

IRM PROCEDURAL UPDATE

DATE: 09/01/2015

NUMBER: SBSE-04-0915-1372

SUBJECT: Post Publication Revision to 4.19.3, IMF Automated Underreporter (AUR) Program TY 2013

AFFECTED IRM(s)/SUBSECTION(s): 4.19.3

CHANGE(s):

IRM 4.19.3.7.10.3(2) - added Note regarding life insurance policies surrendered for cash

2. Compare retirement plan IRs with entries on:

CAUTION: If Form 8606 is attached, see IRM 4.19.3.7.10.7 (5) - (8), *IRA Distributions*, before determining the U/R amount.

- a. Form 1040, line 7, 15a, 15b, 16a, 16b, or 21.
- b. Form 1040A, line 7, 11a, 11b, 12a, or 12b.
- c. Form 1040EZ, line 1.
- d. Form 4972. (If the taxpayer was a teacher, see IRM 4.19.3.7.10.8 (11) c, *Lump-Sum Distributions*.)
- e. Schedule D, see (3) below.
- f. Attachments to Form 1040.
- g. Schedule B - If reported here, also analyze INT or DIV, as applicable.

NOTE: If there is an indication the distribution is a life insurance policy surrendered for cash, see IRM 4.19.3.20.3.6, *Retirement Distributions – Form 1099-R*

IRM 4.19.3.14.8(4) - clarified that instruction applies when Form 8960 was filed with the return. Added instruction to include EWPEN in total deductions and to adjust per return amounts to exclude amounts TP paid SE tax on. Also corrected Net Investment Tax window field names.

4. If Form 8960 was filed with the return, **input/verify** the following entries in the Net Investment Tax window.
 - o NET INVEST TAX PER RETURN - Form 8960, line 17
 - o TOTAL INVEST INCOME PER RETURN - Form 8960, line 8

NOTE: The AUR system populates the "Total Invest Income Per Return" field. When entering/verifying Form 8960, line 8, **do not include** net non-passive income (Schedule E Part II columns h, i, and j and Part III, columns e and f). If the TP includes non-passive income on Form 8960 , line 8, follow the TP's intent.

NOTE: Taxpayers may not correctly include their annuities from a nonqualified plan on Form 8960. If the taxpayer reports a 1099R IR that contains a COD "D" but does not include the amount on Form 8960, line 3, ensure the amount is included in the TOTAL INVEST INCOME field of the Net Investment Tax window.

- TOTAL DEDUCTIONS - Form 8960, line 11. Ensure this amount includes EWPEN claimed on Form 1040, line 30. Per return amounts should be manually adjusted when necessary, to exclude reported investment income on which the TP paid SE tax.

IRM 4.19.3.14.8(5) - new to provide instruction for when Form 8960 was not filed with the return

5. If Form 8960 was not filed with the return, **input/verify** the following entries in the Net Investment Tax window:
 - NET INVEST TAX PER RETURN – amount from Form 1040, line 60 identified as from Form 8960
 - TOTAL INVEST INCOME PER RETURN – reported taxable interest, ordinary dividends, capital gains, rent and royalty income, non-qualified annuities (COD "D"), Form 4797, if the amount is not included on Schedule D, Schedule E, Part II, columns f and g and Schedule E Part III, columns c and d. **DO NOT** include reported investment income on which the TP paid SE tax.
 - TOTAL DEDUCTIONS – amount from Form 1040, line 30 (EWPEN)

IRM 4.19.3.20.3.6(4) s - new, added for life insurance policies surrendered for cash

4. The explanation is acceptable when the taxpayer states or provides:

REMINDER: If accepting the TP explanation for an IRA Deduction or Form 1099-R Distribution, review the Retirement Saving Credit window to ensure entries are correct per the TP response.

- a. # -----

----- #

b. The retirement distribution was timely (within 60 days) rolled over and provides Form 5498 or similar documentation.

NOTE: Military retirement distributions and 1099R IRs with COD "E", "L", "3", "5", and "8" cannot be rolled over.

EXCEPTION: If the taxpayer's reply indicates the rollover was **NOT** made within 60 days, issue a Letter 2626C and include a Special Paragraph using the following verbiage as an example: "Since you indicated the rollover was not timely (within 60 days), your distribution is taxable."

NOTE: If the taxpayer states they rolled over their traditional IRA into a Roth IRA, a portion may be taxable. Advise the taxpayer to complete Form 8606 to determine the taxable amount.

c. Documentation reflects rollover fees and the amount of the fees match the U/R amount.

d. The distribution was #-----#

e. The TP indicates #-----#

f. The TP indicates #-----#

g. The distribution is #-----#

h. #-----#

i. #-----#

-----#

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-----#

j. #-----#

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k. The **Simple IRA distribution (COD "S"** was rolled over (provides Form 5498 or similar documentation, #-----#
-----#
-----#

#

- I. The **Roth IRA Distribution** was rolled over (provides Form 5498 or similar documentation, # -----
----- #)
- m. The **Roth IRA Distribution** # -----
----- #
#

#

- n. The Roth IRA Distribution #

----- #
- o. The Roth IRA Distribution #

----- #
- p. The IRA (traditional or ROTH) distribution #

- q. The IRA Distribution #

----- #
- r. #
----- #
- s. The distribution is a life insurance policy surrendered for cash and #
----- #

**IRM 4.19.3.20.7.1(12) - revised to reference IDT Claims - Initial Handling;
deleted step list**

12. If the taxpayer's response indicates #-----
-----# see IRM 4.19.3.20.1.25.3(3), *IDT Claims -
Initial Handling*.