



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

May 13, 2014

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Proposed IRM 5.1.27

MEMORANDUM FOR DIRECTOR, ADVISORY AND INSOLVENCY
DIRECTORS, COLLECTION AREA OPERATIONS

FROM: Rocco A. Steco */s/ Rocco A. Steco*
Acting Director, Collection Policy

SUBJECT: Preparer, Promoter, Appraiser, Material Advisor, and Aiding &
Abetting Penalties

The purpose of this memorandum is to provide guidance on the collection of preparer, promoter, appraiser, material advisor, and aiding & abetting penalties (collectively referred to in this memorandum as "civil penalties"). Internal Revenue Manual (IRM) 5.16.1, *Currently Not Collectible*, and new IRM 5.1.27, *Return Preparer Fraud or Misconduct*, will be updated to include this guidance.

The Examination function puts considerable time and effort into assessing these civil penalties, which are intended to increase voluntary compliance. The penalties are quite serious in nature. Collection of the assessed penalties is essential to preserving their compliance impact. The ability to identify these assessments is of vital importance.

These civil penalty modules are identified by Master File Tax (MFT) 13 for Business Master File (BMF) or MFT 55 for Individual Master File (IMF), with the following penalty reference numbers:

606 or 581 - IRC 6695A
624 or 714 - IRC 6695(a)
624 or 715 – IRC 6695(b)
624 or 716 – IRC 6695(c)
624 or 717 – IRC 6695(d)
624 or 718 – IRC 6695(e)
626 – IRC 6695(f)

627 – IRC 6695(g)
628 – IRC 6700
631 – IRC 6701
633 – IRC 6713
634 – IRC 6707
636 – IRC 6708
645 – IRC 6694(a)
648 – IRC 6707A
650 – IRC 6694(b)

Revenue officers should identify these civil penalties during the initial analysis by reviewing IDRS TXMODA, BMFOLT, and IMFOLT for the penalty reference numbers and for the respective MFT codes associated with each penalty.

Additional research may be needed on these civil penalties prior to reporting the cases uncollectible. There are a number of available Return Preparer contacts. Return Preparer Coordinators (RPCs) and Earned Income Tax Credit (EITC) coordinators can be a valuable resource for revenue officers. RPCs handle all return preparer penalties except for the EITC due diligence return preparer penalties, which are handled by the EITC coordinator.

- Revenue officers may contact the RPC or EITC coordinator to determine if the Return Preparer Penalty case file is available.
- Revenue officers may contact the RPC or EITC coordinator to obtain a client list. This list may help provide leads for the collection investigation and can be used to corroborate a return preparer's claim that he/she has ceased doing business as a return preparer. For example, by contacting the former clients of a return preparer who claims he/she has ceased doing business, the revenue officer may find out that the return preparer is still preparing returns, but has changed the name of the business and is not signing the returns and/or is having others sign as the preparer (e.g., spouse, employee, etc.). Former clients may also prove valuable for obtaining asset information and levy sources.

When contacting the RPC or EITC coordinator, revenue officers should contact the designated coordinator in the revenue officer's Area (see below link to Return Preparer Coordinators).

[Link to Return Preparer Coordinator Area Office List](#)

[Link to EITC Coordinator Area Office List](#)

If you have any questions, please contact me, or members of your staff may contact JoAnn Zidanic, Collection Policy Analyst.

cc: Director, Enterprise Collection Strategy
Director, Field Collection
www.irs.gov