IRM PROCEDURAL UPDATE

DATE: 05/29/2026

NUMBER: sbse-05-0626-0577

SUBJECT: New CSCO Threshold Authority Levels

AFFECTED IRM(s)/SUBSECTION(s): 5.19.17

CHANGE(s):

IRM 5.19.17.2, Currently Not Collectible (CNC) Procedures (2) Updated the title link to match the current title of IRM 5.19.1.6.4.19.1, "Withdrawal of Pending IA".

(1) For references to CNC authority and policy statements, refer to IRM 5.19.17.2.1, CNC Closure Authority Levels.

(2) Address an unreversed TC 971 AC 043 (pending installment agreement) before closing an account as CNC. See IRM 5.19.1.6.4.19.1, Withdrawal of Pending IA and IRM 5.19.1.6.4.9, IA Rejection Criteria.

(3) Accounts can be removed from active inventory after taking the necessary steps in the collection process. Accounts may be reported CNC for a variety of reasons using transaction code (TC) 530. It is a requirement that TC 530 be defined by the appropriate closing code (cc). Input TC 530 with appropriate cc to all affected (balance due) modules on the account.

Reminder: If Individual Shared Responsibility Payments (SRPs) are included with other MFT 30 or MFT 31 modules on an account that meets CNC criteria, close them consistently with the other modules.

(4) The investigation required to establish a CNC condition varies with the dollar amount, type of case and may require third party contact.

(5) A Notice of Federal Tax Lien (NFTL) determination must be made on accounts being reported CNC when the Aggregate Assessed Balance (AAB), including accounts previously reported CNC equals or exceeds $10,000 (CC SUMRY total). See IRM 5.19.4.5.1, Notice of Federal Tax Lien Filing Determinations, and IRM 5.19.4.5.3.2, Filing Criteria, and IRM 5.19.4.6.1, How to File a NFTL. If a determination is made to file a NFTL, the taxpayer should be advised of their right to appeals under the Collection Appeal Program (CAP), see IRM 5.19.8.4.16, Collection Appeals Program (CAP) Procedures.

(6) A compliance check must be conducted; see IRM 5.19.1.4.4.1, Full Compliance Check. All open filing requirements or Delinquent Returns modules must be resolved and closed appropriately when reporting an account CNC.

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Exception: For hardship cases, see IRM 5.19.17.2.4, CNC Unable to Pay – Hardship.

(7) Follow CNC Managerial Approval procedures see IRM 5.19.17.2.2, CNC Managerial Approval.

Caution: When manager approval is required, managers or lead must input the CNC. As of 7/1/2023 employees are restricted from direct input of CNC closings when managerial approval is required. Employees will receive an error message when attempting to enter the CNC action.

a. If managerial approval is required, follow instructions in IRM 5.19.17.2.2, CNC Managerial Approval, and IRM 5.19.17.2.2.1, Requesting Approval and Input of Accounts into CNC Status.

b. If managerial approval is **not** required, see Exhibit 5.19.17-1, IDRS Input of CNCs, REQ77/FRM77.

c. Document AMS, showing the modules to be included and the reason that account will be CNCd.

d. ACS: Input "TOC0, 21, NCXX"(XX = CNC Closing Code).

e. ACSS: Input "TOS0, 21, NCXX"(XX = CNC Closing Code).

(8) If the determination is made that account will be closed CNC (unable to pay), it is required that the taxpayer/POA be informed of the CNC terms and that the CNC was approved by issuing Letter 4624-C, Case Closed -- Currently Not Collectible; Lien Filing Notification on Currently Not Collectible, to the taxpayer/POA.

(9) Accounts that cannot be closed CNC by Compliance (ACS, ACSS & CSCO):

- BMF In-Business taxpayers.
- Accounts with an OIC indicator on IDRS.
- If the taxpayer/POA refuses to pay or file, refer to IRM 5.19.1.6.1, Taxpayer Refuses to Pay.
- If the taxpayer has been assessed a Frivolous Return Penalty or claims Frivolous Tax Arguments, refer to paragraph (10).

(10) If the taxpayer has been assessed a Frivolous Return Penalty or claims Frivolous Tax Arguments (see IRM 5.20.10.2, Frivolous Submissions Subject to IRC § 6702) – used for the purpose of expressing dissatisfaction with the substance, form, or administration of the tax laws by attempting to illegally avoid or reduce tax liabilities, and they meet CNC criteria, follow these procedures:

IF...	AND...	THEN...

AAB (CC SUMRY) due on the taxpayer's accounts is **less than** $40,000,	N/A	CNC all modules. See IRM 5.19.17.2.4, CNC Unable to Pay - Hardship.
AAB (CC SUMRY) due on the taxpayer's account is **between** $40,000 and $100,000, and the penalty module is for a taxable year **greater than 2 years old,**	the taxpayer has been in compliance the past 2 taxable years,	CNC all modules See IRM 5.19.17.2.4, CNC Unable to Pay - Hardship. **Example:** It is August 2025, the taxpayer owes $60,000 and a frivolous penalty was assessed on a balance due module for 30-202212. The taxpayer filed valid returns for 30-202312 and 202412, and cannot full pay. All modules can be reported CNC.
AAB (CC SUMRY) due on the taxpayer's account is **between** $40,000 and $100,000,	penalty module is for a taxable year **2 years old or less OR** the taxpayer has **NOT** been in compliance the past 2 taxable years, CC ASGNI all modules to the queue for subsequent assignment to Field Collection,	Follow the steps below for assigning the case to Field Collection. • Notice Status Only - Input CC STAUP 2200. CC ASGNI account on IDRS to 7000 • ACS - Move account "TOC0, 21, TFQU" • ACSS - Move account "TOS0, 21, TFQU" **Example:** It is December 2025, the taxpayer owes $60,000 and a frivolous penalty was assessed on a balance due module for 30-202312 **OR** the frivolous penalty was assessed for 30-202212 and taxpayer has **NOT** filed and paid 30-202312 or 202412. Send all modules to the queue.
AAB (CC SUMRY) due on the taxpayer's accounts is **greater than** $100,000,	N/A	Input CC ASGNI to all modules and follow the steps below for assigning the case to Field Collection. • Notice Status Accounts only - Input CC STAUP 2200.

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		CC ASGNI account on IDRS to 6541. • ACS - Move account: "TOC0, 21,TFRO" • ACSS - Move account: "TOS0, 21,TFRO"

Note: Follow IRM 5.19.4, Enforcement Action, for levy release guidance in hardship cases. **Do not** CNC any of the modules.

(11) Starting January 2020, the IRS began using three new closing codes for Private Debit Collection (PDC) related to shelving. Prior to January 2020 the IRS shelved all balance due inventory using transaction 530 closing code 39. Those codes are identified within the table below:

Coding	**Definition**
TC 530, 37 Balance Due/TDA Queue	An account that is in debit balance that has been identified as potential inventory for PDC, This identification occurs weekly as 1 year old or older inventory that has not been selected for assignment from within the Queue is processed by the Inventory Delivery System (IDS).
TC 530, 38 Balance Due/TDA ACS	An account that is in debit balance that has been identified as potential inventory for Private Debt Collection (PDC). This identification occurs quarterly as 1 year old or older inventory that has not had any taxpayer contact during its assignment in ACS is processed by the HQ ACS Analyst.
TC 598, 86 Return Delinquency/TDI Associated module	A module that is in return delinquency or TDI status that is associated with a debit balance account that has been identified as potential inventory for Private Debt Collection (PDC). This identification occurs at the same time that the debit balance account/module is being shelved for potential PDC processing.

(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:

Reminder: Employees are required to offer the use of available digital communication tools to taxpayers or their representatives to secure necessary information or documents.

Employees must use, offer, and encourage available digital tools for customer assistance, (i.e., DUT, eFax, etc...)

- Assist low income individuals in resolving federal tax problems such as audits, appeals, litigations, and tax collection disputes.
- Provide services to taxpayers who speak English as a second language, including education about taxpayer rights and responsibilities, and consultations on individual tax issues.
- Services must be free or cost a nominal fee. LITCs receive funding from the IRS and the program receives oversight from the National Taxpayer Advocate, but the clinics are wholly independent of the IRS.
- Are located in each state, Puerto Rico, and the District of Columbia, but not every clinic offers a complete range of services. For a complete list of LITCs, services offered, 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) 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.

IRM 5.19.17.2, Currently Not Collectible (CNC) Procedures (12) Added reminder requirement of offering the digital tools.

(1) For references to CNC authority and policy statements, refer to IRM 5.19.17.2.1, CNC Closure Authority Levels.

(2) Address an unreversed TC 971 AC 043 (pending installment agreement) before closing an account as CNC. See IRM 5.19.1.6.4.19.1, Withdrawal of Pending IA and IRM 5.19.1.6.4.9, IA Rejection Criteria.

(3) Accounts can be removed from active inventory after taking the necessary steps in the collection process. Accounts may be reported CNC for a variety of reasons using transaction code (TC) 530. It is a requirement that TC 530 be defined by the appropriate closing code (cc). Input TC 530 with appropriate cc to all affected (balance due) modules on the account.

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Reminder: If Individual Shared Responsibility Payments (SRPs) are included with other MFT 30 or MFT 31 modules on an account that meets CNC criteria, close them consistently with the other modules.

(4) The investigation required to establish a CNC condition varies with the dollar amount, type of case and may require third party contact.

(5) A Notice of Federal Tax Lien (NFTL) determination must be made on accounts being reported CNC when the Aggregate Assessed Balance (AAB), including accounts previously reported CNC equals or exceeds $10,000 (CC SUMRY total). See IRM 5.19.4.5.1, Notice of Federal Tax Lien Filing Determinations, and IRM 5.19.4.5.3.2, Filing Criteria, and IRM 5.19.4.6.1, How to File a NFTL. If a determination is made to file a NFTL, the taxpayer should be advised of their right to appeals under the Collection Appeal Program (CAP), see IRM 5.19.8.4.16, Collection Appeals Program (CAP) Procedures.

(6) A compliance check must be conducted; see IRM 5.19.1.4.4.1, Full Compliance Check. All open filing requirements or Delinquent Returns modules must be resolved and closed appropriately when reporting an account CNC.

Exception: For hardship cases, see IRM 5.19.17.2.4, CNC Unable to Pay – Hardship.

(7) Follow CNC Managerial Approval procedures see IRM 5.19.17.2.2, CNC Managerial Approval.

Caution: When manager approval is required, managers or lead must input the CNC. As of 7/1/2023 employees are restricted from direct input of CNC closings when managerial approval is required. Employees will receive an error message when attempting to enter the CNC action.

a. If managerial approval is required, follow instructions in IRM 5.19.17.2.2, CNC Managerial Approval, and IRM 5.19.17.2.2.1, Requesting Approval and Input of Accounts into CNC Status.

b. If managerial approval is **not** required, see Exhibit 5.19.17-1, IDRS Input of CNCs, REQ77/FRM77.

c. Document AMS, showing the modules to be included and the reason that account will be CNCd.

d. ACS: Input "TOC0, 21, NCXX"(XX = CNC Closing Code).

e. ACSS: Input "TOS0, 21, NCXX"(XX = CNC Closing Code).

(8) If the determination is made that account will be closed CNC (unable to pay), it is required that the taxpayer/POA be informed of the CNC terms and that the CNC was approved by issuing Letter 4624-C, Case Closed -- Currently Not Collectible; Lien Filing Notification on Currently Not Collectible, to the taxpayer/POA.

(9) Accounts that cannot be closed CNC by Compliance (ACS, ACSS & CSCO):

- BMF In-Business taxpayers.
- Accounts with an OIC indicator on IDRS.
- If the taxpayer/POA refuses to pay or file, refer to IRM 5.19.1.6.1, Taxpayer Refuses to Pay.
- If the taxpayer has been assessed a Frivolous Return Penalty or claims Frivolous Tax Arguments, refer to paragraph (10).

(10) If the taxpayer has been assessed a Frivolous Return Penalty or claims Frivolous Tax Arguments (see IRM 5.20.10.2, Frivolous Submissions Subject to IRC § 6702) – used for the purpose of expressing dissatisfaction with the substance, form, or administration of the tax laws by attempting to illegally avoid or reduce tax liabilities, and they meet CNC criteria, follow these procedures:

IF...	**AND...**	**THEN...**
AAB (CC SUMRY) due on the taxpayer's accounts is **less than** $40,000,	N/A	CNC all modules. See IRM 5.19.17.2.4, CNC Unable to Pay - Hardship.
AAB (CC SUMRY) due on the taxpayer's account is **between** $40,000 and $100,000, and the penalty module is for a taxable year **greater than 2 years old,**	the taxpayer has been in compliance the past 2 taxable years,	CNC all modules See IRM 5.19.17.2.4, CNC Unable to Pay - Hardship. **Example:** It is August 2025, the taxpayer owes $60,000 and a frivolous penalty was assessed on a balance due module for 30-202212. The taxpayer filed valid returns for 30-202312 and 202412, and cannot full pay. All modules can be reported CNC.
AAB (CC SUMRY) due on the taxpayer's account is **between** $40,000 and $100,000,	penalty module is for a taxable year **2 years old or less OR** the taxpayer has **NOT** been in compliance the past 2 taxable years, CC ASGNI all modules to the queue for subsequent assignment to Field Collection,	Follow the steps below for assigning the case to Field Collection. • Notice Status Only - Input CC STAUP 2200. CC ASGNI account on IDRS to 7000 • ACS - Move account "TOC0, 21, TFQU"

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		• ACSS - Move account "TOS0, 21, TFQU" **Example:** It is December 2025, the taxpayer owes $60,000 and a frivolous penalty was assessed on a balance due module for 30-202312 **OR** the frivolous penalty was assessed for 30-202212 and taxpayer has **NOT** filed and paid 30-202312 or 202412. Send all modules to the queue.
AAB (CC SUMRY) due on the taxpayer's accounts is **greater than** $100,000,	N/A	Input CC ASGNI to all modules and follow the steps below for assigning the case to Field Collection. • Notice Status Accounts only - Input CC STAUP 2200. CC ASGNI account on IDRS to 6541. • ACS - Move account: "TOC0, 21,TFRO" • ACSS - Move account: "TOS0, 21,TFRO"

Note: Follow IRM 5.19.4, Enforcement Action, for levy release guidance in hardship cases. **Do not** CNC any of the modules.

(11) Starting January 2020, the IRS began using three new closing codes for Private Debit Collection (PDC) related to shelving. Prior to January 2020 the IRS shelved all balance due inventory using transaction 530 closing code 39. Those codes are identified within the table below:

Coding	**Definition**
TC 530, 37 Balance Due/TDA Queue	An account that is in debit balance that has been identified as potential inventory for PDC, This identification occurs weekly as 1 year old or older inventory that has not been selected for assignment from within the Queue is processed by the Inventory Delivery System (IDS).

TC 530, 38 Balance Due/TDA ACS	An account that is in debit balance that has been identified as potential inventory for Private Debt Collection (PDC). This identification occurs quarterly as 1 year old or older inventory that has not had any taxpayer contact during its assignment in ACS is processed by the HQ ACS Analyst.
TC 598, 86 Return Delinquency/TDI Associated module	A module that is in return delinquency or TDI status that is associated with a debit balance account that has been identified as potential inventory for Private Debt Collection (PDC). This identification occurs at the same time that the debit balance account/module is being shelved for potential PDC processing.

(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:

Reminder: Employees are required to offer the use of available digital communication tools to taxpayers or their representatives to secure necessary information or documents. Employees must use, offer, and encourage available digital tools for customer assistance, (i.e., DUT, eFax, etc...)

- Assist low income individuals in resolving federal tax problems such as audits, appeals, litigations, and tax collection disputes.
- Provide services to taxpayers who speak English as a second language, including education about taxpayer rights and responsibilities, and consultations on individual tax issues.
- Services must be free or cost a nominal fee. LITCs receive funding from the IRS and the program receives oversight from the National Taxpayer Advocate, but the clinics are wholly independent of the IRS.
- Are located in each state, Puerto Rico, and the District of Columbia, but not every clinic offers a complete range of services. For a complete list of LITCs, services offered, 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) 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.

IRM 5.19.17.2.1.1, Non-Hardship Closure Authority Levels (1) 4th Row Added exception language for FERDI accounts and individuals receiving RRB and SSA benefits.

(1) The following table provides authority levels and IRM references for various non hardship CNC closures for IMF and/or BMF out of business accounts:

Closing Codes	Definition	Dollar Criteria & IRM References
03	Unable to locate the taxpayer or assets	**IMF:** Less than **#** [redacted] **#** AAB (CC SUMRY) **BMF OOB:** Less than **#** [redacted] **#** AAB (CC SUMRY) **BMF In Business:** • Less than **#** [redacted] **#** AAB (CC SUMRY) - if trust funds are involved • Less than **#** [redacted] **#** AAB (CC SUMRY) - if non trust funds are involved See IRM 5.19.5.8.2.5, I4 — Closing the Case.
08	Death of an individual with no collection potential from the decedent estate or no collection potential for estate taxes	No dollar criteria. Follow processing guidance in IRM 5.19.1.5.3, Deceased Taxpayers. CNC requires managerial approval over **#** [redacted] **#** ; see (2) below. **Caution:** Closing account as deceased with a TC 530 CC 08 will systematically generate a TC 540, locking the account and preventing the account from future return filings and or receiving systemic refunds. It will mark the account with a date of death via CC ENMOD or IMFOLE. (if not already present). Please note: NAP generated TC 540 date of death will generally appear in CC INOLES. **Reminder:** Decedent procedures apply to IMF, BMF sole proprietorship and BMF partnership accounts (only if all liable partners are deceased).

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09	Accounts Below Tolerance	Accounts may be closed as currently not collectible, tolerance., where the aggregate unpaid balance, including accruals, is less than # [redacted] # : • IMF- # [redacted] # (except MFT 55 — # [redacted] #) • BMF - # [redacted] # (except MFT 13 — # [redacted] #) • NMF- # [redacted] # • IRAF- # [redacted] #
09	Accounts Below Deferral	Accounts may be closed as currently not collectible, deferral. Refer to the following for a list of MF types and deferral amounts (aggregate assessed balance (AAB), including accruals): • IMF - # [redacted] # , (except MFT 55 - # [redacted] #) • BMF - # [redacted] # , (except MFT 13 - # [redacted]) • NMF - # [redacted] # , (except # [redacted] # for NMF accounts on telephone excise tax when the SSN is determined) • Individual Retirement Account File (IRAF) - # [redacted] # **Exception:** For FERDI accounts and individuals receiving RRB and SSA benefits - Taxpayers who cannot pay and owe less than $1,500 (including all accruals) can be closed under Currently Not Collectible (CNC) Exception provisions, TC 530 CC 24. The Deferral Closure transaction code TC 530 CC 09 is not excluded from systemic FPLP selection.
10	Corporations, certain limited liability partnerships, exempt organizations, or LLCs, where the LLC is identified as the liable taxpayer, which are inactive and defunct with no assets	Less than # [redacted] # AAB (CC SUMRY) See IRM 5.19.17.2.7, Defunct Corporations, Exempt Organizations, Limited Partnerships, and Limited Liability Companies CC10
12	Unable to contact a taxpayer although the address is known and there	**IMF:** Less than # [redacted] # AAB (CC SUMRY) **BMF OOB:** Less than # [redacted] # AAB (CC SUMRY) **BMF In Business:**

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	is no means to enforce collection	• Less than # [redacted] # AAB (CC SUMRY) - if trust funds are involved • Less than # [redacted] # AAB (CC SUMRY) - if non trust funds are involved See IRM 5.19.5.8.2.5, I4 — Closing the Case. **Exception:** Federal Employee/Retiree Delinquency Initiative (FERDI) employees may close FERDI accounts Unable to Contact (TC 530 cc 12) up to an aggregate assessed balance of # [redacted] # . See IRM 5.19.18.4(1), FERDI General Case Processing Review.
17	Unable to locate the Single Member Owner (SMO) or assets of the SMO who is liable for taxes assessed under an LLC EIN.	**Intentionally left blank**
18	Unable to contact a SMO who is liable for taxes assessed under an LLC EIN when the SMO address is known, and there are no means to enforce collection.	**Intentionally left blank**
19	Accounts below tolerance that are assessed under an LLC EIN, but owed by SMO.	See IRM 5.16.1.2.5, Tolerance, for additional information.

(2) **CNC Managerial Approval Requirements:** To ensure recommendations meet established standards of thoroughness and integrity, managerial approval for CNC determinations is required for:

- Unable to Locate determinations over # [redacted] # .
- Unable to Contact determinations over # [redacted] # .
- Decedent determinations over # [redacted] # .

Reminder: Decedent procedures apply to IMF, BMF sole proprietorship and BMF partnership accounts (only if all liable partners are deceased).

IRM 5.19.17.2.1.2, Hardship Closure Authority Levels (3) Table 2nd Row Added CSCO to match the hardship dollar criteria of ACS & ACSS.

(1) This section provides the authority levels and IRM references to procedures for closing IMF and/or BMF out of business accounts as CNC - Hardship.

(2) When the collection of the liability would create a hardship for taxpayers by leaving them unable to meet necessary living expenses, employees must follow the procedures in IRM 5.19.17.2.4, CNC Unable to Pay - Hardship, prior to the disposition of the case.

(3) The following table provides the authority levels and IRM references for closing IMF and/or BMF out of business accounts as CNC - Hardship. Treasury Regulation § 301.7701-2 states that on or after January 1, 2009, single member owners of LLCs are treated as corporations. Therefore, after that date, these closing codes should not be used for single member owner LLCs. A trust fund recovery penalty investigation must be conducted and assessed if applicable.

Closing Codes	**Dollar Criteria & IRM References**
24	**All employees:** less than **#** [redacted] **#** AAB (CC SUMRY) excluding any individual SRP balances. See IRM 5.19.17.2.4.1, CNC Exception Processing.
24 - 32	**Field Assistance (FA):** • Up to **#** [redacted] **#** AAB (CC SUMRY) (IMF), and **CSCO, ACS and ACSS employees:** • Up to **#** [redacted] **#** AAB (CC SUMRY) (IMF), and • Up to **#** [redacted] **#** AAB (CC SUMRY) (BMF) OOB BMF **Reminder:** Hardship codes can **only** be used for individual or joint IMF assessments, and OOB BMF sole proprietorships, general partnerships, and LLCs, where an individual owner is identified as the liable taxpayer.

(4) **CNC Managerial Approval Requirements:** To ensure recommendations meet established standards of thoroughness and integrity, managerial approval for CNC determinations is required for all hardship determinations (cc 24-32), except those less than **#** [redacted] **#** AAB (CC SUMRY).

IRM 5.19.17.2.6, Decedent and Decedent Estates (7) Added caution and procedures for when account is erroneously closed as decedent.

(1) Use closing code 08 to report an account CNC on a decedent or decedent estates.

Caution: Closing account as deceased with a TC 530 CC 08 will systematically generate a TC 540, locking the account and preventing the account from future return filings and or receiving systemic refunds. It will mark the account with a date of death via CC ENMOD or IMFOLE. (if not already present). Please note: NAP generated TC 540 date of death will generally appear in CC INOLES.

Reminder: Decedent procedures apply to IMF, BMF sole proprietorship, and BMF partnership accounts.

(2) Closing code 08 is appropriate for IMF joint liabilities only when **both** taxpayers are deceased and determination has been made that there is no collection potential from assets owned at death.

(3) Closing code 08 may be used when the primary taxpayer is deceased and determination has been made that there is no collection potential from the decedent's individual or business assets or persons in possession of such assets. Collection may also be pursued from the surviving spouse on joint liabilities using MFT 31 mirrored accounts. See IRM 5.19.17.2.10, CNC Assessments Against Two or More Taxpayers.

(4) Do not use closing code 08 when only the secondary taxpayer is deceased. A TC 540 should be input on the secondary taxpayer's SSN, if it has not already posted to the account. Collection may also be pursued from the primary taxpayer on joint liabilities. If the primary taxpayer is determined to be uncollectible, the account should be closed using a hardship closing code.

(5) Closing code 08 also applies to BMF sole proprietorship and partnerships only if **all** of the partners are deceased and taxes were due at the time of death.

(6) In situations where the owner of an LLC is identified as the liable taxpayer and is deceased, closing code 08 is appropriate.

(7) When reporting accounts CNC using closing code 08, do not input separate TC 540 to delete the master filing requirements. The input of TC 530 cc 08 will systemically generate a TC 540.

Caution: When an account is erroneously closed as a decedent, correct the TC 530 closing code as appropriate and reverse any incorrect TC 540 with a TC 542 to ensure the module is fully reopened for future processing.

Note: See IRM 5.19.1.5.3, Deceased Taxpayers, for complete deceased processing guidelines.

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IRM 5.19.17.2.7, Defunct Corporations, Exempt Organizations, Limited Partnerships, and Limited Liability Companies CC10 (3) Table 1st Row & 3rd Row Updated manager approval procedures for language clarity.

(1) Defunct corporation applies to:

- Any corporation or exempt organization that is no longer operating and from which all assets have been dispersed.
- Corporations dissolved under state receivership proceedings or other state dissolution proceedings.
- Limited partnership cases when the partnership agreement limits the liability of the partners under local law, when the business is no longer operating and from which all assets have been dispersed.
- LLC cases (where the LLC is identified as the liable taxpayer), when the business is no longer operating and from which all assets have been dispersed.

(2) If the AAB (CC SUMRY) is less than **#** [redacted] **#** , and a person legally authorized to act for the business (partner, officer, etc.) states the company is defunct and all assets were dispersed, close the account after exhausting all levy sources if in ST 22.

(3) If the conditions in paragraph (2) are met, follow the steps below based on your function and the account status:

If...	**And...**	**Then...**
ACS and FA	All ST 22	CR/TE must input "TOC0, 05,NC10" After the manager approves the request, the manager or lead must input"NC10,,53APP" or input TC 530 cc 10 to IDRS. **Note:** If inputting to IDRS, in AMS narrative enter CNC and input ACS history “OADT,21,53APP” on ACSweb
ACS, ACSS, and FA	Non-ST 22	Document AMS with NC10 request and provide IDRS print to the Manager. If approved input TC 530 cc 10 to IDRS utilizing either IAT REQ77 (mandated) or IAT Compliance Suite (suggested) Tools. **Note:** FA employees should refer to IRM 21.3.4-12, Field Assistance Mandated IAT Tools.
ACSS	All ST 22	TE must input "TOS0, 05,NC10". After the manager approves the request, the manager or lead must input"NC10,,53APP" or input TC 530 cc 10 to IDRS. **Note:** If inputting to IDRS, in AMS narrative enter CNC and input ACS history “OADT,21,53APP” on ACSweb

CSCO	Non-ST 22	Document AMS with NC10 request and provide IDRS print to the Manager. If approved input TC 530 cc 10 to IDRS utilizing either IAT REQ77 (mandated) or IAT Compliance Suite (suggested) Tools.

(4) If the AAB (CC SUMRY) is **#** [redacted] **#** or more, and a person legally authorized to act for the business (partner, officer, etc.) states the company is defunct and all assets were dispersed, take the following actions:

- Attempt to secure information on the identification of corporate officers and principals including names, SSN, and addresses. Document AMS with results.
- Exhaust all levy sources if in ST 22.

(5) If the conditions in paragraph (4) are met, follow the steps below based on your function and the account status:

If...	**And...**	**Then...**
ACS, ACSS and FA	All ST 22	CR/TE must input "TOI7, 05,TFQU" I7 would then input action history "TFQU,,AOTO7000."
ACS, ACSS, and FA	Non-ST 22	Document AMS with TFQU request and provide IDRS print to the Manager. If approved input CC STAUP 2400 and CC ASGNB AOTO7000.
CSCO	Non-ST 22	Input history on AMS of TFQU request and send for manager approval. Manager will document approval on AMS. If approved input CC STAUP 2400 and CC ASGNB AOTO7000.

Note: Consider filing a NFTL if the AAB due (CC SUMRY) is $10,000 or more. See IRM 5.19.4.5, Notice of Federal Tax Lien Determinations and Filing Criteria.

IRM 5.19.17.2.10.1, Front End Mirror Assessments Process for CNC closures (2) Table, Item D Added exception including the ITIN digit ranges allowed for mirroring.

(1) The IRS will determine if the account meets the criteria for MFT 31/65 **mirrored** accounts, CNC. Make a determination when one of the following are present on a joint liability:

- Analyzing the ability to pay using the AMS financial statement,
- One taxpayer has been determined to meet CNC or hardship criteria, or

- Taxpayer correspondence indicates they meet CNC and a request is made for separate treatment.

(2) If any of the following conditions exist, the account **cannot** be referred for "mirroring":

Item	Conditions That Cannot be Referred for Mirroring
a)	Requesting taxpayer is not compliant. **Reminder:** Follow procedures in IRM 5.19.17.2.4(6), CNC Unable to Pay – Hardship, if there are any unfiled returns.
b)	There is a credit balance on the module to be **mirrored**.
c)	NC is not the same as on CC INOLE S (the IMF NC must match SSA's NC).
d)	Either SSN begins with a nine (9) (Temporary SSN). **Exception:** ITINs with the 4th and 5th digits with the following ranges can be mirrored: 70-88, 90-92 and 94-98.
e)	Currently in Bankruptcy.
f)	International Entities.
g)	Invalid Secondary SSN or TIN (TIN with an *).
h)	A joint MFT 30 income tax liability cannot be mirrored for the year of death for the **secondary** spouse. **Exception:** Joint MFT 30 liabilities *can* be mirrored for any other decedent situation, such as when the primary taxpayer is deceased, or the secondary taxpayer is deceased for liabilities other than the year of death. **Exception:** Joint MFT 35 liabilities can be mirrored for *any* decedent situation - unlike joint MFT 30 income tax modules, joint MFT 35 SRP modules are successfully mirrored for the year of death when the secondary spouse is deceased.
i)	Innocent Spouse.
j)	CSED Imminent Modules (CSED has 12 months or less remaining on the statute).
k)	Status 71 (-Y Freeze). **Caution:** Employees should not automatically assume that assessments made against both a primary spouse and secondary spouse for the same period are duplicates simply because they are for the same tax period. Before assessments are treated as duplicates, employees should **verify** that the Individual SRP assessments are for

	the **same** underlying liability (jointly filed Form 1040), and are **not** for separately filed Form 1040. **Note:** See SERP, Who/Where tab: "Mirrored Assessments" MFT 31 Mirror Assessment Address.

(3) CNC accounts cannot be manually monitored. If the account meets CNC criteria, document AMS history with this information and process the account according to IRM 5.19.17.2.1, CNC Closure Authority Levels.

a. **ACS/ACSS only:** Flag the associated levy sources for the **requesting spouse** as **Info Only**.

b. **Non ACS:** Document AMS History with levy sources for the requesting spouse.

Note: Once you verify that one of the disqualifying account conditions are present, follow the appropriate IRM. See IRM 5.19.17.2.1, CNC Closure Authority Levels, when determining whether a CNC is the appropriate closing action. If managerial approval is required, refer to IRM 5.19.17.2.2, CNC Managerial Approval, for CNC approval guidelines.

(4) If the requesting taxpayer qualifies for a CNC, take the following actions on Notice and ACS status accounts when referring for "mirroring":

Note: The process for "mirroring" MFT 35 is the same as MFT 30.

a. Input CC STAUP XX15 (Notice Status Accounts).

b. Make a NFTL determination and document Form 4442, Inquiry Referral with the decision.

Note: In general, a NFTL determination is not required when closing an account with a CNC based on Exception criteria. See IRM 5.19.4.5.1.1 Determination Requirement Exceptions, IRM 5.19.4.5.3.2, Filing Criteria, and/or IRM 5.19.17.2.4.1, CNC Exception Processing.

c. Inform taxpayer the length of time to complete the "mirroring" process (90 days).

d. Document actions taken on the primary and secondary accounts on AMS. **Specify which taxpayer is requesting the separate treatment.**

e. **Requesting taxpayer**: what CNC cc utilized, FIN must be entered on AMS (when required), and Managerial approval (when required).

f. Any pertinent documentation must be input on AMS; including financial information, if financial analysis was required, Form 12636, Request for Filing or Refiling Notice of Federal Tax Lien (if applicable).

(5) Prepare Form 4442, Inquiry Referral, documenting the following information:

a. Primary Taxpayer name line and MFT 30 (and MFT 35, when applicable) TIN.

b. Name and TIN of taxpayer making the request.

c. Identification of requestor in Part III, Section B of Form 4442, Inquiry Referral.

d. Current address of the taxpayer making the request (can be the same address as the primary's address).

e. All telephone numbers for the taxpayer(s).

f. Tax years to be included.

g. For CNC accounts, indicate appropriate TC 530 cc (24-32).

Note: In all instances, ensure managerial approval is documented (when required).

h. Annotate "MFT 31 Mirror" (and MFT 65, when applicable) in the "Referring To" or "Referral Type" boxes.

i. Whether an NFTL determination was made and results.

Caution: The determination to file a NFTL, will be made by the originator and **must be** documented on Part III Section B of the Form 4442, Inquiry Referral. If any of the necessary steps are *not* completed, the account may be rejected back to the originator.

(6) Refer the case to PSC on Form 4442, Inquiry Referral, and route using Form 3210, Document Transmittal, to: MFT 31 Mirror Assessment Address, address provided for Mirrored Assessments.

Note: In order to effectively control and monitor the proposed "mirrored" accounts, Form 4442, Inquiry Referral, must be accompanied by Form 3210, Document Transmittal, and forwarded to PSC CSCO within seven (7) days.

(7) Reassign the account as follows:

If...	**Then...**
ACS,	Move account: "TOS3, 90,MFT31"
TAS Cases,	Remain in S7 for Monitoring.

(8) S3 Follow-up: Check for a control base established by PSC CSCO. (PSC CSCO normally establishes a control base on cases to be "mirrored" within 14 days.) If a control base is not established, resubmit the "mirroring" package based on AMS documentation. Do not reject the account to ACS.

Note: Q3 Inventory: SCP MFT Mirrored Assessments (S3), follow procedures in IRM 5.19.6.19.2, Processing the S3 Inventory.

IRM 5.19.17.2.10.1, Front End Mirror Assessments Process for CNC closures (8) Added note including the SCP Q3 inventory function.

(1) The IRS will determine if the account meets the criteria for MFT 31/65 **mirrored** accounts, CNC. Make a determination when one of the following are present on a joint liability:

- Analyzing the ability to pay using the AMS financial statement,
- One taxpayer has been determined to meet CNC or hardship criteria, or
- Taxpayer correspondence indicates they meet CNC and a request is made for separate treatment.

(2) If any of the following conditions exist, the account **cannot** be referred for "mirroring":

Item	Conditions That Cannot be Referred for Mirroring
a)	Requesting taxpayer is not compliant. **Reminder:** Follow procedures in IRM 5.19.17.2.4(6), CNC Unable to Pay – Hardship, if there are any unfiled returns.
b)	There is a credit balance on the module to be **mirrored**.
c)	NC is not the same as on CC INOLE S (the IMF NC must match SSA's NC).
d)	Either SSN begins with a nine (9) (Temporary SSN). **Exception:** ITINs with the 4th and 5th digits with the following ranges can be mirrored: 70-88, 90-92 and 94-98.
e)	Currently in Bankruptcy.
f)	International Entities.
g)	Invalid Secondary SSN or TIN (TIN with an *).
h)	A joint MFT 30 income tax liability cannot be mirrored for the year of death for the **secondary** spouse. **Exception:** Joint MFT 30 liabilities *can* be mirrored for any other decedent situation, such as when the primary taxpayer is deceased, or the secondary taxpayer is deceased for liabilities other than the year of death.

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	Exception: Joint MFT 35 liabilities can be mirrored for *any* decedent situation - unlike joint MFT 30 income tax modules, joint MFT 35 SRP modules are successfully mirrored for the year of death when the secondary spouse is deceased.
i)	Innocent Spouse.
j)	CSED Imminent Modules (CSED has 12 months or less remaining on the statute).
k)	Status 71 (-Y Freeze). **Caution:** Employees should not automatically assume that assessments made against both a primary spouse and secondary spouse for the same period are duplicates simply because they are for the same tax period. Before assessments are treated as duplicates, employees should **verify** that the Individual SRP assessments are for the **same** underlying liability (jointly filed Form 1040), and are **not** for separately filed Form 1040. **Note:** See SERP, Who/Where tab: "Mirrored Assessments" MFT 31 Mirror Assessment Address.

(3) CNC accounts cannot be manually monitored. If the account meets CNC criteria, document AMS history with this information and process the account according to IRM 5.19.17.2.1, CNC Closure Authority Levels.

a. **ACS/ACSS only:** Flag the associated levy sources for the **requesting spouse** as **Info Only**.

b. **Non ACS:** Document AMS History with levy sources for the requesting spouse.

   Note: Once you verify that one of the disqualifying account conditions are present, follow the appropriate IRM. See IRM 5.19.17.2.1, CNC Closure Authority Levels, when determining whether a CNC is the appropriate closing action. If managerial approval is required, refer to IRM 5.19.17.2.2, CNC Managerial Approval, for CNC approval guidelines.

(4) If the requesting taxpayer qualifies for a CNC, take the following actions on Notice and ACS status accounts when referring for "mirroring":

Note: The process for "mirroring" MFT 35 is the same as MFT 30.

a. Input CC STAUP XX15 (Notice Status Accounts).

b. Make a NFTL determination and document Form 4442, Inquiry Referral with the decision.

   Note: In general, a NFTL determination is not required when closing an account with a CNC based on Exception criteria. See IRM 5.19.4.5.1.1 Determination

Requirement Exceptions, IRM 5.19.4.5.3.2, Filing Criteria, and/or IRM 5.19.17.2.4.1, CNC Exception Processing.

c. Inform taxpayer the length of time to complete the "mirroring" process (90 days).

d. Document actions taken on the primary and secondary accounts on AMS. **Specify which taxpayer is requesting the separate treatment.**

e. **Requesting taxpayer**: what CNC cc utilized, FIN must be entered on AMS (when required), and Managerial approval (when required).

f. Any pertinent documentation must be input on AMS; including financial information, if financial analysis was required, Form 12636, Request for Filing or Refiling Notice of Federal Tax Lien (if applicable).

(5) Prepare Form 4442, Inquiry Referral, documenting the following information:

a. Primary Taxpayer name line and MFT 30 (and MFT 35, when applicable) TIN.

b. Name and TIN of taxpayer making the request.

c. Identification of requestor in Part III, Section B of Form 4442, Inquiry Referral.

d. Current address of the taxpayer making the request (can be the same address as the primary's address).

e. All telephone numbers for the taxpayer(s).

f. Tax years to be included.

g. For CNC accounts, indicate appropriate TC 530 cc (24-32).

Note: In all instances, ensure managerial approval is documented (when required).

h. Annotate "MFT 31 Mirror" (and MFT 65, when applicable) in the "Referring To" or "Referral Type" boxes.

i. Whether an NFTL determination was made and results.

Caution: The determination to file a NFTL, will be made by the originator and **must be** documented on Part III Section B of the Form 4442, Inquiry Referral. If any of the necessary steps are *not* completed, the account may be rejected back to the originator.

(6) Refer the case to PSC on Form 4442, Inquiry Referral, and route using Form 3210, Document Transmittal, to: MFT 31 Mirror Assessment Address, address provided for Mirrored Assessments.

Note: In order to effectively control and monitor the proposed "mirrored" accounts, Form 4442, Inquiry Referral, must be accompanied by Form 3210, Document Transmittal, and forwarded to PSC CSCO within seven (7) days.

(7) Reassign the account as follows:

If...	Then...
ACS,	Move account: "TOS3, 90,MFT31"
TAS Cases,	Remain in S7 for Monitoring.

(8) S3 Follow-up: Check for a control base established by PSC CSCO. (PSC CSCO normally establishes a control base on cases to be "mirrored" within 14 days.) If a control base is not established, resubmit the "mirroring" package based on AMS documentation. Do not reject the account to ACS.

Note: Q3 Inventory: SCP MFT Mirrored Assessments (S3), follow procedures in IRM 5.19.6.19.2, Processing the S3 Inventory.

IRM 5.19.17.2.10.2, Back End Mirror Assessments Process for CNC closures (7) Table, Item D Added exception including the ITIN digit ranges allowed for mirroring.

(1) The following procedures are follow-up actions for the request for an account to be **mirrored**. This process is performed by CSCO at the Philadelphia Campus. PSC CSCO verifies the validity of the CNC cases to be **mirrored** upon receipt. Requests for **mirrored** CNC cases can be sent to PSC CSCO in the following ways:

- Campus — Form 3210, Document Transmittal, with an attached Form 4442, Inquiry Referral.
- Field — Form 3210, Document Transmittal, with an attached Form 53, Report of Currently Not Collectible Taxes.

  Note: Field Collection does not use Form 4442, Inquiry Referral. All requests for "mirroring" action from Field Collection, will be on Form 3210, Document Transmittal, with an attached Form 433-D, Installment Agreement, for "mirrored" IA requests, or with attached Form 53, Report of Currently Not Collectible Taxes, for "mirrored" CNC requests. These requests may be accompanied by Form 12636, Request for Filing or Refilling Notice of Federal Tax Lien.

Note: Field Only – If one or more of the required actions were not taken or documentation is missing attempt to contact the originating Revenue Officer. Document the attempt on AMS to obtain the required information. Allow 5 days for resolution from initial contact. If the issue is not resolved within 5 days, return the package to the originating Revenue Officer.

Note: These requests may be accompanied by Form 12636, Request for Filing or Refilling Notice of Federal Tax Lien.

See IRM 5.19.17.2.10.1, Front End Mirror Assessments Process for CNC Closures, for front-end **mirroring** procedures.

(2) Check Form 3210, Document Transmittal, to verify:

a. The case count on the Form 3210, Document Transmittal.

b. The SSN and tax years to be "mirrored".

c. The joint MFT 30/35 account filing status per tax year.

d. Supporting documentation is attached.

e. Case is in Notice or Collection status.

f. Name and TIN of taxpayer making the request.

g. All telephone numbers for taxpayer.

h. Managerial approval is documented (when required).

(3) All actions and information per IRM 5.19.17.2.10.1, Front End Mirror Assessments Process for CNC Closures, were taken by the originator.

(4) Recordation of the mailed letter and terms of the agreement are available to employees on CC ENMOD. Review Form 4442, Inquiry Referral, Form 53, Report of Currently Not Collectible Taxes, or AMS for terms of CNC.

(5) If one or more of the required actions were not taken or missing information is preventing the processing of the request, view AMS history. If the information needed to process the request is not located on AMS return the package to ACSS for follow-up. Document AMS history with the exact reason for rejecting the request. This information will enable ACSS to correct the issue and re-submit the package.

(6) Document Form 4442, Inquiry Referral, or Form 53, Report of Currently Not Collectible Taxes, with specific reason for rejection See IRM 5.19.17.2.10.1, Front End Mirror Assessments Process for CNC Closures.

(7) If any of the following conditions exist on a joint MFT 30 account, the account cannot be "mirrored":

Item	Conditions That Cannot be Referred for Mirroring
a)	Requesting taxpayer is not compliant.
b)	A credit balance is on the module to be **mirrored**.

c)	NC is different on CC INOLES on primary account (the IMF NC must match SSA's NC).
d)	Either SSN begins with a nine (9) (Temporary SSN). **Exception:** ITINs with the 4th and 5th digits with the following ranges can be mirrored: 70-88, 90-92 and 94-98.
e)	Bankruptcy.
f)	International Entities.
g)	Invalid Secondary SSN or Taxpayer Identification Number (TIN) (TIN with an *).
h)	A joint MFT 30 income tax liability cannot be mirrored for the year of death for the **secondary** spouse. **Exception:** Joint MFT 30 liabilities *can* be mirrored for any other decedent situation, such as when the primary taxpayer is deceased, or the secondary taxpayer is deceased for liabilities other than the year of death. **Exception:** Joint MFT 35 liabilities can be mirrored for *any* decedent situation - unlike joint MFT 30 income tax modules, joint MFT 35 SRP modules are successfully mirrored for the year of death when the secondary spouse is deceased.
i)	Innocent Spouse.
j)	CSED imminent modules (CSED has 12 months or less remaining on the statute).
k)	Status 71 (-Y Freeze).
l)	Employees should not automatically assume that assessments made against both a primary spouse and secondary spouse for the same period are duplicates simply because they are for the same tax period. Before assessments are treated as duplicates, employees should verify that the Individual SRP assessments are for the same underlying liability (jointly filed Form 1040), and are **not** for separately filed Forms 1040.

(8) When all preliminary actions and validations have been completed, the joint liability periods are ready to be "mirrored". Take the following actions utilizing either the IAT REQ77 (mandated) or IAT Compliance Suite (suggested) Tools when inputting each of the following TC 971 codes:

a. Control the case on IDRS using "MFT31/CNC" as the activity code and "COLL" as the category code.

b. Input TC 971 AC 109 to MFT 30/35 of the Primary SSN with the Secondary SSN in the x-ref field.

c. Input TC 971 AC 109 to MFT 30/35 of the Secondary SSN with the Primary SSN in the x-ref field.

d. Input TC 971 AC 145 to MFT 30/35 of the Primary SSN with a PDC of 1.

e. Document actions taken on the primary and secondary accounts on AMS.

f. Add follow up date to activity on IDRS control.

Note: Use the same date (original date of input) for all TC 971 transactions.

(9) Three cycles after input of the three transactions, TC 971 AC 109s and TC 971 AC 145, "mirror" modules on MFT 31/65 will generate under both the primary and secondary SSNs.

(10) After two cycles the TC 971 AC 145 will appear with "RXXX" re-sequence code due to PDC 1 used. (Input of TC 971 AC 145 on the MFT 30/35 module generates a TC 400 and creates both MFT 31/65 modules). MFT 31/65 modules will post in the next cycle. IMF will "mirror" all transactions from MFT 30/35 to MFT 31/65, including the TC 400. TC 400 will zero out the account balance on MFT 30/35.

Note: Once the "mirror" modules are created and the TC 400 posts, the MFT 30/35 and the MFT 31/65 modules will have an M- freeze code and will be in Status 29.

(11) Monitor MFT 31/65 modules and posting of TC 971 AC 145 and TC 400 on MFT 30/35. Verify that three modules are present:

- One joint MFT 30/35 module.
- One MFT 31/65 for the primary.
- One MFT 31/65 for the secondary.

(12) After both MFT 31/65 modules are established and TC 971 AC 145 and TC 400 have posted to the MFT 30/35 and MFT 31/65 modules:

- Input TC 972 AC 145 on MFT 30/35.
- Input TC 972 AC 145 on MFT 31/65 Primary SSN.
- Input TC 972 AC 145 on MFT 31/65 Secondary SSN.

  Note: A TC 972 AC 145 generates a TC 402 to bring the module balance on all MFT 31/65 accounts and removes the M- freeze. Update the activity code on the control base to reflect a follow-up date.

  Note: "MFT 31/MMDD" (MMDD = Three weeks from the date of TC 972 input).

  Note: "MFT 65/MMDD" (MMDD = Three weeks from the date of TC 972 input).

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(13) A TC 971 AC 132 will systemically generate on the MFT 30/35 module after the TC 402 posts. A TC 971 will generate a TC 604 credit to close out the balance due on the MFT 30/35. The MFT 31/65 "mirrored" modules will be exact copies of the MFT 30/35 module. The MFT 30/35 module will be in Status 12. The balance due will remain on both the MFT 31/65 modules. The MFT 31/65 modules will generally reflect the Collection Status of the module immediately prior to the MFT 30/35 module going into Status 29.

Note: The debt has not been satisfied because the MFT 30/35 module has a zero balance. The balance due now exists for both parties on the MFT 31/65 modules created.

(14) Monitor for the posting of all the TCs on MFT 30/35 and both MFT 31/65 modules. Once the "mirroring" assessment is complete:

a. Input TC 972 AC 061 on the MFT 31/65 module on the non-requesting spouse, if a TC 971 AC 061 is present on the account.

b. Input the CNC on the requesting taxpayer balance due accounts. Indicate TC 530 cc (24-32). The cc will be notated on Form 4442, Inquiry Referral.

c. Utilizing either the IAT LETER (mandated) or IAT Compliance Suite (suggested)Tools send Letter 4624-C, Case Closed -- Currently Not Collectible; Lien filing notification on Currently Not Collectible, to the requesting taxpayer approved for CNC. Include NFTL paragraph when applicable.

d. A computer generated TC 971 AC 110 will generate on each of the MFT 31/65 accounts. This TC will allow payments made to either account to cross reference. Research both taxpayer accounts for payments. If payments are found posted to the MFT 30/35 of either taxpayer’s account, input a credit transfer to apply them to the MFT 31/65 account as originally intended.

e. Document actions taken on the primary and secondary accounts on AMS.

f. If NFTL is required, hold for 30 days from the date of the letter prior to forwarding to the Centralized Lien Operation (CLO). Forward the NFTL to CLO for input see Centralized Lien Operation.

IRM 5.19.17.3, Offer in Compromise (OIC) Procedures (10a) Updated where to retrieve form 656L for language clarity.

(1) An OIC is a hybrid of federal law and contract law. In part, IRC section 7122 and its accompanying regulation dictate the substance and form for an OIC. If OIC terms are not provided for in section 7122 and its regulation, then the IRS may draft additional OIC terms under contract law. As a policy matter, one should remember that the IRS, like any business, encounters situations when an account receivable cannot be collected in full or

there is a dispute regarding what is owed. It is an accepted business practice to resolve collection and liability issues through compromise.

(2) An Offer In Compromise (OIC) is an agreement between a taxpayer and the government that settles a tax liability for payment of less than the full amount owed:

- Doubt as to Collectability – Doubt exists that the taxpayer could ever pay the full amount of the tax liability owed within the remainder of the statutory period for collection. This type of OIC is requested using Form 656-B, Offer in Compromise.
- Doubt as to Liability – There is legitimate doubt that the assessed liability is correct. This type of OIC is requested using Form 656-L, Offer in Compromise (Doubt as to Liability).
- Effective Tax Administration – There is no doubt that the tax is correct and there is potential to collect the full amount of the tax owed, but exceptional circumstances exist that would allow the IRS to consider an OIC. This type of OIC is requested using Form 656-B, Offer in Compromise.

  Note: As a matter of policy, taxpayers **cannot** submit offers in compromise at the same time claiming *both* that they do not believe the liability is correct (Doubt as to Liability) *and* that they are unable to pay it (Doubt as to Collectability) refer to IRM 5.8.10.14, Taxpayers Files both Doubt as to Liability and Doubt as to Collectability Offers.

(3) On May 17, 2006, Congress passed into law the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), making major changes to the OIC program, including narrowing the scope of rules for lump-sum and periodic-payment offers; these changes were effective for all offers received by the IRS starting July 16, 2006.

a. Under the current law, taxpayers submitting requests for lump-sum OICs must include a payment equal to 20% of the amount offered with Form 656; a lump-sum OIC means any offer of payments made in five or fewer installments within five or fewer months from offer acceptance.

   Note: A lump sum offer received with a payment that is less than the 20 percent payment will be deemed processable, but the taxpayer will be asked to pay the remaining balance within a specified time frame in order to avoid the immediate return of the offer. Failure to submit the remaining balance within that extended period will cause the IRS to return the offer, generally retain any payments, and the application fee that was submitted with the offer.

b. Taxpayers submitting requests for periodic-payment OICs must include the first proposed installment payment with Form 656, Offer in Compromise; a periodic payment OIC is any offer of payments in six or more installments paid within six to 24 months. The total payments cannot exceed 24 months.

Note: The taxpayer is required to make the proposed monthly periodic payments until a determination is made on their offer. Generally, the IRS will apply all installment payments to the tax liability, even if the offer is deemed non-processable, later returned, withdrawn, terminated or rejected.

c. Taxpayers qualifying for low income waiver, based on current criteria, do not have to submit the application fee or meet the partial payment requirements of TIPRA.

   Note: Taxpayers filing doubt-as-to-liability (DATL) offers are also exempt from the application fee and payment requirements.

d. Form 656-B, Offer in Compromise (Booklet), provides detailed instructions for completing and submitting the offer and includes all necessary financial forms. There are two types of payment terms to which the IRS and the taxpayer may agree. **Payment Option 1:** Requires 20% of the total offer amount to be paid with the offer and the remaining balance paid in 5 or fewer payments within 5 or fewer months of the date your offer is accepted. **Payment Option 2:** Must be paid in monthly installments within 6 to 24 months from offer acceptance. Failure to make regular monthly payments may cause the offer to be closed.

(4) If taxpayer needs further clarification of the tax law or which forms to use, have them contact the nearest IRS Taxpayer Assistance Center at 844-545-5640.

Reminder: Taxpayer Assistance Centers personnel do not prepare Form 656. If a taxpayer is not represented, they may be eligible for assistance from a Low Income Taxpayer Clinic (LITC). See IRM 5.19.17.1.7 (4), Related Resources, for more information.

(5) The IRS will **Not** accept an OIC for processing when the following criteria are present:

- The taxpayer is in bankruptcy.
- The taxpayer has no tax liabilities.
- The total amount of the payment is listed as the deposit and the taxpayer does not qualify for low income waiver.
- The taxpayer did not include the application fee when the offer is submitted.
- The taxpayer did not submit any of the required payment with the offer.
- The liability was previously referred to the Department of Justice (DOJ).
- If the offer is for an unassessed liability only.
- Offer submitted solely for tax period(s) with expired CSED(s).
- Unfiled tax return - the taxpayer submitted an offer where IDRS does not indicate a required return has been received.
- Offer to compromise liability included in an open offer in compromise.

Exception: The requirements for the taxpayer to pay both the application fee and the down payment with the offer are waived if the taxpayer meets the requirements for Low-Income certification.

(6) Prior to an offer submission, there are two systems in-place (external and internal) to help determine if the taxpayer is a good candidate for an offer and they are:

a. Offer in Compromise (OIC) Pre-Qualifier Tool is the external system that could be utilized by taxpayers (IMF and sole-proprietorship) to help determine whether they are a good candidate for an offer and what a reasonable offer amount may be. The OIC Pre-Qualifier Tool is available at OIC Pre-Qualifier Tool.

b. Offer in Compromise (OIC) Decision Tool is the internal system that would guide the IRS employee into making a better decision on whether or not the taxpayer could qualify for an Offer in Compromise by answering a few yes or no questions. The OIC Decision Tool is available at OIC Decision Tool. If prompted click on the red word Oracle for the site to appear.

(7) Conduct a tiered interview to determine the taxpayer's ability to:

- Full pay today.
- Partial pay (VLSP).
- Full Pay up to 180 days.
- Pay by IA.

Note: See IRM 5.19.1.6, Methods of Payment.

(8) If the taxpayer asks for an OIC, and the account is assigned to one of the following IDRS statuses follow the table below:

If...	**And...**	**Then...**
Status 26	**Intentionally left blank**	advise the taxpayer to contact the assigned revenue officer.
Status 53, 60, 61, 63, or 72	OIC not submitted	follow all applicable procedures in paragraph (10) below.
Status 53, 60, 61, 63, or 72	OIC previously submitted	follow IRM 5.19.17.3.1, Taxpayer Claims OIC Previously Submitted (No TC 480 or ST 71 Present).

(9) If you are speaking to the taxpayer, **they request** an OIC and the account is in Notice Status (21, 54, 56, 58), ACS Status (22), or Status 24 take the following actions:

Note: If you are working correspondence, follow procedures in paragraph (10) below.

a. Secure financial information, if necessary to, analyze the taxpayer's ability to full pay. If the liability can be paid in full or the taxpayer qualifies for an IA, the taxpayer does not qualify for an OIC unless it is an OIC concerning doubt as to liability or to promote effective tax administration (ETA). Encourage a taxpayer qualifying for a PPIA to enter into one; explain that the ability to make a PPIA will be a factor in the offer decision if the taxpayer chooses to submit an offer. Follow procedures in paragraph (10) below if the taxpayer chooses to submit an offer.

b. If financial analysis shows the taxpayer has the ability to pay, advise them that while they may submit an offer, the financial information they provided shows they have the ability to pay their liability. As a result, it is unlikely the offer will be accepted unless they have circumstances which would qualify them for an ETA offer. Provide the alternative method to resolve the liability, such as full pay or an IA.

   Note: If the financial information indicates the taxpayer is unable to pay, (negative net income), consider a CNC: IRM 5.19.17.2, Currently not Collectible (CNC) Procedures.

c. Follow procedures in paragraph (10) below, if the taxpayer does not agree with the proposed method of resolution and wants to proceed with the offer; or you are working correspondence.

   Caution: While speaking to the taxpayer, you must advise them of the requirements for the OIC to be accepted for processing, and to consider payment alternatives to submitting an offer. Only an OIC Specialist or COIC Offer Examiner can accept or reject an offer.

(10) During any taxpayer correspondence, either in writing, in person or by phone, if the taxpayer requests an offer, or the IRS has determined through financial analysis that the taxpayer has a potential for an offer, take the following actions:

a. Send Letter 278-C, Offer in Compromise; Forms Requested. Provide the required tax forms or advise the taxpayer how to obtain them. If the taxpayer has internet access, you can provide them with the IRS web-site address at OIC Pre-Qualifier Tool. You can also provide the Toll-Free number 800-TAX-FORM (800-829-3676) to order forms. You can also enclose the forms in the letter or use **ELITE** (on AMS) to directly mail forms to the taxpayer’s address. Form 656-B, Offer in Compromise (Booklet). This booklet includes instructions and removable forms: Form 433-A(OIC), Collection Information Statement for Wage Earners, Form 433-B (OIC), Collection Information Statement for Business, Form 656, Offer in Compromise .

   Caution: As a matter of policy, taxpayers cannot have both types of offers open at the same time. If you are speaking with the taxpayer, ask them whether they disagree with the liability. If they disagree with the liability, then they should file their OIC using Form 656-L, Offer in Compromise (Doubt as to Liability). Advise the

taxpayer they may download to request a Form 656-L, visit IRS.gov or a local office or call toll-free 800-TAX-FORM (800-829-3676). If the taxpayer agrees with the liability, then they should file their OIC using Form 656-B, Offer in Compromise (Booklet).

b. Instruct the taxpayer they must submit all applicable forms within 30 days.

c. For Notice Status accounts, input CC STAUP 2209.

d. Update AMS history.

e. If enforcement action was previously taken, do not release the levy solely based on the taxpayer's request for an OIC; follow related guidelines. See IRM 5.19.4.4.10, Levy Release: General Information.

f. Cover normal case processing, including full compliance and cause and cure.

   Reminder: If in Status 22, Warn of Enforcement Action (WOEA).

g. Forward the correspondence to the assigned RO if the account is in ST 26.

(11) ACS uses one of the following history codes based on the account information on ACS:

If...	**And...**	**Then...**
A levy source is available	The "FNL NOT" date is shown on at least one balance due module	Enter "TOE3, 60,OIC"
A levy source is available	No "FNL NOT" date is shown on any balance due module	Enter "TOE2, 60,OIC"
No levy source is available	**Intentionally left blank**	Enter "TOI4, 60,OIC"

(12) For additional information regarding OICs, see IRM 5.8.1, Offers In Compromise.

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