



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.4.12

MAY 17, 2016

EFFECTIVE DATE

(05-17-2016)

PURPOSE

- (1) This transmits a minor revision to IRM 4.4.12, *AIMS Procedures and Processing Instructions, Examined Closings, Surveyed Claims, and Partial Assessments*.

MATERIAL CHANGES

- (1) IRM 4.4.12.5.18.3 has been updated to include the use of Disposal Code 08 when payment in lieu is received. The use of Disposal Code 03 and an agreement date allows a suspension of interest on the underpayment. If the taxpayer does not sign a waiver, interest suspension is not allowed under IRC 6601(c). Disposal Code 08 does not allow an agreement date, therefore interest is not suspended.
- (2) IRM 4.4.12.5.18.3.8 has been updated to include the use of Disposal Code 08 when full payment is received and there is no signed agreement. The use of Disposal Code 03 and an agreement date allows a suspension of interest on the underpayment. If the taxpayer does not sign a waiver, interest suspension is not allowed under IRC 6601(c). Disposal Code 08 does not allow an agreement date, therefore interest is not suspended.

EFFECT ON OTHER DOCUMENTS

IRM 4.4.12, dated September 17, 2015 is superseded.

AUDIENCE

Large Business & International (LB&I), Small Business/Self-Employed (SB/SE) and Wage & Investment (W&I)

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Examination Systems and Projects
Small Business/Self-Employed

4.4.12

Examined Closings, Surveyed Claims, and Partial Assessments

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Exhibits

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4.4.12.1
(09-17-2015)
Introduction

- (1) The following instructions are for the completion of Form 5344, *Examination Closing Record*, which is used to close examined returns, surveyed and examined claims, and partial assessments.
- (2) Following are the Form 5344 item numbers with the corresponding text.

Item Number	Title	IRM Reference
Item A:	CC TSCLS	IRM 4.4.12.5.3
P1–6:	CC AMCLS	IRM 4.4.12.5.4
P 49-50	Unpostable Indicator	IRM 4.4.35, <i>AIMS Procedures and Processing Instructions, Unpostable Resolution</i>
P56	Separate Spousal Assessment	IRM 4.4.12.5.4.1
P57	Secondary Spousal Name Control	IRM 4.4.12.5.4.2
P7–34:	TIN, MFT, Tax Period, Name Control/ Check Digit	IRM 4.4.12.5.5
P36:	Batch Position Indicator	IRM 4.4.12.5.6
P38–40:	Blocking Series Number	IRM 4.4.12.5.7
P45–47:	Sequence Number	IRM 4.4.12.5.8
Item 01:	Secondary Spouse SSN	IRM 4.4.12.5.9
Item 02:	Penalty Reason Code	IRM 4.4.12.5.10
Item 03:	Letter Date (BMF Only)	IRM 4.4.12.5.11
Item 04:	Letter Amount	IRM 4.4.12.5.12
Item 05:	2% Interest Date	IRM 4.4.12.5.13
Item 6A:	Debit Interest “To” Date	IRM 4.4.12.5.14
Item 6B:	Credit Interest	IRM 4.4.12.5.15
Item 6C:	Compute Interest Amount	IRM 4.4.12.5.16
Item 07:	Hold Code	IRM 4.4.12.5.17
Item 08:	Agreement Date	IRM 4.4.12.5.18
Item 09:	Priority Code	IRM 4.4.12.5.19
Item 11:	Interest Computation Date	IRM 4.4.12.5.20
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Item 14:	Statute Extended to	IRM 4.4.12.5.23
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Item F:	Cor.	IRM 4.4.12.5.28
Item 16:	Appeals Office Code	IRM 4.4.12.5.29
Item 18:	Unagreed Amount Appealed/Petitioned	IRM 4.4.12.5.30

Item Number	Title	IRM Reference
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Item 21:	Amount Claimed	IRM 4.4.12.5.33
RBP:	Claim for Refund Section (Revenue Based Protection)	IRM 4.4.12.5.34
Item 22:	Dollars Protected	IRM 4.4.12.5.35
Item 23:	RBP Hours	IRM 4.4.12.5.36
Item 24:	Claim Type	IRM 4.4.12.5.37
Item 28:	Examiner's Time	IRM 4.4.12.5.38
Item 30:	Examination Technique Code	IRM 4.4.12.5.39
Item 31:	Examiner's Grade	IRM 4.4.12.5.40
Item 32:	Grade of Case	IRM 4.4.12.5.41
Item 33:	Examiner's Name	IRM 4.4.12.5.42
Item 34:	Adjustment Amount (Non-Taxable)	IRM 4.4.12.5.43
Item 35:	Manual Assessment Amount	IRM 4.4.12.5.44
Item 36:	Hash Total	IRM 4.4.12.5.45
Item 37:	Delinquent Return	IRM 4.4.12.5.46
Item 38:	Fraud	IRM 4.4.12.5.47
Item 39:	Disclosure Code	IRM 4.4.12.5.48
Item 41:	No Change Issue Codes (IMF)	IRM 4.4.12.5.49
Item 43:	Posting Delay Code	IRM 4.4.12.5.50
Item I:	Reviewer	IRM 4.4.12.5.51
Item K:	Tax Examiner	IRM 4.4.12.5.52
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Item 45:	NOL Indicator	IRM 4.4.12.5.54
Item 46:	Credit CF Disallowed Amount	IRM 4.4.12.5.55
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Items 51, 52, 53:	Reason Code	IRM 4.4.12.5.57
Item 66:	Tire Count	IRM 4.4.12.5.58
Item 70:	SHIP-Lives and ASIHP Lives	IRM 4.4.12.5.59
Item 401:	Whipsaw Indicator	IRM 4.4.12.5.60

Item Number	Title	IRM Reference
Item 402:	International Examiner's Time	IRM 4.4.12.5.61
Item 403:	International Exam Results	IRM 4.4.12.5.62
Item 404:	Form 720	IRM 4.4.12.5.63
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Item 410:	Aging Reason Code	IRM 4.4.12.5.66
Item 411:	Payment Code	IRM 4.4.12.5.67
Item 412:	Installment Agreement Code	IRM 4.4.12.5.68
Item 414:	Delinquent Return Amount	IRM 4.4.12.5.69
Item 415:	Amended Return Amount	IRM 4.4.12.5.70
Item 416:	Fax Agreement Indicator	IRM 4.4.12.5.71
Item 418:	3121Q Amount	IRM 4.4.12.5.72
Item 422:	Applicable Credit Adj Amount	IRM 4.4.12.5.73
Item 425:	DSUE Amount	IRM 4.4.12.5.74

- 4.4.12.2 (1) A partial assessment can be input if the status code on AIMS is less than 80.
(06-01-2002)

Partial Assessments

- 4.4.12.2.1 (1) Form 5344, *Examination Closing Record*, is used to input a partial assessment. The Form 5344 has indicators next to the item numbers that are required (*) and optional (&) when making a partial assessment.
(09-17-2015)

Form to be Used

- 4.4.12.2.2 (1) Item numbers 02–09, 11–15, 36 and 38 are valid. See specific instructions below.
(06-01-2002)

Valid Item Numbers

- 4.4.12.2.3 (1) Check tax module for credit balances. If a hold code is present, see the following instructions.
(06-01-2002)

Credit Balances

- 4.4.12.2.3.1 (1) A Hold Code 1 is automatically generated to prevent the release of an advance payment pending the processing of the final adjustment action.
(09-17-2015)
- (2) When a partial assessment is processed as a quick assessment, after Centralized Case Processing (CCP) has processed the quick assessment with Form 2859, *Request for Quick or Prompt Assessment*, prepare Form 3177, *Notice of Action for Entry on Master File*, requesting input of Transaction Code (TC) 570. The TC 570 will prevent the erroneous refund of a credit balance and advance/

subsequent payment that may be on the tax module. Form 3177 should be Efaxed to your CCP site. Efax numbers for CCP can be found at: *CCP Efax Numbers*.

4.4.12.2.3.2
(09-17-2015)

Release Credit Balance

- (1) If the Examination group wants a credit balance to be released, they must advise CCP accordingly. Notation should be made on Form 3198, *Special Handling Notice for Examination Case Processing*, in the "Other Instructions" section. See the instructions below:
 - a. If a partial overassessment is to be released and Command Code (CC) AMCLSF is used, annotate Form 3198 requesting input of Hold Code 3 on Form 5344. Hold Code 3 will allow systemic release of the refund, eliminating the need for cycling and subsequent input of a TC 290 for zero to release the refund.
 - b. If a partial overassessment is to be refunded using manual refund procedures, annotate Form 3198 "manual refund requested". Form 5344 for the partial overassessment must be processed within four weeks from the schedule date of the manual refund to prevent the taxpayer from receiving a bill resulting from a debit balance when the manual refund posts to Master File (MF).

Note: A regular refund can be processed through AIMS and IDRS up to \$10 million. Therefore, the only time a manual refund would be necessary is if the refund meets the requirements of IRM 21.4.4.2, *Refund Inquiries, Manual Refund*.

- (2) If the final closure will result in a credit balance that the taxpayer wants offset to another module, annotate on Form 3198 "Move overpayment to MFT and Tax Period XX/XXXXXX". For BMF returns, offsets have to be manually moved if the debit balance module has a -E freeze or is being assessed at the same time.

4.4.12.2.4
(09-17-2015)

Amended Return Freeze

- (1) When a partial assessment is necessary on a module with an amended return freeze, CCP will input Priority Code 4. This will allow the partial to post without releasing the MF freeze.
- (2) On Individual Master File (IMF) partials, if the failure to pay (FTP) penalty should be assessed and there is an amended return on the module, CCP will input Priority Code 3.

4.4.12.2.5
(09-17-2015)

TEFRA (Tax Equity and Fiscal Responsibility Act) Linkages

- (1) When a partial assessment has been input and there is an open TEFRA linkage, an original and copy of the closing document must be included in the case file. The copy of the closing document will remain with the case file which will be forwarded to the Campus TEFRA Function (CTF). The original Form 5344 must be forwarded to the campus files area as the source document after terminal input.
- (2) CC TSCLS should not be input if only a partial assessment is appropriate, or the case is being transferred to the CTF.

4.4 AIMS Procedures and Processing Instructions

4.4.12.2.6
(09-17-2015)

Final Disposition After Input of Partial Assessment

- (1) Another Form 5344 must be prepared for the final closure. See the information below for Form 5344 instructions.

- If there are no additional adjustments to the tax previously assessed as a partial, enter a TC 300 for 0.00 in item 12, use the agreement date from the partial assessment previously input in Item 08 and use disposal code 03, 04 or 09 in Item 13. Complete the remainder of Form 5344 items as required (i.e., TIN, MFT, tax period, etc.)
- If there are additional adjustments to the tax previously assessed as a partial, enter only the increase or decrease from the amount processed as a partial assessment. Complete the remainder of Form 5344 items as required using the applicable disposal code. Depending on the final resolution of the additional adjustments, the return will either be forwarded to CCP (for an agreed closure) or to Technical Services (for an unagreed closure).
- If the final closing is to Appeals, Item 12 must be left blank and the unagreed amount entered in Item 18 must not include the amount of tax previously assessed as a partial assessment. Complete the remainder of Form 5344 entries as required.

Note: If using RGS to generate the Form 5344, uncheck the partial agreement indicator.

- (2) If a situation exists where the final closing is ready to be processed at the same time as the partial assessment, CCP will cycle the final closing Form 5344 using a Posting Delay Code of 1 which delays the final closing one cycle after input of the partial assessment.

4.4.12.2.7
(09-17-2015)

Examination Results

- (1) All partial assessments processed through AIMS using CC AMCLSF will be reflected in the EXAM-CUM-ASSMNT-AMT field found on Page 3 of an AMDISA print. Upon the final closing, this field will be included in the AIMS/Exam Results field.
- (2) If a partial was assessed as a manual or quick/prompt assessment, be sure to enter the net of all tax adjustments in Item 35, Manual Assessment Amount, of Form 5344. Manual and quick/prompt assessments are not input through AIMS, therefore, entering the appropriate amount in Item 35 gives Examination credit for the tax.

Reminder: Do not include penalties and interest in Item 35.

4.4.12.2.8
(09-17-2015)

Additional Information

- (1) Additional information for partial assessments can be found on the CCP website at: *Quick/Prompt and Partial Assessments*.

4.4.12.3
(09-17-2015)

Surveyed Claims, Disposal Code 34

- (1) This section contains instructions for the preparation of Form 5344 when closing surveyed claims.

4.4.12.3.1
(09-17-2015)
Form to be Used

- (1) Form 5344, is used for closing surveyed claims. Surveying a claim is considered an examined closure not a non-examined closure. The purpose of surveying the claim is to allow the entire refund requested by the taxpayer. The only way to allow the refund is to complete Form 5344. The form has indicators next to the item numbers to indicate required (#) and optional (&) item numbers when using disposal code 34.

4.4.12.3.2
(09-17-2015)
Valid Item Numbers

- (1) Item numbers 12, 13, 21 and 36 are required on Form 5344.
- (2) Item numbers 02, 6A, 6B, 6C, 07, 09, 11, 15, 19, 39, and 43 are optional on Form 5344.

4.4.12.4
(09-17-2015)
Taxable Amended Return

- (1) There may be instances when the taxpayer gives the examiner a taxable amended return, Form 1040X, *Amended U.S. Individual Income Tax Return*, during an examination. Options for processing the Form 1040X are:
 - a. If the examiner receives a taxable amended return covering issues not currently included in the audit, send the taxable amended return to CCP for a partial assessment using DC 08. The examiner must retain a copy of the amended return in the case file. A signature is not needed because the taxpayer signed the Form 1040X. Annotate Form 3198 in the "Other Instructions" section "Taxpayer signed taxable Form 1040X." The remainder of the issues will be included on a separate Form 4549, *Income Tax Examination Changes*, also known as a Revenue Agent's Report (RAR).

Note: Disposal Code 08 is used in this instance because the interest on the tax due on the amended return is calculated from the return due date. The taxpayer is not entitled to an interest free period (DC 03 allows an interest free period) under IRC 6601(c) for amended returns.

- b. If the examiner is already auditing the issues included in the Form 1040X those issues can be included on the Form 4549.
- (2) For taxable amended returns received within 120 days of the Assessment Statute Expiration Date (ASED) see IRM 4.4.25.2.4, *AIMS Procedures and Processing Instructions, Quick Assessments*.
- (3) If the Campus has already assessed the taxable amended return using a TC 290, the tax is input in Item 415 of Form 5344 if Examination's TC 420 posted prior to the TC 290 for the taxable amended return. See IRM 4.4.12.5.70 for an explanation of Item 415.

4.4.12.5
(09-17-2015)
Examined Closings

- (1) The instructions below will assist you in closing your examined case.
- (2) Examined closings must contain any one of the following items:
 - Original paper return or
 - Copy of the return or
 - SFR or
 - Electronic print such as: TRPRT, RTVUE, BRTVUE, TXMODA, BMFOLT, IMFOLT, CDE (Compliance Data Engine) print, etc.

4.4.12.5.1
(06-01-2002)

Form to be Used

- (1) Form 5344 is required when closing examined cases.

4.4.12.5.2
(09-17-2015)

Form 5344 Entries

- (1) The following items must be completed before the form can be input for closing. Report Generating Software (RGS) carries over items from Form 4549, and other fields within RGS such as grade of examiner, hours, etc. to the 5344. If RGS is not used to create the Form 5344 see the article titled, *Form 5344 Entries, Area of Responsibility*.
- (2) The area of responsibility for completion of Form 5344 referenced in the article above should be followed for all Form 5344s whether or not the Form 5344 is generated by RGS. If there is occasion to deviate from the instructions, extreme care must be taken to ensure the accuracy of the Form 5344 entries which are used in monthly reports and tables.

4.4.12.5.3
(09-17-2015)

Item A: CC TSCLS

- (1) Place a check in the box if the Form 5344 is for a full closure of all TEFRA or nonTEFRA linked returns. CC TSCLS releases a freeze on AIMS to allow the return to close. A PICF Code 5 or 6 denotes a case is linked through PCS and prevents the premature closing of the investor return until all necessary flow-through adjustments from the related key-case(s) to the investor return have been resolved. CC TSCLS must be entered at the terminal before a final closure of a Partnership Control System (PCS) linked case. CC TSCLS should not be input if a partial assessment is appropriate and, the case is being transferred to the Campus TEFRA Function (CTF), or it is being closed to Appeals. When entered, the CC TSCLS will automatically check all of the investor's linkages to see if they have been closed. If all linkages are closed then CC TSCLS will set the PN-SUM-CLOSED-IND on the partner PCS record. The PICF-CD will update to a closed status 7 or 8 on the PCS and AIMS databases. When the "Request Completed" message is transmitted to the IDRS screen, CCP can proceed to enter the CC AMCLS.

Note: The PICF code can be located on page 1 of the AMDISA, line 14.

- (2) Should all linkages not be properly closed upon input of the CC TSCLS, the error message "Cannot Close, PCS Control " will be displayed on the IDRS screen. CCP will input CC TSUMY, secure a print, attach it to the Form 5344, and route the case file back to the originator for resolution.

4.4.12.5.4
(08-01-2003)

P 1-6: CC AMCLS

- (1) Add the definer to CC AMCLS depending on the type of closure. Definers are:
 - A = Appeals (Long Closure)
 - E = Examination (Long Closure)
 - F = Examination/Appeals (Partial Assessment)
 - I = IRAF (Individual Retirement Account File)
 - O = EO (Exempt Organization)
 - P = EP (Employee Plans)
 - S = Separate Spousal Assessment (MFT 31 adjustment)
 - U = Unpostable (input of correction)

Note: For RGS users, the AMCLS definer is input by CCP. If you are trying to set up an MFT 31 case on RGS, the Form 5344 will have to be manually prepared for input of the AMCLSS closure.

4.4.12.5.4.1
(09-17-2015)
AMCLSS P-56:

- (1) AMCLSS is the command code used to send an adjustment to an MFT 31 module for an assessment, abatement, refund or surveyed claim. MFT 31 modules are not controlled on AIMS. The AMCLSS is input on the MFT 30 module which sends the adjustment to the MFT 31 module. Some examples of why an MFT 31 account may be necessary are:
 - a. An individual assessment on a joint account, for instance when one taxpayer agrees to the tax deficiency and one taxpayer does not agree to the tax deficiency and requests to go to Appeals (an MFT 31 account is created for the agreeing spouse),
 - b. An individual assessment on a joint account where one taxpayer agrees to the tax deficiency and one taxpayer does not agree and petitions tax court as a result of a Statutory Notice of Deficiency (an MFT 31 account is created for the agreeing spouse),
 - c. An innocent spouse case where we are making an assessment against only one taxpayer (an MFT 31 account is created for the agreeing spouse), and
 - d. Criminal Restitution assessments.
- (2) MFT 31 accounts created by Examination are not mirror accounts, therefore, interest may need to be manually computed. If any of the following conditions apply, annotate Form 3198 "Interest may need to be manually computed and restricted due to (list reason why)"
 - Interest-free refunds
 - Refunds with interest
 - -I freeze on MF
 - Taxpayer filed an extension (TC 460)
- (3) Enter a "P" if the assessment is against the primary taxpayer, enter an "S" if the assessment is against the secondary taxpayer.

4.4.12.5.4.2
(08-01-2003)
AMCLSS P-57:

- (1) If an S is entered in Item 56, the name control of the secondary spouse is required in Item 57. This is to prevent unpostables when the taxpayer's last names are not the same.

4.4.12.5.5
(09-17-2015)
P 7-34 TIN, MFT Tax Period, CD/NC

- (1) Complete Positions 7-34 and Item B using the following instructions.

4.4.12.5.5.1
(09-17-2015)
P 7-18: TIN

- (1) Enter either an EIN or SSN. The first digit of the number must be entered in the left most position,

EIN format will be NN-NNNNNNN

SSN format will be NNN-NN-NNNN
- (2) Form 706, *U.S. Estate Tax Return*: the SSN of the decedent must be used followed by the letter "V" or "W".

4.4 AIMS Procedures and Processing Instructions

- (3) Form 709, *United States Gift (and Generation - Skipping Transfer) Tax Return*: the SSN of the donor must be used, followed by the letter "V" or "W".
 - (4) Non-Master File (NMF): an "N" must be entered immediately after the EIN or SSN.
 - (5) A temporary TIN secured through the AIMS command code AMTIN7 will be entered with no hyphens followed by a - (dash) and the letter "D", for example 123456789-D. The AMTIN7 command code is only available to the Area Office AIMS/ERCS analysts. Contact your local AIMS/ERCS analyst for assistance if you need to secure a temporary TIN through AMTIN7.
- Note:** An assessment cannot be made against an SSN followed by a **D** because this SSN is not on Master File. The **D** SSN is for AIMS/ERCS control purposes and can be used to close a return to Appeals. If an adjustment needs to be made to the taxpayer's account on Master File, see IRM 4.4.12.5.5.2 for additional instructions.
- (6) If an asterisk (*) is present indicating an invalid SSN, correction may have been made since the original opening. Research both the valid number and the invalid number to determine whether the account has been corrected.
 - a. If information has been secured to resolve the invalid SSN, contact should be made with the Entity Function at the campus. The Austin, Cincinnati, Fresno and Ogden Campuses have entity contacts. The contacts can be located on the AIMS/ERCS website under the **Contacts** tab and then under **Area Office/Campus** at *Area Office/Campus Contacts*.
 - b. An invalid SSN may also involve a duplicate filing condition caused by returns of two different taxpayers trying to post to the same account.
 - c. Do not attempt to correct the invalid condition with Form 2363, *Master File Entity Change*. When an account number is changed, all data posted to the incorrect number is transferred to the correct number. Carefully study transcripts of all accounts involved before making any adjustments.
 - (7) If it has been determined that a return has posted to a different taxpayer's account, see IRM 4.4.3.9, *AIMS Procedures and Processing Instructions, Credit Transfers and Reprocessing Returns*, for closing instructions.

4.4.12.5.5.2
(06-01-2001)

Taxpayers with no TIN

- (1) When the taxpayer does not have a TIN and an adjustment needs to be made to the taxpayer's account on Master File, the following options are available:
 - The taxpayer may request a temporary TIN called an IRS Individual Taxpayer Identification Number, ITIN. The ITIN is given by the IRS, not the Social Security Administration, and begins with the number "9".
 - The IRS may request a TIN for the taxpayer called an Internal Revenue Service Number, IRSN.
- (2) If the taxpayer does not have an EIN or SSN and refuses to file Form SS-4, *Application for Employer Identification Number*, or Form SS-5, *Application for a Social Security Number Card (Original, Replacement or Correction)*, the examiner can secure an IRSN by completing Form 4442, *Inquiry Referral* for BMF taxpayers or Form 9956, *Request for Temporary SSN* for IMF taxpayers. Follow the instructions below:
 - a. Form 4442 is faxed to the Entity function at the Cincinnati Campus or Ogden Campus for BMF taxpayers.

- b. Form 9956 is faxed to the Entity function at the Austin Campus or Fresno Campus for IMF taxpayers.

Note: See IRM 4.4.12.5.5.1 above for Entity contacts at the Austin, Fresno, Cincinnati and Ogden Campuses.

- c. Instructions for completion of Form 4442 are included on the form. In addition, when requesting an EIN for a BMF taxpayer, include your request in "Section B - Taxpayer Inquiry/Proposed Resolution" stating you are requesting an IRSN for a BMF taxpayer and request the account be established on Master File.
- d. When completing Form 9956 be sure to check the "YES" box next to the question "Would you like the account established on Master File".

- (3) For additional information on TINs, see IRM 3.13.2, *BMF Account Numbers*, and IRM 3.13.5, *Individual Master File (IMF) Account Numbers*.

4.4.12.5.5.3
(06-01-2002)
P21–22: MFT

- (1) Enter the Master File Tax Code (MFT) or Non-Master File Tax Code (NMFT) for the tax return.

4.4.12.5.5.4
(09-17-2015)
P24–29 Tax Period

- (1) Enter tax period using YYYYMM format. Example: Enter 201312 for a 2013 calendar year return.

4.4.12.5.5.4.1
(06-01-2002)
Form 706

- (1) For Form 706 enter all zeroes (000000).

4.4.12.5.5.4.2
(09-17-2015)
Form 11C, 730 or 2290

- (1) Form 11C, *Occupational Tax and Registration Return for Wagering*, Form 730, *Monthly Tax Return for Wagers*, or Form 2290, *Heavy Highway Vehicle Use Tax Return*, can have different month ending tax periods depending on the situation. For example, Form 2290 could have a tax period of 201407 if a vehicle was first used during the month of July in 2014.

4.4.12.5.5.5
(06-01-2002)
**P31–34 Check
Digit/Name Control
(CD/NC)**

- (1) Enter the check digit in positions 33 and 34. If the check digit is not available, the name control should be used. If the check digit was used to establish the account, the check digit must be used at closing.

4.4.12.5.5.6
(06-01-2002)
Item B: Name

- (1) Enter the name of taxpayer as shown on the tax return. If necessary, edit the name not to exceed 35 characters.

4.4.12.5.5.6.1
(06-01-2002)
**Individual Master File
(IMF)**

- (1) Enter the last name (comma), first name, then the middle initial, if any.

4.4.12.5.5.6.2
(06-01-2002)

**Business Master File
(BMF)**

- (1) Enter the name as it appears on the return.

4.4.12.5.6
(06-01-2002)

**P36: Batch Position
Indicator**

- (1) Only NMF accounts require a batch position indicator. This field is used to indicate whether the record being processed is the first, last, continuation, addition to a block, or a single closing of a block.
- (2) Valid indicators are as follows:
- “**F**” first closing within a block. After this record is processed the computer will change the F to a C.
 - “**C**” continuation within a block as interrupted and left open.
 - “**L**” last closing within the block. If this is not entered with the last closing, it is not possible to begin a new block.
 - “**R**” reopen a previously closed block. After this record is processed the computer will change the R to a C.
 - “**S**” single closing (one case for the block). This indicator will open the block, process the account and close the block.

4.4.12.5.7
(09-17-2015)

**P38–40: Blocking Series
Number**

- (1) All closures require a blocking series number. For a list of blocking series, see the AIMS/ERCS website under the “Codes/Procedures” tab and scroll down to “Blocking Series” at: *Blocking Series*.

4.4.12.5.8
(09-17-2015)

**P45–48: Sequence
Number**

- (1) This field is used by the terminal operator to number the input documents.

4.4.12.5.9
(09-17-2015)

**Item 01: Secondary
Spouse SSN**

- (1) Enter the SSN of the spouse when there is an adjustment to the spouse’s Individual Retirement Account (IRA). See IRM 4.4.14, *AIMS Procedures and Processing Instructions, IRA, Education Savings Accounts & Medical Savings Account Adjustments*, for information.

4.4.12.5.10
(09-17-2015)

**Item 02: Penalty Reason
Code**

- (1) The Penalty Reason Code is a two digit number and a required entry if penalties are being abated.
- (2) See IRM 20.1.1, *Introduction and Penalty Relief*, for procedures pertaining to penalties.
- (3) For additional information on penalty reason codes, see Section 10-9 in Document 6209.

4.4.12.5.11
(09-17-2015)

**Item 03: Letter Date
(Large Corporate
Taxpayer C-Corporations
Only)**

- (1) When preparing Form 5344 for any partial assessment or final closing, and the BMF taxpayer is identified as a **C-Corporation** with an unpaid deficiency greater than or equal to \$100,000, Items 03-05 must be entered on the Form 5344.
- (2) Item 03 is the date of the first 30 or 90 day letter to the **C-Corporation** taxpayer. Input of this date causes the taxpayer’s account to reflect a Master File Status 30. If the **C-Corporation** taxpayer does not pay the balance timely, 30 days are added to this date to establish a Large Corporate Underpayment

(LCU) trigger date. The accuracy of this date is critical because once the 30th day from the notice date elapses without a payment, the taxpayer is subject to an underpayment interest rate which is 2% higher than the normal interest rate until the account is full paid. If Item 03 is applicable, a date should be entered for all unagreed cases going to Technical Services or Appeals.

- (3) See IRM 20.2.5.8, *Interest, Interest on Underpayments, Large Corporate Underpayment (LCU) Introduction*, for all procedures pertaining to interest.

4.4.12.5.12
(09-17-2015)

Item 04: Letter Amount

- (1) When Item 03 is entered, Items 04 and 05 must also be completed.
- (2) The amount must be over \$100,000 in tax.
- (3) Item 04 letter amount must equal the tax amount on the earliest 30 or 90 day letter sent to the "C-Corporation" taxpayer.
- (4) See IRM 20.2.5.8, *Interest, Interest on Underpayments, Large Corporate Underpayment (LCU) Introduction*, for all procedures pertaining to interest.

4.4.12.5.13
(09-17-2015)

Item 05: 2% Int Date

- (1) This entry must be 30 days later than the date entered in Item 03 and serves as the trigger date for LCU interest accrual. Entry in this item requires a TC 340 for interest and Item 6A "Debit Interest to Date". CCP will enter the TC 340 amount and the item 6A date.
- (2) See IRM 20.2.5.8, *Interest, Interest on Underpayments, Large Corporate Underpayment (LCU) Introduction*, for all procedures pertaining to interest.

4.4.12.5.14
(06-01-2002)

Item 6A: Debit Interest To Date

- (1) See IRM 20.2.5, *Interest, Interest on Underpayments*, for all procedures pertaining to interest.

4.4.12.5.15
(06-01-2002)

Item 6B: Credit Interest

- (1) See IRM 20.2.4, *Interest, Overpayment Interest*, for all procedures pertaining to interest.

4.4.12.5.16
(06-01-2002)

Item 6C: Compute Interest Amounts

- (1) See IRM 20.2.8.11, *Interest, Restricted Interest, Non-Restricting Transaction Code (TC) 340*, for all procedures pertaining to interest.

4.4.12.5.17
(09-17-2015)

Item 07: Hold Code

- (1) Hold codes, ranging from 1 through 5, are used to restrict certain Master File actions with the posting of adjustment transactions. Only use one of the following when applicable.

4.4.12.5.17.1
(06-01-2002)

Hold Credits

- (1) Hold Code 1 — If the net module balance after posting the adjustment is a credit, a refund will not be issued until one of the following occurs:
 - a. A record with Document Code 24 or 34 posts.
 - b. TC 29X, 30X, 820, or 830 posts.

4.4 AIMS Procedures and Processing Instructions

4.4.12.5.17.2

(08-01-2003)

Hold Notices

- (1) Hold Code 2 — Automatically generated if Disposal Code is 07 (Non-Docketed) or 11 (Docketed). If the module balance after posting the adjustment is zero or debit, a notice is not issued and no credit freeze is set. If the module balance after posting the adjustment is a credit, neither a refund nor an overpayment notice will be issued until one of the following occurs:
 - a. A record with Document Code 24 or 34 posts.
 - b. TC 29X, 30X, 820, or 830 posts.
 - c. The net module balance becomes zero or debit (releases notice freeze).
 - d. Enter Hold Code 2 on all second adjustment Forms 5344 when a quick assessment is made unless a manual offset is involved or an overassessment was processed using quick assessment procedures.
- (2) Hold Code 3 — A notice is not issued at any time for this adjustment. Also allows any credits to refund when assessing a partial.
- (3) Hold Code 4 — If the module balance after posting the adjustment is a credit, a notice is not issued at any time, and a refund is not issued until one of the following occurs.
 - a. A record with Document Code 24 or 34 posts.
 - b. TC 29X, 30X, 820, or 830 posts.
 - c. The new module balance becomes zero or debit.

4.4.12.5.17.3

(06-01-2002)

Partial Assessments

- (1) Do not use Hold Code 2 on partial assessments unless it has been specifically requested that the taxpayer not receive a notice.

4.4.12.5.17.4

(09-17-2015)

Form 11C only

- (1) Hold Code 5 will suppress a CP 243 notice. CP 243 will be generated if the adjustment takes the module balance from debit to zero or credit. If both Hold Codes 4 and 5 are applicable, use Hold Code 4.

4.4.12.5.17.5

(06-01-2002)

“Remarks” space:

- (1) Provided to the right of the hold code field for a short explanation of why the hold code is necessary. The remarks will assist the unpostable examiner if the transaction unposts.

4.4.12.5.18

(06-01-2002)

Item 08: Agreement Date

- (1) This date is used at MF (Waiver 870 date) to identify if the agreed and unpaid assessment was posted to the account within 30 days of the waiver being signed. If the date of the agreed and unpaid assessment (known as the 23C date) is later than the waiver plus the 30-day date, then interest on the agreed amount is suspended from the 30th day after the agreement, until full paid, or the 23C date of the assessment.
- (2) Only returns with a MFT of 02, 05, 30, 31, 33, 51 and 52 require an agreement date. If an agreement date is entered other than for the MFTs above, Master File will allow for an interest-free period, which is not correct.
- (3) An agreement date is required to be entered on agreed deficiency cases if the disposal code is 03, 04 or 09 and Item 12 contains an increase in tax and the MFT is 02, 05, 30, 31, 33, 51 or 52.

Note: For MFT 30 returns, the agreement date cannot be earlier than the return due date or return filed date, whichever is later.

Note: An agreement date will not be allowed if the disposal code is 08, 10 or 13.

- 4.4.12.5.18.1
(06-01-2002)
How to Determine Date
- (1) The agreement date is generally considered to be the IRS received date. If the received date is missing or illegible, enter the postmark date (excluding metered mail) or the signature date, whichever is closer to the current date.
 - (2) For Form 870-PT, *Agreement for Partnership Items & Partnership Level Determinations as to Penalties, Additions to Tax, and Additional Amounts* and Form 870-LT, *Agreement for Partnership Items & Partnership Level Determinations as to Penalties, Additions to Tax, and Additional Amounts and Agreement for Affected Items*, it is the date these forms were executed by an authorized person on behalf of the Commissioner.
- 4.4.12.5.18.2
(06-01-2002)
Effective Date
- (1) When the agreement form contains instructions as to the effective date of the agreement, that effective date should be entered. This date cannot be greater than the current date.
- 4.4.12.5.18.3
(05-17-2016)
Payment in Lieu
- (1) When payment is accepted in lieu of a signed agreement, do not enter an agreement date in Item 08. Use Disposal Code 08 to close the case.
- 4.4.12.5.18.3.1
(09-17-2015)
**IRC Section 6603
Deposit (formerly known
as Cash Bond)**
- (1) IRC Section 6603 deposits do **not** constitute a payment in lieu of an agreement.
- 4.4.12.5.18.3.2
(09-17-2015)
90-Day Cases
- (1) Payments in lieu of an agreement are **not** valid for 90-day cases. See IRM 4.8.9, *Technical Services -Statutory Notices of Deficiency*, for more information.
- 4.4.12.5.18.3.3
(06-01-2002)
**Agreement Received
After Payment**
- (1) Use the received date of the agreement. MF will use the TC 640 date and the "870 Date" to compute interest correctly.
- 4.4.12.5.18.3.4
(06-01-2002)
**Multiple Signed
Agreements**
- (1) If a second signed agreement is secured for an amount greater than the first agreement, enter the most recent agreement date.
- Note:** If the first signed agreement is not full paid, then underpayment interest has to be manually calculated and input using a Non-Restricting TC 340 whenever possible. CCP will make this computation.
- 4.4.12.5.18.3.5
(06-01-2002)
Employment Tax Cases
- (1) Do not enter an agreement date since there is no interest-free period for employment tax cases.
- 4.4.12.5.18.3.6
(09-17-2015)
**Claim for Refund,
Overassessment or
Abatement Cases**
- (1) Do not enter an agreement date for claim for refund/abatement cases if entering TC 301 or TC 309.

4.4.12.5.18.3.7
(06-01-2002)

Surveyed Claims

- (1) Do not enter an agreement date for surveyed claims.

4.4.12.5.18.3.8
(05-17-2016)

No signed agreement

- (1) Do not enter an agreement date when there is no signed agreement. If full payment of tax and penalties is received in lieu of a signature, use Disposal Code 08 to close the case.

4.4.12.5.19
(09-17-2015)

Item 09: Priority Code

- (1) Used to allow an adjustment to post by bypassing certain unpostable conditions. Priority Codes (PC) 1, 2, 3, 4, 5, 6, 7, 8, or 9 must be used with extreme care. Priority Codes are input by CCP.
- (2) The table below provides an explanation of the priority codes, when to use them and which Unpostable Code (UPC) with the applicable Reason Code (RC) will be bypassed when you enter a particular PC.

Priority Code	For Examination TC 30X (Doc Code 47), a priority code will be used in these instances	Bypasses UPC
1	Bypasses TC 97X freeze on AIMS and MF. Will allow a TC 30X to be input. Be sure the adjustment will not create a duplicate refund or assessment. The amended return should be in the case file and Form 3198 should be annotated in the "Special Features" section with a check mark in the box next to "Amended Return in File and Considered".	UPC 160 RC 4
2	Settlement Amount - No longer used by Examination. Used by TEGE (Tax Exempt and Government Entities)	UPC 143
3	<p>If there is an amended return freeze on the module:</p> <ul style="list-style-type: none"> a. Use when inputting an overpayment adjustment that is IRS initiated to consider the 45 day or 180 day interest-free back off period. See IRM 20.2.4.7.5, <i>Overpayment Interest</i>. b. Allows a TC 30X to post. c. For MFT 30 and 31 will cause MF to compute the credit interest from the normal start date to the 23C date minus 58 days. d. For Substitute for Return (SFR) bypasses the amended return freeze and computes Failure to Pay penalty (FTP) back to the return due date for a TC 30X adjustment. This priority code also ignores the agreement date. <p>Note: For TEGE and Appeals, only valid with copy blocking series 900-999 or 790-799, is also valid with any disposal code but is required with DC 01 or 02.</p>	UPC 160 RC 4
4	<p>If there is an amended return freeze on the module, allows input of a partial assessment, TC 30X.</p> <p>Note: Only valid with the partial assessment blocking series of 1XX.</p> <p>Note: To prevent unpostables from occurring when closing cases to Appeals, always enter a PC 4.</p>	UPC 160 RC 4
5	<p>If used with a TC 300, forces the assessment of FTP accruals to the posting date of the adjustment and issues a notice to the taxpayer when the closing action will not otherwise result in the recomputation and assessment of accruals and the issuance of a balance due notice.</p> <p>Note: Effective 1/1/2010 PC 5 is automatically generated on all DC 01/02 returns.</p>	

Priority Code	For Examination TC 30X (Doc Code 47), a priority code will be used in these instances	Bypasses UPC
6	If there is an EIC Recertification Indicator, MF will assert the 2-year ban on the appropriate tax year account when inputting a TC 30X with a TC 765 and reference code 680 with an amount or zero.	
7	If there is an EIC Recertification Indicator, will bypass the amended return freeze and MF will assert the 2-year ban on the appropriate tax year account when inputting a TC 30X with a TC 765 and reference code 680 with an amount or zero. Also allows posting of TC 421.	UPC 160 RC 4
8	If the Estimated Tax Indicator is present, enter TC 17X or PC 8. A TC 30X with PC 8 releases the Taxpayer Delinquency Investigation (TDI) refund freeze.	UPC 158 RC 0 and UPC 160 RC 4
9	<p>If an IMF module contains a TC 150 SFR, use when inputting a TC 30X. MF will automatically compute FTP back to the return due date.</p> <p>Note: BMF automatically generates FTP from the return due date for SFRs unless a TC 270 is input.</p> <p>If an agreement date is entered for a TC 150 SFR module, this prevents the agreement date from going to MF ensuring the correct computation of interest.</p> <p>For MFT 31 use to bypass UPC 168 with TC 30X and reference numbers 765, 767 and 807. If the MFT 31 module contains a TC 150 SFR, will compute FTP from return due date. For additional information, See IRM 20.1.2.2.10, Penalty Handbook, Failure to File/Failure to Pay Penalties, Substitute for Return, IRC 6651(g).</p>	UPC 189 and for MFT 31, UPC 168

4.4.12.5.19.1
(09-17-2015)

**Additional Processing
Procedures and
Information**

- (1) The following additional information is provided when using priority codes.

4.4.12.5.19.1.1
(09-17-2015)

Restricted Modules

- (1) A restricted module, for example a TC 270 or TC 271, means the computation of the FTP penalty will not automatically be calculated by the computer. If the tax module contains a TC 270 or TC 271 and a G- freeze, the computation of the FTP penalty must be done manually.
- (2) If there is a TC 340 or TC 341 and a -I freeze, interest must be manually computed and input.

4.4.12.5.19.1.2
(09-17-2015)

Notice Suppression

- (1) A notice to the taxpayer may be suppressed by input of an appropriate hold code with the adjustment. Accruals will be assessed whether or not a notice is issued. Hold codes can be found in *Document 6209, IRS Processing Codes and Information, Section 8C-8* and in IRM 4.4.12.5.17.

4.4.12.5.19.1.3
(08-01-2003)

**Bypass a Previous
Adjustment Unpostable**

- (1) PC 8 is used to bypass the unpostable conditions that occur when the adjustment:
- Is within \$10.00 of a previously posted adjustment (UPC 158 or 328)
 - Contains credit reference number 764 (Earned Income Credit) and there is a 764 on the module (UPC 180)
 - Contains credit reference number 764 (Earned Income Credit) and there is a TC 290 on the module (UPC 180)
 - Contains credit reference number 806 (W-2 Withholding Tax and/or Excess FICA Contribution Credit) or 807 (W-2 Withholding Tax and/or Excess FICA Contribution Debit) and no TC 17X when the module contains a significant net TC 17X (UPC 158)

4.4.12.5.19.1.4
(09-17-2015)

**TC 29X (Doc Code 54)
Adjustments**

- (1) There may be instances where Form 3870, *Request for Adjustment*, is used to input a TC 29X (Doc Code 54). The priority codes used by AIMS (TC 30X, Doc Code 47) are not always the same as the priority codes used on Form 3870. Refer to *Document 6209*, Section 8C for additional information.

4.4.12.5.20
(09-17-2015)

**Item 11: Interest
Computation Date**

- (1) For cases closed with a TC 304, 305, 308, or 309, CCP will enter the interest computation date which identifies the interest start date for the tax adjustment amount entered with a TC 304/305/308/309.

Note: RGS requires an entry in Item 11 when the Carryback Adjustment pop up box is completed. For carrybacks it is the loss year return due date. The examiner will enter the interest start date and CCP will verify this entry. When the interest start date is other than the loss year return due date, interest may need to be manually computed with a TC 770. For additional information see IRM 20.2.9.2(1), *Determining the Overpayment Interest Period*, IRM 21.5.9.5.32, *Carryback Form 1045 and Form 1139 Interest Computation Dates*, and IRM 21.5.9.5.40, *Carryback Form 1040X, Form 1120X, Form 1041, Form 11C and Form 990-T Interest Computation Dates*.

4.4.12.5.20.1
(09-17-2015)

**Interest Computation
Date for Erroneous
Refund Cases**

- (1) Enter the interest start date when the erroneous refund is supposed to be paid back.

Note: If this interest start date is not known, add the following instruction on Form 3198 "Other Instructions" under the "Special Features" section

"Interest Start Date for Erroneous Refund, Use 23C Date". CCP will need to close the case manually.

- (2) Do not use TC 304 in Item 12 because it will go unpostable unless there is a TC 305 or TC 295 on the module.
- (3) Do not use TC 340 in Item 12 for an erroneous refund case because there is no reason to compute restricted interest or restrict the tax module.

4.4.12.5.21
(06-01-2002)

**Item 12: Tax, Penalty
and Interest
Adjustments**

- (1) This field is used to enter the examination adjustments. This entry is dependent on the disposal code.

IF the disposal code is:	THEN:
01	— Item 12 may be blank. The computer will generate a TC 300 for zero.
02	— if Item 12 has an entry, the net result of all Item 12 entries must equal zero. —if Item 12 is blank. The computer will automatically generate a TC 300 for \$0.00.
03, 04, 08, 09, 10, 12 or 13	— Item 12 may or may not be entered. A terminal reject will occur if no Exam Results are generated at closing.
07 or 11	— Item 12 must be left blank. The computer will automatically generate a TC 300 for \$0.00.
34	— An amount must be entered in Item 12 and/or 15, and the net amount must be negative. For example, Item 12 may contain a tax increase if Item 15 contains an increase in a refundable credit in an amount greater than the tax increase in Item 12.

4.4.12.5.21.1
(09-17-2015)
Item 12 Entries

- (1) The majority of Form 5344 entries are generated through a report writing program, for example, Report Generation Software (RGS). Therefore, the entries in Item 12 would be automatically populated on the 5344 based on the information contained on Form 4549.
- (2) If more than one deficiency is determined due to multiple agreement dates, Form 5344 should reflect the total tax change and or penalty. However, interest must be computed manually using the separate agreement dates and a combined interest amount will be entered with TC 340. Check the box on the second page of Form 3198 in the “Special/Restricted Interest Features” section for “Multiple Agreements: Date of first RAR”.

Reminder: Whenever possible, use Non-Restricting TC 340 procedures so Master File can computer generate interest accruals from the date entered in Item 6A.

4.4.12.5.21.2
(06-01-2002)
Tax Adjustments

- (1) The following transaction codes are used when making an adjustment to tax.

4.4.12.5.21.2.1
(06-01-2002)
TC 300

- (1) Assesses an Examination tax deficiency on a tax module containing TC 150.

4.4.12.5.21.2.1.1
(06-01-2002)

Affect on Master File

- (1) Following is a chart on what affect the posting of the TC 300 has on Master File.

IF there is:	THEN the TC 300 will:
Amended Return Freeze	Post only if a priority code is used. PC 1&3 releases the freeze, PC 4 does not
Interest due	Generate TC 336 (assessment of interest)
-L Freeze	Generate TC 421 (unless CC is AMCLSF which is used to input a partial assessment) to release -L freeze if the Disposal Code is 1-4, 8-10, 12, 13 or 34.
TC 470	Release TC 470 (claim pending)
TC 570	Release TC 570 freeze (additional liability pending) and refund hold
TC 640	Release TC 640, advance payment of determined deficiency freeze
TC 680 (IMF Only)	Release TC 680, interest payment, invalid SSN and account reactivation freezes
TC 720	Release TC 720, refund payment freeze
TC 840	Release TC 840, refund prior to final settlement
TC 841	Releases TC 841, canceled refund check freeze
TC 842 (BMF)	Releases TC 842, refund deletion and Joint Committee only freezes

4.4.12.5.21.2.2
(09-17-2015)
TC 301

- (1) Abates previously posted TC 150, 290, and/or 300 in full or in part.
- (2) The TC 301 amount cannot be more than the total tax on the module which is the sum of the TC 150 amount, and all TC 29X and TC 30X amounts.
- (3) Releases same freezes and holds as TC 300.

4.4.12.5.21.2.2.1
(06-01-2002)
Affect on Master File

- (1) TC 308 — If input with a TC 308, verify that there is a tax amount on Master File equal to or greater than the TC 301 amount. If the tax at Master File is less than the TC 301 amount, enter the TC 308 as a partial assessment with a hold code to prevent a notice from generating prior to the TC 301. Enter the TC 301 the next cycle. This will prevent an Unpostable Code 189/316.
- (2) TC 337 — Generates a TC 337, abatement of computer generated interest, if applicable.

4.4.12.5.21.2.3
(06-01-2002)
TC 304

- (1) Adjusts a previously posted tentative allowance input with TC 295 or 305.
 - TC 295 or 305 must be present in the module.
 - TC 304 amount cannot exceed the sum of the TC 295 and 305 amounts.
 - Contains an interest computation date (interest start date) entered in Item 11 of Form 5344.
 - Otherwise, same as TC 300.

4.4.12.5.21.2.4
(06-01-2002)
TC 305

- (1) Inputs a tentative allowance from Form 1045, *Application for Tentative Refund*, or Form 1139, *Corporation Application for Tentative Refund*, or from an amended return.
 - Contains an interest computation date (interest start date) entered in Item 11 of Form 5344.
 - Valid only with Tax Class 2 or 3.
 - Otherwise, same as TC 301.

4.4.12.5.21.2.5
(06-01-2002)
TC 308

- (1) Assesses an Examination tax deficiency on a tax module containing TC 150.
- (2) Must include an interest computation date, entered in Item 11 of Form 5344.
- (3) Can be used with penalty and interest transactions.
- (4) Same as TC 300 with following exceptions:

4.4.12.5.21.2.5.1
(09-17-2015)
Exceptions

- (1) Can be used with another tax adjustment code, except TC 304 or 305.
- (2) If the TC 301 is more than the TC 308, interest has to be restricted.
- (3) If there are multiple TC 308s, CCP can cycle in each assessment rather than restricting the module.
- (4) See IRM 20.2.9, *Interest - Interest on Carryback of Net Operating Loss*.

4.4.12.5.21.2.6
(06-01-2002)
TC 309

- (1) Inputs an Examination determined overassessment of tax.
- (2) Must include an interest computation date, entered in Item 11 of Form 5344.
- (3) Can be used with penalty and interest transactions.
- (4) Same as TC 301 with the following exceptions:

4.4 AIMS Procedures and Processing Instructions

4.4.12.5.21.2.6.1
(09-17-2015)
Exceptions

- (1) Can be used with another tax adjustment code, except TC 304 or 305.
- (2) If the TC 309 is more than the TC 300, interest has to be restricted.
 - a. TC 300 and 309 may be input on the same adjustment document with an interest computation date. Interest should NOT be manually computed unless the module is already restricted as MF is capable of calculating the correct interest.
 - b. TC 309 will post to the module provided the amount is not greater than the net of all TC's 150, 29X, and 30X, INCLUDING the TC 300 processed on the same adjustment document.
- (3) If there are multiple TC 309s, CCP can cycle in each assessment rather than restricting the module.

4.4.12.5.21.3
(06-01-2002)
Interest Transaction Codes

4.4.12.5.21.3.1
(09-17-2015)
TC 340

- (1) Assesses manually computed restricted interest.
- (2) After this transaction has posted, no interest for the same module will be assessed or abated by the computer, except as explained below.
- (3) Any other interest adjustments must be computed manually and input with TC 340 or 341.

Note: Use a non-restricting TC 340 whenever possible. See IRM 20.2.8.11, *Interest, Restricted Interest, Non-Restricting Transaction Code (TC) 340*.

4.4.12.5.21.3.1.1
(06-01-2002)
Impact on Master File

- (1) TC 680 — The posting of a TC 680, designated interest payment, generates TC 196, interest assessment in the same amount as the TC 680.
- (2) IMF Only — TC 150 with Condition Code Z, Combat Zone taxpayer, generates TC 340 for zero amount, turning on debit restricted interest indicator and restricted FTP penalty. TC 500 (military deferment) also generates TC 340.

4.4.12.5.21.3.2
(09-17-2015)
TC 341

- (1) Abates previously posted TC 190, 196, 336, or 340 in full or in part.
- (2) Cannot be more than the total interest (TCs 19X, 33X and 34X).
- (3) Interest need not be permanently restricted when a TC 341 is input. Use of a cycle delayed non-restricting TC 340, where MF uses the COMP-INT-AMT and its DB-INT-TO-DT to systemically update interest, will remove the interest restriction. See IRM 20.2.8.11, *Non-Restricting Transaction Code (TC) 340*.

4.4.12.5.21.3.3
(09-17-2015)
TC 342

- (1) Removes the restriction on computation of debit TC 340 interest and allows normal recomputation of interest.

Caution: Only use if the account was erroneously restricted. TC 342 may not be input without first securing the source document for the TC 340/341 that created the interest restriction. See IRM 20.2.8.3(13)(a), *Manual Computations*. If unsure, use a non-restricting TC 340 instead.

4.4.12.5.21.3.4
(09-17-2015)

TC 770

- (1) Credits the tax module to allow interest on an overpayment that is manually computed.
- (2) Interest may be allowed when an overpayment is refunded and/or offset.
- (3) When manually computed interest is posted to a tax module with TC 770, overpayment interest is not computer generated until the module balance reaches zero.

4.4.12.5.21.3.5
(09-17-2015)

TC 772

- (1) Reverses a TC 770 or TC 776 in whole or in part.
- (2) Represents manually calculated debit interest that is charged at the credit interest rate when netting is applicable.
- (3) Cannot exceed the total of TC 770 and TC 776.

4.4.12.5.21.3.5.1
(09-17-2015)

TC 720

- (1) Represents a refund repayment and may be associated with a TC 772 reversing the credit interest allowed with the refund.

4.4.12.5.21.4
(09-17-2015)

**Penalty Transaction
Codes**

- (1) No more than four penalty transaction codes may be entered.
- (2) The combined total of the penalty and interest transaction codes is limited to four.

Note: Penalty transaction codes are not allowed on Employment tax returns with an Employment Code of "F".

4.4.12.5.21.4.1
(06-01-2002)

TC 160

- (1) Assesses manually computed delinquency penalty.
- (2) After a TC 160 posts to a module, all subsequent adjustments to the delinquency penalty must be manually computed.

4.4.12.5.21.4.2
(09-17-2015)

**Substitute for Return
(SFR) or Delinquent
Return**

- (1) On an SFR or delinquent return, the delinquency penalty, TC 160, must be reflected on the Form 5344, even if no penalty is asserted. This excludes disposal codes 01, 02, 07 and 11.
- (2) The first page of the AMDISA has a field titled, "DELQ-RET-IND". If the delinquent return indicator is a "1", the delinquency penalty must be addressed on the Form 5344. There must be a TC 160 or TC 161 in Item 12. If no delinquency penalty is to be asserted, enter TC 160 for 0.00.

4.4.12.5.21.4.3
(06-01-2002)

TC 161

- (1) Abates a previously posted TC 160 or 166 (computer-generated delinquency penalty) in full or in part.

4.4.12.5.21.4.4
(06-01-2002)

TC 162

- (1) Removes restriction on computation of Failure to File Penalty (FTF) on previously posted TC 160 or 161.
- (2) Causes recomputation and allows normal computation of FTF Penalty.

4.4 AIMS Procedures and Processing Instructions

4.4.12.5.21.4.5
(09-17-2015)
TC 170

- (1) Assesses manually computed estimated tax penalty applicable to Form 1040, *U.S. Individual Income Tax Return*, Form 1120, *U.S. Corporation Income Tax Return*, Form 990-C, *Farmer's Cooperative Association Income Tax Return* and Form 8804, *Annual Return for Partnership Withholding Tax (Section 1446)*.
- (2) After a TC 170 posts to a module, all subsequent adjustments to the estimated tax penalty must be manually computed.
- (3) To increase a previously posted TC 170 or 176 (computer generated estimated tax penalty) enter TC 170 for the additional amount of the penalty.
- (4) If there is no previously posted TC 170 or TC 176, the penalty is assessed with a TC 170 in the normal manner.

4.4.12.5.21.4.6
(06-01-2002)
TC 171

- (1) Abates previously posted TC 170 or 176 in full or in part.

4.4.12.5.21.4.7
(09-17-2015)
TC 180 BMF Only

- (1) Assesses the Failure to Deposit (FTD) penalty for insufficient and/or untimely deposit of taxes.
- (2) Applies only to Tax Class 1, 4, 7, or 8 or MFT Codes 01, 03, 09, 10, 11, 12 or 16.
- (3) To adjust TC 180 or TC 186 (computer generated FTD penalty) follow procedures for adjusting TC 170 or TC 176. See IRM 20.1.4, *Penalty Handbook-Failure to Deposit Penalty*.
- (4) After a TC 180 posts to a module, all subsequent adjustments to the FTD penalty must be manually computed.

Note: FTD penalty is not allowed on Employment tax returns with Employment Code "A" or "F".

4.4.12.5.21.4.8
(06-01-2002)
TC 181 BMF Only

- (1) Abates a previously posted TC 180 in full or in part.
- (2) To adjust TC 181, follow procedures for adjusting TC 171. See IRM 20.1.4, *Penalty Handbook-Failure to Deposit Penalty*.

4.4.12.5.21.4.9
(06-01-2002)
TC 200 IMF Only

- (1) Assesses a penalty for failure to furnish requested identifying numbers.

4.4.12.5.21.4.10
(06-01-2002)
TC 201 IMF Only

- (1) Abates a previously posted TC 200 in full or in part.

4.4.12.5.21.4.11
(09-17-2015)
TC 234 BMF Only

- (1) Assesses a manually computed \$20 daily delinquency penalty up to a maximum of \$10,000.

4.4.12.5.21.4.12
(06-01-2002)
TC 235 BMF Only

- (1) Abates previously assessed daily delinquency penalty, TC 234 or (TC 238 - computer generated penalty) in whole or in part.

4.4.12.5.21.4.13
(09-17-2015)
TC 240

- (1) TC 240 is a computer generated miscellaneous penalty **not identified with its own transaction code or reference number**. The TC 240 is generated based on the Penalty Reference Number (PRN) entered in Item 15 of Form 5344.
- (2) TC 240 is also used to assess the IRC 6698, *Failure to File Partnership Return* and IRC 6699, *Failure to File S-Corporation Return* when the penalty is asserted for failure to include all required information with Form 1065, *U.S. Return of Partnership Income* or Form 1120S, *U.S. Income Tax Return for an S Corporation*. However, special procedures apply for these assessments. See IRM 20.1.2.3, *Penalty Handbook-Failure to File/Failure to Pay Penalties*, *Failure to File a Partnership Return-IRC 6698*, and IRM 20.1.2.5, *Penalty Handbook-Failure to File/Failure to Pay Penalties, Failure to File S Corporation Return-IRC 6699*.
- (3) TC 240 should be used rarely. The majority of penalties now have their own penalty reference number (PRN). The PRN should be entered in Item 15 of Form 5344 with the corresponding amount of the penalty.

4.4.12.5.21.4.14
(09-17-2015)
TC 241

- (1) Input the penalty reference number with a minus in Item 15 of Form 5344 and the computer will generate a TC 241. This action will abate a previously posted TC 240 in full or in part. Also abates TC 246 (Form 8752, *Required Payments or Refund Under Section 7519* or Form 1065, *U.S. Return of Partnership Income*, penalty and the penalty for failure by large partnerships to file electronically identified by reference number 688.

4.4.12.5.21.4.15
(06-01-2002)
TC 270

- (1) Assesses manually computed penalty for FTP tax.
- (2) After TC 270 posts, all subsequent adjustments to penalties must be manually computed.
- (3) Restricts penalty computation for the same module.
- (4) TC 150 with Condition Code Z (combat zone) generates TC 270 for zero amount.

4.4.12.5.21.4.16
(09-17-2015)
TC 271

- (1) Manual abatement of previously assessed FTP penalty. Restricts penalty computation for the same module.

Exception: TC 271 does not restrict penalty computation if the penalty was abated for reasonable cause with Reason Code 062.

4.4.12.5.21.4.17
(09-17-2015)
TC 272

- (1) Removes restriction on computation of FTP penalty on previously posted TC 270 or 271.
- (2) Causes recomputation and allows normal computation of FTP penalty.

Exception: TC 272 does not cause recomputation if the penalty was abated for reasonable cause with Reason Code 062. If the penalty was abated in error, it must be manually reassessed..

4.4.12.5.21.4.18
(06-01-2002)
TC 281

- (1) Abates previously posted TC 280 (manually computed penalty) and TC 286 (computer generated penalty) in full or in part.
- (2) Will post prior to return (account with no TC 150) if it is the only transaction with TC 290, and the module contains TC 280 or 286 of equal or greater amount.

4.4.12.5.21.4.19
(06-01-2002)
TC 310 IMF Only

- (1) Assesses penalty for failure to report tip income.

4.4.12.5.21.4.20
(06-01-2002)
TC 311 IMF Only

- (1) Abates previously posted TC 310 in full or in part.

4.4.12.5.21.4.21
(09-17-2015)
TC 320

- (1) Assesses fraud penalty.
- (2) Restricts FTP penalty.
- (3) May not be used with another penalty except TC 160, TC 170 or TC 180.

4.4.12.5.21.4.22
(06-01-2002)
TC 321

- (1) Abates previously posted TC 320 in full or in part.
- (2) Releases the restrictions on FTP penalty.

4.4.12.5.21.4.23
(09-17-2015)
TC 350

- (1) Assesses negligence penalty for returns prior to 1989.
- (2) A TC 350 and a TC 320 may be asserted on the same module but on different portions of the tax. See IRM 20.1.5, *Penalty Handbook, Return Related Penalties*, for more information.

4.4.12.5.21.4.24
(09-17-2015)
TC 351

- (1) Abates previously posted TC 350 in full or in part.
- (2) For tax years prior to 1988 the penalty includes 50% of the interest. This needs to be considered when abating part of the TC 350.
- (3) For more information see IRM 20.2.5.3, *Interest - Interest on Underpayments, Interest on Penalties and Additions to Tax*.

4.4.12.5.22
(06-01-2002)
Item 13: Disposal Code

- (1) 01–04, 07–13, or 34 is required on all examined closings.

4.4.12.5.22.1
(06-01-2002)
Validity Checks

- (1) Certain validity checks must be met or the document will reject at the terminal.
- (2) Disposal Codes 03, 04, 07–13, and 34 require Examination Results.
- (3) Disposal Codes 09, 10 and 11 (all pertaining to Statutory Notices of Deficiency) are not valid with MFT codes in which stat notices are not issued (MFTs 01, 04, 09, 10, 11, 14, 16, 17, 18, 19, 71, 72, or 80).
- (4) If Disposal Code is 01, 02, 07, or 11, Item 12 and/or Item 15 must not contain an amount that represents tax, penalty, or credits.

- (5) If Disposal Code is 01, Item 12 must be blank but Item 15 may contain an entry other than credit reference numbers 301, 302, 303, 304, 307, 310, 312, 318, 680, 681, 682, 685, 686, 764, 765, 766, 767, 806, and 807.

4.4.12.5.22.2
(06-01-2002)
Agreed

- (1) Use Disposal Codes 03, 04, 08 or 09.

4.4.12.5.22.3
(06-01-2002)
Appealed

- (1) Use Disposal Code 07; Item 16, Appeals Office Code is required with DC 07.

4.4.12.5.22.4
(09-17-2015)
**Changed Case/No
Dollars**

- (1) Use Disposal Code 12.
- (2) A changed case with no results requires an amount of \$1 in Item 35, Manual Assessment Amount and Disposal Code 12 in Item 13. Some examples of these types of cases are:
- a. Barred assessment cases
 - b. Interest assessment only
 - c. Tax assessments offset by credits in the same tax period.
 - d. Penalty assessment only.
- (3) If applicable, enter an agreement date in Item 08.

4.4.12.5.22.5
(06-01-2002)
**Defaulted Statutory
Notice of Deficiency**

- (1) Use Disposal Code 10.

4.4.12.5.22.6
(09-17-2015)
No Change

- (1) Use Disposal Code 01 or 02.
- (2) PC 5 is automatically generated on all DC 01 and 02 returns. This allows the computer to automatically update the FTP penalty.

4.4.12.5.22.7
(06-01-2002)
Petitioned

- (1) Use Disposal Code 11. Item 16, Appeals Office Code, on Form 5344, is required.

4.4.12.5.22.8
(08-01-2003)
Partial Assessments

- (1) Only 03, 04, 08, 09, 10, and 13 are valid.

4.4.12.5.22.9
(09-17-2015)
Surveyed Claims

- (1) Use Disposal Code 34.
- (2) A claim amount must be present on AIMS.
- (3) The net of tax and penalties in Item 12 and/or 15 must be negative or a positive credit amount.
- (4) Items 12, 13, 15 (if applicable), 21 and 36, are required.

- 4.4.12.5.22.10
(06-01-2002)
Undeliverable Statutory Notice of Deficiency
- (1) Use Disposal Code 13.
- 4.4.12.5.22.11
(06-01-2002)
Other IRM References
- (1) See IRM 4.4.1, *AIMS Procedures and Processing Instructions, Introduction*.
- (2) See IRM 4.4.4, *AIMS Procedures and Processing Instructions, Claims*, for information on the appropriate disposal code for claims and audit reconsiderations.
- 4.4.12.5.23
(09-17-2015)
Item 14: Statute Extended to
- (1) If the statute expiration date has been corrected or extended, and has not been updated on AIMS, enter the extended date in Item 14.
- (2) Failure to input a numeric date will cause an unpostable condition if the MF statute date has expired and an assessment attempts to post.
- (3) If making an adjustment to an Individual Retirement Account (IRA) MFT 29 module, Item 14 is a required entry.
- 4.4.12.5.23.1
(09-17-2015)
Alpha Codes
- (1) If the AIMS base contains an alpha character in the statute date that date must be updated to a numeric date prior to closing if an assessment is input.
- Exception:** Currently a statute date with an alpha code of EE does not need to be updated to a numeric date when the input is a partial assessment. Effective 1/1/2016 a statute date with an alpha code of EE does not need to be updated to a numeric date for a final closure with an assessment.
- 4.4.12.5.23.1.1
(06-01-2002)
Master File Statute
- (1) AIMS does not send a statute update to Master File if the AIMS statute date contains alpha codes.
- 4.4.12.5.23.1.2
(06-01-2002)
No Change Cases
- (1) It is not necessary to update the alpha date on no change cases. AIMS does not send an alpha code to Master File and an TC 300 for zero will not unpost if the assessment statute expiration date (ASED) is expired.
- 4.4.12.5.23.2
(06-01-2002)
Claims
- (1) Timely filed examined claims that result in a refund will post to Master File even when the ASED has expired.
- 4.4.12.5.23.3
(06-01-2002)
Form 872
- (1) If there is a valid Form 872, *Consent to Extend the Time to Assess Tax*, in the file, if the correct ASED is not on AIMS, then the extended statute date must be entered to ensure Master File is correct.
- 4.4.12.5.23.4
(06-01-2002)
Form 872A
- (1) Cases with a valid Form 872A, *Special Consent to Extend the Time to Assess Tax*, and the literal 872A in the AIMS statute date and the original statute date has expired or will expire within 90 days, should have a statute extended date entered in Item 14 that is approximately 90 days from the date the return will be closed through the terminals.

4.4.12.5.23.5
(06-01-2002)
TC 560

- (1) When the entry in Item 14 is input and it is not the same date as the current ASED on AIMS, it will generate a new assessment statute date (ASED/TC 560) on the Master File.

4.4.12.5.23.6
(09-17-2015)
SFR Posted

- (1) If the TC 150 is an SFR, an ASED date is not computed at Master File. See IRM 25.6.1.9.4.5, *Statute of Limitations Processes and Procedures, Substitute for Return (SFR)*, for more information.

4.4.12.5.23.7
(09-17-2015)
Consent Indicator

- (1) An indicator of X, R or I will appear after the ASED in the following situations:

INDICATOR	EXPLANATION
X	The statute date has been changed, for example, 04152015X.
R	The statute date has been updated with a Restricted Extension (Statute restricted to a set of issues or flow through entities.)
I	The statute date has been updated with an Inclusive Extension (872I).

4.4.12.5.23.8
(09-17-2015)
More Information

- (1) See IRM 25.6, *Statute of Limitations*, for more information.

4.4.12.5.24
(06-01-2002)
Item 15: Credit and Tax Computation Adjustments

- (1) Entries in this item are used to:
- Update information fields on Master File (not applicable for non-taxable returns)
 - Adjust credits on individual, fiduciary and corporation returns
 - Post changes to adjusted gross income or self-employment tax on individual returns
 - Provide Master File a means to distinguish certain miscellaneous penalties on which to generate interest
 - And adjust and identify the types of tax being adjusted on excise or employment tax returns

4.4.12.5.24.1
(09-17-2015)
Maximum Number of Entries

- (1) Eight entries can be input at one time.
- (2) The examiner will identify the reference numbers that do not impact tax or penalties. For examiners using RGS see the RGS Article, *Form 5344, New Procedures for Too Many Reference Codes*. Be sure to annotate Form 3198 in the "Special Features" section on page 1 and check the box for "F5344, Item 15 more than 8 ref codes (REQ54 req'd)".
- (3) When there are more than eight references that impact tax (example: Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*), partial procedures will be used by CCP.

4.4.12.5.24.2
(06-01-2002)

Special Validity Checks

- (1) A terminal reject will occur if any of the following conditions do not occur.

4.4.12.5.24.2.1
(06-01-2002)

Disposal Code 01

- (1) MFT other than 03, an amount may be entered if it is other than a reference number that represents a penalty or credit such as 680 or 806.
- (2) MFT 03, Item 15 may be entered but the net total of all Item 15 entries must equal zero.

4.4.12.5.24.3
(09-17-2015)

FUTA State Code also known as State Credit Reduction

- (1) Federal Unemployment Tax Act (FUTA) state code is valid for MFTs 05, 10 and 30 and is required if the Disposal Code = 03, 07, 11 or 12. The state code is the postal two-letter state abbreviation, for example the state code for Colorado is CO.
- (2) FUTA state code is invalid if the Disposal Code is 01 or 02.
- (3) If you are adjusting FUTA Tax, a "T" for "taxes" for the primary taxpayer will be entered or a "Z" for taxes for the secondary taxpayer will be entered. If you are adjusting FUTA Wages, a "W" for "wages" for the primary taxpayer will be entered or a "Y" for wages for the secondary taxpayer will be entered.
- (4) The total of FUTA State Code amounts for codes beginning with a "T" or "Z" must equal Item 12 Tax transaction amounts.

Example: To enter an adjustment for FUTA taxes for the primary taxpayer in Item 15, enter at the left most position under "Ref. No." TCO which stands for "Tax Colorado" and the amount of FUTA taxes. The entry would appear as 15-TCO/100000. The corresponding Item 12 entry would be a TC 300 for 100000. For a tax adjustment for the secondary taxpayer substitute, a Z for the T.

- (5) The total of FUTA State Code amounts for codes beginning with a "W" or "Z" will be entered in Item 15 as follows:

Example: To enter an adjustment for FUTA wages for the primary taxpayer in Item 15, enter at the left most position under "Ref. No." WCO which stands for "Wages Colorado" and the amount of FUTA wages. The entry would appear as 15-WCO/7500000. For an adjustment to wages for the secondary taxpayer, substitute a Z for the W.

4.4.12.5.24.4
(09-17-2015)

Reference Number Definitions

- (1) Refer to Document 6209, *IRS Processing Codes and Information, Section 8C, Master File Codes*, for a complete listing of Reference Numbers for several types of returns.

4.4.12.5.25
(06-01-2002)

Item C: Operator Employee No.

- (1) This item is entered by the employee inputting Form 5344 at the terminal.
- (2) The entry should include the operator's employee number and the date of input.

4.4.12.5.26
(06-01-2002)

Item D: Rej.

- (1) This item is only to be completed if the Form 5344 is rejected at input.
- (2) The employee enters the date rejected, the item number that rejected or a screen print of the reject message.

- (3) The employee who corrects the item writes the correction date in Item F block and returns the form for input.

4.4.12.5.27
(09-17-2015)
**Item E: Document
Locator Number (DLN)**

- (1) A fourteen digit number by which returns can be stored and associated. See IRM 4.4.1, *AIMS Procedures and Processing Instructions, Introduction*, for more information on the DLN.

4.4.12.5.27.1
(09-17-2015)
Master File Cases

- (1) A portion of the DLN is assigned by the computer. The remainder of the DLN (last digit or the block number, two digit serial number, and year digit) is assigned during the end of day computer processing.
- (2) The refile DLN is not entered on Master File closing documents.
- (3) The first two digits of the computer assigned DLN is normally the File Location Code (FLC) or Campus code. The computer keeps track of assigned blocks. When additional blocks are needed to accommodate the volume of closings being processed, the computer will continue to use a District Office Code or Universal Location Code (ULC), beginning with the lowest progressing sequentially to the highest numbered District Office Code valid for that Campus.
- (4) See IRM 4.4.32, *AIMS Procedures and Processing Instructions, AIMS, ERCS, and IDRS Data Processing*, for additional information.

4.4.12.5.27.2
(06-01-2002)
**Non-Master File (NMF)
Cases**

- (1) The renumbered DLN will be entered for NMF examined closings.

4.4.12.5.28
(06-01-2002)
Item F: Cor.

- (1) The date the correction is made will be placed in the corrected block by the person making the correction to the item rejected.
- (2) The Form 5344 will then be reinput.

4.4.12.5.28.1
(06-01-2002)
More Information

- (1) See IRM 4.4.32, *AIMS Procedures and Processing Instructions, AIMS, ERCS, and IDRS Data Processing*, for more information.

4.4.12.5.29
(06-01-2002)
**Item 16: Appeals Office
Code (AOC)**

- (1) If the case is appealed or petitioned, a three digit AOC identifying the office the case is being closed to, must be entered in Item 16. An AOC of 1XX is input for an appealed case. An AOC of 2XX is input for a petitioned (docketed) case. The AOC can be found in Document 6209, Section 13 (2), Appeals Codes.
- (2) If a 2XX (Docketed) AOC is entered, QQ is automatically entered in the day portion of the AIMS statute date field.
- (3) If Item 16 is entered, Item 18 (unagreed amount) is a required entry unless the return is a non-taxable return in which case, Item 18 must be blank and Item 34 is required.

- 4.4.12.5.30
(09-17-2015)
Item 18: Unagreed Amount Appealed/Petitioned
- (1) This is a DOLLARS ONLY FIELD/DO NOT ENTER CENTS.
 - (2) This item should be completed at the time the case is prepared for closure to Appeals. This could be in the group as a result of the 30-day letter or in Technical Services as a result of the Statutory Notice of Deficiency.
- 4.4.12.5.30.1
(09-17-2015)
Taxable Returns
- (1) Required entry if disposal code is 07, 11 or 12 if an Appeals Office Code is entered in Item 16.
 - (2) Enter the unagreed portion of tax and credits less prepayment credits.
 - (3) The entry must be the full deficiency, excluding penalties and interest, less any partial assessments.
 - (4) Do not include any part of tax in Item 18 that has been assessed unless Examination is going to abate the assessment before closing the case to Appeals (e.g. late file petitioned 90-Day Letter).
- 4.4.12.5.30.2
(06-01-2002)
Non-Taxable Returns
- (1) Item 18 must be blank and Item 34 must include the entire proposed adjustment.
- 4.4.12.5.30.3
(06-01-2002)
Estate Tax Returns
- (1) Enter the net estate tax due after allowance of the full state death tax credit regardless of whether evidence of payment has been submitted within the specified time.
- 4.4.12.5.30.4
(09-17-2015)
Correspondence Exam Cases
- (1) Campus Examination will follow the procedures in IRM 4.19.13, *Liability Determination, General Case Development and Resolution*.
- 4.4.12.5.30.5
(06-01-2002)
Reclosure to Appeals
- (1) The entire Form 5344 must be reinput, including the entire unagreed amount. It does not matter if Appeals returned the case in the same fiscal year or a subsequent fiscal year, the same procedures apply. Reenter all applicable fields using the entire amounts.
- Note:** The case cannot be reclosed to Appeals in the same month as the original closing.
- 4.4.12.5.30.5.1
(09-17-2015)
Impact on AIMS tables
- (1) See IRM 4.4.26, *AIMS Procedures and Processing Instructions, Reopening/Reclosing/Reinputting Records*.
- 4.4.12.5.30.6
(06-01-2002)
Claim for Refund Appealed
- (1) If a claim for refund Revenue Base Protection (RBP) without other adjustments is being referred to Appeals, the amount of -\$1 (negative one dollar) must be entered in Item 18 and the amount of the claim for refund RBP that is being appealed, entered in Item 22. Item 23 and 24 are also required entries.
- 4.4.12.5.30.7
(06-01-2002)
Claim for Refund and Other Adjustments Appealed
- (1) If both the claim for refund RBP and other adjustments are being referred to Appeals, the unagreed amount from the other issues must be entered in Item 18 and the amount of RBP that is being appealed entered in Item 22.

- | | |
|---|--|
| <p>4.4.12.5.30.8
(06-01-2002)
Claim for Abatement (Audit Reconsideration) Appealed</p> | <p>(1) If a claim for abatement is being appealed, enter \$1 in Item 18. Since examination received credit for this closure when it was originally closed, entering the amount of the “claim” will cause duplicate results.</p> |
| <p>4.4.12.5.30.9
(09-17-2015)
Docketed Cases in Status Code 90</p> | <p>(1) If a case appears on the docket list that has already been assessed and is in Status Code 90, follow the procedures in IRM 4.8.9, <i>Statutory Notices of Deficiency</i>, to reopen the return.</p> <p>(2) Enter \$1 in Item 18. See IRM 4.4.26, <i>AIMS Procedures and Processing Instructions, Reopening/Reclosing/Reinputting Records</i>, for more information.</p> |
| <p>4.4.12.5.30.10
(06-01-2002)
Loss Year Return or No Tax Due</p> | <p>(1) In some instances the examination results in an adjustment to income but not tax. When closing these unagreed returns to Appeals, use the appropriate Disposal Code (07 or 11), but since there is no tax consequence, enter \$1 in Item 18.</p> <p>Note: Usually the carry-back or carry-forward tax periods are also being closed to Appeals and they will contain the amount of the unagreed tax adjustment.</p> |
| <p>4.4.12.5.30.11
(06-01-2002)
Carry-Forward</p> | <p>(1) If a carry-forward return has not been filed yet, but the taxpayer is appealing the adjustment to the loss year, the examination results will be \$1.</p> |
| <p>4.4.12.5.30.12
(06-01-2002)
Closing Related Returns to Appeals</p> | <p>(1) See IRM 4.4.5, <i>AIMS Procedures and Processing Instructions, Closings to Appeals</i>.</p> |
| <p>4.4.12.5.31
(09-17-2015)
Item 19: NAICS</p> | <p>(1) Valid only for MFT’s 01, 02, 04, 06, 10, 11, 14, 16, and 30 for tax periods 199812 and subsequent.</p> <p>(2) If the NAICS Code is not accurate on the AIMS data base, enter Reference Number 410 and the 6 digit NAICS code in Item 19.</p> |
| <p>4.4.12.5.32
(09-17-2015)
Item 20: Claim Rejection Date</p> | <p>(1) Enter the agreement date of the formal claim disallowance form, e.g., Form 2297, <i>Waiver of Statutory Notification of Claim Disallowance</i>, if the taxpayer signed the waiver.</p> <p>(2) If the taxpayer does not agree, enter the date the formal claim disallowance letter is sent to the taxpayer.</p> <p>(3) If this item is entered, item numbers 22, 23, 24, and an amount claimed are also required.</p> <p>(4) If a date is entered, Disposal Code must be 01, 03, 04, 08, 09, 10, 12 or 13.</p> |

4.4.12.5.33
(09-17-2015)

**Item 21: Amount
Claimed**

- (1) Enter the amount of the claim as defined in IRM 4.10.8.9.4.1(4), *Instructions for Completing Form 2297*. The claim amount is only tax and cannot exceed the amount paid by the taxpayer.

Note: Do not enter a claim amount for audit reconsideration cases.

4.4.12.5.33.1
(09-17-2015)

\$1 on Data Base

- (1) If \$1 was entered on the data base (AMDISA) due to a protective claim, then the correct amount of the claim must be entered when closing the case. See IRM 4.10.8.9.4.1(4), *Instructions for Completing Form 2297*, for assistance in computing the amount of the claim.

4.4.12.5.33.2
(06-01-2002)

Source Code 31

- (1) No entry is made when the Source Code is 31 (paid claim for refund).

4.4.12.5.33.3
(06-01-2002)

Additional Instructions

- (1) See IRM 4.4.4, *AIMS Procedures and Processing Instructions, Claims*.

4.4.12.5.34
(06-01-2002)

**Revenue Base
Protection Section
(Claim for Refund
Disallowed)**

- (1) Protection of the revenue base is the work performed by Examination personnel to prevent the release of money from the Treasury to a taxpayer.
- (2) The most common example is the examination of a claim for refund filed by a taxpayer. If the claim is disallowed, Examination is preventing the release of money from the Treasury. The protection of revenue is measured through the completion of the Revenue Base Protection Section of Form 5344, Items 20–24.

4.4.12.5.34.1
(09-17-2015)

**Outstanding Balance on
Account**

- (1) If there is an outstanding balance due on the account and the taxpayer's claim for refund includes the balance due, the RBP amount will not be the entire amount of the claim. A calculation must be performed to determine how much of the claim qualifies as RBP. Since the taxpayer can be making payments on the outstanding liability while the examination is taking place, the calculation must be made by the examiner when the examination is completed.
- (2) Example:

Amount of Claim:	\$10,000
Less balance due	–8,000
RBP—Claim amount disallowed	2,000

The \$10,000 Claim for Refund filed by the taxpayer consists of a request for an abatement of tax for \$8,000 plus a refund of an additional \$2,000. The RBP is the refund requested and disallowed and does not include the \$8,000 request for abatement.

4.4.12.5.34.2
(06-01-2002)

Example of Non-RBP

- (1) Reduction of a carryforward to a future return that has not been filed.

- (2) Audit reconsideration (if the tax has not been paid). Since examination received credit for this closure when it was originally closed, if the audit reconsideration is being referred to Appeals, enter \$1 in Item 18 of Form 5344. Entering the amount of the audit reconsideration "claim" will cause duplicate results.
- (3) Innocent spouse claims since this does not increase or decrease the actual liability.

4.4.12.5.34.3
(09-17-2015)
Source Code

- (1) Not all claims are considered RBP, therefore, a claim amount may or may not be present for all other AIMS source codes.

4.4.12.5.35
(06-01-2002)
Item 22: Dollars Protected

- (1) Enter the dollar amount of the refund requested by the taxpayer that was protected (disallowed) from leaving the Treasury. This amount cannot exceed the amount claimed (Item 21 or claim amount on AMDISA).

Note: Do not enter an amount in Item 22 if the claim was originally paid and we are now disallowing (recapturing) the amount paid on the original claim. Item 22 is only completed for unpaid claims.

4.4.12.5.35.1
(06-01-2002)
Required Entries

- (1) If Item 22 is entered, Item numbers 23 and 24 are also required.

4.4.12.5.35.2
(06-01-2002)
Appealed/Petitioned Case

- (1) If the claim is being referred to Appeals, enter the entire disallowed amount in Item 22 and a negative \$-1 in Item 18, Unagreed Amount to Appeals.

4.4.12.5.35.3
(06-01-2002)
Claim Allowed in Full

- (1) Item 22 must be zero if the claim was allowed in full and/or there are no offsetting issues.
- (2) Example:

Amount Claimed	Item 21	\$5,000.
Amount Disallowed	Item 22	0
Final Adjustment	Item 12, TC 301	-\$5,000

4.4.12.5.35.4
(06-01-2002)
Claim Allowed in Part

- (1) This is to reflect the amount of the claim that was prevented (disallowed) from leaving the Treasury.
- (2) Example:

4.4 AIMS Procedures and Processing Instructions

Amount Claimed	Item 21	\$5,000
Amount Disallowed	Item 22	\$3,000
Final Adjustment	Item 12, TC 301	-\$2,000

4.4.12.5.35.5
(09-17-2015)

Claim Allowed in Part plus Additional Adjustments in the Taxpayer's Favor

- (1) Follow this example when the claim is allowed in part and you have additional adjustments in the taxpayer's favor.
- (2) Example:

Amount Claimed	Item 21	\$5,000
Amount of Claim Allowed		-\$4,500
Other Adjustments		-\$1,500
Final Adjustment	Item 12, TC 301	-\$6,000
Claim Amount Disallowed	Item 22	0

Note: Explanation: While \$500 of the \$5,000 claim for refund was disallowed, we did not prevent the release of any money from leaving the Treasury.

4.4.12.5.35.6
(09-17-2015)

Claim Allowed Equal to Other Adjustments

- (1) Follow this example when the claim allowed equals the other adjustments.
- (2) Example:

Amount Claimed	Item 21	\$5,000
Amount of Claim Allowed		-\$4,000
Tax due on Other Adjustments		\$4,000
Final Adjustment	Item 12, TC 300	0.00
Claim Amt Disallowed	Item 22	\$5,000

Note: Explanation: The reason why the claim amount disallowed is \$5,000 is because the taxpayer is not getting any money back. We only allowed \$4,000 of the initial claim but there is also tax due on other adjustments of \$4,000, therefore, there is no refund to the taxpayer.

4.4.12.5.35.7
(09-17-2015)

Claim Allowed is Greater than Other Adjustments:

(1) Follow this example when the claim allowed is greater than the other adjustments.

(2) Example:

Amount Claimed	Item 21	\$5,000.
Amount Allowed		-\$4,000
Tax due on Other Adjustments		\$1,000
Final Adjustment	Item 12, TC 301	-\$3,000
Claim Amt Disallowed	Item 22	\$2,000

Note: Explanation: The difference between the \$4,000 refund we are allowing and the tax due of \$1,000 on the other adjustments, is a refund to the taxpayer of \$3,000. The difference between the \$5,000 claim for refund submitted by the taxpayer and the \$3,000 refund we are allowing is the \$2,000 amount of the claim disallowed.

4.4.12.5.35.8
(09-17-2015)

Claim Allowed is Less than Other Adjustments:

(1) Follow this example when the claim allowed is less than the other adjustments

(2) Example:

Amount Claimed	Item 21	\$5,000
Amount Allowed		-\$4,000
Tax due on Other Adjustments		\$7,000
Final Adjustment	Item 12, TC 300	\$3,000
Claim Amt Disallowed	Item 22	\$5,000

Note: Explanation: While \$4,000 of the \$5,000 claim for refund was allowed, all of the \$5,000 was prevented from leaving the Treasury because the taxpayer owes an additional \$3,000.

4.4.12.5.36
(09-17-2015)

Item 23: RBP Hours

(1) The first five digits represent whole hours.

(2) The right most digit:

For EGC 5XXX enter any numeric value which represents tenths of an hour.

For other EGCs enter 0, 3, 5 or 7 which represents quarter hours (0; 15; 30 and 45 minutes)

Note: Do not include time entered in Item 28.

4.4.12.5.36.1
(06-01-2002)

**Reopened or Returned
from Appeals Cases**

- (1) If the return has been reopened from status 90 using CC AMSTUR, or returned from Appeals using CC AMSTUB, the total time from both closings must be entered in this field. The computer will net the amount entered in Item 23 with the amount that is on the data base from the prior closure and the correct amount will be reflected on the Examination tables. Because of the automatic netting, the computer will require the amount entered in Item 23 to be equal or greater than the time entered on the original closing. The computer will also prevent a correction to this field on the data base before the case is closed.
- (2) For more information, refer to IRM 4.4.26, *AIMS Procedures and Processing Instructions, Reopening/Reclosing/Reinputting Records*.

4.4.12.5.37
(09-17-2015)

Item 24: Claim Type

- (1) An alpha code (A-Z) that identifies the type of claim for refund. For a list of definitions for the claim type, see the AIMS/ERCS website article at: *Claim Type, Form 5344 - Item 24*.

4.4.12.5.38
(09-17-2015)

**Item. 28: Examiner's
Time**

- (1) Examination time must be as accurate as possible although this does not require maintaining a strict time record.
- (2) The Examiner's time is a required entry made up of the total amount of time spent on non-revenue base protection issues for each return examined.
- (3) The first five digits represent whole hours.
- (4) The right most digit:

For EGC 5XXX enter any numeric value which represents tenths of an hour.

For other EGCs enter 0, 3, 5 or 7 which represents quarter hours (0; 15; 30 and 45 minutes)

4.4.12.5.38.1
(06-01-2002)

What to Include in Time

- (1) Time includes:
 - Actual examination time
 - Travel time
 - Report writing time
 - Visual inspection time spent by Tax Compliance Officers
 - Time resulting from further consideration of cases returned from review or after issuance of a statutory notice
 - Time spent on the inspection of employment or excise tax returns
 - Prior time spent as well as additional time on reopened cases and cases returned from Appeals. (The system will automatically net the two figures to reflect additional time for report purposes.)
 - Specialists time
 - Audit Aide
 - Reviewers time when assisting an Exam group in court cases
 - Time spent on OIC cases only if return is being examined

4.4.12.5.38.2
(08-01-2003)

Do Not Include in Time

- (1) Do not include:
 - Co-op student time
 - Tax Examiner time

4.4.12.5.38.3
(06-01-2002)

Surveyed Claims

- (1) Do not enter the time spent to survey claims.

4.4.12.5.38.4
(06-01-2002)

More Than One Examiner

- (1) The senior examiner or the examiner devoting the most time enters the combined time. Include all time spent by an examiner who furnishes an engineering or collateral report.
- (2) The time spent by International specialists in assisting revenue agents in conducting an examination is also included in the total time entered for Item 28.
- (3) When an examiner leaves the Service or a return is reassigned for examination, the accumulated examination time is added to the time of the examiner completing the case.

4.4.12.5.38.5
(06-01-2002)

Reopened/Returned from Appeals Cases

- (1) If the return has been reopened from status 90 using CC AMSTUR, or returned from Appeals using CC AMSTUB, the total time from both closings must be entered in this field. The computer will net the amount entered in Item 28 with the amount that is on the data base from the prior closure and the correct amount will be reflected on the Examination tables. Because of the automatic netting, the computer will require the amount entered in Item 28 to be equal or greater than the time entered on the original closing. The computer will also prevent a correction to the time field on the data base before the case is closed.
- (2) See IRM 4.4.26, *AIMS Procedures and Processing Instructions, Reopenings/Reclosings/Reinputting Records*.

4.4.12.5.38.6
(06-01-2002)

Joint Compliance Program Return

- (1) Include both audit and joint investigation time. Also include time spent after the referral so that the "total return time" is reflected on Form 5344 at the time of closure from Examination.

4.4.12.5.38.7
(06-01-2002)

Specialist's Time/Support Area

- (1) Include all Examiner's and Specialist's time spent on the case by both the primary and support areas.

4.4.12.5.38.8
(06-01-2002)

Form 720, Quarterly Federal Excise Tax Return

- (1) The total time spent on the case must be reported in Item 28. Item 404(c) must reflect the time reported in Item 28 allocated to each abstract code examined.

4.4.12.5.38.9
(06-01-2002)

Assisting Other Agencies

- (1) Include time spent on cases open in Examination.

4.4.12.5.38.10
(06-01-2002)

**Coordinated
Examination Program
(CEP) Case Time**

- (1) Enter the total amount of time spent on the case by both the primary and support areas.

4.4.12.5.38.11
(06-01-2002)

Claims for Refund (RBP)

- (1) Do not include time spent on claims for refund. RBP time must be reported in Item 23.

4.4.12.5.38.11.1
(06-01-2002)

**Example of Claim Time
and Regular
Examination Time on the
Same Return**

- (1) A total of four hours spent on the examination of the return:

	Form 4502, ,Examination Technical Time Report	Form 5344
RBP Time	1 hour	Item 23 = 1 hour
Regular Time	3 hours	Item 28 = 3 hours

4.4.12.5.39
(09-17-2015)

**Item 30: Examination
Technique Code**

- (1) An entry of 1-4 or 6-9 is required for all examined returns.

4.4.12.5.39.1
(06-01-2002)

Claims

- (1) No entry is made for surveyed claims (disposal code 34).

4.4.12.5.39.2
(06-01-2002)

**Revenue Agent (EGC
1XXX)**

- (1) Enter "3" for Revenue Agent.

4.4.12.5.39.3
(09-17-2015)

**Tax Compliance
Officer/Tax Resolution
Representative (EGC
2XXX)**

- (1) Valid Technique Codes are:
- a. 1 = Interview Held During Examination
 - b. 2 = Closed by Correspondence/No Interview
 - c. 6 = No Show/No Response. Only valid with Disposal Codes 01, 08, 10, 12 or 13.
 - d. 7 = Undeliverable Mail. Only valid with Disposal Codes 01, 10 or 13.

4.4.12.5.39.4
(09-17-2015)

**Campus Exam (EGC
5XXX)**

- (1) 2 = Correspondence Examination Held for EGCs 54XX and 58XX or Correspondence Received for all other 5XXX EGCs.
- Valid if Disposal Code = 01, 10 or 12
- (2) 6 = No Response - valid if:
- Disposal Code = 01, 10 or 12 (DC 08 for BMF Only)
- (3) 7 = Undeliverable Mail - valid if:

- Disposal Code = 01, 10, or 13 (DC 08 for BMF Only)

(4) 8 = Campus Telephone Contact - valid if:

- Disposal Code = 01 or 10

(5) 9 = Closed Case Agreed Full Paid - No Signature - valid if:

- Disposal Code = 04

4.4.12.5.40
(06-01-2002)
Item 31: Examiner's Grade

- (1) Enter the grade of the examiner who closed the case.
- (2) The entry must be two digits, 03–14 are valid entries

4.4.12.5.40.1
(06-01-2002)
Revenue Agent

- (1) Entry of 05, 07, 09, 11–14 required

4.4.12.5.40.2
(06-01-2002)
Tax Compliance Officer/Tax Resolution Representative

- (1) Entry of 03–09 or 11 required

4.4.12.5.40.3
(06-01-2002)
Campus Exam

- (1) Entry of 03–09 or 11 is optional
- (2) Will default to a Grade 7 if not completed.

4.4.12.5.41
(06-01-2002)
Item 32: Grade of Case

- (1) Group managers determine grade of case for all returns with a 1XXX employee group code.
- (2) The final grade level of difficulty is determined when the examination has been completed. The manager will consider both the primary and related returns to determine the grade level.

4.4.12.5.41.1
(09-17-2015)
Primary Returns

- (1) The entry for the primary return is composed of 3 digits and must be entered starting in the left most position. This is generally the return that started the audit.

4.4.12.5.41.2
(06-01-2002)
Related Returns

- (1) The related returns are graded to be the same as the primary return therefore the same three digit code is used followed by an "R" .
- a. Enter the primary return information in Item 405–408 for each related return.
- (2) No matter how selected or when assigned, include:
- a. returns filed for prior or later tax periods for the same taxpayer,
- b. related returns for the same tax period as the primary return,
- c. related returns for prior or later tax periods than the primary return.

- (3) When the related entities are examined by other examiners, each manager grades the separate entities as separate cases and the "R" is not entered.

4.4.12.5.42
(06-01-2002)

Item 33: Examiner's Name

- (1) This item is required for area examinations only. The examining agent must enter their last name and first initial only.

4.4.12.5.43
(09-17-2015)

Item 34: Adjustment Amount

- (1) This field is used to reflect adjustments to non-taxable returns to estimate tax results. It is the revenue agent's responsibility to verify the adjustment amount is accurate.
- (2) Dollars only field—Do not enter cents.

4.4.12.5.43.1
(09-17-2015)

Adjustment to a Non-Taxable return

- (1) Enter the changes to ordinary and separately stated income, loss and deduction items plus a factor when credits are adjusted.
- S corporation: The items included should be the component of income/loss reconciliation, Schedule K, Line 18. Do not include adjustments to balance sheet items, credits, alternative minimum tax items, or items impacting shareholder basis (also see Credits below).
 - Partnership: The items included should be the components of Analysis of Net Income (Loss) Line 1. Do not include adjustments to balance sheet items, changes to net earnings from self-employment tax, credits, alternative minimum tax items, or other information items (also see Credits below).
 - Credits: When credits are adjusted, the adjustment amount should be increased/decreased to account for credits. The adjustments to credits will be divided by 30% (credit amount / 30% = credit adjustment amount). This grosses up the credit adjustment amount to more closely reflect the change to ordinary income/expense items. See IRM 4.31.2.6.2.4(2), *Pass-Through Entity Handbook, TEFRA Examinations-Field Office Procedures*.

Example: If you have a change to adjustments increasing the entity's ordinary income of \$4,000 and are disallowing \$10,000 of credits, the adjustment amount should reflect \$37,333 ($4,000 + 33,333$ (10,000 divided by .3)).

4.4.12.5.43.2
(09-17-2015)

Offsetting Adjustments

- (1) If the revenue agent has made a change to ordinary income or any separately stated items of income, loss, deduction or credit, the case should not be closed no change and the adjustments should be reflected in the Adjustment Amount, Item 34.
- (2) The Adjustment Amount requires an entry other than zero if you make adjustments to ordinary and/or separately stated income, loss and deduction items. If you have a situation where the adjustments made to the entity net to zero, enter \$1.

Example: The examination concluded that the taxpayer improperly included (\$10,000) rental loss in ordinary income/(loss). It will result in the following two adjustments:
 increasing ordinary income/(loss) by \$10,000
 decreasing net income/(loss) from real estate activities by (\$10,000)

The sum of the two adjustments will result in \$0 increase to flow through income. Since the adjustments made offset income, the Adjustment Amount should reflect \$1.

4.4.12.5.43.3
(09-17-2015)

Detailed Instructions for Schedule K Items

- (1) Detailed instructions for Schedule K items, can be found on the AIMS/ERCS website, Codes/Procedures tab at: *Form 5344, Item 34 Adjustment Amount*.

4.4.12.5.43.4
(06-01-2002)

Validity Checks

- (1) If the examination results in no change (Disposal Code 01 or 02), Item 34 must be blank.

4.4.12.5.44
(06-01-2002)

Item 35: Manual Assessment Amount

- (1) Enter the net of all adjustments that are processed using the quick (manual) assessment procedures. For information on quick assessments, see IRM 4.4.25 , *AIMS Procedures and Processing Instructions, Quick Assessments*.
- (2) If more than one quick assessment has been processed, ensure that this entry is the total of all assessments processed. See IRM 4.4.12.5.44.8.

4.4.12.5.44.1
(06-01-2002)

Tax Adjustments

- (1) Include the net total of all tax adjustments.

4.4.12.5.44.2
(09-17-2015)

Penalty Adjustments

- (1) DO NOT INCLUDE penalty adjustments. (i.e. TC160, 305, 320, Credit Reference #680, 681, 683, 780, 781 and 786-792, etc.).

4.4.12.5.44.3
(06-01-2002)

Tax Credit Adjustments

- (1) Include the net total of all credits (i.e. Reference Numbers 258, 259, 764, 765, 806, 807, etc.) if processed as part of the quick assessment.

4.4.12.5.44.4
(06-01-2002)

Interest Adjustments

- (1) Do not include interest adjustments.

4.4.12.5.44.5
(09-17-2015)

MFT 31

- (1) If the same tax will be assessed against both taxpayers, such as petitioning/non-petitioning spouse cases, do not enter the MFT 31 assessment amount in Item 35. The tax amount for the taxpayer going to Appeals (petitioning spouse) will be entered in Item 18, Unagreed Amount. Otherwise enter the MFT 31 amount in Item 35. See IRM 4.8.9.25.8.1 , *Statutory Notices of Deficiency, Split Spousal Assessments*. For additional information on MFT 31 see IRM 4.19.10.7, *Liability Determination, Examination General Overview, Master File Tax (MFT) 31*, and IRM 21.6.8, *Individual Tax Returns, Split Spousal Assessments (MFT 31)*.

4.4.12.5.44.6
(09-17-2015)

Non-Master File (NMF) Assessments

- (1) For returns controlled on NMF AIMS (indicated by an "N" after the TIN, i.e., 123-45-6789N and MFT 20 for an IMF return), if the same tax will be assessed against both taxpayers, do not enter the NMF assessment amount in Item 35 because the tax amount will be entered on the MFT 30 (master file) account of the appropriate taxpayer.

4.4 AIMS Procedures and Processing Instructions

- (2) For returns controlled on NMF AIMS, if a different tax will be assessed such as culpable spouse cases, enter the amount of the NMF assessment in Item 35.
- (3) For information on processing NMF assessments see IRM 4.4.22, *AIMS Procedures and Processing Instructions, Non-Master File (NMF) Adjustments*.

4.4.12.5.44.7
(06-01-2002)

Reference Number Adjustments

- (1) Do not include reference number adjustments which are only used to update information fields on Master File or alert Master File to make special interest computations (i.e. Reference Numbers 221, 320, 878, 881, 882, 885, 886, 887, 888, 889, 890, and 999).

4.4.12.5.44.8
(06-01-2002)

Reopened Cases

- (1) Include prior manual or quick assessments on reopened cases if the case was reopened with AMSTUR or AMSTUB (TC 300 indicator will be = 6 on page 1 of the AMDISA). Do not include prior manual assessment amounts on reopened cases if the case was reopened with AIMS command code AM 424.

4.4.12.5.44.9
(06-01-2002)

Validity Checks

- (1) AIMS contains numerous computer checks that are based on the disposal code and the Examination Results.

4.4.12.5.44.9.1
(09-17-2015)

No Change Cases

- (1) A manual assessment amount is not valid on:
 - a. No change (Disposal Code 01 or 02) cases, or
 - b. Non-taxable returns (Activity Codes 224, 234, 288–290, 481–483, 489, 497, 498 and 992).

4.4.12.5.44.9.2
(08-01-2003)

Changed Cases/No Examination Results

- (1) There are cases that are truly changed cases, but have no examination results. These cases will require an amount of \$1 in Item 35 with a Disposal Code of 12 in Item 13. Some examples of these cases are:
 - a. Barred assessment cases
 - b. Interest assessment only
 - c. Tax assessments that are offset by credits in the same tax period
 - d. Penalty Only cases

4.4.12.5.45
(06-01-2002)

Item 36: Hash Total

- (1) All items that are to be included in the hash total are listed on the Form 5344 under Item 36, Hash Total.
- (2) The computer will compare the hash total entered in Item 36 to the total of individual items as entered by the terminal operator. This will insure the accuracy of the input of individual entries.

4.4.12.5.46
(06-01-2002)

Item 37: Delinquent Return

- (1) Item 37 must always be completed when closing delinquent returns picked up during the examination and sent to the campus for posting of the TC 150.
- (2) This entry gives Examination credit for a delinquent return pick-up on Table 37.
- (3) If the delinquent return is incorporated into the examination, this item must be blank.
- (4) If a TC 150 SFR has posted, this item must be left blank.
- (5) If Item 37 is entered, Item 414 is required.

4.4.12.5.46.1
(06-01-2002)

Valid Code

- (1) Segregate the delinquent returns secured by MFT code. For each MFT code:

If there is:

Then enter a:

One delinquent return

"T" in Item 37

> one delinquent return

"T" on 1st Form 5344 and an "R" on all subsequent returns

4.4.12.5.47
(09-17-2015)

Item 38: Fraud

- (1) Enter "F" if criminal prosecution has been successfully concluded.
(2) Enter "C" if the 75% fraud penalty was asserted under IRC 6663.
(3) Enter "B" if both criminal and civil apply.

4.4.12.5.48
(09-17-2015)

Item 39: Disclosure Code

- (1) The appropriate three digit state agency code is entered when disclosure is made to a state agency. The entry of this field causes a TC 120 to be generated. See IRM 11.3.37-4, *Recordkeeping and Accounting for Disclosures*, for a list of the codes.

4.4.12.5.49
(09-17-2015)

Item 41: No Change Issue Codes (IMF ONLY)

- (1) Identifies examined issues that resulted in no change to taxable income. The no-change issues codes are stored at Master File and can be viewed using IMFOLZ/BMFOLZ. If a subsequent return is examined, these codes are printed on the Form 5546, *Examination Return Charge-Out Sheet*.
(2) Enter the code without periods or dashes from Pub 1102, *Uniform Issue List* or the No-Change Issue Code list from the AIMS/ERCS web site found at: *No Change Issue Codes*.
(3) Alpha codes are valid in Item 41.
(4) Up to five entries may be made. If there are more than five no change issues, enter the code for the five most significant issues.

4.4.12.5.49.1
(06-01-2002)

No Change Disposal Codes

- (1) No Change Issue Codes are required when closing examinations with DC 01 or DC 02.

4.4.12.5.49.2
(06-01-2002)

Changed Disposal Code

- (1) A No Change Issue Code should be used with other examined disposal codes if one or more classified issues result in no change to taxable income.

4.4.12.5.49.3
(08-01-2003)

Adjusted Issues with a No Change Disposal Code

- (1) In some cases, all examined issues are adjusted yet the return is closed as a Disposal Code 01 or 02 due to other circumstances, such as negative taxable income, offsetting adjustments or the deficiency is less than tolerance. In these cases, enter all 9's in Item 41.

- 4.4.12.5.50
(08-01-2003)
Item 43: Posting Delay Code
- (1) The posting of the adjustment can be delayed from 1-6 cycles. CCP will enter a posting delay code when necessary.
- 4.4.12.5.51
(06-01-2002)
Item I: Reviewer
- (1) Reviewer's signature and date must be entered in this field if the return was reviewed.
- 4.4.12.5.52
(09-17-2015)
Item K: Tax Examiner
- (1) For a Form 5344 not prepared through a report-writing software like RGS, the name of the tax examiner that processed the Form 5344 must be entered in the space provided.
- 4.4.12.5.53
(06-01-2002)
Item 44: NOL CF Disallowed Amount
- (1) This item is used if all or part of a Net Operating Loss (NOL) carryforward (CF) is disallowed if the carryforward year is not picked-up. See Exhibit 4.4.12-1 for examples.
- 4.4.12.5.53.1
(06-01-2002)
AIMS Information
- (1) AIMS information is as follows:
- Positive amount only
 - If Item 44 is input, Item 45 is required
 - Not valid if Disposal Code = 02
 - Not included in "Exam Results", will appear on a separate page of AIMS Table 37.
- 4.4.12.5.54
(06-01-2002)
Item 45: NOL Indicator
- (1) This item is used to identify the type of NOL/Carryforward Return that will be reflected on the NOL page of Table 37. Valid entries are 1, 2 or 3. See Exhibit 4.4.12-1 for examples.
- 4.4.12.5.54.1
(06-01-2002)
NOL Indicator for NOL's Examined
- (1) Enter a "1" in Item 45 for tax periods in which the taxable income line on the Form 1040, or Form 1120 is less than zero.
- 4.4.12.5.54.2
(06-01-2002)
NOL Indicator for Carryback and/or Carry-Forward Tax Periods Related To the NOL
- (1) Enter a "2" in Item 45 for all carryback and/or carryforward tax periods related to the case in which you entered a "1" in Item 45 even if the Net Operating Loss Deduction (NOLD) was examined and the final result was a no change.
- 4.4.12.5.54.3
(06-01-2002)
NOL Indicator for Non-NOL Years Offset by Carryover
- (1) Enter a "3" in Item 45 for tax periods in which adjustments on the return were offset either in part or full by a carryover if the carryforward year return is not picked-up.

4.4.12.5.55
(09-17-2015)

**Item 46: Credit CF
Amount**

- (1) This item is used if you made adjustments to a credit that was carried forward but did not pick-up the carryforward year return. Enter the amount that was disallowed.

Example: You examined the 2014 return and disallowed the foreign tax credit of \$5,000, \$2,000 of which was carried forward to 2015. You did not pick up 2015 since it has not yet been filed.
201412 Form 5344, Item 46 = \$2,000
201412 Form 5344, Item 12 = \$3,000

4.4.12.5.56
(09-17-2015)

Item 47: Credit Type

- (1) Enter the type of credit that was disallowed in Item 46. If more than one type of credit was disallowed enter "M" for multiple. The following table lists the credit type to enter in Item 47 and the corresponding definition.

Credit Type	Definition
A	Reserved
B	Business Energy Credit
C	Reserved
E	Experimental Credit (Research and Experimental Credit)
F	Foreign Tax Credit
G	Reserved
H	Historical Restoration Credit
I	Investment Tax Credit
J	Reserved
K	Reserved
L	Low Income Housing Credit
M	Multiple
N	Reserved
O	Reserved
P	Reserved
Q	Reserved
R	Reserved
S	Reserved
T	Tight Formation Gas Credit
U	Reserved
V	Vehicle Credit; Qualified Electric
W	Reserved

Credit Type	Definition
X	Reserved
Y	Reserved
Z	TETR (Telephone Excise Tax Refund)

4.4.12.5.57
(09-17-2015)

**Items 51, 52 and 53:
Reason Code**

- (1) A three-digit numeric code that indicates the reason a particular adjustment is being made or why a particular reference number is being used. There are several reason codes valid on master file, however, only the reason codes listed below are valid on AIMS.
- (2) The same reason code can appear only once in Items 51-53. Valid reason codes are:
 - a. *First Time Home Buyer Credit (FTHBC)*: 109-110, 112-123, 125-129, 130, 132 and 133. Requires a credit reference number in Item 15 of Form 5344.
 - b. 2010 Gulf Region oil spill: 135. There is no associated credit reference number with this reason code.
 - c. Affordable Care Act (ACA): 136 and 137. Requires a credit reference number in Item 15.
 - d. Identity Theft: 139. There is no associated credit reference number with this reason code.
 - e. Criminal Restitution: 141-148. There are no associated credit reference numbers with these reason codes.
- (3) For additional information see the Issues and Procedures tab, Close a Case, on the Examination home page, *Form 5344, Items 51-53 Valid Reason Codes*.

4.4.12.5.58
(09-17-2015)

Item 66: Tire Count

- (1) This item is used to increase or decrease tire counts on Form 720, MFT 03, Excise tax examinations.
- (2) **900 adjusts Abstract 108 Tire Count field**

901 adjusts Abstract 109 Tire Count field

902 adjusts Abstract. 113 Tire Count field

903 adjusts Credit Reference No. 396

904 adjusts Credit Reference No. 304

905 adjusts Credit Reference No. 394
- (3) When adjusting Item 66, the new total number of tires should be entered. For example, if the Abstract Tire Count needs to be increased from a count of 1,250 to 2,000, the entry in Item 66 would be 2,000 not 750 or if the CRN Tire Count needs to be decreased from a count of 2,000 to 1,250, the entry in Item 66 would be 1,250, not 750.

4.4.12.5.59
(09-17-2015)

**Item 70: SHIP-Lives and
ASIHP-Lives**

- (1) This item is used when updating the average number of lives covered under these health insurance policies or plans. SHIP-Lives (906) is Specified Health Insurance Policies Average Number of Lives covered. ASIHP-Lives (907) is Applicable Self-Insurance Health Plans Average Number of Lives covered.

Note: The SHIP-COUNT and ASIHP-COUNT are overlay informational fields and do not adjust up and down. When adjusting the count fields, you must overlay the count field with the new total number of lives regardless of previous adjustments. The field contains ten digits and requires zero(s) to the left of the amount. A lives count of 85,000 must be input as 0000085000.

- (2) Effective July 1, 2016 there will be two additional amount fields added to Item 70. The law allows for an inflation rate adjustment in October of each year. The addition of amount fields 908 and 909 will allow the IRS to capture the fee after the October 1 inflation rate adjustment. Fields for 908 and 909 will work the same as described above for 906 and 907 :

Number 908 = SHIP-Amt Oct

Number 909 - ASIHP-Amt Oct

- (3) For additional information see IRM 21.7.8.4.1.5.1, *Excise Taxes, Patient-Centered Outcomes Research (PCOR)*.

4.4.12.5.60
(09-17-2015)

**Item 401: Whipsaw
Indicator**

- (1) Where the Government's interest is being protected by making the same adjustment against the same taxpayer for different tax periods, or against two or more taxpayers, an alpha indicator (K=Key case, R=Related case) must be entered to identify the case as a Whipsaw case.
- (2) The input of this indicator will prevent the duplication of statistics.
"K" = AIMS Tables will reflect results
"R" = AIMS Tables will reflect return but no results
- (3) If there are additional issues on the return that have been adjusted, the indicator should be used only if the majority of the adjustments were due to the whipsaw.
- (4) If the disposal code is 01, 02, 03, 04 or 09, an entry in Item 401 is not allowed.

4.4.12.5.61
(06-01-2002)

**Item 402: International
Examiner's Time**

- (1) Enter the percentage of the total time (Item 28) that represents the International Examiner's time.

4.4.12.5.61.1
(06-01-2002)

Example

- (1) The total time spent on the case (including the International Examiner's time) is 125 hours. The international examiner spent 15 hours on the case, therefore the entry in this field should be 12 (15/125=12).

4.4.12.5.61.2
(06-01-2002)

**Revenue Base
Protection**

- (1) Do not include the International Examiner's time spent on Revenue Base Protection issues in this calculation.

4.4.12.5.62
(06-01-2002)

**Item 403: International
Exam Results**

- (1) Enter the percentage of the examination results (agreed and unagreed) that is due to the International Examiner's involvement.

4.4.12.5.62.1
(06-01-2002)

Example

- (1) Examination results is \$10,000. The portion attributable to the international examiner is \$1,500, therefore the entry in this field should be 15 ($1,500/10,000=15$).

4.4.12.5.62.2
(06-01-2002)

**Revenue Base
Protection**

- (1) Do not include Revenue Base Protection results due to the International Examiner.

4.4.12.5.63
(09-17-2015)

Item 404: Form 720

- (1) When a Form 720 is established on AIMS, the data base contains only one abstract code which is located in the activity code field. All activity codes that were examined must be entered in Item 404.
- (2) Entries for the total time spent on the case and all assessments are made on the front of the Form 5344.
- (3) Entries for AIMS statistical reporting purposes are made in Items 404a – 404e on the back of the form.

4.4.12.5.63.1
(08-01-2003)

**Item 404a: Abstract
Code**

- (1) Enter the abstract code for each abstract that was examined.
- (2) If more than one abstract code was examined, do not enter an abstract code that was no-changed on the first line of 404a, unless the disposal code that was entered on the front of the Form 5344 is also a no-change disposal code. Enter the abstract code that resulted in a change on the first line if the disposal code on the front of the Form 5344 is a changed disposal code. If the disposal code for the first abstract code is not consistent with the disposal code entered in Item 13, the case will appear on the Accomplishment Error Register and the results of the audit will not be reflected on the AIMS tables until the correction is input.

4.4.12.5.63.2
(08-01-2003)

**Item 404b: Disposal
Code**

- (1) Enter the appropriate disposal code for each abstract code examined.

4.4.12.5.63.3
(08-01-2003)

Item 404c: Abstract Time

- (1) Enter the time charged to the examination for each abstract code examined.
- (2) The total of all Item 404c entries must total the amount entered in Item 28.
- (3) Time can be reported in 15 minute intervals. Enter the following number in the fraction section of Item 28.
 - Enter a "3" for 15 minutes
 - Enter a "5" for 30 minutes
 - Enter a "7" for 45 minutes

- | | |
|--|--|
| <p>4.4.12.5.63.4
(06-01-2002)
Item 404d: Abstract Examination Results</p> | <p>(1) Enter the tax adjustment amount for each abstract code examined.</p> <p>(2) The total of all Item 404d entries must equal the total of the computer generated Examination results.</p> |
| <p>4.4.12.5.63.5
(09-17-2015)
Item 404e: Abstract Claim Time</p> | <p>(1) Item 404e should reflect the hours entered in Item 23. If there are no claim time hours entered in Item 23, a 0 (zero) must be entered in Item 404e.</p> <p>Note: Item 404e, Abstract Claim Time, only applies to time spent examining an unpaid claim on Form 720.</p> <p>(2) See IRM 4.24.8, <i>Examination Guidance for Excise Claims for Refund or Abatement</i> for more information.</p> |
| <p>4.4.12.5.63.6
(06-01-2002)
Flip/Flop Issue</p> | <p>(1) When a taxpayer has reported an excise tax under an incorrect abstract number, Examination will adjust the excise tax to report it under the proper abstract. In such cases, there will be no additional tax that is assessed. These offsetting adjustments are closed with Disposal Code 01. Item 15 will reflect the decrease (-) to the incorrect abstract number and the corresponding increase (+) to the correct abstract. Item 404a–c will reflect the abstract codes, disposal code and abstract time for each abstract reflected in Item 15. However, the exam results entered in Item 404d is zero. Zero abstract results are entered because the Item 404 results must equal the Exam Results which in flip-flop cases are zero.</p> |
| <p>4.4.12.5.63.7
(06-01-2002)
Multiple Abstracts Examined</p> | <p>(1) Below, are procedures for processing returns with multiple abstract codes.</p> |
| <p>4.4.12.5.63.7.1
(06-01-2002)
No Change Abstract</p> | <p>(1) If multiple abstract codes are examined and one is a no-change, do not list the no-change abstract code first in Item 404a. If the disposal code entered in Item 13, is greater than 02, the case will appear on the accomplishment error register.</p> |
| <p>4.4.12.5.63.7.2
(06-01-2002)
More Than 9 Abstracts</p> | <p>(1) If more than 9 abstract codes are examined, check the box in the lower right portion of Section 404, “Check if continued on attached page”, and attach an additional Form 5344 as necessary.</p> |
| <p>4.4.12.5.63.7.3
(09-17-2015)
Secured Delinquent Returns</p> | <p>(1) Item 404 must not include the amount of the delinquent return. The balance due or refund of the delinquent return secured by Examination and forwarded to the Campus for posting of the TC 150, must be entered in Item 414.</p> <p>(2) See IRM 4.4.12.5.69 for additional information.</p> |
| <p>4.4.12.5.64
(09-17-2015)
Items 405 - 407: Related Returns Section</p> | <p>(1) When the entry in Item 408 is an “S”, Items 405-407 are a required entry for all examined returns worked by:</p> <ul style="list-style-type: none"> a. Revenue Agents in 1XXX Employee Group Codes, b. Tax Compliance Officers/Tax Resolution Representatives in 2XXX Employee Group Codes, and |

4.4 AIMS Procedures and Processing Instructions

c. Correspondence Examination Examiners in 5XXX Employee Group Codes.

- (2) Exempt from this requirement are TEFRA cases in 54XX, 57XX and 58XX employee group codes, LB&I cases in PBC 3XX, and Tax Exempt and Government Entities (TEGE) cases in 77XX and 79XX employee group codes.
- (3) The information entered must be from the primary return which is the initial return that started the examination.
- (4) If several returns were assigned initially, the Examining Officer will designate one return as primary.
- (5) For a Form 5344 not generated by an automated system, an audit label may be used but the name control must be lined out and Item 408 entered separately.
- (6) Missing or conflicting information will cause a terminal reject.
- (7) Item 405 is for the TIN of the primary return.
- (8) Item 406 is for the MFT of the primary return.
- (9) Item 407 is for the Tax Period of the primary return.

4.4.12.5.65
(09-17-2015)

Item 408: Related Return Alpha Code

- (1) An entry of "P" indicates Primary Return and Items 405-407 must be left blank.
- (2) An entry of "S" indicates Secondary Related (Return). The Primary Return information must be entered in Items 405 - 407.

4.4.12.5.66
(09-17-2015)

Item 410: Aging Reason Code (ARC)

- (1) It is only necessary to make an entry in Item 410 if the current ARC on AIMS is not correct and you want AIMS to reflect the correct code or no ARC.
- (2) Entries of 00 through 03 and 05 through 99 are valid.
- (3) For a complete list of ARCs see the article on the AIMS/ERCS website under "Codes/Procedures", "Aging Reason Codes" at: *Aging Reason Codes*.

4.4.12.5.67
(09-17-2015)

Item 411: Payment Code

- (1) Required entry on all cases (except employee group code 58XX). This code is used to monitor the number of cases in which Examination has secured a payment and whether the payment has resulted in the account being full paid, full paid due to an offset or part paid.
- (2) To determine whether the account is full paid or part paid, consider the tax, penalty and interest, adjusted by credits per the Examiner's report. Use the interest amount from the Examiner's report even if a payment is secured at a later date.

Example: Examiner's report dated June 1, 2014, shows a balance due of \$5,000, interest is \$100. A check is received on August 1, 2014 for the entire amount per the RAR. Consider this full paid even though there will be two more months of interest charged after the assessment is made.

- (3) Select the code based on the payment status of the account at the time of closing from the group.
- (4) No other codes may be used without Headquarters approval.

4.4.12.5.67.1
(09-17-2015)

Valid Codes

- (1) Following are the valid payment codes.

F = full paid	Amount shown on RAR paid in full; may be unpaid accruals - Frozen refund, withholding or payments which cover the balance due in full.
P = part paid	Includes frozen refund, withholding, payments or an offset from another tax period which does not completely satisfy the balance due.
N = no payment	Changed cases where there was no frozen refund, payment or offset from another tax period to satisfy the balance due. Also used for no change cases, overassessment cases and Appeals cases if no payment is received.
O = total offset	Offsets from other tax periods that will satisfy the balance due in full.

4.4.12.5.68
(09-17-2015)

Item 412: Installment Agreement Code

- (1) Required on all cases except EGCs 54XX, 57XX, 58XX, 77XX and 79XX.

- (2) Select the code based on the information below:

- I = Installment agreement request received (This includes Estate Tax Return installment agreement requests under IRC Section 6166.)
- C = Coordinated with collection (no installment agreement request received)
- N = No installment agreement request received (includes a statement by the taxpayer they will pay within 120 days or are unable to pay)

4.4.12.5.69
(09-17-2015)

Item 414: Delinquent Return Amount

- (1) This item is for delinquent returns secured by Examination and forwarded to the campus for posting of the TC 150.

- (2) Do not input, if an SFR TC 150 DLN is posted to the module.

4.4.12.5.69.1
(09-17-2015)

Taxable Returns

- (1) Enter the balance due or refund amount (excluding penalties and interest) per the delinquent return. If this amount is zero, enter \$1.

4.4.12.5.69.2
(09-17-2015)

Non-Taxable Returns

- (1) Enter the amount of the ordinary net income/loss or special allocation items per the delinquent return. If this amount is zero, enter \$1.

4.4.12.5.69.3
(06-01-2002)

Excise Tax Returns

- (1) Enter the total of all abstract codes in Item 414. DO NOT make an entry in Item 404 for the delinquent amount. The amount entered in Item 414 will be credited to the Activity/Abstract Code that appears on the AMDISA. You must change the Activity/Abstract Code if you want the delinquent return credited to a different abstract code.

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4.4.12.5.69.4

(06-01-2002)

AIMS Checks

- (1) If Item 414 is entered, Item 37, Delinquent Return Code, must also be entered and vice versa.
- (2) If Item 414 is entered, Item 13, Disposal Code, must be 01 or 03–13 (not valid with Disposal Codes 02 and 34).

4.4.12.5.70

(09-17-2015)

Item 415: Amended Return Amount

- (1) An entry in Item 415 is only valid if Master File shows an examination was started BEFORE the taxpayer filed the amended return or an original return if the TC 150 is an SFR. Enter the amount of the TC 29X processed by the Campus, that posted to Master file if the return was filed as a result of an ongoing examination. A current transcript must be included in the case file supporting the amount entered in Item 415. The TC 42X date must be prior to the TC 29X.
- (2) If there is no other assessment to be made, close the case using DC 01.
- (3) Leave Item 37 blank.

4.4.12.5.70.1

(06-01-2002)

Taxable Returns

- (1) Enter the amount of the TC 29X less any credits posted. In most cases this is the balance due/refund.

4.4.12.5.70.2

(06-01-2002)

Non-Taxable Returns

- (1) Enter the adjustment amount to income/loss.

4.4.12.5.70.3

(06-01-2002)

Examples

- (1) An examination is being conducted and business expenses are being disallowed resulting in a proposed deficiency of \$20,000. Instead of signing an agreement, the taxpayer sends an amended return to the campus no longer claiming these expenses. The campus assesses additional tax in the amount of \$20,000. If the TC 290 for \$20,000 posts AFTER the TC 42X, enter \$20,000 in Item 415.
- (2) An examination is being conducted and business expenses are being disallowed resulting in a proposed deficiency of \$20,000. Instead of signing an agreement, the taxpayer sends an amended return to the campus reporting additional income resulting in additional tax of \$10,000. If this was not an issue included in the examination, no entry is allowed in Item 415 EVEN if the TC 290 was posted after the TC 420. The \$20,000 for the disallowance of the business expenses will be reflected in the TC 300 amount.
- (3) An examination is being conducted on a non-filer. The TC 150 posted at Master File represents the SFR that Examination submitted. The taxpayer sends an original return to the campus and the center assesses \$10,000 in tax and \$3,000 in withholding credit. Enter \$7,000 in Item 415 IF the TC 42X date is prior to the TC 29X. If the SFR had not posted, delinquent return (Item 414) procedures should be followed.

4.4.12.5.71

(08-01-2003)

Item 416: Fax Agreement Indicator

- (1) For EGC 5XXX only, enter a "1" if the agreement was received by fax.
- (2) Only valid with disposal codes 03, 04, 08 or 09.

- 4.4.12.5.72
(09-17-2015)
Item 418: 3121Q Amount
- (1) Reflects the amount of FICA adjustment made by issuing notice and demand (IRC 3121Q) to the business for employer's share of FICA on unreported tips.
 - (2) Only valid for MFT 01, 11 or 14.
- 4.4.12.5.73
(09-17-2015)
Item 422: Applicable Credit Adjustment Amount
- (1) Reflects dollars protected during audits of Estate and Gift Tax returns for Disposal Code 01 cases, which do not necessarily yield tax dollars at the present time but do reflect a tightening of the tax gap.
 - (2) Only valid for MFTs 51, 52, 53 and 54
- 4.4.12.5.74
(09-17-2015)
Item 425: DSUE Amount
- (1) Reflects the Deceased Spouse Unused Exemption (DSUE) Amount from audits of Estate and Gift Tax returns.
 - (2) Only valid for MFTs 51, 52, 53 and 54.
- 4.4.12.6
(09-17-2015)
Combat Zone Procedures
- (1) When a Master File -C freeze (combat zone) is present on a taxpayer's account, AIMS will not allow you to open an audit on the taxpayer. However, there are occasions where AIMS controls are opened on a taxpayer who subsequently becomes a combat zone participant.
 - (2) When a -C freeze is present on a taxpayer's account, additional research is required to determine if steps can be taken to assess tax or perform other actions.
 - (3) The -C freeze will stay on the account after the taxpayer is no longer serving in the combat zone. IDRS CC IMFOLE should be reviewed to determine if the taxpayer is still in the combat zone suspense period. The combat zone -C freeze and indicators are located on IDRS CC IMFOLE, Line 11. Combat zone indicator codes are:
 - "0" - Not a Combat Zone participant (-C freeze will not be on the account).
 - "1" - Follow IRM 4.10.8.2.7, *Special Situations: Combat Zones*, for suspending or closing out the case. No tax assessment actions can be done.
 - "2" - Inactive - Follow normal procedures to work the case. The taxpayer is out of the combat zone and normal Compliance activities, such as assessing tax, can now continue.
 - (4) The Combat Zone freeze must be released by the local AIMS/ERCS staff before a case can be closed.
- 4.4.12.6.1
(09-17-2015)
Releasing the Combat Zone Freeze
- (1) The AIMS/ERCS staff will follow the procedures in the document located on the AIMS/ERCS website under the "Codes/Procedures" tab titled, *Releasing the Combat Zone Freeze*. After releasing the combat zone freeze, the indicator will change from a "1" to a "2".
- Note:** After the AIMS/ERCS staff enters the appropriate codes for releasing the freeze, the indicator will not change from a "1" to a "2" until 180 days from

4.4 AIMS Procedures and Processing Instructions

the exit date. Also keep in mind, the -C freeze will always be displayed on the taxpayer's account even after the freeze has been released.

4.4.12.6.2
(09-17-2015)

Combat Zone Cases Campus Examination Procedures

- (1) Campus Examination will follow IRM 4.19.13.20, *Liability Determination, General Case Development, Combat Zone*.

4.4.12.7
(09-17-2015)

AIMS Freeze Codes

- (1) Do not confuse AIMS freeze codes with Master File freeze codes. AIMS freeze codes only appear on the AIMS database on screen 1 of the AMDISA. They are not reflected on Master File.
- (2) Master File freeze codes appear on Master File, for example TXMODA, IMFOLT, BMFOLT, etc. or some of them can appear as an indicator on the AMDISA. An example of a Master File freeze code generating an indicator on the AMDISA would be a "97X" in the "MF-TC" field on page 1. Master File will reflect a freeze code of "-A" and there would be a TC 976 or TC 977 on the transcript.
- (3) A return with an AIMS freeze code will prevent a closure to CCP, therefore, all AIMS freeze codes must be released before cases are sent to CCP except:

M - Field Exam NQRS (National Qualify Review System)

X - Bankruptcy (petitions filed after 10/21/1994)

- (4) The AIMS/ERCS website contains a complete listing of AIMS freeze codes and contacts at: *AIMS Freeze codes*.

4.4.12.8
(09-17-2015)

AIMS Indicators that Prevent a Closure

- (1) There are indicators on the AIMS database (appearing on the AMDISA) that prevent a case from closing:
 - IRS Employee (appears on page 1, line 18 of AMDISA)
 - ICE (Informant's Claim/Whistleblower) (appears on page 1, line 18 of AMDISA)
 - Criminal Restitution (appears on page 2, line 16 of AMDISA)
- (2) The indicator must be removed or changed prior to sending the return to CCP for closure. For the IRS Employee Indicator contact the local PSP, for the Criminal Restitution Indicator contact Technical Services, for the ICE Indicator contact the National contact in Ogden, UT. All of these contacts can be (found on the Contacts tab of the AIMS/ERCS website under **Area and Campus Program Contacts** at: *AIMS/ERCS Contacts* to resolve the issue.

4.4.12.9
(09-17-2015)

Disposition of Form 5344

- (1) For regular closures see IRM 4.4.32, *AIMS Procedures and Processing Instructions, AIMS, ERCS, and IDRS Data Processing*.

4.4.12.9.1
(09-17-2015)

Closures to Appeals

- (1) Staple the Form 5344 to the front of the tax return or electronic print. It is not necessary to send the Form 5344 to the campus as a source document.

- (2) For additional information see IRM 4.4.5, *AIMS Procedures and Processing Instructions, Closings to Appeals*.

4.4.12.9.2
(09-17-2015)
Coordinated Industry Case (CIC) Cases

- (1) The large case manager will forward a completed copy of the Form 5344 to the primary Industry's Director, Field Operations.

4.4.12.10
(09-17-2015)
Closing Instructions for Cases with RGS Reports

- (1) See IRM 4.10.15, *Examination of Returns, Report Generation Software (RGS)*, for information on saving case file documentation and closing cases through RGS.

4.4.12.10.1
(09-17-2015)
Closing Personnel

- (1) LB&I and SBSE cases are closed to one of three CCP sites depending on the Primary Business Code of the case. The Three CCP sites are Cincinnati, Memphis and Ogden. All examined cases received by CCP must include a completed Form 3198.

4.4.12.10.1.1
(06-01-2002)
Non-Special Handling Cases

- (1) RGS cases not identified as requiring special handling, are not required to have the Form 5344 verified by the CCP employee assigned to close the case if the Form 5344 has been validated. (If Item 36, Hash Total is present, Form 5344 has been validated). Since the information appearing on the Form 5344 flows from the RGS Examination Report and the validation program has been utilized by the examiner, additional verification of the entries is no longer required. These files should be assembled, closed through AIMS by CCP, and shipped to the campus.

4.4.12.10.1.2
(09-17-2015)
Special Handling Cases

- (1) RGS cases identified as requiring special handling on Form 3198 should be processed by a CCP Special Processing Examiner. Upon final resolution of the case, a revised Form 5344 will be validated prior to case closure.

4.4.12.11
(09-17-2015)
Examination Operational Automation Database (EOAD) Data Capture Procedures

- (1) For information on EOAD see IRM 4.10.16, *Examination of Returns, Examination Operational Automation Database (EOAD)*.

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Exhibit 4.4.12-1 (06-01-2002)**Item 44 and 45, NOL Information Examples**

“NOL C/F Disallowed Amount (Item 44 on Form 5344)” — This item is used if all or part of an NOL carryforward is disallowed if the carry forward year return **is not picked-up**.

“NOL Indicator (Item 45 on Form 5344)” — This item is used to identify the 3 types of NOL/Carryforward Returns that will be reflected on the NOL page of Table 37:

1. NOL's examined: Enter a “1” in Item 45 for tax periods in which the taxable income line on the Form 1040 or 1120 is less than zero.
2. Carryback and/or carryforward tax periods RELATED TO THE NOL: Enter “2” in Item 45 for all carryback and/or carryforward tax periods related to the case in which you entered a “1” in Item 45 even IF the NOLD was examined and the final result was a no change.
3. Non-NOL year returns examined and adjustments are OFFSET by carry overs: Enter a “3” in Item 45 for tax periods in which adjustments on the return were offset either in part or full by a carryover if the carryforward year return is not picked up.

Exhibit 4.4.12-1 (Cont. 1) (06-01-2002)
Item 44 and 45, NOL Information Examples

NON/Related Return Examples:

You made no adjustment to the 201412 NOL therefore did not pick up the related years.

201412 Form 5344, Item 44 = leave blank

201412 Form 5344, Item 45 = "1"

You made a \$10,000 adjustment to the 201412 NOL that was carried back to 201112.

201412 Form 5344, Item 44 = leave blank (There was no carryover)

201412 Form 5344, Item 45 = "1"

201112 Form 5344, Item 44 = leave blank

201112 Form 5344, Item 45 = "2"

201112 Form 5344, Item 12 = amount of tax assessed on the \$10,000 adjustment

You made a \$140,000 adjustment to the 201412 NOL. You picked-up the carryback years and applied \$20,000 to 201112, \$30,000 to 201212, \$40,000 to 201312 but the \$50,000 for the carryover year could not be applied since the 201512 return was not yet filed.

201412 Form 5344, Item 44 = \$50,000 (captures the carryforward amount disallowed)

201412 Form 5344, Item 45 = "1" (NOL year)

201112, 201212, 201312 Form 5344, Item 44 = leave blank

201112, 201212, 201312 Form 5344, Item 45 = "2" (Related years)

201112, 201212, 201312 Form 5344, Item 12 = amount of tax assessed on the \$20,000, \$30,000 and \$40,000 adjustments

You made a \$140,000 adjustment to the 201312 NOL. You picked-up the carryback years and carryforward years and applied \$20,000 to 201012, \$30,000 to 201112, \$40,000 to 201212 and \$50,000 to 201412

201312 Form 5344, Item 44 = leave blank

201312 Form 5344, Item 45 = "1" (NOL year)

201012, 201112, 201212, 201412 Form 5344, Item 44 = leave blank

201012, 201112, 201212, 201412 Form 5344, Item 45 = "2"

201012, 201112, 201212, 201412 Form 5344, Item 12 = amount of tax assessed on the \$20,000, \$30,000, \$40,000 and \$50,000 adjustments

Exhibit 4.4.12-1 (Cont. 2) (06-01-2002)
Item 44 and 45, NOL Information Examples

Offset Example:

The 201412 return showed taxable income of -\$75,000 (taxable income before NOLD = \$125,000, NOLD = \$200,000). You made a \$50,000 adjustment to 201412 changing taxable income before NOLD to \$175,000. Your \$50,000 adjustment will be totally offset by the NOLD carryover of \$200,000. The 201512 return has not been filed therefore cannot be picked up to adjust the carryover. The 201312 return was examined but no changed.

201412 Form 5344, Item 44 = \$50,000 (Amt of adjustment offset by carryover)

201412 Form 5344, Item 45 = "3" (Offset year)

201312 Form 5344, Item 44 = leave blank

201312 Form 5344, Item 45 = "2" (Related years)

