



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

SMALL BUSINESS/SELF-EMPLOYED DIVISION

September 13, 2017

Control Number: SBSE-05-0917-0056  
Expiration Date: October 5, 2018  
Affected IRMs: 5.9.15

MEMORANDUM FOR: Director, Specialty Collection Insolvency

FROM: Kristen E. Bailey */s/ Kristen E. Bailey*  
Director, Collection Policy

SUBJECT: Reissuance of Interim Guidance on Processing the MFT 65,  
Individual Shared Responsibility Payment (SRP) Mirror  
Assessment, in Bankruptcy Cases

This memorandum reissues Interim Guidance SBSE-05-1015-0065, Processing the MFT 65, the Individual Shared Responsibility Payment (SRP) Mirror Assessment, in Bankruptcy Cases, until the IRM sections referenced above are revised. Please ensure that this information is distributed to all affected employees within your organization.

In January of 2016, the Service will begin mirroring joint SRP (MFT 35) liabilities as separate SRP (MFT 65) liabilities. Mirroring of the joint SRP (MFT 35) liability into separate SRP (MFT 65) liabilities may take place when:

A bankruptcy case is dismissed or discharged and only one spouse filed bankruptcy. Exam, AUR, or other functions within the Service request CIO to mirror joint SRP (MFT 35) liabilities into separate SRP (MFT 65) liabilities "upfront" so the liability of the non-debtor spouse (NDS) can be pursued by the Service, the NDS can exercise appeal rights, Exam/AUR can assess agreed deficiencies against the NDS when the debtor spouse does not agree with the deficiency, etc.

Joint SRP (MFT 35) liabilities may also be mirrored as separate SRP (MFT 65) liabilities prior to the filing of a bankruptcy petition when mirroring is appropriate. For example, a joint SRP (MFT 35) liability may be mirrored by the Offer in Compromise (OIC) Unit when a taxpayer has a joint liability and only one spouse submitted an OIC on a joint SRP (MFT 35 liability).

For purposes of proof of claim calculation, bankruptcy plans, and determining dischargeability, the MFT 65 liability of the debtor spouse is treated in the same manner as the MFT 35 liability of the debtor spouse would be treated. Similarly, the MFT 65 liability of the NDS is treated in the same manner as the MFT 35 liability of the NDS would be treated.

**Reminder:** In community property locations, the NDS is treated in the same manner as the debtor spouse. For additional information, see IRM 5.9.3.6.1.1, *Community Property*; IRM 5.9.18.5.8, *Community Property*; and IRM 25.18, *Community Property*.

The mirroring process will be the same as it is for MFT 30/31. When a case is dismissed or discharged and only one spouse filed bankruptcy, IIP or ADS will input the needed transactions to mirror the MFT 35 into two MFT 65 accounts.

If a case requires manual mirroring (Exam, AUR upfront mirroring), or in the event IIP/ADS cannot mirror an MFT 35, caseworkers in the CIO Operation Support Team (OST) will be responsible for manually processing the MFT 65 mirrors. The manual process is the same as for MFT 31, described in [IRM 5.9.17.21.4](#), *Mirroring Process*. The OST caseworkers will also be responsible for resolving any Process J errors and DDRs that generate due to IIP/ADS not being able to mirror a module.

The following attachment provides guidance on MFT 65 and payments specific to IRM 5.9.15.2.1, *MFT 31/65 Payments and Credit Applications*.

This guidance is effective October 7, 2017 and will be incorporated into the IRMs indicated above by October 1, 2018. The guidance issued in this memorandum is based on Affordable Care Act Provision 1501: *Requirement to Maintain Minimum Essential Coverage* (Individual Shared Responsibility) (IRC §5000A).

Employees should elevate any questions through their appropriate management chain.

Attachments: (1)

Distribution: Director, Collection  
Director, Headquarters Collection  
[IRS.gov \(http://www.irs.gov\)](http://www.irs.gov)

**MFT 31/65 Payments****Impacts: IRM 5.9.15.2.1****(1) MFT 31/65 Payment and Credit Applications.**

Once MFT 31/65 mirror modules have been created, both modules carry a TC 971 AC 110, which causes certain payments and credits to systemically cross-reference from one MFT 31/65 mirrored module to the other. When a credit is posted to one module, IMF will cross reference the related module with TC 290 for .00 and TC 766 ref # 337. This credit will reduce the unpaid balance on the module. The credit is a "**nonrefundable**" credit.

***Credits that will cross reference are:***

TC 610	TC 64X	TC 66X	TC 67X	TC 68X	TC 69X
TC 79X	TC 72X	TC 73X	TC 76X	TC 80X	TC 82X

**Note:** When IMF cross-references these credits, it bypasses unpostable reviews for freeze conditions related to bankruptcy, offers in compromise, innocent spouse, Taxpayer Assistance Orders, and Examination.

**(2) Non-Transferable MFT 31/65 Credits.** Credits with a DPC 31 on an MFT 31/65 mirror module will not cross-reference to the spouse's MFT 31/65 module.

**Note:** DPC 31 is used only on MFT 31/65 mirror modules to prevent credits from cross-referencing.