

## IRM PROCEDURAL UPDATE

**DATE:** 04/28/2017

**NUMBER:** wi-21-0417-0763

**SUBJECT:** BMF International Accounts Management

**AFFECTED IRM(s)/SUBSECTION(s):** 21.8.2

**CHANGE(s):**

**IRM 21.8.2.1.3(3) Added guidance to ensure callers are informed international numbers are non toll-free numbers. Update initiated by SERP Feedback #201702147. Clarified inquiries are completed by the site receiving the call unless the site is not trained and added an "Exception" for requests of a stamped copy of Form 8288-A (Copy B).**

2. Assistors staffing the International line **DO NOT** use the Telephone Transfer Guide (TTG) to transfer calls. They can use "The Source for Telephone Numbers" at: <http://gatekeeper.web.irs.gov/plList.asp> to provide the correct toll-free number to the caller. If the caller is calling outside the United States the assistor should perform the needed resolution. If the assistor is not trained or the caller does not want to call back, complete Form 4442, *Inquiry Referral*. Taxpayer inquiries are completed by the site receiving the call unless the site is not trained, i.e. Ogden Accounts Management Center (OAMC) is the only site trained to work VISA claims and Form 5471 late filing penalties. If the international issue is only worked by OAMC route the inquiry to BMF International at the Ogden campus via fax at # [REDACTED] # (number is for internal use only).

**EXCEPTION:** See IRM 21.8.2.11 to refer inquires requesting a stamped copy of Form 8288-A (Copy B).

See IRM 21.3.5.4, *Referral Procedures*, for complete procedures.

**NOTE:** International assistors may transfer calls within the International line using local procedures.

**EXCEPTION:** When international customers call the International line (267-941-1000) and indicate they want to go to a Taxpayer Assistance Center (TAC), the International assistor will first try to resolve all issues presented by the taxpayer on the call. If it is determined TAC service is still needed, the assistor will transfer the caller to 92055 (Application 55) for English or 92056 (Application 56) for Spanish so an appointment can be made. The International assistor will advise the customer to explain to the TAC

appointment assistor the customer called the International line, and the International CSR that transferred the call to them has already provided assistance but the caller still requires a TAC appointment. For further information refer to IRM 21.1.1.6, *Customer Service Representative (CSR) Duties*.

3. **Assistors staffing any toll-free line** should not transfer calls to the International line (267-941-1000). They can provide the International **non toll-free number** or any of the numbers below to a caller for help with international issues. Ensure the callers are informed these are not toll-free numbers. If the caller does not want to call back, offer to prepare Form 4442, *Inquiry Referral*. Route to BMF International at the Ogden campus via fax at # [REDACTED] # (number is for internal use only). For a list of BMF international issues see IRM 21.8.2.1.1, *Campus Consolidation and Program Centralization*. For more information on the referral process see IRM 21.3.5.4, *Referral Procedures*.

<b>Title or Organization</b>	<b>Phone</b>	<b>Fax</b>
International (Taxpayer Customer Service)	267-941-1000**	# [REDACTED] # (number is for internal use only)
International Automated Collection System (ACS)	267-941-1004**	
Automated Underreporter (AUR)	267-941-1026**	267-466-1023
Electronic Federal Tax Payment System (EFTPS)	303-967-5916	
International Estate and Gift	866-699-4083 (toll-free) 859-669-2349* (not toll-free)	
Excise Tax (Form 720, Form 730, Form 2290 and Form 8849)	859-669-5733	
FBAR and Title 31 Helpline	866-270-0733 (toll-free) 313-234-6146 (not toll-free)	
International Examination	267-941-1037**	267-466-1463
Offer in Compromise (OIC) - General	267-941-1004**	787-759-5466
(OIC) - Accepted Offers Only	631-447-4018	
Taxpayer Advocate Service - English speaking	787-522-8601	855-818-5697
Taxpayer Advocate Service - Spanish speaking only	787-522-8600	
U.S. Certification Program	267-941-1000**	267-466-1035

\* This telephone number goes to voice mail but messages are checked daily. The International Estate and Gift e-mail address is sbse.eg.intl@irs.gov, and can be provided.

**REMINDER:** Numbers marked with (\*\*) CANNOT be accessed using IRS phones.

**IRM 21.8.2.7.3.2(3)(c) Clarified the IMF procedures for adjusting employee visa claims.**

3. Procedures for tax withheld from **refund interest** on the employee account (IMF):
  - a. Prepare four-part Form 5205.
  - b. Prepare five-part Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*.
  - c. Input a TC 290 .00 with a TC 770 for the total amount of tax withheld from refund interest (typically 30% of the amount determined in Paragraph (1) above, see IRC 1441 for the 14% exception). Use Blocking Series 05, Source Code 1, Reason Code 099, file location code 98, Hold Code 4 and a 2 cycle posting delay (use 6 cycle posting delay if Form 1040NR was sent to be processed), NSD with CIS Indicator 1, and the CIS Case ID of the BMF Visa Claim. The "CR-INT-TO-DT" for the TC 770 will be the refund schedule date of Form 5792.
  - d. Prepare Form 3809 with a TC 850 to debit the employee's account and a TC 730 to credit the 4610 Account (NMF) for the amount of tax being withheld from refund interest. The debit date of TC 850 is the 23C Date of the posted TC 770. The credit date of TC 730 is the "CR-INT-TO-DT" for the TC 770.

**REMINDER:** See IRM 21.4.4.5.1, *Monitoring Manual Refunds*, for monitoring requirements.

**IRM 21.8.2.9.6.2 Updated the verification of refundable credits claimed. Update initiated by SERP Feedback #201701743.**

1. Refundable Credits are claimed on Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*, lines 5a through 5i. The type of credits claimed on line 5i are:
  - o Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*, from line 12, page 2. See the instructions in "Section I" of Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*, for additional information.
  - o Form 8805, *Foreign Partner's Information Statement of Section 1446 Withholding Tax*.

- Form 8288-A, *Statement of Withholding on Dispositions by Foreign Persons of U.S. Real Property Interests*.
  - Form 1099 (various).
2. Refundable Credits are claimed on Form 1120-FSC, *U.S. Income Tax Return of a Foreign Sales Corporation*, lines 2a through 2g. The type of credits claimed on line 2g are:
    - Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*.
    - Form 1099 (various).
  3. These refundable credits can be allowed without prior Examination Classification. To claim refundable credits, the recipient's copy of the information return, Form 1042-S, Form 8805, Form 8288-A, and withholding certificate (Form W-8BEN, e.g.) must be attached.

**EXCEPTION:** If supporting documents are not attached see Paragraph 4 below.

**CAUTION:** Withholding agents may make payments to disregarded entities but they should not include them as a recipient on Form 1042-S unless the recipient is an entity treated as a resident of a country for which it may claim a reduced rate of withholding under an applicable income tax treaty. The withholding agent must file a corrected Form 1042-S if they do. See **Payments Made to Persons Who Are Not Recipients** on Page (11) of the Form 1042-S Instructions at: <http://core.publish.no.irs.gov/instrs/pdf/i1042-s--2015-00-00.pdf>, for additional information. If you cannot match the name and TIN on the Form 1042-S to the recipient's account, do not allow the credit(s). Follow no consideration procedures in IRM 21.5.3.4.6.3, *No Consideration Procedures*. Advise the filer of the Form 1120-F the claim cannot be considered until a corrected Form 1042-S is filed.

4. To claim refundable credits the withholding document must be attached, or a statement from the withholding agent in support of the amount actually withheld. The statement must comply with the rules set forth in Pub 1179, *General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, and Certain Other Information Returns*.

**NOTE:** These refundable credits are considered Chapter 3 Withholding credits and are subject to the 180 Day interest-free period. For more information on the 180 Day interest-free period refer to IRM 20.2.4.7.6, *180 Day Rule*

5. # [REDACTED]

#

6. To allow the credit, use TC 290 .00 and the appropriate Credit Reference Number (CRN). The CRN will generate TC 766 for the amount of the credit. To reverse the credit, use TC 290 .00 and the appropriate CRN with a (-). The CRN will generate TC 767 for the amount of the credit. There is no CRN for Form 1099, use TC 766 to allow the credit or TC 767 to reverse the credit.

**NOTE:** See IRM 21.8.2.12.2.2, *Claims for Tax Withheld at Source*, for complete procedures pertaining to amended returns claiming refunds or credits for overwithheld amounts.

7. Masterfile programming was implemented as of April 2013 and July 2015, on Form 1120-F, to ensure only overpayments of Chapter 3 or 4 withholding are given the 180 Day interest-free period. Therefore, the CRN on the account will depend on when the credit generated.

**CAUTION:** Exercise caution when adjusting tax or refundable credits; review the account to determine the correct amount of refundable credits and the appropriate CRN.

8. Before programming:
  - o CRN 330 - Form 1042-S
  - o CRN 331 - Form 8805
  - o CRN 332 - Form 8288-A
  - o CRN 333 - Amended Form 1042-S
9. After April 2013 programming:
  - o CRN 330 - Generates the overpayment resulting from tax deducted and withheld under Chapters 3 and 4, see Form 1120-F (Line 8b).
  - o CRN 334 - Generates the sum of Line 5f, Line 5g, Line 5h, Line 5i, any amount to the right of Line 5i minus Line 8b.

**CAUTION:** Since CRNs 331, 332 and 333 no longer generate on Form 1120-F, AM assistors will take no action to adjust the account for the purpose of creating these CRNs. Any adjustments required to these credits will be made using CRN 330.

10. After July 2015 programming:
  - o CRN 330 - Generates Schedule W lines 1 and 3, 1120-F page 1 line 1 and page 1 line 8a
  - o CRN 334 - Generates the sum of Line 5f plus Line 5g

**IRM 21.8.2.11 Updated the fax number with the new e-fax number. Update initiated by SERP Feedback #201701941.**

1. The Foreign Investment in Real Property Tax Act (FIRPTA) of 1980 was amended by the Deficit Reduction Act of 1984. This amendment added IRC 1445 to Chapter 3, Subchapter A, of the Internal Revenue Code of 1954.
2. IRC 1445 requires the deduction and withholding of tax by the transferee on amounts realized on dispositions of certain U.S. real property interests by a foreign seller.
3. Form 8288, *U.S. Withholding Tax Return for Disposition by Foreign Persons of U.S. Real Property Interests*, and Form 8288-A, *Statement of Withholding on Dispositions by Foreign Persons of U.S. Real Property Interests*, are filed by the withholding agent (transferee) to report the tax withheld at source.
4. Accounts Management work is worked by the International Department in the Cincinnati Accounts Management Center (CAMC) and the Ogden Accounts Management Center (OAMC).
5. These forms were processed on a separate system like Non-Master File (NMF) prior to processing year 2006.
6. Beginning in 2006, these forms were processed to the Business Master File under MFT 17 at the Philadelphia Submission Processing Campus. The DLN of the returns posted as DO 98, Tax Class 1, Doc Code 40 (98140-ddd-xxxx-x). In 2007 and subsequent years, these forms are processed at the Ogden Submission Processing Campus and assigned the DLN (60140-ddd-xxxx-x or 78140-ddd-xxxx-x).

**NOTE:** NMF processed returns are worked in CSPC under DLN 17641-ddd-xxxx-x when the Date of Transfer is 12/12/05 and prior.

7. The earliest tax period in which these returns post to Master File is 200512 with the earliest received date being 01/01/2006. The tax period is derived from the month and year of the date of transfer. Beginning in 2006, subsequent returns that attempt to post to a module that contain a TC 150 create TRNS 193 duplicate filing conditions. This is likely a supplemental return for an additional property from the same withholding agent.
8. In cases of multiple purchases of partnership interests being acquired in the same month with the same date of transfer and property description (Line 2 Form 8288), a company may file a consolidated Form 8288 with a consolidated payment. They must also complete and submit sets (Copy A and Copy B) of Form 8288-A for each foreign person or entity, and Lines 2 and 3 must match amounts listed on Form 8288, Lines 5 and 7.

**EXCEPTION:** If there is a withholding certificate for any of the foreign persons or entities, that information must be reported on its own Form 8288 and submitted with the FIRPTA tax payment and the Form 8288-A (Copy A and B).

**NOTE:** The employees in the International Department should refer inquiries requesting a stamped copy of Form 8288-A (Copy B) to Ogden Submission

Processing. For telephone calls prepare a Form 4442, *Inquiry Referral*, and fax to # [REDACTED] # (number is for internal use only). The referral must clearly state that a copy of Form 8288-A (Copy B) needs to be mailed to the taxpayer along with the taxpayer's current mailing address on file. Referrals should be processed within 25 days.

9. TRNS 193 notices generated on Form 8288 accounts are processed at the Ogden Accounts Management Campus. Use the following instructions in conjunction with IRM 21.7.9, *BMF Duplicate Filing Conditions*, to resolve TRNS 193 notices on Form 8288 (MFT 17) accounts:

- a. Always input a Hold Code 4 on the CC ADJ54 adjustment.

**REMINDER:** Use Priority Code 8, if applicable, to avoid Unpostable Code (UPC) 328 RC 2.

- b. Input the real property description from Line 2 of the Form 8288 in the remarks field of the CC ADJ54 adjustment.  
c. Input the Date of Transfer (DOT) on the CC ADJ54 adjustment.

**NOTE:** The year and month of the DOT input on ADJ54 **MUST** match the year and month of the tax period or the adjustment will unpost. Refer to IRM 3.12.279.135, *UPC 332 RC 4 (OSPC Only)* and IRM 3.12.279.136, *UPC 332 RC 5 (OSPC Only)*.

- d. For a return filed for a subsequent sale within the same month, the Return Due Date (RDD) is 20 days from the date of transfer and is not related to the first date of transfer posted on the module.  
e. A late-filed Form 8288 is subject to interest, Failure to File and Failure to Pay penalties, see IRM 20.1.2, *Failure to File/Failure to Pay Penalties*, which must be manually assessed since the computer is unable to calculate these values. The RDD is 20 days from the date of transfer or withholding certificate letter date, whichever is later. When a penalty is warranted, calculate the penalty from the RDD to the payment date.

**NOTE:** The DOT is the actual date of transfer, or the date of the withholding certificate letter, whichever is later.

**NOTE:** When manually computing interest, the running module balance method must be used so that all transactions within the module are considered. See IRM 20.2.1.5.2, **Manual Calculation of Interest**, IRM 20.2.5.6.2, *Manual Computations*, and IRM 20.2.5.3, *Interest on Penalties and Additions to Tax*, regarding how to compute interest on penalties.

- f. When processing an adjustment to a Form 8288-A account, verify the validity of the credits against the INTLWEBAPPS, FIRPTA database and IDRS prior to allowing the credit. The person verifying the credit

must follow the instructions in IRM 21.8.1.21.1(2), *Claims for FIRPTA Credits*, to update the database as necessary to reflect the correct information.

IF	THEN
The Form 8288 is received after the 20th day from the DOT or after the 20th day from the date of the withholding certificate letter (if applicable), whichever is later	Input TC 290 for the additional tax amount. Manually compute and assess TC 160, TC 270 and TC 340 using the return due date as the "from" date. TC 340 must be computed using the running module balance method. See IRM 20.2.1.5.2, <i>Manual Calculation of Interest</i> , and IRM 20.2.5.6.2, <b>Manual Computations</b> .
The Form 8288 was timely filed and paid	Input TC 290 for the additional tax and also enter a TC 160 .00, TC 270 .00, and TC 340 .00 to prevent penalty and interest assessments.
The taxpayer was issued a withholding certificate, and the withholding certificate letter date falls within a subsequent month (the return is due within 20 days of the DOT, or the date of the withholding certificate, whichever is later)	Input TC 290 .00 to release the "-A" freeze. Edit the correct date of transfer and reinput the return to the correct tax period using Form 13596, <i>Reprocessing Returns</i> . Transfer any related payments using CC ADD/ADC24.
The taxpayer was issued a withholding certificate and the return due date remains in the same tax period to which the subsequent return posted	Input TC 290 for the additional tax amount. If the return was filed timely and paid, input TC 160 .00, TC 270 .00 and TC 340 .00 to prevent penalty and interest assessments. If the return was filed and/or paid late, manually compute and assess TC 160, TC 270 and TC 340 amounts using the return due date as the "from" date. Do not reinput the return.

**NOTE:** If Form 8288-A is attached to Form 8288 and the 8288-A does not have a FIRPTA Unit stamp on it saying "Copy B mailed," fax the return to the FIRPTA Unit for processing of Form 8288-A. #T [REDACTED] # (number is for internal use only).

**CAUTION:** Do not establish Mail Filing Requirements for Form 8288.

- Foreign buyers/sellers of U.S. real property are required to obtain ITIN's in order to request reduced tax withholding and to pay withholding tax. Research for correct buyer/transferee TIN before re-inputting a tax return to the TIN of a Title, Escrow, Realty Company, etc. or third party TIN.



**NOTE:** Ogden will research IDRS to see if the payment posted to the title company EIN account. If it did, the BMF International unit will locate the FIRPTA payment from the title company account and transfer it to the actual transferee account as necessary.

11. CP 105/125 balance due notices will generate on Form 8288 accounts because of incorrect posting of payments or higher assessments due to missing withholding certificates. Research and transfer misapplied payments or correspond for missing withholding certificates as necessary.
12. Review penalty and interest claims received in correspondence to determine if the penalties and interest were correctly assessed by determining the date of transfer. If the return and/or the payment is received more than 20 days after the date of transfer, or 20 days after the withholding certificate date, the taxpayer is liable for the penalties and interest on penalties. See IRM 20.2.5.3, *Interest on Penalties and Additions to Tax*, regarding how to compute interest on penalties.
13. If a taxpayer was issued a Form 8288-B, *Application for Withholding Certificate for Dispositions by Foreign Persons of U.S. Real Property Interests*, interest and penalties may be erroneously assessed if the date of transfer from the withholding certificate is not edited as the date of transfer. Failure to correct the date of transfer causes the return to post to an incorrect tax period, and interest and penalties to be assessed erroneously. Edit and re-input of the Form 8288, with a copy of the withholding certificate, to the correct tax period and transfer any related payments using CC ADD/ADC 24 per duplicate filing conditions found in IRM 21.7.9, *BMF Duplicate Filing Conditions*.

**NOTE:** The IRS will normally act on Form 8288-B within 90 days of receipt of all information necessary to make a proper determination. See IRM 21.8.5.3, *Form 8288-B, Withholding Certificate: Background*, for processing FIRPTA issues.

14. If the return posts to the correct month, but the date of transfer is incorrect, penalties and interest may be assessed erroneously. If the return and payment are timely filed and posted to the correct month, input a TC 271, TC 161, and TC 341 to abate the erroneously assessed penalties and interest. A Penalty Reason Code (PRC) will be required with the penalty abatement. If not full paid as of the transfer date, then interest will need to be computed from due date to payment date. A TC 341 will be the difference between the original TC 340 and the correct amount.

**CAUTION:** Only abate the penalties and interest if the return does not have to be reinput to another tax period.

**NOTE:** When manually computing interest, the running module balance method must be used so that all transactions within the module are considered. See IRM 20.2.1.5.2, *Manual Calculation of Interest*, and IRM 20.2.5.6.2, *Manual Computations*.

**IRM 21.8.2.11.2 Updated the verification of FIRPTA credits claimed.**

1. When taxpayers claim FIRPTA credits on their income tax return, they must submit Form 8288-A, Copy B (similar to domestic withholding claims being accompanied by a Form 1099), or a statement from the withholding agent in support of the amount actually withheld.
2. In addition, credits claimed on Form 8288-A, Copy B, must be verified with the FIRPTA database prior to allowance. FIRPTA Credit verification is requested using Form 13698, *International Credit(s) Verification Slip*.

**NOTE:** For further information on FIRPTA Credit verification, see IRM 3.21.25.15, *Form 8805 Credit Verification of Pre-IRMF Section 1446 Credits Claimed on Form 1040-NR, Form 8804, Form 990-T, Form 1120-F, and Form 1040-NR Estate or Trust*.

3. The presence of a TC 971 with Action Code 650 on a tax module indicates that a refund of the FIRPTA credit was issued from the BMF MFT 17 account for the amount indicated. A TC 972 indicates a reversal of a TC 971.
4. When a Form 8804 or Form 1120-F posts to Master File and a TC 971 Action Code 650 is present, the account is frozen from refunding and a Master File transcript titled PRIOR-REFD generates. Research to determine if the FIRPTA credit claimed on the return was previously refunded as indicated by the TC 971 Action Code 650.

IF	THEN
The Action Code 650 amount is the same as the Credit Reference Number (CRN) 332 amount	Input an adjustment to reduce the CRN 332 amount to zero since the credit has already been refunded.
The Action Code 650 amount is included in the CRN 332 amount (for example, \$9,200 is part of the \$10,500 claimed)	Reduce the CRN 332 amount by the Action Code 650 amount since this has already been refunded. See Caution below.
The Action Code 650 amount is not included in the CRN 332 amount	No action is necessary. Input TC 571 to release the freeze on the account.

**CAUTION:** Research the FIRPTA database or request the original return from Files, if necessary, to determine if the FIRPTA credit being claimed on the return is the same credit previously refunded according to the TC 971 CRN 332 transaction. For more information on Early FIRPTA Refunds, See IRM 21.8.5.3.11, *Request for an Early FIRPTA Refund*.

**REMINDER:** Credits claimed on Form 8288-A will not post as CRN 332 after programming. See IRM 21.8.2.9.6.2.

5. If correspondence or an amended return is received requesting credit for withheld FIRPTA tax, it must be accompanied by a Form 8288-A, Copy B, so the credit can be verified, or a statement from the withholding agent in

support of the amount actually withheld. See IRM 3.21.25.15(1), *Credit Verifying Form 8288-A (FIRPTA) Credits*, for additional information.

**REMINDER:** Attach the FIRPTA Credit Verification Slip, Form 13698, to the case as proof of verification and check the validity of the credits claimed on Form 8288-A against the INTLWEBAPPS, FIRPTA database and IDRS prior to allowing the credit. The person verifying the credit must follow the instructions in IRM 21.8.1.21.1(2), *Claims for FIRPTA Credits*, to update the database as necessary to reflect the correct information.

6. Once credit availability is verified, allow withholding credit using CRN 332.

**REMINDER:** These credits are considered Chapter 3 Withholding Credits and are subject to the 180 Day interest-free period. See IRM 21.8.2.9.6.1, *180 Day interest-free Period for Chapter 3 Withholding*.

**NOTE:** When issuing a manual refund from a Form 8288 account, use Line Number 65.

#### **IRM 21.8.2.12.7 Updated IRM references.**

1. A withholding agent must withhold income tax at the statutory rate or lower treaty rate, unless one of the following conditions are met:
  - The income is exempt by treaty.
  - The income is exempt by an IRC section.
  - The income is considered foreign source.
  - The income is considered "effectively connected with a U.S. trade or business."
  - The foreign individual or entity is considered a resident of the United States for income tax purposes.
2. All exempt or reduced withholding must be based on the applicable alien withholding certificate (W-8BEN-E, W-8ECI, W-8EXP, W-8IMY, or W-8CE) or a statement signed under the penalties of perjury attesting to the recipient's country of residence for income tax purposes. See IRM 21.8.2.18, *Withholding Certificates*.
3. The W-8 series documents were modified in 2014 as part of the implementation of the Foreign Account Tax Compliance Act (FATCA). See IRM 21.8.2.18.1, Form W-8, **Certificate of Foreign Status**, for a chart that shows the forms that became obsolete and their replacements.

**IRM 21.8.2.20.1(5) Updated IRM reference.**

- 5. BMF International Units at the Ogden Accounts Management Campus process requests for relief of these systemically assessed Form 5471 FTF initial penalties. See IRM 21.8.2.20.2.

**IRM 21.8.2.21.1(4) Updated IRM reference. Update initiated by SERP Feedback #201702032.**

- 4. BMF international units at the Ogden Accounts Management Campus process requests for relief of these systemically assessed Form 5472 FTF initial penalties. See IRM 21.8.2.21.2.

**IRM 21.8.2.21.2(6) Clarified the reporting corporation must have filed Form 5472 for all open years (not on extension) to show that reasonable cause exists. Update initiated by SERP Feedback #201701823.**

- 6. The initial penalty for FTF Form 5472 should be abated when reasonable cause for the failure to file exists. See Exhibit 21.8.2-2, *Failure to File or Late-Filed Form 5472 - Decision Tree*, to determine whether or not reasonable cause exists. Follow the table below to abate/waive or deny the penalty.

**REMINDER:** To show that reasonable cause exists, the reporting corporation must be in compliance with all open reporting years (not on extension) and "must make an affirmative showing of all facts alleged as reasonable cause for such failure in a written statement containing a declaration that it is made under the penalties of perjury". See IRM 20.1.9.5.5, *Reasonable Cause*, for additional information.

<b>IF</b>	<b>THEN</b>
The Decision Tree determination is to: <ul style="list-style-type: none"><li>o <b>Abate/Waive</b></li></ul>	Input TC 290 .00 and appropriate PRN 711 with a minus (-) after the abatement amount. Use Blocking Series 52, Reason Code 062 and the appropriate 4th position PRC.
The Decision Tree determination is to: <ul style="list-style-type: none"><li>o <b>Deny</b></li></ul>	Input TC 290 .00 with appropriate PRN 711 for .00. Use Blocking Series 98, Reason Code 062 and send Letter 854C.

**NOTE:** OAMC International must enter a CIS case note if the penalty is being abated or denied for reasonable cause (using the **Decision Tree**), to notate which question(s), in which section(s) of the Decision Tree, led to the decision

to abate or deny the reasonable cause request.

**CAUTION:** If the caller does not otherwise have reasonable cause, but contends that the penalty is for a wrong period, and as such the penalty should be abated, **AND** the caller has a "related Form 1120" with a fiscal year that ends within the calendar year listed on the penalty notice, advise the caller to refer to page 2 of the civil penalty notice for an explanation of how the penalty applies to fiscal year filers. **CONCLUSION:** The penalty should **NOT** be abated for this reason.

**Exhibit 21.8.2-1(1) Updated IRM reference in the table.**

1) Did taxpayer receive reasonable cause or First Time Abate for failure to timely file Form 1120 series or Form 1065?

<b>IF</b>	<b>THEN</b>
a) Yes	Follow procedures in IRM 21.8.2.20.2, <i>Form 5471 Penalties Systemically Assessed from Late-Filed Form 1120 Series or Form 1065.</i>
b) No	continue

**Exhibit 21.8.2-2(1) Updated IRM reference in the table.**

1) Did taxpayer receive reasonable cause or First Time Abate for failure to timely file Form 1120 series?

<b>IF</b>	<b>THEN</b>
a) Yes	Follow procedures in IRM 21.8.2.21.2, <i>Form 5472 Penalties Systemically Assessed from Late-Filed Form 1120 Series</i>
b) No	continue