

IRM PROCEDURAL UPDATE

DATE: 09/02/2016

NUMBER: sbse-04-0916-1356

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

AFFECTED IRM(s)/SUBSECTION(s): 4.19.3.20.1.8.1.1

CHANGE(s):

IRM 4.19.3.20.1.8.1.1(1) Caution - revised wording to do not use Universal Work for cases in BT 89004, 89005 and 89006

IRM 4.19.3.20.1.8.1.1(2) - added Exception for deceased non-petitioning spouse (NPS) cases

IRM 4.19.3.20.1.8.1.1(3) - new (3) for handling deceased NPS cases

IRM 4.19.3.20.1.8.1.1(4) 2nd Note - revised timeframe for MFT 31 account to be established to 3 - 4 weeks, generally

IRM 4.19.3.20.1.8.1.1(13) - deleted Note regarding agreed and default assessments

IRM 4.19.3.20.1.8.1.1(17) - new instructions for assessment of NPS cases on MFT 30 and MFT 31

IRM 4.19.3.20.1.8.1.1(18) - new instructions for closing default NPS cases on AUR and forwarding the file to Appeals

IRM 4.19.3.20.1.8.1.1(19) - new instructions for closing agreed NPS cases on AUR and forwarding the file to Appeals

1. Married Filing Joint (MFJ) docketed cases require research to determine if:

CAUTION: DO NOT use Universal Work for cases in BT 89004, 89005 and 89006. If during a telephone call it is determined that an action is needed (i.e., letter, revised notice, assessment, No Change closure) on a case in BT 89004/89005/89006, check the action required box and leave a DETAILED case note explaining the action(s) needed (if the case is controlled at your campus follow local procedures to route detailed instructions for the required action(s) to the appropriate individual/unit). If the TP indicates agreement with the notice, instruct the TP to sign, date, and return the consent to tax

increase, or, refer the TP to the consent page of the notice which provides complete information.

- both taxpayers' names are reflected on the petition, or
- both taxpayers filed their own petition, or
- only one taxpayer filed a petition.

Perform the research as follows:

1. Access the U.S. Tax Court Website at ustaxcourt.gov.
2. Click on the tab titled "Docket Inquiry".
3. Select either Docket Number or Individual Party Name.
4. Enter the required information to access the case.
5. Once accessed, view the petition and/or party's names. If only one taxpayer name is reflected on the petition, refer to (2) – (19) below. If both taxpayer names are reflected or both taxpayers filed a separate petition, continue normal processing; see IRM 4.19.3.20.1.8.1, *Docketed Cases*, for additional information.

NOTE: If after clicking on the docket number the petition is not available to view, click on "Go to", which appears right above where the docket number was clicked, then select "Parties".

2. A non-petitioning spouse (NPS) case occurs on a MFJ account when ONLY one taxpayer files a petition with Tax Court. A MFT 31 module must be established on the non-petitioning taxpayer. The petitioning spouse's (PS) case is referred to Appeals.

EXCEPTION: If the NPS is deceased a MFT 31 module will not be established; see (3) below.

3. If the NPS is deceased close the case with PC 80 and follow procedures for docketed cases; see IRM 4.19.3.20.1.8.1, *Docketed Cases*. Leave a detailed case note indicating the NPS is deceased, the case has been closed to Appeals with PC 80 and AUR will not take any action on the non-petitioning deceased party.

Prepare Form 3210 and attach to the case file. Include the following information on the form:

- Remarks: "This is the case file for the petitioning spouse. The non-petitioning spouse is deceased; no action will be taken on the non-petitioning deceased taxpayer."
- Petitioning spouse's name and TIN
- Deceased spouse's name and TIN

Return the case to clerical.

4. A MFT 31 module is established for the NPS by accessing IDRS CC TXMODA from the MFT 30 primary account. Complete the IAT "REQ 77" tool fields as follows:

NOTE: The SSN, MFT, tax period, and name control will populate from CC TXMODA.

1. **TC:** Input "971".
2. **TRANS-DT:** Date of TC 971 input.
3. **TC971/151-CD:** Input "103".
4. **XREF-TIN:** Input NPS SSN.
5. **Leave remarks:** e.g., "NPS MFT 31".

NOTE: The TC971 AC 103 generally posts within 3 - 4 weeks after input. Appeals will establish the MFT 31 for the PS and input the TC971/AC 110 for both taxpayers.

5. If non-statutory items are NOT an issue, refer to (9) below. If non-statutory items are an issue, a partial assessment on the MFT 30 module on IDRS is required for the following items before transferring the docketed case to Appeals:

- W/H, see (6) below
- Excess SSTAX, see (6) below
- Additional Medicare Tax withheld, see (6) below
- Additional Medicare tax on wages or RRTA compensation, see (7) below
- FICA tax on tip income and tip penalty under IRC 6652(b), see (7) below
- FICA tax on other income (i.e., NEC), see (7) below
- Shared Responsibility Payment (SRP), see (8) below

6. If W/H, excess SSTAX, Additional Medicare Tax withheld, is the issue:

1. Input the assessment, using the IAT "REQ54" tool, for the credit adjustment, NOT the tax and use HC 2.
2. Send the TP a Letter 2626C, explaining the partial assessment and advise them that the remaining issues will be addressed as part of the docketed case process and/or once the timeframe to file a petition with the United States Tax Court expires, if it is decided to do so. Include a copy of the letter in the case file.

NOTE: No other AUR correspondence will be issued to the PS.

7. If FICA tax, SS Tip tax, Additional Medicare tax on wages or RRTA compensation is an issue:

1. Input the assessment, using the IAT" REQ54" tool, with a TC 290 and the appropriate reference number, blocking series "05" and HC 3. The hold code is released when the next TC 290 posts.
2. Send the TP a Letter 2626C, explaining the partial assessment and advise them that the remaining issues will be addressed as part of the docketed case process and/or once the timeframe to file a petition with the United States Tax Court expires, if it is decided to do so. Include a copy of the letter in the case file.

NOTE: No other AUR correspondence will be issued to the PS.

3. Leave a case note documenting the actions taken.
8. If there is a change to SRP, follow established procedures to ensure the adjustment is input on MFT 35 and the taxpayer is notified of the partial assessment.
9. Take the following actions on the NPS:
 1. Input the address of the NPS taxpayer on the Update Address window using Address Type "T", and an end date that is 365 days from the current date. Edit the first name line to reflect only the NPS taxpayer's name.
 2. Issue Letter 2626C to ONLY the NPS (address type "T") to obtain a signed consent, advise they are jointly and separately liable for the tax and that the letter doesn't extend the time period to file a petition with Tax Court, if he/she chooses to do so.
 3. Prepare a duplicate case file for the NPS containing photocopies of all case contents. The duplicate file will be retained in AUR.
10. Prepare Form 3210, *Document Transmittal*, for the PS and include the following information on the form:
 - Remarks: "This is a non-petitioning spouse case. AUR retained a duplicate case file for the non-petitioning spouse awaiting the conclusion of the 90 day suspense period. AUR will assess the NPS when an agreement is received or when defaulted. After assessing the NPS case, AUR will forward the assessment documents and duplicate case file to your office."
 - Petitioning spouse's name and TIN
 - Non-petitioning spouse's name and TIN
 - Default date of the Stat notice

NOTE: Original correspondence will be included in the PS referral package sent to Appeals.

11. Leave a detailed case note to indicate which taxpayer filed a petition; i.e., primary TP petitioned, input IPC S8 and release the case to move the case to BT 89006.
12. Use the batch listing for batch 89006 or Agree/Non-Agree and Docketed Appeals (NPS) Suspense Inventory Report, to monitor the NPS case to await

expiration of the STAT suspense timeframe (default). Once expired, request the case.

13. If a response is received from the NPS and additional correspondence or a recomputed notice is necessary, take the following actions:

If	Then
Additional correspondence is necessary	<ol style="list-style-type: none"> 1. Input/verify the address of the NPS taxpayer on the Update Address window (Address Type "T" and an end date that is 365 days from the current date). Edit/verify the first name line reflects only the NPS taxpayer's name. 2. Issue Letter 2626C to ONLY the NPS to address response issue(s), advise TP both spouses are jointly and separately liable for the tax; and that the letter doesn't extend the time period to file a petition with Tax Court, if he/she chooses to do so. 3. Input IPC S8 (Stat) and release case; case is moved to BT 89006.
A recomputed notice is required (suspense timeframe NOT expired)	<ol style="list-style-type: none"> 1. Input/verify the address of the NPS taxpayer on the Update Address window (Address Type T and an end date that is 365 days from the current date). Edit/verify the first name line reflects only the NPS taxpayer's name. 2. Rework the case following normal processing procedures. 3. Input PC 95 and release the case. 4. Monitor the case for the PC to post. Once posted, request the case. 5. Input IPC S8 (Stat) and release case; case is moved to BT 89006.

14. If a response is received from the PS, forward to Appeals.
 15. If the NPS later files a separate petition, prepare Form 3210, *Document Transmittal*, for the NPS and include the following information on the form:

- Remarks: "This is the duplicate file for a non-petitioning spouse case. The NPS has now filed a petition. The PS spouse case file was sent to Appeals on (date)."
- Petitioning spouse's name and TIN
- Non-petitioning spouse's name and TIN

16. If information provided allows the case to be closed no change, close the NPS case using PC 92 and issue Letter 1802C to inform the NPS that the case was closed no change. Prepare Form 3210, *Document Transmittal* and include the following information on the form:
- Remarks: "This is the duplicate file for a non-petitioning spouse case. The NPS provided information that allowed the case to be closed no change. The PS spouse case file was sent to Appeals on (date)."
 - Petitioning spouse's name and TIN
 - Non-petitioning spouse's name and TIN
17. When the NPS case is ready for assessment/default, an adjustment is required on the MFT 31 using the IAT "REQ 54" tool and on MFT 30 using the AUR Assessment window. See the table below for additional information regarding information and transactions input to each module:

If	Then
MFT 31	<p>Input changes to tax (increase/decrease), penalties and refundable credits and/or payments such as EITC, Additional Child Tax Credit, and American Opportunity Credit as follows:</p> <p>Input/select</p> <ul style="list-style-type: none"> ○ Activity - 54TAXADJ ○ Category - URP ○ Blocking Series - see IRM 4.19.3.20.10.1, <i>The Assessment Window</i> ○ Received Date ○ TC 290/291 ○ Penalty (i.e., TC 680, TC 170/171, 160/161) ○ EITC (TC 764/765) ○ Refundable Credits - Additional Child Tax Credit, American Opportunity Credit and net PTC <p>NOTE: Changes to refundable credits will be netted (+ or -). The netted amount will be input with TC 766/767. For example, if the American Opportunity Credit adjustment is \$766 and the Additional Child Tax Credit adjustment is -\$166, the TC 766 amount is \$600.</p> <ul style="list-style-type: none"> ○ Correspondence Date - see IRM 4.19.3.20.10.1(5), <i>The Assessment Window</i>, for further information ○ TCB-DT (credit interest date) <p>NOTE: On default cases, the TCB-DT will be blank and the IRS-RECV-DT will be the date</p>

	<p>the assessment is input. On agreed cases, use the agreement date. See IRM 4.19.3.20.10.1, <i>The Assessment Window, IRS Received DT</i>, to determine the correct agreement date. Use * in the IRS-RECV-DT to populate the current date in the field.</p> <ul style="list-style-type: none"> ○ Source Code (SC) 2 ○ Reason Codes (RC) <p>CAUTION: RC 138 MUST be input anytime there is a change to EITC and/or refundable credits.</p> <ul style="list-style-type: none"> ○ Hold Code (HC) 0 ○ Priority Code (determined on a case-by-case basis) <p>CAUTION: Priority Code 9 MUST be used anytime there is a change to EITC and/or refundable credits or a combination of them (i.e., + or - totaled into one TC 766/767).</p> <ul style="list-style-type: none"> ○ Source Document "N" ○ Remarks - NPS default or NPS agreed, as appropriate
MFT 30 (AUR Assessment Window)	<ol style="list-style-type: none"> 1. Correct the AUR Assessment window entries to ensure none of the items included on the MFT 31 adjustment are included (i.e., change the TC 290 adjustment amount to .00 and do not include adjustments to tax, non-statutory items which were adjusted previously, EITC and refundable credits; these are input on MFT 31). 2. Use the same RCs on MFT 30 and MFT 31. <p>CAUTION: Do not use RC 138 on MFT 30.</p> <ol style="list-style-type: none"> 3. Use Hold Code (HC) 4 4. Use Source Document "Y" 5. Remarks – "NPS default" or "NPS agreed", as appropriate 6. Leave a detailed case note to indicate which taxpayer defaulted (or agreed) and which taxpayer is in Appeals. <p>NOTE: Do not change the entries in the CREDIT INTEREST DATE or IRS RECEIVED</p>

	DT fields.
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NOTE: The Assessment process on a MFT 31 module is similar to the assessment input on a MFT 30 reconsideration case.

18. Input PC 94 (default). Monitor the case for the adjustment(s) to post. Once posted, forward the NPS duplicate case file and assessment verification to Appeals. Complete Form 3210, *Documental Transmittal*, and include the following information on the form:

- Remarks - "This is the file for a NPS case. The NPS was assessed on MFT 31. The PS spouse case file was sent to Appeals on (date)."
- Petitioning spouse's name and TIN
- Non-petitioning spouse's name and TIN

NOTE: The NPS duplicate case file, including any original correspondence, is sent to Appeals. A copy of the NPS case file is sent with the MFT 30 adjustment.

19. If information provided allows the case to be closed agreed, close the NPS case using PC 88. Prepare Form 3210, *Documental Transmittal*, and include the following information on the form:

- Remarks - "This is the duplicate file for a non-petitioning spouse case. The NPS provided information that allowed the case to be closed agreed. The PS spouse case file was sent to Appeals on (date)."
- Petitioning spouse's name and TIN
- Non-petitioning spouse's name and TIN

NOTE: The NPS duplicate case file, including any original correspondence, is sent to Appeals. A copy of the NPS case file is sent with the MFT 30 adjustment.