

was submitted to the IRS by them. The Withholding Agent must check their Form 1042-S (Copy A) against what they actually submitted to the IRS through FIRE (Filing Information Returns Electronically) or on paper and compare the information against what they provided to the recipient. The taxpayer and Withholding Agent will need to determine the reason for a Form 1042-S not matching. If a reason is identified, the Withholding Agent may need to submit an amended Form 1042-S with the IRS and/or provide a corrected copy of Form 1042-S to the taxpayer.

NOTE: # [REDACTED]
[REDACTED]
#

6. If a taxpayer has more than one Form 1042-S that does not match, a separate Letter 5532C is issued for each Form 1042-S. However, only one adjustment (TC 767, RC 161) will post to IDRS to reverse the credits as long as the reversal occurs in the same cycle.

EXAMPLE: Taxpayer attached five Forms 1042-S to their income tax return for a total credit of \$1,000. Two Forms 1042-S totalling \$300.00 do not match. Two Letters 5532C will be issued but only one TC 767 for \$300.00 with Reason Code 161 will post to IDRS.

7. **IF THE MATCHING PROGRAM INDICATES A FORM 1042-S WAS PREVIOUSLY ALLOWED**, a Letter 5533C, *Notification of Preliminary Action Regarding Chapter 3 or Chapter 4: Credit Previously Allowed*, is issued. The letter advises the taxpayer we reduced or eliminated the amount shown on Form 1120-F, line 5i because our records show that their credit has already been allowed.
8. If a taxpayer has more than one Form 1042-S that was previously allowed, a separate Letter 5533C is issued for each Form 1042-S. However, only one adjustment (TC 767, RC 162) will post to IDRS to reverse the credits as long as the reversal occurs in the same cycle.

EXAMPLE: Taxpayer attached five Forms 1042-S to their income tax return for a total credit of \$1,000. Two Forms 1042-S totalling \$300.00 were previously allowed. Two Letters 5533C will be issued but only one TC 767 for \$300.00 with Reason Code 162 will post to IDRS.

9. **IF THE TAXPAYER FILED MULTIPLE 1042-S FORMS AND THE MATCHING PROGRAM INDICATES ONE FORM 1042-S DID NOT MATCH "AND" ONE FORM 1042-S WAS PREVIOUSLY ALLOWED**, a Letter 5532C and a Letter 5533C is issued. Two adjustments will post to IDRS, one TC 767 with Reason Code 161 and one TC 767 with Reason Code 162.
10. **IN ALL CASES**, if credits are reversed in separate cycles multiple TCs 767 will post to IDRS.

CAUTION: After a reversal posts (TC 767), there may still be a freeze. Some Form 1042-S credits will remain frozen until the 168 day freeze or the extended freeze is systemically released. **DO NOT RELEASE THE FREEZE.**

11. When a reversal posts (TC 767 (RC 161 or 162)), an adjustment notice (CP 210 or 220) will generate to the taxpayer. After a reversal posts, the taxpayer may still have an overpayment or the taxpayer may now have a balance due.
12. Accounts Management will not validate credits that may still be frozen (not reversed) on the account.

EXAMPLE: The original return includes \$5,000 in frozen credits. \$1,000 was reversed with TC 767 RC 161. \$4,000 remains frozen. Accounts Management will only verify the \$1,000 credit that was reversed.

13. Accounts Management will not validate Form 8288-A or Form 8805 credits that are on the account.

NOTE: Beginning January 1, 2016 all Forms 1120-F with a refund supported by a Form 8288-A or Form 8805 can be expected to refund and only the portion of the refund supported by a Form 1042-S (CRN 330) will have that portion of the refund systemically frozen for up to 168 days with a TC 810. As new programming is implemented additional information will be provided.

14. Accounts Management assistors will take the following actions on accounts affected by the new systemic matching program:
 - Follow all normal statute guidelines. Refer to Statutes for clearance or assessment when necessary. See IRM 25.6, *Statute of Limitations*.
 - Follow all normal Category A guidelines. See IRM 21.5.3, *General Claims Procedures* in conjunction with IRM 21.8.2.1.13, *Examination Criteria*.
 - Follow all normal amended return guidelines and procedures. For further information see IRM 21.5.2.4, *Adjustment Guidelines-Procedures*.

IRM 21.8.2.12.2.9 Added new subsection for FATCA Form 1042-S Accounts Management Telephone/Written Inquiries (Withholding Agent) per LB&I.

1. The instructions in this IRM section pertain to Withholding Agents calling with questions about their Recipients Form 1042-S credit being denied by IRS.
2. The following table explains how Account Management assistors will respond to telephone inquiries from a Withholding Agent (WA) concerning a credit that was denied because the Withholding Agent's Form 1042-S (Copy A) submitted to IRS did not match the Recipient's Form 1042-S filed with their income tax return:

CAUTION: The WA must compare **ALL** the fields on the Form 1042-S they provided to the recipient against what they actually submitted to IRS through FIRE (Filing Information Returns Electronically) or on paper before you can advise the WA of the correct steps to take. If they haven't compared **ALL** the fields, explain they must compare **ALL** the fields to determine if the forms match.

If	And	Then
WA doesn't understand why their recipient's credit was denied		<ol style="list-style-type: none"> 1. Advise WA the credit was denied because their Form 1042-S (Copy A) submitted to IRS or the information submitted to IRS through FIRE (Filing Information Returns Electronically) did not match the recipient's copy submitted with the recipient's return. 2. Advise WA they must ensure that ALL fields match when comparing the Form 1042-S they provided to their recipient against what they actually submitted to IRS through FIRE or on paper (Copy A) to determine where the Forms 1042-S does not match. <p>NOTE: If the WA has already compared the information follow the procedures below according to what the WA claims.</p>
WA claims the Form 1042-S (Copy A) information submitted to IRS matches the recipient's Form 1042-S	WA compared and confirms ALL fields match	Advise WA to instruct the recipient to provide IRS a copy of their Form 1042-S.
WA claims Form 1042-S (Copy A) information was incorrect when	WA compared and confirms	Advise the WA to: <ul style="list-style-type: none"> ○ Submit an amended copy of Form 1042-S (Copy A)

originally submitted to IRS	ALL fields now match	<p>with the corrected information to IRS.</p> <ul style="list-style-type: none"> ○ Provide a copy of the amended Form 1042-S to the recipient. ○ Instruct recipient to provide their amended Form 1042-S to IRS. ○ Instruct recipient to allow the appropriate time for processing the amended copy of Form 1042-S (Copy A) (six weeks if filed electronically and eight weeks if filed by paper) before submitting their amended Form 1042-S to IRS. ○ File an amended Form 1042 with IRS if applicable.
WA claims the recipient's Form 1042-S information was incorrect when originally filed	WA compared and confirms ALL fields now match	<p>Advise the WA to:</p> <ul style="list-style-type: none"> ○ Provide an updated copy of Form 1042-S to the recipient that matches exactly what was filed with IRS (Copy A). ○ Instruct recipient to provide the updated Form 1042-S that now matches exactly what was filed with IRS (Copy A) to the IRS.
WA claims Form 1042-S (Copy A) information and the recipient's Form 1042-S information were both incorrect when originally submitted to IRS	WA compared and confirms ALL fields now match	<p>Advise the WA to:</p> <ul style="list-style-type: none"> ○ Submit an amended copy of Form 1042-S (Copy A) with the corrected information to IRS. ○ Provide a copy of the amended Form 1042-S to the recipient. ○ Instruct recipient to provide their amended Form 1042-S to IRS. ○ Instruct recipient to allow the appropriate time for

		<p>processing the amended copy of Form 1042-S (Copy A) (six weeks if filed electronically and eight weeks if filed by paper) before submitting their amended Form 1042-S to IRS.</p> <ul style="list-style-type: none"> ○ File an amended Form 1042 with IRS if applicable.
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IRM 21.8.2.14.3 Updated Paragraph 5 for clarification per LB&I.

5. **A partnership may not file an amended Form 8804 and Form 8805 to reduce their tax for either a refund or to reduce the balance due on their account.** See Regulations §1.1446-3(d)(2)(iv). These claims should be disallowed. For information on disallowance procedures, see IRM 21.5.3.4.6.1 *Disallowance and Partial Disallowance Procedures*.

IRM 21.8.2.18.1.1 Updated Streamlined Filing Compliance procedures per LB&I.

1. Filers from outside the United States will submit a package to a specific mailbox in Submission Processing in Austin. The filing package will contain:
 - Complete delinquent tax returns, together with the required information returns (Forms 3520, 3520-A, 5471, 5472, 8938, 926, or 8621) for each of the most recent three years for which the U.S. tax return due date, including extensions is past or
 - If a U.S. tax return has been filed previously, filers will submit a package containing amended returns, together with the required information returns (Forms 3520, 3520-A, 5471, 5472, 8938, 926, or 8621) for each of the most recent three years for which the U.S. tax return due date, including extensions is past.
2. For both delinquent originals and amended returns, filers are instructed to write at the top of the first page of each return, and each information return, “Streamlined Foreign Offshore”.
3. For both delinquent originals and amended returns, filers must submit a signed certification statement certifying:
 - The taxpayer or taxpayers are eligible for the SFO program
 - The tax years and amounts owed for each year (including interest)
 - The taxpayer has filed all appropriate FBAR's
 - The specific reasons for failure to report all income, pay all tax, and submit all required information returns including FBAR's

4. Submission Processing (SP) in Ogden will review the packages that contain both original and amended returns. SP will ensure the necessary certifications are attached and complete. If they are incomplete SP will correspond with the taxpayer to perfect the submissions. SP will attach an "AM Streamline Coversheet" to cases they have corresponded with the taxpayer on and notate the response, e.g. "Response Received and Attached" or "No Reply". Submission Processing will not review packages that contain only amended returns. Paragraph 9 below provides detailed information on corresponding in order to perfect streamline packages.
5. LB&I will review the submissions for statute considerations. LB&I will complete the "AM Streamline Coversheet" and attach it to the package notating their statute recommendations regarding open statutes and statute extensions.
6. Delinquent original returns will be processed in SP.
7. Amended returns will be scanned to CIS for Accounts Management processing and assigned to a designated IDRS number for subsequent assignment to CSRs.
8. One CSR must work all related cases.
9. Use the table below to determine if the required certification is complete:

NOTE: If the taxpayer completes the certification for only one or two tax years, and submits the same number of original and/or amended returns, do not question whether additional years should have been submitted. As long as the tax years listed on the certification are filed (whether original or amended), accept that the number is correct.

If	Then
<p>The certification is attached, and:</p> <ol style="list-style-type: none"> 1. The amounts owed for each tax year, including interest, are calculated, and 2. The taxpayer(s) have signed the certification under penalties of perjury <p>NOTE: If the amended return is a no tax change or a tax increase and the only item missing on the certification is the signature of one of the taxpayers, follow the instructions in Paragraph 10 below. Follow the fourth "Then" box below for tax decreases.</p>	<p>The certification is complete. Follow the instructions in Paragraph 10 below.</p>

Submission Processing has previously corresponded with the taxpayer for missing/incomplete information and received the necessary information, per the AM Streamline Worksheet	The certification is complete. Follow the instructions in Paragraph 10 below.
Submission Processing has previously corresponded with the taxpayer for missing/information and received no reply, per the AM Streamline Worksheet	Do not correspond a second time. Follow the instructions in the row below (no reply), beginning with the second bullet.
<p>There is no certification attached or, the certification is attached but:</p> <ol style="list-style-type: none"> 1. The amounts owed for each tax year, including interest, are not calculated, or 2. The taxpayer does not sign the certification under penalties of perjury <p>NOTE: If the amended return is a no tax change or a tax increase and the only item missing on the certification is the signature of one of the taxpayers, follow the instructions in Paragraph 10 below. Follow the fourth "Then" box below for tax decreases.</p>	<p>Call or correspond with the taxpayer. If corresponding, issue 178C, using the appropriate paragraph(s) to address the specific items missing from the certification. Suspend the case for 40 days.</p> <ul style="list-style-type: none"> ○ If the taxpayer responds with the necessary information, securely e-mail the TIN to a designated mailbox: # [REDACTED] # with an explanation the case is being sent post assessment and is a Certification Reply. Enter CIS case notes saying referred to LB&I as a "Certification Reply". Then follow paragraph 10 below. ○ If the taxpayer does not respond, treat the case like a normal amended return. Do not restrict the failure to file or failure to pay penalties and do not input TC 971 with Action Code (AC) 178. <p>NOTE: The 178C letter includes language advising the taxpayer if they do not respond, the case(s) will be closed using normal procedures, so no closing letter is necessary for "No Reply" cases.</p>

	<ul style="list-style-type: none"> ○ After making the assessment on no response cases, securely e-mail the TIN to a designated mailbox: # [REDACTED] [REDACTED] # with an explanation the case is being sent post assessment and is a "No Reply." Enter CIS notes indicating the case was referred to # [REDACTED] [REDACTED] #.
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10. Accounts Management will perform the following actions prior to adjusting accounts under the SFC:
- Review the account for a -Z freeze. If there is a -Z freeze on the account, contact CI to determine whether an amended return filed using the Streamlined Foreign Offshore Compliance Procedures can be processed. Follow CI's direction. See -Z freeze instructions at IRM 21.5.6.4.52 -Z Freeze.
 - Review each tax year for statute consideration. Refer to Statutes for clearance or assessment when necessary. See IRM 25.6 *Statute of Limitations*.
 - Review Command Code AMDIS for examination involvement. Follow the table below if any of the affected accounts are found on Command Code AMDIS.

If	Then
All affected tax years are in AMDIS status less than 12	Process all related amended returns as Streamline. Follow paragraph 11 below. NOTE: Forward the case to Exam, based on the AIMS data (after processing as Streamlined) when AMDIS status is 09 or greater and less than 90.
Any tax year is in AMDIS status 12 or greater	<ul style="list-style-type: none"> ○ Place your CIS case in suspense for 14 days. ○ Securely e-mail the TIN and affected tax periods to "*LB&I OVDP Compliance", enter the words ACTION: OPEN EXAM on SFO in the subject line of the e-mail message.
The response from LB&I is to process as streamline	Follow the procedures in paragraph 11 below. NOTE: After processing the amended return(s), follow all LB&I provided guidance as to whether

	the package needs to be forwarded to the group, based on the AIMS data.
The response from LB&I is to NOT process as streamline	<ul style="list-style-type: none"> o Treat the case like a normal amended return. o Do not restrict the failure to file or failure to pay penalties and do not input TC 971 with Action Code (AC) 178. <p>NOTE: After processing the amended return(s), follow all LB&I provided guidance as to whether the package needs to be forwarded to the group, based on the AIMS data.</p>

11. To complete adjustments on amended returns filed under the SFC:

1. Input a Transaction Code (TC) 971 Action Code (AC) 178, using the amended return received date as the transaction date, to each affected tax year. TC 971 AC 178 denotes Streamlined Filing Compliance. The xClaim tool has been programmed to allow AC 178.
2. Ensure the payments are allocated correctly among the affected tax years according to the calculations made on the taxpayer certification. If not, follow normal credit transfer procedures using appropriate credit freeze codes to ensure no erroneous refunds occur.
3. Use all normal adjustment procedures, including the use of IAT tools, when making the tax assessment to each tax year, with the following exception: Restrict the failure to file and failure to pay penalties on each tax year by inputting TC 160 and TC 270 for zero dollars.

NOTE: If any payments were transferred, use appropriate posting delay codes on the adjustment(s) to ensure the adjustment does not post before the payments are posted correctly.

4. Allow the adjustment notice to generate. Do not correspond with the taxpayer(s) because they are advised on IRS.gov that they may receive a balance due notice or a refund if the tax or interest is not calculated correctly.)

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IRM 21.8.2.18.2.1 Updated Streamlined Filing Compliance procedures per LB&I.

1. Filers from within the United States will submit a package to a specific mailbox in Submission Processing in Austin. The filing package will contain complete and accurate amended returns for each of the most recent 3 years for which the U.S. tax return due date (or properly applied for extended due date) has passed together with any required information returns (e.g., Forms 3520, 3520-A, 5471, 5472, 8938, 926, and 8621) even if these information returns would normally not be submitted had the taxpayer filed a complete and accurate original return. Taxpayers may NOT file delinquent original returns under these procedures.

NOTE: Filers are instructed to write, "Streamlined Domestic Offshore" in red at the top of the first page of each amended return.

2. In addition to the amended returns, domestic streamline filers must also submit a statement on the *Certification by U.S. Person Residing in the United States for Streamlined Domestic Offshore Procedures* attesting:
 - o The taxpayer or taxpayers are eligible for the SDO procedures
 - o The tax years and amounts owed for each year including interest.
 - o All required FBARs have now been filed
 - o The failure to report all income, pay all tax, and submit all required information returns, including FBARs, resulted from non-willful conduct

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- o The miscellaneous offshore penalty amount is accurate.
3. LB&I will review the submissions for statute considerations. LB&I will complete the "AM Streamline Coversheet" and attach it to the package notating their statute recommendations regarding open statutes and statute extensions.

4. Amended returns will be scanned into CIS for Accounts Management processing and assigned to a designated IDRS number for subsequent assignment to CSR's.
5. One CSR must work all related cases.
6. Accounts Management will be responsible for reviewing the packages to ensure the necessary certifications are attached and complete. If they are incomplete AM will correspond with the taxpayer to perfect the submissions.
7. Use the table below to determine if the required certification is complete:

NOTE: If the taxpayer completes the certification for only one or two tax years, and submits the same number of amended returns, do not question whether additional years should have been submitted. As long as the tax years listed on the certification are filed, accept that the number is correct.

If	Then
<p style="text-align: center;">The certification is attached, and:</p> <ol style="list-style-type: none"> 1. The amounts owed for each tax year, including interest, are calculated, and 2. The miscellaneous offshore penalty is calculated and <p style="text-align: center;">#</p> <div style="background-color: black; width: 150px; height: 40px; margin: 10px auto;"></div> <p style="text-align: center;">#</p> <ol style="list-style-type: none"> 3. The taxpayer(s) have signed the certification under penalties of perjury <p>NOTE: If the amended return is a no tax change or a tax increase and the only item missing on the certification is the signature of one of the taxpayers, follow the instructions in Paragraph 8 below. Follow the "Then" box below for tax decreases.</p>	<p style="text-align: center;">The certification is complete. Follow the instructions in Paragraph 8 below.</p>

<p>There is no certification attached or, the certification is attached but:</p> <ol style="list-style-type: none"> 1. The amounts owed for each tax year, including interest, are not calculated, or 2. The taxpayer does not calculate the miscellaneous offshore penalty, or 3. The taxpayer does not sign the certification under penalties of perjury <p>NOTE: If the amended return is a no tax change or a tax increase and the only item missing on the certification is the signature of one of the taxpayers, follow the instructions in Paragraph 8 below. Follow the "Then" box below for tax decreases.</p>	<p>Call or correspond with the taxpayer. If corresponding, issue 178C, using the appropriate paragraph(s) to address the specific items missing from the certification. Suspend the case for 40 days.</p> <ul style="list-style-type: none"> ○ If the taxpayer responds with the necessary information, securely e-mail the TIN to a designated mailbox: # [REDACTED] # with an explanation the case is being sent post assessment and is a Certification Reply. Enter CIS case notes saying referred to LB&I as a "Certification Reply". Then follow paragraph 8 below. ○ If the taxpayer does not respond, treat the case like a normal amended return. Do not restrict the failure to file or failure to pay penalties and do not input TC 971 with Action Code (AC) 178. <p>NOTE: The 178C letter includes language advising the taxpayer if they do not respond, the case(s) will be closed using normal procedures, so no closing letter is necessary for "No Reply" cases.</p> <ul style="list-style-type: none"> ○ After making the assessment on no response cases, securely e-mail the TIN to a designated mailbox: # [REDACTED] # with an explanation the case is being sent post assessment and is a "No Reply." Enter CIS notes indicating the case was referred to # [REDACTED]

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8. Accounts Management will perform the following actions prior to adjusting accounts under the SDO:
- Review the account for a -Z freeze. If there is a -Z freeze on the account, contact CI to determine whether an amended return filed using the Streamlined Foreign Domestic Compliance Procedures can be processed. Follow CI's direction. See -Z freeze instructions at IRM 21.5.6.4.52 *-Z Freeze*.
 - Review each tax year for statute consideration. Refer to Statutes for clearance or assessment when necessary. See IRM 25.6 *Statute of Limitations*.
 - Review Command Code AMDIS for examination involvement. Follow the table below if **any** of the affected accounts are found on Command Code AMDIS.

If	Then
All affected tax years are in AMDIS Status less than 12	<p>Process all related amended returns as streamline. Follow paragraph 9 below</p> <p>NOTE: Forward the case to Exam, based on the AIMS data (after processing as Streamlined) when AMDIS status is 09 or greater and less than 90.</p>
Any affected tax year is in AMDIS status 12 or greater	<ul style="list-style-type: none"> ○ Place your CIS case in suspense for 14 days. ○ Securely e-mail the TIN and affected tax periods to "*LB&I OVDP Compliance", enter the words ACTION: OPEN EXAM on SFO in the subject line of the e-mail message.
The response from LB&I is to process as streamline	<p>Follow the procedures in paragraph 9 below.</p> <p>NOTE: After processing the amended return(s), follow all LB&I provided guidance as to whether the package needs to be forwarded to the group, based on the AIMS data.</p>
The response from LB&I is to NOT process as streamline	<ul style="list-style-type: none"> ○ Treat the case like a normal amended return. ○ Do not restrict the failure to file or failure to pay penalties and do not input TC 971 with Action Code (AC) 178. <p>NOTE: After processing the amended return(s), follow all LB&I provided guidance as to whether the package needs to be</p>

	forwarded to the group, based on the AIMS data.
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9. To complete adjustments amended returns filed under the SDO:

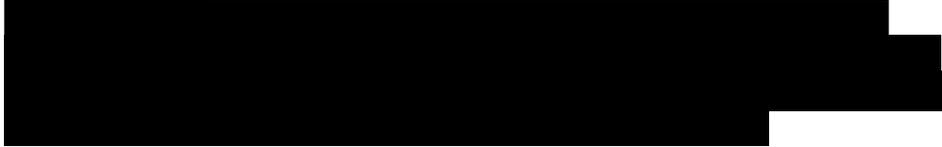
1. Input a Transaction Code (TC) 971 Action Code (AC) 178, using the amended return received date as the transaction date, to each affected tax year. TC 971 AC 178 denotes Streamlined Filing Compliance. The xClaim tool has been programmed to allow AC 178.
2. Ensure the payments are allocated correctly among the affected tax years (including the MFT 13 civil penalty module) according to the calculations made on the taxpayer certification. If not, follow normal credit transfer procedures using appropriate credit freeze codes to ensure no erroneous refunds occur.
3. Use all normal adjustment procedures, including the use of IAT tools, when making the tax assessment to each tax year, with the following exception: Restrict the failure to file and failure to pay penalties on each tax year by inputting TC 160 and TC 270 for zero dollars.

NOTE: If any payments were transferred, use appropriate posting delay codes on the adjustment(s) to ensure the adjustment does not post before the payments are posted correctly.

4. Assess the 5 percent miscellaneous penalty on MFT 13 on the most recent tax year for which an amended Form 1041 was submitted. Assess the penalty based on the taxpayer's calculation. Input TC 240 with blocking series 52 and penalty reason code 708.
5. Allow the adjustment notices to generate. Do not correspond with the taxpayer(s) because they are advised on IRS.gov that they may receive a balance due notice or a refund if the tax or interest is not calculated correctly.

EXCEPTION: If the miscellaneous penalty is more than \$60,000 and fully paid, use hold code 3 on the MFT 13 adjustment.

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IRM 21.8.2.21.2 Added a Note regarding the systemic programing implemented on January 1, 2016 to reverse the Form 5471 penalty if an extension posts after the related Form 1120 or Form 1065 posts per LB&I and Servicewide Penalties.

1. Beginning in 2009, Master File systemically assesses IRC 6038 initial penalties on Form 5471 returns that are attached to late-filed Form 1120 series returns. The initial penalty amount is \$10,000 for each attached Form 5471 and is assessed on a civil penalty module (MFT 13) as a TC 240 with Penalty Reference Number (PRN) 623 for 2009 or PRN 599 for 2010 and subsequent years. The systemically assessed initial penalties will post as a TC 240 for amounts in multiples of \$10,000, Document Code 54, Tax Class 3, Penalty Reference Number 623 or 599, and 00 as the first two digits of the Blocking Series. The assessment will result in a CP 215 notice being issued to the taxpayer.

CAUTION: Penalties manually assessed by Examination will have a Document Code 47 and generally contain a TC 300 but may be assessed using Document Code 54 without a TC 300. Accounts Management **WILL NOT** consider penalty abatement requests on Examination assessed penalties. Examination will consider all requests for Exam assessed 5471 FTF or late-filed initial and continuation penalties.

2. Beginning in 2014, Master File systemically assesses IRC 6038 initial penalties on Form 5471 returns that are attached to late-filed Form 1065 returns. The initial penalty amount is \$10,000 for each attached Form 5471 and is assessed on a civil penalty module (MFT 13) as a TC 240 with Penalty Reference Number (PRN) 712. The systemically assessed initial penalties will post as a TC 240 for amounts in multiples of \$10,000, Document Code 54, Tax Class 2, Penalty Reference Number 712, and 00 as the first two digits of the Blocking Series. The assessment will result in a CP 215 notice being issued to the taxpayer.

REMINDER: Penalties manually assessed by Examination will have a Document Code 47 and generally contain a TC 300 but may be assessed using Document Code 54 without a TC 300. Accounts Management **WILL NOT** consider penalty abatement requests on Examination assessed penalties. Examination will consider all requests for Exam assessed 5472 FTF or late-filed initial and continuation penalties.

- OAMC and CAMC will continue to consider Form 1120 series and Form 1065 Failure to File (FTF) penalty abatement requests. However, OAMC International will consider requests for abatement of both the FTF Form 1120 series/Form 1065 and the systemic penalty for FTF Forms 5471. Therefore, refer requests for abatement of both to OAMC International Department per local reassignment procedures.

CAUTION: Do not address the Form 1120 series or Form 1065 FTF penalty unless the taxpayer is also requesting abatement of that penalty.

NOTE: All Form 5471 FTF penalty abatements must be reviewed and approved by a manager prior to removing the penalty. After review, the workleader/manager will add a CIS case note documenting approval.

- Advise callers requesting reasonable cause relief of the Form 5471 initial penalty to submit their request in writing to Internal Revenue Service, 1973 Rulon White Blvd., Mail Stop 6552, Ogden, Utah 84404. See IRM 21.5.3.4.16.7, *Identifying Frivolous Returns/Correspondence and Responding to Frivolous Arguments*, for additional information.
- The International Department in OAMC will generally abate/deny the Form 5471 initial penalty consistent with the determination made on the "related Form 1120 or Form 1065".

NOTE: A "related Form 1120 or Form 1065" includes Form 1120 series or Form 1065 calendar year filers as well as filers for any fiscal period that falls within the calendar year of the penalty module. For example, if the penalty module is for 201312, any Form 1120 filing for periods 201301 through 201311 will represent a "related Form 1120" account to which the penalty pertains.

- A determination to abate the FTF penalty on the "related Form 1120 or Form 1065" does not automatically result in an abatement of the Form 5471 penalty. Once the determination has been made on the "related Form 1120 or Form 1065" **AND** all required returns are posted to Master File follow procedures in the "If And Then" table below to determine if the Form 5471 initial penalty can be abated:

NOTE: If the taxpayer is requesting reasonable cause continue to Exhibit 21.8.2-1, *Failure to File or Late-Filed Form 5471 - Decision Tree*, to determine whether to abate the Form 5471 initial penalty for reasonable cause.

IF	And	THEN
The taxpayer believes an extension was requested NOTE: The extension to file (TC	The extension to file is not reflected on the account or the extension to file posted to Master File after the penalty	Follow procedures in IRM 20.1.2.1.3.1.1, <i>Extension of Time to File Not Found</i> . REMINDER: See IRM

460) should be recorded on the "related Form 1120 or Form 1065"	was assessed	<p>20.1.1.3.4, <i>Correction of Service Error</i>, and Exhibit 20.1.1-2, <i>Penalty Reason Code Chart</i>, for additional information and the appropriate Penalty Reason Code (PRC) to use if abating the penalty.</p> <p>NOTE: Beginning January 1, 2016 if an extension (TC 460) posts after the "related Form 1120 or Form 1065" posts, Masterfile will generate a TC 290/241 to systemically reverse the Form 5471 penalty.</p>
The taxpayer is claiming a specific provision or an IRS error		<p>Follow normal procedures in IRM 20.1 , <i>Penalty Handbook</i>.</p> <p>EXAMPLE: See IRM 20.1.2.1.7, <i>Short Years</i>.</p>
The "related Form 1120 or Form 1065" FTF penalty was abated with a PRC other than PRC 018	No Form 5471 penalties (MFT 13) have been assessed (PRN 599, 623, or 712) in any of the prior three periods	Abate the penalty using the same PRC that was used to abate the penalty on the "related Form 1120 or Form 1065". Follow procedures in IRM 20.1.9.3.5(3), <i>Reasonable Cause</i> .
The "related Form 1120 or Form 1065" FTF penalty was abated with PRC 018	No Form 5471 penalties (MFT 13) have been assessed (PRN 599, 623, or 712) in any of the prior three periods and no related Form 1120 or Form 1065 returns have been filed late in any of the prior three	Abate the penalty with PRC 018.

	periods	
The "related Form 1120 or Form 1065" FTF penalty was abated with PRC 018	Form 5471 penalties (MFT 13) have been assessed (PRN 599, 623, or 712) in any of the prior three periods or a related Form 1120 or Form 1065 return has been filed late in any of the prior three periods	Continue to Exhibit 21.8.2-1, <i>Failure to File or Late-Filed Form 5471 - Decision Tree</i> , to determine whether to abate the Form 5471 initial penalty for reasonable cause.
The "related Form 1120 or Form 1065" FTF penalty is denied		Continue to Exhibit 21.8.2-1, <i>Failure to File or Late-Filed Form 5471 - Decision Tree</i> , to determine whether to abate the Form 5471 initial penalty for reasonable cause.
Not all required returns are posted to Master File (BMFOL)		Contact the corporation or partnership regarding the status of the missing returns.
The corporation or partnership indicates they have filed the returns after their request for abatement.		Suspend the request until all the necessary returns have posted to master file. Refer to IRM 21.3.3.5.1.1, <i>Suspense Timeframes</i> .
The corporation or partnership <ul style="list-style-type: none"> a. cannot be contacted, b. does not respond, c. has not filed the missing returns 		Follow no consideration procedures. Advise the corporation or partnership that the abatement request cannot be considered until the missing returns have been filed. Refer to IRM 21.5.3.4.6.3, <i>No Consideration Procedures</i> .

7. The initial penalty for FTF Form 5471 should be abated when reasonable cause for the failure to file exists. See Exhibit 21.8.2-1, *Failure to File or Late-Filed Form 5471 - 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 person required to report such information 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 20.1.9.3.5, *Reasonable Cause*, for additional information.

IF	THEN
The Decision Tree determination is to: <ul style="list-style-type: none"> ○ Abate/Waive 	Input TC 290 .00 and appropriate PRN (599, 623, or 712) with a minus (-) after the abatement amount. Use Blocking Series 52, Reason Code 062 and the appropriate 4th position Penalty Reason Code.
The Decision Tree determination is to: <ul style="list-style-type: none"> ○ Deny 	Input TC 290 .00 with appropriate PRN (599, 623, or 712) 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 or Form 1065" 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.

IRM 21.8.2.22.2 Added a Note regarding the systemic programing implemented on January 1, 2016 to reverse the Form 5472 penalty if an extension posts after the related Form 1120 posts per LB&I and Servicewide Penalties.

1. Beginning in 2013, Master File systemically assesses IRC 6038A initial penalties on Form 5472 returns that are attached to late-filed Form 1120 series returns. The initial penalty amount is \$10,000 for each attached Form 5472 and is assessed on a civil penalty module (MFT 13) as a TC 240 with PRN 711. The systemically assessed initial penalties will post as a TC 240 for amounts in multiples of \$10,000, Document Code 54, Tax Class 3, Penalty Reference Number 711, and 00 as the first two digits of the Blocking Series. The assessment will result in a CP 215 notice being issued to the taxpayer.

CAUTION: Penalties manually assessed by Examination will have a Document Code 47 and generally contain a TC 300 but may be assessed using Document Code 54 without a TC 300. Accounts Management **WILL**

NOT consider penalty abatement requests on Examination assessed penalties. Examination will consider all requests for Exam assessed 5472 FTF or late-filed initial and continuation penalties.

2. OAMC and CAMC will continue to consider Form 1120 series Failure to File (FTF) penalty abatement requests. However, OAMC International will consider requests for abatement of both the FTF Form 1120 series and the systemic penalty for FTF Form 5472. Therefore, refer requests for abatement of both to OAMC International Department per local reassignment procedures.

CAUTION: Do not address the Form 1120 series FTF penalty unless the taxpayer is also requesting abatement of that penalty.

NOTE: All Form 5472 FTF penalty abatements must be reviewed and approved by a manager prior to removing the penalty. After review, the workleader/manager will add a CIS case note documenting approval.

3. Advise callers requesting reasonable cause relief of the Form 5472 initial penalty to submit their request in writing to Internal Revenue Service, 1973 Rulon White Blvd., Mail Stop 6552, Ogden, Utah 84404. See IRM 21.5.3.4.16.7, *Identifying Frivolous Returns/Correspondence and Responding to Frivolous Arguments*, for additional information.
4. The International Department in OAMC will generally abate/deny the Form 5472 initial penalty consistent with the determination made on the "related Form 1120".

NOTE: A "related Form 1120" includes Form 1120 series calendar year filers as well as filers for any fiscal period that falls within the calendar year of the penalty module. For example, if the penalty module is for 201312, any Form 1120 filing for periods 201301 through 201311 will represent a "related Form 1120" account to which the penalty pertains.

5. A determination to abate the FTF penalty on the "related Form 1120" does not automatically result in an abatement of the Form 5472 penalty. Once the determination has been made on the "related Form 1120" **AND** all required returns are posted to Master File follow procedures in the "If And Then" table below to determine if the Form 5472 initial penalty can be abated:

NOTE: If the taxpayer is requesting reasonable cause continue to Exhibit 21.8.2-2, *Failure to File or Late-Filed Form 5472 - Decision Tree*, to determine whether to abate the Form 5472 initial penalty for reasonable cause.

IF	AND	THEN
The taxpayer believes an extension was requested	The extension to file is not reflected on the account or the extension to file	Follow procedures in IRM 20.1.2.1.3.1.1, <i>Extension of Time to File Not Found</i> .

<p>NOTE: The extension to file (TC 460) should be recorded on the "related Form 1120"</p>	<p>posted to Master File after the penalty was assessed</p>	<p>REMINDER: See IRM 20.1.1.3.4, <i>Correction of Service Error</i>, and Exhibit 20.1.1-2, <i>Penalty Reason Code Chart</i>, for additional information and the appropriate Penalty Reason Code (PRC) to use if abating the penalty.</p> <p>NOTE: Beginning January 1, 2016 if an extension (TC 460) posts after the "related Form 1120" posts, Masterfile will generate a TC 290/241 to systemically reverse the Form 5472 penalty.</p>
<p>The taxpayer is claiming a specific provision or an IRS error</p>		<p>Follow normal procedures in IRM 20.1, <i>Penalty Handbook</i>.</p> <p>EXAMPLE: See IRM 20.1.2.1.7, <i>Short Years</i>.</p>
<p>The "related Form 1120" FTF penalty was abated with a PRC other than PRC 018</p>	<p>No Form 5472 penalties (MFT 13) have been assessed (PRN 711) in any of the prior three periods</p>	<p>Abate the penalty using the same PRC that was used to abate the penalty on the "related Form 1120". Follow procedures in IRM 20.1.9.3.5(3), <i>Reasonable Cause</i>.</p>
<p>The "related Form 1120" FTF penalty was abated with PRC 018</p>	<p>No Form 5472 penalties (MFT 13) have been assessed (PRN 711) in any of the prior three periods and no related Form 1120 returns have been filed late in any of the prior three periods</p>	<p>Abate the penalty with PRC 018.</p>
<p>The "related Form 1120" FTF penalty was abated with</p>	<p>Form 5472 penalties (MFT 13) have been</p>	<p>Continue to Exhibit 21.8.2-2, <i>Failure to File or Late-Filed Form 5472 -</i></p>

PRC 018	assessed (PRN 711) in any of the prior three periods or a related Form 1120 return has been filed late in any of the prior three periods	<i>Decision Tree</i> , to determine whether to abate the Form 5472 initial penalty for reasonable cause.
The "related Form 1120" FTF penalty is denied		Continue to Exhibit 21.8.2-2, <i>Failure to File or Late-Filed Form 5472 - Decision Tree</i> , to determine whether to abate the Form 5472 initial penalty for reasonable cause.
Not all required returns are posted to Master File (BMFOL)		Contact the corporation regarding the status of the missing returns.
The corporation indicates they have filed the returns after their request for abatement.		Suspend the request until all the necessary returns have posted to master file. Refer to IRM 21.3.3.5.1.1, <i>Suspense Timeframes</i> .
The corporation <ul style="list-style-type: none"> a. cannot be contacted, b. does not respond, c. has not filed the missing returns 		Follow no consideration procedures. Advise the corporation that the abatement request cannot be considered until the missing returns have been filed. Refer to IRM 21.5.3.4.6.3, <i>No Consideration Procedures</i> .

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 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.

IF	THEN
The Decision Tree	Input TC 290 .00 and appropriate PRN 711

determination is to: ○ Abate/Waive	with a minus (-) after the abatement amount. Use Blocking Series 52, Reason Code 062 and the appropriate 4th position Penalty Reason Code.
The Decision Tree determination is to: ○ Deny	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 Updated FAQ 18 procedures per LB&I.

18 OVDI, OVDP, or FAQ 18

A) Does the taxpayer have any underreported tax liabilities? Has the taxpayer been contacted regarding an income tax examination? Has the taxpayer submitted delinquent Form(s) 5471 with an amended return requesting a change to income or tax liability? Was the taxpayer's related income tax return delinquent? See Offshore Voluntary Disclosure Program FAQs , for questions and answers regarding FAQ 18.

IF	AND	THEN
1) Yes to any of the four questions in Paragraph (A) directly above	The taxpayer submitted the request before July 1, 2014. NOTE: Penalty relief under former FAQ 18 ended on June 30, 2014. If the taxpayer submitted the request on or after July 1, 2014, evaluate the reasonable cause request and abate or deny based on the	Deny and send Letter 854C with the following fill-in paragraph: Your request for penalty abatement has been denied because you did not fully meet the requirements of "FAQ 18" of the 2012 Offshore Voluntary Disclosure Initiative (OVDI). "OVDI" is only available for taxpayers that had previously reported and paid tax on all their taxable

	Decision Tree. If the request does not meet reasonable cause then deny and send Letter 854C with the following fill-in paragraph: "Your request for penalty abatement has been denied because you did not sufficiently establish reasonable cause pursuant to Treasury Regulation 1.6038-2(k)(3)."	income. Delinquent Form(s) 5471 must have been accompanied with an amended tax return showing no change to taxable income or tax liability. EXCEPTION: Abate the penalty if the taxpayer provides a copy of a preliminary acceptance or acceptance letter into "OVDI".
2) No	The taxpayer submitted the request before July 1, 2014.	Abate/Waive (Not RC)

Exhibit 21.8.2-2 Updated FAQ 18 procedures per LB&I.

18 OVDI, OVDP, or FAQ 18

A) Does the taxpayer have any underreported tax liabilities? Has the taxpayer been contacted regarding an income tax examination? Has the taxpayer submitted delinquent Form(s) 5472 with an amended return requesting a change to income or tax liability? Was the taxpayer's related income tax return delinquent? See Offshore Voluntary Disclosure Program FAQs, for questions and answers regarding FAQ 18.

IF	AND	THEN
1) Yes to any of the four questions in Paragraph (A) directly above	The taxpayer submitted the request before July 1, 2014. NOTE: Penalty relief under former FAQ 18 ended on June 30, 2014. If the taxpayer submitted the request on or after July 1, 2014, evaluate the reasonable cause request and abate or deny based on the Decision Tree. If the request does not meet reasonable cause then	Deny and send Letter 854C with the following fill-in paragraph: Your request for penalty abatement has been denied because you did not fully meet the requirements of "FAQ 18" of the 2012 Offshore Voluntary Disclosure Initiative (OVDI). "OVDI" is only available for taxpayers that had previously reported and paid tax on all their taxable income. Delinquent Form(s) 5472 must have been accompanied with an

	deny and send Letter 854C with the following fill-in paragraph: Your request for penalty abatement has been denied because you did not sufficiently establish reasonable cause pursuant to Treasury Regulation 1.6038-2(k)(3).	amended tax return showing no change to taxable income or tax liability. EXCEPTION: Abate the penalty if the taxpayer provides a copy of a preliminary acceptance or acceptance letter into "OVDI".
2) No	The taxpayer submitted the request before July 1, 2014.	Abate/Waive (Not RC)