



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

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

Date: June 22, 2016  
Control Number: TE/GE-07-0616-0016  
Expiration Date: December 31, 2016  
Impacted IRM: 7.2.2.21

MEMORANDUM FOR EMPLOYEE PLANS (EP)  
VOLUNTARY COMPLIANCE EMPLOYEES

FROM: Robert Choi /s/ *Robert Choi*  
Director, Employee Plans

SUBJECT: Interim Guidance on the processing of sanction payments  
associated with voluntary closing agreement involving Code section  
457(b) plans

The purpose of this memorandum is to issue revised procedural guidance to EP Voluntary Compliance employees on how collected sanction payments, associated with DO 8-3 closing agreement requests, are to be processed, including those requests involving Code section 457(b) plans made in accordance with Rev. Proc. 2013-12, section 4.09 that are outside of the Employee Plans Compliance Resolution System. Sanction payments collected by VC Specialists upon the signing of a DO 8-3 closing agreement by taxpayers and the IRS will no longer be deposited and treated as compliance/user fees under the Voluntary Correction Program. Instead, the collected payment would result in a tax assessment and credit by the Campus. The assessment should be made as a Non-Master File assessment. With these changes, the deposit and accounting of closing agreement sanction payments collected by VC will be consistent with similar practices followed by EP Exam and EP Determinations.

The interim guidance is effective immediately. The provisions of a proposed revised IRM 7.2.2.21(28) through IRM 7.2.2.21(30) supersede existing IRM sections.

Revised procedures that EP Voluntary Compliance personnel will follow in terms of depositing closing agreement sanction payments are included as an attachment to this memo. The applicable sections of IRM 7.2.2.21, *Voluntary Submissions involving 457(b) Eligible Plans of Deferred Compensation*, are to be revised.

If you have questions or need additional information, please contact Paul C. Hogan at 206-946-3472.

Attachment (Voluntary Closing Agreements- Processing of Sanction Payments)

Distribution:  
EP Voluntary Compliance Employees  
IRS.gov

## Voluntary Closing Agreements- Processing of Sanction Payments

Effective immediately-Revises [IRM 7.2.2.21\(28\) thru \(30\)](#) and related items in IRM 7.2.4

(28) Specialist: when you receive the signed closing agreements from the Director of EP R&A, immediately take the following actions:

<b>Action</b>	<b>Steps</b>
<p>Prepare Form <a href="#">3244</a>, <i>Payment Posting Voucher</i></p> <p>See Exhibit I for a completed sample form</p> <p><b>Note:</b> An electronic sample of this document is on the VC SharePoint site.</p>	<p>Items to Complete:</p> <ul style="list-style-type: none"> <li>• <b>Taxpayer name, address, and ZIP code.</b> Information comes from page one of the closing agreement</li> <li>• <b>SSN/EIN.</b> Info comes from page one of the closing agreement. Add an “N” at the end of the SSN/EIN.</li> <li>• <b>Form number/MFT.</b> Enter “28”</li> <li>• <b>Tax Period.</b> Enter the year and month (i.e. YYYYMM) that the Director signed the agreement</li> <li>• <b>Plan/Report Number.</b> If applicable, enter three digit plan number</li> <li>• <b>Transaction/ Received date.</b> Enter the date the Director signed the closing agreement</li> <li>• <b>Remarks.</b> Enter “Closing Agreement- See Attached”</li> <li>• <b>Transaction Data.</b> Next to Code 670 for “Subsequent Payment”, enter total amount of collected sanction that is to be sent to Covington Campus for deposit.</li> <li>• <b>Total Payment.</b> Be sure that the amount entered next to Code 670 also shows up as an entry for this item.</li> <li>• <b>Prepared by.</b> Enter Specialist’s name and telephone number</li> </ul>
<p>Prepare Form <a href="#">5734</a>, <i>Non-Master File Assessment Voucher</i></p> <p>See Exhibit 2 for a completed sample form</p> <p><b>Note:</b> An electronic sample of this document is on the VC SharePoint site.</p>	<p>Items to Complete:</p> <ul style="list-style-type: none"> <li>• <b>Item 1- Name and address.</b> Enter name and address of employer. Information comes from page one of the closing agreement.</li> <li>• <b>Item 3- Taxpayer Identification Number.</b> Enter EIN/SSN listed on page one of the closing agreement.</li> <li>• <b>Item 4- Type of Tax.</b> Enter “CLOSING AGREEMENT”</li> <li>• <b>Item 5- Form number.</b> Enter “N/A- Voluntary Agreement. No exam”</li> <li>• <b>Item 6- Period.</b> Enter the year and month that the Director signed the agreement and three digit plan number if applicable (i.e. YYYYMM Plan 00X)</li> <li>• <b>Item 7- MFT code.</b> Enter “28”</li> <li>• <b>Item 8- Abstract number.</b> Enter “139”</li> <li>• <b>Item 10- I.R. Code Section or Type of Penalty.</b> Enter “IRC 7121”</li> <li>• <b>Item 10- Trans. Code.</b> Enter “240”</li> </ul>

## Voluntary Closing Agreements- Processing of Sanction Payments

Action	Steps
	<ul style="list-style-type: none"> <li>• <b>Item 10- Amount.</b> Enter total amount of the collected sanction that is to be sent to the Covington Campus for deposit.</li> <li>• <b>Item 12- Total.</b> Enter same number from Item 10 Amount.</li> <li>• <b>Item 13- Reason for assessment.</b> Enter “Closing Agreement-See Attached”</li> <li>• <b>Item 14- Signature of preparer.</b> Enter name of Specialist and their telephone number</li> <li>• <b>Item 15- Date.</b> Enter date completed</li> </ul>
<p>Prepare Memorandum to Covington Campus</p> <p>Exhibit 3 for a sample memorandum</p> <p><b>Note:</b> An electronic sample of this document is on the VC SharePoint site.</p>	<ul style="list-style-type: none"> <li>• Prepare memorandum using MS Word with TE/GE Logo</li> <li>• Contact the VC Program Coordinator that the Specialist has been working with in order to obtain the name of the specific person [Named Person] to whom this Memorandum and related Form 3210 will be sent.</li> <li>• The memorandum must contain the following items:</li> </ul> <p>“Date:” [Enter Date Mailed to Campus]</p> <p>“MEMORANDUM FOR: Cincinnati Submission Processing Center Attn: [Named Person], Deposit Unit, Stop 31 201 W. Rivercenter Blvd. Covington, KY 41011”</p> <p>“FROM:” [Name of Specialist], EP Voluntary Compliance Specialist, TE/GE Division, EP Group 75XX</p> <p>“SUBJECT: Voluntary EP Closing Agreement”</p> <p>“Attached is a closing agreement as noted:”</p> <p style="padding-left: 40px;">“Payer’s Name:” [Enter Employer Name from closing agreement]</p> <p style="padding-left: 40px;">“Payer’s EIN:” [Enter EIN from closing agreement]</p> <p style="padding-left: 40px;">“Payer’s Address:” [Enter address from closing agreement]</p> <p style="padding-left: 40px;">“Plan Name:” [Enter plan name from closing agreement, if applicable]</p> <p>“The closing agreement should be routed to the Accounting Branch for assessment and credit. The</p>

## Voluntary Closing Agreements- Processing of Sanction Payments

Action	Steps
	<p>assessment should be made as a Non-Master File assessment, true tax class 6, abstract number 139. (Please refer to IRM 3.17.46.5.5 for processing instructions.)”</p> <p>“There are to be no refunds of moneys under this closing agreement.”</p> <p>“If you have any questions, please contact me at [Enter Specialist’s Telephone #]. If I am not available, you may contact my manager, [Enter name of group manager] at [Manager’s Telephone #].”</p> <p>“Thank you.”</p>
<p>Prepare Form <a href="#">3210</a>, <i>Document Transmittal</i>, addressed to Covington Campus</p> <p>Exhibit 4 for a completed sample form where the sanction payment is in the form of certified or cashier’s check</p> <p><b>Note:</b> An electronic sample of this document is on the VC SharePoint site.</p>	<ul style="list-style-type: none"> <li>• <b>To.</b> Enter: “Internal Revenue Service” Attn: Named Person, Deposit Unit, Stop 31 201 W. Rivercenter Blvd. Covington, KY 41011”</li> <li>• <b>Release Date:</b> Enter date mailed to Campus</li> <li>• <b>Remarks.</b> Enter “Voluntary Closing Agreement-monetary sanction deposited through Cincinnati Submission Processing Center, ALC #17</li> <li>• List (one per line) the following items on the form: <ul style="list-style-type: none"> <li>○ “Cover Memorandum- Cincinnati Submission Processing Center”</li> <li>○ “Closing Agreement”</li> <li>○ “Payment Posting Voucher-Form 3244”</li> <li>○ “Non-Master File Assessment Voucher- Form 5734”</li> </ul> </li> <li>• On the following line type “REMITTANCE:”</li> <li>• On the following line, list (one per line) the following items: <ul style="list-style-type: none"> <li>○ “Name:” then add Taxpayer/Employer Name from closing agreement</li> <li>○ “EIN:” then add EIN from closing agreement</li> <li>○ “Check #:” then add number from sanction check(s)</li> <li>○ “Amount:” then add amount of check</li> <li>○ “Plan #:” then add three digit number, if applicable</li> </ul> </li> <li>• <b>From.</b> Enter name and office address of Specialist</li> <li>• <b>Releasing official.</b> Enter name of Specialist</li> </ul>

## Voluntary Closing Agreements- Processing of Sanction Payments

Action	Steps
	<ul style="list-style-type: none"> <li>• <b>Originator Telephone Number.</b> Enter Specialist's telephone number</li> </ul>
Send email to Group Manager requesting approval to forward funds to IRS Campus in Covington, KY	Email includes: <ul style="list-style-type: none"> <li>• Copy of signed closing agreement</li> <li>• Copy of sanction checks</li> <li>• Copies of completed Forms 3244, 5734, 3210, and Memorandum to Covington Campus</li> </ul>

(29) Group Manager: Review closing agreements, applicable forms/memorandum and payments:

- Confirm that closing agreement was properly signed
- Confirm that sanction payment is consistent with closing agreement terms
- Confirm that submitted check(s) is a Cashier's/Certified Check that is made out to "United States Treasury" or "U.S. Treasury"
- Confirm that Specialist has properly prepared:
  - Form 3244
  - Form 5734
  - Memorandum to Covington Campus
  - Form 3210 to Covington Campus
- If no problems, inform Specialist via e-mail that the check, memorandum and applicable forms can be sent to the IRS Campus in Covington, KY
- If there are problems, discuss with Specialist
- Retain and maintain copies of the following:
  - Signed closing agreement
  - Copy of applicable sanction check(s)
  - Copy of e-mail to Specialist that authorizes them to send the closing agreement, check and applicable forms and documents to the Campus.

## Voluntary Closing Agreements- Processing of Sanction Payments

(30) Specialist: when you receive Group Manager’s approval, immediately send the sanction check, forms and memorandum to the IRS Campus in Covington, KY:

Action	Steps
<p>Mail package to IRS Campus via Next Day mail service.</p>	<ul style="list-style-type: none"> <li>• Include <a href="#">Form 3210</a>, <i>Document Transmittal</i>.</li> <li>• Include copy of signed closing agreement</li> <li>• Include check</li> <li>• Include Form 3244, <i>Payment Posting Voucher</i></li> <li>• Include Form 5734, <i>Non-Master File Assessment Voucher</i></li> <li>• Include Memorandum to Covington Campus</li> <li>• Follow <a href="#">IRM 10.2.13.4.4.1</a>, <i>Shipping Personally Identifiable Information (PII)</i></li> <li>• Mail to:  Internal Revenue Service Attn: “Named Person”, Deposit Unit, Stop 31 201 W. Rivercenter Blvd. Covington, KY 41011</li> </ul>
<p>Document that the Campus has received sanction check and deposit paperwork.</p>	<ul style="list-style-type: none"> <li>• Wait for signed Form 3210 to be returned from Campus showing receipt of sanction payment &amp; applicable forms</li> <li>• If signed Form 3210 is not received within 10 days of mailing, contact the Campus</li> <li>• Place signed Form 3210 or other confirmation in the case file</li> </ul>

**NOTE:** Specialists and Group Managers and are reminded to follow the case closing procedures described in [IRM 7.2.2.21\(31\)](#) and [IRM 7.2.2.21\(32\)](#)

IRM 7.2.2.21 will be updated during FY16 to reflect these revised procedures

# Voluntary Closing Agreements- Processing of Sanction Payments

Exhibit 1: Sample Form 3244 for Voluntary Closing Agreements

<b>Payment Posting Voucher</b> <i>(Not a taxpayer receipt)</i>		DLN																													
N M F	U L C	DLN	SSN/EIN	Form number/ MFT	Tax Period	Plan/Report Number	Transaction/ Received date																								
	Status		XX-XXXXXXXN	28	YYYYMM	00X	MM/DD/YYYY																								
Taxpayer name, address, and ZIP code <i>(Please print legibly or type)</i> Name of Employer from Closing Agreement Any Street or PO Box City, State Zip Code					List, in the column below, payments to be posted to the taxpayer's account. A maximum of two <i>Credit</i> transactions may be shown.																										
Remarks Closing Agreement- See Attached					<b>Transaction Data</b>																										
					Amount	Code	Description	DPC																							
List, in the column below, any <i>Debit</i> amount to be assessed. A maximum of one debit transaction may be shown.					\$XX,XXX	670	Subsequent Payment	DPC																							
					610	Remittance with return																									
Transaction Data <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Amount</th> <th style="width: 10%;">Code</th> <th style="width: 65%;">Description</th> <th style="width: 10%;">DPC</th> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: center;">170</td> <td>ES penalty</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">180</td> <td>FTD penalty</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">360</td> <td>Fees and collection cost</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">570</td> <td>Additional liability pending</td> <td></td> </tr> <tr> <td></td> <td></td> <td>Other debit</td> <td></td> </tr> </tbody> </table>					Amount	Code	Description	DPC		170	ES penalty			180	FTD penalty			360	Fees and collection cost			570	Additional liability pending				Other debit		620	Payment for Form 7004	
					Amount	Code	Description	DPC																							
	170	ES penalty																													
	180	FTD penalty																													
	360	Fees and collection cost																													
	570	Additional liability pending																													
		Other debit																													
640	Advance payment on deficiency		DPC																												
430	Est. tax payment Form 1040-ES																														
660	Est. tax payment Form 1041-ES		DPC																												
680	Designated interest		DPC																												
\$XX,XXX		Total payment																													

Exhibit 2: Sample Form 5734 for Voluntary Closing Agreements

<b>Non-Master File Assessment Voucher</b>				
1. Name and address Name of Employer from Closing Agreement Any Street or PO Box City, State Zipcode			2. Document locator number (DLN)	
4. Type of tax <b>CLOSING AGREEMENT</b>			3. Taxpayer identification number (TIN) XX-XXXXXXX	
5. Form number	N/A- Vol. Agreement. No exam	6. Period	7. MFT code	8. Abstract number
		YYYYMM Plan 00x	28	139
9. Tax			\$	
10. Penalty		I.R. Code Section or Type of Penalty	Trans. Code	Amount
		IRC 7121	240	\$XX,XXX
11. Interest			\$	
12. Total (Sum of Lines 9, 10, and 11)			\$ XX,XXX	
13. Reason for assessment <b>CLOSING AGREEMENT- SEE ATTACHED</b>				
14. Signature of preparer NAME OF VC SPECIALIST & Telephone Number			15. Date Enter Date completed	

# Voluntary Closing Agreements- Processing of Sanction Payments

## Exhibit 3: Sample Memorandum To Cincinnati Submission Processing Center



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

Date: [Enter Date Mailed to Campus]

MEMORANDUM FOR: Cincinnati Submission Processing Center  
Attn: [Enter Named Person], Deposit Unit, Stop 31  
201 W. Rivercenter Blvd.  
Covington, KY 41011

FROM: [Name of Specialist], EP Voluntary Compliance Specialist,  
TE/GE Division, EP Group 75XX

SUBJECT: Voluntary EP Closing Agreement

Attached is a closing agreement as noted:

Payer's Name: [Enter Employer Name from closing agreement]  
Payer's EIN: [Enter EIN from closing agreement]  
Payer's Address: [Enter address from closing agreement]

Plan Name: [Enter plan name from closing agreement, if applicable]

The closing agreement should be routed to the Accounting Branch for assessment and credit. The assessment should be made as a Non-Master File assessment, true tax class 6, abstract number 139. (Please refer to IRM 3.17.46.5.5 for processing instructions.)

There are to be no refunds of moneys under this closing agreement.

If you have any questions, please contact me at [Enter Specialist's Telephone #].  
If I am not available, you may contact my manager, [Enter name of group manager] at [Manager's Telephone #].

Thank you.



# Voluntary Closing Agreements- Processing of Sanction Payments

Exhibit 4: Sample Form 3210 To Be Mailed to Covington

<b>Document Transmittal</b>		To (Show complete and correct address)		Release Date	Page    of	
		Internal Revenue Service Attn: XXXXXXXXXXXX, Deposit Unit, Stop 31 201 W Rivercenter Blvd. Covington, KY 41011		MM/DD/YYYY		
				Transmittal Code (From-Serial no.-To)		
				Numbered	Unnumbered	
<b>Document Identification</b>			Remarks		<b>Shipment Information</b>	
Quantity	Code or Type	Instructions: When transmitting reports, please show the type of report and the period covered. For other items, show identifying information such as blocks, DLN, EIN, the last four digits of the SSN, etc.	Voluntary Closing Agreement Program - monetary sanction deposited through Cincinnati Submission Processing Center, ALC #17		Con-tainer No.	Rec'd (✓)
1		Cover Memorandum - Cincinnati Submission Processing Center				
1		Closing Agreement				
1		Payment Posting Voucher- Form 3244				
1		Non-Master File Assessment Voucher- Form 5734				
		REMITTANCE:				
		Name:				
		EIN:				
		Check #:				
		Amount: \$				
		Plan #:				
From (Originator must supply complete return address below)				Releasing official (Signature and title)		
VC Specialist Name Address City, State Zip				Name of VC Specialist		
				Received and verified (Signature and title)		
				Originator Telephone Number		
				XXX-XXX-XXXX (Specialist Tel. #)		
				Date acknowledged		