

IRM PROCEDURAL UPDATE

DATE: 10/13/2017

NUMBER: sbse-04-1017-1433

SUBJECT: Post Publication Revision to 4.19.3 IMF Automated Underreporter (AUR) Program

AFFECTED IRM(s)/SUBSECTION(s): 4.19.3

CHANGE(s):

IRM 4.19.3.5(9) - added Exception; Education Credits must be recomputed whenever the credit was claimed on the return

9. Initially analyze the asterisked elements on the IR(s) related to the computer identified discrepancies. Also analyze other issues related to the income on the discrepant IR.

EXCEPTION: Education Credits (American Opportunity and Lifetime Learning Credits), must be recomputed whenever the credit was claimed on the return.

EXAMPLE: Consider adjustments to: Child Care Credit when the DCB element is asterisked; consider SE tax when NEC, MERCH, MED, FISH, etc. elements are asterisked (or when the system identifies a potential SE tax issue); consider the 10 percent tax when Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, element is asterisked and the IR contains a COD, "J", "L", "1", "5" or "7" (with a PGR Indicator of 1), etc.

NOTE: The AUR system identifies potential SE tax discrepancies on reported income from Form 1040, lines 12, 18 or 21 where no SE tax was paid. The system alerts the user that a discrepancy exists when there are no IRs to mark. An asterisk displays in the SELF EMPLOYMENT TAX field on the Income Comparison window. Follow IRM procedures for specific income types and see IRM 4.19.3.15.1, *Self-Employment Tax*, and Exhibit 4.19.3-22, *Examples of Self Employment Income*, to determine when SE tax needs to be considered.

- a. If the asterisked IR is discrepant and it contains W/H, always screen W/H element(s).
- b. If there are no asterisked elements for cases in Subfile E, see (4) above.

- c. If the asterisked element(s) is/are fully reported on the line(s) designated for that income on the tax return (i.e., discrepant wages are fully reported on Form 1040, line 7), then check the INCOME COMPARISON screen for a possible misplaced data entry. Screen the income type related to the misplaced data entry.
- d. If the asterisked element is identified as being included in another type of income, analyze all related IRs. (i.e., Pensions are identified as discrepant but are found reported on the wage line - analyze both pensions and wages).
- e. If the asterisked element results in above tolerance U/R, screen the remaining non-asterisked items.

IRM 4.19.3.5(10) - added Exception; Education Credits must be recomputed whenever the credit was claimed on the return

- 10. If the discrepant IR(s) element(s) is/are reported and/or the system identified SE tax discrepancy is resolved, close the case using PC 21.

EXCEPTION: Education Credits (American Opportunity and Lifetime Learning Credits), must be recomputed whenever the credit was claimed on the return.