



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

SMALL BUSINESS/SELF-EMPLOYED DIVISION

Date: April 29, 2024

Control Number: SBSE-04-0424-0018
Expiration Date: April 29, 2026
Affected IRM(s): 4.24.23 and 4.24.24

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

FROM: Daniel R. Lauer, Director, Examination Headquarters Daniel R. Lauer
Digitally signed by Daniel R. Lauer
Date: 2024.04.29 12:29:42 -0400

SUBJECT: Interim Guidance for Form 637 Applications Under IRC 4101 with Compliance Issues Not Addressed by the Form 637 Registration Group

This memorandum issues interim guidance on Form 637 applications under IRC 4101 for activity letters K, M, QR, and S with compliance issues not resolved by the registration group until IRM 4.24.23, Operational Procedures and Responsibilities for Form 637 Excise Tax Registrations and Secure Airport Terminals (SATs), and IRM 4.24.24, Form 637 Registration Files: Administrative Procedures for Initial Applications and Case Reviews, are revised. Please ensure this information is distributed to all affected employees within your organization.

Purpose: To provide guidance to the registration group for Form 637 applications under IRC 4101 for activity letters K, M, QR, and S with compliance issues.

Background/Source(s) of Authority: Treas. Reg. 48.4101-1(f)(4)(i) provides that an applicant meets the adequate security test only if the district director determines that the applicant has both adequate financial resources, and a satisfactory tax history, or the applicant gives the district director a bond. Treas. Reg. 48.4101-1(f)(1), applies the acceptable risk test and the adequate security test to applicants listed in Treas. Reg. 48.4101-1(c) and (d) except for ultimate vendors, pipeline operators and vessel operators. Generally, this will be activity letters K, M, QR, and S.

Procedural Change: Form 637 applications for activity letters K, M, QR, or S that do not have adequate financial resources, or a satisfactory tax history will not be denied by the Form 637 registration group. These applications will be sent to the field so that bonding may be considered.

Effect on Other Documents: This guidance will be incorporated into IRM 4.24.23 and IRM 4.24.24 by April 29, 2026.

Effective Date: April 29, 2024

Contact: If you have any questions regarding this memorandum, you may contact Kellie L. McCann, Program Manager, Excise Tax Policy, or Diane Williams, Excise Tax Policy Analyst.

Distribution:

IRS.gov (<http://www.irs.gov>)

Attachment: IRM 4.24.23 and IRM 4.24.24 Revisions

SBSE-04-0424-0018 Attachment – IRM 4.24.23 and IRM 4.24.24 Revisions

The following changes are hereby effective April 29, 2024 for IRM 4.24.23, Excise Tax, Operational Procedures and Responsibilities for Form 637 Excise Tax Registrations and Secure Airport Terminals (SATs), and IRM 4.24.24, Excise Tax, Form 637 Registration Files: Administrative Procedures for Initial Applications and Case Reviews.

4.24.23.7

Roles and Responsibilities for Excise Groups (paragraph 2 is revised as follows)

(2) Form 637 excise group compliance reviews will consist of the following:

- New applications, without compliance issues, that meet excise group criteria
- New applications, with compliance issues for activity letters K, M, QR, and S
- Sample reviews selected by Excise Case Selection/Workload Selection and Delivery
- Sample reviews selected by the registration group
- Discretionary reviews requested by excise groups
- Applications or registrations that could not be resolved by the registration group

4.24.24.4.3

Status 20 Compliance Check - Overview Initial Application and Sample Reviews Conducted by Form 637 Registration Group Tax Examiner (paragraphs 3 and 7 are revised as follows)

(3) The initial application or sample review will only be designated as an excise group case, if the Tax Examiner (TE) determines:

- There is an open examination,
- No compliance issues have been identified for cases that meet excise group criteria,
- Compliance issues were identified on applications for activity letters K, M, QR, or S, or
- Letter 3681 was not returned “undeliverable”.

Note: Refer to IRM 4.24.24.4.2 for more information about when a case is designated as an excise group case.

(7) Initial applications in Status 20 that contain mixed activity letters designated as both a registration group case and an excise group case will be worked as an excise group case unless compliance issues are found (for applications other than for activity letters K, M, QR, or S) by the TE. If compliance issues are found (for applications other than for activity letters K, M, QR, or S) then the TE must follow the procedures to deny the application. Refer to IRM 4.24.24.4.3.2. If compliance issues are found on applications for activity letters K, M, QR, or S, then the TE must follow the procedures in IRM 4.24.24.4.3.3(1)(c).

4.24.24.4.3.3

IMS Status 20 - Compliance Review Procedures for Excise Group Cases (paragraph 1 is revised as follows)

- (1) After the registration group TE completes the procedures in IRM 4.24.24.4.3.1 the following actions must be taken on applications designated as an excise group case. The TE will:
 - a) Complete the “Form 637 IMS Recommendation” screen with the filing requirements and payment histories for the applicant and related person(s).
 - b) Recommend “Approve” in Issue Management System (IMS) if no deficiencies were discovered on the IDRS compliance check.
 - c) Deny the application if deficiencies remain after the TE attempted to resolve them during the compliance check, or the applicant failed to respond. The TE will notate the deficiencies discovered on the “Form 637 IMS Recommendation” screen and recommend “Deny” in IMS. If there is an open examination or the application is for activity letters K, M, QR, or S, then the initial application will be assigned to the excise group for resolution.
 - d) Document the Case Level Activity Record in IMS.
 - e) Close the IMS case file to the Lead Technician (LT). The IMS case file will be updated to Status 30.

4.24.24.4.4

Status 30 – LT Review – Form 637 Case Criteria (paragraph 6 is revised as follows)

(6) Cases that are denied in IMS by the TE, other than for activity letters K, M, QR, or S, are updated to Status 65 and placed in the registration group manager’s “Queue Manager Q2” under the IMS Queue Menu for concurrence and to make the final determination. Refer to IRM 4.24.24.4.5 for additional guidance. Cases that are denied in IMS by the TE for activity letters K, M, QR, or S will be updated to Status 30 and placed in the “LT Process Q2” under the IMS Queue Menu so the case can be assigned to the excise group for consideration of bonding and final determination.

4.24.24.4.4.2

Status 30 – Procedures for Excise Group Cases (paragraph 1 is revised as follows)

- (1) Status 30 Form 637 IMS cases that are considered excise group cases will be sent to the excise groups to make the final determination on the application. This includes initial applications:
 - Without compliance issues designated as an excise group case.
 - Without compliance issues that contain mixed activity letters designated as both a registration group case and an excise group case.
 - Without compliance issues received from an approved registrant adding an excise group activity letter(s) to its current registration.
 - With compliance issues for activities K, M, QR, or S.
 - With an open excise examination.