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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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MEMORANDUM FOR ALL EO EXAMINATIONS MANAGERS
ALL EO EXAMINATIONS REVENUE AGENTS

FROM: Margaret Von Lienen /s/

SUBJECT: Reissuance: Information Return Penalty Case File

This memorandum is a reissuance of Interim Guidance (IG) Memorandum TEGE-04-0315-0008 dated March 24, 2015 of the same title. There are no significant changes.

The purpose of this memorandum is to provide additional guidance for establishing a penalty case and to instruct agents on procedures for closing a penalty case on the Reporting Compliance Case Management System (RCCMS). Refer to Attachments 1 and 2 for the procedures.

A Form 5599, *TE/GE Examined Closing Record*, is not required for a penalty case file, as penalty cases are not established on Audit Information Management System (AIMS). However, the time charged to a penalty case 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 revised to incorporate this memorandum by July 1, 2016. IG Memorandum TEGE-04-0315-0008 dated March 24, 2015 is hereby superseded.

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

ATTACHMENTS (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