

IRM PROCEDURAL UPDATE

DATE: 02/25/2016

NUMBER: SBSE-05-0216-0396

SUBJECT: Notice of Levy in Special Cases

AFFECTED IRM(s)/SUBSECTION(s): 5.11.6.8

CHANGE(s):

IRM 5.11.6.8(2) a is revised to clarify that mutual funds may be reduced by commission or transaction fee the broker is entitled to under the agreement with the taxpayer.

IRM 5.11.6.8(2) b is revised to clarify that publicly-traded stock held by brokerage firms (or other third-party agents) are subject to notice of levy procedures.

IRM 5.11.6.8(2) c was deleted to remove the requirement to conduct administrative sale of certificated stock.

IRM 5.11.6.8 is revised to add note when physical stock is received the IRS can still demand redemption or liquidation of the account.

IRM 5.11.6.8 is revised to add note that IRS may not demand the liquidation of stock that is not publicly-traded.

IRM 5.11.6.8(3) is revised to update table to reflect certificated and uncertificated publicly-traded stock are subject to notice of levy.

1. The taxpayer's ownership interest in securities is subject to collection. Stocks, bonds, money market accounts, mutual funds, and debentures are examples of securities.
2. The levied party's compliance with the notice of levy depends on the redemption rights of the taxpayer and the liquidity of the interest.
 - a. Mutual funds are redeemed, and subject to the levy procedures. The broker or other levy source must turn over the redemption proceeds to the Service in response to a notice of levy. The levy proceeds may be reduced by the broker commission or transaction fee the broker is entitled to under the agreement with the taxpayer.
 - b. Certificated and uncertificated publicly-traded stock are subject to the levy procedures. The stock account held by a broker or other third-party agent should be liquidated in response to a notice of levy. The levy proceeds may be reduced by the broker commission or

transaction fee the broker is entitled to under the agreement with the taxpayer. .

- c. Bonds are redeemable for cash at maturity. Prior to maturity, they are subject to seizure and sale. The collection mechanism used will depend on how close the proposed collection action is to the maturity date.
- d. Dividends payable and interest due at the time of the levy are subject to levy.

NOTE: In the rare case where the Service has obtained possession of physical stock certificates as result of a levy or seizure, the Service is still entitled to demand redemption or liquidation of the account from the third-party agent or other appropriate party.

NOTE: Do not demand the liquidation of stock that is not publicly-traded (for example shares in a closely-held corporation). In such a situation, seize and administratively sell the shares, or refer the case to Counsel for a lien foreclosure suit.

- 3. The following chart addresses the most common securities.

If	Then
The Service levies on taxpayer's interest in mutual fund evidenced by electronic or paper statements,	issue Form 668-A(C)(DO) to third party agent holding the account or the fund demanding turnover of proceeds minus previously agreed to commission fee.
The Service levies on taxpayer's account of publicly-traded stock evidenced by electronic or paper statements,	issue Form 668-A(C)(DO) to third party agent holding the account or the fund demanding turnover of proceeds minus previously agreed to commission fee.
In response to a levy a revenue officer receives certificates,	the certificates should be turned in for redemption or liquidation minus previously agreed to commission fee.

- 4. Compliance Services Campus Operations (CSCO) sometimes receives securities for ACS levies. CSCO sends these to the territory office for disposition.