

IRM PROCEDURAL UPDATE

DATE: 03/15/2024

NUMBER: wi-21-0324-0420

SUBJECT: Updates to Returned Refunds/Releases

AFFECTED IRM(s)/SUBSECTION(s): 21.4.3

CHANGE(s):

IRM 21.4.3.3 -Updated to advise that returned refund checks are to be returned to the IRS campus Refund Inquiry Unit associated to the taxpayer's state of residency for processing.

(1) Refund checks are returned for several reasons. Some of the most common are:

- Incorrect address, U. S. Postal Service was unable to deliver check.
- The taxpayer is not entitled to a refund.
- The credit that created the refund belongs on another module.
- The check is issued in the wrong name.
- The check cannot be negotiated (joint/deceased taxpayer).
- The check is expired and cannot be cashed (older than 12 months).

(2) The Receipt and Control (R&C) function within a Campus receives the returned refund checks and directs them to the Campus Refund Inquiry (RI) Unit.

(3) Returned refund checks must be stamped or written "non-negotiable" on the front of the check, **or** have the word "void" stamped or written on the front or back of the check. At the time of receipt, the employee should stamp "void" on the returned check.

(4) Refund checks returned to a Taxpayer Assistance Center (TAC) must be forwarded to the IRS campus RI Unit associated to the taxpayer's state of residency. Individual Master File (IMF) returned checks will be worked at IMF campuses and Business Master File (BMF) will be worked at BMF campuses. For fax numbers and addresses, see Refund Inquiry Unit Addresses, located on Servicewide Electronic Research Program (SERP) under the Who/Where tab. Follow the procedures in the table in IRM 21.4.3.5.5, Resolving Returned Refunds (Unexpired Checks).

IRM 21.4.3.5 -Updated to include information to be included on Form 3913 and address for where to send the returned check and form.

(1) Upon receipt of a returned refund check, Refund Inquiry (RI) employees will use the Returned Refund program in Account Management Services (AMS) to:

- a. Control the case on the Integrated Data Retrieval System (IDRS), Status B, Category 3913.
- b. Send Letter 4427C, Acknowledgement of Returned Refund Check, to the taxpayer, unless a completed Form 3913, Acknowledgement of Returned Refund Check, is received with the case from an IRS Taxpayer Assistance Center (TAC). In those cases, Form 3913 will serve as an acknowledgement letter. No interim letter is required, unless the 60-day time frame stated on Form 3913 cannot be met.
- c. Send voided checks less than one year old to the Philadelphia RFC on Form 3210, Document Transmittal, for cancellation. Form 3210 is generated by the Returned Refund program in AMS.

Note: When a check is received at a TAC, complete Form 3913 with all applicable information including both check symbol (first four digits), serial number (last eight digits), and refund date. Send the voided check and Form 3913 to the IRS campus RI Unit associated to the taxpayer's state of residency. See the Refund Inquiry Unit Addresses link for the correct address.

- d. Keep a copy of Form 3913 with cases received from TACs.

Note: If the automated system is down due to technical difficulty for more than one day, manually control the case on IDRS. Send Letter 4427C and manually complete Form 3210. Send to RFC.

Exception: Upon receipt of a returned refund check attached to Form 941-X, 943-X, 944-X or CT1-X indicating "Withdrawn" on the left margin of the first page, after using the Returned Refund program in Account Management Services (AMS), make two photocopies of the returned refund check and stamp both as "photocopy". Also, make one copy of the first page of the Employee Retention Credit (ERC) Withdrawal request and stamp that as "photocopy". Route the original ERC Withdrawal request and one check photocopy to ICT on a Form 3210 clearly marked "ERC Withdrawal" to be scanned into CII. The second check photocopy and the photocopy of the Form 94X-X or CT1-X will be kept by RI until the TC 841 has posted.

(2) When answering taxpayer's calls regarding previously returned refund checks:

- a. Determine the date the taxpayer mailed the refund check back to the IRS.
- b. If an open control has been identified, advise taxpayers to allow 60 days from the control date for the returned check to be processed.
- c. If at least 4 weeks have passed since the taxpayer mailed the check and no open control is found, send a referral Form 4442/e-4442 to the Refund Inquiry Team where the taxpayer returned the check. Select Referral Type **IRM** with Category - Other Write-In. For Write-In description, use **IRM 21.4.3.5** - Acknowledgment of Returned Check, and for Reason, select Other or

Complex Issue/Training Specialization. Send to the Refund Inquiry Unit at the campus where the taxpayer states they mailed the check.

- d. Provide the following information on the referral: the date on which the check was returned to the IRS, the check amount, the 4-digit check symbol number and 8-digit check serial number; this information can be found on CC IMFOL# or CC IMFOLC. Include in your referral the taxpayer's intention for the funds - for example, apply funds as credit elect to following year, etc. Indicate on the referral that a refund trace should be input using a **non-receipt code H** on CC CHKCL.
- e. If at least four weeks have not passed since the taxpayer mailed the check to the IRS, advise the taxpayer to call back when four weeks have passed.

IRM 21.4.3.5.4.1 -Updated to provide procedures for Spanish correspondence received.

(1) There are times when the taxpayer will attach correspondence with the returned refund check because the credit/payment that was refunded was intended to be applied to another tax period.

- a. Review the taxpayer correspondence and account on AMS and IDRS for the tax period(s) referred to in the taxpayer's correspondence.
- b. If the balance due tax period is located, transfer the credit, and input the necessary STAUP. Send the taxpayer a letter about the credit transfer.

Note: For more information about situations which will not allow credits to offset to a BMF balance due module, please review IRM 21.7.1.4.6, BMF Offset Program.

- c. Continue to process the returned refund check as usual.

If there is any correspondence, unrelated to the returned refund check, that is not within your scope, forward correspondence to Image Control Team (ICT).

Note: AMS notes must be updated to explain the actions taken to address the returned refund check.

Note: If Spanish language correspondence is received, issue a reply using the Spanish version of the appropriate C-Letter if one is available. Route the Spanish language correspondence to ICT on a Form 3210 clearly marked "Scan to Spanish Correspondence temporary holding number (1030361996 – SPAC)".

(2) A Form 4442/e-4442 received in Refund Inquiry from a phone call or in person meeting, is worked as if this was a taxpayer's correspondence. Ensure all taxpayer requests are addressed.

IRM 21.4.3.5.5 -Updated to include information regarding a joint check being reissued in one name only.

(1) Refund checks returned within 12 months of issue date are stamped "NOT NEGOTIABLE", listed on a Form 3210, Document Transmittal, and sent to the Philadelphia RFC daily for cancellation. A copy of the check should be kept with the case. Non Refund Inquiry Unit employees, see (3) below. Refund Inquiry Unit employees, **do not** include any reference to the IRS in the **To** portion of the address label. Forward the Form 3210 and documentation via US Postal Service, to:

Bureau of the Fiscal Service
Attn: Mailroom Staff
P.O. Box 51318
Philadelphia, PA 19115

(2) RFC will return credit for returned refund checks via SF 1098 and will post a Transaction Code (TC) 841 to the taxpayer's account in approximately four to six weeks after the check is forwarded to RFC. If there was a TOP TC 898 on the original refund, TOP will generate a TC 899 to reverse it. RFC will return credits for Non Master File (NMF), Individual Retirement Account File (IRAF) and fee refunds manually on SF 1098.

Note: Returned refund checks are sent to the RFC in Philadelphia for cancellation only if they are received on or before the last business day of the 12th month after the issue date. Checks not meeting this criterion have expired and will remain with the case. See IRM 21.4.3.5.6, Resolving Returned Expired Refunds Limited Payability, for procedures on expired checks.

(3) Take the following action when you receive a Form 3210 and/or a returned refund check.

If the returned check is	Then
Received in a Territory Office or Taxpayer Assistance Center (TAC)	<ol style="list-style-type: none">1. Write "Void" on back of check.2. Complete the Form 3913, Acknowledgment of Returned Refund Check, and provide the taxpayer with a copy.3. Complete the Form 3210. Refer to IRM 3.8.47.4.4, Secure and Process a Returned Refund Check.4. Send the check, Form 3210 and Form 3913 to the IRS campus Refund Inquiry Unit associated to the taxpayer's state of residency for processing. Individual Master File (IMF) returned checks will be worked at IMF campuses and Business Master File (BMF) will be worked at BMF campuses. For fax numbers and addresses, see Refund Inquiry Unit Addresses, located on Servicewide Electronic Research Program (SERP) under the Who/Where tab.

Received by a campus	<ol style="list-style-type: none"> 1. Acknowledge receipt of form. 2. Keep expired returned refund check per note above in paragraph 2. 3. Send unexpired checks directly to Philadelphia RFC for cancellation. 4. Send Letter 4427C, Acknowledgment of Returned Refund Check, for refund checks received
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Note: If the returned check is a non-IRS returned refund, refer to IRM 21.1.7.9.25, Non IRS Return Refund Checks, for routing procedures.

Note: For more information about the follow up actions required for Form 3210 see IRM 3.5.61.1.7.5, Form 3210, Document Transmittal.

(4) To research and resolve returned refund checks that include an explanation from the taxpayer, refer to the chart below. Follow the taxpayer's instructions whenever possible.

Row	If	And	Then
1	Credit is to be applied to a balance due	Credit not posted	Input CC STAUP or TC 470 to prevent offset and monitor for credit.
2	Credit is to be applied to a balance due	No balance due	Notify taxpayer of status.
3	Credit has posted		Follow taxpayer's instructions.
4	Credit intended as payment for taxes	Credit not posted	Monitor for credit, when posted, follow taxpayer's instructions.
5	Refund returned on a deceased taxpayer's account, refer to IRM 21.6.6.2.21.2, Processing Decedent Account Refunds	Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer, or required documentation attached	Follow instructions and comply with the request.
6	Refund returned on a deceased taxpayer's account, refer to IRM 21.6.6.2.21.2, Processing Decedent Account Refunds	Form 1310 or required documentation not attached	Send Form 1310 to estate of deceased taxpayer requesting documentation. If the surviving spouse of a joint return is claiming the refund, Form 1310 is not required.
7	An erroneous name or designation of payee	Not negotiable	Request original document to verify payee, if necessary.
8	An original Form 1040-X, Amended U.S. Individual		Adjust account or route return to the proper function. When

	Income Tax Return received with the check		TC 841 posts, close 3913 base "XXXXX2POST" if the amended return was routed. Note: If routing a Form 1040-X, input a TC 971 Action Code (AC) 010 using the Received Date as the Transaction Date.
9	An original Form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund; Form 1065-X, Amended Return or Administrative Adjustment Request (AAR); Form 1120-X, Amended U.S. Corporation Income Tax Return		Adjust account or route return to the proper function. When TC 841 posts, close 3913 base XXXXX2POST if the amended return was routed.
10	An original Form 941-X, 943-X, 944-X or CT1-X, indicating Withdrawn on the left margin of the first page is received with the check		If the original Form 941-X, 943-X, 944-X or CT1-X, indicating Withdrawn on the left margin of the first page is stamped Photocopy , then monitor for posting of the TC 841 and close the control base with activity code "ERC2POST". Treat the photocopies of the form and returned refund check as classified waste taking no further action. Exception: If the Form 941X, 943X, 944X or CT1X, indicating "Withdrawn" on the left margin of the first page is not stamped as "photocopy" and the TC841 has or has not posted then route return/claim to ICT, include a copy of the returned check with the documentation. Monitor for posting of the TC 841 and close the control base with activity code "ERC2POST".

11	Adjustment action posts before TC 841	Credit and P- freeze remaining on account	Refer to IRM 21.5.6, Freeze Codes, to determine if the P-freeze can be released.
12	Refund was correct when issued	Returned in error	Provide explanation to taxpayer. Do not allow additional interest if the refund is to be reissued or applied to an outstanding liability. Note: If the original refund was a manual refund, you may need to reissue it as a manual refund. See IRM 21.4.4, Manual Refunds.
13	Taxpayer filed a joint return and requests the refund check be reissued in one name	Signed statement from other spouse consenting to issuance of the refund to requester is attached	Do not allow additional interest if the refund is to be reissued or applied to an outstanding liability. Reissue refund as a manual refund. Include signed statement from other spouse consenting to issuance of the refund to requester as supporting document. See IRM 21.4.4, Manual Refunds.
14	Refund was correct when issued, but is returned by a third party because the taxpayer no longer lives at the address	P- freeze or TC 841 pending to post	Research CC ENMOD: <ul style="list-style-type: none"> • If a current address is found, reissue the refund. • If no current address is found on CC ENMOD, research current year IRPTR and issue a Letter 533C, Refund Check Undelivered or Not Negotiated, asking the taxpayer to verify their current address. Suspend and allow 45 days for a response (70 days for overseas taxpayers). • If no current address is located or no response

			<p>is received, follow paragraph (11) below.</p> <p>Note: See paragraphs (7) and (8) below to determine if interest is allowable.</p>
15	Refund check is a non-IRS Treasury check (See IRM 3.8.44-7, Agency Location Codes (ALC), for IRS ALC listing)	Correspondence attached is requesting we apply or reissue the refund to a certain year or other IRS account action	<ul style="list-style-type: none"> • Issue Letter 86C, Referring Taxpayer Inquiry/Forms to Another Office, explaining we cannot accept a third party check and the check will be returned to the originating agency to be reissued. • Do not forward correspondence to BFS, detach from the check. • Prepare a Form 3210 using procedures in IRM 3.8.47.4.4, Secure and Process a Returned Refund Check and forward to BFS in Philadelphia. See IRM 21.1.7.9.25, Non IRS Return Refund Checks, for mailing address.
16	Refund check is a non-IRS Treasury check (See IRM 3.8.44-7, Agency Location Codes (ALC), for IRS ALC listing)	Correspondence is attached and is NOT requesting an IRS related action, but asking about the check or information related to it	<ul style="list-style-type: none"> • Prepare a Form 3210 using procedures in IRM 3.8.47.4.4, Secure and Process a Returned Refund Check, and forward to BFS in Philadelphia. See IRM 21.1.7.9.25, Non IRS Return Refund Checks, for mailing address. • Add a note on the Form 3210, "Forward Correspondence to Originating Agency, Do

			Not Return to IRS. Not an IRS Check”
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Reminder: If there is any correspondence, unrelated to the returned refund check, that is not within your scope, forward correspondence to Image Control Team (ICT). Your local ICT stop number can be found on CC MESSG.

(5) If a taxpayer returns a refund check requesting that it be applied to another tax module and:

- The refund was not the result of a misapplied payment
 - The refund was not due to IRS error
 - Credit elect was not indicated on the return
 - Liabilities were not claimed on Schedule B, Report of Tax Liability for Semiweekly Schedule Depositors, for any Form 94x series tax return
 - Payment was not claimed on the total payment/deposit line of the tax form for the quarter in which the returned refund was to be applied, post the check as a TC 700. If interest was included on the refund and the taxpayer is still entitled to the interest, post the interest on the account with a TC 770. Do **not** allow additional interest.
- a. For purposes of moving the credit to a different tax module, the principal component of the refund is debited with TC 820 and credited to the receiving module with TC 700. The transaction date of the TC 820 (debit) is the 23C date of the TC 841 (TC 740 in the case of an undeliverable refund check); the transaction date of the TC 700 (credit) is the date the returned refund check was received.
 - b. Because the posting of TC 841 will cause any systemically generated interest (TC 776) allowed on the refund to be removed with TC 777, it must be manually re-posted with TC 770. Input TC 770 with a CR-INT-TO-DT that is identical to the date interest was originally computed to on the returned refund. See IRM 20.2.4.7, Refunds, for more information.

Caution: The CR-INT-TO-DT is the ending interest computation date for the interest that was included in the refund check. It is not the 23C posting date of a returned TC 846, nor the 23C posting date of the TC 776 that accompanies TC 846.

- c. When TC 770 posts, it is debited with TC 850 and credited to the receiving module with TC 700. The transaction date of the TC 850 (debit) is the 23C date of the TC 770; the transaction date of the TC 700 (credit) is the date the returned refund check was received.
- d. If a taxpayer originally requested that they receive a refund, and the refund is returned with a request that it be applied to the estimated tax account of the immediately succeeding tax year, the amount credited to the estimated tax account (on the date the returned refund was received) shall include the refund principal plus any overpayment interest that was originally allowed on

the refund (provided the interest amount was not allowed in error).

Do **not** characterize the transfer as a credit elect (TC 830 and TC 710), but use the transaction codes referenced above.

- e. Use CC ADD24/CC ADC24 (refer to IRM 2.4.17, Command Codes ADD24/34/48, ADC24/34/48, FRM34 and DRT24/48, for more information) to generate the transfers described above. Input Bypass Indicator (BPI) "1" or TC 570, as appropriate, to override unpostable condition 305/198. See IRM 21.5.8.4.5, TC 570 and Bypass Indicator.

Example: A Form 941 for the 4th quarter of 2018 is timely filed on 01/31/2019, reporting an overpayment of \$950.00, which refunded with interest of \$16.80. The module shows a TC 776 posted 06/17/2019 for \$16.80 and a TC 846 posted 06/17/2019 for \$966.80. The interest was computed on the overpayment of \$950.00 from 01/31/2019 to 06/08/2019. IRS received the returned refund on 10/25/2019 with a request to apply it to pay a balance due on the Form 941 module for the second quarter of 2019 (201906). The returned refund posted to the module with a TC 841 for \$966.80 and TC 777 for \$16.80, both dated 06/17/2019.

To transfer the principal portion of the returned refund to the 201906 balance due module, a credit transfer is entered with a TC 820 for \$950.00, dated 06/17/2019, and a TC 700 for \$950.00, dated 10/25/2019. An adjustment to re-allow the interest on the returned refund will be input with a TC 770 for \$16.80 and a CR-INT-TO-DT of 06/08/2019. If the 23C posting date of this adjustment is 12/02/2019, then the transfer of the interest portion to the 201906 module is input with TC 850 for 16.80, dated 12/02/2019 (23C date), and TC 700 for 16.80, dated 10/25/2019 (the date IRS received the returned refund).

(6) If no explanation or other information is provided by the taxpayer, and you are unable to determine why the refund check was returned, correspond with a Letter 407C, Refund Returned by Taxpayer; No Reason Indicated, or Letter 18C, Decedent Refund (Form 1310 Requested), if a Form 1310 is needed. Suspend the case and allow 45 days for a response (70 days for overseas taxpayers). If no response is received follow paragraph (11) below.

Note: If the returned check is for the first, second, or third round of Economic Impact Payments, see IRM 21.6.3.4.2.13 (2), Economic Impact Payments, for more information about how to correct these accounts. If the taxpayer requesting the refund be reissued, send a closing letter for your refund inquiry case. Include an open or floating paragraph to advise the taxpayer they may be able to claim the RRC on their 2020 or 2021 original or amended return. You may use the suggested verbiage below: We are no longer authorized to reissue your Economic Impact Payment (EIP). To receive any amount of the payment you may be entitled to, you must file a 2020 or 2021 original or amended tax return and claim the Recovery Rebate Credit (RRC).

(7) When a refund check is reissued to the taxpayer or designated payee, do not allow interest if:

- Taxpayer furnished incorrect information
- Taxpayer moved before refund received
- Refund returned to be applied to any outstanding balance
- Taxpayer error

(8) Allow interest under the following conditions:

- IRS error caused the refund to go to incorrect address
- TC 841 posts after an adjustment, and **P**- freeze is on account
- IRS caused the incorrect refund amount or directed the refund to the wrong payee

Note: Additional information regarding allowable interest calculations can be found in IRM 20.2.4.7.2.2, Returned and Intercepted Refund Checks.

(9) Use the following guides when inputting a TC 290 to release **P**- freeze as a refund to the taxpayer. Refer to IRM 21.5.6, Freeze Codes.

Individual Master File (IMF) No Interest	IMF Same Interest	IMF Additional Interest
1. TC 290 for .00 2. TC 770 for .00 3. Hold Code "3" 4. Reason Code "099"	1. TC 290 for .00 2. TC 770 for .00 or (amount of original interest) Note: On TC 770 for the amount of original interest, use the CR-INT-TO-DT of the original TC 776 or TC 770. 3. Hold Code "3" 4. Reason Code "099"	TC 290 for .00

Business Master File (BMF) No Interest	BMF Same Interest	BMF Additional Interest
1. TC 290 for .00 2. TC 770 for .00 3. Hold Code "3"	1. TC 290 for .00 2. TC 770 for .00 (amount of original interest) Note: On TC 770 for the amount of original interest use the CR-INT-TO-DT of the original TC 776 or TC 770.	TC 290 for .00

	3. Hold Code "3"	
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Note: TC 770 for .00 not required for current year returns if the refund will be issued prior to June 1.

(10) Depending on the age of the credit, transfer the payment or credit to the Unidentified Remittance or Excess Collections accounts if:

- a. The credit cannot be released through research or correspondence with the taxpayer
- b. The taxpayer has not responded to our correspondence (original or follow-up)

(11) If unable to release the credit, transfer the credit as follows:

- a. If the credit is less than one year old, apply to the Unidentified Remittance File (URF– 4620 Account) using Form 2424, Account Adjustment Voucher.
- b. If the credit is more than one year old, apply to the Excess Collection File (XSF– 6800 Account) using Form 8758, Excess Collections File Addition. Refer to IRM 3.17.220.2, Excess Collections File, for specific information about the Excess Collections Account 6800 and IRM 21.5.8.4 (14), IDRS Guidelines for Credit Transfers, for procedures on moving money into Excess Collection. For assistance in matters related to XSF and URF, see Excess Collections/Unidentified Remittance Files contacts list, located on Servicewide Electronic Research Program (SERP) under the Who/Where tab.

Exception: Telephone contact is **not** required if a previous attempt was made to obtain new/correct address information (i.e., 533C or other letter).