



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

4.5.3

NOVEMBER 18, 2022

## EFFECTIVE DATE

(11-18-2022)

## PURPOSE

- (1) This transmits revised IRM 4.5.3, *TE/GE AIMS Manual, TE/GE AIMS Special Processing Procedures*.

## MATERIAL CHANGES

- (1) IRM 4.5.3.1.3: Revised, ELFRQ definition to Electronic Filing Requirement.
- (2) IRM 4.5.3.4.2: Revised, AIMS Systems Analyst to AIMS Coordinator.
- (3) IRM 4.5.3.5.3.1: Revised, Group Secretary/Management Assistant to AIMS Coordinator.
- (4) IRM 4.5.3.5.4.2 (2): Deleted, the Area Office should never receive a case with less than 13 months remaining on statute.
- (5) IRM 4.5.3.5.4.2 (3): Deleted, from another Area Office with less than 13 months remaining on the statute or from the Area Office..
- (6) IRM 4.5.3.12.6.1 (2)(d): Revised, Data Transcriber to Lead Tax Examiner or designee.
- (7) IRM 4.5.3.14.3 (2): Deleted, or Form 2503, Survey After Assignment Excise or Employment Table.
- (8) IRM 4.5.3.16.1.1 (4): Added, 0 before 94 and 97 for CC.
- (9) IRM 4.5.3.16.1.1 (6): Revised, Push Code 080 to 020.
- (10) IRM 4.5.3.16.2 (2)(14): Revised, Push Code 080 to 020.
- (11) IRM 4.5.3.16.6 (1)(f): Revised, Reason Code 26 to Reason Code 026
- (12) IRM 4.5.3.16.6 (2): Revised, Push Code 080 to 020.
- (13) IRM 4.5.3.16.6.1 (11): Revised, Push Code 080 to 021, and remove 020.
- (14) IRM 4.5.3.16.7.1 (2): Remove, Form 5596, TE/GE Non-Examined Closings 10904, and.
- (15) IRM 4.5.3.16.7.2 (1): Revised link of <https://a1.www4irs.gov/modiein/individual/index.iljsp> to [irs.gov/ein](https://irs.gov/ein).
- (16) IRM 4.5.3.20.2 (4): Revised, Terminal Operator to Tax Examiner.

## EFFECT ON OTHER DOCUMENTS

This supersedes IRM 4.5.3, dated December 01, 2021.

**AUDIENCE**

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4.5.3

TE/GE AIMS Special Processing Procedures

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4.5.3.1  
(12-01-2021)  
**Program, Scope and Objective**

- (1) This IRM section provides an overview of the Tax Exempt Government Entities AIMS manual Special Processing Procedures. The purpose of TE/GE is to provide top quality service and comply with applicable tax law and protect the public interest by applying the tax law with integrity and fairness to all.
- (2) **Purpose:** The TE/GE AIMS manual special processing procedures contain processes for working the various reports and screens in AIMS/IDRS and tracking them to closing.
- (3) **Audience:** This IRM section provides procedures for agents, managers and support staff in Exempt Organization, Employee Plans and Government Entities.
- (4) **Program Owner:** Director, Business System Plan (BSP) and Tax Exempt Government Entities (TE/GE).

4.5.3.1.1  
(12-01-2021)  
**Authority**

- (1) TE/GE's authority to resolve issues is derived from its authority to make determinations of access to software applications such as AIMS, IDRS and RCCMS as qualified under Document 6209.

4.5.3.1.2  
(12-01-2021)  
**Program Goals**

- (1) The goal of TE/GE is to provide procedures for the accurate reporting of AIMS processes, reports and maintaining secure inventory control of examinations.

4.5.3.1.3  
(11-18-2022)  
**Acronyms and Definitions**

- (1) This manual uses the following acronyms

Acronym	Definition
AIMS	Audit Information Management System
AGI	Adjusted Gross Income
ANMF	Automated Non-Master File System
BMF	Business Master File
BMFOL	Business Master File On-Line
BRTVU	Business Returns On-Line
BSP	Business System Planning
BUWH	Backup Withholding
CAF	Centralized Authorization File
CF	Carry Forward
CI	Criminal Investigation
CIC	Coordinated Industry Case
CSP	Classification Settlement Program
CVPN	Civil Penalty
DLN	Document Locator Number

<b>Acronym</b>	<b>Definition</b>
ECC	Enterprise Computing Center
EGC	Employee Group Code
EIN	Employer Identification Number
ELFRQ	Electronic Filing Requirement
EMFOL	Employee Plans Master File On-Line
EO	Exempt Organization
EOGEN	Exempt Organization Group Exemption Number
EP	Employee Plan
EPMF	Employee Plan Master File
ERIS	Enforcement Revenue Information System
ERTVU	Employee Plans Return Transaction File
FSL	Federal, State and Local
FTD	Federal Tax Deposit
FTF	Failure to File
FTP	Failure to Pay
FUTA	Federal Unemployment Tax Account
GE	Government Entities
IDRS	Integrated Data Retrieval System
IMFOL	Individual Master File On-Line
INOLE	On-Line Entity
ITG	Indian Tribal Government
LAP	Local Account Profile
LB&I	Large Business and International
MF	Master File
MIR	Management Information Report
NAP	National Account Profile
NMF	Non-Master File
NOL	Net Operating Loss
NOLD	Net Operating Loss Deduction
PBC	Primary Business Codes

Acronym	Definition
QMS	Quality Measurement Staff
RAR	Revenue Agents Report
RCCMS	Reporting Compliance Case Management System
RICS	Return Inventory Classification System
RPS	Remittance Processing System
RPVUE/RTFTP	Return Preparer Data On-Line
RRB	Railroad Retirement Board
RRTA	Railroad Retirement Tax Adjustments
SBC	Secondary Business Code
SBSE	Small Business Self-Employed
SCC	Systems Change Control
SE	Self-Employed
SEP	Special Emphasis Program
SFR	Substitute for Return
SSA	Social Security Administration
SSN	Social Security Number
TC	Transaction Code
TEB	Tax Exempt Bond(s)
TEFRA	Tax Equity & Fiscal Responsibility Act of 1982
TIA	Taxpayer Information Authorization
TIF	Taxpayer Information File
TIN	Taxpayer Identification Number
TI	Taxable Income
TRDB/TRDBV	Tax Return Data Base
ULC	Unit Ledger Cards
W&I	Wage & Investment
WPT	Windfall Profit Tax

4.5.3.2  
(09-30-2015)  
**AIMS Special  
Processing Procedures**

- (1) Background and information about the Audit Information Management System (AIMS) as it relates to TE/GE and instructions on how to report AIMS problems are contained in this section. This section also provides instructions for the Closing Unit Tax Examiners in processing the more complex TE/GE examination and Appeals adjustments.
- (2) AIMS is a computerized system used to secure returns, maintain inventory control of examinations, record examination results, and provide management with the statistical reports required under examination and compliance programs. Under AIMS, extensive use is made of the Integrated Data Retrieval System (IDRS) terminals located in each TEGE office. See IRM 4.4.1, *AIMS Procedures and Processing Instructions, Introduction*, IRM Exhibit 4.4.1-1, *Reference Guide* which has been developed to provide a quick explanation of AIMS terms.
- (3) The AIMS data base was merged with the Taxpayer Information File (TIF) under the Service Center Replacement System (SCRS). The AIMS modules of the TIF are assessable to TE/GE in exactly the same manner as the AIMS data base. Under SCRS, AIMS became a two purpose data base:
  - a. On-Line-Realtime - corrections/adjustments to the organizations' status, tax and/or penalties
  - b. On-Line-Realtime - input capabilities for various Management Information Reports (MIR's).
- (4) The Taxpayer Information File (TIF) is maintained in the Ogden Campus Center (OSC). The TIF contains an account for every examination charged to TE/GE.
  - a. EP accounts originate from the Employee Plans Master File (EPMF) and the Business Master File (BMF) at the Martinsburg Computing Center (MCC) and Non-Master File (NMF) accounts that are not available from EPMF.
  - b. EO and GE accounts originate from the Business Master File (BMF) and Individual Master File (IMF) at MCC and NMF accounts that are not available from BMF or IMF.
- (5) The Enforcement Revenue Information System (ERIS) was implemented and includes data from existing AIMS, the BMF, the EPMF and the IMF. ERIS is designed to account for both revenues collected and costs incurred as a result of IRS enforcement activities. It is an external data base that extracts case information from AIMS and merges it with revenue information from the Business Master File (BMF), Employee Plans Master File (EPMF), and Individual Master File (IMF). The data is amassed over a number of years to provide information such as dollars actually collected, recovery rates and length of time from start of an enforcement action through collection. The reports generated from ERIS not only allow IRS executives to better manage their enforcement areas, but also allow them to provide more accurate measures of revenue for Treasury, Office of Management and Budget (OMB) and Congress, and for the Service's planned budgeting/revenue forecasting model.
- (6) Accounts are established on AIMS by individual, RICS (Returns Inventory and Classification System) or by direct intervention of the BMF, automatic and related return selections. Accounts on AIMS are updated and closed through the terminal. Updating of master files to reflect the results of examinations recorded on AIMS is done at MCC.

- a. BMF, EPMF and IMF are updated through direct interaction with AIMS and RCCMS
  - b. NMF is updated manually by TEGE staff directly to AIMS
  - c. QMF Query Management Facilities, has taken the place of the RICS System
- (7) AIMS provides automatic assessment verification of TE/GE accounts residing on the EPMF, BMF and IMF.
- (8) Basic inventory and closing reports are generated at Ogden Campus Center for all TE/GE Primary Business Codes. Extensive Primary Business Codes, area offices, employee groups and national level summary reports (MIRs) are generated at the Detroit Computing Center (DCC) from the data provided by the Ogden Campus.

## 4.5.3.2.1

(11-01-2021)

**Employee Plans Returns**

- (1) Employee Benefit Plans must file one or more of the following returns, unless excused by statute:
- a. Form 5500, *Annual Return/Report of Employee Benefit Plan*
  - b. Form 5500SF, *Short Form Annual Return/Report of Small Employee Benefit Plan*
  - c. Form 5500EZ, *Annual Return of One-Participant (Owners/Partners and Their Spouses) Retirement Plan or A Foreign Plan*
  - d. Form 5330, *Return of Excise Taxes Related to Employee Benefit Plans*
  - e. Form 990-T, *Exempt Organization Business Income Tax Return*
  - f. Form 8955-SSA, *Annual Registration Statement Identifying Separated Participants With Deferred Vested Benefits*
- (2) In addition to the above returns, EP may also examine the following returns as Discrepancy Adjustments:
- a. Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*
  - b. Form 941, *Employer's Quarterly Federal Tax Return*
  - c. Form 945, *Annual Return of Withheld Federal Income Tax*
  - d. Form 1040, *U.S. Individual Income Tax Return*
  - e. Form 1041, *U.S. Income Tax Return for Estates and Trusts*
  - f. Form 1042, *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*
  - g. Form 1065, *U.S. Return of Partnership Income*
  - h. Form 1120, *U.S. Corporation Income Tax Return*

## 4.5.3.2.2

(09-30-2015)

**Exempt Organizations Returns**

- (1) Each Exempt Organization must file one or more of the following returns, unless excused by statute:
- a. Form 990, *Return of Organization Exempt from Income Tax*
  - b. Form 990-BL, *Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons*
  - c. Form 990-EZ, *Short Form Return of Organization Exempt From Income Tax*
  - d. Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as Private Foundation*
  - e. Form 990-T, *Exempt Organization Business Income Tax Return*
  - f. Form 4720, *Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code*
  - g. Form 5227, *Split-Interest Trust Information Return*

- h. Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*
- i. Form 941, *Employer's Quarterly Federal Tax Return*
- j. Form 943, *Employer's Annual Tax Return for Agricultural Employees*
- k. Form 945, *Annual Return of Withheld Federal Income Tax*
- l. Form CT-1, *Employer's Annual Railroad Retirement Tax Return*
- m. Form CT-2, *Employee Representatives Quarterly Railroad Tax Return*
- n. Form 1040 (PR), *Self-Employment Tax Return-Puerto Rico*
- o. Form 1041, *U.S. Income Tax Return for Estates and Trusts*
- p. Form 1041-A, *U.S. Information Return Trust Accumulation of Charitable Amounts*
- q. Form 1042, *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*
- r. Form 1065, *U.S. Return of Partnership Income*
- s. Form 1120, *U.S. Corporation Income Tax Return*
- t. Form 1120-POL, *U.S. Income Tax Return for Certain Political Organizations*
- u. Form 8871, *Political Organization Notice of Section 527 Status*
- v. Form 8872, *Political Organization Report of Contributions and Expenditures*
- w. Form 8038-B, *Information Return of Build America Bonds and Recovery Zone Economic Development Bonds*
- x. Form 8038-CP, *Return for Credit Payments to Issuers of Qualified Bonds*
- y. Form 8038-TC, *Information Return for Tax Credit Bonds and Specified Tax Credits Bonds*

(2) In addition to the above returns, EO may also examine the following returns as Discrepancy Adjustments:

- a. Form 11-C, *Occupational Tax and Registration Return for Wagering*
- b. Form 730, *Monthly Tax Return for Wagers*
- c. Form 1040, *U.S. Individual Income Tax Return*
- d. Form 1042, *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*
- e. Form 1065, *U.S. Return of Partnership Income*
- f. Form 5330, *Return of Excise Taxes Related to Employee Benefit Plans*
- g. Form 1120, *U.S. Corporation Income Tax Return*
- h. Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*
- i. Form 1120-L, *U.S. Life Insurance Company Income Tax Return*
- j. Form 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*
- k. Form 1120-S, *U.S. Income Tax Return for an S Corporation*

#### 4.5.3.2.3 (11-01-2021)

#### **Government Entities Returns**

(1) Government Entities must file one or more of the following returns, unless excused by statute:

- a. Form CT-1, *Employer's Annual Railroad Retirement Tax Return*
- b. Form CT-2, *Employee Representatives Quarterly Railroad Tax Return*
- c. Form 11-C, *Occupational Tax and Registration Return for Wagering*
- d. Form 720, *Quarterly Federal Excise Tax Return*
- e. Form 730, *Monthly Tax Return for Wages*
- f. Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*
- g. Form 941, *Employer's Quarterly Federal Tax Return*
- h. Form 943, *Employer's Annual Tax Return for Agriculture Employees*
- i. Form 945, *Annual Return of Withheld Federal Income Tax*

- j. Form 1042 , *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*
- k. Form 2290, *Heavy Highway Vehicle Use Tax Return*
- l. Form 1040 , *U.S. Individual Income Tax Return*
- m. Form 1040-A, *U.S. Individual Income Tax Return*
- n. Form 1040 with Form 2555, *Foreign Earned Income*
- o. Form 1040-NR, *U.S. Non-resident Alien Income Tax Return*
- p. Form 1040-SS, *U.S. Self-Employment Tax Return (Including the Additional Child Tax Credit for Bona Fide Residents of Puerto Rico)*
- q. Form 1120 , *U.S. Corporation Income Tax Return*
- r. Form 1120-S , *U.S. Income Tax Return for an S Corporation*
- s. Form 990-T , *Exempt Organization Business Income Tax Return*
- t. Form 1065 , *U.S. Return of Partnership Income*
- u. Form 8038, *Information Return For Tax-Exempt Private Activity Bond Issues*
- v. Form 8038-G, *Information Return for Tax-Exempt Governmental Obligations*
- w. Form 8038-GC, *Information Return for Tax-Exempt Government Bond Issues, Leases, and Installment Sales*
- x. Form 8038-T, *Arbitrage Rebate, Yield Reduction, and Penalty in Lieu of Arbitrage Rebate*
- y. Form 8328, *Carryforward Election of Unused Private Activity Bond Volume Cap*
- z. Form 8329, *Lender's Information Return for Mortgage Credit Certificates (MCCs)*
- aa. Form 8330, *Issuer's Quarterly Information Return for Mortgage Credit Certificates (MCCs)*
- ab. Form 8703, *Annual Certification by a Residential Rental Project*

4.5.3.3  
(09-30-2015)  
**AIMS Quality Control  
Responsibilities**

- (1) Quality control responsibilities for AIMS Coordinators include:
  - a. Coordinating quality control procedures
  - b. Ensuring accuracy and completeness of the AIMS data base
  - c. Ensuring that technical and clerical members receive appropriate training in AIMS procedures
  - d. Ensuring that AIMS procedures are timely followed in the group
  - e. Analyzing AIMS monitoring reports to identify group problems
  - f. Evaluating employees on their use of AIMS
  - g. Ensuring the appropriate use of the AIMS Coordinator in solving non-routine problems

4.5.3.3.1  
(11-01-2021)  
**AIMS Coordinators**

- (1) The TEGE AIMS Coordinators are responsible for coordinating AIMS quality control procedures for all functions of TEGE.

4.5.3.3.2  
(09-30-2015)  
**TE/GE GE SS/CP&C  
Managers**

- (1) TE/GE Compliance Planning & Classification (CP&C) Managers are responsible for the accuracy, completeness, and timely forwarding of AIMS documents for terminal input. Their responsibilities include coordination, as necessary, to ensure accurate and timely terminal input.
- (2) In addition, TE/GE CP&C Managers are responsible for:
  - a. Ensuring that AIMS manuals are available to all personnel



- b. Ensuring that both technical and clerical personnel receive appropriate training in AIMS procedures
- c. Ensuring that AIMS procedures are followed
- d. Initiating appropriate corrective action on inventory validations and all data errors identified by the AIMS system
- e. Initiating appropriate action whenever AIMS problems are encountered

4.5.3.4  
(09-30-2015)  
**AIMS Problem  
Identification and  
Resolution**

- (1) While working with the AIMS/IDRS system, systemic or procedural problems may be identified. These should be reported by contacting the Headquarter Analysts via email. The problem must be stated and outline the proposed manual text, if appropriate.
- (2) When submitted to Headquarters to report problems or lack of instructions, the recommended solution should be specific and not merely state that clarification or instructions are needed. The recommended solution should be properly researched and documented with volume and cost/savings information included when applicable (such as computer programming changes).

4.5.3.4.1  
(09-27-2006)  
**Reporting Problems and  
Requesting  
Improvements to the  
AIMS System**

- (1) All problem reports and improvement requests must have the approval of the TE/GE Manager or their designee.

4.5.3.4.2  
(11-18-2022)  
**Reporting Systemic  
Problems of a  
Non-Urgent Nature**

- (1) To report all AIMS problems of a non-urgent nature or to request improvements to the system an e-mail is required to be sent to the AIMS Coordinator.

4.5.3.4.3  
(09-30-2015)  
**Response Change  
Requests**

- (1) The originating office will receive a response to each change request via email from the HQ Analyst regarding submission.
- (2) Forward an information copy of each response from a function other than TE/GE to the TE/GE Director, Business Systems Planning, SE:T:BSP:B.

4.5.3.5  
(11-01-2021)  
**Master File and  
Non-Master File  
Processing**

- (1) The procedure for processing an adjustment depends upon whether the return is Master File (MF) or Non-Master File (NMF).
- (2) MF is made up of the following files:
  - a. Business Master File (BMF)
  - b. Employee Plans Master File (EPMF)
  - c. Individual Master File (IMF)
  - d. Individual Retirement Account File (IRAF)
- (3) NMF includes those returns that have not yet been programmed to the MF. Also, certain examination deficiencies that cannot be processed to the MF must be processed to the NMF:



- a. Form 990-BL and Form 4720 for IRC 4912(b), IRC 4941(a), IRC 4944(a)(2), IRC 4945(a)(2), IRC 4955(a)(2) and Form 5330 (established on NMF prior to 01/01/2002)
  - b. Form 1331-B, *Notice of Adjustment*
  - c. Form 5734, *Non-Master File Assessment Voucher*
  - d. Penalty assessments against Form 5500 Series Returns (IRC 6692 and IRC 6652(e))
  - e. Form 2859, *Request for Quick or Prompt Assessment*
  - f. Form 8278, *Assessment and Abatement of Miscellaneous Civil Penalties*, Penalty Reference 628 (Promoting Abusive Tax Shelter)
  - g. Form 8955-SSA *Annual Registration Statement Identifying Separated Participants with Deferred Vested Benefits*
- (4) Procedures for NMF code and edit, checking and numbering requirements, and researching NMF accounts are different from the procedures for MF. There is a manual system consisting of unit ledger cards (ULC) and an Automated Non-Master File System (ANMF).
- (5) The following types of cases or adjustments always require manual adjustment procedures:
- a. Jeopardy, Bankruptcy, Quick and Prompt Assessments
  - b. Transfer Assessment
  - c. One Hundred Percent Penalty Cases
  - d. Joint Return Adjustments Against One Spouse
  - e. NMF Returns

4.5.3.5.1  
(09-29-2015)  
**Statute of Limitation  
Date**

- (1) The statute of limitation date for Form 5500 Series Returns is based on the plan year ending date. The statute date is computed by adding 3 years to the due date or date filed, whichever is later. Since the statute date for the annual return and a Form 1120 or Form 1040 will be different, it will be necessary to coordinate with SB/SE, W&I or LB&I when a statute problem exists. The due date of the Form 5330 return varies depending on the type of excise tax.
- (2) The statute of limitation date for the Form 990 Series Returns, Form 4720 and Form 5227 returns is 3 years from the due date of the return or 3 years from the date the return was actually filed, whichever is later. Returns due dates are as follows
- a. The due date for Form 990-PF, Form 990-EZ, Form 990-BL, Form 990 and Form 990-T (501(c)) returns is 5 $\frac{1}{2}$  months after the end of the taxable year.
  - b. The Form 990-T Trust (IRC 401 and IRC 408) return is due 4 1/2 months after the end of the taxable year.
  - c. The Form 4720 must be filed by the due date, not including extensions, for filing the organization's Forms 990-PF, Form 990, Form 990-EZ, or Form 5227.
- (3) The Form 8038 series of returns do not have a Statute of Limitation Date. The returns are due by the 15th day of the 2nd calendar month after the close of the calendar quarter in which the bond was issued.

**Exception:** The Form 8038-CP SOL see Chief Counsel Advice (PTMA 2014-04) Claims for Refundable Credit under IRC 6431.

- 4.5.3.5.2  
(06-01-2003)  
**Reference or Information Returns**
- (1) When a return is needed for reference or information purposes and an ERTVU/BRTVU/RTVUE/TRDBV print is not sufficient, it must be requisitioned using Source Code 45. The Examiner must enter a brief reason for the request on Form 5597, *TE/GE IMF/BMF/EPMF Request* or Form 5588, *TE/GE NMF Request*.
  - (2) Generally, a case should not remain in Source Code 45 for more than thirty days.
- Exception:** Cases under jurisdiction of the Office of the Manager Counsel or the Department of Justice. Unless the subsequent period(s) involve issues that make an immediate examination compelling, the returns should be placed into Fraud Suspense.
- 4.5.3.5.2.1  
(09-29-2015)  
**Requesting Permission to Examine**
- (1) Before examinations of returns requested for reference and information purposes may be initiated, the requisitioning Source Code 45 must be changed, and management approval must be obtained. The Examiner should do this by using:
    - **EP** - Form 5598, *TE/GE Correction Request* with the copy of Form 5597 or Form 5588.
    - **EO, GE and EP Forms 5330** - Form 5598, *TE/GE Correction Request* with the copy of Form 5597 or Form 5588.
  - (2) The Examiner must indicate the reason for examining the return by entering a new appropriate source code on Form 5598. The manager will indicate permission to initiate the examination by initialing and dating the copy of Form 5597 Alpha E Approved By/Date or Form 5588 Approved By/Date. Form 5598 will be returned to the Examiner for attaching to the return as a permanent record.
- 4.5.3.5.2.2  
(09-29-2015)  
**Closing Reference Returns**
- (1) Use Disposal Code 45 to close reference returns that have not been started or examined.
  - (2) Use of Disposal Code 33 must be approved by the AIMS Coordinator.
- 4.5.3.5.3  
(09-29-2015)  
**TE/GE AIMS NMF Processing**
- (1) NMF involves a collection of revenue accounting and manually prepared and maintained account transactions for returns and account adjustments not reflected on the EPMF/BMF/IMF. NMF accounts are maintained on the Automated Non-Master File System (ANMF) at the Enterprise Computing Center (ECC) in Memphis Tennessee. Prior to NMF automation, Unit Ledger Cards (ULC) were prepared only for returns which indicated a balance due. (ULCs are still maintained for old accounts, since not all of the data contained on the unit ledger cards was transferred to the ANMF system.) Full paid or non-taxable returns did not have a ULC prepared. Instead, a Form TY-32, *Index Card* is prepared.
  - (2) Index Cards contain the taxpayers name, TIN, MFT, tax period, plan number (if applicable), type of tax and DLN of the assessment or adjustment document.
  - (3) Index Cards are not prepared for subsequent transactions. These actions are posted on the ULC.
    - a. The ULC's are filed by DLN by the Accounting Branch in the Campus Center.

- b. To request a ULC, prepare Form 4338, *Information or Certified Transcript Request* and forward to the Campus Center.

- (4) NMF automation provides the Campus Centers and the Area Offices the capability for nationwide on-line transcript research of NMF accounts. Index Cards are prepared for "Information Only" returns, Audit "no change" and NMF "No-Remit Extensions of Time to File". These types of "returns" are not input to the automated ANMF system.

**Note:** Procedures for EP NMF accounts can be found in IRM 4.71.17, *Employee Plans Examination of Returns - Non-Return Unit Examinations*.

4.5.3.5.3.1  
(11-18-2022)  
**Requesting NMF  
Returns**

- (1) **For EP** - AIMS control and original returns are requested simultaneously on Form 5588, *TE/GE NMF Request* and Form 5598, *TE/GE Correction Request*. Form 5598 will include the DLN from the transcript in Item 58. The Terminal Operator or AIMS Coordinator must input Form 5598 immediately after input of Form 5588. If Form 5598 is not input timely, a follow-up request must be input via Form 5595, *TE/GE Update*, using CC AMRET.
- (2) **For EO/GE** - AIMS control and original returns are requested simultaneously on Form 5588, *TE/GE NMF Request* and Form 5598, *TE/GE Correction Request*. Form 5598 will include the DLN from the transcript in Item 58. The Terminal Operator or Group Secretary/Management Assistant must input Form 5598 immediately after input of Form 5588. If Form 5598 is not input timely, a follow-up request must be input via Form 5595, *TE/GE Update*, using CC AMRET.

4.5.3.5.3.2  
(09-29-2015)  
**NMF Research and  
Transcripts**

- (1) With the separation of NMF processing to the various campuses, it is necessary to request a NMF transcript before making any tax assessments or abatements.
- (2) To request a NMF transcript, prepare Form 10321, *Fax Transmission Cover Sheet* or a facsimile to the appropriate campus.
- (3) List the taxpayer information on Form 10321 or facsimile which includes: EIN or SSN, MFT, Tax Period and TP name.
- (4) EEFax to the Kansas Campus at 888-981-6483. To follow up on a request call 816-499-5445.
- (5) Once received follow normal processing procedures.

4.5.3.5.3.3  
(09-29-2015)  
**Form 5330 and Form  
990-T Substitute and  
Delinquent Processing**

- (1) RICS is used to retrieve Form 5330 returns. Refer to IRM 4.5.1.3.8 for the procedures to follow to request these forms individually.
- (2) If, after the annual Form 5500 return is received, it is decided to control Form 5330 on AIMS because of an examination, current Form 5330 establishment procedures can be found in IRM 4.71.5.5, *Overview of Establishing Forms 5330 on RCCMS and AIMS*. The returns should be established on RCCMS and on AIMS.
- (3) If a delinquent Form 5330 or Form 990-T return is secured by an Examiner during the course of an examination of a Form 5500 Series Return, it will be dated with an official date stamp, or if a date stamp is not available, it will be necessary to notate in the upper left margin of the return the following informa-

tion, "Received, the date received, the employee's signature and title." The words "DELINQUENT RETURN SECURED BY TE/GE EMPLOYEE PLANS" should also be entered in the top margin of the return (room should be left in the upper right-hand corner for the DLN. The amount of the tax assessment must be shown on the face of the return. Form 990-T should be clearly marked "Filed under 401(a)/For BMF Only" prior to transmitting the return to the Campus Center.

- (4) If money is received with the delinquent return, the original return with remittance, should be express mailed within 24 hours of receipt to the Campus Center for processing. The remittance must be identified as to the tax and/or penalty to assess.
- (5) If the secured delinquent return will not be examined and a payment was not received, the Examiner will transmit the original delinquent return with Form 3198-A, *TEGE Special Handling Notice*, to the Campus Center. The Examiner will note on Form 3198-A, "Do Not Assess Delinquency Penalty Reasonable Cause Established" or "Assess Delinquency Penalty," as applicable. In addition to Form 3198-A, a Form 13133, *Expedite Processing Cycle*, must be attached to the delinquent return.
- (6) If the secured delinquent return is examined, a copy of the original return secured will be kept by the Examiner and marked in red "Copy of Delinquent Return Secured by TE/GE-Original Delinquent Return sent to SC (date)."
  - a. Form 5330 and Form 990-T returns can be established on AIMS. Research CC ENMOD, CC BMFOLE or CC INOLE to ensure that the EIN or SSN is on the entity.
  - b. If the EIN or SSN is not on the entity, complete Form 2363. After the entity information has posted. File Source Code V is used when re-searching or inputting BMF SSN for Forms 5330. BMF entity establishment requests are submitted to the Closing Unit on Form 4442.
- (7) When an examination of Form 990-T is concluded under any procedures, it will be closed using Form 5599. The following are the *only* items that will be completed:
  - P7-18
  - P21-22
  - P24-29
  - P31-34
  - P38-40
  - C, 12, 13, 16, 18-24, 28-29, 31-33, 35-36, 40 and 50.
- (8) When a responsible person refuses to file a Form 990-T or Form 5330 upon receiving a due notice from the Service, the Examiner must prepare a substitute for return and place "Substitute for Return-Prepared by TE/GE Employee Plans" on the top margin on the face of the return. The Examiner will obtain a Charge-Out document and labels for the substitute for the return by the use of Form 5597.

**Note:** Effective 01-06-2006 the submission of Substitute For Returns to Ogden is no longer a requirement when using Push Code 036.

Internal Revenue Service  
1973 Rulon White Blvd.

Mail Stop 6052  
Ogden, UT 84201

4.5.3.5.4  
(09-29-2015)

**Transfers**

- (1) When returns are transferred from one location to another, special care must be taken to ensure that the data base is transferred with the return. If an account is transferred from one Primary Business Code (PBC) to another, as soon as the first PBC takes transfer action on its data base the account is charged to the second.
- (2) The address at the EPMF/BMF/IMF should be updated at the same time the data base is being transferred. Project codes remain on the data base when a case is transferred. Ensure that local definition project codes are updated when the case is received.

4.5.3.5.4.1  
(09-29-2015)

**Ensuring that the Return Follows the Data Base**

- (1) When a receiving Area Office is notified through the AIMS Weekly Update Report that a data base has been transferred to it, but the affected return is not in the suspense file, it is the receiver's responsibility to locate the return using the following procedures.

IF	THEN
1. The return has not been received within 21 days of the report notification,	Contact the sender for the date of mailing and a photocopy of Form 3210, <i>Document Transmittal</i> , and/or Form 3185, <i>Transfer of Return</i> , that were used to transfer the return. This can be used to determine if the return was sent directly to an Employee Group Code in the Primary Business Code or was misdirected or if the data base was changed to the receiving Employee Group in error.
2. The return cannot be located using the data supplied by the sender,	Follow missing return procedures in to dispose of the data base.
3. The sender does not respond,	Send a follow-up request and wait an additional 21 days. If the sender still does not respond, use DC 30 to transfer the data base back to the sending Employee Group Code.

4.5.3.5.4.2  
(11-18-2022)

**Transfer Procedures**

- (1) If the return is being sent from an area office to the Ogden Campus Center (OSC), a Form 3210, *Document Transmittal* is required. The original Examination Assembly available at the time of the transfer must be in the case file.

- (2) The Area Office should **never** receive a case with less than seven months remaining on the statute. If such a case is received, contact the originator immediately to request that a consent to extend the statute be secured before the case is transferred.
- (3) The Area Office should **never** receive a case with less than seven months remaining on the statute. If such a case is received, the receiving office should refer the case to their manager for immediate coordination with the Director, Planning and Monitoring.

4.5.3.5.4.3  
(11-01-2021)

**Transfers Between Area Office/Primary Business Code**

- (1) Transfers between Area Offices and Primary Business Codes are processed via terminal input by closing on Form 5596 or Form 5546 using DC 30 and the Primary Business Code of the transferee Area Office.
- (2) Transfers to the receiving PBC update the IDRS AIMS record upon receiving the "Request Completed" terminal response on input. Allow up to a full two weeks for the transfer to be reflected on weekly and monthly AIMS reports.

4.5.3.5.4.4  
(09-29-2015)

**Control of Tax Return Case File Shipments Between PODs and Area Offices**

- (1) The sender prepares Form 3210, *Document Transmittal*, in triplicate, completes the "To" and "From" sections and enters the total return count. Employer/Organization identifying information should also be included to provide a tighter control of individual returns. Two copies of Form 3210 must be forwarded with the shipment of the return and the sender must retain the third copy as a record of shipping action.
- (2) The receiver acknowledges delivery of the return on Form 3210 and returns one copy of Form 3210 to the sender.
- (3) Upon receipt of the acknowledgment copy, the sender should destroy the retained copy.
- (4) All transfers between PBCs are coordinated through the Classification Units.

4.5.3.5.4.5  
(09-29-2015)

**Transfers of Returns Before the Examination is Completed**

- (1) For cases transferred to Appeals, make the following entries on Form 5650/ Form 5599:

Business Unit	ITEM	ENTER
EP & EO/GE	13	DC 07 or 11
EP & EO/GE	16	Appeals Office Code
EO/GE	17	EO/GE Appeals Issue Code
EO/GE	18	Tax, penalty, and credit adjustments in Unagreed Amount appealed/ Petitioned for taxable returns
EO/GE	34	\$1 in Exam Adjustment Amount Appealed/ Petitioned for non-taxable returns.



## (2) For cases transferred to Criminal Investigation (CI):

- a. If a tax adjustment is being considered, TE/GE is responsible for controlling the return on AIMS until it is returned from Criminal Investigation (CI). Also, when CI requests a cooperating agent, the case must be established on AIMS when time is first applied. The applicable AIMS status code must be used to reflect the location of the return.

Status Code	Use when
38	referring a case to CI. Status Code 38 is used when CI reclassifies the case to criminal fraud.
32, General Fraud Suspense,	the case is suspended out of the group awaiting completion of the criminal case.

- b. If a tax adjustment is not being made, prepare survey report and close using DC 31 or 32. Attach Form 2275, *Records Request, Charge and Recharge* with recharge information to the return. Renumber Form 2275 and return, sending the original return to the requester and Form 2275 to the Campus Center in block.

**Note:** EP Fraud procedures can be found in IRM 4.71.25, *Employee Plans Examination of Returns, EP Exam Fraud Procedures*.

## (3) For cases transferred to Counsel, use the same procedures as referrals to CI, but use the locally defined status code for Counsel Suspense Referrals.

4.5.3.5.5  
(11-01-2021)  
**Church Examinations**

- (1) Every church examination begins with a tax inquiry. To establish a tax inquiry account on AIMS, prepare a dummy Form 990, *Return of Organization Exempt from Income Tax*, using the current month and year to establish a tax period. Annotate, in **red**, at the top margin of Form 990, the phrase "DUMMY RETURN-OF A CHURCH."
- (2) Prepare Form 13133, *Expedite Processing Cycle*, as follows:
  - a. Check the last box on the form
  - b. Line out the description to the right of the last box, replacing it with the phrase, "DUMMY RETURN-OF A CHURCH."
- (3) Forward the dummy Form 990, along with the corresponding Form 13133, to the Campus Center for processing. Request research information to determine if the account is present on the BMF. If present, determine if the EO submodule is also present.
  - a. If the research indicates that the account is present on the BMF and contains an EO submodule, prepare Form 5597, *TE/GE IMF/BMF/EPMF Request*, to establish the account on AIMS. Enter Push Code 041, Current Year Pick-Up, in Item 11. Use the tax period established for the dummy Form 990. Refer to IRM 4.5.1.6.8.1 and IRM 4.5.1.6.8.2 and IRM Exhibit 4.5.1-8 for instructions on preparing Form 5597.
  - b. If the research indicates that the account is not present on BMF or that it is present, the EO submodule is not, hold Form 5597 until further research indicates that both the account and the EO submodule have been posted, and then forward it for terminal input.

- (4) Each church tax inquiry account will be established on AIMS with an Activity Code of 345, Church Tax Inquiries.
- (5) To close a church tax inquiry account off of AIMS, follow the procedures outlined in IRM 4.75, *Exempt Organizations Examination Procedures*. When preparing Form 5599, enter the applicable principal issue code for Approved Church Examination in Item 701. Refer to IRM 4.5.2.3 for instructions on preparing Form 5599.
- (6) If, at the conclusion of a church tax inquiry, it is determined that a complete examination must be conducted, the church tax inquiry account must be updated. Using Form 5598, *TE/GE Correction Request*, update the Activity Code to 349, Approved Church Examination. The account need not be closed until the examination is completed. At the end of the examination, follow the procedures outlined in IRM 4.75, *Exempt Organizations Examination Procedures*, for closing a church examination. Refer to IRM 4.5.1, IRM Exhibit 4.5.1-14 and IRM Exhibit 4.5.1-15 for instructions on preparing Form 5598.

4.5.3.5.6  
(11-01-2021)  
**Future Year Examination**

- (1) When it is determined that a future examination should be made on an organization currently under examination, establish the future year account on AIMS using Form 5597, *TE/GE IMF/BMF/EPMF Request*, with the appropriate Push Code. For a listing of valid Push Codes for your functions, refer to:
  - Document 6476, *Information Systems Codes FY 2022 Quick Reference for EP Agents/Specialist*
  - Document 6379, *Information Systems Codes FY 2022 Quick Reference for EO Employees*
  - Document 11308, *Information Systems Codes FY 2022*
- (2) For instructions on preparing Form 5597, refer to IRM 4.5.1 Exhibit 4.5.1-8.
- (3) In addition to establishing the account on AIMS, prepare a Form 5666, *TE/GE Referral Information Report*, for the administrative file. Refer to IRM 4.5.1 and IRM Exhibit 4.5.1-12 for instructions on preparing Form 5666.

4.5.3.5.7  
(09-29-2015)  
**Private School Examination**

- (1) When conducting a private school examination, record the appropriate project code on AIMS. The project code may be input at the time the account is being requested or after the account has been fully established on one of the following forms:
  - a. Form 5597, *TE/GE IMF/BMF/EPMF Request*
  - b. Form 5588, *TE/GE NMF Request*
  - c. Form 5595, *TE/GE Update*
  - d. Form 5598, *TE/GE Correction Request*
- (2) If, during the course of a private school examination, it is necessary to refer certain returns not under EO jurisdiction to SB/SE, W&I or LB&I, update the project code to reflect the referral rather than the private school. This must be done at closing on Form 5599, *TE/GE Examined Closing Record*, and will result in the private school code being replaced by the referral code for information regarding referrals to SB/SE, W&I or LB&I.
- (3) If a private school examination is considered part of a Special Emphasis Program (SEP), the project code must identify that program. A SEP code always takes precedence over private school and referral codes. It must be



recorded on AIMS at the time the account is established, using the appropriate form. If the appropriate project code has not been input on AIMS before closing, it must be included on the closing document, Form 5599.

4.5.3.5.8  
(09-29-2015)  
**Referrals from SB/SE,  
W&I or LB&I**

- (1) A transfer of an IRC 4947 Trust by W&I, SB/SE or LB&I will be indicated on Form 3198-A which will be attached to the case file.
- (2) The case file will be transferred via Form 5351, *Examination Non-examined Closings*, to the Area Office/Primary Business Code and will have a notation that the case is an IRC 4947 Trust. The case file should also contain a blank Form 5351 for use by TE/GE.
- (3) When the case file is received in the TE/GE Area office, AIMS documents must be prepared either to close the case or to change the activity and employee group codes on AIMS. This is necessary to remove the account and employee group code from W&I, SB/SE, or LB&I's inventory.

4.5.3.5.9  
(09-29-2015)  
**Referrals to SB/SE, W&I  
or LB&I Division**

- (1) When it is necessary to refer returns not under TE/GE jurisdiction to W&I, SB/SE, LB&I the Examiner must prepare Form 5666, *TE/GE Referral Information Report*. Refer to IRM 4.5.1.6.9.2 and IRM Exhibit 4.5.1-12 for instructions on completing this form. Use Form 5599, *TE/GE Examined Closing Record* to update the project code during the closing action.
- (2) If the account under examination is considered part of a Special Emphasis Program, the project code must identify that program. A SEP code always takes precedence over a referral code and must be recorded on AIMS at the time the account is established using the appropriate form. Form 5666 must still be prepared.

4.5.3.6  
(09-27-2006)  
**Processing Cases  
Without an Original  
Return**

- (1) In examination cases where the original return has been destroyed or a special search fails to locate the return, and we are unable to secure a copy of the return from the taxpayer, the following procedures will be used:
  - a. The Examining Officer will prepare a "DUMMY RETURN" and annotate at the top of the return "ORIGINAL DESTROYED."
  - b. The Closing Function will close the case using "COPY OF RETURN" procedures and number in the 900 DLN blocking series.
  - c. The file must include documentation to support the preparation of the "DUMMY RETURN," specifically, Return Files Function information showing that the original return has been destroyed
  - d. The file must also contain a transcript of the account, the report showing the tax increase/decrease and a current AIMS print.
- (2) On examination cases where the initial request does not produce the return and the subsequent response shows "special search performed - unable to locate return" and four months have elapsed from the initial request, follow "DUMMY RETURN" procedures as outlined in (1) above. The "DUMMY RETURN" will be annotated "UNABLE TO LOCATE ORIGINAL RETURN."
- (3) Use of this procedure will allow the Closing Function to make the adjustment using an existing blocking series. The proper annotation of the "DUMMY RETURN," "ORIGINAL DESTROYED," or "UNABLE TO LOCATE ORIGINAL RETURN" will enable the Campus Center Files Function to refile the return in the appropriate manner.

4.5.3.6.1  
(09-29-2015)

**Missing Return Closing Procedures**

- (1) On examination cases, in which the original return is missing, every attempt *must* be made to locate the return. If the return was never received, a follow-up request to the Campus Center should be performed if the examination cannot be conducted using an ERTVU/BRTVU/RTVUE/TRDBV print. If the return was received and subsequently lost, special searches must be performed.
- (2) If it is determined that the return is not required and an examination is not to take place, the account can be approved for closing by the Director, EP, EO or GE (TEB, FSL or ITG) Examinations or their designee. DC 33, *Error Accounts With No Returns*, should be used and all supporting documentation *must* be forwarded to the Closing Function for closure. See IRM 4.5.1 and IRM 4.75.16.3.1 for additional information for DC 33 Form 10904 for EO.
- (3) If it is determined that an examination is warranted or was already in progress, and if all attempts to locate the return are unsuccessful, and an ERTVU/BRTVU/RTVUE print is not sufficient, contact with the employer or organization should be made to secure the necessary information in order to complete the examination. This could be a copy of the return, claim, RAR, etc.
- (4) If the original return was received and subsequently lost, the following procedures apply:
  - a. The Examiner must prepare a "DUMMY RETURN" and annotate at the top of the return "ORIGINAL DESTROYED (MISSING/LOST)."
  - b. The file must include documentation to support the preparation of the "DUMMY RETURN", specifically information on the efforts made to locate the missing/lost return.
  - c. The file must also contain a transcript of the account, the report showing the tax increase/decrease and a current AIMS print.
- (5) If the examination is conducted using an ERTVU/BRTVU/RTVUE print, follow the original return procedures.

4.5.3.6.2  
(09-29-2015)

**Copy of Return Examination Procedures**

- (1) Examinations may be closed based on the employer's/organization's retained copy of a return or an ERTVU/BRTVU/RTVUE print.
- (2) To avoid unnecessary delay in closing a case, prepare requisitions and forward for terminal input as soon as time is charged to that return or it is known that an examination will be made, whichever is earlier.
- (3) A copy of a return cannot be surveyed, therefore, the case should not be established unless the return will be examined. If a copy is established on AIMS in error, use DC 33, *Error Accounts With no Return*, to remove the record from AIMS.

4.5.3.6.2.1  
(09-29-2015)

**Processing Cases Closed Based on Employer's Retained Copy**

- (1) When a case is closed on the basis of an employer's retained copy or an ERTVU print, the Examiner takes the following action.
  - a. Secure an exact duplicate of the employer's retained copy or an ERTVU print.
  - b. Enter the words "Copy Secured by TE/GE" in bold print in the upper margin on the face of the copy. If an ERTVU print is used, annotate in **red** at the top of the print "ERTVU print used by TE/GE."

- (2) Tax payments and credits claimed must be verified for examinations based on the employer's/organization's copy. Verification may be possible from employer's/organization's records. A transcript should be secured when doubt exists as to the true liability per the EPMF.
- (3) A case closed on a retained copy of the return or an ERTVU print is identified by a Form 3198-A before it is sent to the closing function.

4.5.3.6.2.2  
(11-12-2019)

**Processing Cases  
Closed Based on  
Organization's Retained  
Copy**

- (1) When a case is closed on the basis of organization's retained copy or a BRTVU/RTVUE print, the Examiner takes the following action.
  - a. Secure an exact duplicate of the organization's retained copy or a BRTVU/RTVUE print.
  - b. Enter the words "Copy Secured by TE/GE" in bold print in the upper margin on the face of the copy. If a BRTVU/RTVUE print is used, annotate in **red** at the top of the print "BRTVU/RTVUE print used by TE/GE."
- (2) Tax payments and credits claimed must be verified for examinations based on the organization's copy. Verification may be possible from the organization's records. A transcript should be secured when doubt exists as the true liability per the BMF.
- (3) A case closed on a retained copy of the return or a BRTVU/RTVUE print is identified by a Form 3198-A before it is sent to the closing function

4.5.3.6.3  
(11-01-2021)

**Referral of Cases to  
Appeals**

- (1) For 30 day letters, if the taxpayer submits a written protest and/or requests Appeals consideration, the case file and written protest will be transferred to the Appeals Office serving the district office. If only one protest is received, the entire case file, including the duplicate original preliminary notice for which no response was received, will be transmitted to Appeals. All electronic cases will be closed to Appeals using PBC 621, SBC 00000, and EGC 021 in RCCMS
- (2) Mandatory Review no longer reviews cases with valid protest to Appeals Division. The field group should submit Appeals cases to the Closing Unit who will forward the case directly to Appeals in RCCMS.

4.5.3.6.3.1  
(11-01-2021)

**Docket Cases**

- (1) A docketed case occurs when a taxpayer files a petition with the Tax Court in response to a Statutory Notice of Deficiency (90 day letter).
- (2) The statute tax examiner in Mandatory Review will date stamp and ensure that all cases are researched on the docket list and forward to Appeals the cases for which they are responsible.
- (3) Within seven workdays of the receipt of the docket list, the case must be located, processed for closing and transmitted to Appeals.
- (4) Mandatory Review will forward all controls and the case file to the closing unit. The docket list must be annotated by Mandatory Review to indicate the specific action taken on the case and the date.
- (5) After the tax examiner processes the case, it must be immediately forwarded to Appeals to obtain immediate acknowledgement.

- (6) The statute tax examiner in Mandatory Review must secure a current full AMDISA or TXMOD print when a docketed case in status code 90 has been identified. The statute tax examiner must attach the print to a copy of the appropriate page of the docket list and forward to Appeals, using Form 3210. They should notify Appeals that the TC 520 CC 72 has been input to stop the notices.

4.5.3.6.3.2  
(09-29-2015)

**Nondocketed Cases**

- (1) Cases not petitioned in the U. S. Tax Court are considered nondocketed cases. Nondocketed cases must contain an RTVUE, BRTVU print if it was used instead of the return in the examination process.

4.5.3.6.3.3  
(11-01-2021)

**Related Cases Going to Appeals**

- (1) Sending an examined agreed or no change return to Appeals is necessary because they are related to unagreed cases being closed to Appeals. Follow normal closing procedures for these types of returns. In the appropriate block recharge the return to Appeals completing all the necessary information. Staple one part of Form 2275 to the face of the return to alert Appeals that the account had been closed and examination action was processed.

4.5.3.6.3.4  
(09-29-2015)

**Closing Skeletal (TC 424) Accounts to Appeals**

- (1) When Appeals needs a return urgently and that return is still in skeletal status on AIMS (TC 424), send the case with an AMDIS print which shows that the request to establish on AIMS is being processed.
- (2) Monitor to determine when the full account establishes on AIMS. When it does, forward a print of the account or the closing action to the Appeals office to which the case was closed.
- (3) Appeals cannot accept a return without the AIMS print. However, if expedite processing is necessary, Appeals will copy the case information needed and return the administrative file to TE/GE. TE/GE should complete the establishment request and secure an AMDIS print and return the file to Appeals within five days.

4.5.3.6.3.5  
(09-29-2015)

**Closing Cases to an Appeals Office Outside the Service Center Jurisdiction**

- (1) If a case is to be sent to an Appeals office that is not designated as a local Appeals office, the following actions are required:
  - a. Close the case following normal procedures, to the Appeals office that services the district office.
  - b. The tax examiner must “flag” the case file to alert the Appeals office to transfer the case and data base immediately to the Appeals office requested by the taxpayer.

4.5.3.6.3.6  
(09-29-2015)

**Non-Master File Returns Closed to Appeals**

- (1) Non-master file returns closed to Appeals are processed in the same manner as master file Appeals cases.

4.5.3.6.3.7  
(09-29-2015)

**Closing Documents**

- (1) Form 5599 is prepared in the normal manner, using disposal code 07 for non-docketed cases or disposal code 11 for docketed cases and closed through the terminal.
- (2) The case file, return and AIMS print are forwarded to Appeals in the normal manner. Any substitutes for return in case files should accompany the case file to Appeals.

**Note:** EO, EP, & GE staff should refer to their locally prescribed guidelines when processing substitute/delinquent returns to Appeals.

## 4.5.3.7

(11-01-2021)

**Procedures for Handling  
Short Closings or  
Non-Examined Closings**

- (1) "Short closings" or "non-examined cases" are processed as follows:

Returns	Disposal Codes other than	Process on
EP	01 - 14 and 34	Form 5596 , <i>TE/GE Non-Examined Closings</i> or Form 5546, <i>Examination Return Charge-Out</i>
EO	01 - 19, 34, 50, 51 (GE only), 52, 53, and 55	Form 5596 , <i>TE/GE Non-Examined Closings</i> or Form 5546, <i>Examination Return Charge-Out</i>
GE	01-14, 16-19, 34, 50, 51 (GE only) 52 and 55	Form 5596 , <i>TE/GE Non-Examined Closings</i> or Form 5546, <i>Examination Return Charge-Out</i>

## 4.5.3.7.1

(11-01-2021)

**Non-Examined Closings**

- (1) Form 5596 , *TE/GE Non-Examined Closings*, Examination Return, can be used for closing all non-examined returns except Surveyed Claims (DC 34).

Unit	Disposal Codes
EP and EO DCs	20-22, 25, 29-30 (EP Only), 31-33, 35, 36
EO DCs	40 and 45
GE DCs	20-21, 32—33, 35, 45 and 99

**Note:** Disposal Codes 31 & 32 require a survey reason code.

- (2) Surveyed claims are closed on Form 5599, *TE/GE Examined Closing Record*.

- (3) If Form 5546 is used:

- Enter the two-digit disposal code in the space on the second line of the form that follows the words "Non Examined Disposal Code."
- When the DC is 30, Transfer Out of Area, enter a dash and the two-digit code of the Primary Business Code to which the case is being transferred.
- Attach the prepared Form 5546 to the return, if a return is available.

- (4) If Form 5596 is used:

- a. Only one type of tax (MFT) can be used on Form 5596. Each form can be used to transmit up to 20 labels when the MFT is the same. Additional pages can be attached so that up to 100 labels of the same MFT can be transmitted at the same time.
- b. More than one disposal code may be used on a Form 5596.

**Exception:** DC 30 may **not** be used with any other disposal code.

- c. If more than one page is used, indicate the page number and total number of pages (maximum of five) in the upper right corner of the form.
- d. Enter the requestor's initials, employee group code routing symbols, and date.
- e. Attach the Audit label(s) of the case(s) being closed.
- f. Enter the two-digit disposal code in the lower left of the label below "STATUS." Select the correct non-examined disposal code. Refer to the following for a list of the non-examined disposal codes.

- Document 6476 , *Information Systems Codes FY 2022 Quick Reference for EP Agents/Specialists*
- Document. 6379 , *Information Systems Codes FY 2022 Quick Reference for EO Employees*
- Document 11308 , *Information Systems Codes FY 2022*

- (5) Use of DC 29 is invalid if the current AIMS status code is above 06. If there is an amount claimed on the data base, only DCs 33 or 99 are valid.
- (6) **For EO/GE Cases** - Records cannot be surveyed if an advanced payment, TC 640, is on the module. The TC 640 must be resolved before a record can be surveyed.
  - a. Research IDRS and AMDIS to determine if posting errors, cycling problems, or examination errors, caused the advanced payment to post to an incorrect tax module.
  - b. If necessary, secure the payment document to screen for use of the wrong EIN, tax period, or other data that caused the TC 640 to post incorrectly to the BMF.
  - c. Contact with the organization may be necessary to determine why the payment was made.

IF	THEN
The TC 640 was used in error,	Reverse the TC 640 and post the correct transaction.
The payment posted to the incorrect module,	Determine the correct EIN or tax period and input a credit transfer.
Research indicates that the TC 640 posted correctly and the assessment statute expiration date is imminent,	Expedite the case to the initiator for determination as to whether a quick assessment should be made.



IF	THEN
Research indicates that the TC 640 posted correctly and the assessment statute expiration date is <b>not</b> imminent,	Reject the case back to the initiator.

- (7) Management approval is needed to use a non-examined disposal code. The Manager's signature and date is entered on Form 5596 or Form 5546.
  - a. Closings in the Classification Area require the approval of the Manager of Classification or their designee. Closings in the closing functions require approval by the Manager of that Function or their designee.
  - b. Approval is required by the Business Unit, or their designee, to close an account using DC 33, *Error Accounts With No Returns*. Review by the AIMS Coordinator prior to submission for approval is required, to ensure all documentation is attached and correct procedures are followed.
- (8) Special rules apply for DC 29 and 33.
  - a. Sufficient documentation must be attached to the closing document to permit the approving official to evaluate the closing request when applying the procedures given for, Missing Returns.
  - b. When DC 29 or 33 is used, the closing document is kept in searchable order for one year following terminal input. Unless area instructions provide otherwise, these forms are retained in the closing function. Arrangements may be made to have the forms numbered and closed to the Ogden Campus Center for retention.

**Note:** DC 33 requires that the filed return has not been secured.
- (9) Claims that are surveyed require the use of Form 5650 or Form 5599. Returns that are incorrectly assigned Source Code 30, Claim for Refund, may be surveyed without scheduling an overassessment by using CC AMAXUO or CC AMAXUP to correct the source code and to remove the amount claimed from the data base.
- (10) Transfers Out of Area, DC 30.
  - a. All transfers use CC AMSOCP/AMSOC.

**Reminder:** Do not use CC TSCLS when an investor is being transferred.

  - b. Enter the four-digit Employee Group Code of the Area in which the case is being transferred under the legend "EGC."
- (11) Accounts closed with a non-examined disposal code remain on AIMS only until the end of the month that they are closed at the terminal. To allow time for reversal of the examination indicator on EPMF/BMF/IMF, a non-examined EPMF/BMF/IMF account cannot be re-established for one month following closing at the terminal.
- (12) Disposition of Form 5596 - Unless local instructions provide otherwise, Form 5596 is retained by the closing function for thirty days after terminal input and then disposed of according to the Records Control Schedule 203.

4.5.3.7.2  
(09-29-2015)

**Non-Examined Closings  
With Partnership  
Linkages**

- (1) Non-examined closings containing partnership linkages will be closed only by contacting a TEFRA Coordinator when a PCS Freeze is found.

4.5.3.7.3  
(11-01-2021)

**Short Closings or  
Non-Examined Closings  
With Duplicate Filing  
Conditions**

- (1) If an original return is received with a duplicate or amended return which has no tax or refund due, and the case is to be surveyed, the TC 976/977 freeze code must be released on the AIMS section of the TIF. The reject message will consist of a TC 976/977 in the module.
- (2) In order to release the freeze, a statement *must* be noted in the file by the Examiner that the amended/duplicate return was considered.
  - a. The Closing Unit will prepare Form 8485, *Assessment Adjustment Case Record* (refer to IRM 4.4, *Audit Information Management System (AIMS) – Validity and Consistency*, to input a TC 290 with a -0- if the amended/duplicate return has been considered.
  - b. If the amended/duplicate return has not been considered, return the case file to the originator for consideration.

4.5.3.8  
(09-29-2015)

**Expedite Processing of  
Large Deficiency or  
Overassessment Cases**

- (1) These instructions apply to income, estate, gift, and employment tax cases, including those that are subject to the “interest-free adjustment” procedures of IRC 6205.
- (2) Unpaid, agreed deficiency cases of \$10,000 or over, must receive expedite processing within twenty-two calendar days of the date IRS receives a signed waiver. Twenty-two calendar days equate to approximately sixteen actual workdays. To meet the sixteen workdays, the IRS functions must follow the following time frames:
  - a. Actions by the group after receipt of a waiver - three days;
  - b. The closing function for sample review cases transmitted to Technical Staff - one day;
  - c. Technical Staff actions - five days; and
  - d. The closing function closing actions - six days.
- (3) In addition, quick assessment procedures will process unpaid, agreed deficiency cases of \$50,000 or more. The use of Form 3198, *Special Handling Notice for Examination Case Processing*, is mandatory for agreed deficiencies or overassessments of \$50,000 and over. Agreed deficiency cases of \$50,000 and over must be manually assessed within twenty-two (22) calendar days of the received date of the signed agreement form.
- (4) Tax Examiners must notify the immediate supervisor when a case involving a deficiency of \$50,000 or over cannot be processed within the twenty-two (22) day period. Upon completion of the case file, the closing unit Terminal Function must forward Form 3198 for filing.
- (5) The term “deficiency” pertains to a single deficiency or sum of deficiencies in the case file, without regard to any offsetting overassessment, for any one taxpayer.



- (6) Overassessments of \$10,000 or more, must receive expedite manual processing. However, an overassessment that results in a million dollars or more, including allowable interest, should be refunded using manual refund procedures.
- (7) Tax Examiners must attach Form 3198, to all cases with deficiencies or overassessments of \$50,000 or more. At local option, these forms may be used for deficiencies or overassessments of \$10,000 or more. Each employee handling the case must initial Form 3198 and record the date they handled the case. If Tax Examiners encounter delays in transmitting the case to the next processing level, they must record the reason on Form 3198.

4.5.3.9  
(09-29-2015)  
**Statute Expiration Within  
60 or 90 Days**

- (1) IDRS terminals will not accept a deficiency case for closing if the statute of limitation has expired or will expire within 60 days, unless:
  - a. Fraud is involved (entry in Item 38 of Form 5599, *TE/GE Examined Closing Record*)
  - b. The case is closed to Appeals
  - c. The statute of limitations has been extended and the Examiner has entered the extended statute date in Item 14 of Form 5599. An entry in Item 14 will update the statute of limitation date on AIMS and on the MF.
- (2) If the statute has not been extended, prepare Form 2859.
- (3) IDRS terminals will not accept a transfer of a case, DC 30, if the statute of limitations has expired or will expire within 90 days, unless:
  - a. Source Code is 30 (claim for refund)
  - b. Fraud indicator is present on AIMS
  - c. MFT Code is 06
  - d. Alpha characters (AA-OO) have been used to update the AIMS statute date
- (4) All short statute or expired cases will be handled by the Classification area for special processing.

4.5.3.10  
(09-29-2015)  
**Processing Deficiencies  
After Statute Expiration**

- (1) Instances may occur when processing an examination closing is necessary after the statute of limitations has expired. Some examples and closing procedures appear below.
  - a. If a payment was not received, do not make an assessment. Process Form 5599 with DC 01, enter TC 300 in Item 12 with a zero (0) amount, and a \$1.00 in Item 35.
  - b. If the taxpayer makes a voluntary payment after the statute has expired, do not make an assessment. Process Form 5599 as described in a) above. The taxpayer's payment must be processed using Form 3244-A, *Payment Posting Voucher-Examination*.
  - c. If an advance payment was processed before the statute expiration date, do not make an assessment. Form 5599 should be processed as described in a) above, entering a Hold Code 4 in Item 07. Prepare Form 8758, *Excess Collections File Addition* requesting removal of the advance payment from MF to the XSF. Send the Form 8758 to the Ogden Campus EUMR Area MS: 6250. Include the taxpayer's TIN, name and tax period involved. Attach a transcript of account showing the advance payment. Ensure that a letter was issued to the taxpayer, advising him or

her of the barred deficiency, see IRM 3.17.220, *Accounting and Data Control, Excess Collections File*, for instructions.

4.5.3.11  
(09-29-2015)  
**Prior Year Returns**

- (1) The appropriate campus reviews all prior year returns received in the Area Office directly from taxpayers or taxpayers' representatives to decide whether 90 days, or less, remain on the Assessment Statute Expiration Date (ASED) and to determine if the return is:
  - a. A prior year amended return declaring additional tax.
  - b. A possible duplicate return, i.e., no indication that it is an original delinquent return per the taxpayer's correspondence or other information.
- (2) Prior year returns meeting the criteria in a) or b) above should be forwarded to the closing function for a quick assessment, if required.

4.5.3.11.1  
(09-29-2015)  
**Procedures for Handling Prior Year Returns**

- (1) Tax Examiners must process prior year returns as follows:
  - a. Secure a MF transcript of the account to avoid duplicate assessments. After terminal research, if the tax period is currently under examination, coordinate with the function who has control of the return before making the quick assessment.
  - b. Prepare Form 2859, *Request for Quick or Prompt Assessment* and attach it to the tax return and Form 3244, *Payment Posting Voucher*. Assess according to guidelines outlined in IRM 4.4.17, *AIMS Procedures and Processing Instructions, Jeopardy Assessments/Termination Assessments/Transferor-Transferee Assessments*, & IRM 4.4.25, *AIMS Procedures and Processing Instructions, Quick Assessments*.
  - c. If the taxpayer made a full payment with the return, (i.e., tax, delinquency penalty, and interest), notate in the "Remarks" section, "Withhold Collection/Do Not Bill Taxpayer."
  - d. If the payment does not cover the full deficiency, do **not** notate to withhold collection.
  - e. Compute interest using normal interest computation procedures. If restrictions appear on the MF transcript, use applicable restricted interest procedures.
  - f. Tax Examiners should compute delinquency penalty TC 16X, unless prepayment credits exceed tax per return and a refund will be due to the taxpayer after assessment. In these cases, a delinquency penalty is not required.

4.5.3.12  
(09-29-2015)  
**Adjustments Involving Married Taxpayers**

- (1) This section provides instructions for the Tax Examiner on handling adjustments involving married taxpayers.

4.5.3.12.1  
(11-12-2019)  
**Separate to Joint**

- (1) During an examination, a husband and wife who originally filed their returns on a separate basis, find that it would be to their advantage to use Joint Tax Computations. To have this advantage of filing a joint return the taxpayers are not required to actually file a joint return. Instead, execution of a joint agreement will be sufficient to make this election. To make this election the tax must be *paid in full*.

**Exception:** IRC 6020(b) returns filed by the Secretary, do not preclude a taxpayer from obtaining the benefit of joint rates under IRC 6013, whether a

Statutory Notice of Deficiency has been issued or not, even if the tax is not paid in full. This exception will not apply to taxpayers who have a petition in Tax Court or when **one** or both spouses previously filed a separate return.

- (2) The following documents and returns should be present when both husband and wife filed a return.
  - a. Form 3198-A , indicating "Separate Return Converted to Joint" and when applicable, credits for estimated tax payments are transferred to the joint account.
  - b. The husband's and wife's separate returns. The Tax Examiner must prepare a Form 2363, to add the wife's name to the account and to correct the filing status from "3" (married filing separately) to "2" (married filing joint return). The wife's original separate return should be refiled under the refile DLN assigned to Form 5599 for that return.
  - c. Form 5599 , with the wife's SSN, Item 12 reflecting the reduction of tax, penalties, and interest previously posted to her account to zero. Prepare Form 2424, to transfer cash credits to the joint account. Form 5599, Item 15, should reflect amount necessary to reduce the unrefunded prepayment credit. Also, in Item 15 (decrease line), enter Reference Number 999 with a blank amount. This will indicate an adjustment to the primary account and "turn off" the multiple filer indicator. If the wife's account shows zero tax and entire prepayment credit refunded, close the case as a "No Change" (DC 02). A closing letter is not prepared in this situation for the wife.
- (3) Special entries on Form 5599 for the husband's account are:
  - a. The wife's name entered in Item C.
  - b. Tax and penalties for the joint account entered in Item 12.
  - c. The wife's unrefunded prepayments entered as an increase in Item 15.
- (4) Special entries required on the wife's account Form 5599 are:
  - a. The appropriate TC's and amounts in Item 12 to reduce all tax and penalties to zero.
  - b. Reference Number 999, with a zero amount in Item 15.
  - c. Necessary entries to reduce unrefunded prepayment credit by the same amount allowed as a credit on the joint return.
- (5) The following documents should be present when only one spouse filed a return:
  - a. Form 3198-A , indicating separate returns converted to joint return.
  - b. Only one taxpayer's return.
- (6) The Closing Function Tax Examiners need to prepare a Form 2363 to change the filing status from "3" (married filing separate returns and the spouse is not required to file a return, spouse exemption is claimed) to "2" (married filing joint return) and add the name of the spouse who has not filed.
- (7) When a delinquency penalty must be applied against a non-filing spouse, the penalty must be computed manually. Any delinquency penalty imposed on the spouse, who has previously filed, should not be duplicated in the computation.

Form 3198-A should show the amount of the penalty. The manually computed delinquency penalty should be entered in Item 12, using TC 160 on Form 5599.

- (8) When cash payments such as estimated payments, remittances with return, etc., are shown on the account that is being reduced to zero:
  - a. Enter Hold Code 2 in Item 7 of Form 5599.
  - b. Prepare Form 2424, to transfer the cash credits to the joint account, using TC 570 to prevent a refund of any credits that post before Form 5599 is processed.
  - c. Input Form 2424 in the same cycle as the wife's Form 5599 is input.
  - d. Then input the joint Form 5599.

4.5.3.12.2  
(11-12-2019)  
**Joint to Separate  
Returns**

- (1) When it is determined during an examination that the taxpayers are not entitled to file a joint return, the case must be flagged with Form 3198-A noted "Joint to Separate." Prepare Form 2363 to remove one taxpayer's name from the account (it should be lined through on Form 5599). Usually, the account will be under the husband's SSN and the wife's name will be removed. If the spouse, whose name is removed from the account, is required to file a return, it must be included in the case file. If the return is in the case file, just forward the return for original processing

**Note:** When preparing a Form 2363 that involves name changes, always enter the name control where required; NEVER enter a check digit.

4.5.3.12.3  
(11-12-2019)  
**Joint Return Deficiency  
for One Spouse**

- (1) If one spouse files a petition with the United States Tax Court or otherwise avails himself/herself of appeal rights on a proposed joint return deficiency, and the other spouse agrees to a deficiency or does not take appeal action, the agent must submit a request on Form 3198-A for a NMF assessment (do not input through terminal) for the non-petitioning spouse. The NMF account will be maintained in the name of the non-petitioning spouse concurrently with the account on the MF. Do **not** move the NMF account to the MF.
- (2) For those cases suspended in the 90 day files, where the statute will expire within 120 days, and it appears that only one spouse has petitioned the Tax Court, the Review Staff must contact Appeals and ask them to review the petition since it appears from the docket list that only one taxpayer has petitioned.

IF	AND	THEN
Appeals determine there is a non-petitioning spouse	the 90-day period has expired for the non-petitioning spouse	Make a NMF assessment
	The 90-day period has <b>not</b> expired to the non-petitioning spouse	Prepare a “dummy” case file and retain it in the 90-day suspense file. STATUTE CONTROL MUST BE MAINTAINED.
An agreement is received for the non-petitioning spouse		Make a NMF assessment for that spouse.

- (3) Review Staff must prepare Form 3210, *Document Transmittal*, to transmit the petitioned case and include the following information on a Routing Slip attached to the case file:
  - a. “Non-Petitioning Spouse Case”
  - b. Petitioning Spouse’s Name
  - c. Non-Petitioning Spouse’s Name
  - d. Statute Date
  - e. Indicate whether an assessment has been made against the non-petitioning spouse
  - f. Indicate who was contacted in Appeals for petition information and the date.
- (4) Prepare Form 3210, to transmit the “dummy” case file after the non-petitioning spouse case has been assessed and include the following information on a Routing Slip attached to the file:
  - a. “Non-Petitioning Spouse Case”
  - b. Non-Petitioning Spouse’s Name
  - c. Indicate that the assessment has been made against the Non-Petitioning Spouse.
- (5) For those cases, suspended in the 90 day suspense files, where more than 120 days remain on the statute and it appears that one spouse has not petitioned, transmit the case to Appeals using Form 3210, noted “Possible Non-Petitioning Spouse Case.”

4.5.3.12.4  
(11-12-2019)  
**Multiple Filers**

- (1) Both spouses file a joint return and one spouse files a separate return for the same year.
  - a. If TE/GE determines the joint return is valid and both taxpayers elect to file jointly, zero out the separate return. Reduce the tax and penalties on the separate return in Item 12, Form 5599, (TC 301 \$); reduce the unre-funded prepayment credit in Item 15, Form 5599 (TC 807 \$). Enter Reference Number 999 in Item 15, Form 5599 for the blank amount.

- b. If there is no tax liability on the separate return and the prepayment credit has been refunded, the case can be closed No Change (DC 02). A closing letter is not required.

- (2) In the above situation, a Form 2363 is not required, since the MF shows joint names and joint filing status already.

4.5.3.12.5  
(11-12-2019)  
**Invalid Joint  
Return-Husband Not  
Required to File  
Separate Return**

- (1) Zero out the incorrect joint account by preparing Form 5599 with the appropriate Transaction Codes(TC) and amount in Item 12 to reduce to zero all tax and penalties assessed.
  - a. Make whatever entries are necessary in Item 15 to reduce the unre-funded prepayment credit by the amount allowed as a credit on the wife's separate account.
  - b. Process Form 5599 with the original joint return.
  - c. Transfer cash payments with Form 2424 to the wife's separate account.
- (2) Prepare and process a substitute return (TC 150 -0-) to set up the wife's separate account. The received date for the substitute return should be the same as that of the joint return.
  - a. When the TC 150 posts to the MF, establish the account on AIMS.
  - b. Prepare and process Form 5599 for the wife's return entering in Item 12 the total tax including any adjustment by TE/GE.
  - c. Enter in Item 15, the withholding credit equal to that which was decreased on the joint account.
  - d. Process Form 5599 with a copy of the substitute return numbered in the 90X blocking series.

4.5.3.12.6  
(11-12-2019)  
**Innocent Spouse-Public  
Law 91-679**

- (1) Public Law 91-679 provides that in certain cases a spouse will be relieved of liability arising from a joint income tax return. The three types of situations that can occur:
  - a. An assessment against the culpable spouse only
  - b. Two assessments-one against the culpable spouse, and one against the joint account
  - c. An assessment against the culpable spouse and an overassessment to the innocent spouse
- (2) An appropriate notation on Form 3198-A should identify Innocent Spouse cases received from the field.

4.5.3.12.6.1  
(11-18-2022)  
**Processing Form 5599  
and Form 3177**

- (1) Assessment against the culpable spouse only.
  - a. On a new or copy of Form 5599 for the joint account, line out the name of the innocent spouse and note in the top center of the form "Innocent Spouse Case."
  - b. Do *not* process through the terminal. Process as an NMF assessment - the account must not be transferred to the MF. Process the joint Form 5599 with DC 02 and TC 300 with a zero (\$0.) amount, through the terminal. If the deficiency IS NOT fully paid, input TC 130 on Form 3177, *Notice of Action for Entry on Master File*, with the names as they appear on the MF.
- (2) Form 3177 should:

- a. Include the form number and tax period of the outstanding liability
  - b. Include any cross-reference taxpayer ID numbers
  - c. Annotate as "Innocent Spouse Case"
  - d. For EO Form 3177 is input by the Lead Tax Examiner or designee in the Closing Unit.
- (3) Assessment against both the culpable spouse and the innocent spouse.
- a. The RAR must show the amount assessed jointly and the additional amount of the assessment against the culpable spouse.
  - b. Prepare two Forms 5599, one for the joint account and one for the culpable spouse only.
  - c. Process Form 5599 for the culpable spouse as an NMF assessment. Do not process through the terminal. DO NOT transfer it to the IMF.
  - d. Process Form 5599 for the joint account through the terminal. Refile the case under the refile DLN assigned this Form 5599.
  - e. If the deficiency **IS NOT** fully paid, input TC 130 on Form 3177 with the names as they appear on the MF. See (2) above.
- (4) Assessment against a culpable spouse, overassessment to an innocent spouse.
- a. The RAR must show the amount assessed and the amount of the over-assessment.
  - b. Prepare one Form 5599 for the joint account and another Form 5599 for the culpable spouse.
  - c. Process Form 5599 for the culpable spouse as an NMF assessment and DO NOT transfer it to the MF. Do not process through the terminal.
  - d. If the overassessment of the innocent spouse will result in a refund, prepare Form 3753, so the refund will be issued in the name of the innocent spouse only. Enter the amount of allowable interest.
  - e. The joint Form 5599 must be used to process the overassessment for the innocent spouse, but a name change should NOT be initiated.
  - f. Process through the terminal, use Hold Code 1 in Item 07, and include in Item 12, TC 770 with a zero amount.
  - g. Submit both Forms 5599 and Form 3753 at the same time.
  - h. If the deficiency **IS NOT** fully paid, input TC 130 on Form 3177. See (2) above. The case must be filed under the refile DLN of the joint Form 5599.

4.5.3.13  
(11-12-2019)

#### Joint Committee Cases

- (1) IRC 6405(a) provides that "no refund or credit" of income, profits, estate or gift tax, or any tax imposed by Chapters 41 through 44 in excess of \$2,000,000 will be made until after the expiration of 30 days from the date a report is submitted to the Joint Committee on Taxation (referred to as "Joint Committee") giving the name of the person to whom the refund or credit is to be made, the amount of such refund or credit, and a summary of the facts and the decision of the Commissioner or Deputy Commissioner (see *Delegation Order 4-18*, as revised). Thus, in any case involving the allowance of an IRC 6405(a) net refund or credit in excess of \$2,000,000, review by the Joint Committee is *required*.



4.5.3.13.1  
(11-01-2021)

**Cases Requiring Review  
by Joint Committee on  
Taxation**

- (1) To quickly release 6405(a) refunds to the taxpayers, the expedite refund request procedures were instituted. Under the expedite refund request procedures, the Service may issue the refund if the Committee does not express an objection within 30 days from the time the report is submitted to them. However, the expedited refund procedures should not be applied in cases where the expiration of the statute of limitations is imminent, or where the Service may have difficulty in recouping the refund.
- (2) IRC 6405(b) provides a similar rule for Joint Committee review of a refund or credit made under IRC 6411, which relates to carry back adjustments. In such a case, if the net tentative refund or credit is more than \$2,000,000 it will not be reported to the Joint Committee before making the refund or credit, but will be reported when the correct amount of tax is determined. If such determination results in a deficiency, but with a net refund or credit previously allowed under IRC 6411 (i.e., partial recoupment of the tentative allowance), the procedure as to Joint Committee review will be the same as with a refund or credit more than \$2,000,000 not involving IRC 6411.
- (3) If more than one taxable year is involved, only the overpayment, for each taxable year is considered. Any taxable year, for which there is no net overpayment, is not considered.

**Example:** In a case involving two taxable years, the determined overpayment must be reported to the Joint Committee if a net overpayment is more than \$2,000,000 for either year, or if there is a net overpayment for each year and, added together, they total more than \$2,000,000.

4.5.3.13.2  
(09-29-2015)

**Processing Joint  
Committee Cases**

- (1) After the case clears the Joint Committee on Taxation, the following documents should be in the case file:
  - a. Completed Form 4081, *Transmittal Memorandum Joint Committee Case*.
  - b. Completed Form 5466-B, *Multiple Record of Disclosure*, (Privacy Act of 1974). (For individual taxpayers only).
  - c. Yellow copy of the report to the Joint Committee signed on behalf of the Commissioner.
  - d. Copy of the letter of notification from the Joint Committee to the Commissioner that no exception has been taken (the Joint Committee letter should sometimes contain a list of unrelated taxpayers).
  - e. The case files, if previously forwarded to the Joint Committee.
- (2) Upon receiving the above documents, the Tax Examiner must compare the taxpayer's name on the yellow copy of the report to the Joint Committee with that listed on the letter from the Joint Committee. The name on the Joint Committee letter should be compared exactly with that on the yellow copy. In the case of a variance in the names, return the cases to the Technical Staff for further guidance.
- (3) All Joint Committee cases require that a manual refund be issued if the monies have not already been refunded.
- (4) Upon receiving acknowledgment of receipt by the Joint Committee of an "Expedite Refund Request" report, the examining area office QMS should promptly forward a "dummy" work file to the closing function to start refund processing. The work file must be transmitted with Form 3198-A, specifying the scheduled date for the refund. The scheduled refund date should be 31 days



from the day the Committee received the "Expedite Refund Request" report. The closing function must coordinate with the Campus Center to schedule the refund to go out on the specified date. If the area office QMS is notified that the Joint Committee objects to the release of the refund, QMS must immediately contact the closing function to stop the processing of the refund.

**Note:** To expedite all IRC 6405(a) refunds, send via Federal Express to:

Internal Revenue Service  
Office of Compliance Specialization  
901 D St. SW, Room 108  
Washington, D.C. 20024

4.5.3.14  
(11-12-2019)  
**Claims**

- (1) Request for Refund or Abatement - A claim, tentative allowance or other request submitted by or for a taxpayer to reduce liabilities previously assessed. Such requests for refunds or abatements include:
  - a. Form 843 , Form 1040-X, Form 1045, Form 1120-X, Form 1139, Form 8038-R, and Form 8038-CP informal claims, or amended TE/GE returns filed after the due date and showing a decrease in liability;
  - b. A letter or other document (informal claim) which contains all facts necessary to decide that a reduction in tax liability is involved;
  - c. A claim for abatement of excise, windfall profit, or employment tax assessed as the result of a prior examination.

4.5.3.14.1  
(11-01-2021)  
**Identification of Claims and Returns Showing Increase in Tax**

- (1) Campus Center personnel must scrutinize all requests for refunds (Form 843, Form 1045, and Form 1139). Campus Center personnel are responsible for processing tentative refunds and forwarding all other TE/GE types of claims to the Area Office. All Form 1040-X and Form 1120-X, indicating the original return is under TE/GE jurisdiction, must be forwarded to the Directors of the Business Units (i.e., EP, EO, FSL, ITG or TEB).
- (2) In TE/GE, claims are generally filed for:
  - a. Form 11-C , *Occupational Tax and Registration Return for Wagering*
  - b. Form 730 , *Monthly Tax Return for Wagers*
  - c. Form 940 , *Employer's Annual Federal Unemployment (FUTA) Tax Return*
  - d. Form 941 , *Employer's Quarterly Federal Tax Return*
  - e. Form 945 , *Annual Return of Withheld Federal Income Tax*
  - f. Form 990-PF , *Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation*
  - g. Form 990-T , *Exempt Organization Business Income Tax Return*
  - h. Form 1042 , *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*
  - i. Form 4720 , *Return of Certain Excise Taxes on Charities and Other Persons Under Chapter 41 and 42 of the Internal Revenue Code*
  - j. Form 5330 , *Return of Excise Taxes Related to Employee Benefit Plans*
  - k. Form 8038-T , *Arbitrage Rebate, Yield Reduction, and Penalty in Lieu of Arbitrage Rebate*
  - l. Form 3753 , *Manual Refund Posting Voucher*
- (3) Taxable Increase Adjustment - An amended individual or corporation return which shows an increase (additional) tax over that reported on the original return.

- (4) Superseding Return - Any return filed prior to the due date changing the data reported on the original return.
- (5) When a Campus Center Adjustment Branch receives a timely filed TE/GE claim, they must secure the original return (Index Card and the ANMF transcript for NMF returns) and determine whether the organization or plan is under examination. If it is under examination (TC 420 in the module), they must forward the entire case to the Director of the Business Unit (EP, EO, FSL or ITG). Forward TEB claims to the Compliance and Program Manager.
- (6) If the organization/plan is NOT under examination, the entire case must be forwarded to the Campus Center Examination Branch for AIMS opening input. Campus Center personnel should not generate overassessment transactions on TE/GE returns, unless directed or requested by local TE/GE offices except for math or Campus Center errors.
- (7) Upon receipt, Campus Center Examination Branch must prepare and input the following Forms:
  - a. Form 5597 , *TE/GE IMF/BMF/EPMF Request*, to open IMF, BMF or EPMF accounts on AIMS.
  - b. Form 5588 , *TE/GE NMF Request*, to open a NMF account on AIMS for a claim filed on Form 4720-A or Form 5330 (pre-2001).
- (8) Claims should have a Source Code of 30 on Form 5546, *Examination Return Charge-Out*. After the account is established on AIMS and the charge-out is received, the entire case file must be forwarded to the specific Primary Business Code.

4.5.3.14.2  
(11-01-2021)  
**Amended Returns**

- (1) An amended return is a second return filed, after the due date, which changes information submitted on the original return. The taxpayer will send their amended return to the Campus Center where the original return was filed. The amended return should then be posted to the taxpayers account on MF with a TC 976/977. If TC 420 is present, then a TC 470 will post to MF.
- (2) In some instances, amended returns may require consideration by TE/GE to change tax liability on the IMF or BMF.
  - a. For amended returns referred to TE/GE, all assessment/overassessment documents are included in the administrative file. However, check the file to determine if a change in tax liability has been made as evidenced by a CP-36 or CP-193 notice with a TC 290 or 291 or computer notices indicating an adjustment has been made.
  - b. If the form is not included and doubt exists, secure a transcript of account to make this determination. Any necessary adjustments to refundable credits on individual or corporate returns, except estimated tax payments or credits, should be reflected in the workpapers.
- (3) If an amended return is filed with the Examiner and an examination is not warranted, process the amended return directly to the Campus Center for input to the BMF/IMF/EPMF following the applicable delinquent return procedures in Section 4.75.22 for EO Delinquent, Amended and Substitute for Return Procedures. Do not establish on AIMS.

4.5.3.14.2.1  
(11-12-2019)  
**Additional Tax Due on  
Amended Return**

- (1) When the taxpayer has filed an amended return showing additional tax due, secure a current transcript using CC BMFOL/IMFOL/TXMOD to determine if a change in tax liability has been made (TC 29X or 30X). Be sure to verify this to prevent the taxpayer from being assessed twice. Also, compare the 4549 (or the equivalent), with the figures on the report to the amended return to determine if the increase has been considered in the examination.
- (2) Whenever an amended return has posted to a taxpayer's account, a 976/977 freeze code is generated.
  - a. To release this freeze, use Priority Code 1.
  - b. Use Priority Code 3 to bypass an unpostable condition that normally occurs when the settlement amount (Item 10, Form 5599) does not match the total corrected tax on MF and to release the 976/977 freeze on MF.

4.5.3.14.3  
(11-18-2022)  
**Surveyed Claims**

- (1) Claims for refund, including amended returns and informal claims, other than TEB claims, may be surveyed after assignment if it is determined that the claim issue is clearly allowable in full and the return does not warrant examination.
- (2) The Examiner must complete Form 1900, *Income Tax Survey*, for cases involving carry backs, if the information upon which the survey is based is not disclosed on the returns affected. The Examiner must also explain the reason for survey on Form 1900. The Group Manager must sign these forms.
- (3) If the correct claim amount is not shown on Form 5546 or AMDISA, Examiners must prepare a Form 5598, *TE/GE Correction Request* to update AIMS with the correct amount.

**Note:** The **only** claims that cannot be surveyed are those requiring Appeals consideration or Joint Committee cases.

- (4) Form 1139, *Corporation Application for Tentative Refund*, is not treated as a claim when the amount requested has been refunded, although a claim form with the same issue and tax period was filed at the same time.
- (5) Surveyed claims require a DC of 34 in Item 13 of Form 5599. Other required entries on Form 5599 include P7-18, P21-22, P24-29, P31-34, C, P36, P38-40, P52-54 and Items 12 and 36. Additional **optional** entries include Items 02, 6a, 6b, 6c, 07, 09-11, 15, 39, 40, 43 and 50-53.

4.5.3.14.4  
(11-01-2021)  
**Claim Disallowance**

- (1) In cases involving the disallowance of a claim for refund, whole or in part, a notification letter must be issued to the taxpayer. The area office issues certified notices of disallowance. The Examiner prepares the following forms to inform the taxpayer of a full or partial disallowance of their claim.
  - a. Form 2297, *Waiver of Statutory Notification of Claim Disallowance*.
  - b. Form 3363, *Acceptance of Proposed Disallowance of Claim for Refund or Credit*.
  - c. Letter 569, *Full/Partial Preliminary Claim Disallowance* (accompanies the forms listed above). The Examiner must also prepare a report, unless they disallow a claim in full, and there are no other adjustments.

- (2) If a certified notice of claim disallowance is issued, Form 3198-A, should notify the closing function or designee, with the appropriate blocks checked. The following letters are forwarded to the taxpayer by the closing function or designee to inform the taxpayer of the full or partial disallowance of their claim:
  - a. Letter 905(DO) - Final Partial Claim Disallowance
  - b. Letter 906(DO) - Final Full Claim Disallowance
- (3) The reason for the disallowance must be at the bottom of the letter.

4.5.3.14.5  
(11-12-2019)

**Conditions That Extend  
Refund Statute  
Expiration Date (RSED)**

- (1) Specific provisions extending the time for filing claims are listed in the following cases:
  - a. Overpayment resulting from **bad debts** and **worthless security losses**, or their effect on carryovers and carry backs.
  - b. Overpayment resulting from **Net Operating Loss (NOL)** or **capital loss carry backs** or **certain credit carry backs**.
  - c. Overpayment resulting from **foreign tax credit**.
  - d. Certain overpayment of **self-employment tax**.
  - e. Overpayment attributable to reduction of life insurance companies of policyholders, surplus accounts.
  - f. Overpayment relating to **employee plan distributions included in income and later recaptured in connection with plan termination**.

**Note:** Claims for Refund of Arbitrage Rebates do not have a Refund Statute Expiration Date.

- (2) Special rules are also provided for certain manufacturing sugar payments, for overpayments attributable to items of Federally registered partnerships for windfall profit tax, and trade rubber.
- (3) **Windfall Profit Tax (WPT)** - The statute is based on when the WPT was paid rather than the personal income tax payment date. Amounts of WPT withheld are treated as having been paid by the producer on the due date or extended due date of the income tax return. (The credit for overpayment of WPT has been repealed effective for tax periods beginning after August 1988.) All claims or requests for adjustments to WPT are forwarded to the Austin Campus Center (AUSC).
- (4) **Self-Employment Tax** - If an agreement by a state or subdivision, under Section 218 of the Social Security Act, covering its employees, results in a retroactive reduction of their self-employment taxes, an otherwise barred claim for refund will be timely if made by the last day of the second year after the calendar year of the agreement [IRC 6511(d)(5)].

4.5.3.15  
(09-29-2015)  
**Conversions**

- (1) Taxpayers often file the wrong type of tax return. Their income, type of business, or the structure of the business may have changed during the tax period. The Examiner discovers the discrepancy and makes the adjustments to convert to the correct type of tax return.

4.5.3.15.1  
(09-29-2015)  
**Form 1120-S Converted  
to Form 1120**

- (1) If it is found that a corporation does not qualify as a small business and the business is terminated, Form 1120-S Return must be converted to a regular Form 1120. The Examiner must identify the case by attaching a Form 3198-A to the file and should prepare Form 5598, to change the Form 1120-S Activity Code to the appropriate code for Form 1120, as indicated on Form 3198-A.
- (2) Form 5599 for the Form 1120-S Return should also be used for Form 1120. Tax Examiners must complete coding and editing in the normal manner.
- (3) For unagreed cases closed to the Appeals Office, the appropriate DC (07 or 11) must be entered on Form 5599.
- (4) For agreed cases, two additional steps are required:
  - a. Prepare Form 2363, to input TC 091, changing the filing requirements to those of a corporation. Process Form 2363 two cycles ahead of Form 5599.
  - b. Prepare a routing slip addressed to the Campus Center Entity Control. The routing slip must include the statement, "Form 1120-S converted to Form 1120 by TE/GE Division; update Form 2553." (Form 2553, *Election by Small Business Corporation*.)
  - c. Furnish to Entity Control the following information: The taxpayer's name, address, and EIN; the effective date of termination; the reason for the termination; the district office code; and, a statement that Form 2363 has been input.

4.5.3.15.2  
(09-29-2015)  
**Form 1041 Converted to  
Form 1120**

- (1) This kind of case must be identified with Form 3198-A. The case file may include the original or a copy of Form 1120.
  - a. In agreed cases the file should contain a Form 1120 or a photocopy of Form 1120 marked "Form 1041 Converted to Form 1120 by TE/GE Division."
  - b. In unagreed cases, the file must include a Form 1120 marked "Substitute for Return Prepared by TE/GE Division."
- (2) The procedures for conversion are as follows:

IF	And	THEN
1. The case is agreed		Close Form 1041 in the normal manner.
	The examination results in a tax decrease,	Enter Hold Code "1" on Form 5599. Transfer all credits to Form 1120.
		Prepare Form 2363 to input TC 016 to eliminate the Form 1041 filing requirements. Secure a transcript using CC BMFOL to determine if Form 1120 has posted to the MF.

IF	And	THEN
	The account is <i>not</i> on MF,	After the return has posted to the MF, input Form 5597, to establish the account on AIMS. Process Form 5599 for Form 1120 in the normal manner, using return copy procedures.
(2) The case is unagreed		Place the converted Form 1120 substitute for return in the case folder. Process Form 5599 for Form 1041 in the normal manner by closing the case to Appeals. Do not change the filing requirements. If necessary, Appeals should take action to process Form 1120 to MF, open the case on AIMS and request a change to the filing requirements.

4.5.3.15.3  
(09-29-2015)

**Form 1065 Converted to  
Form 1120 or Form 1041**

- (1) Examiners must identify conversion cases on Form 3198-A attached to the file.
  - a. Agreed cases should be processed in the same manner as conversion of Form 1041 to Form 1120, except that the return forms involved will be Form 1065, Form 1120 or Form 1041, as appropriate.
  - b. Unagreed cases should be processed in the same manner (except the return forms involved) as conversion of Form 1041 to Form 1120.

4.5.3.15.4  
(11-12-2019)

**Form 990 Converted to  
Form 1120**

- (1) Agreed case files should contain a Form 1120 or a photocopy marked "Form 990 converted to Form 1120". This kind of case must be identified with a Form 3198-A attached to the case file.
- (2) In order for the Form 1120 to post to MF, the MF should reflect compatible filing requirements and status.
  - a. Once the Form 1120 has been secured, change the filing requirement and status in order for the Form 1120 to post.
  - b. After Form 1120 has posted, change the filing requirement and status back to the original filing requirement and status in order to close out the Form 990 as a revocation.
- (3) Submit Form 5599 with Form 990 to close off the AIMS data base as a revocation, using DC 09.
- (4) For unagreed cases, place the converted Form 1120 substitute for return in the case folder.
  - a. Process Form 5599, for Form 990, in the normal manner by closing the case to Appeals. Do not change the filing requirement.



- b. If necessary, Appeals must take action to process Form 1120 to MF, open the case on AIMS, and request a change to the filing requirements.

4.5.3.15.5  
(11-12-2019)  
**Conversion to Form 1041**

- (1) In the event that an examination results in the revocation of the exempt status of the trust, follow the procedures below in disposing of Form 1041, *U.S. Income Tax Return for Estates and Trusts*. Form 5500 Series Returns will be closed upon final disposition of the examination.
- (2) When converting a Form 1041, the Campus Center will follow these procedures:

IF	THEN	
Form 1041 was timely filed,	a.	The Campus Center processes return and TC 150 posts to the EPMF.
	b.	The return is screened in the Campus Center EP Classification Section.
	c.	If the return is selected for examination, the Campus Center EP Classification Section prepares and processes Form 5597, <i>TE/GE IMF/BMF/EPMF Request</i> , to establish AIMS control. The return is then sent to the TE/GE Area Office function as soon as the Examination Assembly is received.
Form 1041 was <b>not</b> timely filed,	a.	The return is unpostable. No TC 150 is posted to the EPMF.
	b.	The return is screened in the Campus Center EP Classification Section.
	c.	If the return is selected for examination, the Campus Center EP Classification Section prepares and processes Form 5588, <i>TE/GE NMF Request</i> , to establish temporary AIMS control. The return is then sent to the TE/GE Area Office as soon as the Examination Assembly is received.

- (3) At the time of closing, the Examiner will print in the top margin of Form 1120 and on Form 3198-A, *Special Handling Notice*, "Form 1041 Converted to Form 1120 by TE/GE". The Examiner will also add the activity code of the new Form 1120 to the Form 3198-A.
- (4) The "received date" on the new return is the date of the timely filed return, if the return being converted is timely filed. Otherwise, it is the date that the return being converted was filed. The amount of tax resulting directly from the conversion is shown in the tax computation of Form 1120 or Form 1041.



Resolution	Action
AGREED	Transmit the newly prepared form to the Campus Center for processing through the closing function. When appropriate, instruct the Campus Center to transfer credit for tax payments. Keep the original return in the case file until the final disposition of the case. Re-establish the account on AIMS after the newly converted return has been processed. Close the original AIMS control through the terminal using the original Examination Assembly.
UNAGREED	Forward the unprocessed Form 1120 or Form 1041 with the original return to Appeals.

4.5.3.15.6  
(09-29-2015)  
**Form 1331 and Form 1331-B Notice of Adjustment**

- (1) Form 1331 and Form 1331-B *Notice of Adjustment*, is used to process NMF overassessments resulting in abatement, credit and or refunds.
- (2) The heading information should be completed as follows for Forms 1331 and Form 1331-B:
  - a. Enter the taxpayer's EIN/SSN
  - b. Enter the taxpayer's Form/MFT/Tax Period in YYYYMM format/Abstract Number
  - c. Enter the taxpayer's name and address
  - d. Amount of check, if the check is enclosed

Form 1331

- (3) Section I - Computation of Decrease in Liability. Complete **only** the applicable fields.
  - a. Item 1: **Tax withheld** - enter the amount of tax plus any penalty or interest withheld
  - b. Item 2: **Paid on estimated tax** - amount of estimated tax paid should be entered
  - c. Item 3: **Tax due per return** - enter the amount of tax due per return plus any penalties or interest
  - d. Item 4: **Additional tax charged - Account Number** - enter additional tax charged plus any penalties or interest
  - e. Item 5: **Total tax previously charged** - enter the total amount of tax previously charged plus any penalties or interest
  - f. Item 6: **Less: Correct tax** - enter the amount of corrected tax plus any penalties or interest
  - g. Item 7: **Decrease liability** - enter the amount of decrease in liability plus any penalties or interest
  - h. Item 8: **Less: Amounts previously refunded or credited to other accounts** - enter amounts previously refunded or credited to other accounts plus any penalties or interest
  - i. Item 9: **Net decrease in liability** - enter the net decrease in liability plus any penalties or interest

- j. Item 10: **Reason for adjustment** - check the appropriate box; if "Other" box is checked; enter the specific reason for adjustment; enter the DLN; if manual refund is to be issued make a notation: Please process full abatement, Form 3753 attached to process manual refund with interest; fax to appropriate Campus
- k. Date - enter present date
- l. Prepared by - enter originator's name

Form 1331-B

(4) Section I - Computation of Decrease in Liability

- a. enter DLN from transcript
- b. enter the specific reason for adjustment
- c. notate if letter or notice is going to taxpayer - Yes or No
- d. if manual refund is to be issued make a notation: Please process full abatement, Form 3753 attached to process manual refund with interest; fax to appropriate Campus
- e. enter transactions code and amounts that reflect the decrease in tax, penalties, and interest
- f. Date - enter present date
- g. Prepared by - enter originators name

Form 1331 & Form 1331-B

(5) Section II - Disposition of Decrease in Liability and Interest allowed on Overpayment - Complete as follows for Form 1331 and Form 1331-B:

- a. **Refund** - enter the interest computation date in the Allowable Interest Computed To column; all other fields leave blank
- b. **Allowable interest Paid** - leave all fields blank
- c. **Elimination - Liability not paid or owed** - enter tax period in the Tax Period Account column; enter the total amount of the refund in the Amount column; all other fields leave blank
- d. **Credit (amount overpaid) applied as credit to tax (T), penalty (P) and interest (I) due on outstanding accounts** - enter the amount of tax, penalty and interest in the Amount column; all other fields leave blank
- e. **Total decrease in liability eliminated and credited** - enter the total amount being decreased in the Total Paid column
- f. **Allowable interest credited** - leave all fields blank
- g. **Total amount eliminated and credited** - enter the total amount being eliminated in the Total Paid column
- h. **Field Office or Service Center** - enter the appropriate Campus processing Form 1331 or Form 1331-B
- i. **Signature of Approving Official** - secure the proper signature
- j. **Completed by** - person preparing form
- k. **Date** - enter date prepared

4.5.3.16  
(11-12-2019)  
**Processing Delinquent  
and Substitute Returns**

- (1) A delinquent return is a return that was not filed before the due date, including extensions, which the taxpayer voluntarily files with the Service.
- (2) A substitute return is prepared by the Agent and is used to establish an account for a taxpayer who refuses to file, or is unable to file, a required tax return.

**Note:** Effective January 2006, Substitute for Returns are established on AIMS using Push Code 036, which automatically establishes a TC150, without sending the return to the Campus.

- (3) Once the agent forwards the original return that is under examination to the appropriate Campus Center and the Command Code AM424 or AMNON is input to establish the return on AIMS, a photocopy of the delinquent/substitute package is maintained as the working copy for the examination case file.
- (4) Send Secured delinquent returns not under examination or delinquent returns received with remittance directly to the Campus Center by the Agent.

4.5.3.16.1  
(11-12-2019)

#### Delinquent Returns and Substitute for Returns Procedures

- (1) When evidence that a required return has not been filed, the Examiner will request a transcript of the account to document what action has been taken. The request can be submitted as follows:

- a. Form 5644, *TEGE Inquiry Request*,
- b. Form 6882, *IDRS/Master File Information Request*, or
- c. Perform on-line research

For	Use when performing research
EP	CC EMFOL/INOLES
BMF	CC BMFOL/INOLES
IMF	CC IMFOL
EP, BMF and IMF	CC SUMRY and TXMODA

- (2) Based on the above, a transcript of the account must accompany each delinquent or substitute for return. This transcript will be attached to the return when submitted to the Campus. The transcript will be used by the Agent to perform processing verification responsibilities and will be kept in a suspense file.
  - a. **EP** - Do not submit a delinquent or substitute return if a TC 150 has posted.
  - b. **EO/GE** - Do not submit a delinquent or substitute return if a TC 150 has posted. A TC 150 posting with no tax liability followed by a TC 240 posting for \$500, W-4 penalty, indicates that the Campus Center has posted a dummy return. Any adjustments must be made as subsequent adjustments, i.e., TC 300.
- (3) If a return has not been filed (TC 150), use Form 4844, *Request for Terminal Action*, to input the following codes into IDRS to close any Collection controls and halt any notice that may be issued requesting the return.

For	Input
EO, GE or EP Forms 5330	TC 599 Closing Code (CC) 094 or 096
EP	TC 599 CC 097

- (4) The current or appropriate year's tax form should be used. Substitute for returns should contain entity information only. Do not attach additional schedules.
- (5) The Examiner will mail all delinquent return packages **not** under examination and delinquent/substitute return packages with payments to the appropriate Campus Center.
- (6) The Examiner will mail delinquent return packages under examination, without payments, to the appropriate campus.
- (7) Delinquent/Substitute Returns must be established on AIMS as soon as it is known that an examination will be made or when examination time is first applied. The appropriate Push Code must be used when establishing the case on AIMS in order to hold the TC 424 at the EPMF, BMF or IMF until the TC 150 posts. It is extremely important that the delinquent or substitute be submitted for processing since a CP 87 or CP 187 will be generated after the TC 424 posts, if a TC 150 has not posted. Establishing the returns on the EPMF, BMF or IMF, immediately establishes inventory controls and avoids unnecessary delays in closing.

**Note:** Effective January 2006 Push Code 036 will be valid for Substitute For Returns. When using Push Code 036 there is no requirement for the SFR to forward to the Campus for processing. The use of Push Code 036 will cause a TC 150 to post to master file 2 cycles after input.

4.5.3.16.1.1  
(11-18-2022)  
**Delinquent Returns**

- (1) Upon receipt of a delinquent return, the Agent must ensure that the following items are on the return prior to forwarding to the Campus Center:

Return field	Entry
Name of the employer or organization	Type or print legibly, with no strikeouts, the employer's or organization's name. When possible, it must duplicate the name used on a previously filed return with the same Employer Identification Number (EIN). The name used with a recently acquired EIN should duplicate the employer's/organization's SS-4, Application for EIN.  If the name is not correct, prepare or secure a corrected return and solicit the employer's/organization's signature on the corrected delinquent return. Mark an "X" across the face of the incorrect return. Write the word "Invalidated," sign and date below the notation.
Address of the employer or organization	Verify with the employer or organization that the address shown on the return is the employer's or organization's current address.

Return field	Entry
Employer Identification Number	Verify the EIN shown on the return is correct by researching AIMS, EPMF or BMF. If the employer or organization does not have an EIN, follow IRM 4.75.22.5.3 procedures
Required forms and schedules	Verify that all forms and schedules are present, and the computations are correct. TE/GE is responsible for the accuracy of the return and no further verification is done.
Signature and Date	The employer's or organization's original signature and the date the return was signed.
Taxable Period	Use the current or appropriate year's tax form depending on local Campus Center preference.

- (2) The Agent will write in red on the top margin of the original return, "DELINQUENT RETURN SECURED BY TE/GE."

**Reminder:** Room in the upper right corner must be left for the DLN to be entered by the Campus Center.

- (3) The Agent must date stamp the delinquent returns when they are accepted. If a date stamp is not available, the Agent should annotate in the middle of the return over the wording, but not over the numbers, "Received," the date received and the Agent's name and title. The Agent should keep a copy of the tax return for the examination file.
- (4) Write in red on the bottom margin of the original delinquent return, "TC 599-CC 096, TC 599-CC 094" (EO, GE or EP Form 5330) or "TC 599-CC 097" (EPForm 5500).
- (5) Attach Form 3198-A, *TEGE Special Handling Notice*, to each return being submitted to indicate if the delinquency penalty should or should not be assessed. Also attach Form 13133, *Expedite Processing Cycle*, to the front of each return being submitted. Check the box for "DELINQUENT RETURN." It is essential that a separate Form 13133 be prepared for each tax period.
- (6) If not on AIMS, prepare Form 5597, *TE/GE IMF/BMF/EPMF Request*.

For	Insert	Action
EP Form 5500	Item 8	Place a "1" or "3" since a return is not requested.
	Item 9	Enter the Push Code 020 for delinquent returns.
	Item 22, Reason for Request,	Write "DELINQUENT RETURN SECURED BY TE/GE."

For	Insert	Action
EO/GE	Item 8	Place a "1" or "3" since a return is not requested.
	Item 11	Enter the Push Code 020 for delinquent returns.
	Item 22, Reason for Request	Write "DELINQUENT RETURN SECURED BY TE/GE."

- (7) Forward, with the return package, a copy of a recent (not more than sixty days old) transcript which was used in the determination of the employer's or organization's failure to file.

**Reminder:** Attaching a current transcript is mandatory.

- (8) If payment is secured, the Agent will prepare Form 3244-A, *Payment Posting Voucher Examination*, following normal procedures. Indicate payment as remittance with return, TC 610. A copy of Form 3244-A should be attached to the delinquent return.
- (9) Both an original and a copy of the delinquent return package with payment are necessary. The original delinquent return, Form 3198-A, and Document 13133 should be sent to the Campus Center. The copy is kept by the Agent and is closed out with the EP, EO or GE administrative file when the examination is completed.
- (10) If a secured delinquent 5500 Series Return is examined, the Agent will complete Form 5734, *Non-Master File Assessment Voucher*, showing the IRC section and dollar amount of penalties assessed if the Agent is recommending assessing the penalty. The Form 5734, if present, will be sent to the Campus Center along with the original delinquent return. Form 3198-A should not be submitted if Form 5734 is submitted. The penalty information should be retained by the Agent to use when completing Form 5650 on closing.
- (11) **For EP Form 5500** - If the secured delinquent return is closed agreed, Item 603 - Penalty/Section, of Form 5650 should be completed in cases where the examination resulted in no additional assessments. These examinations should be closed using DC 06.

4.5.3.16.2  
(11-18-2022)  
**Delinquent MF Returns  
Processing Procedures**

- (1) The Agent must perform a review and perfection of the delinquent return package under examination upon receipt prior to being sent to the Campus Center for processing.
- (2) The following steps should be taken:
1. Review the tax return for an official date stamp and notation "Delinquent Return secured by TE/GE."
  2. Review the transcript of account using CC BMFOL (BMF), IMFOL (IMF), or EMFOL (EPMF), SUMRY and TXMODA, attached to the return to determine that a TC 150 (posting of the return) is not present or pending.

IF	THEN
A TC 150 is posted on the module	The Examiner must keep the return for his file as the return has already been posted.
Payments are posted on the account that were transferred to the Excess Collections File	Complete Form 8758, <i>Excess Collection File Addition</i> and forward it to the Campus Center Accounting Branch with a transcript of the account showing the payment/credit.

3. Review the transcript to confirm the month in which the fiscal year ends (FYM) and the filing requirements. If the FYM on the return is different from that on the transcript and/or the filing requirements are not present, prepare Form 2363/2363-A to correct the FYM or filing requirement and submit to the appropriate area for processing. For EO returns, also confirm that a submodule is present.

**Exception:** A submodule should not be present if the return is a Form 990-T (401(a) Trust) or Form 990-T (408(e)). A Form 990-T (401(a) Trust) is not an Exempt Organization Return (refer to chart below.)

IF the submodule	And IF	THEN
1. Is present <b>and</b> the Status is 41 (No Reply to Solicitation)		Prepare Form 2363-A to TC 022 the account only if the EIN is that of the Trust if it is a Form 990-T.
	the return is other than a Form 990-T and the application data went un-postable,	Prepare a Form 2363 or Form 2363-A to correct the Master File.
	the return is submitted to the Campus Center,	it will not post to the Master File and will create an unpostable condition 329-1 or 329-2.
2. Reflects a Status 40 (Application Pending-Inactive No Exemption)		Determine whether or not the organization is exempt for preparation of Form 2363-A.

**Reminder:** Refer to Document 6209 IRS Processing Codes & Information, ADP and IDRS Information for Filing Requirements, Status Codes and Un-postable Codes.

4. Special Situations - If a Form 990-T is received with the block checked "Type of Organization" as a Section 401(a) or Section 408(e), review the



transcript to ensure the filing requirement is a Form 990-T-2. An Exempt Organization submodule should not be present. A Form 990-T, 401(a) or 408(e), must have an Employer Identification Number for the trust, not that of the plan sponsor. Check CC INOLES with a "P" behind the EIN number to ensure that the EIN on Form 990-T is not the same Identification Number as the plan sponsor.

IF	THEN
1. The EIN is the same,	Research CC NAMEE/NAMEB to secure the correct EIN.
2. A submodule is present as well as a Form 990-T-2 filing requirement,	Contact the Ogden Campus Center to remove any Forms 990-T that should have a trust EIN and re-post to the Trust.
3. A filing requirement is a Form 990-T-1 or not present,	Research must be conducted to ensure that the Form 990-T-1 filing requirement was done in error. If the filing requirement of Form 990-T-1 is incorrect then a TC 022 must be used to remove the submodule. This should only be done if the account is positively identified as that of the Trust. If the T/P is filing Form 990-T-1 type of returns, research must be done to secure the Trust EIN.

5. Ensure that the filing status and exemption blocks are completed for Forms 1040 **only**.
6. Verify the taxpayer's SSN/EIN and name with the transcript.

IF	THEN
1. The name is incorrect,	If the name on the Master File is incorrect, prepare Form 2363 to correct the name.
2. The TIN is incorrect,	Contact the Ogden Campus Center to have the account resequenced to the appropriate EIN.
3. The return is annotated "taxpayer unwilling to obtain SSN/EIN, temporary SSN/EIN necessary,"	Contact the Campus Center Entity Control Section to obtain a temporary SSN and the assignment of a permanent EIN.

7. Review the package for presence of Form 3198-A, (which must be on each return) annotated to either "Assess Delinquency Penalty" or "Do Not Assess Delinquency Penalty-Reasonable Cause Established."
8. If Form 3198-A is not present, the Examiner must make a determination of whether or not to assess the penalty or waive the penalty.

**Note:** Form 5734, *Non-Master File Assessment Voucher*, instead of Form 3198-A, may be present for Form 5500 Series Returns to assess the penalties. Form 5734 should not be used to assess penalties against secured delinquent returns, Form 4720-A, and Form 990-BL.

9. Verify entries on Form 13133, *Expedite Processing Cycle*, for name, address and phone number of the initiator, and name, TIN, MFT, plan number or report number (if applicable) and tax year of the taxpayer.
10. Ensure that Form 4844, is notated either TC 599-97 for EP Form 5500 Returns and EP Form 5330 Returns or TC 599-096. TC 599-094 for EO/GE Returns.
11. Verify all entries on Form 5597.
12. Attach the transcript research data that verifies that a TC 150 has not posted for each delinquent return.
13. Ensure that Form 3198-A and Form 13133 are attached to the package.
14. After package verification is completed, verify that Form 5597, has Push Code 020 for EP Form 5500 Series Returns and 020 for EP Form 5330 returns, EO or GE Returns, indicating that a delinquent return is being processed to ensure that the TE/GE examination request remains on MF, pending the posting of TC 150.
15. The tax return, with Form 13133, Form 3198-A, (if present) and the transcript research data should be forwarded to the appropriate campus. If a delinquent return requires quick assessment processing, **do not** sent the package to the campus. Process the return according to procedures contained in IRB 4.4.25.

**Note:** One instance where a quick assessment is needed, would be for the receipt of Form 4720 when a tax is reported under IRC 4912(b), IRC 4941(a), IRC 4944(a)(2), IRC 4945(a)(2), IRC 4955(a)(2) or IRC 4958(a) in Part II. The statute for Form 4720 is ruled by the filing of Form 990, Form 990-EZ, Form 990-PF or Form 5227, not by Form 4720.

**Exception:** If one of the above returns was not filed, then the filing of the signed Form 4720 will begin the statute. Otherwise, the delinquent return package must be transmitted on Form 3210.

16. The Agent will maintain the case file comprised of a copy of the entire package submitted to the campus for posting of the TC 150. Monitor the case file until the TC 150 posts to MF.

4.5.3.16.2.1  
(11-12-2019)  
**Monitoring the  
Delinquent MF Suspense  
File**

- (1) Secure a transcript to verify the status of the TC 150. If the TC 150 has posted, and a full AIMS account is not present, take the necessary action to establish the account on AIMS (may be a "Hanging" 424). Once established, close the case in the normal manner. If a TC 150 has not posted The Agent will notate Form 5464, *Case Chronology Record* with each follow up action.
- (2) Each case awaiting a TC 150 to post to MF the Agent **must** pull at least once a month for follow up action.

4.5.3.16.3  
(09-29-2015)  
**Delinquent NMF Returns  
Processing**

- (1) The Agent must review and perfect the NMF delinquent return package under examination without payment, upon receipt prior to sending the package to the Campus Center for processing.
- (2) The following returns are processed in accordance with NMF procedures.
  - a. Form 990-BL (EO)

- b. Form 4720 (EO), IRC 4912(b), IRC 4941(a), IRC 4944(a)(2), IRC 4945(a)(2), IRC 4955(a)(2) or IRC 4958(a), Form 4720-A
- c. Form 8038 Series Returns (TEB) - prior to 01/01/2001.

(3) The Agent must take the following steps:

- a. Review the tax return for an official date stamp and notation "Delinquent Return Secured by TE/GE Division."
- b. Request a NMF transcript to review the transcript to the account to determine if a TC 150, posting of the return is not present. If a TC 150 is posted on the module, do not submit the package to the Campus.
- c. Since a Form 4720/4720-A can also be processed as a NMF return when IRC 4912(b), IRC 4941(a), IRC 4944(a)(2), IRC 4945(a)(2), IRC 4955(a)(2) or IRC 4958(a) applies, retrieve a transcript of the MF Form 4720 to ensure that a TC 150 has not posted to the MF in error.

IF	THEN
1. IRC Sections on the delinquent return are IRC 4912(b), IRC 4941(a), IRC 4944(a)(2), IRC 4945(a)(2), IRC 4955(a)(2) or IRC 4958(a),	Process the return using NMF delinquent return processing.
2. The return has posted the MF in error,	Prepare an audit report or Form 3870, <i>Request for Adjustment</i> , to request abatement of taxes, interest, and penalties that are reflected on the MF transcript.
3. Payments were made on the MF account in error,	A Form 3198-A should be attached, notating the transfer of payments to the NMF Form 4720. Form 3198-A should also be notated that the payment was erroneously applied to the MF Form 4720.

- d. Research CC INOLES to verify the taxpayers SSN/EIN and name against the delinquent return. If the name or SSN/EIN is incorrect, make the appropriate corrections.

**Note:** For Form 5330 cases with a minimum funding deficiency, the delinquent return should reflect the employer's EIN/SSN, and for prohibited transaction cases, reflect the EIN/SSN of the disqualified person.

- e. Review the package for presence of Form 3198-A, notated to either "Assess Delinquency Penalty" or "Do Not Assess Delinquency Penalty/ Reasonable Cause Established". If Form 3198-A is not present, the Agent must make a determination of whether to assess the penalty.
- f. Verify entries on Form 13133, for name, address and phone number of the initiator and name, TIN, MFT, plan number (Form 5330 only) or report number (GE - MFT 46 only) and tax year of taxpayer.
- g. Form 4844, with a TC 599-97 for EP Form 5500 Returns and EP Forms 5330 Returns, or TC 599-096, TC 599-094 for EO or GE Returns.
- h. Verify entries on Form 5588.
- i. Attach the research data to the back of each return.

- j. Form 3198-A, and Form 13133, must also be attached to the package.
- k. After package verification is completed, submit Form 5588, to the Terminal Operator for input.

**Note:** Immediately upon terminal input the NMF account will establish a full AIMS account.

- (4) The tax return, with Form 13133, Form 3198-A, and research data must be forwarded to the Campus. If the Delinquent Return package requires quick assessment processing, **do not** send the package to the Campus. Process the return in accordance with procedures contained in IRM 4.4.9. Quick Assessment Procedures would apply in the following situations:

- a. Delinquent Form 4720 contains entries under IRC 4912(b), IRC 4941(a), IRC 4944(a)(2), IRC 4945(a)(2), IRC 4955(a)(2) or IRC 4958(a). The statute for Form 4720 is ruled by the filing of Form 990, Form 990-EZ, Form 990-PF or Form 5227, not by Form 4720.

**Exception:** If the applicable return was not filed, then the filing of the signed Form 4720 will begin the statute. Otherwise, the delinquent return package must be transmitted on Form 3210.

- b. Delinquent Form 5330 reflects entries under Form 4975. The statute for Form 5330 is ruled by the filing of Form 5500. For prohibited transactions the return must be assessed Non Master File only if the statute is imminent.

**Note:** For prohibited transactions, the statute of limitations is six years whenever adequate disclosure was not made on Form 5500. If adequate disclosure was made on Form 5500, the statute is three years.

- (5) The Agent will maintain the case file comprised of a copy of the entire package submitted to the campus for posting of the TC 150.
- (6) The Agent will monitor the case file until the TC 150 posts to NMF.

4.5.3.16.3.1  
(11-12-2019)

#### Monitoring the NMF Suspense File

- (1) Request a NMF transcript to verify the status of the TC 150. If a TC 150 has not posted, the Agent will notate Form 5464, *Case Chronology Record* with each follow up action.
- (2) Each case awaiting a TC 150 to post to NMF, the Agent **must** pull at least once a month for follow up action.

4.5.3.16.4  
(09-29-2015)

#### Delinquent Returns Received with Remittances

- (1) Examiners are responsible for insuring that any delinquent returns received with remittance are forwarded to the appropriate Campus Center by Certified Mail within one workday of receipt.

4.5.3.16.5  
(11-01-2021)

#### Closing Delinquent Return MF Cases

- (1) EP Form 5650 or TE/GE Form 5599 cannot be processed until TC 150 has posted to the MF and the MF control is fully established on AIMS.
- (2) Closing procedures are as follows:

Unit/Return	Actions
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EP -Form 5650 Entries Item 603 should reflect the amount of penalties on an original delinquent return, unless additional penalties are proposed, then include the net amount in Item 603.

**Note:** If a Form 5330 is secured, as well as a Form 5500 Series Return, Enter the appropriate disposal code in Item 13 (see paragraph c), below).

- EO or GE and EP BMF Form 5330 - Form 5599 Entries
- a. If no additional tax and/or penalty is assessed, enter TC 300 with zero amount in Item 12.
  - b. If additional tax and/or penalty is proposed, only that amount would be included in Item 12.  
**Note:** Late filed Form 5330 Delinquent Returns require a TC 160 -0- amount in Item 12.
  - c. Enter the appropriate disposal code in Item 13 as outlined in Document 6476, *Information Systems Codes FY 2022 Quick Reference for EP Agents/Specialists*, Document 6379, *Information Systems Codes FY 2022 Quick Reference for EO Employees* or Document 11308, *Information Systems Codes FY 2022*.
  - d. Item 414 must include the tax liability amount plus penalties from the original delinquent return. Do not include the additional adjustments proposed by the agent in the amount entered in Item 414.
  - e. Complete Item 37 when closing delinquent returns picked up during the examination and sent to the Campus for processing. This entry is what gives TE/GE credit for a delinquent return pick-up on Report 20. If the delinquent return is incorporated into the examination, this item must be blank.
  - f. Segregate the closing records of delinquent returns secured.

- (3) For each type of return included in the case file, enter a “T” on the latest year closing record. Enter a “R” on all of the prior years closing records having the same MFT code as the closing record just marked with a “T”.

4.5.3.16.6  
(11-18-2022)  
**Substitute for Returns Processing**

- (1) The Substitute for Return (SFR) is used when the employer or organization, upon receiving the due notice from the Service, refuses to file a required return. In such cases, the return must be prepared containing the following entries:

- a. Prepare a “dummy/SFR” and Form 13496, *IRC Section 6020(b) Certification* for each tax period or plan year ending date by entering in **red** in bold print across the top margin on the face of the return “SUBSTITUTE FOR RETURN PREPARED BY TE/GE.”
- b. Enter the current or appropriate year’s tax form, depending on local Campus Center preference. If using the current form, cross out the plan year ending date and write the SFR plan year ending date in **red** using “YYYYMM” format.
- c. Enter the plan name/non-filer’s name from the EPMF or BMF, entering a bracket in front of the last name in **red**.
- d. **For EP Form 5500** - Enter the name(s) and the address of the plan sponsor
- e. Enter the correct EIN
- f. **For EP Form 5330** - Enter the plan number

**Note:** When updating the statute to Alpha Code “EE” you **must** also select Aging Reason Code 026 in the “Codes” tab of RCCMS to keep Alpha Code “EE” from falling off AIMS (i.e., the statute will revert back to the original statute date if aging reason code 026 is not input). Make sure the “Update AIMS” box in RCCMS is checked when the update is transmitted.

- g. **For GE** - Enter the report number (MFT 46 only)
- h. **For EP Form 5500** - Enter the name, address, EIN, and plan number of the plan administrator, if applicable
- i. Use the current date as the received date in “MM/DD/YYYY” format.
- j. **For EO/GE** - Code the entity with a “P” code (partial entity) in **red** above the name area. An address will not be entered on “dummy SFR’s.” Form 2363 or Form 2363-A must be used to update addresses to BMF.
- k. Write TC 599 CC 096, or CC 094 or CC 97 on bottom margin in **red**.

**Reminder:** Using Push Code 036 “Effective January 2006” will cause a TC 150 to post to master file with no return due at the Campus level.

- (2) **For EP Form 5500** - Establishment requests are submitted to the Classification area using the local EP request documents. If the return is not on AIMS, prepare Form 5597, *TE/GE IMF/BMF/EPMF Request*. Use a “1” or “3” for return not requested. Enter either Push Code 020 or Push Code 036 for substitute for return. In Item 22, *Reason for Request*, write “TE/GE-SFR.”
- (3) **For EO/GE and Form 5330** - If the return is not on AIMS, prepare Form 5597, *TE/GE IMF/BMF/EPMF Request*. Enter a “1” or “3” for return not requested. Enter Push Code 036 for substitute for return. In Item C, *Reason for Request*, write “TE/GE-SFR.”
- (4) Include with the return package, a copy of a **recent** transcript (not more than sixty days old) which was used in the determination of the employer’s or organization’s failure to file.

**Reminder:** Attaching a current transcript is **mandatory**.

- (5) The Substitute For Return, Form 13496, transcript and Form 13133 is kept by the Agent and disclosed out with the EP, EO, GE administrative file when the examination is completed. The filing of the return will establish filing requirements for the employer/organization.



- (6) If the return is examined, establish the return on AIMS using Form 5597. A copy of the original return will be kept by the Examiner and marked in **red** "COPY OF SUBSTITUTE FOR RETURN PREPARED BY TE/GE DIVISION."

4.5.3.16.6.1  
(11-18-2022)  
**Substitute for Returns  
Procedures**

- (1) A substitute return is only prepared by the Agent when a taxpayer refuses to file a required tax return. The Agent is responsible for preparing the substitute return package.
- (2) Ensure that the return is notated in bold **red** letters "Substitute For Return Prepared by TE/GE" at the top of the first page of the return.
- (3) Ensure that the taxpayer's name, address, tax period, EIN, plan number (only applicable to Form 5500 Series Returns or Form 5330) or report number for MFT 46 only and date of preparation is present. If any of the above items are omitted, make the necessary corrections.
- (4) The package must contain a Form 4844, and the Remarks Section must be notated either TC 599-097 for EP Form 5500 Returns and EP Form 5330 Returns or TC 599-096 or TC 599-094 for EO/GE BMF/IMF returns and EP flow through returns.

**Exception:** Do not complete Form 4844 for Form 4720/4720-A or Form 990-BL returns.

- (5) A Form 3198-A should be attached to each substitute for return to address whether or not the penalty is assessed for the situations described below:
- Returns Before 07/30/96** - For Form 990, Form 990-EZ, Form 990-PF, and Form 1041-A a \$10 a day penalty should be assessed for each day a return is late, up to a maximum of \$5,000 under IRC 6652(c)(1)(A), unless reasonable cause exists. Also, IRC 6652(c)(1)(B) provides for the penalty of \$10 per day to be assessed on the organization's official or trustee who fails to provide the needed information after receiving written demand from the Service, up to a maximum of \$5,000.
  - Returns After 07/30/96** - For Form 990, Form 990-EZ, Form 990-PF, and Form 1041-A, a \$20 a day penalty should be assessed for each day a return is late, up to a maximum of \$10,000 under IRC 6652(c)(1)(A), unless reasonable cause exists. Also, IRC 6652(c)(1)(B) provides for the penalty of \$20 per day to be assessed on the organization's official or trustee who fails to provide the needed information after receiving written demand from the Service, up to a maximum of \$10,000.
  - For Form 5500 Series Returns, if the return is late, or after corresponding for incomplete return items, the taxpayer fails to provide critical elements under IRC 6652(e), a \$250 per day penalty for each day the return is late or each day the return has at least one missing or invalid "critical" item, a penalty of up to a maximum of \$150,000 may be assessed if reasonable cause does not exist.
  - For organizations with gross receipts of \$1,000,000 or more, the late filed penalty is \$100 a day, not to exceed \$50,000.
- (6) Verify entries on Form 13133 for name, address and phone number of the Examiner, and the name, TIN, MFT, plan number (if applicable) and tax year of taxpayer. If any of the above information is omitted, make the necessary corrections.



- (7) For EO type returns, ensure that an EO submodule is present. If the submodule is present and the Status is 40, *Return Filed, No Record of Exemption*, determine whether or not the organization is exempt and prepare Form 2363-A, if applicable. If a submodule does not exist, prepare Form 2363-A. Refer to IRS Processing Codes & Information, for Filing Requirements and Status Codes.
- (8) Verify the taxpayers name, SSN, EIN with the transcript. If these blocks are not completed, make the necessary corrections.
- (9) Verify the entries on Form 5597/RCCMS.
- (10) Attach the transcript research data that verifies a TC 150 has not posted to each substitute for return.
- (11) After package verification is complete, verify that Form 5597/RCCMS contains a Push Code 036 for EP, EO or GE returns Push Code 021 for EP Form 5500 and Form 5330 Returns or a Push Code 021 for EO/GE and EP BMF Returns, indicating that a substitute for return is being processed. This should ensure that the TE/GE Examination Request remains on MF pending the posting of a TC 150.
- (12) The tax return, along with Form 13133, Form 3198-A, Form 13496 and the transcript research data will remain in the case file as a working copy.

4.5.3.16.6.2  
(09-29-2015)

**Group Closing Actions**

- (1) To avoid unnecessary delay in closing a case, requisitions using Form 5597, *TE/GE IMF/BMF/EPMF Request* or Form 5588, *TE/GE NMF Request* for examination assemblies should be prepared and forwarded for terminal input as soon as it is known that an examination will be made.
- (2) When a case is closed from the group, the following items should be present:
  - a. The copy of the delinquent or substitute for return marked in **red** at the top "COPY OF DELINQUENT RETURN (DATE)" or "TE/GE-SFR" as appropriate.
  - b. Form 5650, *EP Examined Closing Record* or Form 5599, *TE/GE Examined Closing Record*.
  - c. AMDISA print must be attached to Form 5650 or Form 5599.
  - d. A TE/GE RAR.

**Note:** The delinquency penalty, if assessed on the original return, must be adjusted and included in the RAR. If the estimated tax penalty is applicable, it is also asserted by the Examiner on the RAR.

- e. Form 895, *Notice of Statute Expiration*, if required. Make a note of the TC 150 date per transcript, on all substitute for return packages.
  - f. Form 3198-A, *TEGE Special Handling Notice* instructions - If a delinquent return is secured after the SFR (dummy TC 150) has posted, notate on Form 3198-A that the return is incorporated in the RAR. The statute of limitations begins with the received date of the secured delinquent return. Enter the correct statute date in Item 14 of Form 5650 or Form 5599.
- (3) Ensure that the tax return package is complete, all required entries are on the return, and it has been math verified. A *recent* transcript (not more than 60 days old) is mandatory.

- (4) The examination case file can be closed as soon as casework is completed. If the case is still a TC 424 skeletal record, it will be held in suspense by the Agent. If there is no AIMS record, the group must prepare Form 5597, *TE/GE IMF/BMF/EPMF Request*. The group may be required to re-submit the entire package depending on the transcript secured.
- (5) All plan year ending periods/tax periods must have either a TC 150 showing a return was filed or a satisfying transaction code, TC 59X, (excluding TC 595) to show that the employer/organization is not liable. If a TC 59X is applicable, the Examiner must document the workpapers with the reason. Use Form 3198-A to instruct the closing function to input TC 59X to EPMF/BMF.
- (6) When a case is closed as a substitute for return, the Agent should enter in **red** the words "Substitute for Return Prepared by TE/GE" in bold print at the top of the first page of the return.
- (7) A case closed on a retained substitute copy of the return is identified by a Form 3198-A before it is sent to the closing function.

4.5.3.16.6.3  
(11-12-2019)  
**Disposing of EO or GE  
Returns When Using  
Push Codes**

- (1) Using Push Code 020 and 036 when completing Form 5597 establishes a pending AIMS skeletal TC 424 account. Full Establishment of Delinquent/ Substitute Return Records on TIF, is generated weekly at the Campus Center. This is a listing of AM424 records containing push codes that have converted to full AIMS records. This report or research on AIMS can be used to determine when a return has posted, and the record fully established an AIMS account. Charge-Out and labels are not generated for delinquent/substitute returns.
- (2) If there is a TC 424 account, either pending or fully established, as soon as the Examiner completes the examination on the copy, it should be forwarded to the closing function. If the return has not been fully established, the Examiner should keep the case in a suspense file in EIN order until the return has completed processing and BMF records the filing by posting a TC 150.

4.5.3.16.6.4  
(11-12-2019)  
**Controlling BMF  
Accounts on NMF/AIMS**

- (1) A NMF/AIMS account may be established for a BMF return. Examples of accounts controlled on AIMS this way are:
  - a. The organization does not have an EIN.
  - b. Since the BMF establishment will remain a skeletal record until a return posts, the AIMS account established on NMF will cause the record(s) to appear on statute tables, if the statute is imminent, and/or the IVLs.
  - c. Accounts that cannot be established on BMF/AIMS because of a BMF reject. For example, name control discrepancies.

**Caution:** BMF returns should be established on NMF for **temporary** control only.

**Note:** EP does not control BMF accounts on NMF AIMS.

4.5.3.16.7  
(11-12-2019)  
**Cases Where a Return  
Was Not Filed or Due**

- (1) Occasionally it may be necessary to process a case, where an examination has been made, but a return has not been filed or there is no requirement that a return be filed. Process these as described below.

4.5.3.16.7.1  
(11-18-2022)**The Organization Has an EIN**

- (1) To remove records established on BMF/AIMS:
  - a. Delete skeletal records with Push Codes 020 using CC AM424D. Refer to IRM 4.5.1.3.7, *Deleting TE/GE AIMS Records*.
 

**Note:** Skeletal records with other push codes will age off of the data base automatically after 26 months.
  - b. Input the 2nd AM424 with Push Code 036 directly to AIMS (this means manually using Form 5597). Even though there is already a skeletal data base, the AM424 will not reject if the same PBC, SBC, EGC and status code is used that is currently on the AIMS base. The SFR will generate in one to two weeks after the input of the 2nd AM424.
  - c. For skeletal records with Push Code 021 wait 30 days from the creation date (the date first established on AIMS) displayed on AMDISA before you follow the instructions below.
- (2) To remove records established on NMF/AIMS, DC 33 to remove NMF/AIMS control.
- (3) Destroy the workpapers.
- (4) If a letter is sent to the organization, attach an address label to Form 3198-A, *Special Handling Notice*, indicating that a letter should be mailed and specifying the Letter Number.

4.5.3.16.7.2  
(11-18-2022)**The Organization Does Not Have an EIN**

- (1) For EO or GE returns where the organization does not have an EIN, request that the organization obtain an EIN via the *www.irs.gov* site. The direct link is *irs.gov/ein*. Continue to follow delinquent and substitute return procedures.
  - a. Taxpayers who complete the online application receive their new identification numbers immediately.
  - b. If the taxpayer does not have internet access, the taxpayer can complete the Form SS-4, *Application for Employer Tax Identification Number* to the IRS. They can also call 1-800-829-4933.
  - c. to avoid delays in return and payment processing, have the taxpayer obtain the EIN prior to submitting a signed return.
  - d. If the return is received without an EIN, and the taxpayer subsequently obtains an EIN, write the EIN on the tax return.
- (2) A permanent EIN can be obtained from the Ogden Campus Center Entity Control Section. Control the return on NMF until the permanent EIN is received. The delinquent return package will be processed under this number and Form 5597 and RCCMS will be input with this number. Once completed, the case file and all controls should be annotated with this number. Destroy the workpapers.
- (3) If a letter is sent to the organization, attach an address label to Form 3198-A, *TE/GE Special Handling Notice*, indicating that a letter should be mailed and specifying the Letter Number.

4.5.3.16.8  
(11-12-2019)**Collection Referrals to EO**

- (1) If Collection refers a TDI case to EO or EO is working a case and it is identified as a TDI case, a TC 595 CC 88 must be entered to close the Collection TDI. Collection or EO must input the TC 595 depending upon local agreements.

- (2) The posting of a TC 150 for a Delinquent Return/Substitute for Return will not close the TDI. When the examination of any case identified as a TDI case is completed, a TC 599 CC 88 (Unagreed) or CC 89 (Agreed) must be input by EO.
- (3) If EO determines that the organization did not have a filing requirement, a TC 590 CC 75 must be entered. If a determination was made that the organization is no longer liable, input a TC 591 CC 75, which will satisfy this module and all subsequent modules for the same MFT.

4.5.3.16.9  
(11-01-2021)  
**Delinquent or Substitute  
Returns Closed to  
Appeals**

- (1) Cases involving delinquent returns that are closed on a copy can also be referred to Appeals on a copy, unless a delinquency penalty is an issue.
- (2) Cases referred to Appeals, where a delinquency penalty is not an issue, should be processed as follows:
  - a. At least three cycles after the original delinquent return is sent to the Campus Center for processing, establish a new activity on RCCMS and AIMS, using Return Requisition Code 3 (Compliance Activity Screen – Codes TAB) for a TE/GE examination assembly. Refer to instructions in IRM 4.4.5 for processing case files to Appeals. The follow-up action described in this section must be initiated one month after Appeals receives the case.
  - b. When the TE/GE examination assembly is received, complete the RCCMS closing fields in the closing record.
- (3) Cases referred to an Appeals Office, where a delinquency penalty is an issue, must be processed as follows:
  - a. At least three cycles after the original delinquent return is sent to the Campus Center for processing, establish a new activity on RCCMS and AIMS, using Return Requisition Code 3 (Compliance Activity Screen – Codes TAB) for a TE/GE examination assembly. Suspend the retained copy.
  - b. When the return and TE/GE examination assembly are received, prepare and submit Form 5599 for processing. Forward the return and case file to Appeals. The retained copy may be destroyed.
- (4) Cases involving substitutes for returns referred to Appeals, must be processed according to IRM 4.5.3.16.9 (2) above.

4.5.3.17  
(09-29-2015)  
**EO Non-Filers**

- (1) To establish a Non-Filer account on AIMS for organizations with gross receipts under \$25,000, prepare a “dummy” Form 990, Return of Organization Exempt from Income Tax.
- (2) Use the current month and year to establish a Tax Period. Annotate in **red**, at the top margin of Form 990 the phrase “DUMMY RETURN-NON-FILER UNDER \$25,000.”
- (3) Prepare Form 13133, as follows:
  - a. Check the fourth box on the form.
  - b. Line out the description to the right of the fourth box, replacing it with the phrase “DUMMY REPORT-NON-FILER UNDER \$25,000.”

- (4) Forward the “dummy” Form 990, with the corresponding Form 13133, to the Ogden Campus Center for processing.
- (5) Request research information to determine if the account is present on the BMF. If present, check to see that the EO submodule is also present.
- (6) If the account is not present on the BMF, prepare Form 5597 to establish the account on the AIMS data base. Enter Push Code 041, Current Year Pick-Up, in Item 11. Use the Tax Period established for the “dummy” Form 990. Refer to IRM 4.5.1, IRM Exhibit 4.5.1-8, for instructions on completing Form 5597.

IF the requested research indicates-	THEN
1. The account is present on the BMF and contains an EO submodule,	Forward Form 5597 for terminal input.
2. The account is <b>not</b> present on the BMF, or, that if it is present, the EO submodule is <b>not</b> ,	Hold Form 5597 until further research indicates that both the account and the EO submodule have been posted, and then forward Form 5597 for terminal input.

- (7) Each Non-Filer account must be established on AIMS with an Activity Code of 341, All Other 501(c)(3). Use Form 5598 to update the Activity Code. Refer to IRM 4.5.1, IRM Exhibit 4.5.1-14 & IRM Exhibit 4.5.1-15, for instructions on completing Form 5598.
- (8) To close a Non-Filer account off of AIMS, follow the normal closing procedures.

4.5.3.18  
(11-01-2021)  
**Group Ruling Return Filing**

- (1) Where a parent organization files a group return covering itself and all subordinate units, the following procedures apply.
  - a. Use Form 5588 to establish this type of non-filer on AIMS. Refer to Exhibit 4.5.1-10 for instructions on preparing Form 5588.
  - b. Use Form 5599 to close this type of account, and follow normal closing procedures.
- (2) Where a subordinate unit files its own return, the following procedures apply.
  - a. Use Form 5597 to establish this type of non-filer on AIMS and follow normal BMF procedures. Refer to IRM 4.5.1, IRM Exhibit 4.5.1-8, for instructions on preparing Form 5597.
  - b. Use Form 5599 to close this type of account, and follow normal closing procedures. Refer to IRM 4.5.2.3 for instructions on preparing Form 5599.

4.5.3.19  
(09-29-2015)  
**Electronically Filed Returns**

- (1) TE/GE personnel should follow normal requisition and closing procedures, even though the taxpayer electronically filed the return (regular prints or Graphic Electronic Prints (GEL) must be closed using an original return blocking series). The hard copy return that the requestor receives is considered the original return. However, returns will not have Form 8453, *U.S.*

*Individual Tax Declaration for Electronic Filing* automatically associated unless the requesting function is Appeals, Criminal Investigation or the Taxpayer Photocopy Unit. The taxpayer's signature will not appear on a hard copy of an electronically filed return, but will appear on the signature document, Form 8453. Securing the original document may be necessary in criminal investigation, tax court cases, and any other time an original signature is critical for processing (see IRM 4.5.3.19 (3) below.) Form W-2, Form W-2G, and Form W-2P information appear on the output page (a Form W-2 summary page) of the electronic return hard copy. The original Form W-2s are filed with Form 8453.

- (2) Electronic returns are identified by the first two-digits of the Document Locator Number (DLN). The following codes reflect where the return was filed electronically prior to 01/2002:

Campus Center	Code	Master File/Return
ANSC	14	BMF-beginning in 1992, Form 1065, Paper Parent Option only.
	16	IMF/BMF-Doc Codes 19 and 35; beginning in 1989.
	41	BMF-1988 and prior
ATSC	65	IMF
AUSC	85	IMF
BSC	22	IMF
CSC	55	IMF
FSC	99	IMF
KCSC	43	IMF
MSC	71	IMF
OSC	93	IMF
PSC	52	BMF-beginning in 1990, Form 1041 only
	52	IMF-beginning in 1992, Form 9282 only
	66	BMF-beginning in 1991, Form 1041, Puerto Rico
	98	BMF-beginning in 1991, Form 1041, Other Foreign

- (3) Instructions to secure Form 8453 or Form W-2:
- Group Manager approval should be secured and documented in the case file. Secure a transcript to ensure the return was electronically filed (see DLN information above.)
  - Use CC ELFRQ-AC2 or follow CC ESTAB procedures. State in the Remarks section of the request, "Need Form 8453 Only." Also, use the



Remarks section to request Form 8453-F (Form 1041, Fiduciary), Form 8453-P (Form 1065, Partnership), or Form 8453-E (Forms 5500 Series Returns, Employee Plans.)

- c. If the original Form W-2s are needed, use CC ESTAB procedures and enter in the Remarks section, "Need Form 8453, Original Form W-2s Needed."
- d. If requested, Form 8453 must be attached to the print of the return and it will become part of the case file and must receive a renumbered DLN upon closing.

- (4) Electronically filed returns that fall into the unallowable program other than Form 5500 Series Returns, should be worked in the Correspondence Examination Branch in the Ogden Campus Center.

4.5.3.20  
(11-12-2019)  
**EO and GE Closing  
Agreements**

- (1) The Service may enter into a Closing Agreement in a case in which there appears to be an advantage in having the case processed and conclusively closed, the taxpayer demonstrates good and sufficient reasons for desiring a Closing Agreement, or if the Commissioner determines the government will sustain no disadvantage through consummation of agreement if good reason is shown by the taxpayer where it is to the advantage of the government and desired by the government.

4.5.3.20.1  
(11-12-2019)  
**EO and GE MF Tax  
Assessments  
Processing**

- (1) All EO or GE Closing Agreements are approved by the Director of the Business Unit and reviewed by the EO or GE Closing Agreement Coordinator. After the Director or delegate has executed the agreement, the Coordinator will mail the Closing Agreement to the taxpayer. The Examiner will prepare a Closing Agreement package and forward with the case file to the Closing Function. The Closing Agreement package will contain:
  - a. Original or copy of the return.
  - b. The Examiners report.
  - c. Form 5599, *TE/GE Examined Closing Record*.
- (2) The case file will consist of:
  - a. Original or copy of the return, e.g., Form 990-T, Form 990-PF, Form 941, Form 4720 for IRC 4911(a), IRC 4912(a), IRC 4942(a), IRC 4944(a)(2), IRC 4945(a)(1), or IRC 4955(a)(1) or Form 8038 Series Return.
  - b. Case Chronology.
  - c. Form 5772 and workpapers.
  - d. Part 2, Form 3244-A, *Payment Posting Voucher-Examination*, stapled securely to the face of the return.
  - e. Form 3198-A, *TEGE Special Handling Notice* with special instructions for assessment of tax.
- (3) Once the package is received:
  - a. Compare the Closing Agreement against the Examiner's report for the amount of monies assessed.
  - b. Research IDRS CC TXMODA and under the tax payment identification number for TC 640, *Advance Payment of Determined Deficiency*, to verify payment was applied. If CC TXMODA reflects no data, secure a transcript of the taxpayers account using CC BMFOL.



- c. Ensure that the Examiner's report amount, assessment amount, and TC 640 amount are the same. If the amount of monies differ on any document, return the package to the EO or GE Closing Agreement Coordinator with an explanation.
  - d. Carefully review Form 5599 for elements described in paragraph IRM 4.5.3.20.1 (4) below.
- (4) When an EO or GE Closing Agreement has been entered into for a taxable return, Form 5599 should contain:
- Hold Code 2 in Item 07
  - TC 300 and the amount of monies assessed and agreed to entered on in Item 12
  - DC 12, in Item 13
  - Item 414 Delinquent Return Amount (only completed when EO or GE delinquent returns are secured to capture tax and penalties).

**Reminder:** The closing unit Tax Examiner must review all entries on Form 5599 for accuracy before submitting to the Terminal Operator for input.

4.5.3.20.2  
(11-18-2022)  
**EO or GE MF Non-Tax  
Assessments  
Processing**

- (1) When an executed EO or GE Closing Agreement involves the assessment of a non-tax amount for a Form 990, Form 990-PF, Form 941 or Form 8038 Series, Form 5599 will be used to assess the liability.
- (2) Form 5599 must contain:
- a. Hold Code 2 in Item 07.
  - b. TC 300 with -0- in Item 12.
  - c. The assessment amount as a TC 240 in Item 15 with Reference Code 689, Closing Agreement.
  - d. DC 12 in Item 13.
- (3) The closing unit will use Form 2859, *Request for Prompt or Quick Assessment* to make a manual assessment when the statute is imminent or to input Transaction Code (TC) 150 -0- to allow the closing assessment when there are problems with posting a return. If a manual assessment, enter the amount of the Closing Agreement liability in Item 35.
- (4) All other entries on Form 5599 must be reviewed for accuracy before submitting the closing package to the Tax Examiner.

4.5.3.20.3  
(11-01-2021)  
**EO NMF Closing  
Agreement Processing**

- (1) Any Closing Agreement entered into for Form 990-BL or Form 4720 under IRC 4912(b), IRC 4941(a), IRC 4944(a)(2), IRC 4945(a)(2), IRC 4955(a)(2) or IRC 4958(a) must be processed by quick assessment procedures outlined in IRM 4.4.25, *AIMS Procedures and Processing Instructions*.
- (2) These returns are considered NMF returns and must be processed manually using Form 2859. An "N" should follow the EIN/SSN on Form 2859 and on Form 5599.

4.5.3.20.4  
(09-29-2015)  
**Assessment for Return  
Not on AIMS - Closing  
Agreement “Walk-In”  
Request**

(1) The closing unit will prepare and use Form 8485, *Assessment Adjustment Case Record*, to assess the Closing Agreement liability for a return not on AIMS.

(2) Form 8485 Preparation Instructions:

- Name of Tax Examiner
- Employee Number
- IDRS Input Date

**Section I-Tax Account Identification**

- Name Control
- Taxpayer Identifying Number (TIN)
- MFT (Enter 67 or 44 or 17 or 46)
- Tax Period
- Blocking Series (Enter 15X for Penalty assessment)
- Priority Code
- TIN Type IMF/BMF

**Section II**

- Transaction Code (Enter TC 340)
- Amount (Enter.00)

**Section III**

- Credit Reference (Enter Penalty Reference Number 689)
- Amount (Enter the Sanction amount)

**Explanation**

- “EO Closing Agreement Sanction Penalty Assessment”

(3) The Agent will prepare and use Form 3870, *Request for Adjustment* to assess the Closing Agreement liability for a return not on AIMS.

(4) Form 3870 preparation instructions:

- a. TIN - Taxpayer Identifying Number
- b. Name and Address of Taxpayer
- c. Originating Office - Leave blank
- d. MFT
- e. Period Ending - mm/dd/yyyy format
- f. Assessment Date - Leave blank
- g. Source - Check appropriate box
- h. DLN - Leave blank
- i. Renumbered DLN - Leave blank
- j. Personal contact - Check appropriate box
- k. Reason for Adjustment - Give reason for adjustment and include the statement: Closing Agreement Sanction Penalty Assessment

- l. Signature of Taxpayer - Leave blank - closing agreement will have taxpayer's/ representative's signature
- m. Signature of Preparer - Agent's name, number, and date
- n. Approving Official Signature and Title - Manager's name, title, and date

4.5.3.21  
(09-29-2015)  
**Bankruptcy**

- (1) Bankruptcy cases must be received with a Form 3198-A, notating "Bankruptcy."
- (2) Joint Return Deficiency in bankruptcy requires research of the MF to assure that TC 521 has been input to release the Bankruptcy Freeze TC 520.
  - a. If the TC 521 has not been input and the taxpayer is still in bankruptcy, any assessment made could be illegal.
  - b. If TC 521 is not present on the module, contact Special Processing Area (SP).
  - c. If SP advises to make a quick assessment, notate the name and title of the person authorizing the assessment as well as the reason this assessment is being made on Form 2859. Forward a copy of Form 2859 to the SP.
  - d. If SP advises not to make the assessment, prepare Form 3198-A, providing the name and title of the person in SP with information on the bankruptcy and forward the case to the Bankruptcy Coordinator.
- (3) If the account has been moved to the Retention Register, it must be removed from Retention in order to prevent the Quick Assessment Action from becoming unpostable when it is transferred to MF.
- (4) When bankruptcy proceedings are against one spouse, and a valid assessment cannot be made against the other, make two photocopies of Form 5599 noting in the top center of the form "Bankruptcy." Line through the name of the non-bankruptcy spouse on one and that of the bankrupt spouse on the other. Prepare Form 2859 for the bankrupt spouse as a NMF Quick Assessment. When the liability of the non-bankrupt spouse is established, prepare Form 2859 for the non-bankrupt spouse as a NMF Quick Assessment. At the same time, submit the original joint Form 5599 to the Terminal Unit.

4.5.3.22  
(09-29-2015)  
**Quick and Jeopardy Assessments**

- (1) Request for Quick or Prompt Assessment should be made by fax to the appropriate campus when the statute expiration date (ASED) is 60 days or less.

4.5.3.22.1  
(11-01-2021)  
**MF Quick Assessment Procedures**

- (1) Form 2859, *Request for Quick or Prompt Assessment* should be prepared and accompanied by the following documents when applicable:
  - a. Fax cover sheet
  - b. Interest computation report
  - c. Form 8278 - *Assessment and Abatement of Miscellaneous Civil Penalties*
- (2) In addition, Form 2859 must be prepared for situations described below or when the statute expiration date is more than 30 days but also less the 60 days. Situations requiring quick assessment action are as follows:
  - a. There is an agreed and unpaid deficiency of \$50,000 or more in tax.

- b. The statute of limitations will expire within 60 days, or it is determined that a partial (AMCLSF); terminal closing (AMCLSO) or adjustment processing (ADJ54) cannot be completed before the 60 day period.
  - c. Additional and / or delinquent taxes due in **certain** bankruptcy cases. Quick assessment procedures may apply to bankruptcy petitions filed before October 1, 1979, but generally **do not** apply to bankruptcy petitions filed after October 1, 1979.
  - d. An amended return is received and the statute will expire within 120 days.
- (3) The tax examiner must always obtain current IDRS data when a quick assessment is warranted. Tax examiners should use this data to ensure the taxpayer's most current address is used.

If	Then
An account contains a TC 520 / 521 and or a "V" freeze, law prohibits making an assessment, while the taxpayer is in a bankruptcy status	The tax examiner should (follow local procedures) and contact the EO Bankruptcy Coordinator or Collection Division for direction. The tax examiner should explain that they have received a case for assessment, but research indicates the taxpayer is in bankruptcy
The tax examiner is advised to make the assessment	They should note the name and title of the person authorizing the assessment and the reason they are making this assessment in the "Remarks" section of Form 2859
The tax examiner is advised <b>not</b> to make an assessment	Forward the case file to the EO Bankruptcy Coordinator. The tax examiner should attach Form 3198-A to the outside of the case file. Form 3198-A should contain the information about the bankruptcy and the name and title of the person in Collection. Note this information in the "Remarks" section of Form 3198-A

**Note:** Manual assessments cannot be transferred to MF for amounts of \$100,000,000 (100 million) or more. Such assessments must be split and processed as two assessments on separate Forms 2859. The tax examiner must alert the campus that the assessment is being split due to the amount being \$100,000,000 or more.

- (4) Restricted interest must carry a TC 340. A TC 340 is used only when the system cannot compute the correct interest.

- (5) Normal interest should carry a TC 190. If TC 190 is used and the taxpayer signed an agreement, the tax examiner must enter the agreement date on Form 2859.
- (6) Interest is not computed for civil penalty quick assessments on Form 8278. Interest on these penalties are assessed from the date of notice known as the 23C date.

4.5.3.22.2  
(11-01-2021)  
**Manual Assessment  
Procedures for Form  
4720**

- (1) Tax assessed under the following IRC's 4911(a), 4912(a), 4942(a), 4943(a), 4944(a)(1), 4945(a)(1), and penalties on Form 4720, *Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code*, are processed as a MF assessment.
- (2) Tax assessed under the following IRC's 4912(b), 4941(a), 4944(a)(2), 4945(a)(2), 4955(a)(2) and penalties on Form 4720 for foundation managers and disqualified persons must be processed as a NMF assessment.

4.5.3.22.3  
(09-29-2015)  
**Jeopardy Assessments**

- (1) The Director must approve a jeopardy assessment and the tax examiner must make the assessment within 24 hours. After the Director has signed Form 2644, *Recommendation for Jeopardy / Termination Assessment*, prepared in triplicate, the tax examiner must compute interest and check the appropriate box on Form 2859. The tax examiner must telephone the information on the form necessary to record the assessment properly to the appropriate campus. The following information must be furnished by telephone:
  - a. The taxpayer's name, address, EIN, or SSN
  - b. Type of tax
  - c. Taxable period
  - d. The amount of tax, penalty, and interest to be assessed
  - e. The amount of payment, if any, and the balance due
  - f. The 23C date
- (2) The campus should telephone the person requesting the jeopardy assessment to acknowledge that they have made the assessment. The campus should mail a confirmation copy of Form 3552, *Prompt Assessment Billing*, Form TY-26, *Statement of Tax Due IRS* or Form 17-A, *Statement of Tax Due*, to the district after processing. The tax examiner must associate the confirmation copy with the control copy.
- (3) The tax examiner must transmit the original and one copy of Form 2644 promptly, in a sealed envelope to the campus, to the attention of the person contacted for verification that the correct assessment has been made and for association with assessment document.

4.5.3.22.4  
(09-29-2015)  
**Processing the Second  
Adjustment Document  
for MF Quick  
Assessments**

- (1) The second adjustment document should be processed once the DLN verification is received from the campus.  
  
**Exception:** When a credit transfer, via Form 2424, *Accounting Adjustment Voucher*, is being made on the module or TXMOD research indicates that a payment has been processed but has not posted to MF. For credit transfers, the second adjustment document must be input on the terminal. This should allow it to post to the module after the campus has transferred the quick assessment to the MF module. If a payment has not posted to the MF, the second adjustment document must not be input until the payment posts. This action should help in preventing the issuance of

an erroneous refund. The second adjustment document should be prepared and processed in the following manner for Form 5599.

If	Then
The sum of the adjustments, Item 12 and / or Item 15, is a net increase	Enter the applicable disposal code in item 13
	Enter TC 300 with a zero amount in item 12
	Enter hold code 2 in item 07, <b>unless</b> the quick assessment processed is an overassessment or a manual offset is involved
	Enter the net of all adjustments in item 35, processed using the quick assessment procedures
Processed as part of the quick assessment	Enter the net of all tax and penalty changes. Do not include interest or reference number adjustments that are only used to update information fields on MF
	AIMS contains many computer checks that are based on the disposal code and examination results. Any "change" disposal code (i.e. DC 03, 10, 12 etc.) require examination results
Cases that are truly "change cases," but do not have examination results, such as: barred assessment cases, interest assessments only or tax assessments that are offset by credits	These cases will require an amount of \$1 in item 35, manual assessment amount and a disposal code in item 13
There is a decrease in tax but the sum of adjustments in items 12 and 15 is a net increase	Enter the appropriate disposal code
	Enter TC 301, with the decrease amount and TC 770 zero in item 12
	Enter hold code 1 in item 07, enter hold code 2 if there is a credit balance on MF
	Enter the net of all adjustments in item 35, processed using the quick assessment procedures

If	Then
The sum of adjustments in item 12 and or 15 is a net decrease	Enter the appropriate disposal code
	If TC 300 with a zero amount is entered and there is a credit balance on MF, enter hold code 2 in item 07
	If the penalty or interest is to be decreased, enter and code the amount in item 12
	If the credit is to be increased, enter the amount and appropriate credit change reference number in item 15
	Enter the net of all adjustments in item 35, processed using the quick assessment procedures
	Enter hold code 1 in item 07

- (2) Prompt, jeopardy or quick assessments may sometimes involve a deficiency for one tax period and an overassessment for another tax period. These situations will be processed as follows:
- Manually compute the interest for the years involved and enter it with the applicable TC on the adjustment document. Enter hold code 2 for the overassessment tax period.
  - Prepare Form 2424 to manually transfer the applicable credit (TC 820 debit) from the overassessment year to the deficiency year (TC 700 credit) with a secondary TC 570 blank or zero. If **allowable** interest is involved use a second Form 2424. Use (TC 850 debit) from the overassessment year to the deficiency year (TC 730 credit).
  - Make a notation on Form 2859 in the remarks section, "Credit of \$ (amount) being transferred from (period) to post in cycle (number)."
  - Forward the overassessment for processing.
  - Forward Form 2424 for processing. Form 2424 should be input in the same cycle as Form 5599 or a later cycle. It should never be input in an earlier cycle.

4.5.3.22.5  
(09-29-2015)  
**NMF Quick Assessment  
Procedures**

- (1) The tax examiner should follow MF quick assessment procedures, unless the following applies:
  - Place an "N" after the EIN or SSN on Form 2859 and Form 5599.
  - Notate the proper MFT for a NMF account.
  - The DLN tax class is always a "6".
- (2) When two taxpayers are liable for the "same" tax and both are assessed, (typically a non-petitioning spouse case), the tax examiner must notate the comment "Spousal Assessment" and the cross reference TIN, MFT and tax period on Form 2859. This is necessary because the campus must adjust the accounts each time a payment is received.



**Example:** A husband and wife were each assessed the same tax of \$2,000. Taxpayer husband (TPH) sends in a payment of \$600. When the campus posts the TC 670, they must abate \$600 from the taxpayer wife's (TPW) account. This process is only done when we assess the "same" tax against both taxpayers; therefore identifying these type of assessments is critical.

4.5.3.22.6  
(09-29-2015)  
**Offsets**

- (1) Offsetting is a method used to transfer an available credit from one tax period to an outstanding liability in another tax period or to another type of tax. This procedure may be done manually or computer generated.
- (2) All liabilities on the overassessment year must be satisfied before any overpayment can be applied to liabilities on other tax periods; therefore, all unpaid penalties and interest must be subtracted from the net overassessment to determine the amount available for offset.
- (3) The overpayment is the excess of payment(s) over the tax liability, including penalty and interest, for a specific type of tax.
- (4) Examiners should identify an offset case on Form 3198-A and the examination report should reflect an overassessment for one tax period and a deficiency for another tax period.
- (5) An examination of a taxpayer can cover several tax periods and have adjustments on one or more periods requiring interest computations. Interest must be computed for each period to determine how much of the overassessment is available to offset between the different tax periods.
- (6) When applying overpayments as credits, the tax liability, including penalties, additions to the tax and interest, is considered satisfied out of the earliest payment on the module. The overpayment begins with the first amount paid in excess of the liability. This part of the overpayment is applied to the oldest outstanding liability for the earliest year. This is important in arriving at the correct interest liability.

4.5.3.22.7  
(09-29-2015)  
**Crediting Overpayment  
to Related Taxpayers**

- (1) Examination of related taxpayers by EO sometimes results in adjustments increasing tax for one and decreasing tax for the other. This usually occurs between parent and subsidiary corporations or between trusts and beneficiaries. Often the taxpayer will agree that the refund on a correlative taxpayer should be applied to the additional tax of the primary taxpayer. This agreement is documented as a consent signed by the correlative taxpayer and made part of the case file. It is in the interest of the IRS to honor this offset.
- (2) The Examiner must attach Form 3198-A to the correlative case file. The "other" box at the bottom of Form 3198-A must be checked, and they must show the primary taxpayer's name, EIN or SSN and tax period of any additional tax. The case file of the primary taxpayer, including Form 5599 reporting additional tax, should be associated with the correlative taxpayer's file.
- (3) The tax examiner must secure a transcript of the module to be adjusted for the correlative taxpayer before processing Form 5599.

If	Then
The module balance is debit	Notify the examiner that the consent amount cannot be offset because the correlative taxpayer owes money on the account
	Request a determination from the examiner of whether or not to return the entire case file for a new consent or process the case without making the offset
The module balance is zero or a credit	Prepare Form 2424, to transfer from MF to MF or from MF to NMF. Interest is computed to the schedule date on an overpayment applied to a deficiency or another taxpayer
Both the overpayment and allowable interest are being transferred from MF to NMF	The debit side should carry both TC 820 and TC 850 with their respective amounts and the credit side should carry only the total amount of the two items
The transfer is from one MF account to another MF account (for <b>a debit portion</b> - overpayment account)	Enter the taxpayer's name, EIN or SSN, MFT code, tax period and the transaction date
	Enter TC 820 as the first transaction and enter the amount of overpayment credit being applied. Do not include allowable interest
	Enter TC 570 as the second transaction and "BLANK" or zero for the amount, if more than one transfer document is to debit the same tax module
	Enter TC 850 as the third transaction and the amount of allowable interest, if such interest is also being transferred to the same tax period
The transfer is from one MF account to another MF account (for <b>a credit portion</b> - account receiving credit)	Enter the taxpayer's name, EIN or SSN, MFT code, tax period receiving credit and the transaction date
	Enter TC 700 as the first transaction and enter the amount of overpayment credit being applied. Do not include allowable interest

If	Then
	Enter TC 730 as the third transaction with the amount of the allowable interest. This should agree with the amount of the TC 850 on the debit portion

- (4) Process Form 5599. If the offset is to be made as described above, follow these instructions besides routine processing:
- Correlative taxpayer - use hold code 1 to prevent a refund. Input the document immediately.
  - Input Form 2424 to post four cycles after correlative or overpaid Form 5599.
  - Input Form 5599 to the primary or additional tax module one cycle after Form 2424, to assure that the credit is available.
  - Release the MF Form 5599. Two weeks later, release the NMF Form 5599 for assessment and dispose of Form 2424.

**Note:** Posting delay cycles can also be used on Form 5599 instead of holding and monitoring document actions.

4.5.3.22.8  
(09-29-2015)

#### Overpayment Transfers Between MF Accounts

- (1) A credit should be transferred between accounts, only if there is a statement from the taxpayer requesting such application

**Exception:** A credit may be transferred from an individual's IMF account to the same individual's (or his or her partnership) excise or employment tax account without a statement.

- (2) The tax examiner should manually compute and enter any interest allowable with TC 770 on Form 5599. For transfers between IMF and BMF accounts, use Form 2424. If the accounts are for different taxpayers, the tax examiner may enter TC 850 and TC 730 on the same Form 2424 carrying the overpayment.

4.5.3.22.9  
(09-29-2015)

#### NMF Overpayment Credited Against MF Deficiency

- (1) Prepare Form 1331 or Form 1331-B, entering the overpayment in the credit column and entering the taxpayers EIN or SSN as the account number. Refer to IRM 4.5.3.15.6 for instructions on completing Form 1331 and Form 1331-B.
- (2) Prepare Form 2424, to transfer the credit from NMF to MF. Hold the MF Form 5599 for two cycles. Also, you may enter a posting delay cycle in item 43 on Form 5599.
- (3) Forward Form 2424 to the NMF unit of the appropriate campus for processing.

4.5.3.22.10  
(09-29-2015)

#### Recovery of Erroneous Refunds

- (1) Refer to IRM 21.4.5 for instructions to follow.

4.5.3.23  
(09-29-2015)  
**Employment Tax Audit  
Changes, Form 4668**

- (1) Form 4668, *Employment Tax Examination Changes Report*, is used when employment taxes are adjusted:
  - a. To correct FICA wage records maintained by the Social Security Administration (SSA)
  - b. To notify the Railroad Retirement Board (RRB) that Railroad Retirement Tax (RRTA) adjustments were closed for assessment or overassessment
- (2) Form 4668 will not be forwarded to the SSA. Employers are required to report the wage adjustment to SSA via Form W-2, *Wage and Tax Statement*, and Form W-2C, *Statement of Corrected Income and Tax amounts*. Employers must file Forms W-2/W2-C by the last day of February, following the quarter in which they agree to the employment tax deficiency (i.e. Examination conducted in September 2013, Form W-2 / W-2C is to be filed by the last day of February, 2014).

**Exception:** In instances where the Examiner has secured Form W-2 /W-2C after the examination, employers will forward these forms to the closing function. Forms W-2/W-2C secured from employers will be reconciled by the Examiner and the closing unit will be instructed to forward the forms to the SSA. Employers who do not file these forms will be subject to penalties.

- (3) For those cases in which Forms W-2/W-2C were not secured by the Examiner, a tickler file containing a copy of Form 4668 for each year examined must be maintained. The Examiner must identify on Form 3198-A, *TE/GE Special Handling Notice*, those cases that involve only conversion issues. The retained copy of Form 4668 involving conversion issues must be identified as such.
- (4) Employers should send Form W-2 under the cover of Form W-3, *Transmittal of Wage and Tax Statements*, and Form W-2C under the cover Form W-3C, *Transmittal of Corrected Wage and Tax Statements*. After receipt of these forms in the closing function, the amounts from the transmittal form(s) will be reconciled against the retained copy of Form 4668. After the forms are reconciled by the tax examiners the transmittal forms along with Form W-2/W-2C must be sent to the SSA under the cover of Form 3210, *Document Transmittal*. If the tax examiner has any difficulty in reconciling the amounts from the forms, the assistance of the Examiner who conducted the examination should be contacted. Only those forms that do not agree with the dollar amount, as shown on Form 4668, will be returned to the employer. Maintain, in the tickler file, a copy of the reject stating the reason for returning Forms W-2/W-2C. This reject may help establish whether reasonable cause should be considered, if a penalty referral is made. Late filed forms with such errors will be sent to the Examiner as a penalty referral.
- (5) To reconcile the transmittal forms against Form 4668, follow these procedures:

If	Then
Form W-3	The Social Security (FICA) Tips on Form W-3 equals lines 1 and 2, columns b through e of Form 4668

If	Then
	The Social Security (FICA) Tips on Form W-3 equals lines 3, columns b through e of Form 4668
Form W-3C	The Social Security Wages, column c of Form W-3C equals lines 1 and 2, columns b through e of Form 4668
	The Social Security Tips, column c of Form W-3C equals line 3, columns b through e of Form 4668
One Employer forwards Form W-2/W-3 and Form W-2C/W-3C	The combined total of the amounts shown for Social Security Wages / Tips on Transmittals Form W-3 and Form W-3C must be equal to the applicable line entries on Form 4668 as stated above

- (6) Forms W-2/W-3 and or Forms W-2C/W-3C, involving conversion issues (as identified on retained Form 4668), must be forwarded under the cover of Form 3210, annotated "Conversion Issue" to the Social Security Administration.

**Note:** It is important that Form 3210 and Forms W-2/W-3 and or Forms W-2C/W-3C reflect "Conversion Issue" which will ensure appropriate processing and crediting of the taxpayers benefit data.

- (7) Forms W-2/W-3 and or Forms W-2C/W-3C that do not involve conversion issues must be annotated "4668 Cases" and sent under cover with Form 3210 to the Social Security Data Operations Centers as follows:

Form	U.S. Postal Service - USPS	Fed Ex, UPS or Certified
W-2 and W-3	Social Security Administration Data Operations Center Wilkes-Barre, PA 18769-0001	Social Security Administration Center Wilkes-Barre, PA 18769-0002
W-2C and W-3C	Social Security Administration Data Operations Center P.O. Box 3333 Wilkes-Barre, PA 18767-3333	Social Security Administration Data Operations Center Attn: W-2C Process 1150 E. Mountain Drive Wilkes-Barre, PA 18702-7997

- (8) If an employer fails to file Form W-2/W-2C by April 1 following the February in which the forms are due, the closing unit will make a penalty case referral,

using the retained copy of Form 4668, to the Examiner's group which conducted the employment tax examination. Form 4668 will be annotated "Penalty Case Referral." The Examiner will consider assessing appropriate penalties for failure to file information returns. Forms W-2/W-2Creceived in the closing unit after the penalty referral is made must be forwarded to the Social Security Administration.

4.5.3.23.1  
(09-29-2015)  
**Federal Unemployment  
Tax Adjustments, Form  
940**

- (1) For all increases or decreases in Federal Unemployment Tax Adjustments (FUTA) tax or wages, unique reference codes must be entered with the tax adjustment. The reference codes reflect which state the tax/wages are being adjusted for. The three-digit reference code for the tax portion of the adjustment is comprised of a "T" **followed** by the two character state code, e.g., California is CA; New Jersey is NJ. The total of the tax (T) reference code amount must equal the TC 300/301 tax adjustment.

If	Then
The "T" reference code amount does not equal the tax amount or is not entered	A terminal reject will occur
The adjustment is due to an increase or decrease in wages	A wage reference codes is also required. The three-digit reference code for the adjustment is comprised of a "W" <b>followed</b> by the two-character state code
Adjustments were made to more than one state	The tax and or wage adjustment amounts attributed to each state will be entered. Input of the "T" and "W" reference codes are not applicable for "no change" cases, cases closed to Appeals or second adjustment documents processed through AIMS after input of a quick assessment. When a quick assessment is required, the state code information is entered on Form 2859

- (2) Code Section 3301 requires all employers to pay an excise tax (Federal Unemployment Tax) on wages paid to an employee. Under Code Section 3302, the amount of contributions made to an employer's state unemployment fund can be used as a credit against the excise tax paid under IRC 3301.
- (3) Title XXI of the Social Security Act; allow loans (advances) to states that are in need of funds in order to pay unemployment benefits. If the state does not repay the loan within a specific time, employers (in states who have received loans) will have their credit (allowed per IRC 3302) against the FUTA tax reduced. If the tax adjustment is the result of a change in the total taxable wages, the amount shown on the Form 940 return that was claimed as a credit against the FUTA tax must be adjusted. This adjustment is referred to as "credit reduction."

- (4) All states are not subject to credit reduction adjustments. Depending on the tax year and whether loans were outstanding, determines whether a credit reduction adjustment is warranted. The amount collected, because of the reduced credit, is applied against the outstanding balances of the states that have unpaid loans.
- (5) In order to accurately process Form 940 cases, the Examiner is responsible for providing the total tax adjustment, wage adjustment (along with the applicable state code), and total corrected Form 940 wages. If the wages adjusted for a credit reduction state, the Examiner must provide the credit reduction amount and credit reduction wages. The credit reduction table will always be referenced to determine whether adjustments are being made to a credit reduction state (based on state codes provided by the examining officer).
- (6) If the case is being processed as a quick assessment, the campus must **always** be provided with the amount of the **total corrected Form 940 wages**. If a credit reduction state is involved, the campus must also be provided the **credit reduction wages, the state the credit reduction wages applies to and the total credit reduction amount**. This information will be entered in items 22-24b of Form 2859. When completing Form 2859, enter in item 23, the total credit reduction amount. In item 24a, enter the two digit state code and the amount of the credit reduction wages for each state. The total of the credit reduction wages entered in 24a must also be provided to the campus.

4.5.3.23.2  
(09-29-2015)  
**Section 3402(d) and  
3406 employment Tax  
Case Requiring Form  
4668, Form 4669 and  
Form 4670**

- (1) If, during the course of an examination, it is determined that an employer / employee relationship exists, IRS is authorized to assess tax, penalty, and interest against the employer for the amount of income taxes that should have been withheld from employees. However, Sections 3402(d) and 3406 of the IRC relieves the employer of their taxes, if the employee has filed income tax returns and paid the tax due. Employers are required to use Form 4670, *Request for Relief from Payment of Income Tax Withholding* and Backup Withholding (BUWH), along with one or more Form 4669, *Statement of Payments Received* to obtain this relief. If the employer has paid the tax assessed, Form 843, *Claim for Refund and Request for Abatement* is required.
- (2) Tax assessed under IRC 3509 is not subject to abatement. IRC 3509 provides the authority for determining an employer's liability for employee FICA tax and income tax withholding, generally for any employee who is not treated as an employee by the employer. IRC 3509 assessments are recognized on IDRS by item reference number 079 and a reference amount of zero.
- (3) The employer must secure signed Forms 4669 from the employees covered by the examination. The employer then prepares and signs Form 4670 indicating the tax year and the number of statements, Form 4669 secured. These signed forms are considered "prima facie" evidence of filing and further research is unnecessary.
- (4) Form 4668, Employment Tax Examination Changes Report, is the basic report form used for all Forms 941, 942, 943 and 945 examinations. It is used to show the additional tax, overassessment or delinquent tax proposed by the Examiner and should be attached to the last quarter return examined as part of the Revenue Agents Report (RAR).
- (5) Process Forms 4670, 4669 and 4668 as follows:



- a. In an initiative to reduce unnecessary taxpayer contact and processing time of claims filed under IRC section 3402(d) and 3406, the Examiner will provide the taxpayer with an extra copy of the Form 4668 along with Forms 4669/4670. The taxpayer will be instructed to file the copy of the Form 4668 along with the Forms 4669/4670 to the appropriate campus. If the Forms 4669/4670 are received without Form 4668; return the package to the Examiner.
- b. If the claim can be processed, adjust the module for the proper amount using TC 30X and item reference 111 (Total Income Tax Withheld) or 008 (Backup Withholding) as appropriate.

**Note:** The employer is liable for all penalties assessed as a result of the examination and they should not be decreased when tax is adjusted. Restrict any penalty assessment on the module if the tax decrease would cause the penalties to be recomputed.

4.5.3.23.3  
(09-29-2015)

**Special Rules Applicable  
to Certain Employment  
Taxes-IRC 6205 Interest  
Free Adjustments**

- (1) If less than the correct amount of tax imposed by sections 3101, 3111, 3201, 3221 or 3402 is paid with respect to any payment of wages or compensation, proper adjustments with respect to both the tax and the amount to be deducted shall be made without interest.
- (2) IRC 6205 provides an employer who makes or has made an under collection or under payment of employee's taxes (FICA/RRTA) or income tax withholding, may make interest free payments of the tax due when certain conditions are met.
- (3) The signing of Form 2504, *Agreement to Assessment and Collection of Additional Tax and Acceptance of Overassessment*, at the close of an examination or the Appeals conference fulfills the return requirements for the interest free adjustment provisions. In addition, full payment of the tax must be paid at the time of signing Form 2504 to be an interest free adjustment. Unagreed cases with no payments are not subject to an interest free adjustment. Unagreed cases with full payment are subject to interest free adjustments. IRC 4.23.8.3.1 (3) states that if the taxpayer elects to pay the full adjustment amount (tax and penalty) at any time prior to the closing of the examination but does not agree and does not sign Form 2504, the case will be processed as an unagreed case without an interest free adjustment. If, after the case is closed unagreed, the taxpayer signs Form 2504 or files Form 941-X prior to the due date of the return for the period in which the payment was made, the taxpayer will be entitled to an interest-free adjustment. If one of the exceptions listed in IRM 4.23.8.3(9) is not applicable, the signing of one of the Forms 2504 at the close of an examination or Appeals conference (and prior to the issuance of a notice and demand for payment) fulfills the requirements for correcting a return for purposes of the interest-free adjustment provisions of IRC 6205 and the regulations.
- (4) All employment tax cases which involve a restriction on the payment of interest, Form 3198-A, *TE/GE Special Handling Notice* must be attached to the outside of the case file. The section of the Code or Regulations which authorizes the restriction of interest must be notated.
- (5) IRC 6205 **does not** apply to FUTA taxes Form 940 or penalties associated with the underpayment.

- (6) If a taxpayer qualifies for an interest free adjustment - item 11 interest computation date on Form 5599 must be completed and the transaction code must be a TC 308. Refer to IRM 4.23.8.3.1 (2) for the interest computation date.

4.5.3.23.4  
(09-29-2015)  
**Classification Settlement  
Program (CSP)**

- (1) This type of agreement is the Classification Settlement Program or "CSP" establishes procedures under an optional classification settlement program that will allow businesses and tax examiners to resolve worker classification cases as early in the administrative process as possible, thereby reducing taxpayer burden.
- (2) The procedures will also ensure that the taxpayer relief provisions under Section 530 of the Revenue Act of 1978 are properly applied. Under the CSP, Internal Revenue Service (IRS) examiners will be able to offer businesses under examination a worker classification settlement using a standard closing agreement.
- (3) In situations listed under IRM 4.23.6.6 and IRM 4.23.6.7, it is **mandatory** that the examiner present a CSP offer to a taxpayer. The taxpayer has the option of either accepting or rejecting the offer.
- (4) CSP agreements are closing agreements that bind the Service and the taxpayer to prospective tax treatment for future tax periods. Therefore, it is important that CSP agreements be reviewed and approved by employment tax specialists who have the necessary expertise in dealing with worker classification issues.

4.5.3.23.5  
(09-29-2015)  
**Percentages of CSP  
Agreement**

- (1) CSP can be offered at 100 percent or 25 percent of the assessment. It will be identified at the top of the Form 4668 "25 percent CSP Offer Applies — Do Not Process."

4.5.3.23.6  
(09-29-2015)  
**Closing Agreement**

- (1) A closing agreement applies to employment tax cases only (Form 941 and Form 945). Form 940 may be mentioned in the agreement, if the return is related to Form 941 and/or Form 945. The closing agreement is provided in letter format that details the specific matters regarding worker classification. A closing agreement identifies the following:
  - a. Entity in question
  - b. The dispute in question
  - c. Internal Revenue Procedure
  - d. The tax period covered
  - e. Type of tax
  - f. Amount of tax and penalties to be assessed
  - g. Whether or not the entity qualifies for an interest free adjustment
  - h. A signature from the taxpayer
  - i. A signature from the commissioner of the Internal Revenue Service

4.5.3.24  
(09-29-2015)  
**Miscellaneous  
Adjustment Documents  
and Credit Transfers**

- (1) In many situations tax examiners must do miscellaneous adjustments and or credit transfers before or with the examination adjustment to properly reflect the examination results.

4.5.3.24.1  
(11-01-2021)  
**Account Adjustment  
Voucher, Form 2424**

- (1) Form 2424 , *Account Adjustment Voucher*, is prepared in two parts (credit and debit) and is used to effect the credit/debit transfer from MF to MF and MF to NMF.
- (2) To prepare Form 2424, follow these procedures:

Debit	Entry
Name and Address	Only the name of the taxpayer is required on the MF portion
X-reference TIN	Enter the EIN or SSN
X-reference MFT	Enter the appropriate MFT code
Plan Report Number	Used for EP only
Document Locator Number	Leave blank
X-reference Tax Period	Enter the six-digit tax period in YYYYMM format
Transaction Date	Enter the date in the eight-digit MMDDYYYY format. This should be the date the transaction is being reversed, transferred, adjusted, or corrected
1st (primary) Transaction Code	Enter the appropriate transaction code
Debit Amount	This is the amount of the first transaction code. Both the debit and credit entry must be for the same amount
2nd Transaction Code	Enter TC 570 in the debit portion if more than one transfer document is prepared. This is to prevent the issuance of a refund until all transfer documents are posted
Amount	When the second TC is a 570, enter "BLANK" or zero
3rd Transaction Code	Enter the appropriate transaction code
Debit Amount	This is the amount of the third transaction code. Both the debit and credit entry must be for the same amount

<b>Credit</b>	<b>Entry</b>
Name and Address	Enter "Same as above" or if different enter the taxpayers name
Spouse Indicator	Leave blank or enter the appropriate indicator
TIN	Enter the EIN or SSN of the account being credited
MFT Code	Enter the appropriate MFT code
Plan Report Number	Used for EP only
Form 813 Amount	Leave blank
Tax Period	Enter the six-digit tax period in YYYYMM format
Transaction Date	Enter the date in the eight-digit MMDDYYYY format. This should be the date the transaction is being reversed, transferred, adjusted, or corrected
Designated Payment Code	Enter the appropriate designated payment code if applicable
1st Transaction Code	Enter the appropriate transaction code
Credit Amount	This is the amount of the first transaction code. Both the debit and credit entry must be for the same amount
2nd Transaction Code	Enter TC 570 in the credit portion if more than one transfer document is prepared. This is to prevent the issuance of a refund until all transfer documents are posted
Amount	When the second TC is a 570, enter "BLANK" or zero
3rd Transaction Code	Enter the appropriate transaction code
Credit Amount	This is the amount of the third transaction code. Both the debit and credit entry must be for the same amount
Explanation	Enter the reason why the credit is being transferred

Credit	Entry
Bypass Indicator	Enter the appropriate bypass indicator
Date Prepared	Enter the date Form 2424 was prepared in MMDDYYYY format
Prepared By	Enter the name of the individual preparing Form 2424

## 4.5.3.24.2

(11-01-2021)

**Assessment Adjustment Case Record, Form 8485**

- (1) Form 8485 , *Assessment Adjustment Case Record for EO*, and Form 3177, *Notice of Action for Entry on Master File*, should be used to bypass the amended return freeze on non-examined closings when the Examiner has taken the amended return into consideration. A TC 290 for 0.00 is used to clear the amended return freeze. Tax examiners should adjust taxes and penalties using this form, if the case is not established on AIMS. Tax examiners must receive the authorization from the Examiner before making the adjustment.
- (2) When there are more than eight reference items for item 15 on Form 5599, EO Examined Closing Record, the excess should be processed on Form 8485.
- (3) The reference items must be items that **do not** affect the tax and penalty, which are included in the examination results, (e.g. reference items 878, 879, 886, 887, 888 and 889). Tax examiners must ensure the reference items that **do** affect the tax and penalties, which are included in the examination results, (e.g. reference items 680, 681, 682, 764, 765, 766, 806 and 807) are processed on Form 5599.
- (4) To prepare Form 8485, follow these procedures

Description	Entry
Category	Check the appropriate box
Name of Tax Examiner	Enter the name of the individual preparing Form 8485
Document Locator Number	Leave Blank
Employee Number	Enter the 10-digit IDRS number of the individual preparing Form 8485
Interest Computation Date	Enter the interest computation date when adjusting accounts applicable to IRC 6205 or restricted interest adjustments
IDRS Input Date	Enter the date in the eight-digit MMDDYYYY format, usually the date Form 8485 is prepared

<b>Section I - Tax Account Identification</b>	<b>Entry</b>
Field 1 - Name Control	Enter the four character name control
Field 2 - Taxpayer Identifying Number	Enter the taxpayers EIN or SSN
Field 3 - MFT	Enter the appropriate MFT
Field 4 - Tax Period	Enter the six-digit tax period in YYYYMM format
Blocking Series	Enter the appropriate blocking series
Sequence Number	Leave blank
Field 5 - Notice Suppressant	Leave blank
Field 6 - Reason (code)	Enter the appropriate reason code
Field 7 - Source (code)	Enter the appropriate source code
Field 8 - Hold (code)	Enter the appropriate hold code
Field 9 - Priority (code)	Enter the appropriate priority code
Field 10 - Credit Interest Date	Enter the date in the eight-digit MMDDYYYY format. This date is used when adjusting credit interest
Field 11 - Taxpayer Correspondence Date	Enter the date in the eight-digit MMDDYYYY format. This date is used to identify when amended returns were received for interest purposes
Field 12 - Math Error	Leave blank or enter appropriate code
Field 13 - CAF Indicator	Leave blank or enter appropriate code
Field 14 - DMF Agency Code	Leave blank or enter appropriate code
Field 15 - DMF Sub-agency Code	Leave blank or enter appropriate code
Field 16 - TIN Type	Enter BMF or IMF
Field 17 - Transaction Code	Enter the appropriate primary transaction code

<b>Section I - Tax Account Identification</b>	<b>Entry</b>
Field 18 - Amount	Enter the dollar amount of the primary transaction code

<b>Section II - Transaction Code / Amount</b>	<b>Entry</b>
RP Date	Leave blank or enter the return processible date in MMDDYYYY format
Field 19, 21, 23, 25, 27	Enter the appropriate secondary transaction code
Field 20, 22, 24, 26, 28	Enter the dollar amount of the secondary transaction code
<b>Section III - Credit Reference / Amount</b>	<b>Entry</b>
Field 29, 31, 33, 35	Enter the appropriate credit reference numbers
Field 30, 32, 34, 36	Enter the dollar amount of the credit reference numbers

<b>Section IV - Credit / Item Reference / Amount</b>	<b>Entry</b>
Field 37, 39, 41, 43	Enter the appropriate item reference numbers
Field 38, 40, 42, 44	Enter the dollar amount of the item reference numbers
<b>Section V - FUTA State Codes / Amount</b>	<b>Entry</b>
Field 45, 47, 49, 51, 53, 55, 57, 59	Enter the appropriate FUTA state code
Field 46, 48, 50, 52, 54, 56, 58, 60	Enter the dollar amount of the FUTA state code
DRI Code	Leave blank or enter the appropriate DRI code
Explanation	Enter the reason why Form 8485 is prepared



4.5.3.24.3  
(09-29-2015)  
**Assessment and  
Abatement of  
Miscellaneous Civil  
Penalties, Form 8278**

- (1) The Internal Revenue Code contains various penalty provisions which penalize taxpayer for acts not related to the filing of a tax return, i.e. civil penalties. These types of penalties were enacted by Congress to address the continuing problems of non-compliance with tax laws.
- (2) Civil penalties assessed or abated by EO will be assessed / abated on the Master File Civil Penalty Module. Master file tax codes (MFT) are used to record assessments, abatements, and other account actions. In addition to simplifying the assessment/abatement process, these procedures allow for the tracking of assessment data through the use of designated reference numbers.
  - a. MFT 55 for adjustments against individuals, processed on the Individual Master File (IMF).
  - b. MFT 13 for adjustments against business entities, processed on the Business Master File (BMF).
- (3) These penalties must be adjusted using Form 8278, *Assessment and Abatement of Miscellaneous Civil Penalties*. The assessment / abatement action should be input to MF through IDRS, using CC ADJ52, TC 290 with a zero amount and the appropriate three digit reference number and amount. Once posted to MF, a positive money amount will generate a TC 240 and a negative amount will generate a TC 241. The reference number will also post to MF and will be shown to the right of the TC 240 or TC 241. The TC 290 is solely a carrier transaction and will not post to MF.

4.5.3.24.4  
(09-29-2015)  
**Civil Penalty Case Files**

- (1) The civil penalty account must not be established or controlled on AIMS but will be controlled on RCCMS. Form 3198-A must be attached to each penalty case file, identifying it as a civil penalty assessment / abatement, notating the applicable code section and any other special handling action.
- (2) Penalty case files must contain Form 8278, which must be completed by the Examiner. The file may contain additional paperwork related to the civil penalty assessment.
- (3) The tax examiner will prepare a separate file when multiple penalties are assessed for the same tax year. The file will include a copy of the necessary paperwork to comprise a case file.
- (4) The civil penalty module is a single entity module; joint assessments cannot be made. Any joint penalty liability, such as a jointly filed frivolous return, must continue to be made NMF utilizing existing instructions. Only the taxpayers name against whom the penalty is asserted should be shown on Form 8278.
- (5) MF will not accept a fiscal year tax period for MFT 13 / 55 except for assessments input with reference number 613. Reference number 613, Failure to File Foreign Information Returns, MFT 13, may be input with a fiscal or calendar year tax period. All other penalty assertions must carry a tax period ending in "12" or the transaction will become unpostable at MF.
- (6) Incomplete case files and cases with missing entries, manager's signature, joint names or lack of a statute date on Form 8278 must be returned to the Examiner for correction. The correction can also be made via fax to the Examiner.

4.5.3.24.5  
(09-29-2015)

**Establishing Name Lines**

- (1) Establishment of a civil penalty name line (CVPN) applies only to MFT 55 assessments. Information to otherwise update the entity, such as an address change, must be input prior to establishing the CVPN.
- (2) Command code ENMOD or INOLES must be researched for all civil penalty cases to determine if the civil penalty name line needs establishing.
- (3) If the MF name line of the taxpayer being assessed the penalty is joint or ever has been, a CVPN must be established using Form 2363, *Master File Entity Change*, using TC 013, RF 55 (RF 55 informs the data transcriber that only a civil penalty name line is being established or changed). **Do not change the name line of the MFT 30 account.**
- (4) If the name line is single, the special action to establish the CVPN is not warranted. The civil penalty may just be assessed. MF will automatically extract and establish the penalty name line.

4.5.3.24.6  
(09-29-2015)

**Code and Edit**

- (1) To provide easy identification for the person(s) responsible for processing forms they must underline the following entries on Form 8278 in **brown** pencil:
  - a. Taxpayers name control
  - b. MFT code
  - c. Tax Year
  - d. Taxpayers Identification Number (TIN)
  - e. Penalty Reference Number
  - f. Amount assessed
  - g. Amount abated - place brackets around amount
  - h. Penalty Reason Code - if applicable
- (2) The civil penalty module will allow posting of only one penalty assessment per taxpayer per cycle. The system will accept input of multiple transactions and cycle each input automatically. Therefore, multiple concurrent transactions for the same taxpayer and tax period that will be asserted on separate Forms 8278 will be processed as follows:
  - a. The **first** penalty to be assessed must be input using blocking series 52X
  - b. The **second** penalty to be assessed must be input using blocking series 53X
  - c. Tax examiners must annotate Form 8278 with the correct blocking series opposite each penalty to facilitate terminal input

**Note:** A posting delay of one cycle can be placed on the second penalty assessment blocking 53X or you can let the system automatically cycle each adjustment.

4.5.3.24.7  
(09-29-2015)

**Non-Master File Civil  
Penalty Assessments**

- (1) There are conditions under which an individual may be liable for certain civil penalties which are not assessed through MF. These civil penalties must be assessed NMF on Form 5734, *Non-Master File Assessment Voucher*. The civil penalty assessment account must not be established or controlled on AIMS but will be controlled on RCCMS and may be received without the related AIMS case file.
- (2) Form 3198-A , annotated "Civil Penalty Assessment" in the "Other" section, must be attached to the documents or case file.

- (3) Form 5734 , prepared by the Examiner, must be in the case file. A statement for the tax examiner establishing the penalty, with a copy of the front page of the return, may also be included.
- (4) Tax examiners must review Form 5734 for completeness and legibility. If any information is missing or incomplete, the file must be returned to the Examiner or the responsible function.

4.5.3.24.8  
(09-29-2015)  
**Request for Adjustment,  
Form 3870**

- (1) Form 3870 , *Request for Adjustment* is primarily used to request a tax and or penalty adjustment on a taxpayers account. One Form 3870 is used per tax module that is being adjusted. Some common adjustments include:
  - a. Penalty abatements
  - b. Penalty assessments
  - c. Tax adjustments
  - d. Transfer of credits
  - e. Request to move a tax return which has posted to a wrong period or TIN
  - f. Audit reconsiderations
  - g. IRC 6020(b) adjustments when a live return is secured

4.5.3.24.9  
(09-29-2015)  
**Analyzing Form 3870  
and TXMODA**

- (1) When analyzing Form 3870, read the request carefully, sometimes the request can be conflicting and may require a call to the Examiner for clarification. Tax examiners should print out TXMODA to ensure the adjustment has not already been processed or is pending. Form 8485 may be required if there are accruals on the transcript when freeze codes are present on the module. The turnaround time to work Forms 3870 is usually 2 business days. The document code for this form is 54. This is important when trying to find the appropriate transaction codes in Document 6209, IRS Processing Codes and Information. Now that the Form 3870 and TXMODA has been analyzed, you are ready to code.

4.5.3.24.10  
(09-29-2015)  
**Code and Edit Form  
3870**

- (1) There are several types of codes to complete the 3870. It is imperative that tax examiners have the knowledge to properly code this form. The codes utilized by tax examiners are:
  - a. Transaction codes - TC
  - b. Reason codes - only if abating a penalty
  - c. Source code - only for IMF accounts
  - d. Hold code
  - e. Priority code
  - f. Posting delay code
  - g. Reference number codes
- (2) These codes are necessary to affect the exact tax and or penalty adjustment being processed. The proper preparation of this form will ensure the correct input and posting of the adjustment.
- (3) Information required from the Examiner:

Field	Entry
Box 1	TIN

Field	Entry
Box 2	TP's Name, Address and Phone Number
Box 4	MFT
Box 5	Period Ending in YYYYMM format
Box 7	Source - applicable box will be checked
Box 10	Personal Contact - applicable box will be checked
Box 11	Reason for Adjustment
Box 13	Signature of Preparer - <b>Required</b>
Box 14	Approving Official Signature and Title - <b>Required</b>

**Note: It is mandatory for Form 3870s to have two signatures**, one from the requestor and another from the approving official. If the requestor is a Manager, then the Area Manager would have to be the approving official. These signatures can either be handwritten or electronic.

(4) Information required from Tax Examiner:

Field	Entry
Box 16	Blocking Series
Box 18	Source Code - only for IMF
Box 19	Reason Code - only if abating a penalty
Box 21	Hold Code
Box 23	Priority Code
Box 24	Posting Delay Code - if applicable
Box 25	Source Doc. Attached
Box 29	Applicable Transactions Codes
Box 30	Remarks Confirming Adjustment (i.e. Per Agents request, penalties were abated) also initial and date of individual coding Form 3870

(5) The following items are required to be **underlined** on Form 3870 with a **brown** pencil or marker:

Field	Entry
Box 1	TIN
Box 2	TP's Name
Box 4	MFT
Box 5	Period Ending
Box 16	Blocking Series
Box 18	Source Code
Box 19	Reason Code
Box 21	Hold Code
Box 23	Priority Code
Box 24	Posting Delay Code
Box 25	Source Doc. Attached
Box 29	Transaction codes and amount + or (-) Reference numbers and Item Adjustment, Credit Adjustment amount + or (-)
Box 30	Remarks - under line any additional information required with the input (i.e. interest computation dates)

**Reminder:** Each entry should be underlined in brown pencil or marker.

4.5.3.25  
(09-29-2015)

#### Reprocessing Returns

- (1) A reprocessable return is a return that has not posted to the correct module on the Master File (MF) and needs to be corrected and reentered to the processing system. Cases may include:
  - a. Canceled Document Locator Number (DLN)
  - b. Posting to incorrect TIN
  - c. Posting to incorrect tax period
- (2) Do not reprocess a return to a module that already contains a Transaction Code (TC) 150 posting.
- (3) Do not attempt to reprocess documents containing DOC Codes 51 or 54.
- (4) If a return has a renumbered DOC Code 47 and has been processed to an incorrect TIN or tax period, take the following action:
  - a. Secure the return and Form 5599, *EO Examined Closing Record* from the files
  - b. Input the necessary adjustments to the tax module and prepare Form 13596, *Reprocessing Returns*, to reprocess the return using the original DLN on the return

- (5) When processing amended or subsequent returns the following items must be completed to process the return as an original:
  - a. The return must be signed by the taxpayer
  - b. Copies of Forms W-2 must be attached for Form 1040
  - c. Supporting schedules must be attached
  - d. Dependents must be listed for Form 1040
- (6) For amended returns, if one of the following conditions exists, the information on the amended return may not be input as an original when the amended return is in fact, the original and the only return filed:
  - a. The "to" and "from" sides are the same
  - b. The "from" side only is completely filled out
  - c. The Copy B of the Form W-2 is attached (Form 1040 returns only)
- (7) Form 13596 acts as a cover sheet giving instructions for reprocessing the return. A separate Form 13596 is stapled to the front of each return that is to be reprocessed to the master file.

4.5.3.25.1  
(09-29-2015)  
**Re-sequencing Returns**

- (1) When an account moves from one SSN / EIN to another or from one segment of an SSN / EIN (valid or invalid) to the other segment, we call it re-sequencing.
- (2) To re-sequence an account, request a CC TXMODA, IMFOL or BMFOL for both SSN's / EIN's (valid and invalid). Re-sequencing action moves all tax periods present in the account. Specific tax periods cannot be moved independently. Form 13596 is prepared when re-sequencing is required.
- (3) Do not merge account numbers if the following are present:
  - a. Either account contains a scrambled SSN indicator and Mail Filing Requirement Code (MFR) of 8.
  - b. Either account contains a criminal investigation transaction.
  - c. Only one account contains a Potentially Dangerous Taxpayer (PDT) indicator.
  - d. Both accounts contain a module for the same tax period with an unreversed TC 520 except closing codes 81 or 85 to 88.
  - e. Both accounts contain a value for a lifetime exclusion indicator.
  - f. Both accounts contain a module for the same year and the "From" account contains a Central Authorization File (CAF) indicator (TC 960).
  - g. The name control of the "From" account does not match the name control of the "To" account.
  - h. The "From" account contains an indicator in the Abusive Tax Shelter (ATS) year.
  - i. Both accounts contain a module for the same tax year and more than three non-IDRS TC 766, (DOC Code 54, Blocking Series 400 to 499) are posted on the two accounts.
  - j. The "From" account contains a civil penalty name line that does not match the name control of the "To" account.
  - k. Both accounts have a TC 060, 930 or 940 present.
  - l. Both accounts contain a module in Taxpayer Delinquency Investigation (TDI) status 03 or Taxpayer Delinquent Account (TDA) status 22, 24, 26, 60 and the location codes, Accounts Receivable File (ARF) are not in agreement.
  - m. One or both accounts have a vestigial record for the same year.

- n. Both accounts have a TC 150 in the same period.
- o. One or both accounts contain an unreversed TC 400, TC 424 or TC 576.
- p. Both accounts have a module for the same year that contain either a combination of a TC 150 and multiple TC 610's, one of which is Remittance Processing System (RPS), or a TC 150 ("S" coded) on one module and the other module contains a TC 610 that does not match the DLN of the TC 150.

4.5.3.25.2  
(11-01-2021)

**Preparation of Form  
13596**

- (1) Tax Examiners must complete the following blocks or line items on Form 13596, complete all block or line items applicable to the reprocessing or re-sequencing procedure:

Field	Entry
IDRS Employee Number	Enter the 10 digit IDRS number of the individual who prepared Form 13596
Date	Enter the date Form 13596 is prepared
Correcting the TIN	Enter the correct TIN
Correcting Yearly Return Tax Period to	Enter the correct tax year
Quarterly Returns Year	Check the appropriate box of 1st qtr., 2nd qtr., 3rd qtr., or 4th qtr
Correcting the Plan / Report Number to	Leave blank - for EP use only
CP 190 / 22 - Requestor must input TC 971 with AC 002 to prevent CP 193 / 36 and -A freeze generating. (Reprocess as the original to the same TIN and tax period)	Check the box if applicable
Reasonable Cause	Check the appropriate box of: FTD, FTF, FTP, DDP
Remarks	Notate any additional remarks that may assist in processing Form 13596

- (2) Once Form 13596 is completed, make one copy of the return and Form 13596. Forward the original return and Form 13596 to the campus and place the copy of the return and Form 13596 in suspense.
- (3) Address for sending original Form 13596:
- Internal Revenue Service  
1973 Rulon White Blvd.  
Mail Stop: 6054  
Ogden, UT 84404



- (4) Tax Examiners must follow up to ensure that the return has properly been processed and posted.

4.5.3.25.3  
(09-29-2015)  
**Code and Edit Form  
5599/RCCMS**

- (1) When the return has been properly reprocessed or re-sequenced Form 5599 will be coded for the incorrect and correct module as follows:

**Incorrect Module:**

- a. Code Form 5599 to abate (zero out) the tax and or penalty and reduce any withholding credits if necessary.
- b. Code Form 5599 to abate any adjusted gross income, taxable income (zero out) etc.
- c. Prepare Form 2424 if necessary, to transfer any payments on the incorrect module to the correct module.
- d. Code RCCMS closing tabs.
- e. Submit for terminal closure.

**Note:** Any interest on the module will automatically abate.

**Correct Module:**

- a. Code Form 5599 per audit findings on Form 4549 *Income Tax Examination Changes*.
- b. Code Form 5599 with a posting delay code if payments are to be transferred.
- c. Code RCCMS closing tabs.
- d. Submit for terminal closure.

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**Exhibit 4.5.3-1 (11-01-2021)**

**Instructions for Completing Form 2363, Master File Entity Change (Transaction Code 091, Changing Filing Requirements for those of a Corporation)**  
**(Reference: IRM 4.5.3.18.1)**

<b>Step</b>	<b>Entry</b>
1.	Check the BMF box.
2.	Check the 091 box.
3.	Enter the check digit, if present, or the name control.
4.	Enter the EIN and check the box.
5.	Enter the Fiscal year month ending.
6.	Enter the MFT code.
7.	Enter the Employment Code, when applicable.
8.	Enter the Filing Requirement for Form 1120.
9.	Enter the current status date.
10.	Enter the last name of person preparing the form.
11.	Organization symbols of preparer.
12.	Area Office or Campus Center code of preparing office.
13.	Form number of description of source document.
14.	DLN of source document.

**Exhibit 4.5.3-2 (11-01-2021)**

**Instructions for Completing Form 2363, Master File Entity Change (Transaction Code 016, Eliminating 1041 Filing Requirement)**  
**(Reference: IRM 4.5.3.18.2)**

<b>Step</b>	<b>Entry</b>
1.	Check the BMF box.
2.	Check the 016 box.
3.	Enter the check digit, if present, or the name control.
4.	Enter the EIN and check the box.
5.	Enter the Employment Code, when applicable.
6.	Enter the current status date.
7.	Enter the Fiscal year month ending.
8.	Enter the MFT code.
9.	Last name of person preparing the form.
10.	Organization symbols of preparer.
11.	Area Office or Campus Center code of preparing office.
12.	Form number of description of source document
13.	DLN of source document.

**Exhibit 4.5.3-3 (11-01-2021)****EO Compatible Filing Requirements Chart****(Reference: IRM 4.5.3.18.4)**

1120 PR	SS CODE	990 FR	990-PF FR	TF CODE
01	03		1	03 or 04
01	12	01		
03	12	01		
04	15	01		
09	03	01, 02		09 or 18
01	50			
02	60			
04-23	70			

**Exhibit 4.5.3-4 (11-01-2021)****TE/GE Campus Addresses for Submitting Delinquent Returns****(Reference: IRM 4.5.3.19)**

<b>Type of Return:</b>	<b>Send Remittance or Delinquent Remittance Return Package to:</b>	<b>Send Non-Remittance Returns to:</b>
EP, EO and GE Returns (except those listed below):	Ogden Campus 1973 Rulon White Blvd., Mail Stop 1999 Ogden, UT 84404	Ogden Campus 1973 Rulon White Blvd. Mail Stop:1818 Ogden, UT 88404
All other related Delinquent Returns or Remittances (i.e., Form 940 or 941)	Ogden Campus 1973 Rulon White Blvd., Mail Stop 1999 Ogden, UT 84404	Ogden Campus 1973 Rulon White Blvd. Mail Stop: 6052 Ogden, UT 84404
Delinquent Excise Tax Returns - Form 11-C, Form 730; NMF Returns - Form 4720, Form 990-BL, CT-2, etc.	Ogden Campus 1973 Rulon White Blvd., Mail Stop 1999 Ogden, UT 84404	Ogden Campus 1973 Rulon White Blvd., Mail Stop 1999 Ogden, UT 84404
Delinquent Foreign Tax Returns	Philadelphia Campus 2970 Market Street Philadelphia, PA 19104	Philadelphia Campus 2970 Market Street Philadelphia, PA 19104
Form 5500 *	Ogden Campus 1973 Rulon White Blvd., Mail Stop 1999 Ogden, UT 84404	Ogden Campus 1973 Rulon White Blvd., Mail Stop 1999 Ogden, UT 84404
* If payment is secured for delinquency penalties, a Form 3244-A and the check is mailed to the Ogden Campus with a Form 3210. The delinquent return package should be mailed to EBSA.		