EFFECTIVE DATE

(10-15-2024)

PURPOSE

(1)   This transmits revised IRM 4.19.5 Liability Determination, Certification of State Federal Unemployment Tax Act (FUTA) Credits.

MATERIAL CHANGES

(1)   IRM 4.19.5.3.1(2) Update the FUTA Release year.

(2)   IRM 4.19.5.4.7.8 Update Credit Reduction Table.

(3)   IRM 4.19.5.4.7.11 Update the FUTA Release year.

(4)   IRM 4.19.5.4.8 Update IF/Then Chart to add instructions to use the Credit Transfer IAT tool when completing credit transfers.

(5)   IRM 4.19.5.4.11(4) Added information on how to retrieve prior year Archived cases.

(6)   IRM 4.19.5.4.16 Updated FUTA dates in the table.

(7)   Updated hyperlinks throughout the IRM.

(8)   Made various editorial changed throughout the IRM.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 4.19.5 dated 10/25/2023..

AUDIENCE

Small Business Self Employed Campus Compliance Employees

Heather Yocum
Director, Field Exam and Campus Policy
Small Business/Self-Employed

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4.19.5

Certification of State Federal Unemployment Tax Act (FUTA) Credits

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4.19.5.1 (09-14-2020) **Program Scope and Objectives**	(1)	This manual contains information on Business master file (BMF) accounts with discrepancy issues related to the Federal Unemployment Tax Act (FUTA).
	(2)	**Purpose**: to provide general case procedures for resolving tax account issues regarding unemployment taxes.
	(3)	**Audience**: The primary users of this IRM are Small Business Self Employed Compliance employees in SB/SE.
	(4)	**Policy Owner**: Director, Exam Field and Campus Policy.
	(5)	**Program Owner**: SB/SE BMF Document Matching.
	(6)	**Primary Stakeholder**: SB/SE
	(7)	**Program Goals**: Program goals for this type of work can be found in IRM 1.4.23, FUTA Manager and Coordinator .

4.19.5.1.1 (09-30-2021) **Background**	(1)	The FUTA program provides for cooperation between state and federal governments in the establishment and administration of unemployment insurance. Under this dual system, the employer is subject to a payroll tax levied by the federal and state government. The taxpayer is allowed a maximum credit of 5.4 percent against the Federal tax of 6.0 percent, provided that all payments were made to the state by the due date. Employers whose payments are received by the state after the due date are allowed 90 percent of the credit that would have been allowed had the payments been made on time. As a result of FUTA, IRS is responsible for receiving and processing the Form 940 and or/or Schedule H. All revenue that is associated with these tax returns is turned over to the Department of Labor (DOL). DOL is responsible for dispensing the revenue deposited in the FUTA Trust Fund. DOL is charged with monitoring the Unemployment Insurance Systems for each state and can withhold funds from a state if the state does not comply with Federal standards.

4.19.5.1.2 (09-18-2017) **Authority**	(1)	The authority for the procedures of FUTA can be found under Title 26, Subtitle C, Chapter 23 of the Internal Revenue Code (Section 3301 through Section 3311).

4.19.5.1.3 (09-18-2017) **Roles and Responsibilities**	(1)	The Director, SB/SE, Exam Field and Campus Policy is responsible for the Federal Unemployment Tax Act (FUTA) program.
	(2)	Management officials are responsible for: • Providing internal controls relating to the program, process and activity. • Ensuring the instructions are communicated to and carried out by the proper officers and employees.

4.19.5.1.4 (09-30-2021) **Program Controls**	(1)	This program is monitored through the FUTA Case Processing System (FCP) located on the Consolidated Annual Tax Reporting System (CATRS).

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4.19.5.1.5
(10-25-2023)
Acronyms

(1)   Below is list of acronyms and their definitions:

Term	Definition
ACS	Automated Collection System
ADJ	Adjustment
AIMS	Audit Inventory Management System
ASED	Assessment Statute Expiration Date
BMF	Business Master File
BMFOL	Business Master File On-Line
CAF	Central Authorization File
CATRS	Consolidated Annual Tax Reporting System
CC	a. Closing Code: FUTA Closing codes are listed in Exhibit **4.19.5-3** and are to be input into CAP which will be reflected on IDRS CC BMFOLU. b. Command Code: A five character code used to tell the IDRS system what function to perform.
CFOL	Corporate Files On-Line
CII	Correspondence Imaging Inventory
CNC	Currently Not Collectible
CSR	Customer Service Representative
EIN	Employer Identification Number
FCP	FUTA Case Processing
FTD	Federal Tax Deposit
FUTA	Federal Unemployment Tax Act
IAT	Integrated Automation Technologies
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IMFOL	Individual Master File On-Line
IRC	Internal Revenue Code
IRM	Internal Revenue Manual
MFT	Master File Tax
PCD	Program Completion Date
POA	Power of Attorney
RSED	Refund Statute Expiration Date
SSN	Social Security Number

Term	Definition
TAS	Taxpayer Advocate Service
TBOR	Taxpayer Bill of Rights
TC	Transaction Code
TIN	Taxpayer Identification Number

4.19.5.1.6
(09-14-2020)
Related Sources

(1) IRM 1.4.23, FUTA Manager and Coordinator Guide.

(2) IRM 4.19.23, FUTA Control.

4.19.5.2
(09-30-2021)
What Is the FUTA Certification Program?

(1) The Federal Unemployment Tax Act (FUTA) provides for cooperation between the federal and state governments in the establishment and administration of unemployment insurance programs. Under this dual system, the employer is subject to a payroll tax levied by the federal and state governments. The taxpayer may be allowed a maximum credit of 5.4 percent against the FUTA tax of 6.0 percent for payments made to the state. Employers whose payments are received by the state after the due date of the federal return plus extensions are allowed 90 percent of the credit that would have been allowed had the payments been made on time. In addition, an employer's credit will be reduced if the employer paid wages that are subject to the unemployment tax laws of a credit reduction state.

(2) As a result of the Federal Unemployment Tax Act (FUTA), IRS is responsible for receiving and processing the Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, and Schedule H (Form 1040), Household Employment Taxes, on which FUTA tax is reported, and for collecting FUTA tax. All FUTA tax paid and reported on these tax returns is deposited in the Unemployment Trust Fund, from which funds are dispensed to the states for administration of their unemployment compensation programs. Department of Labor (DOL) is charged with monitoring the Unemployment Compensation Systems for each state and can withhold funds from a state if the state does not comply with Federal standards.

(3) The FUTA Certification program is the method IRS uses to verify with the states that the payment claimed on the Form 940 and/or Schedule H were actually paid into the states' unemployment funds. There are currently 53 participating agencies which encompass the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

(4) The case types are classified into four categories and downloaded to the FUTA Case Processing (FCP) System.

    a. Letter 4010-C, Proposed Increase to Tax.
    b. Letter 4011-C, Proposed Decrease to Tax.
    c. Potential Adjustment Record (PAR) — Manual review to determine which letter to issue to the employer.

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    d.   Zero Certification — Records that were not certified by the states because there was a no match on the Employer Identification Number (EIN), or no state wages and/or payments were made to the state.

4.19.5.2.1 (10-15-2024) **TAS/Taxpayer Bill of Rights**	(1) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See the link below for additional information about TBOR, *Taxpayer Bill of Rights*.

(2) The Taxpayer Bill of Rights (TBOR), was adopted by IRS in June 2014, outlines the ten fundamental rights of taxpayers. Pub 1 Your Rights as a Taxpayer, was updated to include the modified language from the Taxpayer Bill of Rights.

(3) Under the **Right to Quality Service**, taxpayers have the right to expect a fair and just tax system which provides taxpayers with the opportunity to have their facts and circumstances considered when it might affect their underlying liabilities, ability to pay or ability to provide information timely. Taxpayers have the right to receive assistance from the Taxpayer Advocate Service (TAS) if they are experiencing financial difficulty or if the IRS has not resolved their tax issues properly and timely through normal channels.

(4) Refer to Taxpayer Advocate when the contact meets the TAS criteria see IRM 13.1.7, Taxpayer Advocate (TAS) Case Criteria, or when Form 911, Request for Taxpayer Advocate Assistance (and application for Taxpayer Assistance Order), is attached and steps cannot be taken to resolve the taxpayer's issue the same day. See IRM 13.1.7.4, Same Day Resolution by Operations. When making a TAS referral, use Form 911, and forward to TAS in accordance with your local procedures.

4.19.5.3 (10-25-2023) **FUTA Research**	(1) This section discusses research on FUTA cases. The FUTA Case Processing (FCP) System and IDRS will be utilized.

Note: This IRM cannot be all inclusive for resources to be researched during the FUTA program processing. These resources can include IRM 3, Submission Processing, IRM 3.13, Campus Document Services, IRM 5.19.1, Balance Due, IRM 20.1, Penalty Handbook, IRM 20.2, Interest, IRM 21, Customer Accounts Services, and IRM 25.6, Statute of Limitations.

(2) Refer to *SERP CAWR/FUTA Portal* the SERP CAWR/FUTA Portal, the Combined Annual Wage Reconciliation (CAWR/FUTA Home Page at *CAWR/FUTA Home Page* and SERP for accessing additional information.

(3) Address the freeze code issue by referring to IRM 21.5.6, Freeze Codes.

(4) When there is a CII (Correspondence Imaging Inventory) control present on IDRS or when working a high dollar case research AMS (Account Management Services) to determine if there is any information that will assist you in resolving the case.

4.19.5.3.1 (10-15-2024) **FUTA Case Processing System (FCP)**	(1) The cases that are determined to have discrepancies are loaded onto the FUTA Case Processing (FCP) located on the CATRS platform. (2) Download to the FCP system will be identified by FUTA Release Year. In October 2024 the download will be identified as FUTA Release 2022. ***Note:*** The download can include prior tax years. (3) The FCP System is a computer application housed on the CATRS platform. It allows inventory, correspondence, reporting and document preparation for the FUTA program.
4.19.5.3.2 (10-25-2023) **System Problem Reporting**	(1) Whenever a System problem is identified during FUTA processing, the Campus who identified the problem will issue an IT GET IT ticket. (2) Before issuing a ticket, contact a Headquarters Analyst for approval. (3) To issue a "Get It Ticket", the User will do the following 1. Access IRweb Homepage - Click on **OS GetServices** 2. Select **New Tickets** 3. Click on **Request Help** 4. Choose **All IRS APPS** 5. Click **Submit** to create a ticket 6. Complete the form, providing an explanation of the problem. Add the statement **Forward this ticket to AD-COMP-RC-CD-CAWR/FUTA** for FCP issues. and **BU-WI-WIOS-MIT-IAT** for IAT issues. 7. Click **Submit**. 8. A Get It ticket number will be issued. (4) Whenever a "systemic" problem is identified, the Tax Examiner/Clerk will compile documentation (description of the problem and samples) and give the information to the Site Coordinator who will inform the Headquarters FUTA Analyst of the problem and forward the documentation.
4.19.5.3.3 (06-01-2011) **Servicewide Electronic Research Program (SERP)**	(1) All changes made during the processing year will be posted on SERP. (2) Both PAS (Program Analysis System) Analysts and FUTA unit personnel must be aware of all of the alerts that are applicable to the current FUTA Release Year. (3) All employees must check SERP daily for a list of the most current and previous updates and alerts.
4.19.5.4 (09-20-2016) **FUTA Case Processing**	(1) This section provides instructions for the processing of actions required under the FUTA Certification Program.
4.19.5.4.1 (09-30-2021) **Liability for FUTA**	(1) Every employer (other than agricultural and household employers) who, during the current or preceding calendar year, paid wages of $1,500 or more in any calendar quarter, or had one or more employees for some part of a day in any 20 or more different weeks, must file Form 940. Publication 15 (Circular E) Employer's Tax Guide, and the Instructions for Form 940 are excellent sources

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of information about the requirements for filing this return. This information is also helpful for determining the credit allowable for state contributions, experience rate, and deposit requirements.

(2) Agricultural employers are liable if:

    a.   Cash wages of $20,000 or more were paid to agricultural workers in any calendar quarter in the current or preceding calendar year or

    b.   Ten or more agricultural workers were employed for some part of a day during any 20 or more different weeks in the current or preceding calendar year.

        Note: Non-Resident Aliens performing farm work under H-2A visas are counted only to determine if tests (a) and (b) above are met. However, remuneration paid to non-resident farm workers who are admitted to perform farm work under H-2A visas is not subject to FUTA tax. Remuneration paid to non-resident farm workers, except those with H-2A visas, is subject to FUTA taxes.

(3) Household employers must pay FUTA taxes ONLY if they pay cash wages to all household employees totaling $1,000 or more in any calendar quarter in the current or prior calendar year. Household employees are those who perform household work in a private home, local college club, or a local chapter of a college fraternity or sorority. Generally individuals, estates, and trusts that owe FUTA tax for domestic service in a private home, must file Schedule H with their Form 1040 or Form 1041. For more information, see IRM 4.19.5.4.8.1, Schedule H — Household Employment Tax, Publication 926, Household Employer's Tax Guide, and IRM 4.23.10.10.5, Household Employment Taxes.

4.19.5.4.2
(06-01-2011)
Form 940

(1) Form 940 is an annual return filed by employers to report Federal Unemployment Tax. This return covers the period January 1 through December 31 and is due to be filed on or before January 31 following the close of the calendar year. However, if timely deposits have been made in full payment of such tax, Form 940 may be filed on or before February 10. This is an employer tax and cannot be collected or deducted from employee wages.

    a.   Part 1 of Form 940– Identifies if an employer is a single state, multi-state and/or credit reduction state filer. Determines if Schedule A needs to be filed as well.

    b.   Part 2 of Form 940– Shows the FUTA tax before adjustments.

    c.   Part 3 of Form 940– Shows adjustments to be made to the FUTA tax. **Exempt Wages**- Refer to Publication 15 (Circular E) Employer's Tax Guide, Special Rules for Various Types of Services and Payments.

    d.   Part 4 of Form 940 - Shows the FUTA tax and balance due or overpayment per the taxpayer's calculations. This information is provided by the taxpayer and is not to be used as a **State Certification**.

    e.   Part 5 of Form 940- Shows the FUTA tax liability by quarter for some employers.

(2) The IRS also uses Schedule A (Form 940), Multi-State Employer and Credit Reduction Information. The employer must file Schedule A (Form 940) if the employer paid wages to employees in more than one state or if they paid wages in any state that is subject to credit reduction.

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4.19.5.4.3
(09-14-2020)
Schedule H Household Employment Taxes Under Section 3510

(1)   Individuals who are household employers are generally required to report unemployment taxes on Schedule H, to be filed with their individual income tax returns (Form 1040 due April 15), or U.S. Fiduciary Income Tax return (Form 1041 due April 15).

Note: If an employer is required to file Form 941, Form 943, or Form 944, the employer may choose instead to report wages for household employees on such Form 941, Form 943, or Form 944. If wages for household employees are included on Form 941, Form 943, or Form 944, the employer must also include FUTA tax for household employees on Form 940.

(2)   Cases should be resolved using the Schedule H adjustment procedures. See IRM 4.19.5.4.8.1, Schedule H — Household Employment Tax and Publication 926, Household Employer's Tax Guide for more information.

4.19.5.4.4
(09-14-2020)
Power of Attorney (POA)

(1)   If the correspondence is from a Power of Attorney (POA) or other third party, adhere to the procedures in IRM 21.3.7, Taxpayer Contacts, Processing Third Party Authorizations onto the Centralized Authorization File.

(2)   Taxpayers may list multiple years or a series of inclusive periods on their Form 2848. For fiscal years, the Form 2848 should show the ending year and month, using the YYYY format. For annual returns , the form may show the applicable years using a specific YYYY format.

Example: 2016 through 2018

Note: Do not disclose information to the POA if it is completed using general references such as ("All years", "All periods", or "All taxes").

If	Then
A taxpayer or his representative sends Form 2848, Power of Attorney and Declaration of Representative, or Form 8821, Tax Information Authorization	Research IDRS CC CFINK for POA registration on the Central Authorization File (CAF).
The POA is registered on CAF for the specified tax years.	1. Keep a copy of the Form 2848 or 8821 with the case file. 2. Work the case using normal procedures.

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If	Then
The POA is not registered on CAF for the specified tax years.	1. Keep a copy of the Form 2848 or 8821 with the case file. 2. Send or fax the original form to the CAF Unit for processing. 3. Work the case using normal procedures. *Note:* An authorization may be limited to a specified tax year, or specified tax issue.

4.19.5.4.5
(10-15-2024)
Screening

(1) See Exhibit 4.19.5-2 for Tolerance Chart and more information.

(2) Some cases in the FUTA download require review prior to letter issuance. Update the FUTA FCP System to reflect the current wage, tax (TC 150 plus TC 290/298 or minus TC 291.), and entity information as shown on IDRS

Note: The utilization of Integrated Automation Technologies (IAT) tools is mandated when applicable ensuring consistency and accuracy for the program IRM 4.19.5.3.2, System Problem Reporting.

Exception: If there is a TC 300/308 on the module, see IRM 4.19.5.4.6.2, Examination Indicator.

(3) The Statute Awareness Program was created to minimize barred assessments and erroneous abatements. The download will contain cases which have two statute situations that must be addressed. Cases where the statute date expires within 120 days will be worked on a priority basis. Refer to IRM 25.6, Statute of Limitations. The two types of statutes addressed in the FUTA processing are:

- The **Assessment Statute Expiration Date (ASED)**. In general, the ASED is 3 years from the filing of the return, unless the return is filed before the due date (determined without regard to any extension of time to file), in which case the ASED is 3 years from the due date. Determine the Assessment Statute Expiration Date (ASED) for cases on the statute listing where the date is initially blank or **00/00/0000** on the FCP System and input the ASED on the detail screen on the FCP System. Cases that are within 60 to 90 days of the ASED, you will need to provide the designated individuals with the assessment information for direct IDRS input and monitor to ensure posting of the adjustment. Cases that are within 59 days or less of the ASED, you will prepare Form 2859 and submit it to the coordinator who will forward it to RACS. You will also need to ensure that the confirmation and DLN of the adjustment is received.

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> ***Note:*** When screening 6020(b) cases, see the 6020(b) if/then chart below in (4).

- The **Refund Statute Expiration Date (RSED)**. A claim for credit or refund must be filed within 3 years from the time the return was filed or two years from the time the tax was paid, whichever is later. If the claim is filed within the 3 year period, the amount to be credited or refunded is limited to the tax paid during the 3 years immediately preceding the filing of the claim plus the period of any extension of time to file (the 3 year look back rule). If the claim for refund is filed within the two year period, the amount is limited to the portion of **tax paid** during the 2 years immediately preceding the filing of the claim (the 2 year look back rule). The claim can be for payment of tax, penalties or interest.

Note: Cases on which the ASED/RSED expires within 120 days will be worked on a priority basis.

(4) Untimely claims for credit or refund will be formally disallowed (fully or partially). However, in some situations , a claim will be timely but a refund or credit of the overpayment will not be allowable due to when the credit was deemed available. In those situations, this credit will be moved to the Excess Collection Files (XSF) and cannot be used to offset liabilities for other periods.

(5) **IRS prepared returns IRC Section 6020(b)** — Employers are not entitled to a credit for state information if the IRS prepared their unemployment tax returns under the provisions of IRC Section 6020(b). The following identify an IRC Section 6020(b) case on the Master File transcript.

- "SUB" to the left of the TC 150.
- RCC-4 is present. (The 4 may be preceded by a single alpha character.)
- The DLN of TC 150 will be in Blocking Series 98 or 99.
- TC 599 with closing code(s) 38, 88, or 63 will be on the account.

If	And	Then
the Master File transcript shows a TC 976, TC 290, and/or TC 291.	The 6020(b) return has been amended	1. Input the corrected amounts (wages and/or tax) for recalculation on the FCP System to issue the appropriate letter or to close the case.
the Master File transcript does **not** show a TC 976, TC 290, and/or TC 291, the 6020(b) return has **not** been amended.	The case is a decrease case	1. Close IRC Section 6020(b) cases on the FCP System with the closing status code "6020."

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If	And	Then

the Master File transcript does **not** show a TC 976, TC 290/, and/or TC 291, the 6020(b) return has **not** been amended.	The case is an increase case	1. Set the ASED date to the due date of the program year being worked.
		
		    Example: Program year 2014 would be 1/31/2018
		
		    and issue the appropriate letter.
		2. Update remarks field "6020(b) no ASED present".
		
		Exception: If there is a TC 560 present on the module, with an accompanying adjustment, update ASED date to TC 560 ASED date and issue 4010-C letter.

Reminder: If the case is within tolerance, close CTOL. See Exhibit 4.19.5-2,

(6) **4011-C Screening Refund Statute Expiration Date (RSED)**— Check IDRS for the RSED date on TXMOD for the tax period in question.

Note: The **RSED** is generally 3 years from the Return Due Date (RDD) for prepaid credits if a return was filed or two years from the payment date for other payments. See IRM 4.19.5.4.6(3) Screening Statute Verification above.

- If the RSED has expired, do not generate the Letter 4011-C. Close the case on the FCP System using closing status code "STEX" and input in the Remarks field "RSED Expired."
- If the RSED expires within 90 days, notify the taxpayer via a Letter 380-C and request that (s)he respond prior to the RSED. When abating Statute cases follow procedures shown in IRM 4.19.5.4.6(3), **Screening**, Statute Verification above.
- If the RSED is not going to expire within 90 days, issue the Letter 4011-C.

(7) **Duplicate DLN/EIN**: Research the Schedule H EIN/Social Security Number (SSN) Match. Research must be performed to consolidate the information on these records. A DUP tab has now been added to FCP and these cases will now be accessed using the "Master " Case ID Number/EIN. The DUP tab will list all the "child " dup cases that are associated with the "Master" case and will be researched and updated accordingly.. The true dups will close all of the child dups automatically and will change the status from open dup to just open for the master case. The master case will continue to be updated and closed through the normal process. The updates for the child cases that are not true

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Condition	Actions to be taken	Screening Resolution
If the record is a "true" duplicate in all respects (federal and state information).	Use the DUP tab which will close these duplicate records automatically.	Use CC CDUP.
If EIN and Tax Year match, but state information differs	1. Combine all certification information onto one record on the FCP System. 2. Close the other record(s).	Use CC CDUP.
If the EINs or Tax Years differ	Order the returns.	Suspend the cases, working each case separately as the returns are received.
If the EIN on a Schedule H record matches the taxpayer's primary or secondary SSN	Correct the EIN on IDRS to balance the account. IRM 21.6.4.4.8.2, Schedule H, Household Employment Taxes, - EIN Corrections .	Close the case CC CTOL.
If the EIN on a Schedule H record matches the taxpayer's primary or secondary SSN	When account is still out of balance.	Send the appropriate letter.

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Condition	Actions to be taken	Screening Resolution
If the taxpayer erroneously reported FUTA on Form 940 for Household employees	Follow the procedures in IRM 21.6.4.4.8.12(4) and (5), BMF Form 941, Employer's QUARTERLY Federal Tax Return, Filed Instead of IMF Schedule H, Household Employment Taxes and IRM 21.7.3.4.14, Schedule H FUTA Erroneously Reported, for case resolution.	Send the appropriate letter.

(8) **Zero Certification Cases**—Are records that were not certified by the states because there was no match on the EIN, state wages were not reported, or payments were not made to the state. The Manager/Coordinator will mail the zero certs to each state. When these certs are mailed back from the states the Manager/Coordinator will assign designated te's to work them following these procedures:

1. Update the FCP system with the new certification information to recalculate the tax.
2. Input the appropriate adjustment on IDRS.
3. If correspondence is necessary, send the appropriate letter.

Note: At times, States will send loose State Certification (Form 940-C) for cases not yet in the FCP database. See IRM 4.19.23.3 , Loose State Certifications, for processing procedures.

(9) **California Unity of Enterprise and North Carolina Unity of Enterprise**—The States of California and North Carolina has a unique situation when matching our FUTA Identification Tape with employer account records. They have a system of assigning ONE state number to all businesses owned by that individual. This is called "Unity of Enterprise". The IRS assigns EINs to business entity types (sole proprietor, corporation, etc.) and not individuals. Each entity type has its own Federal Employer Identification Number (FEIN). Use the following procedures when processing Unity of Enterprise cases.

Note: If all contributions to the state are late or no contributions were paid, each FEIN will be recalculated and assessed based on Federal wages. Each FEIN gets credit for reporting state wages and will have a letter issued if potential tax increase is above tolerance.

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b. See AP (Audit Potential) procedures below to determine if the FCP System records require an "AP." indicator

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      c.   If correspondence is necessary, send a **4010-C letter** to the last established EIN or the entity with the highest wages.

      d.   If an adjustment is necessary, input it on the last established EIN or the entity with the highest wages

(10) **Audit Potential (AP) Cases**— These are cases where the state wage base is the same as the federal wage base, and the state taxable wages are more

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identified by a check mark in the AP field shown on the Money screen of the FCP System.

      a.   Use **CFOL** (Corporate Files On Line) command codes whenever possible to obtain information before requesting a document/return from Files. Do NOT request original return if sufficient information is available through **CFOL**. If it is determined that the original return is needed, request the return using command code **ESTAB** via IDRS.

      b.   If there is a valid exemption on Form 940, line 4, compare this amount with the discrepancy between the federal and state wage amounts. If the amount on line 4 is greater than or equal to the discrepancy, update the AP indicator by unchecking the AP Indicator box shown on the Money screen. The FCP System will calculate using the Federal Tax Wage.

                                                        #
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      d.   If there is no valid exemption on Form 940, line 4, or if this amount is less than the discrepancy between the federal and state wage figures, uncheck the "AP" field, and issue the appropriate letter (4010-C or 4011-C).

(11) **Potential Adjustment Registers (PARs)** — PARs require case review prior to letter issuance. These are cases/records that could not pass Enterprise Computing Center at Martinsburg (ECC-MTB) calculation programs due to the rate indicator provided by the state or a freeze code posted to the Master File. The service center FCP System cannot automatically determine the tax or credit due on these cases.

      a.   Update FCP to reflect the current wage, tax (TC 150 + TC 29X), and entity information as shown on IDRS. If a discrepancy still exists, follow normal screening procedures.

    Note: When an account has a TC 300 or TC 308 on the module of the tax year you're working, close the case with no assessment.

      b.   If all wage and tax information has been transferred or merged to a new EIN, update the FCP System "Corrected or Cross Reference Info" field on the Detail Screen by inputting the new EIN followed by a "C".

(12) **Bankruptcy (TC 520) /Defunct (TC 530) Cases**- The following procedures are to be used during the screening process.

    Reminder: Be sure to use the TC520/TC530 Compliance Suite IAT Search Tool to locate TC520/TC530 on all modules.

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Note: If the case is identified to be a 6020(b) case with a TC 530 present, close the case 6020(b).

If	And	Then
a TC 520 is present on the module	n/a	Issue the appropriate correspondence.
a TC 530 Closing Code (CC) 07 or 10 is present on any prior or subsequent module	Review of the case determined a Decrease to Tax Letter 4011-C case	Issue the Letter 4011-C.
a TC 530 Closing Code (CC) 07 or 10 is present on any prior or subsequent module	Review of the case determined an Increase to Tax Letter 4010-C case	• Input CC "DFNT" on the FCP. • **do not** issue correspondence.
a TC 530 is present on any prior or subsequent module	The cc is other than 07 or 10	Issue the appropriate correspondence.

(13) **Exempt Wages reported cases:** If line 10 on the Form 940 matches the amount of the proposed refund on FCP and it's within the tolerance close the case under cc REIM.

4.19.5.4.6
(10-25-2023)
Screening Identified Compliance Cases

(1) The priority for working Compliance cases are:

- Criminal Investigation
- Examination

4.19.5.4.6.1
(09-30-2021)
Criminal Investigation (CI) Indicator

(1) Research the Master File to verify that a -Z or Z- freeze code is present on the MFT and tax year of the FUTA case.

If	Then
One of these freeze codes is present,	1. Route the FUTA Discrepancy Case to Criminal Investigation. 2. Follow the instructions in IRM 4.19.5.4.6.1(2) above. 3. For those cases retained by the addressee, close on FCP CC TRAN.

If	Then
None of these freeze codes are present,	1. Notate in the remarks field of the FCP Detail Screen to ignore the Criminal Investigation Indicator. 2. Continue with normal screening procedures.
After researching CI, a notation states "NO CONTACT"	1. Close Case using CC TRAN.

(2) Local procedures may vary by Campus when routing cases to these compliance areas:

- To transfer each case to Criminal Investigation - Prepare Form 3210 in triplicate listing one case per form.
- Attach the printout of the FUTA case from FCP to the transmittal. Notate "FUTA Case" on the transmittal.
- On a weekly basis hand carry the Form 3210 with attachment(s) to the addressee.
- After the case has been sent to the appropriate function, suspend the copy of the transmittal for five (5) workdays.
- If the addressee has not responded within five (5) workdays, photocopy the Form 3210 suspense copy, and mark the photocopy ″Follow-up—Please Expedite″ and forward to the addressee.
- The addressee will either keep or return the case(s) submitted.

Note: Those cases retained will be identified by an appropriate notation on the Form 3210 sent back or an IDRS history item **"no contact"**. Those cases not kept will be returned as attachments to the transmittal. Be sure to read any comments made on the case from the compliance area.

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4.19.5.4.6.1

4.19.5.4.6.2
(09-20-2016)
Examination Indicator

(1) Research (using CC AMDIS) for the Area Office Status Code for the MFT and tax year of the case.

If	Then
the Area Office Status Code is 12 or higher,	1. To transfer each case to Examination (Indicator or TC 420 is present on cases) access the Audit Information Management System, AIMS web site at http://mysbse.web.irs.gov/exam/mis/default.aspx. 2. Look up the Primary Business Code (PBC) and the Employee Business Code (EGC) and contact the designated person. 3. For those cases retained by the addressee, close FCP with CC TRAN.
the Area Office Status Code is **not** 12 or higher,	1. Notate in the remarks field of the FCP Detail Screen to ignore Examination Indicator or enter "not SC 12". 2. Continue normal screening process.
there is a TC 300/308 on the module and there is no open —L freeze or there is now a TC 421 on the module	1. These cases have already been worked by Exam. 2. Notate in the remarks field that there is a TC 300/308 on the module. 3. Close FCP with CC TRAN.

4.19.5.4.7
(10-12-2022)
General Case Processing Procedures

(1) Information for General Processing will be the same throughout the FUTA Certification Case Processing program. See below when working both replies and recons.

4.19.5.4.7.1
(09-14-2020)
Amended Returns

(1) When the taxpayer replies to our FUTA letter with an amended return, Refer to IRM 25.6, Statute of Limitations, IRM 4.19.5.4.7.4, Special Adjustment Blocking Series, and IRM 4.19.5.4.5, **Screening**.

If	And	Then
an amended return is received	the state differs from the original	1. Request a new certification from the correct state. 2. Monitor and follow-up with the state as needed, suspending the case for no longer than 45 days. 3. Update the FCP System with the new certification information to re-calculate the tax. 4. Input the appropriate adjustment on IDRS. 5. Input the correct Blocking Series (BS) using the chart provided, see IRM 4.19.5.4.7.4, Special Adjustment Blocking Series. 6. Close case on FCP with CC AADJ.
an amended return is received	state does not provide a certification in 45 days	1. Correct the wages on IDRS to reflect the amended return information. 2. Input the wage and tax information on FCP to recalculate the tax per the old state information. 3. Input the adjustment on IDRS using the blocking series chart see IRM 4.19.5.4.7.4, Special Adjustment Blocking Series. 4. Issue a Letter 380-C using paragraph "H." 5. Close the case on FCP with CC CADJ.
FCP System re-calculation determines a decrease to tax.	it's an amended return	1. Input a TC 290 .00 on IDRS using blocking series chart see IRM 4.19.5.4.7.4, Special Adjustment Blocking Series. 2. Issue a Letter 380-C if the taxpayer's calculations are not correct, State Certification Tax Adjustment Explained, using paragraph "9" and "c". 3. Close the case on FCP with CNOC.

4.19.5.4.7.2
(10-12-2022)
Bankruptcy and/or Defunct Corporations

(1) **Bankruptcy Cases (TC 520/521)** — An employer has filed for bankruptcy if TC 520 with closing code(s) (cc) 60-67, 83-89 (-V freeze) or cc 81, or 84 (-W) is present in the module without a TC 521. Research BMFOL and IMFOL Command Codes for TC 520/521. Refer to IRM 5.9.5.6, Bankruptcy and Other Insolvencies. These cases may be resolved during the Screening phase of the program.

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Reminder: Be sure to use the TC520/TC530 Compliance Suite IAT Search Tool to locate TC520/TC530 on all modules.

- Bankruptcy cases (Chapter 7 and Chapter 13) are assigned to Insolvency, which is divided into a field function and the Centralized Insolvency Operation (CIO) at the Philadelphia Campus.
- The CIO is assigned Chapter 7 No Asset cases and post-confirmation Chapter 13 cases. All mail and phone communications relating to these cases must be directed to the Philadelphia Campus. The CIO also performs clerical duties for all bankruptcy chapters.
- Chapter 7 Asset cases, Chapter 9, 11 and 12 cases and Chapter 13 pre-confirmation cases remain assigned to local Insolvency IRS employees. In most instances, your interaction with local Insolvency field employees on these chapters remains unchanged.
- The CIO toll free number for Insolvency casework is 800-973-0424. The #
  #

  shifts. The hours of operation are from 7:00 AM - 10:00 PM Eastern. This enables customers to speak with representatives during working hours in all time zones.

Two national IRS mailing addresses have been established for bankruptcy correspondence

- Payments for Chapter 7 and Chapter 13 cases must be sent to:
  Centralized Insolvency Operations
  Mail stop 5-Q30.133
  2970 Market St
  Philadelphia, PA 19104-5016
- All other correspondence pertaining to Insolvency cases, including Section 341 notices for all Chapters must be sent to Centralized Insolvency Operations
  Centralized Insolvency Operations
  Mail Stop MDP 5-Q30.133
  2970 Market St.
  Philadelphia PA 19104-5016

- Contact the CIO Unit via the SERP link *Centralized Insolvency Operation (sharepoint.com)* for appropriate actions.

If the transaction date of the TC 520 is	And	Then
Prior to 10/22/94 and the closing codes are **other than** cc 83, 84, 85, or 88	TC 521 is **not** posted in the module	1. Contact Technical Services or Local Insolvency Unit to verify that the liability can be assessed. 2. Use CC "BANK" **Note:** CC 83, 85, or 88 will unpost the assessment.

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If the transaction date of the TC 520 is	And	Then
10/22/94 or after	the bankruptcy closing code is 72 or 74 indicating the case is in Tax Court	1. Contact Insolvency to verify the type of Tax Court case. 2. For CDP cases, assess FUTA tax and input the appropriate CC. 3. For Worker classification cases where the proposed tax is the subject of the case, do not assess FUTA tax. Close FCP "Bank". 4. For Worker classification cases where the proposed tax is NOT the subject of the case, assess FUTA tax and close FCP with the appropriate CC.
10/22/94 or after	the bankruptcy closing code is other than 72 or 74	1. Liabilities should be assessed. 2. Contact Insolvency prior to making the assessment so they can amend their proof of claim if applicable. 3. Input the appropriate FCP closing status code (i.e. CADJ, NRPY or UNDL, etc.)

Note: The CIO/Bankruptcy Unit inputs a TC 521 with matching Bankruptcy closing code or 999 to all applicable modules to reverse the TC 520 Bankruptcy closing codes which removes the -V or -W freeze.

(2) **Defunct Corporation (TC 530)**— FUTA Certification cases where there is an indication that a taxpayer is no longer in business, research IDRS Command Code BMFOL and IMFOL definer ″T″ for TC 530:

If	And	Then
TC 530 cc 07 or 10 is present on any prior or subsequent module	Review of the case determined a Proposed Increase to Tax Letter 4010-C case	1. Close the case on the FCP System using **CC"DFNT"** 2. Input TC 290.00 with appropriate blocking series to file the case information.

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If	And	Then
TC 530 cc 07 or 10 is present on any prior or subsequent module	Review of the case determined a Decrease to Tax Letter 4011-C case	**Taxpayer Reply**: 1. Input TC 291 with money amount to correct the tax liability. 2. Use the appropriate blocking series. 3. Close the case on the FCP System with CC DFNT. **No Reply:** 1. The FCP will automatically generate the open status code "DADJ". 2. Input on IDRS TC 290 .00 with appropriate blocking series. 3. Close FCP with closing status code "DFNT".
TC 530 with other than cc 07 or 10 for any other entity, issue correspondence	n/a	**Taxpayer Reply:** 1. Input the appropriate adjustment onto IDRS 2. Use the appropriate blocking series. 3. Input the appropriate FCP closing status code (i.e. CADJ, AADJ, etc.) **No Reply:** 1. The FCP will automatically generate the open status code "DADJ". 2. Make the necessary adjustment following normal procedures. 3. Close FCP with closing status code "NRPY"

a. After the assessment is made, re-input the TC 530 with the Responsible Unit Code (RUC) "3 "and a Posting Delay Code of "2" using IDRS Command Code REQ77.

b. If a payment posted to the account or is moved into the account, the TC 530 will release and the account will return to notice Status. **Note: Be extremely careful when moving payments from one account to another.**

Note: Reconsiderations should be worked the same as Replies.

4.19.5.4.7.3
(06-01-2011)
Identifying Trends

(1) Whenever a "trend" seems to be emerging for a specific type of taxpayer and/or their Payer Agent, Power Of Attorney (POA), or Reporting Agent Authorization (RAA), compile documentation to reflect the "trend." and submit the supporting documentation to the Campus FUTA Coordinator.

4.19.5.4.7.4
(09-14-2020)
Special Adjustment Blocking Series

(1) All Form 940 FUTA adjustments related to the state certification process will be assigned Blocking Series 500 through 519. The 500 through 519 Blocking Series are non-refile DLNs (original return not attached); backup documentation will be placed in IDRS source document folders and associated with adjustment. This includes all assessments or abatements resulting from the 4010-C and 4011-C letters and any subsequent claims or requests for abatements. The blocking series will enable the Enterprise Computing Center - Martinsburg (ECC-MTB) to keep track of assessments and/or abatements made under the FUTA Certification program case processing.

a. After verifying the certification information is for the state to which the contributions were for or should have been paid, use the **Blocking Series Chart** below:

Condition	Processing Phase	Use Blocking Series
FCP Money Screen shows money amounts in State Wages field	No Reply	50
Certification information is provided	Reply/ Reconsiderations	50
When Tx Adj is for Amended 940 or 843 Claim (be sure to input the amended claims date when using ADJ54)	Reply/ Reconsiderations	• Use 50 if FCP Money Screen shows money amounts in the State money amount fields or taxpayer provides a state cert in the response. • Use 51 if No Money amounts are in the FCP state money fields or a state cert is not received.
No Certification information ($ amounts) provided from the state to which contributions were or should have been paid	All Phases of the program	51
FCP Money screen shows no money in state fields	No Reply	51
TC 150 is present IRM 21.7.4.4.1.11, Social Security Domestic Employment Reform Act and BMF Schedules H	Form 1041 on Sch H	17
Original return attached to Adjustment	Reply/ Reconsiderations	00

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Condition	Processing Phase	Use Blocking Series
Input the appropriate source code 1 or 2 and reason code 170 **Note:** When the adj. posts to MF the blocking series will show as" 07".	1040 Schedule H	05
When assessing the FTD penalty (180) **Note:** Written mana-gerial approval is needed before assessing penalties. See IRM 4.19.5.4.8.7, Penalties , for additional information.	Form 940 (MFT 10)	Same as original as-sessment (TC 290)
Statute Function Assigns	referred FUTA statute case	12

4.19.5.4.7.5
(10-25-2023)
**Mathematical
Verification**

(1) See Exhibit 4.19.5-2, for tolerance chart and more information.

(2) See the FUTA Tax Worksheet on the CAWR/FUTA Home Page at *CAWR/FUTA Home Page* for computing the allowable credit (this worksheet is only valid for tax periods 2010 and prior).

(3) When a State Code is entered incorrectly or is transcribed incorrectly, the wrong state will be contacted for certification. This must be corrected. See IRM 4.19.5.4.8.3, Incorrect State for correction procedures.

(4) A complete manual computation of tax is required when specified by the computer on the register or when performing the required check. The FCP System must be used to correct or recalculate the tax by overlaying the appropriate field. The record can then be output as a 4010-C letter or a 4011-C letter. The computation may be made by using a locally prepared work sheet, or following the lines on a blank return when the case is no longer available on FCP.

(5) Care should be taken to use the proper method for computing the allowable credit so that the employer will be given all the credit due. Before beginning to compute the Allowable Credit, you need to become familiar with the following terms concerning credit:

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a. MAXIMUM CREDIT – To compute the Maximum Credit Allowable, multiply the federal taxable wages shown on Part 2, Line 7 of Form 940 by the 5.4 percent (.054) maximum credit rate. This is the most credit that can be allowed regardless of the Experience Rate or amount of Contributions Certified by the State (IRC Section 3302(c)(1); Employment Tax Regulation Section 31.3302 (c) – 1 (b)).

b. ADDITIONAL CREDIT – The Additional Credit is the difference in the Maximum Credit Rate and the Experience Rate, multiplied by the State Taxable Wages. The taxpayer is allowed the Additional Credit if they reported wages to the State, even if they have a good employment history and therefore a zero experience rate and was not required to make contributions.

c. TENTATIVE or AVAILABLE CREDIT – The sum of the Additional Credit, the timely contributions, and the lesser of either: 90 percent of late contributions, or: 90 percent of the Maximum Credit reduced by any Additional Credit and timely contributions.

d. ALLOWABLE CREDIT – The amount of the credit that may be allowed by law is the lesser of the Maximum or Tentative Credit. This credit may not exceed 5.4 percent of the Federal Taxable Wages. Any late contributions used must be limited to 90 percent of those payments. See Document 6209 for the Federal Tax Rate Schedule. Check the tax rate schedule for the appropriate year. This chart will help determine if the taxpayer is liable for filing for FUTA tax and will verify the Federal Tax Rate and Federal Taxable Wage Base.

e. CREDIT REDUCTION- See 4.19.5.4.8.8, Credit Reduction State.

4.19.5.4.7.6
(10-25-2023)
Large Dollar Cases

(1) The Technical Unit should be contacted by a telephone call on any case that has a tax/penalty assessment of $1 million or more before the assessment is input. See IRM 21.7.1.4.11.4, Campus Contacts for Large Corp.

(2) A Large Corp. (LC) indicator with a campus code is displayed through Command Codes ENMOD, SUMRY, TXMOD and/or BMFOL definer "I" on each taxpayer's case.

(3) The campus contacts found on the link below assist case managers in placing indicators on large corporate accounts and help resolve center processing problems. Ensure you have completed all necessary research of the account prior to giving out telephone numbers listed on the link below. Only give the campus contacts telephone numbers to a taxpayer whose account actually has the Large Corporation Indicator (LC) set on it.

Note: A Business Operating Division (BOD) code of LM does not necessarily indicate that they have been designated a Large Corporation.

(4) Updates to the contact names and telephone numbers can be found on the CAWR/FUTA web site at *SB/SE Doc Matching SharePoint*

(5) When working a case that needs to be referred to Large Corp., prepare all necessary documentation and submit to your local Large Corp. Coordinator. Your Local Large Corp Coordinator will contact Large Corp and provide you further instruction to resolve the case.

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(6)   Insure signatures of approval are received from the Operation Manager for cases proposing a one million dollar tax and/or penalty assessment.

(7)   If the assessment is over 10 million dollars, send a complete copy of the case file to the following address on Form 3210 Document Transmittal:

Unpaid Assessment Accounting Analysis (UAAAA)

ATTN: Nick Nothwehr OS:CFO:R:R:B

333 W Pershing Road, Stop 1035 S2

Kansas City, MO 64108

UAAA's telephone number is (816)291-9486

4.19.5.4.7.7
(10-12-2022)
Penalties

(1)   Refer to IRM 20.1, Penalty Handbook, when addressing the penalty issue.

(2)   IRC 6751(b) states, in general, that no penalty shall be assessed until the **initial** determination of such assessment is personally approved (in writing) by the immediate supervisor of the individual making such determination or such higher level official as the Secretary may designate. There is an exception for penalties that are automatically calculated through electronic means.

(3)   Written managerial approval is **Always** required in FUTA before asserting the Failure to Deposit (FTD) Penalty (TC 180).Penalties that are calculated through electronic means does not require managerial approval.

(4)   The written managerial approval must be kept with the case file.

(5)   When assessing the Federal Tax Deposit (FTD) penalty on a FUTA case, use Penalty Computation Code (PCC) 018 and activity code PEN5percent/MMDD. The MMDD represents the date 5 percent TIER is due to be assessed. See IRM 20.1.4.14.3 , Penalty Computation Codes PCC for the appropriate PCC and IRM 20.1.4.21.6.1, Computation of the FTD Penalty (CAWR and FUTA Notices) for additional information.

(6)   When abating the FTD penalty on a FUTA case see IRM 20.1.1-3, Penalty Transaction Codes Chart, for the appropriate Penalty Reason Code (PRC). Use the appropriate 4th position PRC that best describes the reason for the abatement.

If	Then
the FUTA tax and corresponding FTD penalty are being abated based on information received from the taxpayer or state	use a PRC 010 (amended/ corrected information from the taxpayer)

If	Then
Service incorrectly assessed the FUTA tax and later abates the tax and penalty	use PRC 045 (Service Error)
the abatement is a result of Reasonable Cause	Use the 1st position Reason Code (RC) 062 indicator, and the appropriate 4th position PRC for reasonable cause.

Note: For additional information on relief from penalties (Reasonable Cause) refer to IRM 20.1.1-2, Criteria for Relief From Penalties .

4.19.5.4.7.8
(10-15-2024)
Credit Reduction States

(1) A credit Reduction State is one that has received a loan (advance) from the Federal Unemployment Trust Fund in order to pay unemployment benefits, but fails to make a repayment on time. If this happens there can be an increase in the net federal tax paid by employers in that state. The total credit allowable against the federal tax (subject to that state's law) is reduced by the applicable percentage for each year in which a balance of unreturned advances exists. See the chart below for credit reductions states:

Tax Year	Credit Reduction States
2022	California, Connecticut, Illinois, New York, U.S. Virgin Islands
2021	U.S. Virgin Islands
2020	U.S. Virgin Islands
2019	U.S. Virgin Islands
2018	U.S. Virgin Islands
2017	California, U.S. Virgin Islands
2016	California, U.S. Virgin Islands
2015	California, Connecticut, Ohio, U.S. Virgin Islands
2014	California, Connecticut, Indiana, Kentucky, New York, North Carolina, Ohio, U.S. Virgin Islands
2013	Arkansas, California, Connecticut, Delaware, Georgia, Indiana, Kentucky, Missouri, New York, North Carolina, Ohio, Rhode Island, U.S. Virgin Islands, Wisconsin

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Tax Year	Credit Reduction States
2012	Arkansas, Arizona, California, Connecticut, Delaware, Florida, Georgia, Indiana, Kentucky, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Rhode Island, U.S. Virgin Islands, Vermont, Wisconsin
2011	Arkansas, California, Connecticut, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Minnesota, Missouri, North Carolina, New Jersey, Nevada, New York, Ohio, Pennsylvania, Rhode Island, Virginia, U.S. Virgin Islands, Wisconsin
2010	Indiana, Michigan, South Carolina
2009	Michigan
2005	New York
2004	New York

(2)   This information should be reflected on the FUTA Tax Worksheet, Credit Reduction line when determining an increase or decrease to tax. See IRM 4.19.5.4.7.5, Mathematical Verification for additional information.

4.19.5.4.7.9
(10-12-2022)
Multi-State Cases

(1)   Replies and Recons indicate the taxpayer is a Multi-State filer. Work these cases according to the following guidelines.

		#
		#
		#
		#
		#
		#
		#

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4.19.5.4.7.9

4.19.5.4.7.10
(06-01-2010)
Form 940-B Certification
Request

(1) If the taxpayer requests that IRS obtain the certification, prepare a Form 940-B Request for Verification of Credit Information Shown on Form 940.

   a. Prepare the Electronic Form 940-B - complete the top portion of the Form 940-B. Include the tax examiner number, fax number, mail stop and mailing address. Use Remarks area for additional comments or information for the state agency.
   b. Route the Form 940-B, using Document Transmittal Form 3210, to the state agency. Or fax the Form 940-B with a cover sheet to the appropriate state.

4.19.5.4.7.11
(10-15-2024)
Loose State
Certifications

(1) States send paper documents (Form 940-C Employer Account Abstract or letter) providing certification information when a taxpayer has amended their state employment records. Usually these are certifications for the current tax year (Tax Year 202212); however they can be for any year. When these are received the information should be input to the FCP's 940-C file. Forward all loose certification to the clerical staff for input.

4.19.5.4.7.12
(05-14-2009)
Installment Agreements

(1) If the taxpayer requests an installment agreement either in his reply or by submitting a Form 9465, determine:

   a. If the taxpayer has provided adequate information, either in writing or by phone, for positive identification.
   b. If the FUTA tax discrepancy to be covered by the installment agreement, in a tax period is also the tax period of the FUTA discrepancy case.
   c. If the taxpayer has proposed a monthly or other periodic payment for a specific amount, assess and close the case as appropriate.
   d. Input TC 971, AC 043 with the IRS received date using command code REQ77.
   e. Refer the request on Form 3210, to the CSCO (Compliance Services Collection Operations) for processing.
   f. Send a 380-C Letter to the taxpayer explaining that their request for an installment agreement is being processed and they will be contacted later by another IRS office.

4.19.5.4.7.13
(05-14-2009)
Offer In Compromise
(OIC) Cases

(1) Offer in Compromise (OIC) based on doubt as to collectability (-Y Freeze Code) are cases where the taxpayer and the service have agreed that the taxpayer will pay a lesser amount than the original amount due. This payment will typically satisfy the oldest amounts due first and after compliance with the terms of the offer, the remaining tax due is abated.

(2) An OIC case can be identified if any one (or more) of the following is present: TC 780, TC 781, and/or TC 788.

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If	Then
TC 780 or TC 788 is present for any tax period of the case	1. Do not input the tax increase/decrease to the account. 2. Make a screen print of the Money and Detail screens. 3. Send these screen prints to the OIC unit (SERP: Who/Where: OIC compliance campus locations for Back-End) using the appropriate transmittal sheet (Form 3210 or Form 3499). 4. Close the case on the FCP system with CC "TRAN" and notate in the remarks field "OIC". 5. Close the control base on IDRS with "OIC".
TC 781 or TC 480 (defaulted OIC) is present for the tax period of the case	1. Make the assessment 2. Close the case on FCP with the appropriate CC.

4.19.5.4.7.14
(10-01-2012)
Successor Employer

(1)   A Successor Employer is an employer who acquired substantially all the property used in the trade or business of another person (predecessor), or used in a separate unit of the predecessor. A Successor Employer must have the criteria listed below:

- Must have acquired substantially all the property used in the predecessor's trade or business or used in a separate unit of the predecessor's trade or business; and
- Immediately after the acquisition, must employ in its trade or business one or more individuals (acquired employees) that were employed by the predecessor in the predecessor's trade or business.

If	And	Then
the predecessor continued to be an employer for FUTA tax purposes	was required to file a Form 940	the Successor Employer may include payments the predecessor made to employees who continue to work for the trade/business when determining payments made to each employee in excess of the FUTA wage base.

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If	And	Then
the predecessor did not continue to be an employer for FUTA tax purposes in the year of the acquisition	was not required to file a Form 940	the Successor Employer is entitled to the FUTA tax credits for state unemployment taxes paid by the predecessor on wages to the acquired employees.
the predecessor did not continue to be an employer for FUTA tax purposes in the year of acquisition	paid wages subject to state unemployment taxes to employees who were NOT employed after the acquisition	the Successor Employer is entitled to a reduced amount of credit. Multiply the FUTA tax credits for state unemployment taxes paid by the predecessor by the following fraction: • total compensation paid by the predecessor to acquired employees that was subject to state unemployment taxes; divided by • total compensation paid by the predecessor to ALL employees that was subject to state unemployment taxes.

If	And the	Take the following actions
the taxpayer is identified as a successor	taxpayer provides the predecessor's EIN. Issue a Form 940-B to the state to obtain the predecessor's certification and suspend the case for 45 days.	No response received: 1. Assess the account. 2. Close the case using the appropriate CC. Response received: 1. Recalculate the case 2. Close the case using the appropriate CC.
the taxpayer is identified as a successor	the taxpayer does not provide the predecessor's EIN	1. Issue a 380-C Letter to request that the successor provide the predecessor's EIN and/or provide the predecessor's re-certification. 2. Assess the case based on the information available. 3. Close the case using the appropriate CC.

4.19.5.4.7.15 (10-12-2022) **Tax-Exempt Organizations**	(1) Exempt Organizations have employment codes of **" G," "I" "W" or T**. On IDRS check the entity and/or BMFOL identifier O for these employment codes. • If a taxpayer submits correspondence stating that they are exempt from filing Form 940 because they are an organization described in 501(c)(3) and exempt from tax under 501(a), verify that the following conditions are present on the EO/BMF Entity module: Abate any tax on the account and advise the taxpayer that no liability is incurred because of exempt status. Send the taxpayer a blank Form 843 and advise him or her to file a claim for any open statute years in which tax was erroneously paid because of exempt status. Close the case on FCP and/or IDRS using the appropriate CC.

4.19.5.4.7.16 (10-12-2022) **Miscellaneous Closure Categories**	(1) See procedures below for working Reimbursable Accounts, Leasing employees/Professional Employers Organization/Payroll Trust and Common Paymaster/Fiscal Agent cases.

Category	Definition	Then
Reimbursable Account	The taxpayer provides a letter from the state indicating that the taxpayer has a **reimbursable** account	# # # #

Category	Definition	Then	
Leasing Employees/ Professional Employers Organization/Payroll Trust	The reply indicates a leasing employees or pro-fessional employers organization or payroll trust		# # # #
Common Paymaster/Fiscal Agent/Home Health Care Recipients	Where there are multiple state accounts but only one Federal return reports the earnings and when the reply indicates a Common Paymaster or Fiscal Agent		# # # #
Qualified Settlement Funds (QSF) Cases	The taxpayer provides a state certification that says the taxpayer is not liable due to QSF		# # # #

4.19.5.4.7.17
(09-30-2021)
Schedule R Processing

(1) IRS has created the Form 940 Schedule R processing which is used to allocate the aggregate information reported on a Form 940 filed by an agent of home health care recipients approved by the IRS or by a Certified Professional Employer Organization (CPEO). Allocation Schedule for Aggregate Form 940 Filers allocates the aggregate information reported on Form 940 to each client . For purposes of Schedule R, the term" client" means (a) a home care service recipient identified on Form 2678, Employer/Payer Appointment of Agent; (b) a customer who enters into a contract that meets the requirements under section 7705(e)(2); or (c) a client who enters into a service agreement described under Regulations section 31.3504-2(b)(2) with a CPEO. Schedule R provides the IRS with client-specific information to support the totals reported by an agent on the aggregate return. It includes an allocation line for each client showing a breakdown of its wages and tax liability for the tax period. The instructions for Schedule R explain all the information a section 3504 agent or CPEO must provide with respect to each client reported on the aggregate form. When a Form 940 is processed and a Schedule R (Form 940)is attached, a Schedule R indicator (SRI) will be posted to MF.

(2) FCP will contain all discrepant Schedule R cases and will be batched as SCH R type batches. All SCH R batches will be created from the aggregate EIN. Any correspondence issued on a Schedule R case type will be towards the aggregate filer.

(3) Screening the Schedule R cases will be worked the same as normal case pro-cessing in screening. The only exception to the screening phase is all zero certs would need to go back to client EIN for clarification.

(4) Replies from a Schedule R type case will be worked the same as the normal reply stage. The exception to working a Schedule R type case in the reply stage is any adjustments will be made on the aggregate EIN with the x-ref EIN present in the REQ 54 x-ref field.

(5) The IAT tool has been programmed to address the Schedule R's and will assess on the aggregate EIN with client EIN present in the x-ref field for No Replies.

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4.19.5.4.8 (10-15-2024) **Processing Replies**	(1)	See Exhibit 4.19.5-2 for Tolerance Chart and more information.

(2) **Policy Statement P-21-3** is in place to improve the quality and timely handling of taxpayer correspondence. When working replies sent in by the taxpayer (in response to the IRS letters sent) remember that care must be taken to attempt to conform to Policy Statement P-21-3 guidelines. Policy Statement P-21-3 requires an interim letter (for example; Letter 5825-C to be issued if unable to close the taxpayer's response within 30 days.) See Policy Statement P-21-3 .

(3) When work is being shipped and/or transferred from one campus to another, the losing campus will issue a Letter 86-C .

(4) When an account has a TC 300/308 on the module of the tax year you're working, close the case with no assessment.

(5) **Faxed Signatures-** A faxed consent to assess additional tax (ex: Letter 4010-C is acceptable if contact was made and the case history documents the date of contact.)

(6) **Barred Statute** follow the procedures below:

1. Research to determine the actual missed assessment amount.
2. Prepare a Barred Statute Report for missed assessment amounts above tolerance.
3. Send **105-C** for claims that are completely disallowed.
4. Send **106-C** for claims that are partially disallowed. (Example: A claim is submitted for full abatement of a module. The RSED for prepaid credits has expired, but a subsequent assessment was made 6 months ago. Only the TC 290 may be abated.)
5. Send **916-C** if the taxpayer asks for reconsideration of a previously denied claim without providing any new information.

(7) **Cross Reference EIN(s)** provided by the taxpayer:

1. Research IDRS for tax and wage information.
2. Request state certification for EIN(s).
3. Input to the FCP System the combined federal and state tax and wage information from all EINS for the FCP System.
4. Update the FCP Systems "Corrected or Cross Reference Info" field on the Detail Screen by inputting the cross reference EIN(s) followed by an "X".
5. When the X-Reference resolves the case, input TC 290 .00 and issue Letter 3786-C.
6. When the X-Reference does not resolve the case, assess and send Letter 380-C using an open paragraph stating the X-Reference EIN provided did not resolve the issue.

(8) Follow the table below for required actions necessary to process taxpayer replies. See IRM 4.19.5.4.7.4, Special Adjustment to Blocking Series for the appropriate blocking series.

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If the taxpayer	Then
States they are a multi-state filer	Follow procedures in IRM 4.19.5.4.7.9, Multi-state cases.
Reply is received requesting additional time and an assessment is required, suspend the case for 30 days from the date of the employer's correspondence	1. After the 30 days suspense period expires, assess the case following procedures in IRM 4.19.5.4.7, General Case Processing Procedures.
Does not understand the letter	1. Input the TC 290 with the proposed tax increase amount. 2. Send 380C letter explaining the discrepancy to the taxpayer. 3. Assess the penalty and interest if necessary and close FCP using CC "CADJ " *Note:* Written managerial approval is needed before assessing penalties. See IRM 4.19.5.4.8.7, Penalties for additional information.
Taxpayer replies and provides a state reporting number different than what is present on FCP	1. Prepare Form 940-B. 2. Suspend the case for two weeks. Recertification received: 1. Factor in the new information 2. Adjust the account and keep the taxpayer data and Form 940-B with the case. 3. close the case on FCP using the appropriate CC. Recertification **NOT** Received: 1. Send a Letter 380-C to the taxpayer 2. adjust the account and keep the taxpayer data and Form 940-B with the case. 3. close the case on FCP using the appropriate CC.
It is determined the return was processed to an incorrect tax year	1. See IRM 21.5.2.4.23, Reprocessing Returns/Documents.
If the taxpayer responds with a signed Letter 4011-C.	1. Research line 10 of the Form 940. 2. If line 10 matches the amount of the refund within tolerance close the case using cc REIM. 3. Send Letter 380-C explaining they're not entitled to the refund due to exempt wages on Form 940.

(9) Follow the table below for required actions necessary to process taxpayer replies. See IRM 4.19.5.4.7.4, Special Adjustment to Blocking Series for the appropriate blocking series

IF the taxpayer's correspondence	Input	Assess penalty and Interest if applicable	Use closing code (CC)	Update FCP	Issue	comments
Does not provide sufficient documenta-tion to resolve the case OR if a partial payment has posted to the correct module on IDRS	TC 290 $$	Y	CADJ	n/a	Letter 380-C	Corro: Explain Adjustment made to the account
Agrees to the proposed increase Letter 4010-C OR full payment has posted to the correct module on IDRS	TC 290 $$	Y	AADJ	n/a	no letter required	n/a
Agrees and indicates full payment was received but is not posted correct IDRS module, research IDRS for payment and transfer the credit accordingly using the Credit Transfer Tool on IAT.	TC 290 $$	Y	AADJ	n/a	no letter required	n/a
Clearly indicates the proposed agreement of decrease Letter 4011-C with a signed signature	TC 291 and Input 770 .00	n/a	AADJ	n/a	no letter required	the taxpayer is not entitled to interest on a refund caused by state credits claimed. See section 6413(d)
Letter 4010-C response indicates the taxpayer is deceased and provides official documentation as the representative for the decease's estate along with a copy of the death certificate	TC 290 $$	Y	CADJ	n/a	Letter 380-C	Forward a copy of the corre-spondence to the Collection function.

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IF the taxpayer's correspondence	Input	Assess penalty and Interest if applicable	Use closing code (CC)	Update FCP	Issue	comments
Letter 4011-C response indicates the taxpayer is deceased and provides official documentation as the representative for the decease's estate along with a copy of the death certificate	TC 291 and Input 770 .00	n/a	AADJ	"deceased court documentation provided	Letter 380-C	n/a
Letter 4010-C response indicates the taxpayer is deceased but proper documentation is not provided	TC 290.$$	Y	AADJ	deceased	The entity is still responsible for the FUTA tax.	n/a
Letter 4011-C response indicates the taxpayer is deceased but proper documentation is not provided	TC 290.00	n/a	CADJ	deceased	Form 1310 Statement of person claiming Tax Due to a Deceased Taxpayer if person is not listed on Form 940 Schedule H	n/a
Letter 4010-C response provides proof of credit, photocopies of front and back of cancelled checks and copies of their quarterly state returns and provided info is different from the original state	n/a	n/a	n/a	n/a	940-B with photocopies of data to state agency	Suspend case for 45 days. Keep the taxpayer data and copy of Form 940-B with case

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IF the taxpayer's correspondence	Input	Assess penalty and Interest if applicable	Use closing code (CC)	Update FCP	Issue	comments
provides certification or letter from the state showing the taxable wages equal to or exceed the FUTA wages and has a zero percent (.00) experience rate	TC 290.00	n/a	CNOC	Zero experience rate	Letter 3786-C	n/a
is a letter from the state showing no taxable wages but verifying the zero experience rate or the State unemployment taxable wages are less than or equal to the FUTA wages	TC 290 $$	Y	CADJ	n/a	Letter 380-C explaining adjustment	n/a
is a new certification with no additional tax is due	TC 290.00	n/a	n/a	Input certification	Letter 3786-C Note: If unauthorized third party provides the information, then issue a Letter 380-C to the taxpayer	n/a
is a new certification where the recalculation results in a decrease to tax	TC 290.00	n/a	CNOC	Input certification	Letter 380-C advising tp of the outcome for an authorized signature to receive the refund	n/a

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IF the taxpayer's correspondence	Input	Assess penalty and Interest if applicable	Use closing code (CC)	Update FCP	Issue	comments
The state's Cafeteria plan is causing the difference in the wages to the wage base state	TC 290.00	n/a	CAFÉ	n/a	Letter 3786-C	n/a

(10) Assistance for responses by the state agency are listed in the table below:

If the State Agency	Then
Reply is not received within 45 days **OR** if the state determines that the taxpayer was liable for the tax year, however they can not research the central status file or the record was purged, *Note:* The burden of proof for payment is on the taxpayer. Acceptable proof includes but is not limited to copies of the front and back of canceled checks and/or quarterly state tax returns.	1. Accept the taxpayer's proof 2. Input TC 290 with money amount 3. Address penalty/interest if necessary. 4. Close on FCP using CC CADJ . **OR if** the recalculation is No Change to tax: 1. Input TC 290 .00 2. Issue Letter 3786-C. 3. Close on FCP using CC CNOC

Note: Written managerial approval is needed before assessing penalties. See IRM 4.19.5.4.8.7, Penalties, for additional information.

4.19.5.4.8.1 (09-14-2020) Schedule H-Household Employment Tax

(1) Domestic service employment taxes are generally collected with income tax.

(2) Household Employers generally use Schedule H (Form 1040), Household Employment Taxes to report wages paid to household employees. Schedule H may be filed by both the Primary and Secondary taxpayers. Schedule H is filed with Forms 1040, 1040NR, 1040-SS, or 1041 . Household employers not filing one of these tax returns must file a Schedule H by itself.

Note: If an employer is required to file Form 941, Form 943, or Form 944, the employer may choose instead to report wages for household employees on such Form 941, Form 943, or Form 944. If wages for household employees are included on Form 941, Form 943, or Form 944, the employer must also include FUTA tax for household employees on Form 940.

(3) Employer Identification Number (EIN) input is needed **only** if adding or updating the EIN information. If changing the EIN information, enter the EIN in the XREF/PRIM/SEC-EIN field and enter either TC 993 .00 (if changing the Primary Employer's EIN) or TC 994 .00 (if changing the Secondary Employer's EIN) in the Reference Code field. To change the EIN on a Schedule H, you will need to input two separate adjustments. One to remove wages and tax from the incorrect EIN, and one to add wages and tax to the correct EIN.

(4) For information on adjusting the FUTA tax and/or transferring credit involving the Schedule H filed with Form 1040, see IRM 21.6.4.4.8.7, Schedule H, Household Employment Taxes - Overpayments.

(5) FUTA Reference Codes are a three character code comprised of a single Alpha letter followed by the two character state code used by the U.S. Postal Service and must be input for adjusting both the primary and secondary taxpayer information. The FUTA Reference Code Alpha is used as follows:

Alpha	Reference Code	Refers to	Converts to IRN
T	Primary Taxpayer	Tax	997
Y	Secondary Taxpayer	Tax	995
W	Primary Taxpayer	Wages	998
Z	Secondary Taxpayer	Wages	996

(6) Use appropriate Blocking Series when adjusting a Schedule H case. IRM 4.19.5.4.7.4, Special Adjustment Blocking Series.

4.19.5.4.8.2
(10-25-2023)
Schedule H Filed With Form 1041

(1) For information involving the Schedule H filed with the Form 1041, see IRM 21.7.4.4.1.11, Social Security Domestic Employment Reform Act (SSDERA) of 1994 and BMF Schedules H.

(2) For information on FUTA taxes reported on the incorrect form or multiple forms, see IRM 4.19.5.4.8.3, Incorrect State.

(3) Use Blocking Series 17 or 40 when adjusting the account. Input BS 17 if there is a TC 150 present or BS 40 if there is no TC 150 on the account.

4.19.5.4.8.3
(09-14-2020)
Incorrect State

(1) The taxpayer's reply states that the letter shows the wrong state and provides the correct state. You **must** contact the correct state for a manual certification.

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If the Certification	Then
is received from the state	1. Assess the TC 290 adjustment as needed 2. Assess penalties and/or interest if needed 3. Input the **Federal Wages** and **Federal Tax information** to the correct state. 4. Close the case on FCP using the appropriate CC. ***Note:*** There may be times where you will input the TC 290 .00 and update the state information with the appropriate Reference Codes only.
is **not** received from the correct state	1. Input the assessment using the correct blocking series. IRM 4.19.5.4.7.4, Special Adjustment Blocking Series. 2. Issue a 380-C Letter using paragraph "H". 3. Close the case on FCP using the appropriate CC.

4.19.5.4.8.4
(10-12-2022)
Replies with Disaster Indicators on FCP

(1) The following information applies to FUTA replies with a Disaster indicator present on FCP. FUTA disaster coordinators input Zip Codes for specific federally declared disaster situations, as necessary, based on IRS Disaster Relief Memos.

(2) Access *FEMA Website* to retrieve the beginning and ending date of the disaster period.

Reminder: The -S freeze does not suppress notices. Continue normal case processing.

If	And	Then
The reply is received with information balancing the case.	n/a	1. Follow the applicable procedures for filing and closing the case based on the information supplied by the taxpayer.

If	And	Then
The reply is received with insufficient information to balance the case.	the case has a –S freeze	1. Assess and close the case using the appropriate procedures. See IRM 4.19.5.4.8, **Processing Replies for additional information.**
The reply is received with insufficient information to balance the case.	the case has a –O freeze and the taxpayer correspondence is dated during the disaster period and the taxpayer does not state they cannot resolve their discrepancy due to the disaster	1. Assess and close the case using the appropriate procedures. See IRM 4.19.5.4.8, Processing Replies for additional information.
The reply is received with insufficient information to balance the case.	and the case has a -O freeze and the taxpayer correspondence is dated before the disaster period	1. Suspend the case on FCP using "Suspense Code 10. 2. Suspend the case on IDRS notating "FEMA" and the disaster expiration date in the activity field. 3. When the disaster period expires assess and close the case using the appropriate procedures. See IRM 4.19.5.4.8, Processing Replies for additional information.

4.19.5.4.9
(10-15-2024)
No Replies

(1) The FCP will automatically generate an open status code "DADJ".

(2) The No Replies are worked systemically using the IAT GII tool. The TEs will the work the cases with indicators that prevent the tool from making the adjustment.

(3) When an account has a TC 300/308 on the module of the tax year your working, do not assess, input a 290 for .00 and close the case using CC **NRPY**.

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If	Then
No Reply to **4010-C** Letter	1. Input TC 290 with amount of the increase on IDRS. See IRM 4.19.5.4.7.4, Special Adjustment to Block Series for the correct blocking series to use. 2. Address penalty and interest if appropriate 3. Close FCP with CC "NRPY". *Note:* Written managerial approval is needed before assessing penalties. See IRM 4.19.5.4.8.7, Penalties ,for additional information.
No reply to Letter 4010-C however, IDRS shows a payment received was identical to the Letter 4010-C proposed increase amount	1. Input the appropriate adjustment. See IRM 4.19.5.4.7.4, Special Adjustment to Block Series for the correct blocking series to use. 2. Change the CC to "NRPY"
No reply to **4011-C** Letter	1. Input TC 290 .00 on IDRS. See IRM 4.19.5.4.7.4, Special Adjustment to Block Series for the correct blocking series to use. 2. If Audit Potential (AP) state, **increase** the Federal wages to match the State certified wages. 3. Close FCP with CC "NRPY"
No reply to **380-C** Letter	1. Input the appropriate adjustment on IDRS. See IRM 4.19.5.4.7.4, Special Adjustment to Block Series for the correct blocking series to use. 2. Input CC "NRPY" on the FCP System. 3. Address penalty/interest if necessary. 4. If FCP shows CC "NRPY" and additional research shows a TC 520 or TC 530 posted previously (after cycle 39), **DO NOT** change CC.

4.19.5.4.10
(10-12-2022)
Undeliverables

(1) **The Clerical Function** will perform research for a new/better address when correspondence is returned undeliverable. Below are the steps the Clerical team has already taken:

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If	And	Then
A new address is found	It is within 30 days of the mail out date	They will re-mail all information, including the original envelop to the new/better address.
A new address is found	It is after 30 days of the mail out date	input undeliverable date onto FCP and batch the undeliverable to a TE.
A new address NOT found	regardless of the timeframe	Input undeliverable date and batch for a TE to work.

(2) Research IDRS for a new/better address within 14 days from the received date. When ENMOD shows an SSN that is responsible for the entity, use CC INOLES for the SSN and re-send the notice to that address. If ENMOD shows a Mr. and Mrs. listed, address the notice to only the taxpayer that owns the SSN found on ENMOD for disclosure purposes.

If	And	Then
a new/better address is found	it is within 30 days of the FCP letter issue date	1. Re-mail the entire envelop to the new/better address. 2. Update FCP remarks (re-mailed with date) 3. Update the control to Monitor status "M", using the suspense date as your follow-up date. 4. Once the suspense date has expired, work the case as a No Reply using hold code "3". 5. Close the case on FCP using CC **UNDL**.

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If	And	Then
a new/better address is found	after 30 days	1. Assess using hold code "3" to prevent the issuance of another letter to the incorrect address. 2. Close the case on FCP using CC **UNDL**
a new/better address is **NOT** found	regardless of the timeframe	1. Assess using hold code "3" to prevent the issuance of another letter to the incorrect address. 2. Close the case on FCP using CC **UNDL**
FCP shows closing status code "**UNDL**"	additional research shows a TC 520 or TC 530	See IRM 4.19.5.4.7.2, Bankruptcy and/or Defunct Corporations posted previously (after cycle 200739) , **DO NOT** change CC. Input the Remarks field "BANK" or "DFNT," whichever is appropriate.

Reminder: When assessing undeliverables, apply the TC 180 for the entire 15 percent.

Exception: When an account has a TC 300 or TC 308 on the module of the tax year you're working, do not assess, input the 290 for .00 and close the case using CC **UNDL**.

4.19.5.4.11 (10-15-2024) **Reconsiderations**	(1) Many of the processing procedures Reconsiderations for can be found in the reply section of this IRM. See the references below to find the proper procedures.
	(2) Reconsiderations occur when taxpayer correspondence is received after the initial case is closed on the FCP System. See Exhibit 4.19.5-2 for Tolerance Chart and more information.
	(3) FCP will now open reconsiderations into status "LTRP" when the date is entered through the clerical "Replies/Undeliverables Recd" screen. All status "LTRP" cases will be manually closed on FCP using CC "LTWR" when the re-

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consideration is worked. Any updates, letters, or changes to money amounts must be made to FCP prior to closing the case on FCP.

(4) CATRS only keeps three years of active data. At the end of three years, CATRS archives all cases that had case activity performed on them (it does NOT store cases we didn't select to work). The first year cases that were archived was the 2014 program year and it will store 10 years of data. Archived case information can be accessed using the Archive Query option on the Case Query Screen. The information that can be viewed on an archived case is listed below.

- Entity
- Cross References
- Federal Tax and Wages
- State Certification Information
- Previous Adjustments
- Correspondence Sent
- Remarks
- Case History

Note: There are worksheets available on the CAWR/FUTA Home Page at *CAWR/ FUTA Home Page* to assist in resolving Reconsideration cases.

(5) The taxpayer may send an amended return or state recertification to try to resolve the case. Review the information and make any necessary corrections on IDRS. See IRM 4.19.5.4.5, Screening , IRM 21.3.3.4.17.1, Preparing Outgoing Manually Generated Correspondence , IRM 21.3.3.3.4, Quality and Timely Responses - Exception statement, and IRM 21.3.3.4.1, Case Control and Inventory Management to determine if additional correspondence is required.

(6) Refer to IRM 4.19.5.4.7, General Case Processing Procedures, for additional information relating to specific case type procedures.

(7) Reconsideration indicates the employer is a **multi-state filer** . Follow procedures outlined in IRM 4.19.5.4.8.9, Multi-State Cases.

Exception: Regardless of Reply or Reconsiderations status, all multi state cases will be closed using CC "CMUL"

(8) Taxpayer's Reconsiderations indicates the **incorrect State** was transcribed. Follow procedures as shown for processing Reply cases. See IRM 4.19.5.4.8.3, Incorrect State . Input a TC 291 for the original tax assessment with the appropriate Reference Codes to correct the state.

(9) When **Processing Statute cases**, be sure to consider the following:

- The postmark date of the original claim will be used to determine if the claim is timely. For example, a claim filed on a delinquent original tax return that is postmarked three years after the Return Due Date is deemed to be filed on the postmark date. Therefore, the look back rule that limits the amount of a credit or refund to the tax paid during the

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three years immediately preceding the filing of the claim would not prevent the crediting or refunding of the advanced payments described below.

- For purposes of the look back rules and determining when an advanced payment of tax is considered paid: Any payment of FUTA tax made within a calendar year or before the Return Due Date for the calendar year (determined without regard to any extension of time for filing), shall be considered made on the Return Due Date. Income tax withheld at the source during any calendar year is deemed to have been paid by an employee on the 15th day of the fourth month following the close of the taxable year: i.e., the Return Due Date. Estimated taxes are deemed paid on the Return Due Date (determined without regard to any extension of time for filing).

- If the last day of the three year filing period is a Saturday, Sunday, or legal holiday and the claim is timely filed on the next succeeding day which is not a Saturday, Sunday, or legal holiday, the claim is deemed to have been filed on the last day of the filing period for purposes of applying the look back rules.

  Note: Payments of penalties and interest are treated as tax payments. While the IRC limits the overall amount available for credit or refund, it does not establish a specific order in which the payments constituting that amount must be depleted when a credit or refund is made. IRS is generally not permitted to use an ordering method simply to limit the amount of a credit or refund available under the look back rule of IRC 6511(b)(2).

  Note: If the taxpayer made a partial payment for one or more taxable periods, Rev. Proc. 2002–26, 2001–C.B. 746 provides the ordering rules for the application of the payment.

- Expired credits cannot be used to offset liabilities on other modules.
- If a timely filed claim is processed after the normal RSED, input the adjustment with Override Code "S". Use the IRS Received Date of the reply as the RFSCDT.

(10) **Accounts in Collection Status** - Any Reconsiderations that is received on an account with an active Collection status code (22, 24 or 26) on IDRS must be coordinated with the responsible function(s) prior to the FUTA issue being worked. For example:

- When you receive a reply for a case in Status 22 notify the ACS staff that you have a reply so they can update their comments on the ACS system and suspend collection action using the appropriate referral form. The tax examiners should document their attempts and outcome on the appropriate referral form. Work the FUTA issue and close the case.
- For all cases in Status 22, 24 or 26 input TC 470 CC 90 to remove the case from collection status while it is in inventory
- If there are any other Collection issues that need to be addressed, such as a remaining balance due, Installment Agreement request, etc., those functions must work that portion of the Reconsiderations.
- A TC 29X will ensure any case with a balance due remaining on the module is put back into collection status. If a TC 29X is not being input a TC 472 with no closing code must be input.

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(11)   When an account has a TC 300/308 on the module of the tax year your working, abate any FUTA tax assessment and issue a 380-C closing letter explaining all actions taken.

4.19.5.4.11.1
(10-25-2023)
Reconsiderations received on Form 3870 Request for Adjustment

(1)   When a case is being worked by the field, the RO will submit a Form 3870, Request for Adjustment, to request an adjustment or abatement of the FUTA tax assessment. These cases will be worked within 45 days of receipt into the department in a first-in-first-out basis while workload permits.

(2)   Points of Contact (POCs) were established at each campus to provide assistance to field Revenue Officers or managers. For a list of these contacts see *CAWR/FUTA Home Page*

(3)   These cases will be controlled to you on FCP and IDRS.

(4)   A Letter 5825-C interim letter is not required on these cases since the RO has already made contact with the taxpayer. FCP has programming automatically in place to exclude these cases from the interim letter process.

If	Then
The Form 3870 includes information that will allow for abatement of the tax and/or penalty	1. Input a TC 291 for the amount of the original assessment. *Reminder:* **Do not** send a 380-C closing letter as the RO already explained the outcome to the taxpayer. 2. Input a TC 181 on the adjustment if applicable. See IRM 4.19.5.4.7.7, Penalties for input information. 3. Update FCP and close with the appropriate CC.
The Form 3870 does not include sufficient information to resolve the discrepancy	1. Contact the preparer of the Form 3870 to request the additional information needed to resolve the discrepancy and suspend the case for 5 business days. *Note:* If the RO does not contact you after 5 business days, have your campus's POC contact the RO group manager to assist in resolving the case.
Once you have advised the revenue officer of the documentation you need	1. Suspend the case for no longer then 30 days. 2. Once the information is received, process your case using the procedures above.

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If	Then
The information to resolve the case is not received from the revenue officer or group manager by the agreed upon receipt date (plus 5 business days mail time)	1. reject the case back to the RO. 2. Input "rejrodoc" in the activity field on IDRS and in the remarks field on FCP.

(5) When an adjustment has been made that eliminates the tax, penalties, and interest, all lien fees should also be abated.

4.19.5.4.12
(10-25-2023)
Discovered Remittance

(1) Discovered Remittance is a response and/or correspondence with an original form of payment attached such as a personal check, money order, or cashier's check. Also, a loose check(s) discovered in an envelope or attached to a blank sheet of paper.

Note: For voided or blank checks see (8) below.

(2) If any of the items listed in (1) are discovered, both the Form 3244, Payment Posting Voucher, and Form 4287, Record of Discovered Remittance **must** be completed.

(3) Two copies of Form 3244 must be completed for each discovered remittance and contain entries in the following fields:

- TIN
- Form Number/MFT
- Tax Period
- Transaction/Received Date (IRS received date)
- Transaction Data, enter remittance amount next to code 640 (Advanced Payment of Deficiency)
- Remarks (The team manager's phone number and Mail Stop)
- Prepared By

(4) Form 4287, Record of Discovered Remittance, must be completed to log all discovered remittances. The following fields must have entries:

- Stop Number
- Unit
- Telephone Number
- Today's Date - In MM/DD/YYYY format
- Type of Doc. - (for example, check or money order)
- Amount of Remittance - (total money amount including comma and decimal point)

- • Received Date - In MM/DD/YYYY format
- • Name (entire name)
- • TIN
- • Discoverer - Name of person who discovered the remittance and their supervisor's name.

(5) **If remittance is found while working in the office, take the following steps:**

1. Attach one copy of the remittance (original) to the Manager/Lead Tax Examiner who will give it to the Clerical Manager/Lead Clerk to place in a **locked box**(lock box).
2. Attach the second copy of Form 3244 to the response.

(6) **If the remittance is found while teleworking, immediately take the following steps:**

1. Notify your manager immediately.
2. Email completed Form 3244 and 4287 to your Manager and Coordinator/ Assistant Coordinator.
3. Place remittance in a **sealed envelope** and place it in a secure place (locked desk or cabinet).
4. Document remittance details (i.e. leave a case history note or history item).
5. Make an appointment to bring the Discovered Remittance into the Operation and deliver it to the Technical Manager/Lead Tax Examiner within **2 business days.**
6. Technical Manager/Lead Tax Examiner will accept the Discovered Remittance and print Form 3244 and Form 4287.
7. Technical Manager/Lead Tax Examiner will deliver the Discovered Remittance to the Clerical Manager/Lead Clerk.

(7) IRS CHECKS - Returned IRS refund checks are handled differently than regular Discovered Remittance. If an IRS refund check is found, take it to the manager/Lead Tax Examiner to be forwarded to the Refund Inquiry Unit.

(8) VOIDED CHECKS - If the response has a "VOIDED" personal check attached, remove the check from the response and attach it to the Installment Agreement (IA) request. Route the "VOIDED" check with the IA to Collections.

4.19.5.4.13
(10-25-2023)
Customer Service Representative (CSR) Information

(1) The Federal Unemployment Tax Act (FUTA) provides for cooperation between the federal and state governments in the establishment and administration of unemployment insurance programs. The purpose of the FUTA Certification program is to verify that the payment information reported on Form 940 or Schedule H agrees with the information reported to us by the various State unemployment agencies.

(2) Employers are subject to a payroll tax levied by the federal and state governments. The taxpayer may be allowed a maximum credit of 5.4 percent against the FUTA tax of 6.0 percent, for payments made to the state. Employers whose payments are received by the state after the due date of the federal return are allowed 90 percent of the credit that would have been allowed had

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the payments been made on time. In addition, an employer's credit will be reduced if the employer paid wages that are subject to the unemployment tax laws of a credit reduction state.

(3)   The FUTA unit issues three types of correspondence.

- Letter 4010-C - Proposed Increase to Tax
- Letter 4011-C - Proposed Decrease to Tax
- Letter 380-C - State Certification Tax Adjustment Explained

(4)   When the taxpayer states that they received one of these letters, inform the taxpayer that they should immediately respond to the FUTA unit at the address on the letter via mail or fax. If this information is not available, determine the campus working the case and refer to the fax numbers found at the CAWR/ FUTA web site: *CAWR/ FUTA website*.

(5)   A FUTA assessment can be identified by researching Command Code TXMOD for a TC 290 on any of the following modules:

- MFT 10 with a blocking series 50 if there was state wage data on file **or** blocking series 51 if there is no state wage data.
- MFT 05 with a blocking series 17. This adjustment would be for a Schedule H attached to the Form 1041.
- MFT 30 with a blocking series 05. This adjustment would be for a Schedule H attached to a Form 1040.

(6)   Follow procedures below when working FUTA certification issues

If	Then
The taxpayer agrees with the assessment	Instruct the taxpayer to remit payment.
The taxpayer **does not** agree with the assessment	Instruct the taxpayer to immediately respond to the FUTA unit by submitting a copy of their state certification to the address on the letter via mail or fax. If the taxpayer asks for state contact information to obtain the state certification then please refer to *FUTA SharePoint site* for state contact information.
The taxpayer states they certified to a state other than the one IRS states on the letter **or** that they are a multi-state filer	Instruct the taxpayer to write or fax the information to the FUTA unit at the address on the letter.

(7)   If the taxpayer states they previously sent information in response to the correspondence from IRS. **Do not** prepare a referral (Form 4442 or Letter 4442-C) to the FUTA Unit. Determine **when** the taxpayer submitted the information and follow the steps below:

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If	And	Then
An open control or completed action on IDRS was found	it has been more than 30 days and you cannot resolve the taxpayer's issue the same day	Prepare a Form 911 and forward to the local call site Taxpayer Advocate Service Office, per IRM 13.1.7.4, Same Day Resolution by Operations . *Note:* The definition of "same day" is within 24 hours. There will be times you can not completely resolve the issue within 24 hours. There will also be times that although you can not completely resolve the issue within 24 hours, if you have taken steps within 24 hours to resolve the taxpayer's issue, these cases also meet the definition of "same day." Do not refer these cases to TAS unless the taxpayer asks to be transferred to TAS and the case meets TAS criteria, see IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria .
An open control or completed action on IDRS was found	it has been less than 30 days	Explain to the taxpayer that it takes at least 30 days to process the response.

(8) Advise the taxpayer, failure to respond to the FUTA Unit or provide the requested information within the time period indicated in the letter they received can result in additional tax and penalty assessment.

(9) The taxpayer must respond immediately to the address shown on the notice/letter with a clear and complete explanation of the reason for the discrepancy and the appropriate correcting documents. **You may provide the fax number of the FUTA unit if the taxpayer wants to fax his reply. Never provide the voice number of the FUTA unit to the taxpayer or transfer the call to the FUTA unit.**

(10) The letters issued to the taxpayer of Schedule H FUTA cases, may only contain the EIN associated with the SSN on the Schedule H. Verify the EIN and SSN belong to the same taxpayer.

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If	Then
The EIN and SSN belong to the same taxpayer	the taxpayer needs to respond to the notice or letter to the FUTA Unit with information to balance the Schedule H with the State information on file
The EIN and SSN **DOES NOT** belong to the same taxpayer	the taxpayer needs to contact the FUTA Unit in writing or by fax. (The IRS address and FUTA fax number is printed on the notice/ letter the taxpayer received.)

Note: If the notice does not have a fax number printed on it, the FUTA unit fax numbers are found at (see paragraph 4 for link to website). Never transfer the call to the FUTA Unit and NEVER provide the taxpayer with any FUTA Unit voice telephone numbers. You may only provide the taxpayer with the Fax number to the appropriate campus's FUTA unit.

4.19.5.4.14
(09-14-2020)
FUTA Organization, Function and Program Codes

(1) Function Codes:

- 700 — FUTA Telephone Replies (used with Program Code 172X0 and 175X0 only).
- 710 — Point of Count when each case is closed or transferred.
- 790 — Clerical activities (no point of count).

(2) Program Codes: The Small Business Self Employed campuses will record their progress using the following FUTA program codes. The "X" in the Program Codes 170X0 through 175X0 will reflect the current Release year being worked (i.e., 170**1**0 - 174**1**0). Program code 175X0 can reflect the current and prior Release years (i.e., 175**9**0 or 175**8**0, 17570) depending on the Release year of the case.

- 170X0 - FUTA Screening
- 172X0 - FUTA Replies Received
- 173X0 - FUTA Undeliverables
- 174X0 - FUTA No Replies
- 175X0 - FUTA Reconsiderations (previously called Late Replies)

4.19.5.4.15
(10-25-2023)
Tax Examiner Statute Responsibilities

(1) Document 7368, Basic Guide for Processing Statute Cases, is available to all campuses and area offices. If you do not have one, please see your manager. This document is also available electronically.

(2) **Statute Searches**: All Tax Examiners are responsible to expedite statute imminent cases. Each tax examiner must perform a statute search on their inventories (paper and electronic) beginning 90 days prior to the statute expiration date as stated below. In addition, all new receipts to their inventory must be reviewed for statute criteria.

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Program	Begin Searching	Frequency	Frequency	Frequency
FUTA	Date	**Biweekly**	**Weekly**	**Daily**
Dates	11/1/XXXX	11/1-12/24	12/25-1/21	1/22-1/31

(3)   Each search must be documented using Form 11122 which will be maintained by management. See the CAWR/FUTA Home page at *CAWR/FUTA Web Page* for Form 11122, Employee's Statute Certification, and additional statute guidelines and Document 7368, Basic Guide for Processing Statute Cases, for Statute Processing.

4.19.5.4.16
(10-15-2024)
Program Completion Date (PCD)

(1)   The FUTA program processing start up for CSC is scheduled for October and the PCD is the last day of September, each year unless otherwise directed by Small Business/Self Employed (SBSE) Headquarters.

(2)   This requirement will be considered met if 95 percent of the workable download volume of cases are closed by the August 31 PCD. The remaining 5 percent of the inventory must be completed by September 30. This includes working the No Reply listings on a weekly basis and making any necessary tax adjustments.

(3)   The table below provides the schedule for current and subsequent FUTA Certification program case processing.

Program Release Year	Hub Test of the New Program	Program Start-up Date	Program Completion Date
2022	October 1, 2024	October 7, 2024	September 30, 2025
2023	October 1, 2025	October 6, 2025	September 30, 2026

4.19.5.4.17
(09-30-2021)
Inventory Management Responsibilities for Tax Examiners

(1)   Management will provide a copy of the CCA 4243 listing to the appropriate tax examiner by either printing or sending an electronic copy to them through secured E-mail for the TE to review.

(2)   Each TE is responsible to ensure the control assigned to them on IDRS is physically in their possession and can be retrieved at any time. In addition, the tax examiner who the case is controlled to, must ensure appropriate and timely actions are taken as necessary.

(3)   In order to complete this each week the TE must do the following

- Find the earliest IRS Received Date on the actual piece of correspondence and ensure it matches with the received date entered on IDRS, and FCP.
- Work Unpostable conditions.

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- MFT code is correct.
- Review to ensure the activity code is correct.
- Review to ensure the category code is correct.
- Ensure all appropriate interim letters have been sent.
- Are STAUPS needed? If so have they been input? If not, input them.
- Ensure you are working your cases in FIFO (First in, First out) order
- Review ASED for statute imminent cases and process accordingly.
- Review to ensure the case is in the correct status (A-Assigned, M-Monitored, S-Suspense, etc.).

Note: Follow the table below for additional steps to take with inventory management.

If the case	Then
Is not found	Send missing case letter and close the control. Notate on IDRS in activity field, "380-C-SENT".
Was already assessed but not closed? Or is the case closed on FCP?	Close the control on IDRS and forward any paper appropriately.
Has been controlled to someone else.	Notify your lead or manager for direction.
Is controlled incorrectly.	Correct all information in the control to reflect the case accurately.
You have a case that is not on the list.	Give the case back to the clerical function for proper controlling.
The status of the control is incorrect.	Make the correction to the appropriate status (A-Assigned, M-Monitored, S-Suspense, etc.).

(4) When doing quarterly certification, each Tax Examiner must complete a Physical Inventory Certification Form (see Exhibit 4.19.5-1) and submit it to their manager.

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Exhibit 4.19.5-1   (10-15-2024)
Physical Inventory Certification

Tax Examiner Name:
IDRS Number:
Date of CCA 4243:
Number of cases listed on your CCA 4243:

Action Taken	Yes/No
Verified received dates are correct.	Y/N
Verified the case was classified as the correct program.	Y/N
Ensured the correct MFT Code and activity code was input.	Y/N
If the case is missing, have you followed the missing case procedures?	Y/N
Ensured all appropriate interim letters have been issued.	Y/N
Verified the need for STAUPS and input if necessary.	Y/N
Ensured you are working your cases in FIFO (First in, First out) order according to IRS earliest received date.	Y/N
Are your cases in the correct status? (A-Assigned, M-Monitored, S-Suspense, etc.)	Y/N

Program (IRS-CAWR, SSA, FUTA)	Number of cases
Cases listed on your CCA 4243	-
Missing	-
Closed	-
Added (newly controlled)	-
TOTAL	-

Number of cases currently in your possession:
I certify I have taken all actions as stated above.
Print Name:
Sign Name:

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Exhibit 4.19.5-1

Exhibit 4.19.5-1 (Cont. 1) (10-15-2024)
Physical Inventory Certification

Date:

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Exhibit 4.19.5-2   (10-12-2022)
Tolerance Chart

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Exhibit 4.19.5-2

Exhibit 4.19.5-3   (10-12-2022)
FCP Status and IDRS Activity Codes

FCP Open Status Codes	DEFINITION
Blank	Screening Cases
DADJ	Undeliverable or No Reply
REOPEN	An Undeliverable or No Reply which has been opened again.
LTRP	Recons Received

FCP Closing Codes	Definitions
6020	6020(b) Case
AADJ	Agreed Adjustment
Bank	Bankruptcy
CADJ	Un-agreed Adjustment
CAFE	Cafeteria Plan
CAUE	California Unity of Enterprise
NCUE	North Carolina Unity of Enterprise
CDUP	Duplicate Record
CMUL	Multi-State Filer
CNOC	No Change
COMM	Common Paymaster
CSYS	Systemic Closure (cannot be undated by user)
CTOL	Tolerance
DFNT	Defunct Corporation
LEAS	Leasing Employees
LTWR	Recon (previously called Reconsiderations) Worked
NRPY	No Reply
STEX	Statute Expiration Date
TRAN	Transfer
UNDL	Undeliverable

Exhibit 4.19.5-3   Internal Revenue Manual   Cat. No. 36859F (10-15-2024)

Exhibit 4.19.5-3 (Cont. 1) (10-12-2022)
FCP Status and IDRS Activity Codes

IDRS Category Codes	Description
FUTA	FUTA controls opened when a Letter 4010-C is generated during screening.
UNDL	Used on FUTA Undeliverables.
TPRR	Used on FUTA replies.
TPLR	Used on FUTA recons .
IRRQ	Used on pending 5 percent TIER and Form 2859 cases only.
3870	Used on Form 3870 cases.
ATAO	Used on TAS cases.
NLUN	Used on Unpostable cases.
STAT	Used on FUTA 2859 cases.
NRPY	Used on FUTA no reply cases.

IDRS Status Codes	Description
A	Initial Case control on taxpayer response. Case has not yet been worked by a TE.
M	Other- Long Term delay. Examples: • Case is being monitored for Form 2859 to post. • Initial screening letter was issued and case is awaiting the next phase.
S	Suspense. Taxpayer response is being worked. Examples: • Left message for taxpayer. • Ordered document. • Referred case to other area. • FEMA cases per IRM 4.19.4.3.45, Replies with **Disaster Cases on FCP**.

IDRS Activity	Status	Description
EXTEND **MMDD**	S	Taxpayer granted an extension.
FEMA-O **MMDD**	S	Disaster case identified.
LSTCSE **MMDD**	S	Requesting a copy of lost case.
ESTAB **MMDD**	S	Requesting a CC ESTAB.
ATA _**MMDD**	S	Waiting for info from TAS rep.

Cat. No. 36859F (10-15-2024)   Internal Revenue Manual   **Exhibit 4.19.5-3**
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Exhibit 4.19.5-3 (Cont. 2) (10-12-2022)
FCP Status and IDRS Activity Codes

IDRS Activity	Status	Description
3870_ **MMDD**	S	Waiting for info from RO.
PEN5percent/MMDD	M	5 percent Tier period.
WT4TP_ **MMDD**	S	Waiting for info from Taxpayer.
F2859_SENT	M	Form 2859 sent for quick assessment.
REFER2MGR	S	Case given to Manager.
REFER2DM	S	Case given to Dept. Manger.
REFER2TECH	S	Case given to Technical Advisor/ Coordinator.
RETURN2TE	S	Case returned to Tax Examiner.
940B	S	940B info sent to the state.

- All dates (**MMDD**) used on these activities are for the end of the expiration period.

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