



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

Small Business/Self-Employed Division

November 8, 2011

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**Impacted IRM: IRM 5.11.7.2**

MEMORANDUM FOR DIRECTOR, COLLECTION POLICY  
DIRECTOR, COLLECTION FIELD  
DIRECTORS, COLLECTION AREA OPERATIONS

FROM: Cherry Elder **/s/ Cherry Elder**  
Acting Director, Collection Analytics, Automation,  
Inventory Selection and Delivery

SUBJECT: Federal Payment Levy Program – Federal Contractor  
Post-Levy Collection Due Process

The purpose of this memorandum is to provide new information on the Federal Payment Levy Program (FPLP). Please ensure this information is distributed to all affected employees within your organization.

Starting January 15, 2012, a new Federal contractor ('FEDCON') post-levy collection due process will be incorporated into the FPLP. The Small Business Jobs Act of 2010 amends IRC Section 6330(f), which now permits the IRS to issue any levy on a taxpayer prior to giving their Collection Due Process (CDP) notice and hearing if the taxpayer (or its predecessor) is a Federal contractor. This new FEDCON levy process means the FPLP will systemically issue a levy on a taxpayer identified as a Federal contractor first and subsequently send the post-levy CDP notice. Attached are guidelines on how to recognize the FPLP FEDCON levy process on tax modules.

Internal Revenue Manual (IRM) 5.11.7.2, *Collection, Notice of Levy, Automated Levy Programs, Federal Payment Levy Program*, will be updated to incorporate these guidelines.

If you have any questions, please feel free to contact me, or a member of your staff may contact Lisa Laparan, Senior Tax Analyst. Territory personnel should direct any questions through their management staff to the appropriate Area Contact.

Attachment

cc: [www.irs.gov](http://www.irs.gov)

**Federal Contractor (FEDCON) Post-Levy Collection Due Process for FPLP**

Starting January 15, 2012, the FPLP will incorporate the FEDCON levy on all BMF tax modules and IMF tax modules (excluding filing status 2, married filing joint modules) where the CP 504 had already been issued, and if the entity is identified as a Federal contractor. The FPLP FEDCON levy will apply to the Federal payments that are part of the FPLP and identified for the taxpayer except Social Security Administration (SSA) and Railroad Retirement Board (RRB) benefit payments.

The FPLP will continue to allow the opportunity for a CDP hearing *prior* to levying SSA or RRB benefit payments for all taxpayers including those identified as Federal contractors.

**How the FPLP will recognize a Federal contractor taxpayer:**

The Master File entity (IDRS CC IMFOLE/BMFOLE and CC ENMOD) displays an unreversed TC 971 AC 647 to indicate the taxpayer is a Federal contractor. IDRS CC ENMOD also displays (Federal contractor indicator) 'FCI>1' on BMF accounts. The source of the TC 971 AC 647 is the Information Returns Processing Master File document, also known as IRP, Form 8596 "*Information Return for Federal Contracts.*" By law, Federal agencies are required to report and file the form with IRS on certain government contracts awarded to taxpayers. Most Federal agencies centralize their filings through the General Services Administration (GSA) Federal Procurement Data System (FPDS), and GSA reports them quarterly to the IRS. The United States Postal Service (USPS) also files the forms directly with the IRS.

Employees also input the TC 971 AC 647 if they discover the taxpayer is a Federal contractor.

The TC 971 AC 647 displays the quarterly posting cycle, and a 'contract end' date that is reported on the Form 8596. If there are multiple Forms 8596 reported for one taxpayer in a quarter, then the latest of the contract dates is displayed. If no contract end date is on the Form 8596, then a default 3-year date expiration (from the posting cycle/date) is displayed. If the contract end date has expired, then a TC 972 AC 647 is posted – BMF generates these reversals once a year in January and IMF posts the reversal twice yearly (January and June). The TC 971 AC 647 may also be updated or overlaid by a new or additional Forms 8596 reported later.

Additional Federal contract information, i.e. name of Federal agency, contract amount, from the Form 8596 should be displayed on IDRS CC (CFOL) IRPTR. The Form 8596 is not income reported, but rather information reported. Income document Form 1099-Misc may be reported by the contract Federal agencies thereafter.

### **How to Recognize A FPLP FEDCON Levy:**

TC 971 AC 060 – FPLP selected module.

TC 971 AC 677 - Once the module is selected for the FPLP and if there is an unreversed TC 971 AC 647 (Federal contractor indicator) on the entity, then the FPLP will issue a FEDCON levy to FMS, and a TC 971 AC 677 will post.

- The FPLP FEDCON levy will apply to FPLP Federal payment sources identified except SSA and RRB benefit payments.
- The TC 971 AC 677 miscellaneous (MISC) field will display 'SAL/OTH', which designates that the levy is on Federal salary or any other Federal payment (except SSA or RRB).
- The module will indicate a Federal payment source is found when there is a corresponding TC 971 AC 062 posted.

TC 971 AC 069 – Once the TC 971 AC 677 is posted, it will generate a new FPLP post-levy CDP notice (CP 90C for IMF or CP 297C for BMF) and a TC 971 AC 069 will post. The taxpayer has the right to request a CDP hearing once they receive the notice. CDP appeal procedures remain the same as a pre-levy CDP hearing request.

TC 972 AC 060 - If the levy is released, a TC 972 AC 060 will display to indicate the account is removed from the FPLP. A TC 972 AC 677 will not display.

### **Note: Three Different FPLP Levy Codes**

The FPLP process may display up to three types of FPLP TC 971 levy action codes:

- TC 971 AC 662 - FPLP Levy (Pre-Levy CDP)
- TC 971 AC 762 – FPLP Disqualified Employment Tax Levy (DETL) (Post-Levy CDP)
- TC 971 AC 677 - FPLP Federal Contractor Levy (FEDCON) (Post-Levy CDP)

Depending on a tax module's levy qualifications, a single tax module could have any of the levy actions codes at various times, particularly if the module goes in and out of the FPLP; or a taxpayer's multiple modules may each have different levy codes. Refer to IRM 5.11.7.2.3.4, *Levy Service Process (TC 971 AC 662 and AC 762)*.

If a tax module qualifies for both the TC 971 AC 762 (DETL) and the TC 971 AC 677 (FEDCON) levy codes during the same cycle, then the TC 971 AC 762 (DETL) will be selected.