

PURPOSE

- (1) This transmits a partial revision with changes for IRM 4.4.22, AIMS/Processing Handbook, Non-Master File (NMF) Processing.

BACKGROUND

- (1) This IRM section has been rewritten to update titles and functional names that were changed due to restructuring.

NATURE OF CHANGES

- (1) Revised throughout to remove reference to the MARS and replace with the Automated Non-Master File System.
- (2) Revised text throughout to reflect the updated title of Centralized Case Processing.
- (3) Revised text throughout to remove reference to Form 813 as it is no longer used.
- (4) Revised 4.4.22.3.1.2 to remove reference to obsolete Form 6335 and replaced it with Letter 6335.
- (5) Revised 4.4.22.6 to add Form 10904 to the list of forms that can be used to request a non-examined closure.
- (6) Revised 4.4.22.6.1 and 4.4.22.6.2 to include information on the Batch Position Indicator.
- (7) Revised text throughout to remove all references to Forms 2467 and 2468 as they are obsolete and deleted Exhibit 4.4.22-4, Form 2468.
- (8) Removed Exhibit 4.4.22-5, Form 3539 and added link to current Form 3539 into text 4.4.22.6.2.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 4.4.22, date August 1, 2001.

AUDIENCE

LMSB, SB/SE and W&I Employees.

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4.4.22

Non-Master File (NMF) Processing

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4.4.22.1
(11-06-2009)
Introduction

- (1) This chapter contains procedures on Non-Master File processing.
- (2) Some returns have not yet been programmed to the Master File (MF) . Also, certain Examination deficiencies cannot be processed to the MF. Adjustments to these returns and returns for pre-ADP periods require forms and procedures different from those used in adjusting MF returns. Some additional code and edit procedures are necessary and blocking and numbering requirements are different.

4.4.22.2
(11-06-2009)
NMF Research and Transcripts

- (1) Researching NMF accounts is different than research Master File accounts. There is a system consisting of Index Cards and Unit Ledger Cards (ULC) and an automated system, Automated Non-Master File Accounting system. See *IRM 3.17.46*, Accounting and Data Control - Automated Non-Master File Accounting for more information.

4.4.22.2.1
(11-06-2009)
Automated Non-Master File Accounting

- (1) Non-master file accounts can be viewed using the Automated Non-Master File Account (ANMF) system. See *IRM 3.17.46.13.3* for information on the ANMF system.

Note: Accounts closed prior to ANMF are still requested using *Form 4338*.

4.4.22.3
(02-08-1999)
NMF Assessments and Overassessments

- (1) Perform all processing, code and edit functions for all years in file requiring NMF assessment or overassessment for one or more years. Years or periods in the case file not requiring NMF assessment or overassessment should be processed for numbering and blocking in the regular series.
- (2) Closely examine the name and address line of all documents. In estate tax cases, the name and address must be that of the estate and executor rather than that of the decedent. The taxpayer's address must accompany the adjustment document forwarded to the service center. This may require entering the address on the label attached to the adjustment document.

4.4.22.3.1
(11-06-2009)
Assessments

- (1) Determine the appropriate dates and compute the interest on a deficiency requiring NMF assessment.
- (2) Interest amounts of less than \$1.00 will not be shown on Forms 5344 unless the amount has been paid.

4.4.22.3.1.1
(02-08-1999)
Spousal Assessments

- (1) See the *IRM 4.11.34*, Innocent Spouse and *IRM 4.8.9*, Statutory Notices of Deficiency Issued by the Area for special processing instructions.

4.4.22.3.1.2
(11-06-2009)
NMF Assessment Verification

- (1) Centralized Case Processing will establish an Assessment Verification (AV) file for all NMF assessments processed via Form 5734. The Service Center Accounting function will send verification that the assessment has been made. If verification is not received follow up action will be initiated no later than 15 workdays from the date of the initial submission of *Form 5734*.

4.4.22.3.2
(02-08-1999)
Overassessments

- (1) A transcript of account is required in the following instances.
 - a. If the return was not full-paid or overpaid.
 - b. If there is a record of an additional assessment having been made without a record of payment.

Exception: No transcript is needed if there is a verified advance payment which completely paid the additional assessment.

- (2) A check for outstanding accounts, both MF and NMF, is required if the overpayment would result in a refund of \$1,000 or more, including allowable interest.
- (3) *Form 1331, Notice of Adjustment* or *Form 1331-B, Notice of Adjustment* must be prepared with entries in Section 1 of the form.
 - a. Refund-only Forms 1331, and strictly credit and abatement Forms 1331 should be blocked separately. If there is a combination refund, credit and/or abatement on the Form 1331, this is blocked separately from either of the above. Forms 1331 should be completely filled out, with the exception of the schedule number and date certified, down to and including the "Total abated and credited" line. The name and address and refund amount should be typed in and all other information should be either typed or written with a pen. They should be neatly prepared without corrections or deletions. The first name line on estate tax cases must show the name of the person to receive the check. A transcript of the account may be used for the record of assessment.
 - b. Compute the interest allowable on refunds, using the applicable space on the back of Form 1331. Enter in the "date" column the date to which interest is computed on the overpayment. Allowable interest is computed from the paid date or the due date, whichever is later, to the schedule date if a refund is involved, or the due date of the other account if a credit is involved.
 - c. If the account is not paid, the overpayment is entered as an abatement on the Form 1331. A copy of the ULC or a certified transcript of account is to be stapled to the reverse side of Form 1331 for the account to be abated and to the posting copy. If the account is in "Notice" status, the list week is to be shown.
 - d. If the account is paid but there are other outstanding accounts for the same taxpayer, the overpayment is entered as a credit on Form 1331. This will normally result in an accrual of interest or an abatement of interest on the account receiving the credit. If the account receiving the credit is another NMF account and there is enough credit to apply to accrued interest, the interest can be accrued on Form 1331 by entering it in the credit column, circling the amount in red on the posting copy, and entering code "AI" adjacent to the interest figures. When overpayments are credited to written off accounts, use code "TA" adjacent to the figure in the credit column and circle in red the amount on the posting copy of Form 1331. For credits applied to outstanding liabilities, enter on separate lines in the "Amount Credited" column that part of the unpaid liability, tax, penalty, and interest which are to be satisfied from the current overpayment. The status of the NMF account must be entered on the posting copy of Form 1331. If an abatement of interest is involved, it is necessary to prepare a Form 1331-B to decrease the interest on the other account.
 - e. If the overassessment is on an account that is paid in full, and there are no other outstanding accounts for the taxpayer, the overpayment is scheduled for refund.
 - f. If interest was assessed on the account that has an overpayment, interest should be decreased proportionately unless a restricted condition prohibits it. An exception is encountered when an estate tax (Form 706) assessment is paid by treasury bonds. In these situations send a copy of page 1,

Form 706 to the service center Accounting Branch with a memorandum giving all pertinent information. Interest will not be computed on these cases.

- (4) Show the decrease in tax and/or penalty. After computing interest on the correct tax liability, compare it with the interest previously assessed and enter the overassessment of assessed interest, if any. Do NOT enter interest allowable on any overpayment. Make no entry for the schedule number.

4.4.22.3.2.1
(11-06-2009)
Form 1331 Entries

- (1) 1. The type of return to which this adjustment will be applied.
2. The year and the month ending of the tax period being adjusted. On Forms 706, the date of death.
3. Name, address and ZIP code of the taxpayer as shown on the document being adjusted. Include EIN and/or SSN when available. On refunds, the check will be issued in the name shown in this item.
4. The amount of tax withheld as reflected on the return from Form W-2 or 2439, whichever is applicable. Insert the word "None" when adjusting returns that do not show a reduction of tax due to prepayment credits.
5. The amount of estimated tax paid as verified by transcript or documents attached. Insert the word none when adjusting returns that do not show a reduction of tax due to prepayment credits.
6. The DLN of the estimated payment if available. When an adjustment is due to an allowance of estimated credits only, the DLN is required.
7. The amount of tax penalties and interest assessed on the return. This amount will consist of any remittance paid with the return, and any additional amount assessed prior to deposit action.
8. DLN of return.
9. Any additional tax assessed and/or duplicate return assessment and any penalties or interest assessed.
10. The math error or duplicate assessment DLN.
11. The total of lines 1, 2, 3 and 4.
12. The correct liability after verification of the document being adjusted.
13. Subtract line 6 from line 5.
14. Less amounts previously refunded or credited to other accounts— examine returns to be sure that all previous adjustments to the account are considered before entering the net overcharge. Also enter the schedule number from the sticker or stamp on the return. If none, write "none"
15. Subtract line 8 from line 7.
16. Check the appropriate block. If other, give a brief explanation of the reason for the adjustment.
17. Date of preparation.
18. Initials of preparer.
19. Tax period and account number and the amount of the net overcharge if the account is paid.
20. Interest due taxpayer or refund.
21. Amount of check— total due taxpayer.
22. Tax period and account number of the account being abated along with the amount of the abatement. Where the tax, penalty, and/or interest is to be abated, show each separately preceded by "T", "P" or "I".
23. Tax period and account number of each account receiving credit. Identify as tax (T), penalty (P) and interest (I).
24. If interest is allowable on the overpayment and is to be credited to an outstanding account, enter the tax period, account number and amount of interest credit.

*** On refunds when the account is full paid, use the interest calculation space on the back of Form 1331 to compute allowable interest. Enter the amount of overassessment and allowable interest in Section II of Form 1331. The date interest was computed to is also entered.

4.4.22.3.2.2
(11-06-2009)
Form 1331-B Entries

- (1) The type of return to which this adjustment will be applied.
2. The year and ending month of the tax period being adjusted, in YYYYMM format. For claims on gasoline over \$1,000, use the period shown on Form 843. For claims on Form 2439 (Notice to Shareholder of Undistributed Long-Term Capital Gains), use the calendar year.
3. The name and address as shown on the claim and/or Form 2439. Otherwise, use the name and address shown on the document being adjusted.
4. The computation of the overassessment or the amount to be refunded or the reason for the action if a tax computation is not appropriate. When adjusting returns of the same class of tax for the same taxpayer, more than one period or computation may be included in Section I. Be sure that appropriate references are made in Item 2, above, when more than one period or claim is involved. Document locator numbers will also appear in this area whenever a DLN has been assigned.
5. Date of preparation.
6. Initials of preparer.
7. Section II of Form 1331-B is completed in the same manner as Section II, Form 1331 (see Items 19–24 in Exhibit 4.4.22–3).

4.4.22.3.3
(02-08-1999)
**Combination Cases—
Assessments and
Overassessments**

- (1) When both assessments and overassessments are involved in the same case, the earliest overpayments are applied to the earliest assessments on the Form 1331 by completing the credit portion on the bottom and entering the DLN or account number of the assessment that is being credited. The record of assessments and payments is to be completed (back of file copy of Form 1331) showing the account being credited and the status of the account. If it is an account being assessed at this time, the new DLN and 23C date of the account will be entered by the Accounting Branch. If a transcript of an old account was requested and it does not show the status, request Examination at the service center to identify the unit to be contacted to obtain the current status.
 - a. Assessment: Interest is computed on the assessment from the due date of the deficiency to the date the overpayment was available. Any amount not covered by credit will have interest computed in the normal manner. If the available date of the overpayment is before the due date of the assessment, no interest is due on the assessment.
 - b. Overpayment: Allowable interest is computed on the overpayment from the paid date or the due date of the return, whichever is later, to the due date of the deficiency. If the deficiency is due before the available date of the overpayment, no interest is allowed on the overpayment unless the overpayment is greater than the assessment(s). Then, interest is allowed on the balance in the normal manner. Interest is allowed on the overpayment applied to interest assessed on a deficiency for another period to the date the interest is assessed, except no interest can be allowed past the schedule date.
 - c.

Exception: These instructions are not applicable where one taxpayer agrees to the application of credit to a deficiency for another taxpayer. In this case,

interest is computed on the deficiency without regard to the overpayment and interest is allowed on the overpayment to the schedule date. The tax and allowable interest are then credited to the deficiency through entries in the credit column on the Form 1331.

- (2) When an overpayment is to be applied to an assessment that has not been made, it is necessary to keep the file together until the deficiency is numbered so that the assessment number can be entered on the Form 1331 with the 23C date of the assessment; the assessment and overassessment must have the same 23C date. The posting copy is not acceptable without this information.

4.4.22.4
(02-08-1999)
Quick Assessments

- (1) NMF quick assessments are processed in the same manner as MF, except the numbering is different and abstract codes are required for IMF and BMF adjustments. See IRM 3.17.46.
- (2) Assessment verification on NMF quick assessments will be executed in the same manner as they are for MF quick assessments. Refer to Quick Assessments for those procedures.

Note: Letter 6335 is the billing received by the taxpayer on NMF quick assessments.

- (3) If there has been a NMF assessed advance payment paying tax, penalty and interest in full it is not necessary to use quick assessment procedures because the assessment will have already been made as of the 23C date shown on the copy of part 1 of Form 3244-A. These should be numbered and processed as any other NMF assessment. If the advance payment does not pay the tax, penalty and interest in full, quick assessment procedures should be used. The request should specify the amount of payment for accounting to allow credit against the assessment.
- (4) Where the quick assessment is for tax shown on a delinquent NMF return, the return will be submitted with Form 2859 in lieu of Form 5344. After the original delinquent return is processed, requisition the return. When the return is received, process Form 5344.

4.4.22.5
(02-08-1999)
NMF Unapplied Advance Payments Follow-up

- (1) Semiannually, the Service Center Accounting Branch prepares a list of unapplied NMF advance payments which have been held six months or more to ascertain whether these payments apply to cases previously processed or through some error the payment is still classified as an advance payment. The Service Center Accounting Branch will forward the original and triplicate of the list to Case Processing Support.

4.4.22.5.1
(02-08-1999)
Centralized Case Processing Entries

- (1) Furnish the current status of each case under the "Remark" column of the list.
- (2) Examine the AIMS data base, both MF and NMF, to determine status or disposition of the case.
- (3) Research MF and NMF, to determine if assessment was made.
- (4) Annotate both copies of the list to show the status or disposition (including dates).
- (5) Retain triplicate of the list.

- (6) Return original of the list to the Service Center Accounting Branch for processing.
- (7) Maintain the triplicate of the list until receipt of the next semiannual list.
- (8) Compare the data from the current list with any prior lists to determine if duplicate reference is contained on the new list.
- (9) If research on the previous list provided the status of the case, transfer this information to the new list and follow up to assure that the research is still accurate.

4.4.22.6
(11-06-2009)

NMF AIMS Closings

- (1) NMF cases are closed using:
 - Forms *5351, Examination Non-Examined Closings* and *10904, Request for Record Deletion from AIMS* are used to for non-examined closings. See *IRM 4.4.22.6.2* for Disposal Code 28 cases.
 - Form *5344, Examination Closing Record* for examined closings. Centralized Case Processing perform the following tasks after completing code and edit of the NMF closing documents.
- (2) The NMF AIMS base for non-examined closings will age using the same criteria as Master File AIMS bases - See *IRM 4.4.1*. Examined closures will not age off of the AIMS base for 10 years from the Status Code 90 date..

4.4.22.6.1
(11-06-2009)

NMF Examined Closings

- (1) Sort returns by NMFT.
- (2) Then sort into the groups listed below. Each group requires a separate block. A maximum of 50 closings may be combined in one block.
 - Deficiencies or additional tax cases
 - No change cases
 - Overassessments to be refunded
 - Overassessments with credit applied to another account, and abatements
 - Cases protested to Appeals Office
 - Cases with advance payments— full payment
 - Cases with advance payments— partial payment
- (3) Assign appropriate Batch Position Indicator in P36 of Form 5344. If you have more than one closure, enter a "F" for the first closure and an "L" for the last closure. If you only have one closure, enter an "S".
- (4) Assign appropriate Blocking Series in P38-40 of Form 5344..
- (5) Close through terminals.
- (6) Number the closures with the generated DLN and forward to Files in the source document folder. See Text 4.4.22.6.4.

4.4.22.6.2
(11-06-2009)

NMF Non-Examined Closings

- (1) Sort closing documents by NMFT Code.
- (2) Then sort into the groups listed below. Each group requires a separate block. A maximum of 50 closings may be combined in one block.
 - Cases with Disposal Codes 28. See Text 4.4.22.6.2.1.
 - All other non-examined disposal codes

- (3) On the final input of a batch, enter a Batch Position Indicator of an "L" in position 7 on the AMSOC input screen.
- (4) Assign appropriate Blocking Series in position 12-14 on the AMSOC input screen.
- (5) Log the blocking series on Form 3539, see <http://core.publish.no.irs.gov/forms/internal/pdf/22320c04.pdf>.
- (6) Close through terminals.
- (7) Annotate the closure with the generated DLN. See Text 4.4.22.6.4.
- (8) Forward NMF non-examined cases to NMF Accounting function for indexing.

4.4.22.6.2.1
(02-08-1999)
Disposal Code 28

- (1) Disposal Code 28 is used to dispose of a NMF AIMS data base that was established for control purposes only. Form 10904 is the closure document. The AIMS/ERCS unit will perform the following tasks:
 1. Sort first by NMF MFT, then by File Source (N and -D) to create blocks for terminal input.
 2. Assign a blocking series of 100 to the first block, 101 to the next, etc. until all blocks have been assigned a number.
 3. Input through the terminal.
 4. After terminal closure, retain these forms in searchable order and dispose of them in accordance with IRM 1.15, Records Disposition Handbook. At the option of area offices, arrangements may be made to have the forms numbered and closed to service centers for retention. See IRM 4.4.22.9.1.

4.4.22.6.3
(11-06-2009)
Terminal Closure

- (1) Once a block of NMF examined or non-examined closings have been input, the terminal operator receives an AMBLK print-out (which should be attached to the block), showing the first DLN, the last DLN, the total examination results, total assessments, and credits for the block. It provides information needed to physically number the closings with the refile DLN.

4.4.22.6.4
(02-08-1999)
Stamping the DLN

- (1) Stamp the DLN number on the closing document and the tax return when present. The ink color used to stamp the DLN represents the year of numbering as follows:

IF last digit of the year is	THEN use
1 or 6	purple ink
2 or 7	red ink
3 or 8	black ink
4 or 9	blue ink
5 or 0	green ink

- (2) Line out all earlier DLNs. Keep the documents in order so that the DLN stamped on the document is in the same sequence as assigned by the terminal.

4.4.22.7
(02-08-1999)
**Prompt, Quick, and
Jeopardy Assessments**

- (1) Use the appropriate area office code and tax class. Use Document Code 51 instead of 47. The Julian date of the DLN is determined in the normal manner except that the current date is used for Jeopardy or immediate assessments and for deficiencies over \$50,000.

4.4.22.8
(11-06-2009)
NMF Returns

- (1) In addition to the return, stamp the DLN (except those in a non-refile series) on these documents.
 - Assessment document (Form 5344).
 - Form 1296 (constitutes return), if present.
- (2) When more than three penalties are shown for a period, assign a second DLN to the excess penalties.
- (3) The regular weekly 23C date for NMF assessments and overassessments is the Monday of the third week following the week in which the Form 5344 is released to the NMF Accounting function. Monday is used as the 23C date even though it may be a holiday.
- (4) Number NMF cases transferred to Appeals in the 1XX blocking series. Form 5344 remains in the case file and accompanies the return to Appeals.
- (5) The DLN is assigned by the terminal and is comprised of the appropriate two digit area office code, Tax Class 6, Document Code 47 and the Saturday date prior to the 23C or schedule date. Areas use the prior Sunday date. Serial numbers will be assigned in the range 00–99.