



SMALL BUSINESS/Self-EMPLOYED DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

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MEMORANDUM FOR CINCINNATI CAMPUS EXCISE OPERATION

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FROM: Maha Williams Director Examination, Field and Campus Policy

SUBJECT: Interim Guidance on Processing Interest Bearing Fuel Claims Utilizing MFT 40

Overview: To effectively process and track the backlog of 7,405 interest bearing fuel claims received in Cincinnati Campus, Excise due to COVID-19. It is recommended to implement processing procedures for the Interest-Bearing Fuel Claims to ensure the taxpayer is paid the principal amount of the claim systemically in a manner that also protects the Service. This will expedite principal payment refunds to the taxpayers and minimize interest accruals until the interest can be processed and paid using the manual refund process.

Current Processing of Interest-Bearing Fuel Claims

Per [IRM 21.7.8.4.5.1](#), MFT 40 is used to process Ultimate Purchaser Claims (End User Claims) and some interest bearing ultimate vendor claims issued systemically. Interest bearing ultimate vendor claims (20-day and 45-day time frames) requiring a manual refund must **not** be processed on MFT 40.

Due to COVID-19, a backlog of 7,405 interest bearing fuel claims requiring interest have not been processed. To expedite taxpayer refunds and minimize interest accruals, it is warranted to provide procedures to pay the principal amount of the fuel claim on MFT 40.

[IRM 21.7.8.4.5.1](#) states MFT 40 is also used to process interest bearing claims that are systemically processed. The principal refund is to be processed on MFT 40 and

released to the taxpayer. Because Masterfile cannot also pay interest due to the taxpayer on MFT 40, interest on interest will then be calculated and paid using the manual refund process per [IRM 21.4.4](#), Manual Refunds.

Proposed Processing of Principal Fuel Claims - MFT 40

Recommended Actions to Eliminate Backlog:

Pay the principal amount of the fuel claim using normal MFT 40 procedures:

- Process principal amount of the fuel claim on MFT 40
- Provide Letter 76C to taxpayer explaining the current payment of principal and interest to be paid at a later date
- Calculate interest on principal and interest due by preparing a manual refund and submitting Form 5792, TXMOD print and COMPA print calculation to Ogden
- Excise operation to verify and track all processed TC 840 manual refund interest payments with associated principal paid fuel claims

Risk: Extended delays in processing the backlog of fuel claims will result in delayed taxpayer payments, greater interest accruals and increased mail/phone call fuel claim inquiries.

Note: In rare occasions where the claim cannot be processed on MFT 40, normal manual refund procedures should be utilized.

Proposed Processing of Large Dollar Fuel Claims Over \$10 million for IMF and \$100 million for BMF - Manual Refunds

Key Facts: To eliminate the accumulation of additional interest on high dollar fuel claims, it is warranted to process all interest bearing fuel claims over \$10 million for IMF and \$100 million for BMF using normal manual refund procedures per [IRM 21.4.4](#), Manual Refunds.

Recommended Actions to Eliminate Backlog:

- Identify interest bearing fuel claims over \$10 million for IMF and \$100 million for BMF
- Process claim using normal manual refund procedures

Risk: Large amounts of interest payments on principal and interest will be required to be paid to taxpayers. This will impose a financial burden on the Service.

HQ Actions Items

- HQ will communicate to Ogden that interest manual refunds will be coming to them for processing as a result of this deviation.

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