IRM PROCEDURAL UPDATE

DATE: 03/26/2015

NUMBER: SBSE-04-0315-0569

SUBJECT: Post Publication Revision to IRM 4.19.3, TY 2013 IMF Automated Underreporter (AUR) Program

AFFECTED IRM(s)/SUBSECTION(s): 4.19.3

CHANGE(s):

IRM 4.19.3.4.11.1(7) - added new step 5 for TC 971 AC 633 and new step 7 for input of TC 844, renumbered remainder of step list

7. **Category D** Erroneous Refunds include any erroneous refund that is not included in any other erroneous refund category. The Category D Erroneous Refunds can also include any other Category Erroneous Refunds if the ASED has expired but the ERSED is still open.

   NOTE: The Erroneous Refund Unit in Accounting inputs a false credit (TC 700) on Category D Erroneous Refunds to remove the erroneous refund amount from Masterfile and reestablish the account in Accounting. This action prevents notices and administrative collection action (liens or levies) from occurring on the erroneous refund liability. The TC 700 credit can be identified by a Document Code 58 and a blocking series 950-999 in the DLN. These accounts will have a -U Freeze (generated by a TC 844) and it informs other employees the account is being worked and monitored in Accounting. **Do not release the TC 700 credit.**

   When a Category D Erroneous Refund is identified within the ERSED statute:

   1. Issue Letter 510C using the IAT "Letters" tool. The date of the letter is considered to be the Date of Demand. Two copies of the letter are needed; one to attach to Form 12356, *Erroneous Refund Worksheet*, and one for the AUR case file.

      EXCEPTION: Do not send Letter 510C when the ERSED is expired. Refer to (10) below.

   2. Input the adjustment using the IAT "REQ54" tool for the TC 807 (W/H) and/or TC 252 (EXSST) using blocking series 55 and hold code (HC) 3. Use source document "Y" if including the original return with the adjustment.

NOTE: Failure to Pay Penalty (FTP) under IRC 6651(a)(2) and (a)(3), does not apply to Category D erroneous refunds. #XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.#

3. Input any necessary credit transfers using the IAT "Credit Transfer" tool. Use TC 570 on the debit side to suppress the CP 60 Notice. The IAT "Credit Transfer" tool contains a box for Debit Freeze and Credit Freeze and will input the TC 570 when checked.
4. Input TC 470 using the IAT "REQ77" tool. If the ERSED has expired, **do not** input TC 470.
5. Input TC 971 AC 663 using the IAT "REQ77" tool.
6. Input a TC 844 using the IAT "REQ77" tool for taxpayer error or refunds of more than $50,000. If the ERSED has expired, **do not** input TC 844. Enter the date of the erroneous refund in the "TRANS-DT" field.

   NOTE: The TC 844 generates a "-U" freeze on the account and the TC 470 will stop all systemic notices and collection processes.

7. Input a TC 844 using the IAT "REQ77" tool for IRS error and refunds of $50,000 or less. If the ERSED has expired, **do not** input TC 844. Enter the Date of Demand in the "EXTENSION-DT" field, the date of the erroneous refund in the "TRANS-DT" field and the erroneous refund amount in the "FREEZE-RELEASE-AMT" field.

   NOTE: The TC 844 generates a "-U" freeze on the account and the TC 470 will stop all systemic notices and collection processes.

8. Update the IDRS Category Code to ERRF, reassign the IDRS control base to the Erroneous Refund Unit in Accounting (A/ER), change the status to "M" with activity code "ERRORREF". The first five digits of the Erroneous Refund Units IDRS numbers are as follows:

Site	IDRS
Atlanta	07112
Austin	06113
Cincinnati	02116
Fresno	10117
Kansas City	09113
Ogden	04117

9. Prepare Form 12356, *ACS Batch Ticket*, and include a copy of all pertinent information, including a copy of Letter 510C sent.

Once the adjustment posts on IDRS:

1. Prepare Form 4442, Form 3465, *Adjustment Request*, or a case history sheet.
2. Notate "Letter 510C" sent and any other important case details.
3. Refer the case to the A/ER. See IRM 3.17.80, Exhibit 4, *Erroneous Refund Coordinators*, for a list of A/ER functions and their corresponding Erroneous Refund Coordinators
4. Close the case by assigning PC 28, 53, 68, or 88, as appropriate, or appropriate IPC on Recon cases.

   NOTE: When assigning PC 53, 68, or 88, complete the assessment window and enter an "M" in the AUTO/MANUAL IND field to indicate a manual assessment, as the adjustment was input on IDRS.

IRM 4.19.3.4.11.1(9) - revised to clarify applies to pre stat cases, moved information regarding post stat cases to new (10), renumbered remainder of subsection

IRM 4.19.3.4.11.1(9) step 3 - revised to provide cross reference for partial payments

IRM 4.19.3.4.11.1(9) nd step list - deleted step 4

IRM 4.19.3.4.11.1(11) - new for partial payments, renumbered remainder of subsection

9. If **before a Statutory Notice of Deficiency** was issued, a Category D erroneous refund was due to the AUR payment refunding in error, when the account was **paid in full**, take the following actions:
   1. Send Letter 510C using the IAT "Letters" Tool. Two copies of the letter are needed; one to attach to Form 12356 and one for the AUR case file.

      NOTE: If the erroneous refund is discovered during phone contact with the taxpayer, a case history can be input on IDRS instead of issuing a Letter 510C. Advise the taxpayer to void the check if it has not been cashed. Enter history "PHTPERRF" on IDRS using IDRS CC ACTON or IAT "ACTON" tool. The date you request repayment on the phone is the Date of Demand. Leave case note on AUR.

   2. Use the IAT "REQ77" tool to input TC 844 and TC 470
   3. If **full paid**, work the case as an AUR agreed response, assigning PC 53, 67, or 87. If partial payment see (11) below.
   4. Complete Form 12356 and include a copy of all pertinent information, including copy of Letter 510C or a copy of the case note.

Once the adjustment posts on IDRS:

1. Prepare Form 4442 and route case documentation to the appropriate Erroneous Refund Unit.
2. Use the IAT "REQ77" tool to input TC 971 AC 663.
3. Leave a detailed case note.

10. If **after a Statutory Notice of Deficiency** has been issued, a Category D erroneous refund was due to the AUR payment refunding when the account was **paid in full,** take the following actions:
    1. Send Letter 510C using the IAT "Letters" Tool. Two copies of the letter are needed; one to attach to Form 12356 and one for the AUR case file.

       NOTE: If the erroneous refund is discovered during phone contact with the taxpayer, a case history can be input on IDRS instead of issuing a Letter 510C. Advise the taxpayer to void the check if it has not been cashed. Enter history "PHTPERRF" on IDRS using IDRS CC ACTON or IAT "ACTON" tool. The date you request repayment on the phone is the Date of Demand. Leave case note on AUR.

    2. Use the IAT "REQ77" tool to input TC 844 and TC 470
    3. Request the case and hold in unit suspense until the taxpayer responds or the suspense period has expired. If no response is received, default the case using the appropriate PC.
    4. Complete Form 12356 and include a copy of all pertinent information, a copy of Letter 510C or a copy of the case note.

Once the adjustment posts on IDRS:

1. Prepare Form 4442 and route case documentation to the appropriate Erroneous Refund Unit.
2. Use the IAT "REQ77" tool to input TC 971 AC 663.
3. Leave a detailed case note.

11. If the Category D erroneous refund was due to the AUR payment refunding in error, when a **partial payment** was received, take the following actions:
    1. Send Letter 510C using the IAT "Letters" Tool. Two copies of the letter are needed; one to attach to Form 12356 and one for the AUR case file.

       NOTE: If the erroneous refund is discovered during phone contact with the taxpayer, a case history can be input on IDRS instead of issuing a Letter 510C. Advise the taxpayer to void the check if it has not been cashed. Enter history "PHTPERRF" on IDRS using IDRS CC ACTON or the IAT "ACTON" tool. The date you request repayment on the phone is the Date of Demand. Leave case note on AUR.

2. Use the IAT "REQ77" tool to input TC 844 and TC 470
3. Assign PC 75 and release the case. Monitor the case for the PC 75 to post. After a Statutory Notice of Deficiency has been issued:
4. Request the case and hold in unit suspense until the taxpayer responds or the suspense period has expired. If no response is received, default the case using the appropriate PC.
5. Complete Form 12356 and include a copy of all pertinent information, a copy of Letter 510C or a copy of the case note.
6. Monitor IDRS for the adjustment to post. Once the adjustment posts on IDRS:
7. Prepare Form 4442 and route case documentation to the appropriate Erroneous Refund Unit.
8. Use the IAT "REQ77" tool to input TC 971 AC 663.
9. Leave a detailed case note on AUR.

IRM 4.19.3.14.9(8) - new for $1 change in the AdMT window

8. If the AdMT window computes a $1 change (following taxpayer's intent), create a MCWGE IR so the total MCWGE IR amounts match the Medicare Wage amount on Form 8959, line 1.

IRM 4.19.3.16.5(12) a Note - revised to clarify less than $5,000 or less than 10 percent

12. The Limit Penalties window contains additional fields to track instances where the **taxpayer requests waiver** of the Substantial Underpayment Penalty and whether the request has been granted or denied. When the taxpayer makes this request and the tax examiner determines:

    NOTE: Waiver requests MUST be in writing and signed by the taxpayer or valid POA.

    a. The request is granted, check the box next to the PENALTY WAIVED field in the Limit Penalties window.

       NOTE: Only check the box when the penalty is still applicable, but is being suppressed (see (11) above). Do **not** check the box if the penalty is no longer applicable (i.e., recomputed notice and the revised tax increase is now $5,000 or less or less than 10 percent of the tax required to be shown on the notice).

b. The request is denied or only partially waived, check the box next to the PENALTY NOT WAIVED field in the Limit Penalties window.

   NOTE: The SUBSTANTIAL UNDERPAYMENT PENALTY field must contain a value greater than zero in order to check the PENALTY NOT WAIVED field. Managerial approval is required when denying the taxpayer's request. See IRM 4.19.3.20.1.4, *Accuracy-Related Penalties*, for additional information.

IRM 4.19.3.20.2.4(13) - revised to indicate if full paid treat as agreed

13. **If the taxpayer states a payment was sent and the payment is NOT shown** on the Tax Accounts screen, determine if at least three weeks have passed since the taxpayer made the payment. If yes, use the IAT "Payment Tracer" tool. The tool will research IDRS CC TXMODA, IMFOLI, IMFOLP, or IMFOLT. Perform research before requesting the taxpayer send a copy of the front and back of the cancelled check. If a joint return, check the secondary account by using the "Search X-REF" tab. If the payment is found posted on another tax module (i.e., subsequent year) ensure that the payment is transferred to the correct tax module using the IAT "Credit Transfer" tool, if the payment is for the balance due, close the case, using "Agreed Response" criteria. See IRM 4.19.3.20.5, *Agreed Responses*, for more information.

    EXCEPTION: If the payment posted as a TC 670 use IDRS CC ADD24 to transfer the credit to a TC 640.

    NOTE: If there is no record of the payment, research IDRS CC TXMOD as the payment may be pending or unpostable. If the payment is unpostable, print TXMOD showing the payment and refer to the lead.

IRM 4.19.3.20.7.5(5) - added Exception for telephone assistors

5. Use the following instructions to issue the Letter 2625C:

   REMINDER: Do not issue a Letter 2625C to the Social Security Administration, see IRM 4.19.3.20.3.12 (3), *Social Security/ Railroad Retirement (SS/RR)*.

   1. Research IDRS using CC INOLE or ENMOD to obtain the employer/payer address.

      NOTE: If the payer address cannot be obtained, DELETE the issue.

2. When research is complete, update the address for the employer/payer using the Update Address window with Address Type B1 - B9, as appropriate.
3. Issue a Letter 2625C to the employer/payer, always select paragraph "X" and other applicable paragraphs to compose the body of the letter.

   CAUTION: For FS 2 cases be sure the Letter 2625C refers to the correct taxpayer.

4. When a third party contact letter is mailed to an individual, Paragraph "W" MUST be included on the Letter 2625C.
5. Issue an interim letter to the taxpayer. Select paragraphs that: acknowledge the taxpayer's response, identify the reason(s) the final response is delayed AND specify a contact date when we will provide the final response. Follow the chart below to determine appropriate taxpayer letter:

If	And	Then
The taxpayer has **not** granted permission to contact the payer	There are **no other issues** that need to be addressed	Issue Letter 3404C.
The taxpayer has granted permission to contact the payer		Issue Letter 4314C
The taxpayer has **not** granted permission to contact the payer	There are other issues that need to be addressed	Issue Letter 2626C
The taxpayer has granted permission to contact the payer		

EXCEPTION: Telephone assistors may verbally inform the taxpayer of action taken instead of issuing Letter 3404C, Letter 4314C or Letter 2626C.