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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

March 24, 2014

Control No: TEGE-04-0314-0004
Affected IRM: 4.75.22
Expiration Date: March 24, 2015

MEMORANDUM FOR   ALL EO EXAMINATIONS MANAGERS AND
ALL EO EXAMINATIONS REVENUE AGENTS

FROM: Mary A. Epps /s/ *Mary A. Epps*
Acting Director, EO Examinations

SUBJECT: Information Return Penalty Case File

This memorandum is a reissuance of IG Memorandum TEGE-04-0313-04 dated March 26, 2013, of the same title, which is due to expire on March 26, 2014.

The purpose of this memorandum is to provide additional guidance for establishing a penalty case and new procedures for closing the penalty case on RCCMS. Refer to Attachment 1 and 2 for the additional guidance and the new procedures.

A Form 5599, *TE/GE Examined Closing Record*, is not required for the penalty case file, as it is not established on AIMS. However, the time charged to the penalty case file must be input on RCCMS. Refer to Attachment 3 for an example of recording time.

Further, EO agents can use Letter 5005-P, *Information Return Penalty Notice (Form 1099)*, to notify taxpayers of penalties assessed for failure to timely file or failure to timely furnish Form 1099.

IRM 4.75.22, *EO Delinquent, Amended, and Substitute for Return Procedures*, will be updated within one year from the date of this memorandum. IG Memorandum TEGE-04-0313-04 dated March 26, 2013 is superseded.

Please submit your questions to Mandatory Review via *TEGE EO Review Staff.

ATTACHMENT (3)
cc: irs.gov

Attachment 1

Step-By-Step Procedures for Establishing Information Return Penalty Case

The following provides instructions for some of the required fields. The fields not listed are self-explanatory.	
1.	Underneath the main activity in RCCMS, select **File, New, Compliance Activity.**
2.	In the *Validate For* drop down box, select **Establish.**
3.	Deselect the *Update AIMS* check box. Enter TIN Enter T/P Name
4.	On the *General* **(1 of 2)** tab, select **Non-Return** in the *Type* drop down box.
5.	In the *Activity Code* drop down box, select **507 – Form 8278**.
6.	In the *Tax Period* field, enter the calendar year, i.e. 200912, 201012, etc.
7.	In the *Return Due* field, use 2/28/xxxx (even though there are different due dates for filing versus furnishing the forms).
8.	In the *Return Received* field, use the same date as the return due date, or, if applicable, use the delinquent return secured date.
9.	In the *Statute* field, use the date input in *Return Received* field plus three years.
10.	If no return has been filed, select **EE** in the *Alpha Day* drop down box.
11.	On the *Codes* tab, complete the normal required entries. The *MFT* is **99.** The *Return Requisition Code* is **3–Return, Chargeout & Labels Not Requested.** The *Project Code* is the same as the primary return. However, if the case is NRP, use 8253. The *Source Code* is **45–Reference and Information Returns.** **The *Status Code* is 12–Assigned for Evaluation**
12.	**Save and Close**. The Save in screen appears. *****The penalty case is placed in a separate case file. Mark the New Case button. Enter a case name that easily identifies taxpayer and type of case. Click OK. Establish the penalty case file by highlighting the activity. From the top line menu, select **Action->Request Establishment.**

Attachment 2

Step-By-Step Procedures for Closing Information Return Penalty Case on RCCMS

1.	In the **List View** screen, double click the period to close, to open the penalty case file being closed.
2.	In the *Validate For* drop down box, select **Close**.
3.	Verify that the *Update AIMS* box is unchecked. On the *Closing* Tab, click on **New Compliance**, to create the closing record. Change the Validate for to 'Close'.
4.	On the *General* tab, *ARDI* code is no entry.
5.	In the *Disposal Code* field, select 802.
6.	In the *Closing With* field, no entry required.
7.	On the *Detail* tab, fill in examiner's time, technique code, and examiner's name.
8.	On the *Individual/Bus.* **(2 of 3)** tab, complete the *Principal Issue Codes* fields.
9.	Select **Save and Close** on top left of the screen.
10.	Repeat all steps for each year.
11.	In the **List View** screen, select the case you want to close.
12.	Select **Action, Request Closure**, then click OK.
13.	Add any appropriate comments.
14.	Select **Send/Receive.**

Attachment 3

Example of Recording Time

In this example, the Form 990 has 50 hours charged to it and the penalty case file has five (5) hours.

	Form 990 File	**Penalty Case File**
RCCMS	50 hours	5 hours
WebETS	50 hours	5 hours
Case Chronology Record	50 hours	5 hours
Form 5599	50 hours	Not Required