# IRM PROCEDURAL UPDATE

**DATE: 03/11/2024**

**NUMBER: wi-03-0324-0384**

**SUBJECT: Updated 1065 Pg Numbers; Clarified Nonrecourse Loan Code Procedures; Updated Other Deduction Line Number; Removed 2019/2020 Editing Procedures for Form 8938; Added Audit Code 7 Procedures for Sch K**

**AFFECTED IRM(s)/SUBSECTION(s): 3.11.15**

**CHANGE(s):**

**IRM 3.11.15.5.8.4(1) - Updated Form 1065 number of pages to include page 6. SERP Feedback #17830.**

(1) Identify an Inactive Return if there are no dollar amounts on any transcription lines on Form 1065, pages 1–6 (except Box "F", "Total Assets") and **no dollar entries on transcription lines on any of the following forms:**

- **Schedule F Form 1040**, Profit or Loss From Farming.
- **Form 8825**, Rental Real Estate Income and Expenses of a Partnership or an S Corporation.
- **Schedule D**, Capital Gains and Losses.
- **Form 4797**. Sales of Business Property.
- **Form 8949**, Sales and Other Dispositions of Capital Assets.
- **Form 8996**, Qualified Opportunity Fund.
- **Form 1125-A**, Cost of Goods Sold.
- **Form 8913**, Credit for Federal Telephone Excise Tax Paid.

  **Note:** This form was used for tax periods 200612 to 200711.

- **Form 8941**, Credit for Small Employer Health Insurance Premiums.
- **Form 5884-B**, New Hire Retention Credit.
- **Form 6252**, Installment Sale Income.
- **Form 8997**, Initial and Annual Statement of Qualified Opportunity Fund (QOF) Investments.

**Note:** A return with an entry in Box "F" (Amount of Assets), page 1 or a "Yes" answer to Question 4*, Schedule B is inactive if it meets all the conditions in (1) above. *(Prior year revision, Question 6).

**IRM 3.11.15.19.4(1) a) - Updated Note to clarify do not edit procedures. # SERP Feedback #17831.**

(1) Edit a "**4 - 1**" in the left margin next to Line 9 of Form 1065 for the Nonrecourse Loan Code in the following instances:

a. If there is an entry other than zero on Schedule L, Line 18, Columns (b) or (d) on Form 1065.

   **Note:** Do not edit a "**4 - 1**" if a nonrecourse loan is shown on a Schedule L that has been deleted.

b. If Schedule K-1 (Form 1065), Question K, Nonrecourse, Beginning and/or Ending, has an entry other than zero or shows a percent figure or gives indication of any activity (all, half, prorated) rather than a dollar amount, treat the entry as if it is a dollar amount and code accordingly. (If the volume is greater than 20, sample at least 20 Schedules K-1). See Figure 3.11.15-28 below.

   **Caution:** Do not edit the amount from the Qualified Nonrecourse Financing line.

c. If Schedule K-1 is for a tax year before 2004, edit a "1" if there is an entry other than zero on the first line under Question f (Nonrecourse).
d. If an attachment shows a nonrecourse loan.


**IRM 3.11.15.22(5) - Corrected Other Deductions line number to line 21. SERP Feedback #17822.**

(5) "X" any negative amount on Line 9, 10, 13, 14, or 15, and include in the calculation for Line 21, "Other Deductions".


**IRM 3.11.15.24.16(4) - Removed Note as 2019 & 2020 conversion is no longer applicable. SERP Feedback #17824.**

(4) If Form 8938 is attached and meets the criteria in paragraph (2), process Form 8938 per the instructions below:

a. Completely edit Form 1065.
b. Edit CCC "2".
c. Detach Schedules K-1.
d. Pull the Form 8938 from the return and sequence to the back of the last page of Form 1065 (after schedules and attachment pages), attaching the Form 8938 so that it is back- to- back with the parent return.

e.  Place the Form 1065 in a designated basket.
f.  Only one Form 8938, pages 1 and 2, can be processed. If multiple Forms 8938 are attached, select the form that has the highest account value in Part V, Line 23; (Line 4 for revision 2020 and before); or highest asset value in Part VI, Line 32 (Line 4 for revision 2020 and before); and delete the others.

**Note:** The Form 8938 can have multiple "Additional or Continuation Statements". Do not confuse the multiple additional or continuation statements with multiple Forms 8938.

**IRM 3.11.15.25.20 - Added (2) with Audit Code 7 editing procedures. SERP feedback #17677.**

(2) Edit Audit Code "7" if Line 21 meets the criteria in IRM 3.11.15.19.1(10).