



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

February 25, 2020

Control Number: SBSE 04-0220-0003
Expiration Date: 02-24-2022
Affected IRM: 4.24.2

MEMORANDUM FOR DIRECTOR, SPECIALTY EXAMINATION; CHIEF, ESTATE &
GIFT / EXCISE TAX EXAM; AND EASTERN TERRITORY AND 637
REGISTRATION GROUP MANAGERS

FROM: Daniel R. Lauer by Acting Director
Director, Examination-Specialty Policy

Lisa M. Piehl

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Piehl
Date: 2020.02.25 13:47:28
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SUBJECT: Computer Paragraph (CP) 241 Procedures for 637 Registrants

This memorandum issues guidance on CP 241 for 637 Registration Group until Internal Revenue Manual (IRM) 4.24.2 is re-published. Please ensure that this information is distributed to all affected employees within your organization.

Purpose: The purpose of this memorandum is to provide interim guidance to the 637 Registration Program for addressing Notice CP 241.

Background/Source(s) of Authority: Treasury Inspector General for Tax Administration Report 2019-40-079 recommended processes and procedures be developed to ensure Letter 3696, *Results of Compliance Review*, is sent when required per IRM 4.24.2.17 and case files are notated as to the reason why a letter was not sent.

Procedural Change: Excise involvement may be required when the weekly Notices CP241 are received by the 637 Registration group identifying one or more of eleven conditions on a Form 627 registrant:

- (1) FTD PENALTY ASSESSED. The deposit penalty can be for any type of tax including income tax, excise tax, or employment tax. The BMF indicator for the return for which a deposit was not made is listed in the information section of the notice.
- (2) RETURN NOT FILED. Failure to file a return of any type. This indicator is designed to protect unpaid taxes in a delinquency Situation. The BMF indicator for the type of return not filed is indicated in the information section

of the notice.

- (3) FORM 720 FILED – TAX OWING. Form 720 is filed reflecting a tax liability, but no payments or deposits have been made.
- (4) FORM 720 NO DEPOSITS. Form 720 was filed with full payment of tax liability with return.
- (5) FINAL RETURN. Form 720 was filed noting “final return”.
- (6) DELINQUENCY – THIRD NOTICE. The registrant is in collection status code 56 and a third notice for payment has been issued. The delinquent taxes can be for any type of return. The form number and tax period are shown in the information section of the notice.
- (7) DUPLICATE REGISTRATION. The registrant has either attempted to obtain, or has obtained, a second registration using the same EIN. These cases are either worked by the 637 Registration Group or forwarded to the field for a sample review.
- (8) DEPOSITS NOT RECEIVED. Two months after the date the Form 637 indicator was input to BMF, the registrant did not make a deposit of excise tax.
- (9) FORM 720 NOT FILED. Eight months after the date the Form 637 indicators were input to BMF, a Form 720 was not filed by the registrant.
- (10) BANKRUPTCY. The registrant filed for bankruptcy.
- (11) CID FREEZE. A CID freeze code has posted.

When a Notice CP 241 is received, the 637 Registration Group manager or delegate will take the following actions:

- 1. Review, prioritize and determine the next action required for each notice.
- 2. Review the registrant’s 637 Issue Management System (IMS) case file for prior activity addressing the condition.
- 3. Secure appropriate IDRS research necessary to ensure all tax modules requiring attention are known.
- 4. If conditions 1, 2, 3, 4, 6, 8, and/or 9 are indicated and after reviewing IDRS research the condition has not been resolved, contact the registrant and discuss the problem.
- 5. If after reviewing IDRS research it is determined that the condition has been resolved or is not applicable, document actions on the activity record and no further action is required.
- 6. If CID freeze code is indicated, contact Criminal Investigation Division (CID) to determine reason for their involvement. Obtain CID approval before any actions are taken and document the activity record.
- 7. If the conditions 1, 2, 3, 4, 6, 8, and/or 9 are not addressed in a satisfactory manner within 30 days of contact, action must be initiated to revoke or suspend the registration until the condition is corrected.

All decisions, actions, and contacts with the registrant will be documented in the IMS activity record. If the registrant has been contacted, written notification of the final determination will be provided using Letter 3696, *Results of Compliance Review*.

Effect on Other Documents: This guidance will be incorporated into IRM 4.24.2, Excise Tax, Form 637 Excise Tax Registrations by February 24, 2022.

Effective Date: February 25, 2020

Contact: If you have questions concerning this guidance, please contact Kellie McCann, Program Manager, Excise Tax Policy, (412)404-9607 or Diane Williams, Excise Tax Policy Analyst, (856)792-9362

Attachment

Distribution:

[IRS.gov \(http://www.irs.gov\)](http://www.irs.gov)

SBSE 04-0220-0003 Attachment

The following changes are hereby effective 02/25/2020 for IRM 4.24.2, *Excise Tax, Form 637 Excise Tax Registrations*. **Note:** The subsections in the IRM are being modified with additional information shown below. For this reason, the numbering sequence below keys to the IRM section numbering system. For example, the subsection immediately below is numbered “3” rather than “1.” Subsections “1” and “2” remain in effect and are not modified.

**4.24.2.17.2 (MM/DD/2022)
Notice CP 241 Procedures**

- (3) The 11 conditions listed below indicate that excise involvement may be required for the registrant’s account:
- (1) FTD PENALTY ASSESSED. The deposit penalty can be for any type of tax including income tax, excise tax, or employment tax. The BMF indicator for the return for which a deposit was not made is listed in the information section of the notice.
 - (2) RETURN NOT FILED. Failure to file a return of any type. This indicator is designed to protect unpaid taxes in a delinquency situation. The BMF indicator for the type of return not filed is indicated in the information section of the notice.
 - (3) FORM 720 FILED-TAX OWING. Form 720 is filed reflecting a tax liability, but no payments or deposits have been made.
 - (4) FORM 720 NO DEPOSITS. Form 720 was filed with full payment of tax liability with return.
 - (5) FINAL RETURN. Form 720 was filed noting “final return”.
 - (6) DELINQUENCY-THIRD NOTICE. The registrant is in collection Status Code 56 and a third notice for payment has been issued. The delinquent taxes can be for any type of return. The form number and tax period is shown in the information section of the notice.
 - (7) DUPLICATE REGISTRATION. The registrant has either attempted to obtain, or has obtained, a second registration using the same EIN. These cases are either worked by the 637 Registration Group or forwarded to the field for a sample review.
 - (8) DEPOSITS NOT RECEIVED. Two months after the date the Form 637 indicators were input to BMF, the registrant did not make a deposit of excise tax.
 - (9) FORM 720 NOT FILED. Eight months after the date the Form 637 was input to BMF, a Form 720 was not filed by the registrant.
 - (10) BANKRUPTCY. The registrant filed for bankruptcy.
 - (11) CID FREEZE. A CID freeze code has posted

4.24.2.17.2 (MM/DD/2022)
Notice CP 241 Procedures

(4) When a Notice CP 241 is received, the 637 Registration Group manager or delegate will take the following actions:

1. Review, prioritize and determine the next action required for each notice.
2. Review the registrant's 637 Issue Management System (IMS) case file for prior activity addressing the condition.
3. Secure appropriate IDRS research necessary to ensure all tax modules requiring attention are known.
4. If conditions 1, 2, 3, 4, 6, 8, and/or 9 are indicated and after reviewing IDRS research the condition has not been resolved, contact the registrant and discuss the problem.
5. If after reviewing IDRS research it is determined that the condition has been resolved or is not applicable, document actions on the activity record and no further action is required.
6. If CID freeze code is indicated, contact Criminal Investigation Division (CID) to determine reason for their involvement. Obtain CID approval before any actions are taken and document the activity record.
7. If the conditions 1, 2, 3, 4, 6, 8, and/or 9 are not addressed in a satisfactory manner within 30 days of contact, action must be initiated to revoke or suspend the registration until the condition is corrected.

All decisions, actions, and contacts with the registrant will be documented in the IMS activity record. If the registrant has been contacted, written notification of the final determination will be provided using Letter 3696, *Results of Compliance Review*.