



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.1.9

NOVEMBER 21, 2019

EFFECTIVE DATE

(11-21-2019)

PURPOSE

- (1) This transmits revised IRM 4.1.9, Planning and Special Programs, International Features.

MATERIAL CHANGES

- (1) IRM 4.1.9.1 was retitled Program Scope and Objectives and rewritten to conform to the requirements of IRM 1.11.2.2.5, Address Management and Internal Controls.
- (2) Added new subsections under IRM 4.1.9.1 to describe background, authority, responsibilities, program management, program controls, and acronyms.
- (3) Added paragraph (2) to IRM 4.1.9.2, Identification of Returns.
- (4) Removed reference to Form 1120-F in IRM 4.1.9.2.1, Project Codes.
- (5) Removed IRM 4.1.9.3 and IRM 4.1.9.4 and renumbered subsequent subsections.
- (6) Added paragraph on tax examiner classification duties to IRM 4.1.9.5.5, Classification of Returns.
- (7) Minor editorial changes were made throughout this IRM. Form and IRM references were reviewed and updated as necessary. Hyperlinks were updated.

EFFECT ON OTHER DOCUMENTS

IRM 4.1.9 dated June 18, 2014 is superseded.

AUDIENCE

Planning and Special Programs (PSP)

John V. Cardone
Director, Withholding and International Individual Compliance
Practice Area
Large Business and International Division

4.1.9
International Features

Table of Contents

- 4.1.9.1 Program Scope and Objectives
 - 4.1.9.1.1 Background
 - 4.1.9.1.2 Authority
 - 4.1.9.1.3 Responsibilities
 - 4.1.9.1.4 Program Management and Review
 - 4.1.9.1.5 Program Controls
 - 4.1.9.1.6 Acronyms
- 4.1.9.2 Identification of Returns
 - 4.1.9.2.1 Project Codes
- 4.1.9.3 Foreign Information Documents
- 4.1.9.4 Form 5074, Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands
- 4.1.9.5 Special Instructions for International Returns
 - 4.1.9.5.1 DIF Returns
 - 4.1.9.5.2 Special Returns
 - 4.1.9.5.3 Computer Reports
 - 4.1.9.5.4 Ordering Returns
 - 4.1.9.5.5 Classification of Returns

4.1.9.1
(11-21-2019)
Program Scope and Objectives

- (1) **Purpose:** This IRM section describes unique characteristics of international returns.
- (2) **Audience:** The primary users of this IRM are Planning and Specialty Program (PSP) employees.
- (3) **Policy Owner:** Director, Withholding and International Individual Compliance (WIIC)
- (4) **Program Owner:** WIIC is responsible for administering this program.
- (5) **Program Goals:** The goals of the PSP area align with the LB&I Strategic Goal to apply the tax laws with integrity and fairness through a highly skilled and satisfied workforce, in an environment of inclusion where each employee can make a maximum contribution to the mission of the team.

4.1.9.1.1
(11-21-2019)
Background

- (1) PSP is responsible for classification and assignment of cases of U.S. citizens living or working abroad in a U.S. Territory, U.S. Territory residents with U.S.-sourced income and/or U.S. federal income tax withheld, U.S. citizens or resident aliens who hold income producing assets in a foreign country or claim the foreign earned income exclusion or foreign tax credit, and permanent residents and non-resident aliens who have a U.S. filing requirement. This includes reporting and payment requirements under Chapter 3 (Withholding of Tax on Nonresident Aliens and Foreign Corporations) and Chapter 4 (Taxes to Enforce Reporting on Certain Foreign Accounts) of the Internal Revenue Code. This also includes determining amounts to be transferred between the U.S. Treasury and the U.S. Territory treasuries, related to IRC 7654.
- (2) PSP area is comprised of four program areas, each with different goals and responsibilities, as follows:
 - a. WIIC Support
 - b. WIIC Classification
 - c. WIIC Identification
 - d. Campaign and Voluntary Disclosure Support

4.1.9.1.2
(11-21-2019)
Authority

- (1) The development, implementation and oversight of PSP procedures are the prerogative of the Director, WIIC.

4.1.9.1.3
(11-21-2019)
Responsibilities

- (1) PSP employees and managers should be familiar with and use the examination procedures and information contained in this IRM and also be aware of the applicable procedures in other examination IRM chapters, as cited or linked.

4.1.9.1.4
(11-21-2019)
Program Management and Review

- (1) **Program Reports:** Director, WIIC Practice Area prepares periodic briefing reports for the LB&I commissioner focusing on:
 - a. Significant accomplishments and opportunities for improvement
 - b. Changes in procedures that have been implemented
 - c. Operational, technical, and staffing updates
 - d. Any other key information

- (2) **Program Effectiveness:** The efficiency of the case procedures is measured through combined business results of the teams that make up the WIIC Practice Area.

4.1.9.1.5
(11-21-2019)

Program Controls

- (1) Headquarters analyzes audit results, performs program reviews, and monitors rule-based applications used to select inventory. The results are used to make data-based decisions to improve program quality, improve case selection, and to ensure the integrity of the selection methods.
- (2) The WIIC director identifies goals and objectives to be achieved by the organization, compiles periodic reports from the director of field operations and reports to LB&I executive management on a continuous basis via the director's briefings.

4.1.9.1.6
(11-21-2019)

Acronyms

- (1) The following is a list of frequently used acronyms in this program:

Acronym	Term
CNMI	Commonwealth of the Northern Mariana Islands
DIF	Discriminant Function
LB&I	Large Business and International
OVDP	Offshore Voluntary Disclosure Program
POD	Post of Duty
PSP	Planning and Specialty Programs
RA	Revenue Agent
TCO	Tax Compliance Officer
TE	Tax Examiner
USVI	U.S. Virgin Islands
WIIC	Withholding and International Individual Compliance

4.1.9.2
(11-21-2019)

Identification of Returns

- (1) The Chief, Classification Section is responsible for ensuring all returns with international characteristics are classified at the campus before sending them to the areas.
- (2) All returns with international characteristics will be classified by international issue teams.
- (3) Individuals responsible for the classification of returns will do the following:
- Identify returns they select for possible examination or those they will associate with returns already under examination as "international."
 - Ensure the Form 3210, Document Transmittal, sent to the area Planning and Special Programs (PSP) territory manager states the returns were selected for "international," and includes special instructions for returns that should be associated with the related return of another area or a return that is part of a national or area coordinated examination.

- c. Assign the applicable project code from the list below to returns selected before sending them to the area.

4.1.9.2.1
(11-21-2019)
Project Codes

- (1) Project code 0090 — returns selected before transmitting them to the Area.
- (2) Project code 0162 — Form 1040 (with Form 2555). Project Code 0162 takes precedence over the project code identified in (1) above.
- (3) All LB&I project codes can be found at this link: *LB&I Project and Tracking Codes*.

4.1.9.3
(11-21-2019)
Foreign Information Documents

- (1) Income tax treaties and tax coordination agreements generally provide for the exchange of routine information relating to payments made to residents of the contracting countries (foreign information documents) and cover over claims. These documents reflect payments of dividends, interest, royalties, commissions, tax refunds, federal income tax withheld, etc. LB&I receives and processes the documents. For more information see IRM 4.60.1, Exchange of Information.
- (2) Foreign information documents showing individual taxpayers, Individual Master File, as recipients are subject to processing under the Information Returns Program .

4.1.9.4
(06-18-2014)
Form 5074, Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands

- (1) U.S. residents with income sourced in Guam or the CNMI must file Forms 1040 and Form 5074, Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands (CNMI). These forms are filed at the Austin Campus.
- (2) These returns are processed, coded, and delivered to Austin Campus as prompt examination returns.
- (3) Austin Campus takes the following actions:
 - a. Completes the following (previously on page 2 of Form 5074):

1. Income tax reported on Form 1040. Include any recapture of education credits.	\$XXXX
2. Alternative minimum tax	\$XXXX
3. Add lines 1 and 2	\$XXXX
4. Foreign tax credit	\$XXXX
5. Credit for child and dependent care expenses	\$XXXX
6. Credit for the elderly or disabled	\$XXXX
7. Education credits	\$XXXX
8. Retirements savings contributions credit	\$XXXX
9. Child tax credit	\$XXXX
10. Adoption credit	\$XXXX

11. Credits from Form 8396, Mortgage Interest Credit and Form 8859, District of Columbia First-Time Homebuyer Credit	\$XXXX
12. Other credits	\$XXXX
13. Add lines 4 through 12	\$XXXX
14. Subtract line 13 from line 3. If the result is zero or less, enter -0-	\$XXXX
15. Additional tax on IRAs, other qualified retirement plans, etc.	\$XXXX
16. Other Chapter 1 taxes. Include any tax from Form 4970, Tax on Accumulation Distribution of Trusts.	\$XXXX
17. Taxes to be allocated. Add lines 14 through 16.	\$XXXX

	Guam	CNMI
18. Divide the amount on page 1, line 29 of the Form 5074 by the adjusted gross income (AGI) reported on Form 1040. Enter the result as a decimal (rounded to at least three places.)	X.XXX	X.XXX
19. Tax allocated to Guam or the CNMI. Multiply line 17 by line 18	\$XXXX	\$XXXX
20. Enter the amount from page 1, line 34 of Form 5074	\$XXXX	\$XXXX
21. Tax due. Subtract line 20 from line 19	\$XXXX	\$XXXX

- b. Forwards a copy of Form 5074 and the calculation in (a) above to the Austin Campus Accounting Branch and to the LB&I U.S. Territory Program for payment of cover over to Guam and CNMI, respectively.
- c. Classifies the return.

4.1.9.5
(06-18-2014)
**Special Instructions for
International Returns**

- (1) Procedures, instructions, and information for the identification and selection of returns are applicable to LB&I returns except as provided in the following sub-sections.

4.1.9.5.1
(06-18-2014)
DIF Returns

- (1) The mathematical discriminant function (DIF) formulas for individual returns are not generally applicable to international returns identified for LB&I.
- (2) No minimum cutoff scores are applicable to LB&I individual DIF returns. All individual returns except "specials" are maintained on the DIF computer inventory file.
- (3) Returns with Army Post Office/Fleet Post Office (APO/FPO) addresses are DIF scored and can be selected under the DIF System. Military personnel stationed overseas or on ships generally file these returns. They fall under the jurisdiction of LB&I. Taxpayers should file all APO/FPO returns at the Austin Campus.

4.1.9.5.2
(10-24-2006)
Special Returns

- (1) The same audit codes used for all individual returns apply when identifying individual returns as “special” returns. Many codes will not apply to Form 1040-NR, Form 1040-PR, and Form 1040-SS since the criteria for identifying these special features will not be present on these returns.

4.1.9.5.3
(06-18-2014)
Computer Reports

- (1) Computer reports for individual returns (1040–1, 1040–2, etc.) and corporate returns (1120–1, 1120–2, etc.) are generated for LB&I.
- (2) Computer report 1040–2 contains the number of returns filed which have a Form 2555, Foreign Earned Income or Form 2555-EZ, Foreign Earned Income Exclusion attached.
- (3) The individual returns Post-of-Duty (POD) Report 1040–1 is generated for LB&I WIIC using post-of-duty assigned by country or countries.
 - a. Separate PODs are used for APO/FPO returns.
 - b. All Form 1040-NR are assigned to LB&I WIIC and POD 993.
 - c. Various PODs within LB&I WIIC will be assigned Form 1040-PR and Form 1040-SS.
 - d. POD 998 will be assigned to LB&I WIIC returns which are not covered by a valid POD code.

4.1.9.5.4
(11-21-2019)
Ordering Returns

- (1) Submit all orders for returns to the Austin Campus.
- (2) Form 1040-NR, Form 1040-PR, or Form 1040-SS may be deleted from LB&I WIIC return orders by excluding the applicable POD(s) to which these returns are assigned from the individual return order.
- (3) Form 1040-NR, Form 1040-PR, or Form 1040-SS may be separately ordered for LB&I WIIC by placing a POD supplemental order for individual returns.
- (4) Form 1040-NR are delivered only when the indicator code is either blank or a “J.”
- (5) Form 1040-PR and Form 1040-SS are delivered only when the indicator code is blank.

4.1.9.5.5
(11-21-2019)
Classification of Returns

- (1) Tax examiners from LB&I WIIC PSP will classify the following returns:
 - Form 1040NR - Schedule A expenses, moving expenses, student loan interest, erroneous refundable credits, treaty exclusions (teachers, researchers, foreign agricultural workers, gamblers)
 - Form 1040 – erroneous refundable credits, foreign earned income exclusion, treaty exclusions
 - Form 1040PR/SS – U.S. Territories underreported self-employment tax
 - U.S. Territories – Non-filed self-employment tax
- (2) Tax compliance officers from LB&I WIIC PSP will classify the following returns:
 - Form 1040 with Form 2555 or Form 2555-EZ attached
 - Form 1040 with foreign addresses
 - Form 1040-PR
 - Form 1040-SS
 - Form 1040-NR
 - APO/FPO returns
 - USVI Cover Over Claims and USVI Special Case Referrals

