IRM PROCEDURAL UPDATE

DATE: 11/09/2026

NUMBER: ts-21-1126-0913

SUBJECT: Information on US Competent Authority Map Cases; Reference to IRM 5.19.28; IRC Section 1062 Farmland Deferral

AFFECTED IRM(s)/SUBSECTION(s): 21.7.4

CHANGE(s):

IRM 21.7.4.3(5) Added paragraph providing information on US Competent Authority MAP cases.

(5) For cases regarding U.S. Competent Authority's Mutual Agreement Procedure (MAP), see IRM 21.8.2.2.9, *Competent Authority Cases*, IRM 25.6.1.10.3.5.7, *Competent Authority Cases - Mutual Agreement Procedure (MAP*), and IRM 21.5.3.4.9, *Competent Authority Cases*.

IRM 21.7.4.4.2.11(6) Removed instructions to associate the document to Files.

(6) If the taxpayer contacts IRS and states:

If	And	Then
Not liable	Form 1065 Short Period Final Returns with Tax Period Beginning After December 31, 2015 Taxpayer (TP) incorrectly checked the yes box or if an input error was made by IRS	• Acknowledge receipt of the issue. • Apologize, if IRS error. • Advise TP you will notate their file. Use TP correspondence or if telephone inquiry, prepare Form 4442/Form 4442 DI/AMS, as source document and in the remarks field, state TP not liable. • Input TC 290 $.00 in blocking series 17 or follow local procedures.
Not liable	TP correctly checked the yes box and had effectively connected gross income allocable to foreign partners (without regards to distributions)	Tell TP they still must file Form 8804, but not Form 8805 or Form 8813.

	but had no ECTI allocable to any foreign partners	
Liable	Needs forms	• Send necessary forms to TP or give toll-free forms number. • Instruct TP to file at OIRSC Ogden, UT, 84201
Liable	Original return(s) attached	• Route to Ogden
Liable	TP states that they have already filed and sends clearly marked copy of return(s)	• Destroy as classified waste, respond only if TP asks question. **Note:** Classified waste is documentation containing TP entity or account information that is not part of the case and is not needed for audit trail purposes. Refer to IRM 21.5.1, *General Adjustments*, for guidance on handling classified waste to prevent inadvertent/unlawful destruction of records.

Note: If the taxpayer states they had no taxable income, it is not a valid response. Advise the taxpayer they either marked the checkbox next to question 14 on tax year 2018 forms and subsequent (question 16 on prior year forms), Foreign Partners, on Schedule B, Form 1065, indicating that the partnership had foreign partners (for purposes of IRC 1446). Ask the taxpayer if this is correct and if they are liable or not liable, follow the chart above based on their response.

IRM 21.7.4.4.4.7.3(4) Corrected IDRS number to 0441689024.

(4) If it is determined (by the taxpayer) they are exempt from the AMT, they should prepare a Form 1120-X to delete the AMT reported on their original return. They should mark Form 1120-X **"AMT - EXEMPT "**at the top of the form and mail it to the campus where the original Form 1120 was filed. See the Instructions for Form 1120, for the address for the taxpayer to send to the Kansas City or Ogden campus. Reassign Correspondence Imaging Inventory (CII) cases with the original return filed in Ogden to employee number 0441689024.

IRM 21.7.4.4.7(7) Corrected IDRS number to 0434259730.

(7) Specialists in the Cincinnati and Ogden Accounts Management teams work these cases. If a call or correspondence is received concerning Form 8752, or IRC 7519, **Do Not** take

any action on the account. Complete Form 4442, **Inquiry Referral,** and send (regardless of notice status) following the guidance below:

Ogden Directorate Employees	Cincinnati Directorate Employees
• Mail to: M/S 6904, or • EEFAX: 855-299-3036 • Reassign CII cases to: 0434259730	• Mail Stop: M/S B504, or • EEFAX: 855-737-6644 • Reassign CII cases to: 0231392337

IRM 21.7.4.4.27(1) Added clarification regarding WFTC.

(1) The Tax Cuts and Jobs Act (TCJA) enacted on December 22, 2017, added IRC 199A, Qualified Business Income Deduction (QBID), and the Working Famlies Tax Credit (WFTC) of 2025 permanently extended the section 199A, allowing individuals and some trusts and estates (but not corporations) a deduction of up to:

- 20 percent of qualified business income (QBI) from qualified trades or businesses,
- 20 percent of real estate investment trust (REIT) dividends, and
- 20 percent qualified publicly traded partnership (PTP) income.

Note: The deduction can be taken in addition to the standard or itemized deduction and for tax years beginning after 2025, the additional Schedule 1-A deductions.

IRM 21.7.4.4.29 Added reference to IRM 5.19.28, IRC Section 1062 Farmland Deferral.

(1) Section 70437, Working Families Tax Cuts (WFTC), P. L. No. 119-21 (July 4, 2025), created IRC 1062 which allows taxpayers to elect to pay the net income tax attributable to the gain from the sale or exchange of qualified farmland property to a qualified farmer through four equal annual installments beginning in the taxable year of sale or exchange. This is applicable for taxable tax years beginning after July 4, 2025.

(2) Taxpayers use Form 1062 to elect to defer payment of the net income tax attributable to the gain from the sale or exchange of qualified farmland property to qualified farmers. Form 1062 is also used to calculate and report the first installment payment and the total applicable net tax liability under IRC 1062.

(3) The applicable net tax liability is due in four equal annual installments. Taxpayers must pay the first installment by the due date of the return (without regard to extensions) for the taxable year in which the sale or exchange occurs. Each subsequent installment is due on

the un-extended due date of the return for the succeeding three tax year(s). No payment extensions or changes to the payment schedule are authorized.

Note: IRC 7508 and IRC 7508A may postpone the time for which installments are due in situations such as combat zones, disaster zones, etc.

(4) Each installment payment is treated as a timely payment of tax if received by the un-extended due date of the income tax return.

(5) Under IRC 1062 the unpaid balance on all remaining installments is accelerated and becomes immediately due in certain events, including:

- Failure to timely pay any installment
- Death of an individual taxpayer
- Liquidation, cessation of business, or sale of substantially all assets by a C corporation, trust, or estate

Acceleration does not occur if a buyer of the assets in an acceleration event assumes the remaining installment liability as provided by statute. See IRC 1062(b)(2).

(6) Taxpayers who defer payment under IRC 1062 must file Form 1062 and for each qualified farmland property:

- Schedule A (Form 1062),
- A copy of the covenant, or other legally enforceable restriction, limiting post-sale use of the property to farming for 10 years.

(7) IRC 1062 elections may be made on the following income tax returns:

- Form 1040
- Form 1041
- Form 990-T
- Form 1120
- Form 1120-C
- Form 1120--F
- Form 1120-L
- Form 1120 -ND
- Form 1120-PC
- Form 1120-REIT

- Form 1120-RIC

(8) Partnerships and S Corporations do not make an IRC 1062 election at the entity level. The IRC 1062 election is made by the partners or shareholders. See IRC 1062(c)(2). A partnership or S corporation must provide the partners/shareholders with the information regarding the gain on the sale or exchange of qualified property and a copy of the covenant.

(9) The TC 150 with an IRC 1062 election is recorded on IDRS to include the total income tax due for the tax period.

(10) First Year (election year) IRC 1062 elections are recorded during processing on the income tax module with a:

1. TC 971 AC 867 with the 100% deferred IRC 1062 amount in the miscellaneous (MISC) field, **and**
2. TC 766 CRN 471 with the 75% unpaid, deferred 1062 amount.

   Note: The TC 766 CRN 471 creates a “false credit” on the account which is applied to the total tax liability for the tax period.

(11) The estimated tax (ES) base value for the tax period is established using the TC 150 amount minus the TC 766 CRN 471 amount. The TC 150 amount posted to the module equals $10,000. The TC 766 CRN 471 amount posted to the module equals $7,500. Therefore, the estimated tax base value equals $2,500. See Notice 2026-03, and The IRS Provides Estimated Tax Penalty Relief for Farmland Sales Under Section 1062, for additional information.

(12) A CP 317 (IMF) or CP 317B (BMF) is issued approximately 60 days after the taxpayer files an income tax return to make an IRC 1062 election. The notice informs taxpayers that their request to defer payment under IRC 1062 has been accepted, and it provides the taxpayer with information regarding their future payments. This notice serves as notice and demand for the amount of payment deferred under IRC 1062. This notice is informational only, and it does not require any response from the taxpayer.

(13) A CP 319 (IMF) or CP 319B (BMF) reminds taxpayers to pay their upcoming, required annual installment payment. This notice is issued approximately 45 days before the payment due date of each subsequent payment.

(14) Every subsequent year following the election year, IDRS will generate a TC 767 CRN 471 for 25% of the payment amount due (or the lesser of the available credit amount for the 25% payment due) on the originating module, with a transaction date equal to the due date of the return. Timely payments ensure the account remains in good standing.

(15) Misapplied, late payment, non-payment, and acceleration events are worked by CSCO at the Brookhaven Campus. AM employees should not take action to resolve these issues, but may prepare a referral following guidance in IRM 21.3.5.4, Referral Procedures.

(16) AM employees may receive and answer inquiries regarding the terms of their deferral agreement and future payments (i.e., when their installment payments are due and/or the amount of the deferral). Taxpayers may also be referred to IRS.gov/AgricultureTaxCenter, or Working Families Tax Cuts, “Treatment of Capital Gains from the Sale of Certain Farmland Property (Section 70437)”, for additional FAQs relative to their inquiry.

(17) See Form 1062, the Form 1062 Instructions, and IRM 5.19.28 , **IRC Section 1062 Farmland Deferral**, for additional information.