

IRM PROCEDURAL UPDATE

DATE: 12/13/2023

NUMBER: wi-21-1223-1172

SUBJECT: Adding Definer IRPTR(W) for Researching 1042-S Credits; Revised Ledger Code for Regular VI Cover Over Cases

AFFECTED IRM(s)/SUBSECTION(s): 21.8.1

CHANGE(s):

IRM 21.8.1.7.5(5) - Corrected the ledger account number for Virgin Islands based on SERP feedback 15166.

(5) Prepare Form 3809 to transfer the cover over amount to U.S. Virgin Islands 4702 ledger account. Note the VI transmittal number in the explanation box of the Form 3809 and complete the form as follows:

Debit portion	Credit Portion
Name and address box - Enter the taxpayer's entity information	Name and address box - specify the U.S. Virgin Islands - 4702 Account.
TIN box - Enter taxpayer's SSN	
MFT box - Enter 30	
Tax period - Enter the period being debited	
Check the MF box	Check the NMF box.
Transaction date - Enter the current date.	Transaction date - Enter the current date.
1st TC (Transaction) - Enter TC 820.	1st TC (Transaction) - TC 700.
Debit amount - Enter the amount covered over to the VI from the listing. Make sure TC 820 amount does not exceed the credit in the account or an unpostable condition will result.	Credit amount - available credit amount (usually the TC 806 amount) must match the TC 820 amount from the debit portion of the Form 3809.

Note: TC 570 is not needed for a credit going to a Non-Master File account, such as ledger account 4702.

IRM 21.8.1.7.6(1) - Corrected the ledger account number for Virgin Islands based on SERP feedback 15167.

(1) When handling a request to transfer estimated credits or credit elects to the U.S. Virgin Islands, the technicians who have authorization to contact the U.S. Virgin Islands must:

- a. Secure a written agreement from the U.S. Virgin Islands indicating the amount of each account in question to confirm tax liability.
- b. Once the U.S. Virgin Islands confirms the tax liability, prepare Form 3809 to transfer the credits to the U.S. Virgin Islands 4702 ledger account. If a transmittal is available from the V.I., enter the transmittal number and date in the Explanation Box of Form 3809.
- c. List the Virgin Islands case reference number and credit amount on the memo/letter.
- d. Input TC 590 CC 21 to the taxpayer's account after the TC 820 posts.
- e. These procedures must be used in conjunction with the instructions in U.S. Virgin Islands Cover Over Process. See IRM 21.8.1.7.5.

IRM 21.8.1.7.7 - Removed the words balance due from paragraph 7(b) to allow for overpayments based on a need expressed by TAS.

(1) Situations may arise that require the use of the following procedures to deduct credits from the cover over of tax to the U.S. Virgin Islands such as, but not limited to, taxes filed and erroneously paid to the U.S. Virgin Islands on the:

- Form 1040-SS
- Form 1040 Schedule H
- Duplicate amount covered over

(2) When notified by the U.S. Virgin Islands tax authority of a taxpayer having erroneously filed and/or paid their Schedule H or Form 1040-SS tax in the U.S. Virgin Islands:

- a. The U.S. Virgin Islands informs the taxpayer of their requirement to file these forms in the United States.
- b. Research to determine if the taxpayer has also filed the Form 1040-SS and/or Schedule H with IRS.
- c. When the taxpayer has also filed with the U.S. and is in debit status, input a STAUP and coordinate the forwarding of the case to the person(s) working the U.S. Virgin Islands cover over. The instructions in (4) below explain how authorized personnel will credit the taxpayer's account.
- d. When the taxpayer hasn't filed in the United States, request that the U.S. Virgin Islands forward the original Schedule H and/or Form 1040-SS to the Austin Internal Revenue Campus **immediately** and contact the authorized personnel to have the taxpayer's account credited.

(3) Situations or cases which require a cover over payment or a repayment from the U.S. Virgin Islands must be handled by employees having the disclosure authorization to contact the U.S. Virgin Islands. This authorization list is kept by Disclosure Office 7 and is updated yearly via a memorandum from that office.

(4) Authorized employees then:

1. Contact the U.S. Virgin Islands government to inform them of the situation
2. Keep copies of the listing or secure a print of the account containing the amount outstanding
3. Secure a written agreement from the U.S. Virgin Islands, identifying the amount of each account in question

(5) Once an agreement is reached, perform the following:

- a. Maintain a list of the cases containing outstanding balances due until there is a cover over payment from which to deduct the outstanding balance.

Note: It may not be possible to handle all the cases having an outstanding balance with one cover over payment, but resolve as many cases as possible with each subsequent cover over.

- b. Prior to the posting of the U.S. Virgin Islands credit to the accounts, ensure that the credits weren't previously substantiated. If so, reverse the substantiation prior to posting the credit.

Note: Credits substantiated by other IRS offices are posted as a TC 766, but may be a TC 760 posted by Accounting.

- c. Prepare a [Form 3809](#) for each account being credited. The credit (TC 700 with a TC 570) section of the Form 3809 must reflect the taxpayer's account information and the agreed upon amount. Stamp the name and address portion with the name and address of the correct territory along with a matching amount for the debit (TC 820).

(6) Deduct the total of the Forms 3809 crediting the taxpayer's accounts from the total of the individual Forms 3809, debiting the taxpayer's account. The difference, when the debit portion is higher, is the amount of the consolidated Form 3753.

(7) These procedures must be used in conjunction with the instructions in U.S. Virgin Islands Cover Over Process. See IRM 21.8.1.7.5.

IRM 21.8.1.7.10(2) - Corrected the ledger account number for Virgin Islands based on SERP feedback 15168.

(2) When the U.S. Virgin Islands tax authority requests a cover over of the U.S. withholding and the statute has expired, follow the instructions below:

- a. Use the instructions in U.S. Virgin Islands Cover Over Process. See IRM 21.8.1.7.5
- b. Edit the received date on the return to reflect the date the return is received by IRS.

Note: There is no statute of expiration for covering over credits to the U.S. Virgin Islands.

- c. Circle out the U.S. Virgin Islands received date. It is used only when determining if the refund request is received timely in the U.S. Virgin Islands.
- d. If the taxpayer filed timely with the U.S. Virgin Islands, the taxpayer is entitled to a refund of any overpayment after the cover over amount.

Note: Per Significant Service Center Advice WTA-N-111044-00, dated October 26, 2000, if the taxpayer submitted the tax return to the U.S. Virgin Islands Bureau of Internal Revenue (BIR) within the Refund Statute Expiration Date (RSED), and part of the TC 806 is to be refunded to the taxpayer, the request is considered timely. Clear the refund request with the Statute Function and add the remarks on the document, "refund request was timely received in the U.S. Virgin Islands." Allow credit interest from the day the return was received in the U.S. Virgin Islands.

- e. Cover over the entire credit to the VI when the taxpayer submitted the request in the VI past the Statute date, do not consider issuing a refund.
- f. If a subsequent adjustment 54 document is necessary, the OVERRIDE-CD and RFSCDT fields may need to be addressed.

Note: See chart below:

If...	Then...
The current date is more than one year past the RSED	Enter override code "S" and use the RSED shown on TXMOD in MMDDYYYY format as the RFSCDT.
The current date is less than one year from the RSED	Enter override code "R" and use the RSED shown on TXMOD in MMDDYYYY format as the RFSCDT.

- g. The Form 3809 transfers the credit from the taxpayer's account into the 4702 ledger account used for the U.S. Virgin Islands cover over. The 1st TC is a TC 820 for the withholding tax being transferred and the 2nd TC is a TC 570. The credit portion (TC 700 amount) must specify the U.S. Virgin Islands - 4702 Account (same as TC 820 amount).

Note: Remember that Business Operating Division (BOD) codes must be on all Non-Master File documents.

- h. Follow monitoring steps for the TC 820 posting shown in U.S. Virgin Islands Cover Over Process. See IRM 21.8.1.7.5.
- i. If the withholding credits are less than the total tax, reduce the total tax to the amount of the withholding and only prepare the Form 3809. Follow the instructions in U.S. Virgin Islands Cover Over Process. See IRM 21.8.1.7.5.

IRM 21.8.1.12.14.5 - Added use of IRPTR(W) to chart in paragraph 5 to account for withholding research based on SERP feedback 14969.

(1) The instructions in this IRM section pertain only to IMF accounts where the taxpayer is issued a Letter 5904C Notification of Preliminary Claim Disallowance Regarding Chapter 3 or 4 Withholding, **and** one or more credits were reversed (TC 767, with correct reason code) because the withholding agent's Form 1042-S (Copy A) submitted to the IRS did not match the information on the recipient's Form 1040-NR.

(2) IRM 21.8.1.12.14.3 notes that the taxpayer will receive Letter 5904C advising the taxpayer that their Form 1040-NR doesn't match the information received from Forms 1042-S filed by their Withholding Agents.

(3) The letter also advises the taxpayer to contact their withholding agent. The letter will specify all reasons for the mismatch.

(4) The following table illustrates how AM assistors will reply to telephone/written inquiries concerning Letter 5904C, adjustment notices, and/or credit reversal (TC 767, with correct reason codes) where the 1042-S credit has been denied during the matching process.

Note: In all cases you must access CC IRPTR to determine that the WA has submitted Form 1042-S Copy A to IRS. If the WA has not submitted Form 1042-S Copy A to IRS, follow IRM 21.5.3.4.6.3, No Consideration Procedures, advise the taxpayer their Withholding Agent did not provide IRS with Form 1042-S Copy A, and the taxpayer must follow up with the Withholding Agent.

Reminder: A letter from the United States Competent Authority is acceptable proof of withholding in lieu of Form 1042-S, the letter must contain a signature and state the withholding amount allowed and the correct tax year.

If...	And...	Then...
Taxpayer writes or calls	Claims to be a victim of identity theft	Follow Identity Theft procedures in IRM 25.23.2, Identity Protection and Victim Assistance - General Case Processing
Taxpayer writes or calls	The taxpayer has not contacted their Withholding Agent	Advise the taxpayer to contact their Withholding Agent. Note: The taxpayer must contact the Withholding Agent and advise them the IRS states the Withholding Agents copy of Form 1042-S does not match the information reported on the taxpayers Form 1040-NR. The taxpayer and Withholding Agent will need to determine the reason for the

		mismatch, and if identified, the Withholding Agent may need to submit an accurate Form 1042-S with the IRS and/or provide a corrected copy of Form 1042-S to the taxpayer.
Taxpayer writes or calls	The taxpayer has already contacted their Withholding Agent	Research the account to locate the reason code posted with the TC 767 CRN 330. The if/then boxes below contain procedures for each reason code.
Taxpayer writes or calls	Research shows the reversal reason code is 165 (multiple errors on Form 1042-S)	<ol style="list-style-type: none"> 1. Access Command Code IRPTR using correct definer (e.g. L, I, U, or W) document code 02 to determine if the WA submitted Form 1042-S Copy A to IRS. If not follow no consideration procedures. See IRM 21.5.3.4.6.3, No Consideration Procedures, advise the taxpayer their Withholding Agent did not provide IRS with Form 1042-S Copy A, and the taxpayer must follow up with the Withholding Agent. 2. Access Command Code IRPTR using correct definer (e.g. L, I, U, or W) document code 02 to determine if the Form 1042-S escrow box (7b) was checked by the WA. If yes, follow the procedures in the box below. If no, go to the next step in this box. 3. Access IDRS to determine if the name from the WA copy of Form 1042-S substantially matches the name on the Form 1040-NR. If there is not a substantial match, follow the procedures for reason code 167 below. If the name matches go to the next step in this box. <p>Note: When performing this match, consider that foreign naming conventions may show the surname as the first or second name among some Asian, Hispanic, and other nationalities.</p> 4. Access IDRS to determine if the TIN on the WA copy of Form 1042-S

		<p>matches the TIN on the Form 1040-NR. If not follow the procedures for reason code 168 below. If yes go to the next step.</p> <p>5. Access IDRS Command Code IRPTR using correct definer (e.g. L, I, U, or W) document code 02 to determine if the total of all Form 1042-S credits match the total of credits claimed on Form 1040-NR. If not follow procedures for reason code 169 below. If yes go to the next step.</p> <p>Note: If all Forms 1042-S do not have tax ID numbers search using IRPTR(I)</p> <p>6. If all the determinations made above are yes, adjust the recipient's Form 1040-NR tax account. Follow all normal CII adjustment guidelines using Transaction Code 290 .00 and Credit Reference Number 330 for the amount of the verified reversed credit(s). Use Reason Code 051 on the ADJ54 input screen</p> <p>Note: In all above scenarios E-Trak can be used. When assisting a caller, and you do not have access, to E-Trak prepare a Form 4442 to yourself for further research. Send the case to your lead for E-Trak research. The lead will either attach the results, if they were able to confirm the withholding, or add a case note indicating that they were unable to confirm the withholding</p>
Taxpayer writes or calls	Indicates they have contacted their WA and the reason code is 166 (escrow box 7(b) on Form 1042-S is checked on WA copy)	<p>1. Access Command Code IRPTR using correct definer (e.g. L, or I) document code 02 to determine if the WA has checked box 7(b) of Form 1042-S. E-Trak is also available for research.</p> <p>2. If yes, Follow claim disallowance procedures in IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Advise the taxpayer IRS cannot allow their</p>

		<p>refund because their funds are being held in escrow by the WA. If the escrow box is checked in error the WA must provide an amended Form 1042-S Copy A to the IRS and provide a copy of the amended 1042-S to the taxpayer. The taxpayer should allow 6 weeks for IRS to process the amended Form 1042-S filed by the WA.</p> <p>3. If no, follow all other verification steps listed for Reason Code 165 above.</p>
Taxpayer writes or calls	Indicates they have contacted their WA and the reason code is 167 (Name on Form 1042-S does not substantially match the name on masterfile)	<p>1. Access IDRS to determine if the taxpayer has a corrected Form 1042-S and the name on the corrected Form 1042-S substantially matches the name on the Form 1040-NR filed by the taxpayer.</p> <p>Note: When performing this match, consider that foreign naming conventions may show the surname as the first or second name among some Asian, Hispanic, and other nationalities</p> <p>2. If yes, follow all other verification steps listed for Reason Code 165 above.</p> <p>3. If no Follow procedures in IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Advise the taxpayer IRS cannot allow their refund because the name on their Form 1042-S does not match the name on their Form 1040/1040-NR. If the Form 1042-S has the incorrect name the WA must provide an accurate Form 1042-S Copy A to the IRS and provide a copy of the accurate 1042-S to the taxpayer. The taxpayer should allow 6 weeks for IRS to process the amended Form 1042-S filed by the</p>

		WA.
Taxpayer writes or calls	Indicates they have contacted their WA and the reason code is 168 (TIN on Form 1040-NR does not match the TIN on Form 1042-S).	<ol style="list-style-type: none"> 1. Determine if the taxpayer has an accurate 1042-S and the TIN on Form 1042-S matches the TIN provided on the Form 1040-NR filed by the taxpayer. 2. If yes, follow all other verification steps listed for Reason Code 165 above. 3. If no follow procedures in IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Advise the taxpayer IRS cannot allow their refund because the TIN on their Form 1042-S does not match the TIN on their Form 1040-NR. If the Form 1042-S has the incorrect TIN the WA must provide an accurate Form 1042-S Copy A to the IRS and provide a copy of the accurate 1042-S to the taxpayer. The taxpayer should allow 6 weeks for IRS to process the accurate Form 1042-S filed by the WA.
Taxpayer writes or calls	Indicates they have contacted their WA and the reason code is 169 (The sum of all Forms 1042-S (box 7a plus box 8 if populated, or the entry in box 10 if populated) on IRPTR do not match the amount claimed on line 25g of Form 1040-NR.	<ol style="list-style-type: none"> 1. Access command code IRPTR using correct definer (e.g. L, I, U, or, W) Document Code 02. E-Trak is also available for research 2. Determine if the total of all Forms 1042-S withholding (box 7a) reported for the taxpayer matches the amount claimed by the taxpayer on Form 1040-NR. 3. If yes, follow all other verification steps listed for Reason Code 165 above. 4. If no, follow procedures in IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. Advise the taxpayer IRS cannot allow their refund because the total amount of withholding reported for them on all Forms 1042-S does not match the amount of credit they claimed on Form 1040-NR. If the Form 1042-S has the incorrect

		withholding amount, the WA must provide an amended Form 1042-S Copy A to the IRS and provide a copy of the amended 1042-S to the taxpayer. The taxpayer should allow 6 weeks for IRS to process the amended Form 1042-S filed by the WA
--	--	---

(5) Taxpayer did not have a TIN when the Withholding Agent provided the 1042-S to the taxpayer- Individual taxpayers are not required to have a TIN or ITIN at the time a Form 1042-S is issued by a Withholding Agent. To claim the withholding from Form 1042-S on a tax return (Form 1040-NR), the taxpayer must apply for an ITIN. Because the Form 1042-S may have been issued before the taxpayer had an ITIN, the taxpayer's TIN may not appear on the Form 1042-S. Follow the instructions below to validate a reversed Form 1042-S credit (TC 767 with correct reason code) and adjust the account when the taxpayer did not have a TIN or ITIN when the Form 1042-S was issued by the Withholding Agent.

Note: If all Forms 1042-S do not have tax ID numbers search using IRPTR(I)

If...	Then...	Next steps...
Taxpayer provides Form 1042-S	<ol style="list-style-type: none"> 1. Compare the Form 1042-S provided by the taxpayer with the information on CC IRPTR(I), CC IRPTR(U) or E-Trak using the Withholding Agent's EIN. <p>Note: If you are assisting a caller, and do not have access, to E-Trak prepare a Form 4442 to yourself for further research. Send the case to your lead for E-Trak research. The lead will either attach the results, if they were able to confirm the withholding, or add a case note indicating that they were unable to confirm the withholding.</p> <ol style="list-style-type: none"> 2. Scroll through the data to locate the taxpayer's name for the credit you must validate 3. Once located perform all the matching steps for reason code 	<p>If the information DOES match, adjust the account by taking the following actions:</p> <ol style="list-style-type: none"> 1. Attach the Form 1042-S to your case, see IRM 21.5.1.5.3, CII Source Documentation. 2. Enter CII notes indicating Form 1042-S information matches. 3. Adjust the recipient's Form 1040-NR tax account using Transaction Code 290 .00 and Credit Reference Number 330 for the amount of the verified reversed credit(s). Use Reason Code 051 on the ADJ54 input screen.

	165 identified in the chart above in paragraph 4 of this section.	
Taxpayer provides Form 1042-S	<ol style="list-style-type: none"> 1. Compare the Form 1042-S provided by the taxpayer with the information on CC IRPTR(I), CC IRPTR(U) or E-Trak using the Withholding Agent's EIN. <p>Note: . When assisting a caller, and you do not have access, to E-Trak prepare a Form 4442 to yourself for further research. Send the case to your lead for E-Trak research. The lead will either attach the results, if they were able to confirm the withholding, or add a case note indicating that they were unable to confirm the withholding.</p> 2. Scroll through the data to locate the taxpayer's name for the credit you must validate. 3. Once located perform all the matching steps for reason code 165 identified in the chart above in paragraph 4 of this section. 	<p>If ALL the information DOES NOT match, take the following actions:</p> <ol style="list-style-type: none"> 1. Attach the Form 1042-S to your case, see IRM 21.5.1.5.3, CII Source Documentation. 2. Enter CII notes indicating Form 1042-S information does not match. 3. Disallow the claim, follow procedures in IRM 21.5.3.4.6.1, Disallowance and Partial Disallowance Procedures. 4. Advise taxpayer the specific information that they provided does not match the Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, information filed by their withholding agent.