



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

WAGE AND INVESTMENT DIVISION

August 5, 2013

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Expiration Date: 08-05-2014  
Impacted IRM: 21.9.3

MEMORANDUM FOR DIRECTOR, MEMPHIS ACCOUNTS MANAGEMENT

FROM: Ivy S. McChesney /s/ Ivy S. McChesney  
Director, Accounts Management

SUBJECT: Interim Guidance on Return Preparer Misconduct (For Memphis  
Accounts Management ONLY)

This memorandum issues guidance on Return Preparer Misconduct procedures until IRM 21.9.3, *Assisting Victims of Return Preparer Misconduct*, is published. It replaces previous Interim Guidance WI-21-0813-02. Please ensure that this information is distributed ONLY to the specific Memphis Accounts Management Customer Service Representatives (CSRs) assigned to Return Preparer Misconduct (RPM) paper inventory.

Unscrupulous return preparers may either alter taxpayer direct deposit or address information to misdirect taxpayer refunds or alter tax data (includes but is not limited to: falsified dependents, expenses, deductions, credits, income, refund amount, etc.) and misdirect the erroneous portion of refund. Taxpayers may become aware their refund was misdirected through taxpayer initiated contact (telephone, Field Assistance or Taxpayer Advocate Service, etc.) or through Compliance or IRS enforcement investigative processes (Examination audit notices, AUR CP-2000, AMTAP contact letters or CI investigations, etc.). The IRS will provide assistance to taxpayers determined to be victims of return preparer misconduct when the preparer alters the taxpayer's return and misdirects the falsified portion of the refund.

For situations where a tax preparer has altered the tax data on a taxpayer's return, the taxpayer must submit sufficient documentation to support his/her claim that the return filed was altered by the preparer. Telephone assistors should refer to Interim Guidance Memorandum WI-21-0214-01, *Contacts Regarding Specific Return Preparer Complaint Issues*, for scenarios and guidance on how to handle the issue.

Taxpayers will be advised to submit their documentation to the following address:

Internal Revenue Service AM - Preparer Complaints  
5333 Getwell Road

Mail Stop 58  
Memphis, TN 38118

Note: If there is evidence on the account of Compliance involvement (an audit notice or CP 2000, etc), the taxpayer should be advised to submit their documentation to the location indicated on the Compliance notice/letter. If they do not have a copy of the notice/letter, follow normal procedures on transferring the call to the correct Compliance Location or provide a Compliance Mailing Address.

### **Required Documentation**

For situations where a tax preparer has altered the tax data on a taxpayer's return, the taxpayer must submit sufficient documentation to support his/her complaint that the return filed was altered by the preparer.

Taxpayers must provide sufficient, complete and legible documentation.

- Form 14157, Return Preparer Complaint
- Form 14157–A, Tax Return Preparer Fraud or Misconduct Affidavit, signed by the taxpayer under penalties of perjury summarizing the situation indicating the preparer filed a different return than was provided to the taxpayer, including disclosure authorization for the IRS to disclose taxpayer's identifying information to the bank that received the deposit, and for the bank that received the deposit to disclose ownership information for the account in which the funds were deposited
- Preparer information, including name, address, TIN (PTIN, SSN, EIN). Taxpayer should provide any information regarding the preparer they can. For example, if the individual that prepared the return was set up at a college or a church, taxpayer should provide that name and location. If information concerning the preparer was from a flyer or advertisement, a copy could be provided.
- Copy of the tax return (unaltered) as provided to the taxpayer by the preparer
- Signed copy of the tax return(s) as they were intended to be filed
- Copy of the taxpayer's bank statement reflecting the refund amount received by direct deposit, if applicable
- Copy of the paper check(s) reflecting the amount received by paper check, if applicable
- Copy of document(s) received from the Tax Return Preparer
- Copies of additional documents to support the claim

### **Receiving Complaints of Return Preparer Misconduct**

Return Preparer Misconduct complaints will be worked in Accounts Management when there is no evidence of Compliance or enforcement/investigative involvement. See Preliminary Review for additional information. Examples include taxpayers who become aware of the potential for return irregularities/inconsistencies through friends who used the same preparer or through media releases. Taxpayer claims of Return Preparer Misconduct will be scanned to the Correspondence Imaging System (CIS) and will be **centralized in Memphis Accounts Management.**

In the interim, cases will be scanned with doc type Correspondence, category code SPC2 and program code 710–40000 until permanent codes can be established. Memphis AM should report time working this program under interim program code 710–85440.

### Preliminary Review

(1) Accounts involving Compliance or enforcement/investigative activities will be routed to the appropriate Compliance function for corrective action following normal Accounts Management procedures. Send an 86C letter if required per IRM 21.3.3.4.2.1, Use of 86C Letter - Referring Taxpayer Inquiry/Forms to Another Office.

Note: Accounts Management does not route cases to CTAP or DITA directly. Follow chart below:

If ...	And ...	Then ...
-L freeze and AIMS status is 09 and below	Open in Campus Exam - (EGC 5XXX)	Do NOT route to Exam. AM will retain and resolve case.
-L freeze and AIMS status is greater than 09	Open in Campus Exam - (PBC 19X or 29X and EGC 5XXX)	Route to appropriate area using the <i>Exam Employee Group Code (EGC) Contacts</i> listing on SERP under Who/Where tab.
-L freeze and AIMS status is 10 and below	Open in Field Exam - (EGC 1XXX or 2XXX only)	Do NOT route to Exam. AM will retain and resolve case.
-L freeze and AIMS status is greater than 10	Open in Field Exam - (PBC 20X and EGC 1XXX or 2XXX only)	Route to appropriate area using the <i>Exam Employee Group Code (EGC) Contacts</i> listing on SERP under Who/Where tab.
Posted TC 30X – Exam reconsideration criteria		Route to appropriate Exam function. Follow IRM 4.13.2.2, <i>Function Responsible &amp; Routing Instructions</i>  <a href="http://serp.enterprise.irs.gov/databases/irm.dr/current/4.dr/4.13.dr/4.13.2.dr/4.13.2.2.htm">http://serp.enterprise.irs.gov/databases/irm.dr/current/4.dr/4.13.dr/4.13.2.dr/4.13.2.2.htm</a>

TC 922 - AUR involvement		Route to appropriate AUR if applicable. Follow IRM 21.3.1.4.58, <i>Status of Underreporter Cases</i> . Note: Determination to route or retain the case depends on the process code assigned. <a href="http://serp.enterprise.irs.gov/databases/irm.dr/current/21.dr/21.3.dr/21.3.1.dr/21.3.1.4.58.htm">http://serp.enterprise.irs.gov/databases/irm.dr/current/21.dr/21.3.dr/21.3.1.dr/21.3.1.4.58.htm</a>
Status 22 – ACS		Route to appropriate ACS Support using ACS Support Liaisons listing on SERP. <a href="http://serp.enterprise.irs.gov/databases/who-where.dr/acsspt-lias.dr/acs-support.htm">http://serp.enterprise.irs.gov/databases/who-where.dr/acsspt-lias.dr/acs-support.htm</a>
TC 971(s) with AC(s) 134/617/199 - AMTAP involvement		Route to Austin AMTAP Function at Mail Stop 6572.
Z freeze		Follow IRM 21.5.6.4.52, <i>-Z Freeze</i> . <a href="http://serp.enterprise.irs.gov/databases/irm.dr/current/21.dr/21.5.dr/21.5.6.dr/21.5.6.4.52.htm">http://serp.enterprise.irs.gov/databases/irm.dr/current/21.dr/21.5.dr/21.5.6.dr/21.5.6.4.52.htm</a>

(2) Follow chart below to address cases that are not considered Return Preparer Misconduct:

Note: There will be instances when the taxpayer's claim does not meet the Service's guidelines for Return Preparer Misconduct. When issuing a closing letter advise the taxpayer the reason for not adjusting the account.

If ...	Then ...
<p># [REDACTED]</p> <p>#</p>	<p># [REDACTED]</p> <p>#</p>
<p>Taxpayer submits documentation however, math error or general account issue (TP misunderstands Return Preparer Misconduct e.g. did not get my correct refund, preparer used incorrect dependent social security number (SSN) etc.)</p>	<p><b><u>Work – follow procedures below</u></b>            Return Preparer Misconduct Memphis AM CSR will retain and resolve case. A closing letter must be sent to advise TP that a review of the account and the information provided does not support return preparer misconduct. Also provide explanation of account actions taken or not taken (e.g. correction of math error or additional information needed to correct the account).            Note: Update CIS data to reflect the appropriate category TPRQ.</p>
<p># [REDACTED]</p> <p>#</p>	<p><b><u>Work – follow procedures below</u></b>            Return Preparer Misconduct Memphis AM will take the following actions:</p> <ul style="list-style-type: none"> <li>○ Advise the TP they are a victim of identity theft and not victim of preparer misconduct</li> <li>○ Advise TP that we need additional information. See IRM 21.9.2.1(5) "Identity Theft - General Information, for required documentation"</li> <li>○ Advise TP that the tax return they provided with their complaint, has been forwarded for processing and to please allow 90 days to complete the processing of the return.</li> <li>○ Edit the return for processing per IRM 21.5.1.5.5, "Processing/Reprocessing CIS Tax Returns"</li> </ul>

	<ul style="list-style-type: none"> <li>○ Include SPC 8 edited vertically in the right margin on Forms 1040/A/EZ between the Secondary SSN and the Presidential Election Campaign Fund boxes.</li> <li>○ Edit 971/522 input in the left hand margin</li> <li>○ Forward to Submission Processing</li> <li>○ Close CIS case</li> </ul>
<p>Taxpayer's account does not show a posted return. (Taxpayers may assume the preparer filed an unauthorized return because of media attention)</p>	<p><b><u>Work – follow procedures below</u></b></p> <p>Return Preparer Misconduct Memphis AM will take the following actions:</p> <ul style="list-style-type: none"> <li>○ Advise TP that no tax return has been filed using the taxpayer's social security number</li> <li>○ Advise TP we are forwarding the tax return that they furnished for processing and if they are due a refund, it may take up to six to eight weeks</li> <li>○ Edit the return for processing per IRM 21.5.1.5.5, "Processing/Reprocessing CIS Tax Returns"</li> <li>○ Forward to Submission Processing</li> <li>○ Close CIS case</li> </ul>
<p>Taxpayer's complaint involves PTIN misuse, misrepresentation of credentials, employment taxes and other issues  Example: Taxpayer is not requesting relief/correction of personal tax return. They are reporting/informing on a person who misused TP information as a preparer.</p>	<p><b><u>Work – follow procedures below</u></b></p> <p>Route case to:</p> <p>Return Preparer Office  401 W. Peachtree Street NW  Mail Stop 421-D  Atlanta, GA 30308</p>

**Incomplete Claims - Missing Information - Work – follow procedures below**

(1) # [REDACTED] #

- (2) Review the taxpayer's complaint for completeness. Ensure all required forms and documentation are present, completed and signed when applicable.



- (3) Research IDRS and CIS to ensure there are no other related case controls. If there is a multiple control on the account, i.e., DUPF, XRET, review case to determine if it relates to the RPM issue. If it does, reassign case to your IDRS number, link and close. If the needed information is not included on the linked case and the taxpayer needs to be contacted for additional information release the -A freeze on account by inputting a TC 290.00. Follow normal statute guidelines per IRM 21.5.3.4.3.

Exception: If the overpayment is frozen on the account, do not release credit. Input TC 971 ac 850 on the account if original return requested direct deposit. Input a TC 290.00 HC 4 to generate a -K freeze to hold the credit.

- (4) Once it is determined the complaint is missing information or is illegible send a Letter 131C, *Information Insufficient or Incomplete for Processing Inquiry*.
- Use the following language as the opening paragraph:

*"We have received your Complaint of Return Preparer Misconduct; however, we are unable to process your complaint for the tax period(s) shown above because your supporting information is incomplete or missing the required documentation. We are returning your original documents sent with your complaint back to you."*
  - Use floating paragraph (\*) to specify what is missing (Form 14157-A, preparer's name, address, PTIN, SSN or EIN, signed copy of tax return etc.)
  - Include paragraph "L" advising taxpayer to return the original information along with the requested information
  - Enclose the taxpayer's original documentation. Be sure to include paragraph "U"-Original Documentation.
  - Capture the "request completed" screen of the 131C request for missing information.

- o Leave a case note on CIS – “RPM case – 131C sent for (list information requested)”
- o Close your case on CIS.

NOTE: If there is TAS involvement and an OAR or TAO is received, check the case for required documentation. If missing documentation, reject back to TAS requesting they contact the TP for the information required.

**Exception to Note:** Do not consider the complaint incomplete if the missing or incomplete information pertains to the Form 14157-A and the TP provides a statement/explanation signed under penalties of perjury. Ensure that the information provided is similar to the information requested on the Form 14157-A and is sufficient to make a determination.

**Determining Preparer Misconduct for Memphis Accounts Management**

(1) # [Redacted]

[Redacted] #

- (2) Perform research to verify the preparer information. The following list is not all inclusive:
- o CC INOLE to verify the SSN or EIN provided
  - o EUP - PTIN Application Search to verify SSN or PTIN if known. If not known, additional search criteria is available (e.g., first name, last name and zip code for broad search)
  - o CC NAMEI or CC NAMEB to locate SSN or EIN

If ...	And ...	Then ...
preparer name matches the name on the associated SSN, EIN or PTIN	# [Redacted] #	consider verified and valid

- (3) If documentation indicates the taxpayer had a relationship with the tax return preparer (e.g., family member, friend, neighbor, relative, co-worker etc.), the return preparer must be in the business of preparing returns for consideration of the complaint. The following is a list of scenarios that would be considered acceptable and is not all inclusive:
- o Line 1 on Form 14157 indicates a Professional Status (e.g. Attorney, CPA etc.) or a statement as such
  - o TP provides documentation (e.g. business card, flyer, business listing etc.) indicating in business
  - o Research to verify the preparer in (2) above results in the validation of a PTIN or EIN

(4) Perform complete IDRS research to confirm a tax return was filed using the taxpayer's TIN. Research should include but is not limited to the use of CC TXMOD to review posted information; CC RTVUE, CC TRDBV and/or access of EUP to review MeF original tax return information; CC IRPTL to review income information etc. Comparison should be made with the tax return provided by the taxpayer as intended to be filed with the posted information to determine if TP claim is supported.

(5) Follow chart below after above research is performed:

If ...	And ...	Then ...
The taxpayer's complaint is reviewed and through IDRS research, the preparer information can not be validated		<p><b><u>Work – follow procedures below</u></b>            Send TP a 131C letter advising that the preparer information provided can not be verified and additional or corrected information is required in order for their account to be evaluated.</p>
The taxpayer's complaint indicates a non business relationship with the tax return preparer (e.g. family member, friend, neighbor, relative, co-worker etc.)	preparer could not be validated or there is no indication that the individual is in the business of preparing returns	<p><b><u>Work – follow procedures below</u></b>            Send 916C letter - Return entire complaint to taxpayer and use the following suggested language:            “We are returning your complaint because we need additional information concerning your tax return preparer. Please provide documentation that your preparer is in the business of preparing tax returns, such as a business card, flyer, advertisement, business listing etc.”</p>
The taxpayer's complaint is reviewed and IDRS research does not support		<p><b><u>Work – follow procedures below</u></b></p>

<p>the information provided (e.g. CC IRPTRL supports alleged added items)</p>		<p>Send 916C - Use the following suggested language: "A review of your complaint and your account does not support preparer misconduct. If you need to make changes to the original return filed, please file a Form 1040X and send to address indicated in the instructions."</p>
<p># [Redacted]</p>	<p># [Redacted]</p>	<p><b><u>Work – follow procedures below</u></b></p> <p>Follow steps in Account Resolution Initial Steps, for initial steps to follow and proceed as directed to the applicable sections for final resolution.</p>
<p># [Redacted]</p>	<p># [Redacted]</p>	<p><b><u>Work – follow procedures below</u></b></p> <p>Follow steps in <i>Account Resolution Initial Steps</i>, for adjustment procedures for initial steps to follow and proceed as directed to the applicable sections for final resolution.</p>
<p># [Redacted]</p>	<p># [Redacted]</p>	<p># [Redacted]</p>

<div style="background-color: black; width: 100%; height: 100%; position: relative;"> <div style="position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%); font-size: 2em; color: red;">#</div> </div>	<div style="background-color: black; width: 100%; height: 100%; position: relative;"> <div style="position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%); font-size: 2em; color: red;">#</div> </div>	<div style="background-color: black; width: 100%; height: 100%; position: relative;"> <div style="position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%); font-size: 2em; color: red;">#</div> </div>
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### Account Resolution – Initial Steps

# [REDACTED] #

(1) # [REDACTED] #

(2) Functions will take the following initial steps to correct taxpayer accounts whether the original return was considered authorized or unauthorized. Then proceed to the applicable subsections.

1. Research IDRS to ensure the preparer has not previously been assigned an Internal Revenue Service Number (IRSN). Command Code (CC) NAMEI or CC NAMEB should be utilized. See IRM 2.3.60, Command Codes NAMES, NAMEE, NAMEI, NAMEB, FINDS, FINDE, and TPIIP for additional guidance.

Exception: If the original overpayment is frozen on the account and a refund was not issued (no lost revenue) then an IRSN is not necessary.

Note: Utilize the necessary components from the following address in your search.

5333 Getwell Road  
 Memphis, TN 38118

- o If the preparer already has an IRSN, skip to #2.

- If preparer does not have an IRSN, use CC TMSSN to establish an IRSN using the preparer's name on the first name line, RTN PREPARER MISCONDUCT and preparer's SSN, EIN or PTIN on the second name line, and the Memphis service center address shown in the Note above. See IRM 2.4.59, Command Code TMSSN for additional guidance.
- 2. Math verify the taxpayer's tax return using the procedures in IRM 21.5.3.4.5, *Math and Master File Verification of Claims and Amended Returns*. Paragraphs 4–6 should be followed.
- 3. Adjust the taxpayer's account to reflect the figures on the return submitted with the taxpayer's complaint using block 00, source code 0, reason code 099 and hold code 4 to prevent issuance of adjustment notice.

Exception: If the original overpayment is frozen on the account and a refund was not issued (no lost revenue) then use hold code 3 to hold adjustment notice and to allow refund to generate.

- 4. Update the entity if necessary (name lines, address, filing status, etc).
- 5. Send return to Examination for review when appropriate. Returns not processed as original returns bypass DIF scoring. Returns that bypass DIF scoring should be routed to Examination for classification as per guidance in IRM 21.5.2.4.23.6, *DIF SCORE or CLASSIFICATION "Send Return(s) to Examination for Review"*.
- 6. Input TC 971 AC 850, if appropriate. Input of the TC 971 AC 850 ensures any subsequent refund will flip to a paper check and will not be direct deposited.
- 7. Print the Form 14157, Form 14157-A and anything that helps support preparer misconduct from CIS case and put in designated basket for clerical to compile and send to Return Preparer Office.
- 8. After the adjustment is input to the account to reflect the TP's actual return (unaltered by the preparer), the account will be in a debit balance. In order to balance the account (module balance is zero), TC 840/841 procedures using Form 12857 must be followed. The TC 841 will return the credit to the SSN account and allow the portion of the refund attributable to preparer misconduct to be moved to the established IRSN as a TC 840.
- Note: Always perform a verification taking into account the debit balance resulting from the adjustment and the amounts indicated on the prepared Form(s) 12857. The account balance should be zero once all of the actions subsequently post. If a manual refund is necessary, keep in mind your verification of the adjustment balance and the Form 12857 should result in the

amount of the credit the TP is expecting. With the completion of Form 5792 the account should be zero once all the actions subsequently post.

9. Proceed to the subsequent subsections, depending upon whether the TP authorized or did not authorize the filing of the original return for the final steps to be followed.

**# [REDACTED] #- Account Resolution Final Steps - Work – follow procedures below**

- (1) # [REDACTED] #

Note: Ensure that the steps in Account Resolution – Initial Steps above have been completed prior to taking these final steps.

- (2) The following includes procedures for balancing the accounts using Forms 12857 to post TC 840(s)/841 # [REDACTED] #

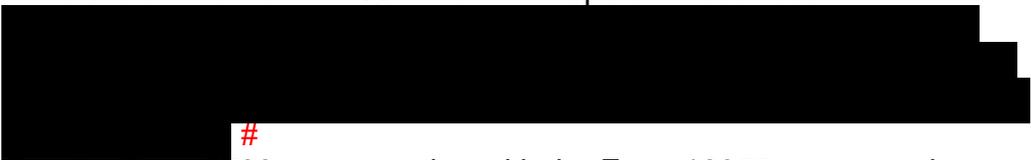
# [REDACTED] #

Form 12857 has two parts: Part A will list the information relative to the account the refund needs to be posted "To" and Part B will have the information relative to the account where the TC 840/846 is currently posted and being transferred "From".

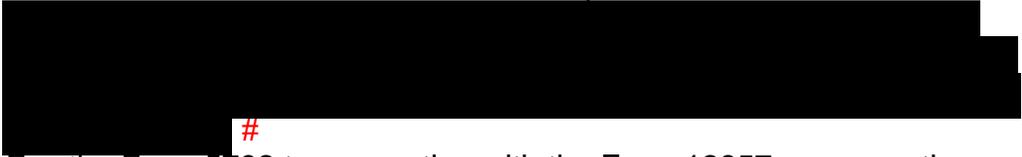
Note: An unpostable condition will occur if an attempt is made to move a partial refund. The TC 841 must match the posted TC 846. When only a portion of a TC 846 needs to be moved to an IRSN account, 2 Forms 12857 are required to bypass the unpostable. The TC 846 will be reversed in full with the TC 841 and then 2 TC 840's must be posted. 1 TC 840 will be posted to the IRSN account and 1 TC 840 will be posted back to the SSN. The 2 TC 840's must equal the TC 841.

- (3) There are 4 possible scenarios. Based on the case information, follow the steps in the applicable scenario.
  - a) If # [REDACTED] # : prepare Form(s) 12857 to reverse the entire TC 846(s) and move it to the IRSN. If split refund on account and multiple TC 846's are present then complete a separate Form 12857 for each TC 846.

Note: In addition to any other necessary remarks, include split refund code (SPL-REF-CD from TXMOD) in Box 9 of the Form 12857 to avoid unpostable condition 138.

- Part A - Post TC 840 to IRSN established for the return preparer.
- Part B - Post TC 841 to SSN for the entire TC 846 amount
- Annotate on the Form 12857 "Return Preparer Misconduct"
-  #
- Fax the Form 5792 to accounting with the Form 12857 as supporting documentation.
- Skip to paragraph (4) for the next closing actions to take.

b) If #  # then follow either (1) or (2) below:

- 1) Split refunds on account (i.e. multiple TC 846's) and at least 1 TC 846 was issued to TP:
  - a) Prepare Form 12857 to reverse the applicable TC 846(s)  
Reminder: In addition to any other necessary remarks, include split refund code (SPL-REF-CD from TXMOD) in Box 9 of the Form 12857 to avoid unpostable condition 138.
  - b) Annotate on the Form 12857 "Return Preparer Misconduct"
  - c)  #
  - d) Fax the Form 5792 to accounting with the Form 12857 as supporting documentation.
  - e) Skip to paragraph (4) for the next closing actions to take
  
- 2) Only 1 TC 846 on account: 2 Forms 12857 must be prepared.  
Note: The 2 TC 840's MUST equal the TC 841 amount.
  - a) 1st Form 12857
    - o Part A - Post TC 840 to IRSN for the portion of the refund attributable to the preparer misconduct
    - o Part B - Post TC 841 to SSN for the entire TC 846 amount
  - b) 2nd Form 12857
    - o Part A - Post TC 840 to the SSN for the portion of the refund that TP has already received
    - o Part B should be crossed out.
  - c) Annotate on the Forms 12857 "Return Preparer Misconduct" and staple the 2 forms together to ensure proper processing.
  - d)  #
  - e) Fax the Form 5792 to accounting with the Form 12857 as supporting documentation.
  - f) Skip to paragraph (4) for the next closing actions to take.

c) If # [REDACTED] # then follow either (1) or (2) below:

- 1) Split refunds on account (i.e. multiple TC 846's) and at least 1 TC 846 was issued to TP:
  - a) Prepare Form 12857 to reverse the applicable TC 846(s)  
Reminder: In addition to any other necessary remarks, include split refund code (SPL-REF-CD from TXMOD) in Box 9 of the Form 12857 to avoid unpostable condition 138.
  - b) Annotate on the Form 12857 "Return Preparer Misconduct"
  - c) Once the Form 12857 is processed, the account should be in a debit balance reflecting the difference between what the TP already received and what the overpayment shows on the TP's actual return. This is a true balance due that the TP is liable for.
  - d) Skip to paragraph (4) for the next closing actions to take
  
- 2) Only 1 TC 846 on account: 2 Forms 12857 must be prepared.  
Note: The 2 TC 840's MUST equal the TC 841 amount.
  - a) 1st Form 12857
    - o Part A - Post TC 840 to IRSN for the portion of the refund attributable to the preparer misconduct
    - o Part B - Post TC 841 to SSN for the entire TC 846 amount
  - b) 2nd Form 12857
    - o Part A - Post TC 840 to the SSN for the portion of the refund that TP has already received
    - o Part B should be crossed out
  - c) Annotate on the Forms 12857 "Return Preparer Misconduct" and staple the 2 forms together to ensure proper processing.
  - d) Once the Form 12857 is processed, the account should be in a debit balance reflecting the difference between what the TP already received and what the overpayment shows on the TP's actual return. This is a true balance due that the TP is liable for.
  - e) Skip to paragraph (4) for the next closing actions to take.

d) If # [REDACTED] #, then follow either (1) or (2) below:

- 3) Split refunds on account (i.e., multiple TC 846's) and at least 1 TC 846 was issued to TP:
  - a) Prepare Form 12857 to reverse the applicable TC 846(s)  
Reminder: In addition to any other necessary remarks, include split refund code (SPL-REF-CD from TXMOD) in Box 9 of the Form 12857 to avoid unpostable condition 138.
  - b) Annotate on the Form 12857 "Return Preparer Misconduct"
  - c) Once the Form 12857 is processed, the account should be in a zero balance since TP already received the refund amount they expected.
  - d) Skip to paragraph (4) for the next closing actions to take
  
- 4) Only 1 TC 846 on account: 2 Forms 12857 must be prepared.  
Note: The 2 TC 840's MUST equal the TC 841 amount.
  - a) 1st Form 12857
    - o Part A - Post TC 840 to IRSN for the portion of the refund attributable to the preparer misconduct
    - o Part B - Post TC 841 to SSN for the entire TC 846 amount
  - b) 2nd Form 12857
    - a. Part A - Post TC 840 to the SSN for the portion of the refund that TP has already received
    - b. Part B should be crossed out.
  - c) Annotate on the Forms 12857 "Return Preparer Misconduct" and staple the 2 forms together to ensure proper processing.
  - d) Once the Form 12857 is processed, the account should be in a zero balance since TP already received refund amount they expected.
  - e) Skip to paragraph (4) for the next closing actions to take.

- (4) Send Form(s) 12857 to the Accounting function using Form 3210. Annotate in the remarks section "Resolution of Return Preparer Misconduct Case"

Exception: If a manual refund was input, you MUST fax the Form(s) 12857 with the Form 5792 to accounting.

- (5) Input TC 470 CC 90 to prevent balance due notices from generating.
- (6) Input TC 971 AC 030 on both accounts to cross reference the movement of the fraudulent portion of the refund (TC 840/841) from the taxpayer's account. Notate "RETURN PREPARER MISCONDUCT" in the remarks when inputting the transaction code.

- (7) Notify the taxpayer of adjustment action taken using a 288C letter. Use the following language: "We have adjusted the account(s) shown above to reflect the information shown on the tax return(s) you provided so that your IRS tax records are accurate."

Note: # [REDACTED] # Address any additional issues taxpayer may have included.

- (8) Close CIS case

- (9) Establish a new IDRS control using category code MISC with a current date and monitor until all resulting transactions post. Update activity to "WT840/841".

Note: The TC 840 and TC 841 may take 6-8 weeks to post to master file.

Note: The SSN account should then be in zero balance unless the TP received more of a refund originally than what is shown on their actual return. The IRSN account should be in balance due. There will be no TC 150 posted on this account. The assigned IRSN should be used for all bad refunds associated with a given "bad" preparer.

# [REDACTED] # - Account Resolution Final Steps - # [REDACTED] #

- (1) # [REDACTED] #

Note: Ensure that the steps in Account Resolution – Initial Steps above have been completed prior to taking these final steps.

- (2) # [REDACTED] #

- (3) The following includes procedures for balancing the accounts using Forms 12857 to post TC 840(s)/841.

Form 12857 has two parts: Part A will list the information relative to the account the refund needs to be posted "To" and Part B will have the information relative to the account where the TC 840/846 is currently posted and being transferred "From".

Note: An unpostable condition will occur if an attempt is made to move a partial refund. The TC 841 must match the posted TC 846. When only a portion of a TC 846 needs to be moved to an IRSN account, 2 Forms 12857 are required to bypass the unpostable. The TC 846 will be reversed in full with the TC 841 and

then 2 TC 840's must be posted. 1 TC 840 will be posted to the IRSN account and 1 TC 840 will be posted back to the SSN. The 2 TC 840's must equal the TC 841.

Depending upon the account information, follow either (1) or (2) below:

- 1) Split refunds on account (i.e., multiple TC 846's) and at least 1 TC 846 was issued to TP:
  - a) Prepare Form 12857 to reverse the applicable TC 846(s)  
Reminder: In addition to any other necessary remarks, include split refund code (SPL-REF-CD from TXMOD) in Box 9 of the Form 12857 to avoid unpostable condition 138.
  - b) Annotate on the Form 12857 "Return Preparer Misconduct"
  - c) Once the Form 12857 is processed, the account should be in a zero balance since expected refund was already issued.
  - d) Skip to paragraph (4) for the next closing actions to take
  
- 2) Only 1 TC 846 on account: 2 Forms 12857 must be prepared.  
Note: The 2 TC 840's MUST equal the TC 841 amount.
  - a) 1st Form 12857
    - o Part A - Post TC 840 to IRSN for the portion of the refund attributable to the preparer misconduct
    - o Part B - Post TC 841 to SSN for the entire TC 846 amount
  - b) 2nd Form 12857
    - o Part A - Post TC 840 to the SSN for the amount shown as the overpayment (refund amount) on the TP's actual return.
    - o Part B should be crossed out.
  - c) Annotate on the Forms 12857 "Return Preparer Misconduct" and staple the 2 forms together to ensure proper processing.
  - d) Once the Form 12857 is processed, the account should be in a zero balance since expected refund was already issued.
  - e) Skip to paragraph (4) for the next closing actions to take.

(4) Send Form(s) 12857 to the Accounting function using Form 3210. Annotate in the remarks section "Resolution of Return Preparer Misconduct Case"

(5) Input TC 470 CC 90 to prevent balance due notices from generating.

(6) Input TC 971 AC 030 on both accounts to cross reference the movement of the fraudulent portion of the refund (TC 840/841) from the taxpayer's account. Notate "RETURN PREPARER MISCONDUCT" in the remarks when inputting the transaction code.

(7) Notify the taxpayer of adjustment action taken using a 288C letter. Use the following language: "We have adjusted the account(s) shown above to reflect the information shown on the tax return(s) you provided so that your IRS tax records our accurate."

Note: Address any additional issues taxpayer may have included.

(8) Close CIS case

(9) Establish a new IDRS control using category code MISC with a current date and monitor until all resulting transactions post. Update activity to "WT840/841".

Note: The TC 840 and TC 841 may take 6-8 weeks to post to master file.

Note: The SSN account should then be in zero balance unless the TP received more of a refund originally than what is shown on their actual return. The IRSN account should be in balance due. There will be no TC 150 posted on this account. The assigned IRSN should be used for all bad refunds associated with a given "bad" preparer.

**Issuing Taxpayer Correspondence**

(1) All normal outgoing correspondence guidelines should be followed per IRM 21.3.3.4.17.1, Preparation of Outgoing Correspondence.

(2) The following list is not all inclusive:

- o A closing letter is required if an interim letter was issued.
- o If there is a balance due, it must be addressed. For example, if TP received more of a refund than shown on tax return as intended to be filed, TP would be liable for repayment of any excess.
- o All issues must be addressed. For example, if TP provides state tax return information, this must be addressed in the correspondence to the taxpayer (e.g. advise TP to send state information to their state taxation agency) along with any other explanation provided concerning their federal account.
- o Indicate any action(s) taken.
- o If applicable, provide explanation why claim does not meet the Service's guidelines under Return Preparer Misconduct.

**Taxpayer Responses**

(1) Follow the table below when taxpayer responses are received.

<b>If ...</b>	<b>And...</b>	<b>Then ...</b>
Taxpayer responds to a request for missing information	does not provide all of the required documentation	Send another 131C letter advising TP that the originally requested information was not provided. Be sure to include the specific items needed to assist in making a determination. Advise TP a review of their account and adjustment consideration can not be made without a

		complete claim.
Taxpayer responds to no consideration	does provide all required documentation	Follow section, <i>Determining Preparer Misconduct for Memphis Accounts Management</i>

**Clerical Responsibilities**

- (1) Prints of the Form 14157, Form 14157–A and any supporting documentation will be placed in a designated basket by the CSR when working their cases.
- (2) Clerical staff or designated person will gather cases and complete a Form 3210 for shipment to the Return Preparer Office weekly.
- (3) Mailing address:  
Return Preparer Office  
401 W. Peachtree Street NW  
Mail Stop 421-D  
Atlanta, GA 30308

**Effective Date: 08-05-2013**

**Contact:** If you have any questions, please contact # [REDACTED] # [REDACTED]

Attachment

Distribution:  
[www.IRS.gov](http://www.IRS.gov) (If the guidance meets [E-FOIA criteria](#))