INDEPENDENT OFFICE OF APPEALS

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

July 31, 2026

Control No. AP-08-0726-0028
Expiration Date: 07/31/2028
Affected IRM: 8.11.4

MEMORANDUM FOR ALL IRS INDEPENDENT OFFICE OF APPEALS EMPLOYEES

FROM: Steven M. Martin */s/ Steven M. Martin*
Director, Operations Support

SUBJECT: Appeals Case Management System (ACMS) procedure updates for IRM 8.11.4, Penalty Appeals (PENAP)

This guidance provides general information about ACMS detailed in IRM 8.11.4, Penalty Appeals (PENAP). Please distribute this information to all impacted employees within your organization.

Purpose: This guidance provides changes in terminology and new processing functionality for the IRS Independent Office of Appeals (Appeals) new case management system, ACMS.

Background/Source(s) of Authority: Appeals Centralized Database System (ACDS), Appeals' aging legacy system, is being replaced by ACMS, a more modernized system. Appeals contracted Salesforce to create ACMS, which will provide Appeals with a new level of automation and analytics. These updates will allow for more effective collaboration within Appeals and, in the future, with other IRS business units.

Procedural Change: Release 1 of ACMS focused on Collection Appeals work. Release 2 of ACMS will focus on Examination Appeals and Specialized Examination Programs and Referrals (SEPR) case work. Future releases will incorporate concepts introduced in this guidance and will be reinforced via training and applicable user guides. Procedural changes pertaining to this guidance are included in the attachment.

Additional Information: Additional information on ACMS can be found on the Appeals Exchange (ApEx) ACMS Home Page. This site contains links for helpful information with ACMS, training documents, etc.

Effect on Other Documents: Portions of this guidance may be extended, modified, or made permanent, and incorporated into the affected IRM section(s) within two years

from the date of this memorandum.

Effective Date: This guidance is effective as of the date of this memorandum.

Contact: Appeals employees should follow existing procedures to elevate questions through their management chain and follow established procedures on How to Contact an Analyst.

Attachment

cc:
FOIA Library
www.irs.gov

Attachment AP-08-0726-0028, Appeals Case Management System (ACMS) procedure updates for 8.11.4, Penalty Appeals (PENAP)

Throughout 8.11.4

- References to Appeals Centralized Database System (ACDS) will be changed to Appeals Case Management System (ACMS).
- Form 5402, Appeals Transmittal and Case Memo, has been replaced. The "Printable View" feature now captures the information found on Form 5402 and is referred to as the E-5402.
- Appeals Technical Employees (ATEs) can make edits to various fields in ACMS. If a field cannot be edited, submit an account processing support request requesting Account and Processing Support (APS) update the appeal.

8.11.4.1.5 (MM-DD-YYYY)
Terms and Acronyms
Updated table in paragraph (2)

CR-NR	Systemic entry input in ACMS when the ATE acknowledges receipt of the case, that stands for "Case Received-New Receipt"
CS	Case Summary
PENAP	Penalty Abatement Request

8.11.4.2 (MM-DD-YYYY)
Penalty Abatement Request (PENAP) Program
Updated Section title and paragraph (1)

(1) Penalty Abatement Request (PENAP) procedures generally apply to penalties that have already been assessed. These penalties are commonly referred to as "post-assessed" penalties. In Appeals, these cases are controlled in ACMS with the applicable category code and the subcategory "Penalty Abatement Request (PENAP)."

8.11.4.2.1 (MM-DD-YYYY)
Identifying a PENAP Case
Updated Paragraph (1). No changes were made to the table in paragraph (1).

(1) The following table identifies the most common Transaction Codes (TC) that may be included in the Proposed Penalty field at the return level with the ACMS subcategory "Penalty Abatement Request (PENAP)." Note that this is **not** an all-inclusive list.

8.11.4.2.5 (MM-DD-YYYY)
New Receipt Procedures for Appeals Technical Employees
Updated title and paragraphs (1) and (2)

(1) Upon receipt of a newly assigned or transferred case (i.e., date of CR-NR), the ATE will follow the procedures outlined in IRM 8.2.1, Receipt of New Assignment by an Appeals Technical Employee (ATE). These procedures include, but are not limited to,

the following:

- Determining the statute of limitations and validating the statute-related fields in ACMS within 45 calendar days of receipt of the case. Refer to IRM 8.21.3, Appeals Technical Employees Statute Responsibility. **The statute verification timeframe cannot be extended beyond 45 days.**
- Validating the Case Summary (CS) information and making updates, if necessary, in accordance with IRM 8.11.1.2.6(2) and IRM 8.11.1.2.6(3), New Receipt Procedures for Appeals Technical Employees (ATEs).

(2) The ATE will, within 45 calendar days of receipt, verify the CS information, including the following:

- The applicable category with the subcategory "Penalty Abatement Request (PENAP)."
- Applicable Penalty Reference Number (PRN). See IRM 20.1.1.5.3, Penalty Reference Numbers (PRNs).
- Each Master File Tax (MFT) is established within ACMS.
- ACMS Statute Date or Statute Code based on the following table:

Description	Statute Date	Statute Code
Penalties have been assessed	Blank **Note:** If the Statute Date is blank, see Exhibit 8.21.2-1, ACDS Statute Codes, for valid statute codes.	ASESD
Penalties **ARE NOT** assessed	Valid statute date	Blank

- Amount Appealed - The total dollar amount of the penalty for each tax period, rounded to the nearest whole dollar.

  Note: If there is more than one penalty for each tax period, total the amount for each tax period, and enter the sum for the respective period to the nearest whole dollar.

8.11.4.2.7 (MM-DD-YYYY)
Closing Actions by the ATE
Updated paragraphs (2) and (4)

(2) Use ACMS to generate forms and letters. If a form or letter is not found in ACMS, use the Publishing Catalog.

(4) Complete the closing information in ACMS and generate an E-5402 to:

- Show the affected tax periods included and penalties considered in the case
- Show TCs and amounts
- Show applicable IRC Section References
- Show where to route the case and feedback
- Show APS how to adjust the taxpayer's account for each penalty considered in each period based on the case determination. Generally, the ATE will accomplish this task by entering closing information for each penalty considered in each tax period. This period-by-period and penalty-by-penalty breakdown is needed by APS so they can fully and accurately adjust the taxpayer's account.

Exception: If the ATE is recommending that Appeals fully sustain all protested penalties in a tax period, and if all of those penalties have been fully assessed, the ATE may use an optional method to input closing information. For such cases, the ATE may consolidate the information for the tax period, regardless of the number of penalties considered in that tax period. However, to use this optional method, the ATE **must** fully list all penalties considered in the period in the "IRC Sec. Ref. No." field. If all penalties considered in the tax period cannot be listed in the "IRC Sec. Ref. No." field in ACMS, this optional method **cannot** be used by the ATE.

Example: An ATE considers a case in which an individual taxpayer has protested penalties assessed for alleged failure to file returns timely, pay taxes due timely, and make estimated tax payments. For 20X1, these assessed penalties total $1,500. The ATE confirms that all penalties have been fully assessed.

After considering the taxpayer's arguments, the ATE concludes that none of the penalties should be abated. Assuming that all penalties considered in the tax period can be fully shown in the "IRC Sec. Ref. No." field, the ATE may use the optional method for preparing the E-5402 described in the "Exception" paragraph above.

If the ATE chooses to use this optional method, the E-5402 will have one row for the tax period. In relevant part, and with certain columns omitted because of space limitations, the E-5402 Tax Period Revised Dollars section should resemble the following:

Tax Period	**...**	**IRC Sec. Ref. No.**	**Amount Appealed**	**Amount Sustained**	**Amount Abated**	**IDRS Reason Code**
20X1	...	6651(a)(1)-(2), 6654	$1,500.00	$1,500.00	$0.00	41

The ATE will:

- Input penalty adjustment amounts using exact dollars and cents when making full and partial abatements.
- Input the correct closing code (cc) and applicable resolution reason code.

  - cc 14 – Compliance is fully sustained (penalties are not removed),
  - cc 15 – Compliance is not sustained/fully abated (penalties are fully removed), or
  - cc 16 – Compliance is partly sustained/partly abated (only part of the penalties are removed)
  - cc 20 – Premature Referral

- Include special instructions related to processing the case in the remarks field and indicate any special features, if applicable.
- Notate in the Remarks when a certified claim disallowance letter had been issued (e.g., Letter 1363, Appeals Partial Disallowance of Refund Claim - Certified, and/or Letter 1364, Appeals Full Disallowance of Refund Claim - Certified), and instruct APS to enter this information in ACMS. The reason for this requirement is to ensure duplicate certified letters are not issued, which may erroneously extend the two-year period to file suit with the applicable court.
- Input the proper Integrated Data Retrieval System (IDRS) reason code:

  - **40** – Fully Abated,
  - **41** – Sustains Penalties, or
  - **42** – Partially Sustains Penalties (part of the penalty is abated)

(5) Prepare the appropriate closing letter:

- Letter 1277, Penalty Appeal Decision, if the taxpayer's penalty abatement request is not fully granted. Use the narrative section to provide the reason for denying the abatement request in full or in part; or
- Letter 1278, Penalty Appeal Abatement, if the taxpayer's penalty abatement request is fully granted.

The closing letter prepared by the ATE should be left undated and should contain the ATM's signature block. If the ATE mails the closing letter to the taxpayer, the ATE will date the closing letter after it is signed by the ATM. If APS is mailing the closing letter, the ATM's signed closing letter is left undated as an attachment in ACMS. A signed and dated copy of the closing letter **must** be uploaded to ACMS. See IRM 8.20.7.13.2, Closing Letter, for more information about the process of sending closing letters.

Reminder: If a taxpayer's authorized representative has requested copies of notices sent by the IRS to the taxpayer, remember to also prepare Letter 937, Transmittal for Power of Attorney.

(7) Submit the case to the ATM for approval. After the ATM approves the ATE's recommended settlement, the ATM signs the closing letter and uploads a copy to ACMS. The case is routed to APS for closure with the ATE's and ATM's signatures on the E-5402.