

IRM PROCEDURAL UPDATE

DATE: 11/23/2020

NUMBER: wi-21-1120-1264

SUBJECT: Employment and Railroad Tax Returns

AFFECTED IRM(S)/SUBSECTION(S): 21.7.2

IRM 21.7.2.7.5.1(1) Added note in the seventh row of the table to clarify that adjusted returns may need to be filed. Also, inserted clarifying text in the middle column of the last row in the table.

1. The following table provides guidance on handling common phone inquiries relating to Form 7200:

If	And	Then
The taxpayer has general questions on eligibility or how/where to file Form 7200		Refer the taxpayer to guidance on the Form 7200 landing page on irs.gov: About Form 7200, Advance Payment of Employer Credits Due to COVID-19.
The taxpayer has received either Letter 6312 or Letter 6313		See IRM 21.7.2.7.5.2, <i>Form 7200 — Letter 6312 and Letter 6313 Replies</i> .
The taxpayer is an aggregate employment tax filer (Section 3504 Agents, CPEOs, and PEOs)	Is inquiring about a refund generated from the processing of their original employment tax return (either expected but not received or received but not expected)	See IRM 21.7.2.7.5.4, <i>Reconciliation of Advance Payment Amounts for Aggregate Employment Tax Return Filers</i> .
The taxpayer has questions about the processing of a previously filed Form 7200	A TC 766 transaction with CRN 299 and Reason Code 219 corresponding to the Form 7200 described by the taxpayer is present	<ul style="list-style-type: none">o The dates and amounts of any refunds/offsets previously generated by the processing of Forms 7200, as recorded on the tax account, may be relayed verbally or in writing to the taxpayer.

	on the tax module	<ul style="list-style-type: none"> ○ The date printed on the refund check is the 23c date less 13 days. ○ Refunds issued from the processing of Form 7200 are accelerated and cannot be intercepted.
The taxpayer is inquiring as to whether one or more specific advanced payments have been issued	A TC 766 transaction with CRN 299 and Reason Code 219 corresponding to the Form 7200 described by the taxpayer is not present on the tax module	<ul style="list-style-type: none"> ○ Advise the taxpayer that their Form 7200 is not available for our review and that we are therefore unable to provide more specific information with regards to its processing. ○ Advise the taxpayer if they have a fax confirmation of having filed their Form 7200 that they will receive an advance payment when it is processed, or a letter if it cannot be processed, or they will receive credit for the amounts requested as an advance payment when their original employment tax return claiming credits for which they are eligible is processed. ○ Alternately, if they do not have a fax confirmation they may fax the Form 7200 as specified in the form instructions.
Taxpayer states they made a computation error on Form 7200	The advance payment received was less than what they could have requested	<p>Advise the taxpayer that corrected/amended Forms 7200 cannot be filed. However, they can:</p> <ul style="list-style-type: none"> ○ Reduce any remaining required deposits for the tax period in question

		<p>until the amount of credit to which they are entitled to is fully absorbed.</p> <ul style="list-style-type: none"> ○ Or, file another Form 7200. ○ Or, claim the correct credit amounts on their original tax return. ○ Or file a Form 94XX (specify form) if their original tax return has been filed and reported incorrect information.
Taxpayer states they made a computation error on Form 7200	The advance payment requested and received was more than the taxpayer is eligible to receive	<p>Advise the taxpayer that corrected/amended Forms 7200 cannot be filed, that they should claim the correct amount of credits on their original return, and that their account will reflect a balance due when the return settles unless there are sufficient credits applied. Accordingly, they should make a federal tax deposit for the excessive advance payment amount, or pay the excessive advance payment amount with their original return (along with any other amounts owed).</p> <p>NOTE: Do not advise the taxpayer to return the advance payment check received unless the entire amount of the payment was in error.</p> <p>NOTE: The appropriate Form 94XX adjusted return must be filed if an original return was filed that did not claim correct credit amounts.</p>
Taxpayer is responding to a balance due notice	Received one or more advance payments but did not report/claim the associated Credit	<ul style="list-style-type: none"> ○ Advise the taxpayer that Form 7200 is used to request advance payment but that any credits they were eligible

	<p>for Qualified Sick and Family Leave Wages or Employee Retention Credit on their original employment tax return</p>	<p>for must be reported/claimed on their original employment tax return.</p> <ul style="list-style-type: none"> ○ Advise the taxpayer that if they requested an advance payment but were not eligible for any credits, or for less than was requested as an advance, that they owe the excessive amount advanced. Address the balance due as appropriate. ○ Advise the taxpayer that if they were eligible for credits which were not reported on their employment tax return, they must file an amended return (specify form) to resolve the balance due.
<p>Taxpayer is responding to a balance due notice (or received a refund less than what was expected)</p>	<p>Received one or more advance payments but did not report the correct amount(s) on Line 13f of Form 941</p>	<p>Advise the taxpayer that:</p> <ul style="list-style-type: none"> ○ Advance payments should not be requested on Form 7200 if they also reduced required federal tax deposits/payments for the same expected credit. ○ The amount of any advance payment received is a factor in reconciling Form 941 (i.e., determining whether the account is in full paid, balance due, or overpaid status) and must be reported on Line 13f of Form 941. ○ If they reported the correct amount of credits for which they were

		eligible but did not enter the amount of any advance payments on Line 13f, the balance due notice (or reduced refund amount) is correct.
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IRM 21.7.2.7.5.2 Added notes where appropriate in the (1) and (2) tables to clarify that adjusted returns may need to be filed.

1. Letter 6312, *Form 7200 Response*, is issued by the Employer Credit Team when the form cannot be processed as filed by the taxpayer. The following table provides guidance on handling common phone replies to Letter 6312:

If	Then
The taxpayer is asking for general information on the purpose or filing of Form 7200	As appropriate, provide the taxpayer with general information on the purpose of Form 7200 and refer the taxpayer to guidance on the Form 7200 landing page on irs.gov: About Form 7200, Advance Payment of Employer Credits Due to COVID-19.
The taxpayer does not understand the Letter 6312 received or disagrees with the reasons provided in Letter 6312 for rejection of their Form 7200	<ol style="list-style-type: none"> 1. Access the template for Letter 6312 on the website. 2. Have the taxpayer read their letter and determine the selective paragraph used when the letter was generated. 3. See Exhibit 21.7.2-1, <i>Letter 6312 — Assistance by Selectable Paragraph Table</i>, for guidance on responding to the taxpayer based on the specific letter content.
The taxpayer wants to file a corrected or amended Form 7200 to obtain the previously requested advance payment	<p>Advise the taxpayer that corrected/amended Forms 7200 cannot be filed. However, they can:</p> <ul style="list-style-type: none"> ○ Reduce any remaining required deposits for the tax period in question until the amount of credit to which they are entitled to is fully absorbed. ○ Or, if the timeframe for doing so has not expired, file another Form 7200.

	<ul style="list-style-type: none"> ○ Or, claim the correct credit amounts on their original tax return. <p>NOTE: The appropriate Form 94XX adjusted return must be filed if an original return was filed and did not claim correct credit amounts.</p>
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NOTE: Paper responses to Letter 6312 should rarely be received in Accounts Management. If they are, the directions in the table above for handling phone responses would generally also apply to paper responses. However, if specific guidance on handling a paper response to Letter 6312 is needed, contact the IRM author through your management chain and the site P&A Staff.

2. Letter 6313, *Address Change Verification for Form 7200*, is issued by the Employer Credit Team when the address on Form 7200 differs from what is reflected in the IRS records. The letter requests the taxpayer complete and return Form 8822-B, *Change of Address or Responsible Party - Business*, via fax with a copy of the letter or to confirm any advance payment should be issued to the address of record by marking a checkbox on the letter and faxing it back to the processing group. The following table provides guidance on handling common phone replies to Letter 6313:

If	And	Then
The timeframe specified in the Letter 6313 for responding has not expired		Advise the taxpayer to fax their response as specified in the letter.
The timeframe specified in the Letter 6313 for responding has expired	The due date for filing Forms 7200 for the tax period in question has not expired	Advise the taxpayer to fax their response as specified in the letter.
The timeframe specified in the Letter 6313 for responding has expired	The due date for filing Forms 7200 for the tax period in question has expired	Advise the taxpayer that the timeframe for filing Form 7200 has expired and an advance payment for this tax period can no longer be considered. Instead, the taxpayer will receive credit for amounts not issued as advance payment(s) when their original employment tax return claiming all the credits for which they are eligible is processed. NOTE: The appropriate Form 94XX

		adjusted return must be filed if an original return was filed that did not claim correct credit amounts.
The taxpayer requests an address change be made to their account		See (2), Item (e) in IRM 21.7.1.4 and (3) in IRM 21.1.3.20 to determine if the address change can be made based on oral statement authority. Otherwise, advise the taxpayer to file Form 8822-B with their letter reply as above via fax or by mail to the appropriate address specified in the form instructions.

NOTE: Paper responses to Letter 6313 should rarely be received in Accounts Management. If they are, the directions in the table above for handling phone responses would generally also apply to paper responses. However, if specific guidance on handling a paper response to Letter 6313 is needed, contact the IRM author through your management chain and the site P&A Staff.

IRM 21.7.2.7.6.2(5) Added parenthetical clarifying statement to the text in the If column of the last row of the table.

- For inquiries (phone or paper) for which an amount by which first quarter 2020 Form 941 deposits were reduced in anticipation of Employee Retention Credit was determined as per guidance in (3) or (4) above, handle as follows:

If	Then
The amount determined in (3) or (4) above is less than or equal to the amount of overpayment available on the second quarter 2020 Form 941 account	<ol style="list-style-type: none"> Input a TC 820/700 credit transfer to move the amount determined as per (3) or (4) above from the second quarter 2020 Form 941 account to the first quarter 2020 Form 941 account. Enter "07312020" (second quarter return due date) for the transaction date of the TC 820 debit transaction. Enter "03132020" (legislative effective date) for the transaction date of the TC 700 credit transaction. As appropriate, take action to address any remaining overpayment on the second quarter account after initiation of the credit transfer. Advise the taxpayer verbally or in writing as to the amount of credit reapplied, that any penalties or interest on first quarter account will be

	recomputed, and that a notice reflecting the correction will be issued.
The amount determined in (3) or (4) above is more than the amount of overpayment available on the second quarter 2020 Form 941 account (or there is no overpayment)	<ul style="list-style-type: none"> ○ For Phone Inquiries: <ol style="list-style-type: none"> 1. Advise the taxpayer we are unable to take any action on their account at this time and to submit their request in writing, including the amount by which they reduced their first quarter deposits. 2. Input STAUPS on the first quarter 2020 account for 9 weeks if the account reflects a balance due. 3. If the second quarter 2020 Form 941 tax account is posted and overpaid, input a TC 570 on that module to freeze the overpayment. 4. Input a history item "1STQTRERC" on TXMOD for both tax periods. ○ For Paper Cases: Contact the IRM author through your management chain and the site P&A Staff for guidance on handling the case.