




SMALL BUSINESS / SELF EMPLOYED DIVISION

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

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Affected IRM: 4.19.15.21 & 4.19.17

MEMORANDUM FOR SB/SE CAMPUS DIRECTORS

FROM: Michael Damasiewicz   
Director, SBSE Exam Field & Campus Policy

SUBJECT: Interim Guidance on Alimony Recipient Non-Filer Pilot Program

This memorandum issues guidance on a pilot program for Alimony Recipient Non-Filers for SB/SE Correspondence Examination (Corr Exam). Although this pilot will be worked in the Ogden Campus, phone calls may be received in all SBSE Campuses. Please distribute this information to all affected employees within your organization.

**Purpose:** This interim guidance communicates temporary guidance for a pilot program in which alimony recipients with potential tax liability without a return on record will be contacted in accordance with Non-Filer program procedures.

**Background/Source(s) of Authority:** A gap identified in the case selection process was due to non-inclusion of alimony recipients without a fact of filing. To address that gap and pilot an examination approach, OCA (Office of Compliance Analytics) identified alimony recipients from alimony payer return entries, with potential tax liability without a return on record.

This pilot consists of 500 FY 2014 cases. Project Code 0277, Non Filer, and new Tracking Codes, TC 0326 (Alimony and Other Income) and TC 0328 (Alimony Only) will be used to monitor pilot cases.

**Procedural Change:** In accordance with current alimony program guidelines, the alimony payer return is reviewed initially, to verify accuracy of the alimony claimed. Upon verification, the examination is expanded to the recipient return. The Service uses

the proof provided by the payer to pursue the recipient case when the amount verified by the payer is not on the recipient's return.

**On pilot cases only**, there is no record of returns being filed for alimony recipients identified. Non-filer program procedures will be used to contact the alimony recipient directly. Alimony, based on the payer's return entry, and, when applicable, other reported income, will be included on the report.

**Effect on Other Documents:** Pending the outcome of this pilot, this guidance may be incorporated into IRM 4.19.15.21, Alimony, and IRM 4.19.17, Non-Filer Program, at the conclusion of the pilot.

**Effective Date:** January 1, 2017

**Contact:** Jonathan Myers, SBSE Campus Exam Program Analyst, or Sherrie Bunot, Campus Exam Program Analyst.

Attachment (Interim procedures)

Distribution:  
IRS.gov

**Attachment Interim Guidance:**

**The following changes (see attached Interim Procedures) are hereby effective February 1, 2017 for IRM 4.19.17 & 4.19.15.21**

**(01-31-2017)**

# Test Pilot-Alimony Recipient Non-Filer

## Background and Pilot Detail

A gap was identified in the case selection process due to non-inclusion of alimony recipients without a fact of filing. To address that gap and pilot an examination approach, OCA (Office of Compliance Analytics) identified alimony recipients from alimony payer return entries, with potential tax liability without a return on record.

This pilot consists of up to 500 FY 2014 cases. Project Code 0277, Non Filer, and Tracking Codes, TC 0326 (Alimony and Other Income) and TC 0328 (Alimony Only) will be used to monitor pilot cases. The TIN of the payer return in which the alimony amount come from is included in CEAS notes of the recipient return for reference purposes.

## Procedures

### IRMs

In addition to the guidance provided in this document, IRM 4.19.17, **Non-Filer Program**, should be followed for alimony non-filer case processing and IRM 4.19.15.21, **Alimony**, for resolving alimony issues.

### Substitute for Return

Non-filer program procedures were used to initiate a substitute for return for the non-filer alimony recipient (NFAR).test cases. Alimony reported by the payer will be included along with other income items when applicable. See **Alimony Compliance** below for information on resolving the alimony issue and opening the payer case when applicable.

**Note:** Due to the method of identifying the test cases being outside of the Collection referral process, many of the recipients did not receive previous requests to file their return as stated in Letter 1862. The use of a different initial contact letter for future cases of this type is being considered.

### Alimony Compliance

Alimony is a payment to or for a spouse or former spouse under a divorce or separation instrument. Refer to Publication 504 for detailed information. We use alimony as a generic term for all methods of payment transfer. This includes spousal support, maintenance, third party payment, pension, and any other payment mechanism serving the same purpose.

**On pilot cases only**, the recipient social security number and alimony amount is directly from the payer return. No further verification has been performed. Please keep this in mind when evaluating responses.

### Taxpayer Replies:

## Test Pilot-Alimony Recipient Non-Filer

Keeping in mind that it is difficult to prove non-receipt of payment, utilize your examination expertise as well as research tools available to you when considering the information the recipient submits or in some cases, the lack of information available. Document your determination clearly and how it was reached in your work papers.

**Example 1**, TP claimed \$6,000 of the \$10,000 alimony income reported by the payer. Accepted taxpayers amount per divorce decree submitted supporting reduced amount.

**Example 2**, Accepting TP testimony that they did not receive alimony, never been divorced and do not have a filing requirement based on research verification.

**Example 3**, TP disputes alimony amount received however, no substantiation for lesser amount provided, sending request for substantiation.

Anytime the recipient disputes the reported alimony, pursuing the payer return should be considered, See, **Opening Payer Case** below. NOTE: Since there is no transactional relationship between payee and payer at the time of reviewing the reply, you cannot give any information to the payee, regarding the payer.

### Opening Payer Case

As stated previously, the alimony, recipient social security number and amount, reported by the payer has not been verified. As part of the test, the payer will only be contacted for verification when:

- Recipient response disputes reported alimony,
- Pursuing the alimony issue on the payer return will result in at least [REDACTED],
- And, there is at least one year remaining on the ASED (Assessment Statute Expiration Date), at the time it is opened for examination

If all criterion listed above is met, open the payer case to verify alimony paid pursuant to IRM 4.19.15.21.1, **Initial Contact and General Processing**, and the guidance below:

- Open Payer cases using:
  - Source Code 11,
  - Project Code 0231, and,
  - Tracking Code
    - 0329 –when Alimony Payer opened from PC 0277 TC 0326 Non-filer with Alimony and Other Income, or
    - 0330- when Alimony Payer opened from PC 0277 TC 0328 Non-filer with Alimony Only

## **Test Pilot-Alimony Recipient Non-Filer**

- Detail the supporting information for the alimony provided by the recipient, including the recipient's name and SSN in the work papers. Include both the ex-spouse's (recipient's SSN and the primary TIN if the ex-spouse (recipient) filed joint as the secondary taxpayer.
- Include a copy of all relevant supporting documents provided by the recipient in the payer's case file.