

IRM PROCEDURAL UPDATE

DATE: 11/02/2020

NUMBER: sbse-05-1120-1188

SUBJECT: Commissioner’s Rollout of Campus Procedures for Securing Financial Information

AFFECTED IRM(s)/SUBSECTION(s): 5.19.13

IRM 5.19.13.2.1 Authority Levels - All Employees Revised language in first column and second row, for consistency.

- The table below provides guidance to all employees for when financial analysis is needed and when it is necessary to verify and obtain substantiation, by account balance and disposition type:

EXCEPTION: AM employees do **not** conduct Financial Analysis. See IRM 5.19.1.3.3, *Referral and Redirects for AM Employees*.

Balance	Disposition	Financial Analysis needed?	Verification and Substantiation Needed?
AAB (cc SUMRY)(IMF) is less than # [REDACTED] #	CNC	No	Not Applicable
AAB (cc SUMRY) is between # [REDACTED] # — # [REDACTED] #	PPIA, CNC	Yes NOTE: # [REDACTED] #	No NOTE: # [REDACTED] #
CNC Exception Processing under AAB (cc SUMRY) # [REDACTED] #	CNC	No	Need to verify basis for Exception Processing (through internal or external sources, or verification from

			taxpayer) See IRM 5.19.17.2.4.1, <i>CNC Exception Processing</i> .
Up to \$25,000 AAB (cc SUMRY)	SIA \$25,000 and under	No	Not Applicable

IRM 5.19.13.2.2 Authority Levels Field Assistance, FA Employees Revised language in first column of tables under paragraphs (2) and (3), for consistency. Deleted third column of table under paragraph (2).

1. The table below provides guidance to FA employees for when financial analysis is needed and when it is necessary to verify and obtain substantiation, by account balance and disposition type.
2. **NSIA:**

Balance	Financial Analysis needed?
AAB (CC SUMRY) # [REDACTED] # or ##less	No

3. **PPIA & CNC:**

Balance	Financial Analysis needed?	Verification and Substantiation Needed?
AAB (CC SUMRY) is # [REDACTED] # or less	Yes	<p>Yes.</p> <ol style="list-style-type: none"> 1. Use internal sources to verify assets, income and expenses. Any discrepancies between the assets, income or expenses reported on the CIS and the internal sources used for verification, must be addressed with the taxpayer and documented on the AMS case history. 2. Paper substantiation is required: <ul style="list-style-type: none"> ▪ If the amount claimed for income or any expenses appears to be unreasonable (per employee judgment) or the expense amounts claimed exceed the ALE standards and allowing these other expenses will result in a PPIA or CNC

		<p>hardship.</p> <p>REMINDER: Paper substantiation should also be secured in cases where the taxpayer's explanation does not correspond to the internal sources verified.</p>
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IRM 5.19.13.2.3 Authority Levels ACS, ACSS, and CSCO Employees Revised language in first column of tables under paragraphs (2) and (3), for consistency. Deleted third column of table under paragraph (2).

1. The table below provides guidance to ACS, ACSS, and CSCO employees for when financial analysis is needed and when it is necessary to verify and obtain substantiation, by account balance and disposition type.
2. **NSIA:**

Balance	Financial Analysis needed?
AAB (CC SUMRY) is # [REDACTED] # or # [REDACTED] #	No

NOTE: See IRM 5.19.1.6.4(12), *Installment Agreements*, for specific guidance.

EXCEPTION: FERDI employees should refer to FERDI authority levels in IRM 5.19.18.4(1), *FERDI General Case Processing Overview*.

3. PPIA & CNC

Balance	Financial Analysis needed?	Verification and Substantiation Needed?
AAB (CC SUMRY) is - # [REDACTED] # or less	Yes	<p>Yes,</p> <ol style="list-style-type: none"> 1. Use internal sources to verify assets, income and expenses. Any discrepancies between the assets, income or expenses reported on the CIS and the internal sources used for verification, must be addressed with the taxpayer and documented on the AMS case history. 2. Paper substantiation is required: <ul style="list-style-type: none"> ▪ If the amount claimed for income or any expenses

		<p>appears to be unreasonable (per employee judgment) or the expense amounts claimed exceed the ALE standards and allowing these other expenses will result in a PPIA or CNC hardship.</p> <p>REMINDER: Paper substantiation should also be secured in cases where the taxpayer's explanation does not correspond to the internal sources verified.</p>
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NOTE: See IRM 5.19.1.6.4 (13), *Installment Agreements*, for specific guidance.

EXCEPTION: FERDI employees should refer to FERDI authority levels in IRM 5.19.18.4(1), *FERDI General Case Processing Overview*.

IRM 5.19.13.3 Securing Financial Information Revised 120 to 180 days.

1. The goal of securing financial information is to determine the taxpayer's maximum ability to pay their delinquent tax debt based upon their current financial situation. Obtaining financial information verbally (phone call or face to face) or from a Collection Information Statement (Form 433 A, F, or H) is **ONLY** required when a taxpayer indicates one of the following:

REMINDER: When following the guidance for securing financial information throughout this IRM, please refer to IRM 5.19.1.2.2, *Disclosure Overview - Verifying Identity of Contact Party*, to ensure disclosure guidelines are followed when interacting with taxpayers and/or their authorized representatives.

REMINDER: Conduct a full compliance check (FCC) - see IRM 5.19.1.4.4.1, *Full Compliance Check*. Do not input a financial where the taxpayer is not within filing compliance.

EXCEPTION: If the taxpayer is experiencing a financial hardship, see IRM 5.19.17.2.4, *CNC Unable to Pay - Hardship*.

- a. Taxpayer indicates cannot pay, currently not collectible (CNC) is being considered

REMINDER: If during the course of the contact with taxpayer, they advise you they are experiencing an economic hardship situation

or if they ask for assistance in resolving their tax problems, see IRM 5.19.1.3.2.3, *Taxpayer Advocate Service (TAS)*, for guidance about referring taxpayers to TAS.

REMINDER: If the taxpayer states they are experiencing an economic hardship due to a levy, secure enough financial information to confirm the levy is causing the taxpayer to be unable to meet necessary living expenses, see IRM 5.19.4.4.10 (5)(j), *Levy Release: General Information*, for levy release determinations even in situations where the taxpayer has unfiled returns.

- b. Taxpayer indicates they cannot pay, and a partial pay installment agreement (PPIA) is being considered.
- c. Taxpayer qualifies for Non-Streamlined Installment Agreement (NSIA)

EXCEPTION: Financial analysis is no longer required for certain NSIAs, refer to IRM 5.19.1.6.4 (12) (a), *Installment Agreements (IAs)*.

- d. Taxpayer payment amount requested is insufficient based on the following installment agreement criteria:
 - o Guaranteed IA. See IRM 5.19.1.6.4(8), *Guaranteed Installment Agreement*,
 - o Streamlined IA. See IRM 5.19.1.6.4 (9), *Streamlined Installment Agreement \$25,000 and under*, or IRM 5.19.1.6.4(10), *Streamlined Installment Agreement over \$25,000*.

REMINDER: Any Installment Agreement (IA) established based upon the results of a financial statement must be input as an Non-Streamlined Installment Agreement (NSIA) or PPIA, as applicable. See IRM 5.19.1.6.4, *IAs*, or IRM 5.19.1.6.5, *PPIA*.

- 2. If the taxpayer's proposal does not either full pay within 180 days, or qualify for a Guaranteed IA, or SIA, do the following based upon your assigned operation:

If ...	Then ...
AM,	Transfer to the ACS function.
CSCO and ACSS,	Request a Form 433-F, <i>Collection Information Statement</i> . Advise the taxpayer to forward the completed Form 433-F to the appropriate CSCO site (notice status only) per state mapping or to the appropriate ACSS site (status 22, 24 only) per state mapping.
ACS call site/Field Assistance,	Secure financial information and input the financial statement on AMS financial screens.

3. Input the financial information, clearly document all actions taken on the account and relevant financial information on AMS, **save and create history**. All applicable financial screen(s) on AMS **must** be completed prior to making a determination of the taxpayer's ability to pay.

NOTE: Taxpayers are **not required to prove** they are paying their housing, utilities, car payments etc. **Do not** request bank statements, pay stubs, copies of bills or contracts be sent in to complete the financial input for this reason. However, if the taxpayer claims payments on a student loan, court order (i.e. child support), or delinquent state or local tax debt, verification is required.

4. When toll free contact is made on a financial case with an **open IDRS control in ACSS or CSCO**, advise the taxpayer to:
 - a. **Contact the tax examiner whose name and number was provided on the notice.**
 - b. **Do not** allow additional time without contacting the person with the open control.
 - c. If you can resolve the case **based upon the controlling person's history and the taxpayer providing the required information**, fax a Form 4442, *Inquiry Referral*, to the controlling tax examiner advising them of the closing action. USE the fax number per SERP Who/Where, Form 4442, *Referral Fax Numbers*.
 - d. **DO NOT** request the taxpayer provide additional information that has **not** been requested by the person with the control base, such as bank statements, pay stubs, etc.
5. If conducting a telephone call or face-to-face contact, you must attempt to secure as much financial information as possible during the contact. Most taxpayers should be able to provide income and expense information during the initial contact.

- o If the taxpayer requested an IA that does not meet SIA criteria and you cannot secure any financial information immediately (verbally or by fax during the phone contact), follow instructions provided in (6) below.
 - o If the taxpayer requested an IA that does not meet SIA criteria and you can secure **some but not all** of the financial information immediately (verbally or by fax during the phone contact), follow the instructions in the table below.
 - o If financial information is needed for any other reason (possible CNC or hardship determination), follow the instructions in the table below.

REMINDER: If income can be verified through internal sources or the only source of income is from Social Security or Unemployment, there is normally no need to request substantiation. Similarly, if taxpayers expenses are within local and national standards there should be no need to request substantiation. If substantiation is required, verbal

substantiation of the item is normally sufficient. If the verbal explanation from the taxpayer is acceptable, thoroughly document the taxpayer's explanation in detail. **Only request paper substantiation if the taxpayer is unable to explain the discrepancy.**

Follow procedures below when they are unable to provide all required information for face to face and telephone contact:

CAUTION: DO NOT correspond with the taxpayer/POA via e-mail. Use of e-mail to contact the taxpayer is prohibited due to disclosure issues. Contact the taxpayer/POA by phone or correspondence. See IRM 1.10.3.2.1, *Secure Messaging & Encryption*.

If ...	Then ...
ACS,	<p>If additional information/substantiation is needed, request faxes while on the phone to resolve the case.</p> <ol style="list-style-type: none"> a. Provide the taxpayer with an appropriate deadline to submit the information being requested. If the taxpayer states they will fax the information and is unable to do so while on the call – allow five days from date of telephone call. b. If the taxpayer cannot fax the information, advise the taxpayer to send ONLY the information that is missing or needed (i.e., substantiation) to resolve/complete the case to the appropriate ACSS site (or fax, if appropriate) and include their name and TIN with the information. Add 15 calendar days to the due date given the taxpayer. <ul style="list-style-type: none"> ▪ If the taxpayer indicates they will call back, allow 5 days. ▪ If the taxpayer indicates they will mail the required information - provide the appropriate ACSS address. Add 15 calendar days to the due date given the taxpayer. <p>NOTE: If the taxpayer does not respond, proceed with the next action.</p> <p>EXAMPLE: Levy, NFTL, Independent Review, LT11, <i>Final Notice -- Notice of intent to levy and your notice of a right to a hearing (sent certified, return receipt requested), etc.</i></p>
Field Assistance,	<p>Direct the taxpayer to bring documents back to the TAC.</p> <ul style="list-style-type: none"> ○ If they are unable to, advise them to call Toll Free (AM) or ACS toll-free number depending on the

	<p>case status, or to send ONLY the information that is missing or needed (i.e., substantiation) to resolve/complete the case to the CSCO or ACSS site and include their name and TIN with the information.</p> <ul style="list-style-type: none"> ○ Provide the taxpayer with an appropriate deadline to submit the information being requested, 15 days for information being mailed.
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6. If the taxpayer cannot provide **any** information while on a call, they may either:
- Call back with the information - allow five days; or
 - Complete and mail a paper Form 433-F, *Collection/Information Statement*, to appropriate CSCO site (notice status only) based on state mapping or appropriate ACSS site (status 22, 24 only) based on state mapping- add 15 calendar days to the due date given the taxpayer.

EXCEPTION: If the call is related to a hardship levy release: **SB/SE** is required to address the issue over the phone, for W&I follow IRM 5.19.4.4.10(4), *Levy Release: General Information*.

7. Once financial information is provided, CSCO and ACSS employees are required to control and work all cases to completion. This includes attempts to obtain verification or required substantiation. See IRM 21.3.3.4.1, *Case Control and Inventory Management*.
8. For paper case processing, immediately associate taxpayer responses with the suspended case and resolve. If unable to resolve, do the following:

If ...	Then ...
ACSS,	<ul style="list-style-type: none"> a. Attempt to contact the taxpayer by phone or issue the appropriate correspondex letter to request additional information; if making a phone attempt and contact is not made with the taxpayer, you must follow-up with a letter requesting additional information. Allow 30 days from the date of the letter issuance for the taxpayer to respond. b. Update current AMS control to S status with a follow-up for 45 days then suspend case. Suspend the case on ACS for the appropriate number of cycles; Input "TOS5, XX,IAPND" (XX = the number of days the case will be in suspense (45). c. If the taxpayer does not respond by the end of the suspense period of 45 days, follow instructions in

	paragraph (10) below.
CSCO,	<p>a. Attempt to contact the taxpayer by phone or issue the appropriate Correspondex letter to request additional information; if making phone attempt and contact is not made with the taxpayer, you must follow-up with a letter requesting additional information. Allow 30 days from the date of the letter issuance for the taxpayer to respond..</p> <p>b. Update current AMS control to "S" status with follow-up for 45 days then suspend case.</p> <p>NOTE: A manual CC STAUP is not normally required; AMS is programmed to take the appropriate action(s).</p> <p>c. If the taxpayer does not respond by the end of the suspense period, follow instructions in paragraph (10) below.</p>

9. When corresponding with the taxpayer, provide a contact name, hours of operation, return address, and a telephone number for contact. Leave AMS history regarding the information/substantiation requested and why the information has been requested, IRM 5.19.1.6.4.7, *Pending IA Criteria*. ACSS employees should provide your contact information when available or your team's contact information.

NOTE: CSCO and ACSS employees receiving information requested during phone contact should complete the financial analysis. Do not forward the information to an ACS employee who previously worked with the taxpayer. **Only** CSCO and ACSS employees control and work financial cases to resolution.

10. If attempts at contact are unsuccessful, telephone and correspondence is issued with no response from the taxpayer and suspense time has passed, prepare for rejection of the IA and follow rejection procedures. See IRM 5.19.1.6.4.9, *IA Rejection Criteria*. Document AMS history.
11. If the AAB (CC SUMRY) (including prior CNCs, Notice Status, ST 23, etc.) is **more than # [REDACTED] # but less than # [REDACTED] #, secure income information and allow National and Local Standards, NO substantiation or verification is required.** Base the IA amount on the result of the financial analysis unless the taxpayer agrees to SIA.
12. If a taxpayer needs assistance preparing a financial statement and does not have a representative, they may be eligible for assistance from a Low Income Taxpayer Clinic (LITC). LITCs:
- o Represents low income individuals in resolving controversies with IRS, including audits, appeals, tax collection disputes, and litigation.

- Provide services to taxpayers who speak English as a second language, including education about taxpayer rights and responsibilities, and consultations on individual tax issues.
- Provides services for free or no more than a nominal fee.
- Receive funding from the IRS, and the program receives oversight from the National Taxpayer Advocate (NTA), but the clinics are wholly independent of the IRS.
- Are typically located in each state, Puerto Rico, and the District of Columbia, but occasionally there are geographic areas underserved. For a complete list of LITCs, languages in which assistance is provided, and contact information, see Pub 4134, *Low Income Taxpayer Clinic List*.

NOTE: The Taxpayer First Act (TFA) section 1402 provides that, “Notwithstanding any other provision of law, officers and employees of the Department of the Treasury may advise taxpayers of the availability of, and eligibility requirements for receiving, advice and assistance from one or more specific qualified low-income taxpayer clinics receiving funding under this section, and provide information regarding the location of, and contact information for, such clinics”.

13. Refer taxpayers to the Taxpayer Advocate Service (TAS) when the contact meets TAS criteria see IRM 13.1.7, *Taxpayer Advocate Service (TAS) Case Criteria*, and you cannot resolve the taxpayer’s issue the same day. TAS provides assistance to taxpayer’s who are experiencing economic harm, who are seeking help in resolving tax problems that the IRS has not been able to resolve through normal channels or believe that an IRS system or procedure is not working as it should. See IRM 5.19.1.3.2.3, *Taxpayer Advocate Service (TAS)*, for further information about referring taxpayers to TAS.

IRM 5.19.13.3.2.6 Other Necessary Expenses Added hyperlink to reference in paragraph (2). Added Intentionally left blank to empty sections in table under paragraph (3).

1. Other necessary expenses may be considered if they meet the necessary expense test; **they must provide for the health and welfare of the taxpayer and/or their family, or they must be for the production of income.** This is determined based on the facts and circumstances of each case.
2. There may be circumstances where expenses may be allowed even if they do not meet the necessary expense test. If the IRS tax liability, including accruals, can be paid within six years and within the CSED, all expenses may be allowed if they are reasonable. See IRM 5.19.13.3.5, *Full Payment in Six (6) Years (6 Year Rule)*. If the taxpayer cannot pay within six years, it may be appropriate to allow the taxpayer up to one year in order to modify or eliminate one or more expenses. See IRM 5.19.13.3.6, *Eliminating Excessive Expenses Within One Year*.

3. The following are examples of some expenses that may be determined other necessary expenses:

Expense	Expense is Necessary If...	Notes/Tips
Accounting and legal fees,	<ol style="list-style-type: none"> 1. Representation before the Service (i.e., to resolve current balances due, delinquent returns, examinations, etc.). 2. The fees must meet the necessary expense test. 3. The amount should not be excessive and must be reasonable given the complexity of the case. <p>NOTE: An accountant will charge less for a wage earner with all returns filed that just needs the collection paperwork completed, than he/she would charge for a self-employed individual that needs several returns prepared along with the collection paperwork.</p> <ol style="list-style-type: none"> 4. Fees vary across the country so allowable amounts may also differ depending on where the taxpayer lives. 	<ol style="list-style-type: none"> 1. Fees related to business operations (i.e., reported on Schedule C, <i>Profit or Loss From Business</i>) should not be claimed as personal expenses. <p>NOTE: Ask if the fee is continual or one time payment.</p>
Charitable contributions, EXAMPLE: Donations to tax exempt organizations.	<p>Meets the necessary expense test or is a condition of employment,</p> <p>EXAMPLE: A minister is required to tithe according to his employment contract.</p>	<ol style="list-style-type: none"> 1. Disallow any other charitable contributions not considered necessary. 2. Review the employment contract
Child Care, NOTE: Baby-sitting, day care, nursery, and pre-school.	<ol style="list-style-type: none"> 1. Meets the necessary expense test; only reasonable amounts are allowed. 2. Costs of child care can vary greatly; do not allow unusually large child care expenses if more reasonable 	<ol style="list-style-type: none"> 1. Ask how old the child is. 2. Find out if the taxpayer's spouse is employed.

	alternatives are available.	
Court-ordered Payments (Alimony, child support, including orders made by the state, and other court ordered payments),	<ol style="list-style-type: none"> 1. If alimony and child support payments are court-ordered, reasonable in amount, and being paid, they are allowable. 2. If payments are not being made, do not allow the expense unless the nonpayment was due to temporary job loss or illness. 3. Restitution payments made to other victims pursuant to a court order are allowable expenses.. 	<p>Review the court order. Payments that are included in a state court order are not necessarily allowable (such as a child's college tuition that would not otherwise be allowable as a necessary expense.)</p> <p>NOTE: Court-ordered payments may include conditional expenses that are not classified as alimony or child support, such as private school, college tuition, dance lessons, etc. Apply the same rules as other conditional expenses, as these must be considered reasonable and may or may not be allowed.</p>
Dependent Care, EXAMPLE: For the care of the elderly, invalid or handicapped.	There is no alternative to the taxpayer paying the expense.	Intentionally left blank
Education,	<ol style="list-style-type: none"> 1. Required for a physically or mentally challenged child and no public education providing similar services is available. 2. Allowed only for the taxpayer and only if required as a condition of employment. 	EXAMPLE: A teacher whose employment is conditional upon completion of a graduate program.
Involuntary Deductions,	They are union dues, uniforms, work shoes, etc. that are a condition of employment,	Verify it is a requirement of the job. To determine monthly expenses, the total out of pocket expenses would be divided by 12.
Life insurance,	<ol style="list-style-type: none"> 1. Is limited to term policies on the life of the taxpayer only. 2. Life insurance used as an investment is not a necessary expense. 	Check on whole life policy; whole life policies should be reviewed as an asset for borrowing against.

Secured or legally perfected debts,	Allow if it meets the necessary expense test,	The taxpayer must substantiate the payments are being made.
Credit Card Debts,	<ol style="list-style-type: none"> 1. Minimum credit card payments are allowed under the six-year rule. 2. Credit cards are generally considered a method of payment. A taxpayer may pay for necessary living expenses using cash or a credit card. 	<ol style="list-style-type: none"> 1. If a credit card is used to pay for personal expenses such as food, clothing, gas, insurance - these expenses are already being allowed on the financial statement. 2. If a taxpayer is paying for necessary expenses that exceed the standards, and those expenses are justified, a deviation under the expense item on the financial statement should be allowed. 3. If a credit card payment is only partially allowed or not allowed at all, the taxpayer should be advised that IRS allows an amount monthly for miscellaneous expenses that can be used to pay credit card payments.
Current Year Taxes,	<ol style="list-style-type: none"> 1. Current federal, FICA, Medicare, state* and local taxes are allowed regardless of whether the taxpayer made them in the past or not. <p>NOTE: If the taxpayer is a wage employee, place withholding amounts on the AMS Income screen in the appropriate box.</p> <p>NOTE: If the taxpayer is self-employed or has non-wage income, allow estimated tax payments on</p>	Federal taxes do not need to be verified if the amounts are within 20% of the amounts on CC IRPTR, CC RTVUE, CC BRTVU or CC TRDBV

	<p>the AMS financial screens and document AMS comments that this expense was allowed.</p> <p>NOTE: The following states do not have a state income tax:</p> <ul style="list-style-type: none"> ○ Alaska (AK) ○ Florida (FL) ○ Nevada (NV) ○ South Dakota (SD) ○ Texas (TX) ○ Washington (WA) ○ Wyoming (WY) <p>NOTE: New Hampshire and Tennessee do not impose a general income tax on an individual's earned income. Rather, these states tax gross interest and dividend income above certain thresholds.</p>	
<p>Delinquent State or Local Taxes,</p>	<p>Payments for delinquent state and local (county or municipal) tax liabilities may be allowed in certain circumstances:</p> <ol style="list-style-type: none"> 1. When a taxpayer does not have the ability to full pay the tax liability. 2. When a taxpayer provides complete financial information. 3. When a taxpayer provides verification of the state or local tax liability and agreement (if applicable). 	<p>See paragraph (4) below, for determining allowable amount.</p>
<p>Optional telephones and telephone services,</p> <p>EXAMPLE: Pager, call waiting, caller identification, or long distance.</p>	<p>Must meet the necessary expense test or full pay within six (6) years and within the CSED,</p>	<p>Intentionally left blank</p>

Student loans,	See paragraph (5) below.	Intentionally left blank
Repayment of loans for payment of Federal taxes,	If the IRS has received the proceeds of the loan and the taxpayer can document the loan, the payment amount should be allowed.	Intentionally left blank