will be processed and unresolved periods will be retained to be processed once resolved. The received date stamp will not apply to unresolved periods.

Effect on Other Documents: This guidance will be incorporated into [IRM 4.10.26](#), *Net Rate Netting Procedures for L B & I (formerly LMSB) Cases*, and [IRM 21.5.3](#), *Account Resolution – General Claims Procedures*, by a date not to exceed one year from the date of this memo.

Effective Date: The above guidance is effective immediately.
Contact: Lynette Stephens, Analyst, Office of Servicewide Interest
Distribution: Division/Function IMD Coordinators
 Office of Servicewide Policy, Directives, & Electronic Research

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