



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

4.19.25

JUNE 24, 2024

## EFFECTIVE DATE

(06-24-2024)

## PURPOSE

- (1) This transmits revised IRM 4.19.25, Liability Determination, Information Return Penalty (IRP) Procedures.

## MATERIAL CHANGES

- (1) This revision includes IPU 23U0926 dated 08-31-2023 and 24U0351 dated 03-06-2024.
- (2) IRM 4.19.25.1: This subsection has been revised to comply with the requirements in IRM 1.11.2, Internal Revenue Manual (IRM) Process.
- (3) IRM 4.19.25.1.1: The title of this subsection has been changed. The content of this subsection has been revised to comply with the requirements in IRM 1.11.2, Internal Revenue Manual (IRM) Process.
- (4) IRM 4.19.25.1.3: The title of this subsection has been changed. The content of this subsection has been revised to comply with the requirements in IRM 1.11.2, Internal Revenue Manual (IRM) Process.
- (5) IRM 4.19.25.1.4: This is a new subsection titled, "Program Management and Review." The content of this subsection has been revised to comply with the requirements in IRM 1.11.2, Internal Revenue Manual (IRM) Process.
- (6) IRM 4.19.25.1.5: This is a new subsection titled, "Program Controls." The remaining subsections have been renumbered. The content of this subsection has been revised to comply with the requirements in IRM 1.11.2, Internal Revenue Manual (IRM) Process.
- (7) IRM 4.19.25.1.6: This subsection has been deleted. The content has been revised and moved to the new subsection 4.19.25.1.4, Program Management and Review.
- (8) IRM 4.19.25.1.7 & 4.19.25.1.8: IRM 4.19.25.1.7 has been renumbered as 4.19.25.1.6. IRM 4.19.25.1.8 has been revised and combined with the new IRM 4.19.25.1.6. The existing IRM 4.19.25.1.8 has been deleted. The remaining subsections have been renumbered. The content of this subsection has been revised to comply with the requirements in IRM 1.11.2, Internal Revenue Manual (IRM) Process. The majority of information previously published in IRM 4.19.25.1.8 (now IRM 4.19.25.1.7) has been moved to and merged with Exhibit 4.19.25-6, Acronyms.
- (9) IRM 4.19.25.1.9: This subsection has been renumbered as IRM 4.19.25.1.8. In paragraph (1), updated the title of Publication 1586. Added two new resources to the bottom of the table in paragraph (1).
- (10) IRM 4.19.25.1.10: This subsection has been renumbered as IRM 4.19.25.1.9. The website address has been updated in paragraph (2).
- (11) IRM 4.19.25.1.10.1: Paragraph (1) has been updated to remove the requirement for the use of Form 3210 when Form 12412 is emailed. Paragraph (3) has been revised to clarify instructions for the use of email.
- (12) IRM 4.19.25.2: In paragraph (6)b, updated the title of Publication 1586.

- (13) IRM 4.19.25.2.5: This is a new subsection related to the digitalization of IRP correspondence.
- (14) IRM 4.19.25.7: A new reminder was added to paragraph (6) that explains the requirement to merge the supervisory approval documentation to the digital case file on the document repository.
- (15) IRM 4.19.25.7.1.7: Revised paragraph (1), step 3, for clarity.
- (16) IRM 4.19.25.7.1.8: Revised paragraph (1), step 2, for clarity.
- (17) IRM 4.19.25.7.1.9: Revised paragraph (1), step 1, for clarity.
- (18) IRM 4.19.25.7.1.10: Added a new paragraph (2).
- (19) IRM 4.19.25.7.1.13: Revised paragraph (1)a to include guidance for digitalization.
- (20) IRM 4.19.25.7.1.14: Revised the IF/THEN table in paragraph (1), step 6, for clarity and to include guidance for digitalization.
- (21) IRM 4.19.25.7.2: In paragraph (2)c, the example has been moved into a table.
- (22) IRM 4.19.25.7.4: Added a new paragraph (4) which clarifies when to input address changes using information provided by the U.S. Postal Service. Revised paragraphs (5) and (5)d for clarity.
- (23) IRM 4.19.25.7.5: Revised paragraph (4) to include guidance for digitalization.
- (24) IRM 4.19.25.7.5.1: In paragraph (4)Note, changes W&I to Taxpayer Services.
- (25) IRM 4.19.25.7.7: Revised paragraph (1)(d) and added a new Note to include information regarding the Information Returns Intake System (IRIS).
- (26) IRM 4.19.25.7.9: Added a new first row in the IF/AND/THEN table in paragraph (1) to provide guidance when IDRS credit transfer command codes are unavailable.
- (27) IRM 4.19.25.7.10: Corrected the title of Form 4287 through the subsection. Revised the IF/THEN table in paragraph (5) to include guidance for digitalization.
- (28) IRM 4.19.25.8: Added a new paragraph (4) to clarify the signature requirements. The remaining paragraphs have been renumbered. The Note and Exception from paragraph (3) have been moved to the new paragraph (4). New verbiage in paragraph (3)c has been added to refer the reader to paragraph (4) for additional information regarding signature requirements. Added a new third row in the table in paragraph (8), titled, "Actions by a payee or any other person". Added clarifying verbiage to the last row of the table in paragraph (8), titled, "Undue economic hardship".
- (29) IRM 4.19.25.8.1: The title of this subsection has been changed to Failure to Timely File to align with the information in IRM 20.1.7, Information Return Penalties. Added a new paragraph (10) to provide guidance for when the taxpayer submits a postage receipt as proof of timely filing. The remaining paragraphs have been renumbered. Verbiage throughout the subsection has been modified to provide appropriate guidance for digitalization of IRP correspondence. A new note has been added in the third and fourth rows of the IF/AND/THEN table in paragraph (12).
- (30) IRM 4.19.25.8.2: The title of this subsection has been changed to Failure to File Electronically to align with the information in IRM 20.1.7, Information Return Penalties. The title of this penalty has also been updated throughout this IRM. Updated the title of Form 8508. Most of this subsection has been revised for clarity and continuity of the information. Paragraph (6) is new. Added a new Caution in paragraph (8).
- (31) IRM 4.19.25.8.2.1: The title of this subsection has changed to Failure to File Electronically for Form 1042-S. Updated the title of Form 8508 in paragraph (5)b.

- (32) IRM 4.19.25.8.3: The title of this subsection has been changed to Failure to Include Correct TINs to align with the information in IRM 20.1.7, Information Return Penalties. The title of this penalty has also been updated throughout this IRM.
- (33) IRM 4.19.25.11: Added a an IRM reference to the end of the Note in the first row of the IF/THEN table in paragraph (3).
- (34) IRM 4.19.25.12: Merged paragraph (2) and (2)a into a new (2).
- (35) IRM 4.19.25.12.1: Paragraph (2) has been revised for clarity. Paragraph (3) has been revised to include instructions for merging letter documentation with the digital case file on the document repository.
- (36) IRM 4.19.25.13: Added a new step 5 in paragraph (1) to include guidance for digitalization.
- (37) IRM 4.19.25.14: In paragraph (4), step 1, the last sentence has been moved to a new Reminder under step 1 for clarity.
- (38) IRM 4.19.25.15: In the IF/THEN table in paragraph (2), added a new second row to add new instructions for undeliverables when the number of days between the current date and the Program Completion Date (PCD) is less than 90. Revised the last row of the IF/THEN table to include guidance for digitalization.
- (39) IRM 4.19.25.16: Added additional information in paragraph (12) regarding the use of posting delay codes. Revised paragraphs (14) and (16) to include guidance for digitalization. Paragraph (17) has been revised to include instructions related to merging letter documentation with the digital case file on the document repository.
- (40) IRM 4.19.25.17.1.2: Added a new paragraph (3) to include guidance for digitalization.
- (41) IRM 4.19.25.17.1.3: Added a new paragraph (4) to include guidance for digitalization.
- (42) IRM 4.19.25.17.1.4: Added a new step 4 in paragraph (2) to include guidance for digitalization.
- (43) IRM 4.19.25.17.1.5: Added a new step 4 in paragraph (1) to include guidance for digitalization.
- (44) IRM 4.19.25.17.2: Added a new paragraph (2) to include guidance for digitalization.
- (45) IRM 4.19.25.17.3.1: Updated the website address in paragraph (1), step 1. Revised the IF/AND/THEN table in paragraph (5) to include guidance for digitalization. Added a new Note in paragraph (6), step 1.
- (46) IRM 4.19.25.17.3.2: Added a new Note in paragraph (1). The phone number in paragraph (3), step 5 has been corrected.
- (47) IRM 4.19.25.18.1: Revised paragraph (3), step 2.
- (48) IRM 4.19.25.21.1.2: In paragraph (3), the bullet list was moved to a table.
- (49) IRM 4.19.25.22.1: This is a new subsection. The remaining subsections have been renumbered.
- (50) IRM 4.19.25.22.3.1: In paragraph (2)d, the Assignee Employee Number has been changed. Paragraph (4) is new. Revised paragraph (5) to include guidance for digitalization.
- (51) IRM 4.19.25.22.3.2: In paragraph (2)d, the Assignee Employee Number has been changed. Paragraph (4) and (5) are new. Revised the original paragraph (5) into the new paragraph (6) to include guidance for digitalization.

- (52) IRM 4.19.25.22.3.5.1: Paragraphs (5) and (6) have been deleted. New paragraphs (5)-(7) have been added.
- (53) IRM 4.19.25.22.3.5.2: Paragraphs (5) and (6) have been deleted. New paragraphs (5)-(7) have been added.
- (54) IRM 4.19.25.22.3.6: Paragraph (4) has been deleted. New paragraphs (4)-(6) have been added.
- (55) IRM 4.19.25.22.4: Revised paragraph (3) to incorporate guidance for digitalization.
- (56) IRM 4.19.25.22.4.1: Added a new second row in the IF/THEN table in paragraph (2) to add new instructions for undeliverables when the number of days between the current date and the Program Completion Date (PCD) is less than 90. Added guidance for scanning undeliverable Notices 972CG when a new address is not found. In paragraph (3), added new steps 3 and 4.
- (57) IRM 4.19.25.22.7: Added a new Caution in paragraph (5).
- (58) IRM 4.19.25.22.8: Corrected the title of Form 4287 in (2)5.
- (59) IRM 4.19.25.23.1: This is a new subsection. The remaining subsections have been renumbered.
- (60) IRM 4.19.25.23.6.1: In paragraph (3), the bullet list was moved to a table.
- (61) IRM 4.19.25.23.6.2: In paragraph (3), the bullet list was moved to a table.
- (62) IRM 4.19.25.23.6.3: In paragraph (3), the bullet list was moved to a table.
- (63) IRM Exhibit 4.19.25-1: Added a new row for TY 2024.
- (64) IRM Exhibit 4.19.25-1: Added a new row for TY 2024.
- (65) IRM Exhibit 4.19.25-3: Added a new Caution for the “972CG\_SENT” activity code.
- (66) IRM Exhibit 4.19.25-4: The penalty titles in the second column of the table have been revised to align with the information in IRM 20.1.7, Information Return Penalties.
- (67) IRM Exhibit 4.19.25-6: Information previously contained in IRM 4.19.25.1.7 has been merged into this exhibit. Added a new row for the Information Returns Intake System (IRIS).
- (68) Editorial changes (spelling, grammar, etc.) and annual updates (changes to tax years, penalty rates, etc.) have been made throughout the IRM.

#### **EFFECT ON OTHER DOCUMENTS**

IRM 4.19.25 dated July 20, 2023 (effective July 20, 2023) is superseded.

#### **AUDIENCE**

Information Return Penalty (IRP) program employees at the Small Business/Self-Employed campus.

Heather J. Yocum  
Director, Examination Field & Campus Policy  
Small Business/Self-Employed

4.19.25

Information Return Penalty (IRP) Procedures

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4.19.25.1  
(06-24-2024)  
**Program Scope and Objectives**

- (1) **Purpose:** This IRM transmits IRM 4.19.25, Information Return Penalty (IRP) Procedures. It provides instructions for program employees including the application of reasonable cause criteria for penalty relief considerations.
- (2) **Audience:** These procedures apply to IRS employees who are responsible for making IRP determinations including:
  - Management officials
  - Lead tax examiners
  - Tax examiners
  - Lead clerks
  - Clerks
- (3) **Policy Owner:** The director of SB/SE, Operations Support. The Office of Servicewide Penalties (OSP), under SB/SE Operations Support provides overall penalty guidance, including information return related penalties.
- (4) **Program Owner:** BMF Document Matching, under Exam Field and Campus Policy is responsible for the content of this IRM and providing guidance for administering the IRP program.
- (5) **Primary Stakeholders:** Employees at the Philadelphia Campus, Document Matching Operation are the primary stakeholders for this IRM section.

4.19.25.1.1  
(06-24-2024)  
**Background**

- (1) Information return penalties are important tools for the IRS to encourage voluntary compliance by taxpayers. See IRM 20.1.7, Information Return Penalties.
- (2) The IRP program utilizes Notice 972-CG, Proposed Civil Penalty, to inform filers of failures to comply with information reporting requirements. The notice provides filers an opportunity to establish reasonable cause for a waiver of penalties prior to assessment. The penalty is assessed when reasonable cause is not established or when a filer does not respond to the notice.

4.19.25.1.2  
(08-21-2017)  
**Authority**

- (1) The provisions for penalty application for the information return penalties covered in this IRM are found in IRC 6721.
- (2) IRC 6724(a) provides that the IRC 6721 penalties shall not be imposed if the failure is due to reasonable cause and not due to willful neglect. Treas. Reg. 301.6724-1 defines reasonable cause. Reasonable cause criteria must be applied in all instances of penalty relief consideration.

4.19.25.1.3  
(06-24-2024)  
**Roles and Responsibilities**

- (1) The director, SB/SE, Examination Field & Campus Policy is the executive responsible for the IRP program.
- (2) Management officials are responsible for managing and leading activities per the procedures in this IRM to ensure program objectives and taxpayer expectations are met. This includes providing internal controls relating to each program, process, or activity and ensuring instructions are communicated to and carried out by the appropriate employees.
- (3) All IRP employees must keep the following objectives in mind when handling each penalty case:
  - a. Treat similar cases and similarly situated taxpayers alike.

- b. Give each taxpayer the opportunity to have their interests heard and considered.
- c. Try to make the right decision the first time. A wrong decision, even though eventually corrected, has a negative impact on voluntary compliance.
- d. Provide adequate opportunity for incorrect decisions to be corrected.
- e. Treat each case in an impartial and honest way (i.e., approach the job, not from the government's or the taxpayer's perspective, but in the interest of fair and impartial enforcement of the tax laws).
- f. Use each penalty case as an opportunity to educate the taxpayer, help the taxpayer understand their legal obligations and rights, assist the taxpayer in understanding their appeal rights, and in all cases, observe the taxpayer's procedural rights.
- g. Endeavor to promptly process and resolve each taxpayer's case.
- h. Resolve each penalty case in a manner which promotes voluntary compliance.

4.19.25.1.4  
(06-24-2024)

#### Program Management and Review

- (1) **Program Reports:** Once proposed penalty notices are issued, inventory is monitored through the use of the Control-D reporting system. The following reports are generated to assist with evaluating the performance of the IRP program:
  - Embedded Quality Review System (EQRS) Reports
  - National Quality Review System (NQRS) Reports
  - Integrated Data Retrieval System (IDRS) Inventory Reports
  - Overage Report Compiler and Sorter (ORCAS) Manager Reports
- (2) **Program Effectiveness:** Headquarters plans to conduct program reviews for each Campus on a as needed basis. The reviews will target recommendations made during prior visits, adherence to the IRM and Policy directives, movement of inventory, manager and employee reviews and feedback, and any areas of concern.

4.19.25.1.5  
(06-24-2024)

#### Program Controls

- (1) Management uses the following program controls to oversee the program:
  - EQRS Reports
  - NQRS Reports
  - IDRS Inventory Reports
  - ORCAS Manager Reports

4.19.25.1.6  
(06-24-2024)

#### Terms and Acronyms

- (1) See Exhibit 4.19.25-6, Acronyms, for a detailed list of acronyms and definitions used in this IRM and for IRP processing.

4.19.25.1.7  
(06-24-2024)

#### Related Resources

- (1) The following additional IRMs and publications/documents are listed when the IRP function determines in-depth research is required to resolve unusual technical issues not covered in this IRM. When reference to one of the related IRMs is required for IRP function processing, the complete IRM reference will be stated in this IRM.

**Note:** Technical issues occurring frequently should be brought to the attention of the IRM 4.19.25, Information Return Penalties (IRP) Procedures, author for consideration for inclusion in this IRM.

Resource	Title
Document 6209	IRS Processing Codes and Information
IRM 2.3.53	Command Code PMFOL
IRM 11.3.1	Introduction to Disclosure
IRM 21.5.2	Adjustment Guidelines
IRM 25.6.1	Statute of Limitations Processes and Procedures
Pub 1220	Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922 5498, and W-2G
Pub 1586	Reasonable Cause Regulations & Requirements for Missing and Incorrect Name/TINs on Information Returns
Pub 5717	Information Returns Intake System (IRIS)
Pub 5718	Information Returns Intake System (IRIS) Electronic Filing Application to Application (A2A) Specifications

- (2) 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 IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. You can find additional information about the TBOR at <https://www.irs.gov/taxpayer-bill-of-rights>.

4.19.25.1.8  
(06-24-2024)  
**Taxpayer Advocate  
Service**

- (1) Even though the IRS strives to improve its systems and provide better service, some taxpayers still have difficulty in getting solutions to their problems or appropriate responses to their inquiries. The purpose of the Taxpayer Advocate Service (TAS) is to give taxpayers someone to speak for them within the IRS - an Advocate. TAS is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels or who believe an IRS system or procedure is not working as it should.
- (2) TAS and SB/SE have a service level agreement (SLA) between them outlining the procedures and responsibilities for the processing of TAS cases whenever the statutory or delegated authority to complete case transactions rests outside of TAS. The SB/SE SLA covers the IRP program. An addendum to the SLA lists contacts from various operations in the Philadelphia Service Center. You can view the SLA at <https://irs.gov.sharepoint.com/sites/TAS/SitePages/SLA.aspx>.
- (3) Refer taxpayers to TAS, when the contact meets TAS criteria (see IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria), and you cannot resolve the taxpayer's issue the same day. The definition of "same day" is within 24 hours. Same day cases include cases you can completely resolve within 24 hours, as well as cases in which you have taken steps within 24 hours to begin resolving

the taxpayer's issues. Do not refer these cases to TAS unless they meet TAS criteria and the taxpayer asks to be transferred to TAS. Refer to IRM 13.1.7.6, Same Day Resolution by Operations.

- (4) All potential TAS referrals must be approved by the IRP TAS liaison.
- (5) The IRP TAS liaison will complete Sections I, II and III of Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), and forward to TAS. The taxpayer's problem and the taxpayer's relief sought must be clear and specific in items 12a and 12b of section I. The liaison is also required to document the reason why the relief action was not taken.

**Note:** It is important all IRS employees handle cases with the taxpayer's best interest in mind.

4.19.25.1.8.1  
(06-24-2024)  
**Operations Assistance  
Request, Form 12412**

- (1) A Form 12412, Operations Assistance Request, (commonly known as an OAR) is sent by TAS for cases when there is an issue they do not have the authority to resolve. An OAR can be received by fax or mail with a Form 3210, Document Transmittal, attached or by email without a Form 3210.
- (2) The Form 12412 will contain the name, telephone, and fax number of the TAS employee making the request. An OAR package will also include an explanation of what is being requested and any documentation obtained by the TAS employee.
- (3) Form 12412 is to be acknowledged within one day for expedited cases or three days for all other cases. The acknowledgement on the Form 3210 sent with the OAR will include the name and phone number of the assigned person (or team/manager) for OARs that are mailed or faxed. For OARs that are emailed, the acknowledgement will be emailed to TAS and will include the name and phone number of the assigned person.
- (4) The following are addressed when working an OAR:
  - a. An expedited Form 12412 has three days to be completed.
  - b. After the period: for a non-expedited Form 12412, the SB/SE employee assigned the OAR will negotiate with the TAS employee a reasonable time frame for OAR resolution.
  - c. Sections V and VI of Form 12412 must be completely filled out by an IRP employee, including any actions taken and the reasons behind those actions.
  - d. A file copy of the OAR is kept for at least six months.
  - e. The completed OAR package is returned to the TAS employee.

4.19.25.2  
(07-09-2020)  
**Notice 972CG Overview**

- (1) Notice 972-CG, Notice of Proposed Civil Penalty, includes proposed penalties for filers of information returns that were filed late, were not filed electronically when required, or for filing information returns with missing or incorrect payee TINs. The taxpayer may be subject to a single type of penalty or a combination of two or more of the different types of penalties.
- (2) The notice provides the taxpayer with an opportunity to establish reasonable cause for waiver of penalties prior to assessment. The penalty is assessed when reasonable cause is not established or when no response is received to the notice.

- (3) The IRP function assesses civil penalties based on systemically generated Notice 972-CG, which may include infractions identified for:

- a. Failure to timely file (PRN 500).
- b. Failure to file electronically (PRN 501).
- c. Failure to Include Correct TINs (PRN 502).
- d. Failure to file in proper format (PRN 503).

**Note:** The penalty for failure to file in proper format (PRN 503) is not included on the Notice 972-CG. It is based on information provided by Submission Processing (SP) on Letter 1865-C. See IRM 4.19.25.18, No Replies to Letter 1865-C - Assessments, for more information. See IRM 4.19.25.2.1, Civil Penalties Not Included on Notice 972-CG, for more information.

- e. Combination of two or more of the above penalties (PRNs 504 - 514).

**Note:** See Exhibit 4.19.25-4, IRP Penalty Reference Numbers, for a complete listing of all PRNs.

- (4) Notice 972-CG, Notice of Proposed Civil Penalty, is mailed out annually, normally the year after the return processing year.

**Example:** TY 2022 payer information returns are filed in calendar year 2023. TY 2022 Notices 972-CG are mailed in calendar year 2024.

- (5) When a taxpayer is subject to the penalty for failure to include correct TINs, the Notice 972-CG includes:

- a. A listing of payee records (provided on CD if more than 250 records) and
- b. Pub 1586, Reasonable Cause Regulations & Requirements for Missing and Incorrect Names/ TINs on Information Returns.

- (6) Taxpayers are allowed 45 days to respond to the notice (60 days if overseas) and explain why the penalty should be waived. Taxpayers may also submit a payment if they fully or partially agree or sign a consent to allow the IRS to send a bill for the balance due.

- (7) Notice 972-CG is not posted to the master file or shown on any IDRS or Corporate Files On-Line (CFOL) Command Codes. However, general information regarding the information returns subject to the failure to file penalty appears on CC: PMFOLS/PMFOLD.

- (8) The Campus opens an IDRS control base on MFT 13 (BMF) or MFT 55 (IMF) after the Notice 972-CG is mailed. See IRM 4.19.25.21.2, Program Management, for more information.

- (9) The clerical function opens an IDRS control base when a reply to the Notice 972-CG is received.

- (10) The campus does **not** maintain a copy of the Notice 972-CG, TIN listings (if applicable) or CP 15 or CP 215.

4.19.25.2.1  
(07-20-2023)  
**Civil Penalties Not  
Included on Notice  
972CG**

- (1) Although not included on the Notice 972-CG, the IRP program also addresses the following civil penalties:
  - a. Late filing of prior year information returns referred by the SP sites. See IRM 4.19.25.20, Excessively Late Filed Information Returns, for more information.
  - b. Excessively late electronically-filed information returns from the Information Returns Branch are received on a password protected Excel spreadsheet via secure email (also PRN 500). See IRM 4.19.25.20, Excessively Late Filed Information Returns, for more information.
  - c. Failure to file in the proper format (PRN 503). See IRM 4.19.25.18, No Replies to Letter 1865-C Assessments, for more information.

**Note:** The IRP program also receives reconsideration cases on these penalty assessments. These cases are worked in the same manner as reconsideration cases resulting from the issuance of a Notice 972-CG. See IRM 4.19.25.17, Reconsiderations - Overview, for more information.

4.19.25.2.2  
(08-21-2017)  
**972CG Mail-out  
Procedures**

- (1) Notice 972-CG is generated from the PMF. The National Print Site (NPS) is responsible for mailing all notices except those requiring special handling.

4.19.25.2.2.1  
(07-20-2023)  
**Special 972CG Notice  
Review Procedures**

- (1) Any Notice 972-CG requiring special handling will be referred to the IRP function. These notices must be reviewed to separate notices that can be mailed from those that may require a change in name (entity) or address on the notice before mailing.
- (2) The review must be timely, and the notices must be mailed out the week before the date on the notices.
- (3) Each of the reviewed notices must be mailed with a bar-coded return envelope.

**Note:** Enclose Pub 1586 with notices containing a failure to include correct TINs penalty (PRN: 502, 505, 507 or 510).

- (4) **Married Filing Joint Accounts and Non-Linked Accounts:** Penalties cannot be assessed on married filing joint accounts using MFT 55. Special procedures are necessary to address the problem occurring with IMF notices on joint accounts and non-linked accounts. These conditions require the manual review of the entity to ensure the name on the notice is correct.
- (5) IMF notices with joint names (and other non-linked conditions) will be sorted separately (except for those that already have a Civil Penalty Name line on Master File) to identify the liable spouse.
  - a. Review the entity on these notices prior to mailing out.
  - b. The name line on Notice 972-CG will be changed so it agrees with the name of the spouse who will be assessed the penalty.
- (6) Extract and review any IMF notices where any of the following conditions are present:



Condition	Actions Needed
Joint Name Lines	<ol style="list-style-type: none"> <li>1. Verify which spouse is accountable for the penalty.</li> <li>2. Prepare a new mail label including the name of the liable spouse.</li> <li>3. Cover the old name and address with the label and mail the notice.</li> </ol>
Business Names	<ol style="list-style-type: none"> <li>1. Research for the name of an individual associated with that SSN.</li> <li>2. Prepare a mail label with the individual's name, including the business name on the second name line if found.</li> <li>3. Cover the old name and address with the new label.</li> <li>4. Mail the notice.</li> </ol> <p><b>Caution:</b> Consider the possibility that the TIN shown is an EIN instead of SSN (the TIN may appear in SSN format). Research to determine whether the name/TIN is a valid BMF entity. If so, mail the notice.</p>
Garbled Information	<ol style="list-style-type: none"> <li>1. Research to find or verify the correct individual name associated with the SSN.</li> <li>2. Prepare a mail label with the individual's name if found.</li> <li>3. Cover the old name and address with the new label.</li> <li>4. Mail the notice.</li> </ol> <p><b>Note:</b> Any notices selected that have an individual name or have a business name in addition to an individual name, may be mailed without change.</p> <p><b>Note:</b> If unable to find a valid name associated with the TIN, do not mail the notice. Do not establish a control if the notice is not mailed.</p>

- (7) If an address change is identified during research, verify the name and correct the address on the label.
- (8) If a penalty is assessed on these accounts, it will be necessary to establish the account and/or to create a Civil Penalty Name line.



4.19.25.2.3  
(06-14-2022)  
**972CG Recreate  
Requests**

- (1) Taxpayers may contact either the campus or TSO to request recreates (copies) of Notice 972-CG and/or TIN listings. These requests may be received at any time after the initial mailing of the notices.
- (2) If a request for a recreated Notice 972-CG is received at the campus:

The Tax Examiner Will:	The Campus Designated Liaison Will:
<ol style="list-style-type: none"> <li>1. Notify the campus designated liaison of the request.</li> <li>2. Input the following two-line IDRS History Item: "RECREATE" and "REQUESTED".</li> <li>3. Take any additional case action(s) based on the correspondence or phone call.</li> <li>4. Send Letter 6304-C to inform the taxpayer their request is being processed.</li> <li>5. Close the IDRS control base.</li> </ol>	<ol style="list-style-type: none"> <li>1. Email the request to the TSO contact in Martinsburg.</li> <li>2. The TSO contact will provide written confirmation.</li> </ol> <p><b>Note:</b> If the request is made within 45 days of the original 972-CG notice date, open a new "972CG_SENT" control base, using the date of the TSO confirmation email as the IRS Received Date.</p>

- (3) TSO can provide Notice 972-CG recreates for 10 years of inventory. When a new 972-CG download is added, the oldest year will be removed from the database.

**Example:** TSO can provide Notice 972-CG recreates for TYs 2013 through 2022. When the TY 2023 972-CG download is added, the oldest year (tax year (TY) 2013) will be removed from the database.

4.19.25.2.4  
(12-03-2018)  
**Policy Statement P-21-3  
(formerly P-6-12)  
Guidelines (Action 61)**

- (1) Policy Statement P-21-3 (formerly P-6-12) Guidelines (Action 61) are the result of a task force initiated to provide timely, quality responses to taxpayer correspondence. The general guidelines are:
  - A quality response is an accurate and professional communication which, based on information provided, resolves the taxpayer issues and uses language the taxpayer can understand.
  - Requests additional information from the taxpayer, or
  - Notifies the taxpayer we have requested information from outside the IRS.
- (2) A quality response is timely when initiated within 30 calendar days of the IRS received date.
- (3) When a quality response cannot be issued timely, an interim response must be initiated by the 30th calendar day from the IRS received date.
  - a. An interim letter (Letter 5825-C) is generated when the clerical function controls an incoming reply and the IRS received date is older than 23 days.
 

**Note:** Use the Case Control Activity (CCA) 42-43 Report to identify cases that require interim letters.
  - b. Subsequent interim letters (Letter 5825-C) must be issued when a final resolution cannot be provided as indicated in the previous interim letter.

- (4) All interim letters should inform the taxpayer when a final response can be expected and provide a contact name and number for additional inquiries.

4.19.25.2.5  
(06-24-2024)  
**Digitalization of IRP  
Correspondence**

- (1) The digitalization of IRP correspondence has been implemented to eliminate paper processing, streamline case processing, and improve the taxpayer experience. A document repository was created to store IRP correspondence.
- (2) Beginning with TY 2022, all IRP replies and reconsiderations must be digitized.
- (3) All guidance provided in IRM 4.19.25, Information Return Penalty (IRP) Procedures, must continue to be followed. Any deviation/change to these procedures will be provided by SB/SE Exam Policy.
- (4) Existing inventory management tools such as IDRS Inventory Reports and/or the ORCAS reports should continue to be used to identify workload priorities as established in IRM 4.19.25.21.1.2, IDRS Inventory Report, and IRM 4.19.25.23.6.2, IDRS Overage Report.

**Note:** The document repository should not be used as an inventory management tool.

4.19.25.3  
(07-20-2023)  
**Penalty Dollar Amounts  
and Limitations**

- (1) IRC 6721 provides for a penalty when an information return or statement is not timely and/or correctly filed by the due date. Penalties assessed under IRC 6721 are based on a time sensitive penalty rate.
- (2) The Trade Preferences Extension Act (TPEA) of 2015, section 806, increased the tiered penalty amounts for IRC 6721. The following penalty amounts (subject to inflationary adjustment) are effective for information returns and statements required to be filed on or after January 1, 2016:
  - a. \$50 per failure, not to exceed an annual maximum of \$500,000 for returns filed correctly within 30 days of the due date,
  - b. \$100 per failure, not to exceed an annual maximum of \$1,500,000 for returns filed correctly after 30 days, but on or before August 1, or
  - c. \$250 per failure, not to exceed an annual maximum of \$3,000,000 for returns filed after August 1.
- (3) IRC 6721 penalty rates and maximum amounts are subject to annual inflationary adjustments enacted by the Tax Increase Prevention Act (TIPA) of 2014, section 208, effective for returns required to be filed in a calendar year beginning after 2014. See Exhibit 4.19.25-1, Penalty Rates for Large Businesses, and Exhibit 4.19.25-2, Penalty Rates for Small Businesses, for penalty rates and maximum amounts with applicable inflationary adjustments. These two exhibits also provide penalty rates for prior years.

**Note:** See IRM 4.19.25.7.1, Cases Needing Further Action, when the taxpayer disputes the large business designation on the Notice 972-CG.

4.19.25.4  
(07-20-2023)  
**Federal or Quasi  
Government Agencies**

- (1) Policy Statement 20-2 (Formerly P-2-4), Penalties and Interest not Asserted Against Federal Agencies, states that penalties and interest will not be asserted against agencies or instrumentalities of the United States.

- (2) Federal agencies are not subject to receiving Notice 972-CG. In lieu of Notice 972CG, federal agencies receive Notice 972F informing them of those information returns filed with missing/incorrect TINs so they can take appropriate corrective actions.
- (3) Do not assess information return penalties against any federal or quasi government agencies. Federal agencies are identified with Employment Code "F". Quasi government agencies are identified with Employment Code "Q".

**Note:** Employment codes are located on IDRS CC: TXMODA in the "EMP CD" field.

- (4) If a civil penalty was assessed in error on a federal or quasi government agency:

- 1. Abate the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.

**Note:** Do not input a reason code (RC) (first position). Enter PRC **045** in the fourth position. See IRM 4.19.25.16, IDRS Adjustments, for more information.

- 2. Send Letter 6304-C. Inform the taxpayer the penalty was assessed in error.

#### 4.19.25.5

(07-20-2023)

#### Controlling Information Return Penalty Cases

- (1) IRP cases are assembled into batches.
- (2) Activity Codes and/or IDRS History Items provide an audit trail for case processing. See Exhibit 4.19.25-3, Activity Codes for IRP Processing, for more information.
- (3) The lead tax examiner/manager assigns inventory to the tax examiner. Verify there is a case for every TIN listed on the batch TIN listing. If a case is missing or there is an extra case NOT on the batch TIN listing, see IRM 4.19.25.5.1, Lost and/or Extra Cases, for more information.
- (4) Whenever an action is taken on a case, update IDRS Activity Field and/or Status Code as appropriate. See Exhibit 4.19.25-3, Activity Codes for IRP Processing, for more information.

#### 4.19.25.5.1

(07-20-2023)

#### Lost and/or Extra Cases

- (1) When a TIN is assigned to a batch, but the corresponding case is missing, it is considered a "lost" case.
- (2) When a lost case is identified, provide the information to the lead tax examiner who will attempt to locate the case.

IF	THEN
The lead tax examiner locates the case	Continue processing.

IF	THEN
The lead tax examiner cannot locate the case (972CG Reply)	<ol style="list-style-type: none"> <li>1. Send Letter 1948-C advising the taxpayer to resubmit their response and any supporting documentation.</li> <li>2. Update the IDRS control base with the activity code "LSTCSEMMDD" where "MMDD" represents the end of the suspense period.</li> <li>3. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.</li> </ol>
The lead tax examiner cannot locate the case (re-consideration)	<ol style="list-style-type: none"> <li>1. Send Letter 6304-C advising the taxpayer to resubmit their response and any supporting documentation.</li> <li>2. Close the IDRS control base.</li> </ol>

- (3) If a case is NOT on the batch TIN listing, research IDRS and determine the proper location of the case.

IF	THEN
The case is not batched (activity shows "972CG_SENT" in "M" status)	<ol style="list-style-type: none"> <li>1. Open an IDRS control to yourself.</li> <li>2. Update the activity field to the same batch number as on the Batch TIN Listing. See IRM 4.19.25.22.3.1, Batching and Controlling Replies, for more information.</li> <li>3. Close the control base for "972CG_SENT".</li> <li>4. Inform the lead tax examiner/manager of the additional receipt.</li> </ol>
The case is batched, but not assigned to a tax examiner <b>Example:</b> The case is on the inventory wall.	Give the case to the lead tax examiner/manager for association.
The case is batched and assigned to another tax examiner	Give the case to the lead tax examiner/manager for association.

4.19.25.6  
(06-24-2024)  
**Written Supervisory  
Penalty Approval  
Process**

- (1) IRC 6751(b)(1) states no penalty may be assessed unless the initial determination of the assessment is approved (in writing) by the employee's immediate supervisor. IRC 6751(b)(2) states this requirement does not apply to any penalty automatically calculated through electronic means.
- (2) The Notice 972-CG determines and calculates (through electronic means) the IRC 6721(a) penalty for failure to file an information return. As a result, the **initial** Notice 972-CG is exempt from written supervisory approval. Once the taxpayer responds to the Notice 972-CG, the tax examiner's evaluation of the response, regardless of whether or not the taxpayer specifically addresses the penalty, means the exception no longer applies and written supervisory approval is needed.

- a. The employee must make an independent determination as to whether the response provides a basis to waive the penalty.
  - b. Whether the employee decides to apply the penalty or not, the employee's independent determination of whether the penalty is appropriate means the penalty is not automatically calculated through electronic means. Therefore, written supervisory approval of an employee's determination to assert the penalty is required.
- (3) The following are examples of situations where written supervisory approval is required before assessing a penalty amount (this list is not intended to be all inclusive):

**Example:** The Notice 972-CG response requests the penalty be waived and the tax examiner determines the explanation does not meet reasonable cause criteria.

**Example:** The Notice 972-CG response results in a lowering of the initial proposed penalty (for example, the taxpayer provides reasonable cause to waive only a portion of the total penalty amount).

**Example:** The taxpayer's reply to Letter 1948-C (requesting additional information) results in a full or partial penalty assessment **or** the taxpayer does not respond to the Letter 1948-C (which results in a penalty assessment).

- (4) Prior written supervisory approval is **not needed** when:
- a. The taxpayer responds to the Notice 972-CG and fully agrees with the proposed penalty.
  - b. The taxpayer responds to the Notice 972-CG and is only requesting additional time (extension) to provide their response. The extension is granted and the taxpayer does not respond by the end of the extension suspense period.
  - c. The taxpayer does not respond to the Notice 972-CG (no-reply).
  - d. The assessment is based on a returned undeliverable Notice 972-CG where a new/better address was not found.
- (5) Written supervisory approval is **always** required before asserting the penalty for failure to file in proper format or late filing penalty for excessively late submissions. See IRM 4.19.25.18, No Replies to Letter 1865-C - Assessments, and IRM 4.19.25.20, Excessively Late Filed Information Returns.
- (6) The written supervisory approval must be kept with the case file.

**Reminder:** A copy of the supervisory approval documentation must be merged with the digital case file on the document repository.

4.19.25.7  
(07-20-2023)  
**972CG Reply  
Procedures**

- (1) When the taxpayer responds to the notice of proposed penalty, the response must be reviewed to determine if:
- a. the taxpayer addressed the proposed penalty, and
  - b. the response is complete.
- (2) All replies to Notice 972-CG, including reasonable cause penalty waiver/abatement requests, **must be made in writing**.

- (3) There may be times during the reply phase when calling the taxpayer will expedite the resolution of a case.

**Example:** When taxpayers respond to a notice, they may inadvertently omit required information, delaying the action on the case. If additional information is required to resolve a case, you may attempt to contact them by phone prior to making the assessment on the account.

- (4) The penalty will be assessed/waived/abated/sustained using CC ADJ54. See IRM 4.19.25.16, IDRS Adjustments.
- (5) Correspondex letters will be used to provide taxpayers with additional information. See IRM 4.19.25.12.1, Creating Correspondex Letters, for further instruction.
- (6) Whenever a taxpayer makes a reference to any of their forms being fraudulently filed by another party or claims there is a fraud or identity theft issue, refer the case to headquarters via the technical advisor.

4.19.25.7.1  
(07-20-2023)  
**Cases Needing Further Action**

- (1) The Philadelphia campus receives responses requiring additional action before the case can be closed. Additional action may include (this list is not all inclusive):
- Correspondence with the taxpayer
  - Research
  - Routing of information
  - Address updates
  - Telephone contact

4.19.25.7.1.1  
(07-20-2023)  
**Non IRP Related Inquiries**

- (1) If a non-IRP related inquiry is included with a reply:
1. Photocopy the inquiry and route to the appropriate function. Include the business name, address, TIN, and the received date.
  2. Send Letter 6304-C to inform the taxpayer their inquiry has been routed to the proper area.

4.19.25.7.1.2  
(07-20-2023)  
**Management Referrals**

- (1) If a taxpayer wants to talk to (or have their case reviewed by) a manager, refer the case to the lead tax examiner. They will attempt to resolve the issue(s) by telephone contact.

4.19.25.7.1.3  
(07-20-2023)  
**De Minimis Exception**

- (1) A de minimis exception may apply to a limited number of incorrect information returns remaining after the reasonable cause waiver has been applied.
- a. The de minimis exception only applies to the information returns that were: filed timely, had missing or incorrect information **and** the corrected information returns were filed on or before August 1st of filing year.
  - b. The maximum number of corrected information returns to which the de minimis exception applies cannot exceed the greater of: 10 or one-half of one percent (.005) of the total number of returns required to be filed during that calendar year.

**Note:** Generally taxpayers are not aware of the incorrect filing until after the August 1st deadline for filing corrected information returns. Therefore this exception would rarely apply to taxpayers identified in the IRP program.

4.19.25.7.1.4 (07-20-2023) (1) Review each case for bankruptcy conditions prior to assessing a civil penalty.

#### Bankruptcy Conditions

IF	THEN
A TC 520 with closing code(s) 60-67, 83, 85-89 (-V freeze code), 81, or 84 (-W freeze code) is present, <b>and</b> there is no corresponding TC 521 on the account.	<ol style="list-style-type: none"> <li>Do not assert the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information. <b>Note:</b> Do not input a RC (or PRC).</li> <li>Send Letter 6304-C. Inform the taxpayer we are not pursuing the penalty proposed on the Notice 972-CG. <b>Exception:</b> Do not issue a letter if closing the case as a no reply.</li> </ol>
A TC 520 with closing code(s) 60-67, 83, 85-89 (-V freeze code), 81, or 84 (-W freeze code) is present on the account, <b>and</b> a corresponding TC 521 has posted on the account.	Process the case following normal procedures.
A TC 520 with closing code(s) 60-67, 83, 85-89 (-V freeze code), 81, or 84 (-W freeze code) is present on the account, and a <b>pending</b> TC 521 is present on the account.	<ol style="list-style-type: none"> <li>Monitor the case for up to 30 days to determine if the TC 521 posts.</li> <li>If the TC 521 posts, continue processing the case.</li> <li>If a TC 521 does NOT post, close the case without assessing the penalty (see above).</li> </ol>

4.19.25.7.1.5 (07-20-2023)  
**Criminal Investigation Activity**

#  
#  
#  
#  
#

4.19.25.7.1.6 (07-20-2023) (1) Review each case for Offer in Compromise (OIC) activity prior to taking action on a case.

- TC 480 (not reversed by TC 481 or 482)** indicates the taxpayer has filed an OIC with the IRS. Continue normal processing.
- Freeze code “-Y”** indicates the taxpayer filed an OIC with the IRS. If an **unreversed TC 780 is present**, contact OIC to inform them of the civil penalty issue and to determine the next action to take.



**Exception:** If the TC 780 has been fully reversed by a TC 781 or 782, continue normal processing. Do not contact OIC.

4.19.25.7.1.7  
(06-24-2024)

**Installment Agreements**

- (1) If the taxpayer requests an installment agreement (IA), either in their response or by submitting Form 9465 (or Form 433-D), and the case is being closed:

1. Use IDRS CC: REQ77 to input TC 971 with Action Code (AC) 043.
2. Use Form 3210, Document Transmittal to route the IA request to Compliance Services Collection Operation (CSCO).

**Note:** If the IA request is part of the response, make a copy to send to CSCO. Keep the original response with the case file. Annotate on the original that a copy was sent to CSCO.

3. Send Letter 6304-C to the taxpayer explaining their request for an installment agreement is being processed and they will be contacted at a later date by another IRS office. See IRM 4.19.25.12.1, Creating Correspondence Letters, for more information.

4.19.25.7.1.8  
(06-24-2024)

**Taxpayer Responds Using Magnetic Media**

- (1) If taxpayers respond using any form of magnetic media (CD, DVD, thumb drive, etc.), take the following actions:

1. Send Letter 1948-C and include a statement explaining the IRS cannot accept information on electronic media and they must provide paper copies of the information. See IRM 4.19.25.12.1, Creating Correspondence Letters, for more information.
2. Return the magnetic media to the taxpayer.
3. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.

4.19.25.7.1.9  
(06-24-2024)

**Taxpayer Misunderstands and/or Requests Information**

- (1) If the taxpayer response indicates they don't understand the penalty or are requesting additional information:

1. Issue Letter 1948-C explaining the penalty and the information that should be provided in order to establish reasonable cause. See IRM 4.19.25.12.1, Creating Correspondence Letters, for more information.
2. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.

4.19.25.7.1.10  
(06-24-2024)

**Voluntarily Filed Information Returns**

- (1) Treas. Reg. 1.6041-3 identifies various payment types for which no information return is required to be filed. Some of these information returns are filed late or

- a. Since there are a variety of payment types exempt from filing requirements, it is not possible to pre-determine if a particular information return was required to be filed.

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4.19.25.7.1.11  
(07-20-2023)  
**Foreign Entities**

(1) If a taxpayer claims they are a foreign entity not required to file information returns and, therefore, are not subject to any penalties, contact SB/SE Exam Policy before taking any action on the case. SB/SE Exam Policy will provide specific guidance on a case-by-case basis.

4.19.25.7.1.12  
(07-20-2023)  
**Collectability Conditions**

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4.19.25.7.1.13  
(06-24-2024)  
**Associations**

(1) When the clerical function identifies a piece of incoming mail belonging to a case already in process or under an active control, they input an IDRS History Item "ASSOCAVAIL".

- a. If the account shows History Item “ASSOCAVAIL”, ensure the digital case file includes the additional receipt.
- b. If missing, refer to the lead tax examiner to contact the clerical function.

4.19.25.7.1.14  
(06-24-2024)  
**Small Business  
Limitation**

- (1) The maximum penalty limitation will be reduced when the taxpayer’s average annual gross receipts for the three most recent TYs does not exceed \$5,000,000. The Notice 972-CG determines if the taxpayer is a “large business” or “small business” and calculates the penalty limitation accordingly. If the taxpayer disagrees with the large business designation on the notice:

1. Research IDRS CC: INOLES to determine the filing requirements.
2. Look for income tax related returns in the Form 1120 series, Form 1065 series, Form 990-T series or Form 1040 series.
3. Research both the parent company and affiliated subsidiaries (including the taxpayer’s company) if the “FILING REQUIREMENTS” field shows “1120-14”. This is an indication the taxpayer is a subsidiary of a parent corporation.

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4. Research IDRS CC: BMFOLI to determine the three most recent taxable years once you have determined the income tax return type.

**Example:** If the taxpayer uses a calendar year for tax purposes, and the calendar year the return is required to be filed is 2021, then, the most recent three taxable years would be: 2020, 2019, and 2018.

5. Research IDRS CC: BRTVU for each of the three most recent taxable years.
6. Total the amounts reported on line 1c (IDRS CC: BRTVU “PER COMPTR NET RECEIPTS”) and divide by 3.

**Note:** IRC 448(c)(3)(C) states gross receipts shall be reduced by returns and allowances.

If	Then
The result is more than \$ 5 million	<ol style="list-style-type: none"> <li>1. Merge a copy of the IDRS research to the digital case file.</li> <li>2. Assess the penalty. See IRM 4.19.25.16, IDRS Adjustments.</li> <li>3. Send Letter 854-C. Include an open paragraph to explain the reason for the denial based on the IDRS research. See IRM 4.19.25.12.1, Creating Correspondex Letters, for more information.</li> </ol>

If	Then
<p>The result is \$5 million or less</p> <p><b>Note:</b> Refer to Lead who will contact Headquarters prior to taking any action to adjust the penalty.</p>	<ol style="list-style-type: none"> <li>1. Merge a copy of the IDRS research to the digital case file.</li> <li>2. Determine the reduced penalty amount based on the limitation for small business. See Exhibit 4.19.25-2, Penalty Rates for Small Businesses.</li> <li>3. Assess the reduced penalty. See IRM 4.19.25.16, IDRS Adjustments.</li> <li>4. Send Letter 6304-C or Letter 854-C (if the response includes other issues that were denied). See IRM 4.19.25.12.1, Creating Correspondence Letters, for more information.</li> </ol>

4.19.25.7.2  
(06-24-2024)

**Information Returns  
Subject to Multiple  
Penalties**

- (1) If an information return is potentially subject to more than one penalty, consider reasonable cause to determine which penalty (or penalties) can be waived/abated. Then apply the penalty using the following criteria:
  - a. If it is determined the late-filing penalty should be waived, then the next penalty to be considered is the failure to include correct TINs penalty.
  - b. If it is determined the failure to include correct TINs penalty should be waived, then the next penalty to be considered is the electronic media penalty.
- (2) This amount will be the largest penalty amount applicable to that return.
  - a. The largest penalty amount is determined by identifying the infraction with the highest value.
  - b. Evaluate infractions in highest value order and assess the highest value that is not waived.
  - c. Only one penalty per information return filed incorrectly can be assessed. **Do not** assess multiple penalties on the same information return. The appropriate penalty is the first valid penalty in the highest order applicable.

**Example**

If a small business electronically filed 500 Forms 1099-DIV on April 25th and 50 of those late returns had missing or incorrect payee TINs, the proposed penalty on the Notice 972-CG would be calculated as follows:

50 x \$290 (missing/incorrect TINs) or \$14,500, plus  
 450 x \$50 (late, tier 1) or \$22,500  
 Total proposed penalty: \$37,000

If the taxpayer submits a satisfactory explanation for the 50 incorrect TINs, but not for the late filing, the penalty must be recalculated as follows:

500 x \$50 (late, tier 1) or \$25,000

4.19.25.7.3  
(11-02-2020)

**Responses Indicating  
Multiple Impacted  
Taxpayers**

- (1) Third party agent (TPA) is a general term used to describe independent agencies that perform employment related services.

**Example:** Making required tax deposits and filing information returns on behalf of clients. Examples of TPAs include reporting agents, payroll service providers, outside vendor/contractor, etc.

- (2) Since Notice 972-CG are issued to individual taxpayers, a TPA may submit a response on behalf of all of their clients that received a Notice 972-CG, rather than having all impacted taxpayers submit individual responses. Therefore it is important to recognize and take appropriate action when this type of response is received, to ensure all impacted taxpayers are addressed and treated in a consistent manner.
- (3) When a response indicates more than one taxpayer is impacted (or received a Notice 972-CG) refer the response to the lead tax examiner for further research and action. The lead tax examiner will update the case control to themselves.
- (4) If the response indicates multiple impacted taxpayers and **does not** include the names/ TINs of the other impacted taxpayers, the lead tax examiner will contact (via telephone contact if possible) the TPA and request they provide the names/ TINs of the other impacted taxpayers. Otherwise:
- For a response case, send Letter 1948-C and request the TPA submit a listing of all impacted taxpayers. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.
  - For a reconsideration case, send Letter 6304-C and request the TPA submit a listing of all impacted taxpayers. Close the case.

**Reminder:** Do not disclose any information about the case unless the TPA is an authorized representative. See IRM 4.19.25.7.5, Letters from a Third Party or Authorized Representative, for more information.

- (5) Once the name/TIN information for the other impacted taxpayers is obtained, determine the number of impacted taxpayers:

If	Then
The number of impacted taxpayers is 500 or less	<p>The lead tax examiner will discuss with manager and determine who will be assigned the cases and update the control for all impacted taxpayers to the designated tax examiner.</p> <ol style="list-style-type: none"> <li>1. Photocopy the response to be used for each impacted taxpayer.</li> <li>2. Update any tracking reports to account for multiple response receipts.</li> <li>3. The tax examiner will evaluate the response and take appropriate action as outlined in this IRM.</li> </ol> <p><b>Note:</b> If the responses are distributed to more than one tax examiner, ensure the tax examiners discuss the response and agree to a consistent treatment to the issue(s) raised by the TPA.</p>
The number of impacted taxpayers is more than 500	The lead tax examiner will alert local management to contact Headquarters to determine next steps.

- (6) While working a case containing other issues in addition to those raised by the TPA, the tax examiner will:
1. Issue Letter 1948-C to inform the taxpayer how the issue(s) raised by the TPA was resolved (waived, disallowed or need additional information) **and** that we need additional information to address the other issues on the Notice 972-CG. Specify the additional issues we need the taxpayer to address.
  2. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.
  3. If the taxpayer does not respond by the end of the suspense period, assess the portion of the Notice 972-CG penalty for the other issues. See IRM 4.19.25.16, IDRS Adjustments, for more information.

4.19.25.7.4  
(06-24-2024)

#### Address Changes

- (1) When a taxpayer contact includes clear and concise notification of an address change, including foreign address change, input the appropriate new address on IDRS CC: ENREQ.
- (2) Changes to the taxpayer name line due to a spelling error should also be made. However, **do not** change the name control. On BMF accounts, the name control is the first four characters of the business name. On IMF accounts, the name control is the first four characters of the taxpayer's last name.
  - a. The authority for making changes to the name control is delegated to the IMF/BMF Entity function.
  - b. Any correspondence received after an SSN/EIN has been assigned, requesting a change to the primary name line that affects the name control, must be routed to the appropriate IMF/BMF Entity function.

- (3) Contacts that are considered clear and concise notification of an address change include the following:
- The taxpayer returns an IRS initiated correspondence that solicits or requires a response to IRS with corrections marked on their address information. The taxpayer's signature on the correspondence (for this purpose) is not required.
  - A return (including an amended return) filed by a taxpayer with new address information. Update Master File for address changes on any amended returns, that bypass normal pipeline processing and are processed as a response.
  - Form 8822-B, Change of Address or Responsible Party - Business, when received in conjunction with an IRP case.
  - Notification of an address change made by the U.S. Postal Service (USPS).

**Caution:** Always verify the name on the USPS notification with the name on the notice before updating the address.

**Note:** A new address indicated as a return address on the envelope or in the letterhead of the taxpayer's correspondence is not by itself, clear and concise notification and is not sufficient to change an address of record.

- (4) Treas. Reg. 301.6212-2(b)(2) and Revenue Procedure 2010-16 govern the update of taxpayer's address in IRS records. Under specific circumstances, clear and concise notification does include information from the USPS. IRS employees may change an address using information received from the USPS. An address obtained from the USPS becomes the taxpayer's last known address unless the taxpayer provides clear and concise notification of a change of address. Upon receipt of an undeliverable Notice 972-CG with an affixed USPS yellow label, research and update the address as follows:

IF	AND	THEN
The USPS yellow label attached to the envelope displays a different address than what is shown on the Notice 972-CG	The name printed on the Notice 972-CG matches what is shown on the USPS yellow label,	Update the address on IDRS using IDRS CC:ENREQ.
The USPS yellow label attached to the envelope displays a different address than what is shown on the Notice 972-CG	The name printed on the Notice 972-CG does not match what is shown on the USPS yellow label,	Do not update the address on IDRS.

- (5) Clear and concise notification from the taxpayer, whether written or oral, must contain the following:
- The entity's full name.
  - The signature of the taxpayer or an authorized representative.



**Note:** A faxed signature is acceptable.

- c. The taxpayer's new address.
  - d. The taxpayer's old address, unless it can be determined from the posted data. Do not request the old address from the taxpayer.
  - e. The TIN.
- (6) If any of the information from (3) or (4) above is missing from the taxpayer's request,
- 1. Do not update Master File.
  - 2. Send the appropriate letter to the taxpayer, at the new address, using a special paragraph to advise them of the information needed.
  - 3. Enclose Form 8822-B, Change of Address or Responsible Party - Business.
- (7) If the taxpayer provides a temporary address, a beginning and ending date of when the taxpayer will be using that address should be given. Do not update Master File.
- (8) Any time doubt exists as to whether an address should be changed, discuss it with the manager who will either provide an answer or refer the question to the Disclosure Office.
- (9) If a document is received containing a name or address change which does not meet the specific requirements for updating Master File, the information should be noted and maintained in the IRP case file. If a notice is returned, the IRS is required to use due diligence in locating the taxpayer, which includes a search of existing records to locate any updated information supplied by the taxpayer.

4.19.25.7.5  
(06-24-2024)

**Letters from a Third  
Party or Authorized  
Representative**

- (1) No tax information can be sent to or discussed with an unauthorized third party. All correspondence should be sent directly to the taxpayer. Include a paragraph to notify the taxpayer we have no record that the third party is authorized to act for them, and we have replied directly to the taxpayer.
- (2) Accountants, attorneys, enrolled agents or other representatives from whom a taxpayer has requested assistance on tax issues submit inquiries to the IRS. The third party representative expects a reply to the inquiry so the issue can be explained to the taxpayer.
- (3) To authorize the third party reply, the representative may submit a:
  - Form 2848, Power of Attorney and Declaration of Representative, or
  - Form 8821, Tax Information Authorization.

**Note:** The power of attorney (POA) requests are referenced as "POAs" and the tax information authorization (TIA) requests are referenced as "TIAs".

- (4) POA documentation may be received with a response to a civil penalty notice. The POAs or TIAs cannot be entered on the Centralized Authorization File (CAF) because civil penalties are asserted against non-return information documents. To ensure valid POAs/ TIAs are recognized, the POA/TIA should be merged with the digital IRP case file on the document repository.

- (5) Each Form 2848 or Form 8821 must be validated before being accepted. The Form 2848 or Form 8821 must be signed by the taxpayer. Immediately reject any unsigned Form 2848 or Form 8821 and return to the taxpayer.

**Note:** A faxed signature is acceptable.

- (6) In addition to the required signature, a valid Form 2848 (or Form 8821) contains the following information:
- Taxpayer's name, address and TIN.
  - Representative's (or appointee's) name, address, CAF number and other contact information.
- Note:** In order for the representative/appointee to receive copies of IRS notices, the appropriate box on Form 2848 (or Form 8821) must be checked indicating they can be sent copies of notices and communications.
- A description of the matter the representative is allowed to act on (or the appointee is allowed to inspect and/or receive) including the tax form type (for example: 1099) and TY(s) involved. For Notice 972-CG related issues, the description of the matter is generally listed as: Civil Penalty, Notice 972-CG, etc. along with the information return type (or series) and the TY(s) involved.
  - For Form 2848 only: The representative's signature(s) in the declaration section along with their designation code(s).
- (7) If a Form 2848 (or Form 8821) is determined to be invalid, return it to the taxpayer with an explanation.
- (8) When issuing correspondence to a taxpayer with a valid POA/TIA (that is authorized to receive correspondence), generate a copy of the correspondence to the POA/TIA.
- (9) If the taxpayer submits a complete Form 2848, or a Form 8821, that lists tax matters other than civil penalty issues, check to see if the authorization is on file. If not, fax the form for processing based on the state mapping table in IRM 21.3.7-1, State Mapping, Where To File, and keep the original with your case file.

**Note:** CAF Unit addresses and fax numbers can be found in IRM 21.3.7.1.6, Audience-Processing Sites (CAF Function).

4.19.25.7.5.1  
(06-24-2024)

**Reporting a  
Compromised/Potentially  
Compromised Central  
Authorization File  
Number**

- IRS personnel may be made aware of potentially fraudulent CAF activity through taxpayer contact or become aware during their normal duties and/or case handling. They could also be contacted by someone using a CAF number that is marked "Pending Review".
- In addition to reporting suspicious or potentially fraudulent use of authorizations, all IRS personnel should report contacts involving the use of compromised or potentially compromised CAF numbers to the CAF function for action or further review.
- To report suspicious activity, you are required to click on the following link, *CAF Suspicious Activity Form* and complete the CAF Suspicious Activity Form.

Once the form is completed, click "Add", then click "Submit", which will prompt you to send an e-mail to \*TS SUSP Auth.

- (4) The following information is needed in the referral, if known:
- Name and contact number of person who reported suspicious activity
  - Name and contact number of IRS employee referring suspicious activity (if different from above)
  - Name and contact information for the third-party
  - CAF Number
  - Third-party name (CAF Representative)
  - Third-party TIN
  - Date and time suspicious activity was reported to IRS

**Note:** All reports of fraudulent use of third-party authorizations will be investigated. If fraud is confirmed the CAF HQ Analyst will notify the Taxpayer Services (TS) Incident Response Team.

- (5) If fraudulent or potentially fraudulent CAF activity is identified during IRP case processing:
1. Forward the information to the CAF function as instructed in paragraphs (3) and (4) above.
  2. Enter a History Item of "CAFFRDSSENT" on the applicable IDRS tax module.
  3. Continue processing the case following normal procedures, but DO NOT send any taxpayer information to the potentially fraudulent third party unless approval is received from the CAF function.

4.19.25.7.6  
(07-20-2023)  
**Requests for Additional  
Time to Reply**

- (1) The Notice 972-CG informs the taxpayer they have 45 days (60 days for overseas) from the notice date to provide a response.
- (2) When the taxpayer requests additional time or an extension to respond to the notice:
1. Send Letter 1948-C. Inform the taxpayer they have an additional 30 days to respond to the notice and if a response is not provided by the extended due date, the IRS will continue processing the case.

**Exception:** If the taxpayer requests a specific number of days (or a specific future date), grant the extension for the days requested up to 90 days from the date of the notice.

**Note:** If the requested date has passed, grant an additional 30 days.

2. Update the IDRS control base with activity code "EXTENDMMDD" where "MMDD" represents the last day of the extension suspense period.
3. Update the IDRS control base status code to "S".
5. Monitor the case until the taxpayer responds or the extension suspense period ends. See IRM 4.19.25.13, Suspense Procedures, for more information.

**Note:** Do not grant multiple extensions unless there are extenuating circumstances.

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4.19.25.7.7

(06-24-2024)

**Taxpayer Claims****Extension to File Was  
Approved**

- (1) There are four methods for filing a request for an extension of time to file information returns:

- a. **Fill-in Form 8809, Application for Extension of Time to File Information Returns:** Completed online on the FIRE System and receive an instant acknowledgement on screen if forms are completed properly and timely (30-day automatic extension).
- b. **Electronic File Transmission Submitted on the FIRE System:** Transmitters requesting an extension of time via an electronic file will receive the file status results online (30-day automatic extension).
- c. **Paper Form 8809:** Mailed to the Ogden Service Center as directed on the form instructions (30-day automatic, additional 30-day and non-automatic extension).
- d. **Information Returns Intake System (IRIS):** Taxpayers can complete an extension request for Form 1099 series (excluding Form 1099-NEC) and receive an instant acknowledgement on screen if forms are completed properly and timely (30-day automatic extension).

**Note:** The IRIS system will eventually replace the FIRE system mentioned in paragraph (1)a and b above.

**Exception:** Beginning in TY 2018, automatic extension requests are no longer available for any form reporting non-employee compensation.

**Note:** Approval letters will not be issued for automatic, additional 30-day extension requests and non-automatic extension requests. The payer/filer will receive incomplete or denial letters when applicable.

- (2) All current year late-filing penalty cases are compared to the extensions of time to file posted to the PMF prior to the generation of penalty notices.
- (3) If the taxpayer's response indicates they are not subject to the late filing penalty because they were granted an extension to file their information return documents, verify the TIN against the listing of approved extensions provided by TSO. Take the following actions:

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**Note:** If the TIN listing doesn't validate the taxpayer's claim, refer the case for further research with the FIRE liaison.

1. If the TIN is verified, waive/abate the late filing penalty and send Letter 6304-C.
2. If the TIN cannot be verified, assess the late filing penalty and send Letter 854-C.

**Note:** See IRM 4.19.25.16, IDRS Adjustments, for more information.

4.19.25.7.8  
(07-20-2023)

#### Declared Disaster Area

- (1) Taxpayers residing in a zip code located in a designated Federal Emergency Management Agency (FEMA) Declared Disaster area will have a disaster related freeze code posted to their account. There are two types of disaster freeze codes, the “-O” freeze and the “-S” freeze.
  - a. The -O freeze code is used for significant major disasters (examples include Hurricane Katrina in 2005 and Hurricane Sandy in 2012). As a general rule, no compliance action is taken until after the relief time frame has expired.
  - b. The -S freeze code is used for other federally declared disaster areas. Impacted taxpayers are granted additional time to perform time sensitive actions. Unless an act is specifically listed in Rev. Proc. 2018-58, the postponement of time to file and pay **does not apply** to information returns in the W-2, 1094, 1095, 1097, 1098, or 1099 series; to Forms 1042-S, 3921, 3922, 8025, or 8027; or to employment and excise tax deposits.
 

**Note:** IDRS CC: TXMODA displays a disaster related freeze code (-S or -O) on impacted accounts for the duration of the disaster relief time frame.
- (2) The IRP Technical Coordinator will monitor zip codes for specific declared disaster area situations as necessary based on IRS Disaster Relief Memos.
- (3) The IRP Technical Coordinator will provide the tax examiners instruction for the states with declared disasters.
- (4) You can find additional information (including special case handling requirements) at [www.tris.irs.gov/fema/](http://www.tris.irs.gov/fema/).
- (5) The taxpayer responds to the Notice 972-CG **before the disaster** start date and a freeze code “-O” is present on the account:

If	Then
The response results in a waiver, abatement or a full agreed	Close the case following normal processing guidelines.
The response does not contain enough information to make a determination or the tax examiner denies penalty relief	<ol style="list-style-type: none"> <li>1. Update IDRS activity with “FEMA-OMMDD” (MMDD represents the Disaster end date).</li> <li>2. Monitor the case until the Disaster date expires.</li> <li>3. Once the disaster end date has passed, continue normal processing.</li> </ol>

- (6) The taxpayer responds to the Notice 972-CG **during the disaster** time frame (freeze code “-S” or “-O”), follow normal procedures.

**Exception:** See (7) below if the response indicates the taxpayer’s place of business or records was lost, destroyed or not accessible due to the disaster.

- (7) If the case is identified as entitled to disaster relief (based on FEMA ZIP codes or through taxpayer self-identification) and a response indicates the taxpayer's place of business or records was lost, destroyed or not accessible due to the disaster:

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**Caution:** IRS disaster relief memos usually grant special treatment to those taxpayers who self-identify; therefore, IRP does not always identify impacted taxpayers by ZIP code.

4.19.25.7.9  
(06-24-2024)

#### Researching Payments

- (1) If the taxpayer states a payment was submitted, but there is no indication on IDRS the payment was received and at least three weeks have passed since the IRS receive date, research the payment on IDRS:

**Note:** The payment may show as pending or unpostable.

If	And	Then
The IDRS credit transfer command codes and/or the IAT Credit Transfer Tool is unavailable	A payment needs to be transferred	<ol style="list-style-type: none"> <li>1. Suspend the case.</li> <li>2. Input IDRS CC: STAUP, if applicable. Monitor the case to ensure the STAUP does not expire.</li> <li>3. Follow the instructions below when the command codes become available and release the STAUP, if applicable.</li> </ol>
The payment is found posted on another tax module <b>Example:</b> A payment posted to the subsequent TY.	-	<ol style="list-style-type: none"> <li>1. Ensure the payment is transferred to the correct module using the IAT Credit Transfer Tool.</li> <li>2. Continue working the case following normal procedures.</li> </ol>
No record of the payment is found	The case being worked is a reply to Notice 972-CG	<ol style="list-style-type: none"> <li>1. Issue a Letter 1948-C to request a copy of the front and back of the canceled check.</li> <li>2. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.</li> </ol>
No record of the payment is found	The case being worked is a reconsideration	<ol style="list-style-type: none"> <li>1. Issue a Letter 6304-C to request a copy of the front and back of the canceled check.</li> <li>2. Close the case.</li> </ol>

If	And	Then
The taxpayer replies with the copy of the front and back of the check	-	Use the encoding on the check to determine where the payment has posted.  <b>Note:</b> The back of the check should display the following information: name control or CK digit, DLN, transaction code (TC), MFT, TIN, tax period, and posting date.

4.19.25.7.10  
(06-24-2024)

#### 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 piece of paper.

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

- (2) If any of the items listed in (1) are discovered, both Form 3244, Payment Posting Voucher, and Form 4287, Courier Log for Discovered Remittances, **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)
  - Taxpayer name, address, and ZIP code
  - Transaction data, enter remittance amount next to code 640 (Advance Payment of Deficiency)
  - Remarks (the team manager's phone number and mail stop)
  - Prepared by
- (4) Form 4287, Courier Log for Discovered Remittances, 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 - (Example, Form 1099-MISC, Form W-2)
  - Tax period - (Example: 202012)
  - Type of remit - (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) Remittance may be discovered either while working in the office or while teleworking:

If	Then
A remittance is found attached to a case <b>while working in the office</b>	<ol style="list-style-type: none"> <li>1. Attach one copy (original) to the remittance and give it to the manager/lead tax examiner who will give it to the clerical manager/lead clerk to place in a <b>locked box</b> (lock box).</li> <li>2. Merge the second copy of Form 3244 to the digital case file on the document repository.</li> </ol>
A remittance is found attached to a case <b>while teleworking</b>	<ol style="list-style-type: none"> <li>1. Notify your manager.</li> <li>2. Email completed Form 3244 and Form 4287 to your manager and coordinator/assistant coordinator.</li> <li>3. Place remittance in a <b>sealed envelope</b> and store in a secure place (locked desk or cabinet).</li> <li>4. Document remittance details in an IDRS history item.</li> <li>5. Make an appointment to bring discovered remittance into the operation and deliver to the technical manager/lead tax examiner within <b>two business days</b>.</li> <li>6. Technical manager/lead tax examiner will accept the discovered remittance, print Form 4287 and Form 3244.</li> <li>7. Manager/lead tax examiner will deliver the discovered remittance to the clerical manager/lead clerk.</li> </ol>

(6) **IRS CHECKS** - Returned IRS refund checks are handled differently than regular discovered remittance. If an IRS refund check is found, take it to the team manager/lead tax examiner to be routed to the Refund Inquiry Unit.

(7) **Voided or Blank Checks:** If the response has a "VOIDED" or blank personal check attached, remove the check from the response and attach it to the installment agreement (IA) request. For voided checks, route the "VOIDED" check with the IA to Collections.

4.19.25.8  
(06-24-2024)

**Request for Reasonable Cause**

(1) Generally, an information return penalty may be waived or abated if it can be shown the error was due to reasonable cause and not due to willful neglect.

**Reminder:** "FTA administrative waiver" procedures **do not** apply to information return penalties.

(2) Treas. Reg. 301.6724-1 provides that reasonable cause for information return penalties exists when:

1. The taxpayer acted in a responsible manner (both before and after the failure occurred), **and**
  2. There were significant mitigating factors **or** circumstances beyond the taxpayer's control.
- (3) In seeking a waiver/abatement that the failure was due to reasonable cause and not willful neglect, the filer must submit a written statement that:
- a. States the specific provision under which the waiver is being requested.
  - b. Sets forth all the facts alleged as the basis for reasonable cause.
  - c. Contains the signature of the person required to file the return. See IRM 4.19.25.8(4) below for more information.
  - d. Contains a declaration that it is made under penalties of perjury.

If	And	Then
Any of the items listed are missing	The case is a current year reply to Notice 972-CG	<ol style="list-style-type: none"> <li>1. Issue Letter 1948-C and request the specific item(s).</li> <li>2. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.</li> </ol>
Any of the items listed are missing	The case is a reconsideration	<ol style="list-style-type: none"> <li>1. Issue Letter 6304-C and request the specific item(s).</li> <li>2. Close the case.</li> </ol>

- (4) The signature requirements are as follows:
- a. **Corporations:** The statement must be signed by the president, vice-president, treasurer, assistant treasurer, chief accounting officer, or other officer duly authorized to sign returns and other documents. The fact that an individual within the corporation signed the statement shall be accepted as evidence that the individual is authorized to sign on behalf of the corporation.
  - b. **Partnerships:** The statement may be signed by any one of the partners.
  - c. **Joint Individual Accounts:** The statement must contain the signature of one of the taxpayers who signed the original return to be considered a valid request.

**Note:** A faxed signature is acceptable. An appropriate signature on the partial agreement or disagreement sections of Notice 972-CG is acceptable because the required declaration statement is printed on the notice.

**Exception:** A signature is not required when the taxpayer has provided enough information to determine that the request for reasonable cause should be denied. In this situation, continue processing the case and deny the request.

- (5) When evaluating a response to determine if the proposed penalty can be waived/abated due to reasonable cause, the fact the error occurred does not prevent the possibility for the penalty to be waived/abated. The tax examiner has to evaluate the explanation to determine if the taxpayer meets the criteria to have the penalty waived based on acting in a responsible manner **and** having significant mitigating factors or circumstances beyond their control.

- (6) The taxpayer is considered to have acted in a “responsible manner” when the response to the Notice 972-CG relating to the late filing and/or the electronic media penalties addresses actions they took when the error was first identified **and** subsequent actions were taken to prevent future occurrence.

**Note:** Where a penalty is imposed for failure to include correct TINs, a taxpayer must comply with special rules for acting in a responsible manner - see IRM 4.19.25.8.3, Failure to Include Correct TINs.

1. Did the taxpayer react timely upon discovery of the error in an attempt to correct/address the error? (Yes or No)
2. Did the taxpayer take actions to prevent future occurrence? (Yes or No)

**Note:** Since Notice 972-CG does not provide a detailed explanation of reasonable cause requirements, the taxpayer’s response may not always address both aspects of the “acting in a responsible manner” requirement under Treas. Reg. 301.6724-1.

If	Then
The taxpayer’s response addresses both issues,	Consider the <b>acting in a responsible manner</b> requirement as fully met.
The taxpayer’s response does not address the <b>react timely upon discovery of the error</b> portion of the <b>acting in a responsible manner</b> requirement,	<ol style="list-style-type: none"> <li>1. Issue Letter 1948C and advise the taxpayer we need additional information about what took place at the time the error was discovered.</li> <li>2. Suspend the case. See IRM 4.19.25.13, Suspend Procedures, for more information.</li> </ol>
The taxpayer’s response does not address the <b>actions taken to prevent future occurrence</b> portion of the <b>acting in a responsible manner</b> requirement,	Research the subsequent year’s filing.
The subsequent year’s filing shows timely filing,	<p>Consider the taxpayer took the appropriate measures/actions to prevent future occurrence of the issue resulting in the incorrect filing.</p> <p><b>Example:</b> If Notice 972-CG was issued for failure to timely file IRs and research of the subsequent year indicates the IRs were not filed late, then consider the “actions to prevent future occurrence” requirement was met.</p>
The subsequent year’s filing indicates the same incorrect filing that resulted in the Notice 972-CG,	<ol style="list-style-type: none"> <li>1. Do not consider this requirement met.</li> <li>2. Issue Letter 1948-C and advise the taxpayer we need additional information about the actions taken after the error occurred.</li> <li>3. Suspend the case. See IRM 4.19.25.13, Suspend Procedures, for more information.</li> </ol>

- (7) Events generally considered **Significant Mitigating Factors** include, but are not limited to:

Significant Mitigating Factor	Definition
First Time Filer	The taxpayer had not previously been required to file the information return(s) in question.
Good Compliance History	The taxpayer has a history of complying with the information return reporting requirements. The taxpayer's history of compliance should be considered whether or not the taxpayer specifically requests waiver on this basis.

- (8) Events generally considered to be **circumstances beyond the taxpayer's control** include (but are not limited to):

Circumstances Beyond the Taxpayer's Control	Definition
Actions by the IRS	The taxpayer relied on erroneous written information provided by the IRS. The response needs to include a copy of the written information provided by the IRS and, if applicable, the taxpayer's written request for the information.
Actions by an agent	<p>The taxpayer relied on an independent agent to comply with filing requirements. This would include payroll agents, independent contractors, outside vendors, etc. The agent has to then demonstrate they acted in a responsible manner and encountered significant mitigating factors or circumstances beyond their control.</p> <p><b>Note:</b> A taxpayer who used an agent and cannot establish reasonable cause based on the actions of the agent, may be able to demonstrate reasonable cause on their own merit by having an established history of complying with the information reporting requirements, and otherwise acting in a responsible manner both before and after the failure occurred.</p>

Circumstances Beyond the Taxpayer's Control	Definition
Actions by a payee or any other person	<p>For the filer to establish reasonable cause as the result of actions by the payee or any other person with respect to the return or payee statement:</p> <ul style="list-style-type: none"> <li>a. The filer must show that the failure resulted from the failure of the payee, or other person, to provide the necessary information to the filer or resulted from incorrect information on which the filer relied that the payee or other person provided.</li> <li>b. The filer must have made available to the payee all necessary information to complete the filing.</li> <li>c. The filer must provide documentary evidence when requested by the IRS showing that the failure was attributable to the payee.</li> <li>d. See 26 CFR 301.6724-1(e) and (f), and IRM 4.19.25.8.3, Failure to Include Correct TINs, for special solicitation requirements that a filer must follow to establish reasonable cause if the failure of the filer to provide a correct TIN was due to the actions of the payee.</li> </ul>
Unavailability of Business Records	As a result of a supervening event, the inability to access business records affected the taxpayer's ability to comply with the filing requirements.
FEMA Declared Disaster Area	A disaster impacted their ability to comply with the filing requirements or impacted their ability to obtain the necessary documentation to support their disagreement to the application of the penalty. See IRM 4.19.25.7.8, Declared Disaster Area, for more information.

Circumstances Beyond the Taxpayer's Control	Definition
Casualty/Loss	The taxpayer suffered a fire or other casualty which impacted their ability to comply with the filing requirements or impacted their ability to obtain the necessary documentation to support their disagreement to the application of the penalty.
Death or Serious Illness	The taxpayer suffered a death, serious illness or unavoidable absence affecting their ability to comply with the filing requirements.
Undue Economic Hardship	The filer must show it failed to file electronically because they lacked necessary hardware. See IRM 4.19.25.8.2, Failure to File on Electronic Media.

- (9) The information returns were erroneously addressed to the state taxing agency or to the incorrect IRS processing center. This does not in itself constitute reasonable cause for late filing. However, it should be considered with other factors to determine if reasonable cause criteria has been met.
- (10) A waiver should not be automatically granted where the taxpayer claims ignorance of the filing requirements. However, ignorance of the law may be considered as one factor which may indicate the taxpayer acted in a responsible manner if all the other facts support this contention.

#### 4.19.25.8.1 (06-24-2024)

##### Failure to Timely File

- (1) Taxpayers are required to file most information returns by:

- February 28 of the processing year if filing via paper
- March 31 of the processing year if filing electronically

**Exception:** Form W-2 and Form 1099 reporting non-employee compensation (Form 1099-MISC for TY 2019 and prior, Form 1099-NEC for TY 2020 and later) must be filed by January 31 (paper or electronically filed) of the processing year.

**Exception:** Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding must be filed by March 15th (paper or electronically filed) of the processing year.

- (2) If the filing date falls on a Saturday, Sunday or legal holiday, then the filing date becomes the next business day. A business day is any day that is not a Saturday, Sunday or legal holiday. The following is a breakdown of required filing dates for the three current IRP processing years:
- a. IRs other than Form 1042-S, Form W-2 or Form 1099-MISC (reporting non-employee compensation):

**Note:** Beginning in TY 2020, non-employee compensation is reported on Form 1099-NEC. See IRM 4.19.25.8.1(2)b below.

Tax Year	Paper	Electronically
2020	March 1, 2021	March 31, 2021
2021	February 28, 2022	March 31, 2022
2022	February 28, 2023	March 31, 2023

b. Form 1099-NEC beginning in TY 2020:

Tax Year	Paper and Electronically
2020	February 1, 2021
2021	January 31, 2022
2022	January 31, 2023

c. Form W-2 or Form 1099-MISC (reporting non-employee compensation):

Tax Year	Paper and Electronically
2020	February 1, 2021
2021	January 31, 2022
2022	January 31, 2023

d. Form 1042-S:

Tax Year	Paper and Electronically
2020	March 15, 2021
2021	March 15, 2022
2022	March 15, 2023

**Note:** Taxpayers meet the requirement to timely file if the form is properly addressed and mailed on or before the due date (IRC 7502).

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(4) The Late Filing Penalty is tiered based on when the information returns were filed.

- Tier 1: Not more than 30 days late
- Tier 2: 31 days late through August 1
- Tier 3: After August 1

**Note:** See Exhibit 4.19.25-1, Penalty Rates for Large Businesses, and Exhibit 4.19.25-2, Penalty Rates for Small Businesses, for more information.



- (5) The maximum penalty rates break down as follows:
- TY 2010 through 2014: \$100 per information return

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TY 2015 through 2017: \$260 per information return

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TY 2018 through 2019: \$270 per information return

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TY 2020 through 2021: \$280 per information return

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TY 2022: \$290 per information return

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TY 2023: \$310 per information return

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TY 2024: \$330 per information return
- (6) The penalty is reduced based on when the information returns were filed as per the tier rate in (4) above. The following is a breakdown of applicable

three current IRP processing years:

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Tax Year	Not more than 30 days late (Tier 1)	31 days late to August 1st (Tier 2)	After August 1 (Tier 3)
2020	\$50 per information return	\$110 per information return	\$280 per information return
2021	\$50 per information return	\$110 per information return	\$280 per information return
2022	\$50 per information return	\$110 per information return	\$290 per information return

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- (7) Research IDRS CC: PMFOLS and CC: PMFOLD to confirm IRS received dates for IRs other than Forms W-2.
- (8) **Duplicate Filing:** If IDRS research indicates a duplicate filing, take the following action:

If	Then
The original submission was timely	<ol style="list-style-type: none"> <li>1. Waive (or abate) the penalty in full. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Send Letter 6304-C.</li> </ol>
The original submission was also submitted late	<ol style="list-style-type: none"> <li>1. Only assess the penalty against the originally filed late submission. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Adjust the number of impacted IRs and the Tier Rate accordingly.</li> <li>3. Send Letter 6304-C or Letter 854-C as appropriate.</li> </ol>

- (9) If the taxpayer states they mailed **paper IRs** (other than Forms W-2) timely:

**Note:** Don't confuse with statement that the taxpayer timely mailed the information return documents to the individual payees.

**Reminder:** See IRM 4.19.25.8, Request for Reasonable Cause, if the taxpayer's response indicates the IRs were erroneously mailed to the state tax agency or incorrect IRS processing center.

If	And	Then
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If	And	Then
	The submission is the Form 1096 or Form 1094 series	<ol style="list-style-type: none"> <li>1. Refer the response to the lead tax examiner or locally designed subject matter expert (SME).</li> <li>2. The lead/SME will request the Form 1096 /Form 1094 using IDRS CC: ESTAB with definer "S" and "D" (for IRP 1096) or "A" (for ACA 1094 series) to request the imaged information (transcript) from the Service Center Recognition/Image Processing (SCRIPS) system.   <b>Note:</b> A Universal Access Routing Indicator (UARI) is needed. The UARI must be input on line 3 in the two spaces following the "@" symbol. See IRM 2.3.62, Command Code ESTAB, for more information.</li> <li>3. The lead/SME will update IDRS control base activity. See Exhibit 4.19.25-3, Activity Codes for IRP Processing, for more information.</li> <li>4. The lead/SME will monitor the case for 10 business days.</li> </ol>

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If	And	Then
	The submission is Form 1042-T	<div>1. Refer the response to the lead tax examiner or locally designated SME.</div> <div>2. The lead/SME will request the Form 1042-T. Use IDRS CC: ESTAB with definer "D" and Request Code "K". Include the following in the narrative field: "Please photocopy only Form 1042-T and mailing envelope showing postmark date".</div> <div>3. The lead/SME will update IDRS control base activity. See Exhibit 4.19.25-3, Activity Codes for IRP Processing, for more information.</div> <div>4. The lead/SME will monitor the case for 30 business days.</div>

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(10) If the taxpayer provides a copy of a postage receipt for proof of timely filing:

If	And	Then
The taxpayer provides a copy of a postage receipt as proof of timely filing	The receipt is not a registered or certified mail receipt	<ol style="list-style-type: none"> <li>1. Deny the request and assess the penalty. See IRM 4.19.25.16, IDRS Adjustments.</li> <li>2. Issue Letter 854-C. Include an open paragraph that states, Per 26 CFR SS 7502-1(c)(2), only a registered or certified mail receipt can be used as proof of timely filing.</li> </ol>
The taxpayer provides a copy of a registered or certified mail receipt	The postmark date is considered timely	<ol style="list-style-type: none"> <li>1. Waive/abate the penalty. See IRM 4.19.25.16, IDRS Adjustments.</li> <li>2. Issue Letter 6304-C.</li> </ol>
The taxpayer provides a copy of a registered or certified mail return receipt	The "Date of Delivery" would be considered timely	<ol style="list-style-type: none"> <li>1. Waive/abate the penalty. See IRM 4.19.25.16, IDRS Adjustments.</li> <li>2. Issue Letter 6304-C.</li> </ol>

- (11) If the taxpayer acknowledges the IRs (other than Form W-2) were mailed late, but disagree with the penalty rate because they were mailed before the Tier level cutoff date:

1. Refer the response to the lead tax examiner or locally designated SME.
2. The lead/SME will request the Information Return transcript following the instructions in (9) above.

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(12) If the taxpayer states they **electronically filed the IRs** (other than Form W-2) timely or they acknowledge the IRs were filed late but disagree with the penalty rate because they were filed before the Tier level cutoff date, AND:

If	And	Then
The response included supporting documentation	The documentation supports the explanation	<div>1. Waive/abate the penalty. See IRM 4.19.25.16, IDRS Adjustments.</div> <div>2. Issue Letter 6304-C.</div> <div><b>Reminder:</b> Reduce the penalty if the documentation shows the filing occurred in an earlier Tier rate range than as proposed on the Notice 972-CG.</div>
The response included supporting documentation	The documentation <b>does not</b> support the explanation	<div>1. Assess the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</div> <div>2. Issue Letter 854-C. Include an open paragraph to explain the reason for denial.</div>



If	And	Then
The response <b>did not</b> include supporting documentation	The taxpayer <b>did not use</b> the FIRE system <b>Note:</b> The FIRE system will soon be replaced with the IRIS system.	<ol style="list-style-type: none"> <li>1. Issue Letter 1948-C and request documentation to support the date of filing (including approved extension requests).</li> <li>2. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.</li> </ol>
The response <b>did not</b> include supporting documentation	The taxpayer used the FIRE system <b>Note:</b> The FIRE system will soon be replaced with the IRIS system.	<p>Consult with the lead tax examiner. The lead tax examiner will work with the FIRE contact to obtain any supporting documentation (including any approved extensions) to verify the filing date. Scan and merge copies of the FIRE information in the digital case file on the document repository.</p> <ol style="list-style-type: none"> <li>1. If the FIRE information supports the explanation, waive/abate (or reduce) the penalty.</li> <li>2. If the FIRE information does not support the explanation: assess the penalty (see IRM 4.19.25.16, IDRS Adjustments), and issue Letter 854-C. Include an open paragraph to explain the reason for the denial based on the information from FIRE.</li> </ol> <p><b>Reminder:</b> Reduce the penalty if the FIRE information shows the filing occurred in an earlier tier rate range than as proposed on the Notice 972-CG.</p>

(13) Forms W-2 are filed with the Social Security Administration (SSA).

- a. Research ERQY (Employer Report Query) when the Forms W-2 are electronically filed to validate receipt dates.
- b. Research ORS (On-Line Retrieval System) when the Forms W-2 are paper filed to validate receipt dates.

(14) If the taxpayer states they **electronically filed their Form W-2 package** timely or they acknowledge the Forms W-2 were filed late, but disagree with the

penalty rate because they were filed before the tier level cutoff date, **use ERQY** to determine the received date of the Forms W-2. The ERQY date is

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If	Then
	<ol style="list-style-type: none"> <li>1. Scan and merge the copy of the ERQY print to the digital case file on the document repository.</li> <li>2. Waive/abate the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>3. Send Letter 6304-C.</li> </ol>
The ERQY posted date is after the due date	<ol style="list-style-type: none"> <li>1. Scan and merge the copy of the ERQY print to the digital case file on the document repository.</li> <li>2. Assess the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>3. Enter a two-line History Item to record the date SSA received the electronically filed Forms W-2  <b>Example:</b> "ERQYW2RCVD" and "MM/DD/YYYY"</li> <li>4. Send Letter 854-C. Include an open paragraph to explain the reason for the denial based on the ERQY information.  <b>Reminder:</b> Reduce the penalty if the ERQY information shows the filing occurred in an earlier tier rate range than as proposed on the Notice 972-CG.</li> </ol>

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(15) If the taxpayer states they mailed their **paper Form W-2 package** timely, use

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the lower right-hand portion of the Form W-3.

**Note:** Don't confuse with statement that the taxpayer timely mailed the Forms W-2 to the employees.

If	And	Then
The Form W-3 is: <ul style="list-style-type: none"> <li>• not stamped,</li> <li>• the stamp date is illegible, or</li> <li>• the stamp date indicates timely filed</li> </ul>	-	<ol style="list-style-type: none"> <li>1. Scan and merge the copy of the W-3 to the digital case file on the document repository.</li> <li>2. Waive/abate the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>3. Send Letter 6304-C.</li> </ol>

If	And	Then	
The Form W-3 stamp date is AFTER the due date		<ol style="list-style-type: none"> <li>1. Scan and merge the copy of the W-3 to the digital case file on the document repository.</li> </ol> <p>See IRM 4.19.25.16, IDRS Adjustments, for more information.</p>	# # # # #
The Form W-3 stamp date is AFTER the due date		<ol style="list-style-type: none"> <li>1. Scan and merge the copy of the W-3 to the digital case file on the document repository.</li> <li>2. Assess the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>3. Enter a two-line History Item to record the date SSA received the paper filed W-3  <b>Example:</b> "ORSW3RCVD"  and  "MM/DD/YYYY"</li> <li>4. Send Letter 854-C. Include an open paragraph to explain the reason for the denial.</li> </ol>	# # # #

- (16) If the taxpayer acknowledges they mailed their **paper Form W-2 package** late, but disagrees with the penalty rate because they were mailed before the tier

Use Only" box in the lower right-hand portion of the Form W-3.

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(17) Waive (or abate previously posted) late filing penalty when the explanation for submitting the IRs late meets reasonable cause. See IRM 4.19.25.8, Request for Reasonable Cause, for more information.

4.19.25.8.2  
(06-24-2024)  
Failure to File  
Electronically

(1) Taxpayers who submit 250 or more information returns for a specific information return type are required to file them electronically per IRC 6011(e) and Treas. Reg. 301.6011-2.

**Exception:** Beginning in TY 2014, financial institutions filing Forms 1042-S must file the IRs electronically, regardless of the number of IRs filed. See IRM 4.19.25.8.2.1, Failure to File Electronically for Form 1042-S, for more information.

(2) The failure to file electronically penalty applies to the number of IRs over 250 forms.

**Example:** The taxpayer submits 377 Form 1099-MISC IRs on paper. The penalty applies to 127 IRs (377 - 250 = 127).

**Note:** The Taxpayer First Act of 2019 (Pub. L. 116-25), enacted July 1, 2019, authorized the Treasury Department and the IRS to issue regulations that reduce the 250-return requirement for TY 2022 returns. If those regulations are issued and effective for TY 2022 returns required to be filed in 2023, the IRS will post an article at “<http://www.irs.gov>” explaining the change. Until regulations are issued, however, the number remains at 250.

(3) Generally, taxpayers must establish reasonable cause for this penalty to be abated. See IRM 4.19.25.8, Request for Reasonable Cause, for more information. The electronic media filing requirement does not apply if the taxpayer applies for and receives a hardship waiver. The taxpayer must file Form 8508 , Application for a Waiver From Electronic Filing of Information Returns. The waivers are evaluated on a case-by-case basis and are approved or denied based on Treas. Reg. 301.6011-2(c)(6).

(4) If the taxpayer claims they would suffer undue economic hardship to electronically file then do the following:

1. Determine if the taxpayer received a reasonable cause waiver in any prior year for undue economic hardship. If yes, deny the request for waiver/abatement and issue Letter 854-C explaining the taxpayer did not act in a responsible manner per Treas. Reg. 301.6724-1c(3)(iv). If no, proceed to step 2.
  2. Issue Letter 1948-C and request the taxpayer provide copies of the two cost estimates that were secured at least 45 days before the due date of the information returns (without extensions).
  3. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.
- (5) Beginning with TY 2023, an exemption is allowed for filers for whom using the technology required to file electronically conflicts with their religious beliefs. Although filers are not required to file a waiver or take any action to claim religious exemption, filers may notify the IRS by filing Form 8508, Application for a Waiver From Electronic Filing of Information Returns. The exemption will be permanently recorded in the Payer Master File and the filer will not need to file a waiver in subsequent years.

If	And	Then
A taxpayer claims an exemption from filing electronically due to their religious beliefs	The case is for TY 2022 or prior	<ol style="list-style-type: none"> <li>1. Deny the request for waiver/abatement. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Send Letter 854-C. See IRM 4.19.25.12, Correspondence Letters, and IRM 4.19.25.12.1, Creating Correspondence Letters, for more information.</li> </ol>

If	And	Then
A taxpayer claims an exemption from filing electronically due to their religious beliefs	The case is for TY 2023 or subsequent	<ol style="list-style-type: none"> <li>1. Waive/abate the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Send Letter 6304-C. Include an open paragraph and encourage the taxpayer to file Form 8508, Application for a Waiver From Electronic Filing of Information Returns, to avoid potential future penalties. See IRM 4.19.25.12, Correspondex Letters, and IRM 4.19.25.12.1, Creating Correspondex Letters, for more information.</li> </ol>

- (6) All potential failure to file electronically penalty cases are compared to the waivers of the electronic media filing requirement posted to the PMF prior to the generation of Notice 972-CG. IDRS CC: PMFOLS contains a field “W” that indicates if the taxpayer submitted a waiver to file IRs other than on electronic media. The “W” field appears to the right of the “WITHHELD” field. Directly below the “W”, either a “Y” (for Yes) or “N” (for No) will display for each of the information return types.
- (7) If the taxpayer’s response indicates they are not subject to penalty because they were granted a waiver from filing on electronic media, check to see if the taxpayer’s TIN appears on the waiver listing provided by TSO.

**Caution:** Form 8508, Application for a Waiver From Electronic Filing of Information Returns, was updated for TY 2023 to include a justification for a foreign entity who is unable to file electronically due to the inability to obtain

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If	Then
The taxpayer's TIN appears on the listing	<ol style="list-style-type: none"> <li>1. Waive/abate the penalty as appropriate. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Issue Letter 6304-C.</li> </ol>
The taxpayer's TIN does not appear on the listing	<ol style="list-style-type: none"> <li>1. Issue Letter 1948-C and request a copy of the approval letter or other supporting documentation.</li> <li>2. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.</li> </ol>

- (8) If a taxpayer responds with an approval letter from TSO granting a waiver of the electronic filing requirement, waive the penalty.
- (9) If the taxpayer's response indicates they experienced an unexpected increase in business activity during the year (for example: The taxpayer had an unexpected increase in hiring), research IDRS CC: PMFOL (or ORS/ERQY for Forms W-2) in the prior year.

If	Then
The prior year research shows the taxpayer filed 250 IRs or less	<ol style="list-style-type: none"> <li>1. Waive the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Issue Letter 6304-C.</li> </ol>
The prior year research shows the taxpayer filed more than 250 IRs	<ol style="list-style-type: none"> <li>1. Assess the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Issue Letter 854-C and explain why the request is being denied.</li> </ol>

- (10) **Duplicate Submissions:** If the taxpayer's response indicates duplicate data was provided on paper and on electronic media:
1. Research IDRS CC: PMFOL and any supporting documentation sent by the taxpayer. If the duplicate filing is verified, waive/abate the penalty. See chart below.
  2. If IDRS CC: PMFOL research is not successful, refer the case for further research with the TSO liaison. Provide the TSO liaison with: the taxpayer's name, TIN, Transmitter Control Code (TCC) if available, TY, type of return, and number of returns filed.

IF	THEN
TSO verifies the duplicate filing	<ol style="list-style-type: none"> <li>1. Waive/abate the penalty as appropriate. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Issue Letter 6304-C. Advise the taxpayer to take steps to ensure they don't file paper IRs if they are an electronic filer.</li> </ol>



IF	THEN
TSO cannot verify the duplicate filing	<ol style="list-style-type: none"> <li>1. Assess the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Issue Letter 854-C and advise the taxpayer the duplicate filing could not be verified.</li> </ol>

(11) If the taxpayer requests a copy of the Form 1096 submission, sanitize the page(s) of the IDRS CC: PMFOL transcript containing the record(s) relevant to the penalty and send the taxpayer a copy with an explanation.

(12) If the taxpayer requests a copy of the Form W-3 submission, print the Form W-3 information from ORS and send it to the taxpayer.

**Note:** If the Form W-3 is not available, sanitize the page(s) of the PMF transcript containing the Form W-2 record(s) relevant to the penalty and send the taxpayer a copy with an explanation.

(13) If the taxpayer states the failure to file on electronic media penalty was unavoidable because the previous year's notification (Notice 972-CG) was not received until after the current year IRs had already been filed, research IDRS CC: PMFOL prior year history for the same issue.

If	Then
<p>IDRS CC: PMFOL shows the failure to file on electronic media penalty was proposed <b>only</b> in the preceding year</p> <p><b>Example:</b> TY 2022 case and IDRS CC: PMFOL shows penalty was proposed in TY 2021 only.</p>	<ol style="list-style-type: none"> <li>1. Waive/abate the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Send Letter 6304-C.</li> </ol>
<p>IDRS CC: PMFOL shows a history of failure to file on electronic media penalties in any year(s) other than OR in addition to the preceding year</p> <p><b>Example:</b> TY 2022 case and IDRS CC: PMFOL shows penalty was proposed in TY 2020.</p> <p><b>Example:</b> TY 2022 case and IDRS CC: PMFOL shows penalty was proposed in TY 2021 and TY 2019.</p>	<ol style="list-style-type: none"> <li>1. Assess the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Send Letter 854-C and explain the reason for the denial.</li> </ol>

4.19.25.8.2.1  
(06-24-2024)

**Failure to File  
Electronically for Form  
1042-S**

- (1) The failure to file electronically penalty applies to information returns not filed in the required manner. The penalty generally applies to the number of paper returns over 250 that were filed. However, beginning with TY 2014, a financial institution required to report on Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, must electronically file its Form 1042-S regardless of the number of forms to be filed.

- (2) Financial Institutions include, but are not limited to:
- Depository institutions (for example: banks)
  - Custodial institutions (for example: mutual funds)
  - Investment entities (for example: hedge funds or private equity funds)
  - Certain types of insurance companies that have cash value products or annuities
- (3) Form 1042-S is identified as Doc Code 02 on IDRS CC: PMFOL.
- (4) Notice 972-CG is issued to any taxpayer paper filing Form 1042-S and their North American Industry Classification System (NAICS) code is classified as relating to a financial institution.
- Note:** NAICS codes may be found in the US Census website at: [www.census.gov](http://www.census.gov).
- (5) Civil penalties must be assessed on these cases regardless of the number of information returns filed **unless** any of the following situations apply:
- a. The taxpayer establishes reasonable cause. See IRM 4.19.25.8, Request for Reasonable Cause, for more information.
  - b. The taxpayer provides a copy of timely filed Form 8508, Application for a Waiver From Electronic Filing of Information Returns. See IRM 4.19.25.8.2, Failure to File on Electronic Media, for more information.
- (6) If the taxpayer requests a copy of the Form 1042-T submission, sanitize the page(s) of the IDRS CC: PMFOL transcript containing the record(s) relevant to the penalty and send the taxpayer a copy with an explanation.

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4.19.25.8.3  
(07-20-2023)  
**Failure to Include  
Correct TINs**

- (1) A missing or incorrect TIN generally occurs when:
- a. The payee fails to provide a TIN to the payer,
  - b. The payee provides an incorrect name/TIN to the payer, or
  - c. The taxpayer makes an error when inputting the name/TIN when creating the information return data to send to the IRS.
- (2) A CP 2100 or CP 2100A is issued prior to the generation of a Notice 972-CG, to alert the taxpayer they may be responsible for backup withholding when a missing or incorrect TIN is identified for certain information returns. The following IRs may be subject to backup withholding (BWH):
- Form 1099-B, Proceeds From Broker and Barter Exchange Transactions
  - Form 1099-DIV, Dividends and Distributions
  - Form 1099-INT, Interest Income
  - Form 1099-K, Payment Card and Third Party Network Transactions
  - Form 1099-MISC, Miscellaneous Information
  - Form 1099-OID, Original Issue Discount and
  - Form 1099-PATR, Taxable Distributions Received from Cooperatives
  - Form 1099-NEC, Non employee Compensation

**Note:** The e-services TIN Matching Program is available to taxpayers to validate TINs for information returns subject to BWH. Prior to filing an information return, a taxpayer may check the TIN furnished by the payee against the name/TIN combination contained in the TIN Matching Program's database.

- (3) When a penalty is imposed for failure to include correct TINs, a taxpayer must comply with special rules for acting in a responsible manner. In general, if the taxpayer failed to include a TIN or if the taxpayer was notified of an incorrect TIN (for example: receipt of CP 2100 or CP 2100A), they will have acted in a responsible manner by making solicitations to obtain the correct TIN information as outlined under Treas. Reg. 301.6724-1(e) and Treas. Reg. 301.6724-1(f).
  - a. A solicitation is a request by a payer for a payee to furnish a correct TIN.
  - b. An initial solicitation must be made by a payer for a correct TIN when a transaction with an information reporting requirement is made unless the payer has the payee’s TIN and uses that TIN for all transactions with the payee.
  - c. When a payee’s TIN is missing or incorrect, the payer generally will need to conduct annual solicitations for a correct TIN. However, annual solicitations are not required if the taxpayer is sending B notices in response to CP 2100 notices for the same TY or received in the same calendar year, for the same incorrect payee TIN.
- (4) Initial solicitations can be made in one of the following ways:
  - a. By mail.
  - b. By telephone.
  - c. By electronic means.
- (5) Per Treas. Reg. 301.6724-1(e)(2), annual solicitations must be made by mail or telephone.

If	Then
If the taxpayer claims they made annual solicitations by electronic means	<ul style="list-style-type: none"><li>1. Deny the request for relief.</li><li>2. Assess the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li><li>3. Send Letter 854-C. Include an open paragraph that explains annual solicitations must be made by mail or by phone.</li></ul>

- (6) When the taxpayer requests a waiver/abatement of the penalty for failure to include correct TINs:
  - 1. Evaluate the response to determine if the taxpayer acted in a responsible manner AND
  - 2. Research IDRS to determine Notice 972-CG history and related actions taken on the account.

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If	And	Then
The response indicates the taxpayer could provide additional information	The case is a current year reply	<div>1. Issue Letter 1948-C and request proof of solicitations. <b>Example:</b> “B Notices” for IRs subject to BWH and/or solicitation letters for non-BWH related IRs).</div> <div>2. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.</div>
The response indicates the taxpayer is unable to provide additional information <b>Note:</b> Discuss with lead tax examiner if unsure.	The case is a current year reply	<div>1. Deny the request for relief.</div> <div>2. Assess the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</div> <div>3. Issue Letter 854-C and explain the reason for the denial.</div>
The response indicates the taxpayer could provide additional information	The case is a reconsideration	<div>1. Issue Letter 6304-C and request proof of solicitations. <b>Example:</b> “B Notices” for IRs subject to BWH and/or solicitation letters for non-BWH related IRs).</div> <div>2. Close the IDRS control base.</div>

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If	Then
	<div>1. Issue Letter 1948-C to obtain the number of impacted IRs. Advise the taxpayer we cannot adjust the penalty proposed on the Notice 972-CG without this additional information.</div> <div>2. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.</div>

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4.19.25.9  
(11-02-2020)  
**Agreed Replies**  
**(Including Full Paid)**

- (1) When the taxpayer checks the “agree” box and/or signs the “Total Agreement with the Proposed Penalty” section, AND does not include any disputing comments, assess the penalty (using blocking series 52) proposed on the Notice 972-CG. See IRM 4.19.25.16, IDRS Adjustments, for further information.

**Note:** The CP 15 (or CP 215) will address any payments posted on the account and advise of any balance due. Therefore, it is not necessary to send additional correspondence to acknowledge any payment on an “agreed” case.

- (2) Taxpayers frequently submit full payment of the proposed penalty without submitting any correspondence. Assess the proposed penalty in the same manner as a fully agreed response. See IRM 4.19.25.16, IDRS Adjustments, for further information.
- (3) If the response includes an indication of total agreement, **and another issue is present**,
  1. Assess the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.
  2. Send Letter 6304-C to acknowledge any payment and address the other issues. See IRM 4.19.25.12, Correspondence Letters, for more information.

4.19.25.10  
(07-20-2023)  
**Partially Agreed Replies**

- (1) A partially agreed reply may include the taxpayer agreeing to part of the penalty and establishing reasonable cause for the remainder **or** the tax examiner determines the abatement request is partially denied because reasonable cause was not fully established.

If	And	Then
The taxpayer agrees with part of the proposed penalty	Establishes reasonable cause (or shows they are not liable) for the remainder of the penalty	<ol style="list-style-type: none"><li>1. Input the assessment (using blocking series 52) for the reduced (agreed upon) penalty amount. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li><li>2. Send Letter 6304-C. Inform the taxpayer we accepted their explanation and include the agreed penalty amount.</li><li>3. Close the case.</li></ol>

If	And	Then
The taxpayer agrees with part of the penalty	Does NOT establish reasonable cause to waive the disagreed portion of the penalty	Two adjustments are required: <ol style="list-style-type: none"> <li>One adjustment (using blocking series 52) to assess the penalty amount and a second adjustment (using blocking series 98) to post the reason for denying the request to waive/abate the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>Issue Letter 854-C. Inform the taxpayer of the specific reason(s) the explanation was not accepted and the amount assessed.</li> </ol>
The taxpayer agrees with part of the penalty	You need additional information to complete the evaluation of the response	<ol style="list-style-type: none"> <li>Issue Letter 1948-C and request the additional information.</li> <li>Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.</li> </ol>

4.19.25.11  
(06-24-2024)

#### Disagreed Replies

- (1) The taxpayer may completely disagree with the proposed penalty and:
  - Provide an explanation with (or without) supporting documentation to show they are not subject to the penalty, or
  - Request the penalty be waived based on reasonable cause consideration. See IRM 4.19.25.8, Request for Reasonable Cause, for more information.
- (2) Evaluation of the disagreed response may result in:
  - Waiving the penalty in full,
  - Denying the request to waive the penalty either in full or in part, OR
  - Requesting additional information to complete the evaluation of the response.
- (3) Use the IF/AND/THEN table below to determine the correct case actions:

If	And	Then
The response is sufficient to completely waive the penalty	-	<ol style="list-style-type: none"> <li>1. Input a TC 290 .00 in blocking series 05 (IMF account) or 15 (BMF account). See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Send Letter 6304-C to explain we have accepted the explanation and waived/abated the penalty.</li> </ol> <p><b>Note:</b> If a TC 640 payment has posted to the module, use the IAT Credit Transfer Tool to convert the transaction to a TC 670 payment which will release the “-F” freeze code and refund the payment to the taxpayer. See IRM 4.19.25.7.9, Re-searching Payments, for more information.</p>
The taxpayer disagrees with the proposed penalty	The penalty is NOT being waived	<p>Assess the penalty with two adjustments:</p> <ol style="list-style-type: none"> <li>1. Input one adjustment (using blocking series 52) to assess the penalty amount.</li> <li>2. Input a second adjustment (using blocking series 98) to post the reason for denying the request to waive/abate the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>3. Issue Letter 854-C. Inform the taxpayer of the specific reason(s) the explanation was not accepted and the amount assessed.</li> </ol>
The taxpayer disagrees with the proposed penalty	You need additional information to complete the evaluation of the response	<ol style="list-style-type: none"> <li>1. Issue Letter 1948-C and request the additional information.</li> <li>2. Suspend the case. See IRM 4.19.25.13, Suspense Procedures, for more information.</li> </ol>



4.19.25.12  
(06-24-2024)

### Correspondence Letters

- (1) There are four primary correspondence (CRX) letters used in the IRP program:
  - a. Letter 1948-C, Civil Penalty Explained.
  - b. Letter 854-C, Penalty Waiver or Abatement Disallowed/Appeals Procedures Explained.
  - c. Letter 5825-C, Document Matching Interim Letter.
  - d. Letter 6304-C, IRP Closing Letter.
- (2) Tax examiners use Letter 1948-C to request additional information to complete the evaluation of the response to Notice 972-CG. See IRM 4.19.25.13, Suspense Procedures, for more information.
- (3) Tax examiners use Letter 854-C when a request for penalty waiver or abatement of previously assessed penalty is fully or partially denied. This letter provides the taxpayer with their appeal rights and the procedures they must follow if they wish to appeal the IRS's decision.

**Note:** Use Letter 854-C any time the penalty is being assessed for other than an "agreed" or "partially agreed" closing.

**Note:** Evaluate Letter 854-C replies to determine if the information provided will allow an assessed penalty to be fully or partially abated or if the case needs to be referred to Appeals. See IRM 4.19.25.17.1, Evaluating Reconsideration Correspondence, and IRM 4.19.25.17.3, Appeals Cases - General Guidelines, for more information.

- (4) Letter 5825-C is used to advise the taxpayer additional time is needed to complete the review of the response. See IRM 4.19.25.2.4, Policy Statement P-21-3 (Formerly P-6-12) Guidelines (Action 61), for more information.

- (5) Tax examiners use Letter 6304-C when:
  - a. Closing any IRP case.

**Exception:** When initially fully or partially denying a request for waiver/abatement due to reasonable cause, send Letter 854-C and follow the normal denial procedures. See IRM 4.19.25.12(3) above for more information.

**Exception:** Do not send Letter 6304-C when processing a reconsideration case as a full abatement. See IRM 4.19.25.17.1.2, Full Abatement Determinations, for more information.

- b. Closing a reconsideration case and the taxpayer did not provide enough information to make a reasonable cause determination.
- c. Closing a reply or reconsideration case and the taxpayer asked questions or raised other issues requiring a response.
- d. Notifying the taxpayer we accepted their partially agreed explanation.

4.19.25.12.1  
(06-24-2024)

### Creating Correspondence Letters

- (1) When acknowledging the taxpayer's response input the correspondence date using the following priority:
  - a. The date the taxpayer entered on their most recent correspondence.
  - b. Envelope postmark date.
  - c. Three days prior to the IRS received date.
  - d. Current date.

- (2) When a letter is sent to a taxpayer, it must explain the process or actions being taken. A letter requesting information should have the following paragraphs, as applicable, in addition to other paragraphs sent for a specific condition:

**Note:** If none of the standard paragraphs are applicable, use the “open” paragraph feature to create a special paragraph.

- a. A paragraph that informs the taxpayer when a response is required.
  - b. A paragraph requesting the taxpayer’s telephone number and the most convenient time to call.
  - c. A paragraph acknowledging the payment, if submitted.
  - d. A paragraph stating a return envelope is enclosed when a response from the taxpayer is required.
- (3) **Always** print a copy of the CRX letter issued to the taxpayer and keep it with the case file. A copy of the IDRS CC: LPAGE screen indicating “REQUEST COMPLETED” is acceptable. The CRX letter case documentation must be merged with the digital case file on the document repository.

**Exception:** Do not print a copy of interim letters (Letter 5825C).

4.19.25.12.1.1  
(07-20-2023)  
**Undeliverable Mail  
Indicator**

- (1) An undeliverable mail (UD) indicator is input on taxpayers’ accounts when returned mail is received back from United States Postal Service (USPS) as undeliverable. The UD indicator is generated with the input of TC 971, with an action code (AC) 661, on IDRS, which suppresses the generation of non-statutory notices and letters. The warning and suppression are intended to be temporary until the taxpayer’s address has been updated.
- (2) Currently, when employees create a correspondex (CRX) letter using the IAT Letter Tool, they use the taxpayer’s existing address on IDRS. Effective August 7, 2023, if a letter is being sent to a taxpayer with a UD indicator on their account, the initiator will receive an alert to do the following:
1. Verify the entity information and determine if a new address is available.
  2. Update the taxpayer’s address if a new address is found.
  3. Remove the UD indicator from the account.
  4. Issue the applicable letter following normal procedures.
- (3) When issuing a CRX letter and the UD indicator is present on the account, research for a better address using:
- IDRS CC: INOLE will provide the most current posted entity information on the National Account Profile (NAP).
  - IDRS CC: ENMOD may reflect a recently input address change not posted to IDRS CC: INOLE.
  - IDRS CC: IRPTR will provide a current address for the taxpayer from an information return filed for the most recent processing year.
  - The taxpayer’s correspondence.
- (4) Use the following IF/AND/THEN table to determine the next actions:

If	And	Then
A new address is found,	The taxpayer has provided clear and concise notification of the address change (see IRM 4.19.25.7.4, Address Changes, for more information),	<ol style="list-style-type: none"> <li>1. Update the taxpayer's address using IDRS CC: ENREQ.</li> <li>2. Input TC 972 with AC 661 using IDRS CC: REQ77 to remove the UD indicator from the account.</li> <li>3. Issue the CRX letter following normal procedures.</li> </ol>
A new address is found,	The taxpayer has <b>NOT</b> provided clear and concise notification of the address change (see IRM 4.19.25.7.4, Address Changes, for more information),	<ol style="list-style-type: none"> <li>1. Do not update the taxpayer's address using IDRS CC: ENREQ.</li> <li>2. Issue the applicable CRX letter to the new address. Include an open paragraph to advise the taxpayer of the information needed. Enclose Form 8822-B, Change of Address or Responsible Party - Business.</li> </ol>
A new address is not found,	The UD indicator has not been reversed,	<ol style="list-style-type: none"> <li>1. Issue the applicable CRX letter to the last known address.</li> <li>2. Include an open paragraph to advise the taxpayer of the information needed.</li> <li>3. Enclose Form 8822-B, Change of Address or Responsible Party - Business.</li> </ol>

4.19.25.13  
(06-24-2024)

#### Suspense Procedures

- (1) When you need additional information to complete the evaluation of the Notice 972-CG response, issue Letter 1948-C. When issuing Letter 1948-C and suspending a case, do the following:

1. Clearly request all missing information.
2. Update IDRS control base with activity code "1948CMMDD" where the "MMDD" represents the last day of the suspense period.
3. Update the IDRS control base status code to "S".
4. Suspend cases for 30 calendar days (60 calendar days if overseas).
5. **Always** merge a copy of the Letter 1948-C issued to the taxpayer with the digital case file on the document repository. A copy of the IDRS CC: LPAGE screen indicating **REQUEST COMPLETED** is acceptable. The CRX letter case documentation must be merged with the digital case file on the document repository.
6. Monitor the case until the taxpayer responds or the suspense time frame ends.

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**Note:** Do **not** suspend reconsideration cases.

(2) Consider the following when placing a case in suspense:

If	And	Then
An account has already been placed in suspense,	You need additional information to complete the evaluation of the response,	<ol style="list-style-type: none"> <li>1. Assess the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Issue Letter 854-C. See IRM 4.19.25.12, Correspondex Letters, for more information.</li> <li>3. Close the case.</li> </ol> <p><b>Note:</b> Cases should not be placed in suspense more than once except in very rare circumstances.</p>
The taxpayer was granted an extension to respond to Notice 972-CG,	The resulting response is insufficient to make a determination,	<ol style="list-style-type: none"> <li>1. Issue Letter 1948-C and clearly request all missing information.</li> <li>2. Update IDRS control base with activity code "1948CMMDD" where the "MMDD" represents the last day of the suspense period.</li> <li>3. Update the IDRS control base status code to "S".</li> <li>4. Suspend cases for 30 calendar days (60 calendar</li> <li>5. Monitor the case until the taxpayer responds or the suspense time frame ends.</li> </ol>
You need additional information to complete the evaluation of the Notice 972-CG response,		

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If	And	Then
The taxpayer responds to Letter 1948-C,	The taxpayer has provided enough information to establish reasonable cause (see IRM 4.19.25.8, Request for Reasonable Cause, for more information),	<ol style="list-style-type: none"> <li>1. Waive the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Send Letter 6304-C. See IRM 4.19.25.12, Correspondence Letters, for more information.</li> <li>3. Close the case.</li> </ol>
The taxpayer does NOT respond by the end of the Letter 1948-C suspense period,	IDRS research indicates any of the following conditions: <ol style="list-style-type: none"> <li>a. Ensure the IRP penalty has not been previously assessed.</li> <li>b. Disaster indicator “-O” freeze is present. See IRM 4.19.25.7.8, Declared Disaster Area, for more information.</li> <li>c. Bankruptcy indicators are present. See IRM 4.19.25.7.1, Cases Needing Further Action, for more information.</li> <li>d. Collectability Conditions are present. See IRM 4.19.25.7.1, Cases Needing Further Action, for more information.</li> </ol>	Take the appropriate actions to resolve the account issues before closing the case.
The taxpayer does NOT respond by the end of the Letter 1948-C suspense period,	IDRS research indicates there are no conditions preventing the closing of the case,	<ol style="list-style-type: none"> <li>1. Assess the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Send Letter 854-C. See IRM 4.19.25.12, Creating Correspondence Letters, for more information.</li> <li>3. Close the case.</li> </ol>

4.19.25.14  
(06-24-2024)  
**972-CG No Replies**

- (1) A case is considered a no reply when the taxpayer has not responded to Notice 972-CG by the end of the suspense period. See IRM 4.19.25.21.2, Program Management, for more information.
- (2) Before any no replies can be processed, the following actions must be taken by close of business on the Friday immediately before the week in which no replies will be processed. See IRM 4.19.25.21.2, Program Management, for more information. This ensures that all new reply receipts are controlled and avoids any uncontrolled replies having to be treated as reconsiderations after no replies are assessed:

Issue	Responsible Party	Actions
Undeliverables	Clerks and tax examiners	<ol style="list-style-type: none"> <li>1. Process all undeliverable notices. See IRM 4.19.25.22.4, Undeliverables - General, IRM 4.19.25.22.4.1, Undeliverables - Clerical Function, and IRM 4.19.25.15, Undeliverables - Tax Examiner Responsibilities, for more information.</li> <li>2. Ensure the notice dates have been updated on IDRS before processing any no replies.</li> </ol>
New mail	Clerical function	<ol style="list-style-type: none"> <li>1. Locate all unassigned replies.</li> <li>2. Batch all replies and control to the wall.</li> <li>3. Place the batches in the inventory staging area in IRS received date order.</li> </ol> <p>See IRM 4.19.25.22.3.1, Batching and Controlling Replies, for more information.</p>

- (3) No replies must be processed on the Monday morning immediately following the Friday identified in paragraph (2) above (unless Monday is a holiday). If no replies can't be processed on Monday morning or if overtime is worked over the weekend before no replies are to be processed, follow the processes in paragraph (2) above again before processing any no replies.

- (4) To process no replies:

1. Research IDRS to ensure there are no conditions that would impact the penalty assessment and take any necessary actions.

**Reminder:** Exam Policy must be notified if any cases need to be held beyond the week in which the no reply should be processed.

2. Assess the proposed penalty in full. See IRM 4.19.25.16, IDRS Adjustments, for more information.
3. Do not issue any CRX letters. Allow the adjustment notices to generate by leaving the hold code field blank on the IDRS CC: ADJ54 screen. See IRM 4.19.25.16, IDRS Adjustments, for more information.

4.19.25.15  
(06-24-2024)  
**Undeliverables - Tax  
Examiner  
Responsibilities**

- (1) All processing of undeliverable Notices 972-CG must be completed within 14 business days of being batched.

**Caution:** Undeliverable Notices 972-CG not processed in a timely manner cause unnecessary delays for taxpayers and can have a negative impact on the program's ability to meet the Program Completion Date (PCD). In some cases, untimely processing of undeliverable Notices 972-CG can cause

premature penalty assessments due to PCD requirements. Therefore, it is critical to both Customer Satisfaction and Business Results that all undeliverable Notices 972-CG are processed in a timely manner.

- (2) When working a Notice 972-CG undeliverable batch, a tax examiner will research for a better address using:
- IDRS CC: INOLE will provide the most current posted entity information on the National Account Profile (NAP)
  - IDRS CC: ENMOD may reflect a recently input address change not posted to IDRS CC: INOLE
  - IDRS CC: IRPTR will provide a current address for the taxpayer from an information return filed for the most recent processing year

If	Then
A better address is found	<ol style="list-style-type: none"> <li>1. Cross out the notice date on the Notice 972-CG and notate the current date beside it.</li> <li>2. Re-mail the notice (include the original envelope).</li> <li>3. Update the control base to the following: <ul style="list-style-type: none"> <li>• Control Category: "IRP-"</li> <li>• Assigned To: "0583700000"</li> <li>• Activity Code: "972-CG_SENT"</li> <li>• Status Code: "M"</li> </ul> </li> <li>4. Update the History Item to "UNDEL-BAF".</li> </ol> <p><b>Note:</b> See IRM 4.19.25.7.4, Address Changes, to determine if an address update is needed.</p>
A better address is found and the current date is after January 1st of the processing year	<ol style="list-style-type: none"> <li>1. Assess the penalty in full.</li> <li>2. Update the Activity Code to "972-CG-PCD".</li> <li>3. See IRM 4.19.25.7.4, Address Changes, to determine if an address change is required. If so, input PDC "1" on the IDRS CC:ADJ54 screen. This will ensure the adjustment notice is issued to the new address.</li> <li>4. Do not input a hold code.</li> </ol> <p><b>Note:</b> See IRM 4.19.25.16, IDRS Adjustments, for more information.</p> <p><b>Note:</b> See IRM 4.19.25.7.4, Address Changes, to determine if an address update is needed.</p>
A better address is not found	<ol style="list-style-type: none"> <li>1. Assess the penalty in full.</li> <li>2. Update the Activity Code to "972CGUNDEL".</li> <li>3. Input Hold Code 3 to prevent the issuance of another notice to the incorrect address.</li> </ol> <p><b>Note:</b> See IRM 4.19.25.16, IDRS Adjustments, for more information.</p>



If	Then
The case has already been closed	<ol style="list-style-type: none"> <li>1. Close the control on IDRS.</li> <li>2. Take the appropriate steps to move the digital case file to quality review on the document repository.</li> </ol>

4.19.25.16  
(06-24-2024)

### IDRS Adjustments

- (1) Use the IAT tool to input adjustments on IDRS CC: REQ54 to file fully waived responses and to process necessary penalty adjustments.

**Note:** Some responses require the input of two adjustments. The first adjustment is input to assess a penalty amount and a second to post the reason for denying the taxpayer's request for waiving or abating the penalty. See IRM 4.19.25.8, Request for Reasonable Cause, for more information.

- (2) **SEQ-NUM> Sequence Number:** Start each day with sequence number "1" and number each subsequent adjustment input in the same day in sequence order (for example: 1, 2, 3, 4, etc.)

- (3) **BLK> Blocking Series (BS):** The following blocking series (BS) are used for IRP adjustments:

- a. Blocking Series 05: Used for full penalty waivers on IMF accounts.
- b. Blocking Series 15: Used for full penalty waivers on BMF accounts. It is also used for reconsideration responses where the explanation is insufficient to make a determination.
- c. Blocking Series 52: Used for first assessment (full or partial change) on the module.
- d. Blocking Series 53: Used for any subsequent adjustments based on a reconsideration on a module with a previous blocking series 52.
- e. Blocking Series 98: Used when disallowing the taxpayer's request for waiving/abating the penalty (based on reasonable cause).

**Note:** When inputting two adjustments (for example: BS 52 and BS 98), **always** associate the taxpayer response to the BS 98 adjustment.

- (4) **CORRSP-DT> Correspondence Date:** Input the date of the taxpayer's response. Input using the following priority:

1. The date the taxpayer entered on their most recent correspondence.
2. Envelope postmark date or the date stamped by the fax machine.
3. Three days prior to the IRS received date.
4. Current date.

**Note:** Use the posted payment date from IDRS CC: TXMOD when the taxpayer's correspondence is not present and the account is full paid to the Notice 972-CG.

**Note:** Leave this field blank when inputting no reply or excessively late adjustments.

- (5) **CASE-STS-CD> Case Status Code:** Enter "C" to close the case control.



**Note:** Use “C” for any assessment made to the account (waiver, assessment, abatement or denial).

- (6) **IRS-RCVD-DT> IRS Received Date:** The IRS received date is required on all assessments resulting from taxpayer correspondence. If it is necessary to enter the IRS received date, determine the date using the following priority:

1. Received date stamped on correspondence.

**Caution:** For no replies to Letter 1865-C and excessively lates, enter the date received in the Document Matching operation.

2. Envelope postmark date or the date stamped by the fax machine.
3. Signature date.
4. Current date.

**Note:** Use the posted payment date from IDRS CC: TXMOD when the taxpayer's correspondence is not present and the account is full paid to the Notice 972-CG.

**Note:** Leave this field blank when inputting “No Reply” adjustments.

- (7) **CTRL-CAT> Case Control Category Code:** Input “IRP-” for all IRP related adjustments.

- (8) **ACTIVITY> Case Control Activity Code:** Input the action taken on the account. The activity code cannot be more than 10 characters. See Exhibit 4.19.25-3, Activity Codes for IRP Processing, for further information.

- (9) **TC> Transaction Code (TC):** All IRP adjustments will include TC 290 with **AMT> .00**

- (10) **RSN-CDS> Reason Code (RC):** Input RCs and PRCs as applicable. The RC generates explanation statements on the CP 215 or CP 15 adjustment notice. You will find the most commonly used PRCs in the IRP program in Exhibit 4.19.25-5, Penalty Reason Codes.

**Note:** When inputting an adjustment using BS 98, **always** input RC 062 in the first position and leave the fourth position blank.

- (11) **HOLD-CD> Hold Code:** Hold Codes are used to prevent or delay the issuance of a refund or a notice. Use a Hold Code 3 anytime you are also generating a CRX explanation letter to the taxpayer (for example: Letter 6304-C or Letter 854C). See Document 6209 for more information.

- (12) **PSTNG-DLAY-CD> Posting Delay Code (PDC):** Use PDC “1” when inputting a second assessment in BS 98 in the same week as inputting an adjustment in BS 52 or 53. Use PDC 1 on any penalty adjustment when also inputting an address change on IDRS CC: ENREQ.

- (13) **CD> Penalty Reference Number (PRN):** Input the appropriate penalty reference number. See Exhibit 4.19.25-4, IRP Penalty Reference Numbers, for further information. Input the penalty amount in the **AMT>** field:

- Input a positive amount to assess (or charge) a penalty.
- Input a negative amount to abate (or remove) a previously charged penalty.

- Input a zero (.00) to waive (not charge a penalty) or when not adjusting a previously charged penalty (no consideration).
- (14) **SOURCE-DOC-ATTACHED?>**: This is a required field. **Always** enter **N** in this field since all IRP case files are digitally stored on the document repository and no longer forwarded to the Campus Files Function.
  - (15) **REMARKS>**: This is a required field and must contain at least three characters. Enter "IRP-ADJ" for all adjustments.
  - (16) **Always** scan a print of the IDRS CC: PMFOLS and/or CC: PMFOLD screen(s) and merge them with the digital case file on the document repository.
  - (17) Certain closing actions require a CRX Letter. **Always** include a copy of the created CRX Letter with the adjustment. A copy of the IDRS CC: LPAGE screen indicating **REQUEST COMPLETED** is acceptable. The CRX letter case documentation must be merged with the digital case file on the document repository.
  - (18) On a case-by-case basis, input History Items on IDRS to explain actions taken on the case.

4.19.25.17  
(08-21-2017)  
**Reconsiderations -  
Overview**

- (1) IRP reconsideration cases are responses received after the case has been closed (assessment or waiver). A reconsideration is a request for abatement of the penalty, and/or interest. Use the same guidelines in making reasonable cause determinations for reconsideration correspondence as when working open IRP cases.
- (2) When working non-current Notice 972-CG TY requests for reconsideration, as a general rule, the tax examiner should apply the most current IRP procedures in the processing of the reconsideration. The tax examiner needs to consider TY specific regulations regarding penalty rates.

4.19.25.17.1  
(07-09-2020)  
**Evaluating  
Reconsideration  
Correspondence**

- (1) IRP reconsiderations are subject to Policy Statement P-21-3 (formerly P-6-12) guidelines. See IRM 4.19.25.2.4, Policy Statement P-21-3 (Formerly P-6-12) Guidelines (Action 61), for more information.
- (2) Use the procedures/guidelines in IRM 4.19.25.7, 972CG Reply Procedures, (including the subsections) and IRM 4.19.25.8, Request for Reasonable Cause, (including the subsections) to evaluate requests for reconsideration.
- (3) Reconsideration responses result in one of the following:
  - a. Fully abating the previously assessed penalty. See IRM 4.19.25.17.1.2, Full Abatement Determinations, for more information.
  - b. Fully disallowing the claim for reconsideration. See IRM 4.19.25.17.1.3, Full Disallowance Determinations, for more information.
  - c. Partially abating the previously assessed penalty or partially disallowing the claim for reconsideration. See IRM 4.19.25.17.1.4, Partial Abatement/Disallowance Determinations, for more information.
  - d. No consideration. See IRM 4.19.25.17.1.5, No Adjustment Determinations, for more information.
- (4) Determine if the account is in a balance due status:

IF	THEN
If the account is in a notice status (balance due),	Input IDRS CC: STAUP with a definer "S" to prevent the taxpayer from receiving additional notices while the response is being worked. See Exhibit 4.19.25-7, Notice Delay Actions (reconsiderations), for the appropriate action.
If the account is in a collection status,	Input TC 470. See Exhibit 4.19.25-7, Notice Delay Actions (reconsiderations), for the appropriate action.

- (5) If there will still be a balance due on the account when closing a case, reduce IDRS CC: STAUP to three cycles or input a TC 472 to reverse a previously posted TC 470, if applicable.

4.19.25.17.1.1  
(12-03-2018)

**Reconsiderations -  
Cases Needing Further  
Action**

- (1) **Accounts in Collection Status:** Ensure any Collection activity is suspended by inputting IDRS CC: STAUP or a TC 470 while the case is being evaluated. See Exhibit 4.19.25-7, Notice Delay Actions (reconsiderations), for more information.
- (2) See IRM 4.19.25.17.1.6, Form 3870 - Request for Adjustment, when a response is received from a tax examiner/revenue officer (RO) working a related case in the Field function.

**Caution:** Do not issue any correspondence on these cases since the tax examiner or RO has already made contact with the taxpayer.

- (3) **Bankruptcy Indicator:** If the account shows indicators of bankruptcy, contact the Centralized Insolvency Operation for direction. Bankruptcy indicators include: TC 520 with closing code(s) 60-67, 83, 85-89 (-V freeze code), 81, or 84 (-W freeze code) is present AND there is no corresponding TC 521 on the account.
- (4) When the information provided by the taxpayer and IDRS research are insufficient to properly evaluate the reconsideration request, it may be possible to obtain a copy of the Notice 972-CG through the recreate request process. See IRM 4.19.25.2.3, 972-CG Recreate Requests, for more information. If the Notice 972-CG cannot be recreated, it may be necessary to request the IRP adjustment document. See IRM 4.19.25.17.2, Requesting Adjustment Documents, for more information.

4.19.25.17.1.2  
(06-24-2024)

**Full Abatement  
Determinations**

- (1) A full abatement determination results when the taxpayer provides enough information to fully reverse the IRP assessment. Input a reversal of the IRP assessment using BS 53. See IRM 4.19.25.16, IDRS Adjustments, for more information.

**Reminder:** Input the PRN for the same amount as the previously posted penalty as a negative value.

**Note:** The taxpayer will receive a CP 15/-CP 215 as notification of the adjustment. Therefore, do not issue Letter 6304-C unless the taxpayer asks questions or raises other issues requiring a response.

- (2) If there will still be a balance due on the account when closing a case, reduce IDRS CC: STAUP to three cycles or input a TC 472 to reverse a previously posted TC 470, if applicable.
- (3) Merge the request for reconsideration with the original case file on the document repository.

4.19.25.17.1.3  
(06-24-2024)  
**Full Disallowance  
Determinations**

- (1) A full disallowance determination results when the taxpayer's request for reconsideration of the previously assessed penalty is invalid (for example: the taxpayer claims they timely filed; however, the evidence does not support the claim) or does not meet reasonable cause.

**Reminder:** As a general rule, the disallowance process should primarily happen during the reply phase.

- (2) When the determination results in a full disallowance:
  1. Input an adjustment using BS 98. See IRM 4.19.25.16, IDRS Adjustments, for more information.
  2. Send Letter 854-C and include specific reason(s) the abatement request is being denied.

**Caution:** DO NOT send multiple Letters 854-C on the same account. If the taxpayer responds to a Letter 854-C, see IRM 4.19.25.17.3, Appeals Cases - General Guidelines.
  3. Reduce IDRS CC: STAUP to three cycles or input a TC 472 to reverse a previously posted TC 470, if applicable, and if a balance due remains on the account when closing a case.
  4. Merge the request for reconsideration with the original case file on the document repository.

4.19.25.17.1.4  
(06-24-2024)  
**Partial  
Abatement/Disallowance  
Determinations**

- (1) A partial abatement determination results when the taxpayer agrees with a portion of the previously posted penalty and establishes reasonable cause (or shows they are not liable) for the remainder of the penalty.

1. Input the partial abatement using BS 53. See IRM 4.19.25.16, IDRS Adjustments, for more information.

**Reminder:** Input the PRN for the abated amount as a negative value.

2. Send Letter 6304-C.
  3. Reduce IDRS CC: STAUP to three cycles or input a TC 472 to reverse a previously posted TC 470, if applicable, and if a balance due remains on the account when closing a case.

- (2) A partial disallowance determination results when the taxpayer's request for reconsideration of the previously assessed penalty is insufficient to fully abate the penalty. In this situation, two adjustments are required:

1. Input one adjustment (using BS 53) to abate the portion of the penalty based on reasonable cause and a second adjustment using BS 98 to post the reason for denying the request to abate the remainder of the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.

**Reminder:** Input the PRN for the abated amount as a negative value.

2. Send Letter 854-C. Inform the taxpayer of the specific reason(s) the explanation was not accepted and the amount abated.

**Caution:** Do not send multiple Letters 854C on the same account. If the taxpayer responds to a Letter 854-C, see IRM 4.19.25.17.3, Appeals Cases - General Guidelines.

3. Update IDRS CC: STAUP to three cycles or reverse the TC 470 as applicable.
4. Merge the request for reconsideration with the original case file on the document repository.

4.19.25.17.1.5  
(06-24-2024)

**No Adjustment Determinations**

- (1) A no adjustment determination results when the taxpayer does not provide sufficient information to make a determination.

1. Input an adjustment using BS 15 (BMF account) or BS 05 (IMF account) to file the response. See IRM 4.19.25.16, IDRS Adjustments, for more information.

**Note:** Ensure the PRN amount and the Reason Code fields are blank.

2. Send Letter 6304-C. Inform the taxpayer the information provided was insufficient and explain what is needed.
3. Reduce IDRS CC: STAUP to three cycles or input a TC 472 to reverse a previously posted TC 470, if applicable, and if a balance due remains on the account when closing a case.
4. Merge the request for reconsideration with the original case file on the document repository.

- (2) **Do not** suspend reconsideration cases when sending Letter 6304C to request additional information.

4.19.25.17.1.6  
(12-03-2018)

**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 IRP civil penalty. These cases will be worked within 45 days of receipt into the Operation on a first-in, first-out basis while workload permits.
- (2) These cases are controlled on IDRS.
- (3) DO NOT issue any correspondence on these cases since the RO has already made contact with the taxpayer.

If	Then
The Form 3870 includes information that will allow for abatement of the penalty	<ol style="list-style-type: none"> <li>1. Input the adjustment on IDRS to adjust/abate the penalty. See IRM 4.19.25.16, IDRS Adjustments, for more information.</li> <li>2. Attach the Form 3870 to the adjustment as the source document.</li> </ol> <p><b>Reminder:</b> Do not issue any correspondence because the RO has already made contact with the taxpayer. Also, do not return the Form 3870 to the RO. The RO will monitor IDRS for the adjustment to post.</p>

If	Then
The Form 3870 does not include sufficient information to make a penalty adjustment	<ol style="list-style-type: none"> <li>1. Contact the preparer of the Form 3870 to request the information needed to resolve the case.</li> <li>2. Suspend the case for no longer than 30 days.</li> <li>3. Update the Activity Code of the IDRS control base to "F3870-MMDD" where "MMDD" represents the last day of the suspense period.</li> <li>4. Once the information is received, process your case using the procedures above.</li> </ol>
The information to resolve the penalty is not received from the RO or group manager by the agreed upon receipt date (plus five business days mail time)	<ol style="list-style-type: none"> <li>1. Reject the case back to the RO.</li> <li>2. Input "REJRODOC" in the Activity Code on IDRS.</li> </ol>

4.19.25.17.2  
(06-24-2024)

#### Requesting Adjustment Documents

- (1) While most requests for reconsideration can be worked from the information provided and IDRS research, there are times when it may be necessary to order the original IRP assessment if the case file was not stored on the document repository prior to digitalization.

**Example:** The taxpayer requests reconsideration for a TY where IDRS CC: PMFOL information is no longer available AND a copy of the Notice 972-CG is not available as a **recreate request**. See IRM 4.19.25.2.3, 972-CG Recreate Requests, for more information.

1. Order the IRP adjustment document.
2. Update IDRS control base activity. See Exhibit 4.19.25-3, Activity Codes for IRP Processing, for more information.
3. Monitor for 30 days. If the document is not received, submit a second request.

**Note:** If the document is not received after the second request, confer with the lead tax examiner or the manager to determine next steps.

4. Check the STAUP and extend, if needed.

- (2) If an original IRP assessment is needed to properly evaluate a request for reconsideration and the original case file was worked digitally, refer the TIN to the lead tax examiner who will have the case file pulled from the document repository retention file.

4.19.25.17.3  
(09-09-2019)

#### Appeals Cases - General Guidelines

- (1) Requests for relief from civil penalty assessments received after the initial request for relief has been denied through the issuance of Letter 854-C are generally considered an appeal of the previous penalty relief denial.
- (2) The appeals coordinator acts as the liaison between the Operation and Appeals.
- (3) All cases requesting penalty relief through the IRS Office of Appeals must be processed within 30 calendar days from the IRS Receive Date.



**Note:** Managers are responsible for ensuring employees meet this time frame.

4.19.25.17.3.1  
(06-24-2024)  
**Appeals Cases - Tax  
Examiner  
Responsibilities**

- (1) When a response to Letter 854-C is received, determine if the penalty was previously sustained in Appeals. This may be identified by the presence of **PRC 041/042** followed by a TC 290 for \$0.00 with a Blocking Series 96X and a -N freeze code on the account. If this information is present, forward the request to the appropriate Appeals office. To determine the appropriate Appeals office, do the following:
  1. Access the Appeals Case Routing Tool at <https://irs.gov.sharepoint.com/sites/ap-cos-aps/SitePages/Case-Routing-Into-The-Independent-Office-Of-Appeals.aspx>.
  2. Click on the "Spreadsheet Tool" link.
  3. Click on the "Type of Case" field, select "Post Assessed Penalty Appeals Domestic" from the drop down menu.
  4. Click on the "Taxpayer Location" field, select "All" from the drop down menu.
- (2) When a response to Letter 854-C is received, disagreeing with the penalty, and the penalty was not previously sustained in Appeals, review the correspondence for any information that would allow the penalty to be abated.

**Note:** It may be necessary to request the original penalty adjustment document from the files function in order to complete the review.

- (3) If the information provided meets penalty relief, abate the penalty(ies).

**Reminder:** Re-file the original penalty adjustment document back to the files function separately under its own DLN.

- (4) If the information provided does not meet penalty relief, prepare the case for transfer to the Appeals Coordinator. The case needs to include the following items:
  - Signed statement from the taxpayer (or authorized representative) requesting an appeal. See (5) below for further information.
  - The original reasonable cause denial penalty assessment. See (6) below for further information.
  - A copy of the original Letter 854C.
- (5) The response requesting an appeal must be signed by the taxpayer or an authorized POA with a valid Form 2848 on file. If the response does not contain the necessary appeals request, contact the taxpayer and explain what is needed in order for the taxpayer to appeal the penalty determination.

**Caution:** A Form 8821 or Form 2848, Level H (Unenrolled Return Preparer), is not considered an authorized POA.

If	And	Then
The response includes a telephone contact number, attempt a phone contact	The contact is successful	<ol style="list-style-type: none"> <li>1. Inform the taxpayer to fax their signed request for Appeals within three business days.</li> <li>2. If the fax is not timely received, issue Letter 6304-C and close case control. See IRM 4.19.25.12.1, Creating Correspondence Letters, for more information.</li> <li>3. Scan and merge the fax with the digital case file on the document repository.</li> <li>4. If the fax is timely received go to (6) below.</li> </ol>
The response includes a telephone contact number, attempt a phone contact	The contact is unsuccessful	<ol style="list-style-type: none"> <li>1. Issue Letter 6304-C. See IRM 4.19.25.12.1, Creating Correspondence Letters, for more information.</li> <li>2. Close case control.</li> </ol>
The response does not include a telephone contact number	-	<ol style="list-style-type: none"> <li>1. Issue Letter 6304-C. See IRM 4.19.25.12.1, Creating Correspondence Letters, for more information.</li> <li>2. Close case control.</li> </ol>

## (6) When you have secured the taxpayer's signed request for appeals:

1. Order the penalty adjustment document processed in the 98 blocking series.

**Note:** For paper cases, request the adjustment document using IDRS CC: ESTAB. For digital cases, the digital case must be printed from the retention file.

2. Update IDRS control base activity. See Exhibit 4.19.25-3, Activity Codes for IRP Processing, for more information.
3. Monitor the case for 30 days.

If	Then
The files function provides the source document or provides a blank charge out (indicating the source document is unavailable),	Provide the appeals coordinator with the source document or the blank charge out.
The files function does not respond after 30 days,	Initiate a second request.



If	Then
The files function does respond after the second attempt,	Provide the appeals coordinator with the copy of the document request.  <b>Note:</b> If the document request is received after the case has been forwarded to Appeals, refer the document to the appeals coordinator.

- (7) Once all of the items in (4) above are secured, transfer the case to the appeals coordinator.

4.19.25.17.3.2  
(06-24-2024)

**Appeals Cases -  
Coordinator  
Responsibilities**

- (1) When a tax examiner has completed their required actions on a case requiring a transfer to Appeals, the case will be transferred to the appeals coordinator. The coordinator will review the file to determine if all appropriate steps have been taken and if all required documentation is present. The case file must include the following:

**Note:** If the case file is saved on the document repository, print each of the items listed below.

- a. The letter requesting an appeal, signed by the taxpayer or an authorized POA (with a valid Form 2848 on file).

**Caution:** A Form 8821 or Form 2848, Level H (Unenrolled Return Preparer), is not considered an authorized POA.

- b. A copy of the previous denied penalty relief request (the TC 290 .00 in BS 98 Source Document). If the source document is not available, a copy of the files charge-out information should be present.  
c. A copy of the original Letter 854-C.

- (2) If the case file is incomplete, return it to the tax examiner to complete the required actions.

- (3) Forward the completed case file to the Fresno Appeals campus office:

1. Close any open IRP controls.
2. Open a new control base to Appeals, assign the case to 6629800000, and control category "APPZ".
3. Input a TC 971 with Action Code 251 for each case.
4. Input TC 470 with Closing Code 90, if applicable.
5. Issue Letter 86-C, Referring Taxpayer Inquiry/ Forms to Another Office, to the taxpayer and use 90 days as the contact time frame. The phone number for contact is 855-865-3401. The address is:  
Independent Office of Appeals  
3211 S. Northpointe Drive  
Mail Stop 55205  
Fresno, CA 93725
6. Complete Form 12835, Transmittal of a Case to Appeals, for each case.
7. Complete one Form 3210, Document Transmittal, for the group of cases being sent to Appeals. Ship the cases to the address of the Fresno Appeals office.

8. Complete Form 9814, Request for Mail/Shipping Service, for clerical to package the appeals case(s) for shipping.

4.19.25.17.4  
(08-21-2017)  
**Civil Penalty Statute of  
Limitations**

- (1) IRP penalties must be assessed within three years after the due date of the return or the date filed, whichever is later.
- (2) A claim for credit or refund must be filed within three years from the time the return was filed or two years from the time the penalty was paid, whichever is later.

4.19.25.17.4.1  
(07-20-2023)  
**Assessment Statute  
Expiration Date**

- (1) For missing or incorrect information on a filed information return, the penalties must be assessed within three years after the due date of the information return or the date filed, whichever is later, per IRC 6501(a). This date is defined as the assessment statute expiration date (ASED).
- (2) Once the three year period has passed, the only adjustment that can be made to the account is to reduce or remove the penalty.

4.19.25.17.4.2  
(07-20-2023)  
**Refund Statute  
Expiration Date**

- (1) A claim for credit or refund must be filed within three years from the time the return was filed or two years from the time the penalty was paid, whichever is later, per IRC 6511(a). This date is defined as the refund statute expiration date (RSED).
- (2) Penalties should not be abated on a full paid account if the overpayment created is barred from refunding because the RSED has passed and no condition exists that will extend the refund period. This is true even if the taxpayer's claim for penalty abatement is based on reasonable cause.
- (3) When a request for reconsideration is received after the RSED has expired AND reasonable cause has been established, see IRM 25.6.1, Statute of Limitations Processes and Procedures, for more information.

4.19.25.18  
(07-20-2023)  
**No Replies to Letter  
1865C - Assessments**

- (1) The penalty for failure to file in the proper format is assessed for unprocessable paper and electronic returns identified by SP and TSO. This penalty is manually assessed by the Information Return Penalty Unit. It is not preceded by a Notice 972-CG.
- (2) Notification is sent to the taxpayer during initial processing using Letter 1865-C. The letter does the following:
  - Explains the problem in detail.
  - Requests the taxpayer resubmit the corrected forms within 30 days of the letter date.
  - Advises the taxpayer of the applicable penalties for not re-submitting the returns timely.
- (3) Unprocessable returns are referred to the Information Return Penalty Unit for the failure to file in proper format penalty via transmittal if they are still unprocessable at the SP cut off for the year. A copy of Letter 1865-C that was sent to the taxpayer should be included with each case.
- (4) Only the actual unprocessable returns will be subject to the failure to file in the proper format penalty. Effective February 7, 2022, the volume of unprocessable

returns will be included as a fill-in for one of the selected paragraphs of Letter 1865-C. Prior to this date, SP notated the number of unprocessable returns on each case.

- (5) Penalties must be assessed within 180 calendar days of receipt in the operation. The Information Return Penalty Unit will apply the penalty for each unprocessable return received as follows:
  1. Determine the total penalty amount based on the impacted returns shown on the copy of Letter 1865-C.
 

**Note:** The volume shown in Letter 1865-C also includes the Form 1096. Only the actual unprocessable returns will be subject to the failure to file in the proper format penalty. Subtract “1” from the volume listed in Letter 1865-C when determining the volume of impacted returns.
  2. Obtain written supervisory approval **before** asserting the penalty. See IRM 4.19.25.6, Written Supervisory Penalty Approval Process, for more information.
  3. Input the penalty assessment on the applicable civil penalty module for the proper TY. See IRM 4.19.25.16, IDRS Adjustments, for more information.
 

**Note:** Input “1865CPURGE” in the activity field and “503” in the penalty reference number field.
  4. Identify the reason for the unprocessable condition, based on the description in the Letter 1865-C and input IDRS History Items with the following:

History Item Needed	Example
The unprocessable information return type.	“1099-MISC”, “1099-INT”, etc.
The reason for the unprocessable condition.	“MIXEDYEAR”, “MULT-PAYER”, “NOINCOME”, etc.
The date Letter 1865C was issued.	“1865CSENT” and “MM-DD-YYYY”

5. Do not send a correspondex letter. The taxpayer will receive a CP 15 or CP 215 to advise them of the penalty assessment.

4.19.25.18.1  
(06-24-2024)  
**No Replies to Letter  
1865-C -  
Reconsiderations**

- (1) Generally, taxpayers must establish reasonable cause for the penalty to be abated. Use the procedures/guidelines in IRM 4.19.25.7, 972-CG Reply Procedures, (including the subsections) and IRM 4.19.25.8, Request for Reasonable Cause, (including the subsections) to evaluate the response. If the penalty can be fully abated, see IRM 4.19.25.17.1.2, Full Abatement Determinations, for more information.
- (2) If the taxpayer submits corrected returns in response to the penalty adjustment notice (CP 15/ CP 215). Receipt and Control will notate on the CP 15/ CP 215 notice, “Processable returns submitted”, and also notate the received date and the number of returns submitted.

- (3) Review the taxpayer's response to determine if the explanation establishes reasonable cause. If the taxpayer's explanation does not establish reasonable cause **and** the received date indicates the penalty should be reduced, do the following:

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1. Recalculate the penalty using the information in Exhibit 4.19.25-1, Penalty Rates for Large Businesses, and Exhibit 4.19.25-2, Penalty Rates for Small Businesses, as appropriate. The penalty should only be adjusted for the number of processable returns received as noted on the CP 15/ CP 215 notice. See IRM 4.19.25.17.1.4, Partial Abatement/ Disallowance Determinations, for more information.
2. Include the following open paragraph in Letter 6304-C: "We received your corrected information returns on MMDDYYYY. The penalty you were previously assessed for filing unprocessable Forms XXXX has been reduced to \$XX.XX per return. You will receive an adjusted balance due notice". See IRM 4.19.25.12.1, Creating Correspondence Letters, for more information.

**Reminder:** Do not use the paragraph above verbatim. "MMDDYYYY" represents the IRS received date of the information returns filed. "XXXX" represents the applicable form number filed. "\$XX.XX" represents the corrected penalty amount (including zero). Use the correct entries in the open paragraph as required by each case.

- (4) If the taxpayer's explanation does NOT meet reasonable cause regardless of whether they include processable returns, disallow the claim. See IRM 4.19.25.17.1.3, Full Disallowance Determinations, for more information.

4.19.25.19  
(08-21-2017)  
**Form 3491 - Consumer  
Cooperative Exemption  
Application**

- (1) Cooperatives are entitled to an exemption from filing Form 1099-PATR, Taxable Distributions Received from Cooperatives, if 85 percent of the cooperative's gross receipts for the preceding year or 85 percent of its total gross receipts for the preceding three TYs, were from retail sales of goods or services that are generally for personal, living or family use.
- (2) The cooperative files Form 3491, Consumer Cooperative Exemption Application, to file for this exemption.

4.19.25.19.1  
(07-20-2023)  
**Abatement Requests  
Based on Form 3491**

- (1) If the cooperative indicates they have an approved exemption, and a copy is included, waive or abate the penalty.
- (2) If the cooperative indicates they have an approved exemption, and a copy is not included, treat correspondence as an insufficient reply.

4.19.25.19.2  
(07-20-2023)  
**Processing Forms 3491**

- (1) Upon receipt of an unprocessed Form 3491, evaluate the form for completeness and validity.

- (2) The Form 3491 is considered complete when the taxpayer fills out section 1a, Name of Organization, through section 6, Gross Receipts, **and** must include the signature of the officer under the penalties of perjury jurat statement.

**Note:** A faxed signature is acceptable.

- (3) The Form 3491 is considered valid when the percentage shown on line 6a, column 4, is 85 percent or more. Verify this percentage by:
1. Dividing the amount on line 6a, column 1, by the entry in line 6a, column 3.
  2. If the entries on line 6a (first preceding year) do not result in 85 percent or more, then divide the entry on line 6d, column 1 by the entry on line 6d, column 3.
  3. If the entries on line 6d (total) do not result in 85 percent more, then the Form 3491 is invalid and the taxpayer is not entitled to the exemption.
- (4) If the Form 3491 is incomplete and/or invalid, return it to the taxpayer with Letter 131-C, Information Insufficient or Incomplete for Processing Inquiry. Do NOT make any annotations on the Form 3491.
1. On Letter 131-C, include a detailed explanation explaining why the form is being returned (for example: The form is missing the signature of the officer, the percentage of gross receipts from retail sales is less than 85 percent total receipts, etc.)
  2. Input the following two-line IDRS History Item to the MFT 13 for the tax period of the requested exemption: "FORM3491" and "NOTAPPROVD".
- (5) If the Form 3491 is complete **and** the 85 percent rule is met, the request will be approved.
1. Check the "We have approved your application" box on both copies.
  2. Stamp the Director's signature on both copies.
  3. Enter the current date on the Director's signature line of both copies.
  4. Return the original Form 3491 to the taxpayer with Letter 6304-C explaining the Form 3491 was approved and to be retained for their records.
  5. Input the following adjustment on MFT 13 for the tax period of the approved exemption. Include the following information:

Item	Content
BLK>	"15" for BMF account
ACTIVITY>	"PATREXEMPT"
TC>	290 .00
CD (PRN)>	600
REMARKS>	"Exemption from filing Form 1099-PATR"

**Note:** Attach one copy of the signed Form 3491 as the source document for the adjustment. See IRM 4.19.25.16, IDRS Adjustments, for more information.

4.19.25.20  
(06-14-2022)  
**Excessively Late Filed  
Information Returns**

- (1) Some information returns are filed so late, they are not included in the IRP process. Excessively late paper information returns are processed by SP, then scanned and referred to the Information Return Penalty Unit to assess the late filing penalty (PRN 500). Excessively late electronically filed information returns are received from the Information Returns Branch on a password protected Excel spreadsheet via secure email (also PRN 500).

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- (3) Assessments must be input to IDRS within 180 calendar days from receipt into the operation.

**Caution:** Excessively late cases do not contain taxpayer correspondence and should not be given the same priority as aged correspondence. See IRM 4.19.25.21.1.2 (7) for more information.

- (4) If correspondence is attached to the paper information returns, review and evaluate for indications of reasonable cause. See IRM 4.19.25.8, Request for Reasonable Cause, and IRM 4.19.25.8.1, Late Filing Penalty, for more information.

- (5) For paper documents, do not assess late filing penalties when:

- These information returns were already posted to IDRS CC: PMFOL.
- The maximum civil penalty has already been reached before assessing any further penalties.
- The Form 1096 or Form 1094 is annotated with "Penalty Considered" and/or is coded "E" (penalty considered by Exam), "C" (penalty considered by Collection), or "N" (penalty considered by Receipt and Control).
- It can be determined the returns are corrections of previously filed IRs.
- The Form 1096 or Form 1094 does not contain an IRS Received Date.

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**Note:** See IRM 4.19.25.7.1, Cases Needing Further Action, for additional conditions that may impact the penalty assessment.

- (6) For electronically filed information returns, do not assess late filing penalties when:

- These information returns were already posted to IDRS CC: PMFOL.
- The maximum civil penalty has already been reached before assessing any further penalties.
- It can be determined the returns are corrections of previously filed IRs.

**Note:** See IRM 4.19.25.7.1, Cases Needing Further Action, for additional conditions that may impact the penalty assessment.

- (7) Obtain written supervisory approval **before** asserting the penalty on both paper and electronic filings. See IRM 4.19.25.6, Written Supervisory Penalty Approval Process, for more information.
- (8) Assess the penalty on the appropriate civil penalty module (MFT 13 for BMF or MFT 55 for IMF) for the applicable TY. See IRM 4.19.25.16, IDRS Adjustments, for more information. Input the following:
  1. BS 52
  2. PRN 500
  3. Penalty amount: (volume of late information returns multiplied by the applicable late penalty rate)
  4. Activity Code: "LATE-F1096"
  5. Input the following four IDRS History Items: "EXCESSLATE", form type (for example: "1099INT"), "RECEIVE-ON", "MM-DD-YYYY".

**Note:** For the electronically filed information returns, the IRS Received Date can be found on IDRS CC: PMFOLD.

6. Send Letter 6304-C. Inform the taxpayer they have been charged a late filing penalty under IRC 6721. Ensure the letter includes the document type, the number of IRs, and the amount of the penalty.

**Note:** For electronically filed information returns, the document code can be identified on the spreadsheet under the column titled, "Doc Code". The number of information returns can be identified under the column titled, "Tot Org Rtns Subj To Pen". Refer to Document 6209 to determine the document type by identifying the Document Code.

7. If the taxpayer responds, follow the guidelines in IRM 4.19.25.17, Reconsiderations - Overview (including subsections), for more information.

4.19.25.21  
(08-21-2017)  
**Inventory Management**

- (1) The success of the IRP program is dependent upon the effective management of inventory.
- (2) Tax examiners are responsible for monitoring the cases assigned to their individual IDRS number to ensure all appropriate actions are taken and mandated time frames are met.
- (3) There are various tools/reports employees use to effectively manage their individual inventory and management uses to monitor the overall program inventory.

4.19.25.21.1  
(08-21-2017)  
**Tax Examiner Inventory Management**

- (1) Aged criteria - Notice 972-CG replies and requests for reconsideration will be considered aged at 45 days from the IRS received date.

**Caution:** Inventories that do not contain taxpayer correspondence do not age in the same manner as those inventories that do. This must be taken into consideration when identifying priority cases. See IRM 4.19.25.21.1.2, IDRS Inventory Report, for more information.

- (2) Tax examiners track the time spent performing IRP-related activities based on



the applicable Organization Function Program (OFP) code. See IRM 4.19.25.21.1.1, Organization Function Program Codes, for more information.

- (3) Tax examiners record the volume of cases worked on a daily basis using an inventory tracker (for example: Feeder Sheet).
- (4) Tax examiners use the CCA reports to monitor and manage their individual inventories.

4.19.25.21.1.1  
(07-20-2023)  
**Organization Function  
Program Codes**

- (1) OFP codes are used in preparation of the business operating divisions work plans/work schedules. This data shows historic staff-hour and volume usage. Because of the many uses for this data it is imperative reporting be as accurate, consistent and error free as possible.
- (2) OFP codes are recorded on Form 3081, Employee Time Report, to identify IRP programs IRS employees perform daily.
  - An organization code is a five-character code used to describe where the work is being performed (for example: 84000 CAWR/FUTA).
  - A function code is a three-digit code used to describe what is being done (for example: 700 Telephone Activity, 710 Tax Account Activity, 790 Clerical Activity, etc.).
  - A program code is a five-digit code used to describe the program being worked. The program codes used in IRP are:

Program Code	Description
44610	972-CG Replies
44612	972-CG no replies
44614	972-CG undeliverables
44651	972-CG reconsiderations
44652	Other reconsiderations <b>Example:</b> Reconsiderations resulting from Letter 1865-C no replies, excessively late assessments, etc.
44661	1096/ no replies to Letter 1865-C
44662	1096/ excessively lates

4.19.25.21.1.2  
(06-24-2024)  
**IDRS Inventory Report**

- (1) The CCA 42-43 IDRS Inventory Report contains all cases controlled to an IDRS employee number. Tax examiners/managers use this report to:
  - Identify cases that require action
  - Identify specific cases for review
  - Determine if employees are working inventory in the proper order
  - Set closure expectations
  - Identify potential management problem cases



- (2) This report is available in Control-D every Monday morning:
- Report Name: "OVERAGE REPORT"
  - Job Name: "CCA 4243"
- (3) The report lists cases assigned to IDRS employee numbers. For each case shown, the following information is provided:

Items On Report	Description
Team	The team the cases are assigned to
EMP	Employee's IDRS number
TIN	Employer Identification Number
MFT	Master File Tax Account Code
TXPD	Tax period on assigned account
NAME	Name Control on taxpayer's account
Freeze Codes	Freeze codes on the IDRS account
Age	Number of days case has aged on IDRS
IRS Rcd Date	The date the IRS received the case
Assigned Date	The date the case was assigned to an examiner
Activity Code	A 10-character field on IDRS the tax examiner uses to enter actions taken on the case
Status	Case History Status Code (A – Active, B – Background, C – Closed, M - Other long-term delay, and S – Suspense)
Category	Category of case
Action Date	Last action input on account
BMF Mod Balance	Module balance on IDRS
Stat Age	Indicates statute conditions for current and previous year returns – over, expired, or days remaining on statute
STAUP Cycle	Stops notices from generation until cycle listed
C Letter and Date	Date and type of CRX letter sent
BOD	Business Operating Division
CLC	Client Code
Plan No	If applicable. Integrated Data Retrieval System 11884-102 7-8

- (4) Each tax examiner is responsible to ensure the control assigned to them on IDRS is physically in their possession and can be retrieved at any time:
- If the case on the CCA listing is not in your physical possession, research IDRS to determine the current case status.

If	Then
The penalty was already assessed, but the control was not closed	Close the IDRS control.
An IDRS control is still open and the penalty has not been assessed	See IRM 4.19.25.5.1, Lost and/or Extra Cases, and follow the guidelines for a lost case.

- b. If the case is physically in your possession, but not on the CCA report, research IDRS to determine the current case status and consult with the lead tax examiner or manager for direction, if necessary.
- (5) On a weekly basis, the manager/lead provides the tax examiner with the page(s) of the CCA 42-43 report where the cases are controlled to their IDRS number. Tax examiner will notate the actions taken on each case worked and return the annotated copy to their Manager/Lead. Annotations should include:
- “C” - Case moved to closed status.
  - “M” - Case moved to monitor status.
  - “U” - Updated activity (for example: received an ATAO request).
  - “S” - Case moved to suspense status.
- (6) Effective inventory management is critical to meeting taxpayer expectations, organizational goals and objectives. The following table provides an operation-level inventory prioritization list. This must be used by all employees on a weekly basis to effectively manage their inventories as applicable; however, not all employees have responsibility for each inventory type.

**Example:** If a tax examiner does not have any cases meeting the definition in priority level 4 controlled to them, the tax examiner would move on to priority level 5, etc.

**Exception:** For 60 days immediately prior to the PCD, inventory priorities can be modified to ensure PCD is met. Exam Policy must be notified prior to any changes being implemented.

**Note:** The Overage Report Compiler and Sorter (ORCAS) Manager can be utilized to review the CCA report on a weekly basis and prioritize inventory.

Priority Level	Inventory Type
1	<b>Unpostables</b> —Cases controlled using category code “NLUN”. <b>Exception:</b> Any case with an ASED expiring in less than 30 calendar days becomes first priority above all other inventory.
2	<b>Statute Imminent Cases</b> —Cases with an ASED expiring within 180 days.

Priority Level	Inventory Type
3	<p><b>Undeliverables (clerical)</b>—Processing must be completed by within 14 business days of IRS receipt or three business days of receipt in the Operation, whichever is later.</p> <p><b>Caution:</b> Undeliverable Notices 972-CG not processed in a timely manner cause unnecessary delays for taxpayers and can have a negative impact on the program's ability to meet the PCD. In some cases, untimely processing of undeliverable Notices 972-CG can cause premature penalty assessments due to PCD requirements. Therefore, it is critical to both Customer Satisfaction and Business Results that all undeliverable Notices 972-CG are processed in a timely manner.</p>
4	<p><b>Undeliverables (tax examiners)</b>—Processing must be completed within 14 business days of being batched.</p> <p><b>Caution:</b> Undeliverable Notices 972-CG not processed in a timely manner cause unnecessary delays for taxpayers and can have a negative impact on the program's ability to meet the PCD. In some cases, untimely processing of undeliverable Notices 972-CG can cause premature penalty assessments due to PCD requirements. Therefore, it is critical to both Customer Satisfaction and Business Results that all undeliverable Notices 972-CG are processed in a timely manner.</p>
5	<p><b>Appeals Cases</b>—Appeals cases must be worked within 30 calendar days from the IRS received date.</p>
6	<p><b>972-CG Suspense (no replies)</b>—Processing must be completed during the week in which 90 days have passed from the notice date.</p>
7	<p><b>Case Suspense Purge</b>—Cases where a suspense timeframe has expired.</p> <p><b>Example:</b> This includes Letter 1948-C suspense, document requests, extension requests, etc. See Exhibit 4.19.25-3, Activity Codes for IRP Processing, IRM 4.19.25.13, Suspense Procedures, and IRM 4.19.25.17.2, Requesting Adjustment Documents, for more information.</p> <ul style="list-style-type: none"> <li>• <b>Letter 1948-C Suspense</b>—Cases where the taxpayer was contacted and the suspense date (for example: "1948CMMDD") has expired.</li> <li>• <b>Form 2275 Requests</b>—Cases where Form 2275 was submitted to request an adjustment document and 30 calendar days has passed since the request was submitted.</li> </ul>
8	<p><b>Corrective Case Actions</b>—Cases with mismatched (erroneous) case controls, category codes, and/or activity codes, etc.</p>
9	<p><b>First in, First out (FIFO)</b>—After all processing for the inventories shown above has been completed, all other remaining inventory types with taxpayer correspondence attached must be worked by oldest IRS received date. These include the following:</p> <ul style="list-style-type: none"> <li>• Replies to Notice 972-CG</li> <li>• Replies to Letter 1948-C</li> <li>• Reconsiderations</li> </ul> <p><b>Caution:</b> Do not give priority consideration to one TY over another when prioritizing inventory by oldest IRS received date.</p>

Priority Level	Inventory Type
10	<b>Forms 3870</b> —These cases will be worked within 45 days of receipt into the Operation on a first-in, first-out basis while workload permits.
11	<b>Excessively Lates</b> — Excessively lates do not contain taxpayer correspondence and are not given the same priority as other inventories. However, these inventories must be effectively managed/prioritized and assessed within 180 calendar days of receipt into the operation.
12	<b>No Replies to Letter 1865-C</b> — No replies to Letter 1865-C do not contain taxpayer correspondence and are not given the same priority as other inventories. However, these inventories must be effectively managed/prioritized and assessed within 180 calendar days of receipt into the operation.

- (7) Annotate the CCA report with all actions taken for each case and return to the manager by the end of the employee's work week. Refer to IRM 4.19.25.21.1.2(5) above for more information.

4.19.25.21.2  
(07-20-2023)  
**Program Management**

- (1) **Program Completion Date (PCD):** Each year, all of the case types listed below must be resolved by midnight, March 31st following the initial Notice 972-CG notice date:
- All replies to Notice 972-CG.
- Note:** For purposes of meeting PCD, a resolved reply must result in either a full waiver, partial waiver/assessment or full denial of reasonable cause (penalty assessment).
- All cases where a reply was not received to Notice 972-CG (penalty assessments).
  - All undeliverable Notices 972-CG (penalty assessments).
- (2) IRM guidance must be followed and cannot be modified locally to accelerate case processing in order to meet PCD. Any deviation must be formally approved by Exam Policy.
- (3) **Age Criteria:** IRP replies and reconsideration replies will be considered aged at 45 days from the IRS received date.
- Caution:** Inventories that do not contain taxpayer correspondence do not age in the same manner as those inventories that do. This must be taken into consideration when identifying priority cases. See IRM 4.19.25.21.1.2, IDRS Inventory Report, for more information.
- (4) Prior to the first 972-CG mail-out date, MITS provides the campus with a database file containing the TINs of all the taxpayers that will be sent a notice, broken out by notice date. This information will be used to open a control base for each case with:
- a. Activity Code: "972CG\_SENT"
  - b. Status Code: "M"
  - c. IRS Received Date: the notice date
  - d. Category Code: "IRP-"
  - e. Assigned Employee Number: "0583700000"

**Note:** All cases with the same notice date must be controlled before close of business on the Friday immediately following the notice date (for example: All cases with a notice date of Monday, August 5th, must be controlled by Friday, August 9th).

- (5) **Default assessment time frames:** Cases where the taxpayer has not responded to the Notice 972-CG will be purged (for example: assessed) for the

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**Caution:** Specific steps must take place prior to processing any no replies. See IRM 4.19.25.14, 972-CG No Replies, for more information.

- a. Local Management will input the penalty assessments for impacted cases.

**Note:** These are cases in status code “M” with Activity Code “972CG\_SENT”.

- b. Cases remaining in each designated mail-out date will be assessed until all mail-out dates have been addressed.  
c. The TY 2021 Notice 972-CG No reply purge dates are:

Notice 972-CG Notice Date	
07/22/2024	
07/29/2024	
08/05/2024	
10/07/2024	
10/14/2024	
10/21/2024	

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**Reminder:** Due to undeliverable Notices 972-CG being reissued with notice dates other than those shown above, care must be taken to identify those

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4.19.25.22  
(07-26-2018)

#### IRP Clerical Procedures

- (1) The IRP clerical function sorts incoming mail into the following categories:

- IRP mail vs. non IRP.
- Agreed Notice 972-CG responses vs. disagreed Notice 972-CG responses.
- Undeliverable mail.
- Letter 854-C responses.
- Failure to File in the Proper Format (Letter 1865-C cases).
- Excessively Late Form 1096 cases.

- (2) The main sorts are then broken down into a finer sort by program type, IRS received date, and TY.

- (3) Incoming mail is stamped with the PSC Operation received date.
- (4) Incoming mail is bundled into batches of no more than 30 and filed to be queued for input into the SB/SE Document Matching Batcher.
- (5) The SB/SE Document Matching Batcher is utilized to control incoming mail. See IRM 4.19.25.22.3, Controlling Incoming Mail, for more information.

**Exception:** The SB/SE Document Matching Batcher currently cannot be used for: Failure to File in the Proper Format (Letter 1865-C cases) and Excessively Late Form 1096 cases. See IRM 4.19.25.22.3.4, Controlling Incoming 1865-C and Excessively Lates, for more information.

**Caution:** If the IAT/ Quick CC tools do not cover all situations or are not functioning, the appropriate steps must still be taken to process cases manually.

- (6) Work is staged to make it available to the technical units.
- (7) Assessment packages are routed to the Files Function.

4.19.25.22.1  
(06-24-2024)  
**Digitalization of IRP  
Correspondence**

- (1) The digitalization of all IRP correspondence has been implemented to eliminate paper processing, streamline case processing, and improve the taxpayer experience. A document repository was created for IRP correspondence.
- (2) Beginning with TY 2022, all IRP replies and reconsiderations must be digitized.
- (3) All guidance provided in IRM 4.19.25, Information Return Penalty (IRP) Procedures, must continue to be followed. Any deviation/change to these procedures will be provided by Exam Policy.
- (4) Existing inventory management tools such as IDRS Inventory Reports and/or the ORCAS reports should continue to be used to identify workload priorities as established in IRM 4.19.25.21.1.2, IDRS Inventory Report, and IRM 4.19.25.23.6.2, IDRS Overage Report.

**Note:** The document repository should not be used as an inventory management tool.

- (5) All clerical processing of current year IRP replies and reconsiderations must be completed as required in IRM 4.19.25.22.3, Controlling Incoming Mail.
- (6) All IRP replies and reconsiderations must be batched and controlled on IDRS prior to any scanning. Each batch must be controlled to the appropriate inventory wall as required by IRM 4.19.25.22.3.1, Batching and Controlling Replies, and IRM 4.19.25.22.3.2, Batching and Controlling Reconsiderations.
- (7) Once controlled to the appropriate inventory wall, each batch must be perfected prior to scanning, and reviewed after scanning, to ensure all scanned information is usable, stored, and can be retrieved.
- (8) In the document repository, each piece of correspondence will be given a standard name using the following naming convention: "TINTAXYEAR".

**Example:** "1234567892022" for EIN 12-3456789 and tax year 2022.

- (9) When a batch has been scanned, the paper batch will be placed in the designated document retention area. The batches should be filed in a manner so documents can be easily retrieved. The paper will be retained for at least one year. A purge date will be determined in the future.

**Caution:** The paper cases cannot be destroyed without written approval from Exam Policy.

4.19.25.22.2  
(07-26-2018)  
**Received Dates**

- (1) The IRS received date for a mailed response is determined by following the priority criteria listed below:

1. Oldest IRS received date stamped on correspondence.
2. Envelope postmark date.
3. Signature date.
4. Current date.

- (2) The IRS received date for a faxed response is determined by the following priority criteria listed below:

1. Fax date (printed on fax).

**Caution:** The fax date is sometimes incorrect, use caution when determining whether to use this date.

2. The PSC Operation received date stamped on correspondence.
3. Signature date.
4. Current date.

4.19.25.22.3  
(06-24-2024)  
**Controlling Incoming Mail**

- (1) All clerical processing of Notices 972-CG replies and reconsiderations must be completed within 14 business days of IRS receipt or three business days from receipt into the operation, whichever is later.

- (2) Use the SB/SE Document Matching Batcher to:

- a. Build a 972-CG Reply batch.
- b. Build a 972-CG Reconsideration batch.

**Note:** Form 4442 can be built into a reconsideration batch.

- c. Build a 972-CG Undeliverable batch.
- d. Build a 3870 batch.
- e. Build a Letter 854-C Replies batch.
- f. Generate an interim Letter 5825-C if the IRS received date is older than 23 days.

**Note:** Interim letters must be initiated by the 30th calendar day from the IRS received date.

**Exception:** Do not issue interim letters on any 3870 cases.

- g. Generate IDRS CC: STAUP.
- h. Identify mail already in process or under an active control (for example: associations or suspense cases).

**Caution:** If the IAT/ Quick CC tools do not cover all situations or are not functioning, the appropriate steps must still be taken to process cases manually.



- (3) When the SB/SE Document Matching Batcher identifies mail as an Association, do the following within five business days of identifying the Association:
  1. Scan the Association.
  2. Merge the Association with the case file on the document repository.
  3. Input an IDRS history item of "ASSOCAVAIL" at the time the Association is identified.
  4. Email the tax examiner and lead tax examiner notifying them of the Association.
- (4) Route incoming Forms 3491, Consumer Cooperative Exemption Application, to the designated Specialist in the Technical Function.
- (5) Additional research may be required to ensure the mail belongs to the IRP program. Route all other mail, as appropriate.

4.19.25.22.3.1  
(06-24-2024)

#### Batching and Controlling Replies

- (1) Retrieve cases already sorted (no more than 30 cases) as IRP replies. Assign the next available batch number from the appropriate log book.
- (2) IRP replies will be batched using the SB/SE Document Matching Batcher.
  - a. IRP reply batches will be numbered as follows:

Tax Year	Program	Batch Number
YY (where "YY" represents the last two digits of the TY)	IRP	XXXXR (where "XXXX" represents the next sequential number available in the log)

**Example:** 22IRP0001R = the first IRP reply batch created for TY 2022 cases.

- b. The Case Status Code will be updated from "M" to "A".
- c. The Control Category Code will be "IRP-".
- d. The Assignee Employee Number will be "0583844610".
- e. The appropriate IRS received date must be input. See IRM 4.19.25.22.2, Received Dates, for more information.
- f. The Batcher Tool will send interim Letter 5825-C when the IRS received date is older than 23 days, input IDRS CC: STAUP or TC 470/90 as appropriate, and alert the clerical staff when a case has an ASER expiring within 90 days.
- g. A cover sheet listing each TIN in the batch, the IRS received date, and batch number will be generated. Place the cover sheet on top of the batch.

**Reminder:** The SB/SE Document Matching Batcher must be used for this process. Use of this tool is mandatory.

**Caution:** If the IAT/ Quick CC tools do not cover all situations or are not functioning, the appropriate steps must still be taken to process cases manually.

- (3) When establishing IDRS controls manually (for example: the Batch Tool is unavailable), follow the procedures below to establish the IDRS control:



1. Access IDRS CC: TXMOD for the applicable TIN, MFT, and TY.
2. Access IDRS CC: ACTON.
3. In the same IDRS CC: ACTON action, update the Case Status Code from "M" to "A", update the Assignee Employee Number to "0583744610", and update the IRS received date to the appropriate date for the case.

**Example:** ACTON

C01,22IRP0001R,A,IRP-  
0583744610,09292024

4. Input interim Letter 5825-C if the IRS received date is older than 23 days. See IRM 4.19.25.2.4, Policy Statement P-21-3 (formerly P-6-12) Guidelines (Action 61), for more information.
  5. Create a cover sheet listing each TIN in the batch, the IRS received date, and batch number. See Exhibit 4.19.25-10, Batch Control Sheet, for a sample cover sheet. Place the cover sheet on top of the batch.
- (4) Each batch must be perfected prior to scanning and reviewed after scanning, to ensure all scanned information is usable, stored, and can be retrieved. In the document repository, each piece of correspondence will be given a standard name using the following naming convention: **TINTAXYEAR**.

**Example:** "1234567892022" for EIN 12-3456789 and tax year 2022.

- (5) When a batch has been scanned, the paper batch will be placed in the designated document retention area. File the completed batch in the inventory staging area separated by program type, earliest IRS received date, and then in batch number order. The paper will be retained for at least one year. A purge date will be determined in the future.

## 4.19.25.22.3.2

(06-24-2024)

**Batching and  
Controlling  
Reconsiderations**

- (1) Retrieve cases already sorted (no more than 30 cases) as IRP reconsiderations. Assign the next available batch number from the appropriate log book.
- (2) IRP reconsiderations will be batched using the SB/SE Document Matching Batcher.
  - a. IRP reconsideration batches will be numbered as follows:

Tax Year	Program	Batch Number
YY (where "YY" represents the last two digits of the TY)	IRP	XXXXL (where "XXXX" represents the next sequential number available in the log)

**Example:** 21IRP0001L = the first IRP reconsideration batch created for TY 2021 cases.

- b. The Case Status Code will be "A".
- c. The Control Category Code will be "IRP-".
- d. The Assignee Employee Number will be "0583844651".
- e. The appropriate IRS received date must be input. See IRM 4.19.25.22.2, Received Dates, for more information.

- f. The Batch Tool will send interim Letter 5825-C when the IRS received date is older than 23 days, input IDRS CC: STAUP or TC 470/90 as appropriate, and alert the clerical staff when a case has an ASER expiring within 90 days.
- g. A cover sheet listing each TIN in the batch, the IRS received date, and batch number will be generated. Place the cover sheet on top of the batch.

**Reminder:** The SB/SE Document Matching Batch Tool must be used for this process. Use of this tool is mandatory.

**Caution:** If the IAT/ Quick CC tools do not cover all situations or are not functioning, the appropriate steps must still be taken to process cases manually.

- (3) When establishing IDRS controls manually (for example: the Batch Tool is unavailable), follow the procedures below to update the IDRS control:

1. Access IDRS CC: TXMOD for the applicable TIN, MFT, and TY.
2. Access IDRS CC: ACTON.
3. Update the Case Status Code to "A" status, update the Assignee Employee Number to "0583744651", and input the appropriate IRS received date for the case.

**Example:** ACTON

"C#,21IRP0001L,A,IRP-"  
"0583744651,09292024"

4. Suppress all balance due notices by using IDRS CC: STAUP with definer "S" or by inputting TC 470 with CC 90, as appropriate.
  5. Input interim Letter 5825-C if the IRS received date is older than 23 days. See IRM 4.19.25.2.4, Policy Statement P-21-3 (formerly P-6-12) Guidelines (Action 61), for more information.
  6. Create a cover sheet listing each TIN in the batch, the IRS received date, and batch number. See Exhibit 4.19.25-10, Batch Control Sheet, for a sample cover sheet. Place the cover sheet on top of the batch.
- (4) Each batch must be perfected prior to scanning and reviewed after scanning, to ensure all scanned information is usable, stored, and can be retrieved. In the document repository, each piece of correspondence will be given a standard name using the following naming convention: "TINTAXYEAR".

**Example:** "1234567892022" for EIN 12-3456789 and tax year 2022.

- (5) The original digital case file on the document repository containing the original assessment must be pulled from the retention file and merged with the new request for reconsideration.
- (6) When a batch has been scanned, the paper batch will be placed in the designated document retention area. File the completed batch in the inventory staging area separated by program type, earliest IRS received date, and then in batch number order. The paper will be retained for at least one year. A purge date will be determined in the future.

4.19.25.22.3.3  
(07-26-2018)

#### Processing Form 3870

- (1) When a case is worked by the field, the RO will send a Form 3870, Request for Adjustment, to request an abatement of the IRP civil penalty assessment. These requests will either be on paper, via fax, or to a secure email mailbox. The RO will put the taxpayer's name control, MFT, and the last four digits of the TIN in the subject line of the email to the specific Form 3870.
- (2) The clerk or designated official will:
  1. Retrieve the new electronic Forms 3870 once per day.
  2. Print and associate any attachments.
- (3) If a case is already controlled in IRP and not assigned to a tax examiner:
  1. Locate the original response.
  2. Close the current IDRS control.
  3. Open a new IDRS control for the Form 3870.
  4. Provide both the original response and the Form 3870 to the appropriate technical manager/lead.

**Note:** If the original response is assigned to a tax examiner, provide the Form 3870 to the appropriate technical manager/lead.

- (4) If the cases are IRP inventory, but the IDRS control is closed, see IRM 4.19.25.22.3.3.1, Processing Form 3870 Reconsiderations, for more information.
- (5) If an electronic Form 3870 was misrouted, forward the email to the correct campus and "CC" the RO on the email.

4.19.25.22.3.3.1  
(07-20-2023)

#### Processing Form 3870 Reconsiderations

- (1) Forms 3870 will be batched and controlled as IRP reconsiderations. Sort the Forms 3870 by IRS received date (email date will be the IRS received date) and TY (no more than 30 cases in a batch).
- (2) Retrieve cases already sorted (no more than 30 cases) as IRP Form 3870 reconsiderations. Assign the next available batch number from the appropriate log book.
- (3) **Do not** issue interim letters on these cases as the RO has already had contact with the taxpayer. Suppress the issuance of interim letters by un-checking the check box for the interim letter on the SB/SE Document Matching Batchter.
- (4) Suppress all balance due notices by inputting IDRS CC: STAUP with definer "S" or TX 470 with CC 90.
- (5) IRP Form 3870 reconsideration cases will be batched using the SB/SE Document Matching Batchter. The tool streamlines the batching process and allows the user to input IDRS CC: STAUP or TC 470/90 on all cases, and alerts the clerical staff when a case has an ASERD expiring within 90 days. Use of this tool is mandatory. If the Batchter tool or the IAT/ Quick CC tools do not cover all situations or are not functioning, the appropriate steps must still be taken to process cases manually.
- (6) When controlling IRP Form 3870 reconsiderations, the cases must be controlled using IDRS Control Category Code of **IRP-**. IRP Form 3870 reconsideration batches will be numbered as follows:

Program Type	Category	Batch Number
R	3870	XXXXXX (where <b>XXXXXX</b> represents the next sequential number available in the log)

**Example:** “R387000001” = the first IRP 3870 reconsideration batch created.

- (7) When establishing IDRS controls manually for IRP Form 3870 reconsiderations, follow the procedures below to create the IDRS control:
1. Access IDRS CC: TXMOD for the applicable TIN, MFT, and TY.
  2. Access IDRS CC: ACTON.
  3. In the IDRS CC: ACTON action, enter the appropriate Activity Code, use Case Status Code “A”, input the appropriate Assignee Employee Number, and enter the applicable IRS received date.

**Example:** ACTON

“C#,R387000001,A,3870”

“0583712345,09292024”

- (8) Provide the completed batch(es) to the appropriate technical manager/lead.

4.19.25.22.3.4  
(07-20-2023)

**Controlling Incoming  
1865C and Excessively  
Lates**

- (1) Clerical processing of incoming 1865-C and excessively late (paper and electronic) receipts must be completed within 14 business days of receipt into the operation.
- (2) This inventory must be controlled prior to giving the receipts to the appropriate IRP technical unit.
- (3) These receipts are not considered responses:
  - a. **Do not** issue an interim letter for these cases.
  - b. **Do not** input IDRS CC: STAUP or TC 470.
- (4) No replies to Letter 1865-C and excessively late receipts will be batched using the SB/SE Document Matching Batcher as follows:
  - a. The Control Status Code will be “A”.
  - b. The Control Category Code will be “IRP-”.
  - c. The Activity Code will be “YYNRP1865C” for the 1865-C inventory and “YYLATE-1096” for the excessively late inventory where “YY” represents the two-digit TY for each case.
  - d. Input the appropriate assignee employee number.
  - e. Input the appropriate IRS received date.

**Note:** The received date for no replies to Letter 1865-C and excessively lates is the date the inventory was received in the Document Matching operation.

- f. The batcher tool will alert the clerical staff when a case has an ASED expiring within 90 days.

- g. A cover sheet listing each TIN in the batch, the IRS received date, and batch number will be generated. Place the cover sheet on top of the batch.

**Reminder:** The SB/SE Document Matching Batcher must be used for this process. Use of this tool is mandatory.

**Caution:** If the IAT/ Quick CC tools do not cover all situations or are not functioning, the appropriate steps must still be taken to process the cases manually.

- (5) When establishing IDRS controls manually (for example: the batcher tool is unavailable), follow the procedures below to update the IDRS control:
  - 1. Access IDRS CC: TXMOD for the applicable TIN, MFT, and TY.
  - 2. Access IDRS CC: ACTON.
  - 3. Update the Control Status Code to "A", the Activity Code to "YYNRP1865C" or "YYLATE-1096" as applicable, and input the appropriate Assignee Employee Number and received date for the case.

**Note:** The received date for no replies to Letter 1865-C and excessively lates is the date the inventory was received in the Document Matching operation.

Example for "YYNRP1865C"	Example for "YYLATE-1096"
ACTON "C#,YYNRP1865C,A,IRP-" "0583712345,09292024"	ACTON "C#,YYLATE-1096,A,IRP-" "0583712345,09292024"

- 4. Create a cover sheet listing each TIN in the batch, the IRS received date, and batch number. See Exhibit 4.19.25-10, Batch Control Sheet, for a sample cover sheet. Place the cover sheet on top of the batch.
- (6) Provide the completed batch(es) to the appropriate technical manager/lead.
- (7) On a daily basis, report the volume of 1865C and excessively late receipts to your lead clerk/manager. Be sure to report the volumes separately for each type of receipt.

4.19.25.22.3.5  
(07-20-2023)  
**Controlling CP15/CP215  
(Reconsiderations) with  
PRN 503**

- (1) Taxpayers may submit a request for reconsideration based on an assessment input on a no reply to Letter 1865-C or an excessively late case. These cases require treatment that is different from a regular request for reconsideration based on an assessment input on a Notice 972-CG case.

4.19.25.22.3.5.1  
(06-24-2024)  
**Controlling  
Reconsiderations from  
No Replies to Letter  
1865C**

- (1) Clerical processing of incoming CP 15/ CP 215 responses with PRN 503 must be completed within 14 business days of IRS receipt or three business days from receipt into the operation, whichever is later.
- (2) This inventory must be controlled prior to giving the receipts to the appropriate IRP technical unit.
- (3) CP15/ CP215 responses with PRN 503 receipts will be batched using the SB/SE Document Matching Batcher as follows:

1. The Control Status Code will be "A".
2. The Control Category Code will be "IRP-".
3. The Activity Code will be "YYPRN503" where "YY" represents the two-digit TY for each case.
4. Input the appropriate Assignee Employee Number.
5. Input the appropriate IRS received date. See IRM 4.19.25.22.2, Received Dates, for more information.
6. The Batch Tool will send interim Letter 5825-C when the IRS received date is older than 23 days, input IDRS CC: STAUP or TC 470/90 as appropriate, alert the clerical staff when a case has an ASERD expiring within 90 days.
7. A cover sheet listing each TIN in the batch, the IRS received date, and batch number will be generated. Place the cover sheet on top of the batch.

**Reminder:** The SB/SE Document Matching Batch Tool must be used for this process. Use of this tool is mandatory.

**Caution:** If the IAT/ Quick CC tools do not cover all situations or are not functioning, the appropriate steps must still be taken to process the cases manually.

- (4) When establishing IDRS controls manually (for example: the batch tool is unavailable), follow the procedures below to update the IDRS control:
  1. Access IDRS CC: TXMOD for the applicable TIN, MFT, and TY.
  2. Access IDRS CC: ACTON.
  3. Update the Control Status Code to "A", the Activity Code to "YYPRN503", and input the appropriate Assignee Employee Number and IRS received date for the case.

**Example:** ACTION  
"C#,YYPRN503,A,IRP-"  
"0583712345,09292024"
  4. Suppress all balance due notices by using IDRS CC: STAUPS or by inputting TC 470 with CC 90, as appropriate.
  5. Input interim Letter 5825-C if the IRS received date is older than 23 days. See IRM 4.19.25.2.4, Policy Statement P-21-3 (formerly P-6-12) Guidelines (Action 61), for more information.
  6. Create a cover sheet listing each TIN in the batch, the IRS received date, and batch number. See Exhibit 4.19.25-10, Batch Control Sheet, for a sample cover sheet. Place the cover sheet on top of the batch.
- (5) Each batch must be perfected prior to scanning and reviewed after scanning, to ensure all scanned information is usable, stored, and can be retrieved. In the document repository, each piece of correspondence will be given a standard name using the following naming convention: "TINTAXYEAR".

**Example:** "1234567892022" for EIN 12-3456789 and tax year 2022.

- (6) The original digital case file on the document repository containing the original assessment must be pulled from the retention file and merged with the new request for reconsideration.



- (7) When a batch has been scanned, the paper batch will be placed in the designated document retention area. File the completed batch in the inventory staging area separated by program type, earliest IRS received date, and then in batch number order. The paper will be retained for at least one year. A purge date will be determined in the future.

4.19.25.22.3.5.2  
(06-24-2024)

**Controlling  
Reconsiderations from  
Excessively Lates**

- (1) CP 15 /CP 215 responses resulting from excessively late penalties can be identified on IDRS CC: TXMOD by an existing History Item of "EXCESSLATE". If the History Item does not exist, treat the case as a regular reconsideration case. See IRM 4.19.25.22.3.2, Batching and Controlling Reconsiderations, for more information.
- (2) Clerical processing of incoming CP 15/ CP 215 responses resulting from excessively late penalties must be completed within 14 business days of IRS receipt or three business days from receipt into the operation, whichever is later.
- (3) This inventory must be controlled prior to giving the receipts to the appropriate IRP technical unit.
- (4) The SB/SE Document Matching Batchter is not compatible for use with this inventory type.
- (5) This reconsideration inventory will be assigned batch numbers using "YYXXXEXSL" as the format:

Tax Year	Batch Number	Program
YY (where "YY" represents the last two digits of the TY)	XXXX (where "XXXX" represents the next sequential number available in the log)	EXSL (where "EXS" represents an excessively late case and "L" identifies it as a reconsideration)

- (6) Follow the procedures below to create the IDRS control:
- Access IDRS CC: TXMOD for the applicable TIN, MFT, and TY.
  - Access IDRS CC: ACTON.
  - Update the Control Status Code to "A", the Activity Code to "YYXXXEXSL", and input the appropriate Assignee Employee Number and IRS received date for the case. See IRM 4.19.25.22.2, Received Dates, for more information.  
  
**Example:** ACTON  
"C#,YYXXXEXSL,A,IRP-"  
"0583712345,09292024"
  - Suppress all balance due notices by using IDRS CC: STAUPS or by inputting TC 470 with CC 90, as appropriate.
  - Input interim Letter 5825-C if the IRS received date is older than 23 days. See IRM 4.19.25.2.4, Policy Statement P-21-3 (formerly P-6-12) Guidelines (Action 61), for more information.
  - Create a cover sheet listing each TIN in the batch, the IRS received date, and batch number. See Exhibit 4.19.25-10, Batch Control Sheet, for a sample cover sheet. Place the cover sheet on top of the batch.

- (7) Each batch must be perfected prior to scanning and reviewed after scanning, to ensure all scanned information is usable, stored, and can be retrieved. In the document repository, each piece of correspondence will be given a standard name using the following naming convention: "TINTAXYEAR".

**Example:** "1234567892022" for EIN 12-3456789 and tax year 2022.

- (8) The original digital case file on the document repository containing the original assessment must be pulled from the retention file and merged with the new request for reconsideration.
- (9) When a batch has been scanned, the paper batch will be placed in the designated document retention area. File the completed batch in the inventory staging area separated by program type, earliest IRS received date, and then in batch number order. The paper will be retained for at least one year. A purge date will be determined in the future.

4.19.25.22.3.6  
(06-24-2024)

**Batching and  
Controlling Letter 854C  
Replies**

- (1) Retrieve cases already sorted (no more than 30 cases) as Letter 854-C Replies.
- (2) Letter 854-C Replies will be batched using the SB/SE Document Matching Batcher as follows:
- The Control Status Code will be "A".
  - The Control Category Code will be "IRP-".
  - The Activity Code will be "854-C".
  - Input the appropriate Assignee Employee Number.
  - Input the appropriate IRS received date. See IRM 4.19.25.22.2, Received Dates, for more information.
  - The Batcher Tool will: send interim Letter 5825-C when the IRS received date is older than 23 days, input IDRS CC: STAUP or TC 470/90 as appropriate, and alert the clerical staff when a case has an ASER expiring within 90 days.
  - A cover sheet listing each TIN in the batch, the IRS received date, and batch number will be generated. Place the cover sheet on top of the batch.

**Reminder:** The SB/SE Document Matching Batcher must be used for this process. Use of this tool is mandatory.

**Caution:** If the IAT/ Quick CC tools do not cover all situations or are not functioning, the appropriate steps must still be taken to process cases manually.

- (3) When establishing IDRS controls manually (for example: the Batcher Tool is unavailable), follow the procedures below to update the IDRS control:
- Access IDRS CC: TXMOD for the applicable TIN, MFT, and TY.
  - Access IDRS CC: ACTON.
  - Update the Control Status Code to "A", the Activity Code to "854-C", and input the appropriate Assignee Employee Number and IRS received date for the case.

**Example:** ACTION  
"C#,854C,A,IRP-"  
"0583712345,09292024"



4. Suppress all balance due notices by using IDRS CC: STAUP with definer "S" or by inputting TC 470 with CC 90, as appropriate.
  5. Input interim Letter 5825-C if the IRS received date is older than 23 days. See IRM 4.19.25.2.4, Policy Statement P-21-3 (formerly P-6-12) Guidelines (Action 61), for more information.
  6. Create a cover sheet listing each TIN in the batch, the IRS received date, and batch number. See Exhibit 4.19.25-10, Batch Control Sheet, for a sample cover sheet. Place the cover sheet on top of the batch.
- (4) Each batch must be perfected prior to scanning and reviewed after scanning, to ensure all scanned information is usable, stored, and can be retrieved. In the document repository, each piece of correspondence will be given a standard name using the following naming convention: "TINTAXYEAR".

**Example:** "1234567892022" for EIN 12-3456789 and tax year 2022.

- (5) The original digital case file on document repository containing the original assessment must be pulled from the retention file and merged with the new request for reconsideration.
- (6) When a batch has been scanned, the paper batch will be placed in the designated document retention area. File the completed batch in the inventory staging area separated by program type, earliest IRS received date, and then in batch number order. The paper will be retained for at least one year. A purge date will be determined in the future.

4.19.25.22.4  
(07-20-2023)

**Undeliverables - General**

- (1) All clerical processing of undeliverable Notices 972-CG must be completed within 14 business days of IRS receipt or three business days from receipt into the operation, whichever is later.

**Caution:** Undeliverable Notices 972-CG not processed in a timely manner cause unnecessary delays for taxpayers and can have a negative impact on the program's ability to meet the PCD. In some cases, untimely processing of undeliverable Notices 972-CG can cause premature penalty assessments due to PCD requirements. Therefore, it is critical to both Customer Satisfaction and Business Results that all undeliverable Notices 972-CG are processed in a timely manner.

- (2) IDRS CCs INOLE, ENMOD or IRPTR should be used to perform research for a new address.
  - a. CC "INOLE" will provide the most current posted entity information on the National Account Profile (NAP).
  - b. CC "ENMOD" may reflect a recently input address change not posted to IDRS CC: INOLE.
  - c. CC "IRPTR" will provide a current address for the taxpayer from an information return filed for the most recent processing year.
- (3) The clerical function will treat any undeliverable CP 15 or CP 215 adjustment notices received as classified waste. Dispose of them in the designated "classified waste" container.

4.19.25.22.4.1  
(06-24-2024)

**Undeliverables - Clerical  
Function**

- (1) Treas. Reg. 301.6212-2(b)(2) and Revenue Procedure 2010-16 govern the update of a taxpayer's address in IRS records. Change to a taxpayer's address requires clear and concise notification of a different address. Clear and concise notification does include notification from the United States Postal Service (USPS) that a taxpayer's address has been updated in the National Change of Address (NCOA) database. The NCOA database is forwarded weekly to the IRS and the Master File is automatically updated with any changes. IRS employees may change a taxpayer's address using information on a USPS yellow label indicating the taxpayer's new address. Upon receipt of an undeliverable Notice 972-CG with an affixed USPS yellow label, employees should remain as follows:

If	And	Then
The USPS attached a yellow label to the envelope that displays a different address than what is shown on the Notice 972-CG	The taxpayer's name printed in the notice matches what is shown on the yellow label,	<ol style="list-style-type: none"><li>1. Stamp the PSC Operation Received Date on the undeliverable notice.</li><li>2. Re-mail the notice (include the original envelope) to the address shown on the USPS yellow label.</li><li>3. Input IDRS history item "972CG-BAF".</li></ol>
The USPS attached a USPS yellow label to the envelope that displays a different address than what is shown on the Notice 972-CG	The taxpayer's name printed in the notice does not match what is shown on the yellow label,	<ol style="list-style-type: none"><li>1. Do not use the yellow label to reissue the notice.</li><li>2. Continue IDRS research in paragraph (2) below.</li></ol>

- (2) When an undeliverable Notice 972-CG is received, the **clerical staff** will research for a better address using IDRS CCs INOLE, ENMOD, and IRPTR. See IRM 4.19.25.22.4, Undeliverables - General, for more information.

**Caution:** Do not complete any address change on IDRS.

If	Then
A better address is found	<ol style="list-style-type: none"><li>1. Stamp the PSC Operation received date on the undeliverable notice.</li><li>2. Re-mail the notice (include the original envelope) to the better address found through research.</li><li>3. Input IDRS history item "972CG-BAF".</li></ol>

If	Then
A better address is found and the current date is after January 1st	<ol style="list-style-type: none"> <li>1. Stamp the PSC Operation received date on the undeliverable notice.</li> <li>2. Input an IDRS history item "972CG-PCD".</li> <li>3. Scan the undeliverable (including all enclosures and original envelope) and save it to the document repository.</li> <li>4. File the paper documents on the Retention Wall.</li> <li>5. Use the SB/SE Document Matching Batcher to batch the scanned undeliverable notices.</li> </ol> <p><b>Caution:</b> If the IAT/Quick CC tools do not cover all situations or are not functioning, the appropriate steps must still be taken to process cases manually.</p>
A better address is not found	<ol style="list-style-type: none"> <li>1. Stamp the PSC Operation received date on the undeliverable notice.</li> <li>2. Input an IDRS history item "972CG-NAF".</li> <li>3. Scan the undeliverable (including all enclosures and original envelope) and save it to the document repository.</li> <li>4. File the paper documents on the Retention Wall.</li> <li>5. Use the SB/SE Document Matching Batcher to batch the undeliverable notices.</li> </ol> <p><b>Caution:</b> If the IAT/ Quick CC tools do not cover all situations or are not functioning, the appropriate steps must still be taken to process cases manually.</p>

- (3) In the event a re-mailed Notice 972-CG is returned as undeliverable a second time:

1. Input an IDRS history item of "972CG-BAR".
2. Use the SB/SE Document Matching Batcher to batch the undeliverable notices (including all enclosures and original envelope).

**Caution:** If the IAT/ Quick CC tools do not cover all situations or are not functioning, the appropriate steps must still be taken to process cases manually.

3. Scan the undeliverable (including all enclosures and original envelope) and save it to the document repository.
  4. File the paper documents on the Retention Wall.
- (4) If Letter 6304-C, Letter 1948-C or Letter 854-C is returned as undeliverable, return to the appropriate technical unit.

**Caution:** Do not change or update the IDRS control base.

4.19.25.22.5  
(07-20-2023)

**Inventory Management -  
Clerical Function**

- (1) The following OFP codes should be used with the 790 (tax account support activity - clerical) function code:

Program Code	Description
44610	972-CG replies
44614	972-CG undeliverables
44651	972-CG reconsiderations
44652	Other reconsiderations <b>Example:</b> Reconsiderations resulting from Letter 1865-C no replies, excessively late assessments, etc.
44661	1096/ no replies to Letter 1865-C
44662	1096/ excessively lates

- (2) Completed work must be staged within three business days of being controlled/updated.
- (3) Associations must be completed within five business days of being identified as an association.

4.19.25.22.6  
(07-31-2019)

**Statute Awareness -  
Clerical**

- (1) A statute (or period) of limitation is a time period established by law to review, analyze and resolve taxpayer and/or IRS related issues. The IRC requires the IRS assess, refund, credit, and collect taxes within specific time limits. These limits are known as the statutes of limitations. When they expire, the IRS can no longer assess additional tax (including penalties and interest), allow a claim for refund or credit, or take collection action. The determination of statute expiration differs for assessment, refund or credit, and collection.
- Assessment statute expiration date (ASED)
  - Refund statute expiration date (RSED)

- Collection statute expiration date (CSED)
- (2) Failure to protect an assessment statute can result in disciplinary action against the responsible employee. The responsible area/employee is identified as the area/employee that had the case, when the case was within 90 days of the ASED and either took no action to protect the statute or allowed the statute to expire (barred statute).
  - (3) For IRP clerical, a statute imminent case is identified when the ASED is within 90 days of expiring. The ASED expires three years from the due date of the information return or three years from the date the information return was filed, whichever is later. The ASED can be found on IDRS CC: TXMOD or CC: BMFOLT.
  - (4) The SB/SE Document Matching Batchers will assist you in identifying a potential statute case. The tool will not batch the case and it will print the TIN on the error listing with "ASED" in the remarks section. These cases will be manually batched and controlled on IDRS to a designated management official who will be responsible for ensuring the case is reviewed and/or worked immediately to protect the statute.
  - (5) To manually batch these cases use the following procedures:
    1. Access IDRS CC: TXMOD.
    2. Access IDRS CC: ACTON.
    3. Enter the appropriate Activity Code, use "A" status, input the assigned employee number, and enter the applicable IRS received date.

**Example:** ACTON  
 "C#,16IRP0001L,A,IRP-"  
 "0583712345,09292023"

**Note:** Cases controlled as potential statutes must be controlled to a designated management official.

- (6) Cases identified as potential statute cases must be personally delivered to the management official. **Do not** leave any potential statute cases on an empty desk or otherwise unattended.

4.19.25.22.7  
 (06-24-2024)

#### Routing Documents

- (1) The IRP clerical function is responsible for all outgoing mail. This mail may consist of internal mail, misrouted mail, or external mail.
- (2) Internal mail is routed to other areas using Form 3210, Document Transmittal. The receiving area will acknowledge receipt by sending a signed copy of the Form 3210 back to the originating area. These forms must be maintained in a log in the IRP Clerical Function.
- (3) When misrouted mail is identified, it must be routed back to the mail room for proper routing if the mail room was the originating office.

**Exception:** When misrouted mail is received from the Accounts Management function, return the misrouted mail back to the originating Accounts Management function.

- (4) If the mail was addressed to IRP, but did not fit IRP criteria, route the correspondence to the proper area and issue Letter 86-C to the taxpayer. For

additional information on issuing Letter 86-C, see IRM 21.3.3.4.2.1, Use of 86-C Letter - Referring Taxpayer Inquiry/Forms to Another Office, for more information. Also see <http://serp.enterprise.irs.gov/databases/who-where.dr/form-4442-erroneous-referral-coordinators.html> for instructions in routing misrouted Forms 4442, Inquiry Referral.

- (5) When tax examiners complete their adjustments, they are placed in brown gusset folders. Follow local procedures for routing these folders to the files function each day.

**Caution:** Beginning with TY 2022, most IDRS adjustments will no longer be routed to the Files Function due to digitalization of IRP correspondence.

- (6) Taxpayers may request assistance from TAS. TAS is an independent organization within the IRS created by Congress to help taxpayers resolve issues with the IRS. Form 12412, Operations Assistance Requests (OARs), are received from TAS in the IRP clerical function both by mail and fax. The IRP clerical function must take the following actions for all OARs received:

1. Date stamp each Form 12412 with the date it was received.
2. Hand carry the Forms 12412 to the TAS Liaison **within 24 hours of receipt.**

4.19.25.22.8  
(06-24-2024)

#### Discovered Remittance

- (1) Cash or non-cash remittances found outside of the Receipt and Control secured/restricted area are **discovered remittances**.
- (2) When “discovered remittance” is identified:
1. Notify your manager/lead immediately.
  2. Access IDRS CC: INOLES to verify the taxpayer’s name.
  3. At the bottom of the IDRS CC: INOLES screen, type the MFT, TY, 670/570, the received date, and the money amount.
  4. Print three copies of the IDRS CC: INOLES screen. One copy is attached to the case and the two other copies are attached to the discovered remittance.
  5. Complete a Form 4287, Courier Log for Discovered Remittances.
  6. Hand carry the Form 4287, the remittance, and IDRS CC: INOLES prints to your manager/lead.

4.19.25.23  
(08-21-2017)

#### Manager/Coordinator Responsibilities - General

- (1) Managers are responsible for:
- Evaluating employees
  - Managing inventories within their responsibility
  - Managing resources within their responsibility
- (2) The IRP Coordinator is responsible for:
- Setting up the IRP inventory
  - Acting as a liaison with other program areas (for example: Headquarters, Appeals, TSO, etc.)
  - Monitoring the status of IRP inventory
  - Serves as the statute coordinator for the operation

4.19.25.23.1  
(06-24-2024)  
**Digitalization of IRP  
Correspondence**

- (1) The digitalization of all IRP correspondence has been implemented to eliminate paper processing, streamline case processing, and improve the taxpayer experience. A document repository was created for IRP correspondence.
- (2) Beginning with TY 2022, all IRP replies and reconsiderations must be digitized.
- (3) All guidance provided in IRM 4.19.25, Information Return Penalty (IRP) Procedures, must continue to be followed. Any deviation/change to these procedures will be provided by Exam Policy.
- (4) Existing inventory management tools such as IDRS Inventory Reports and/or the ORCAS reports should continue to be used to identify workload priorities as established in IRM 4.19.25.21.1.2, IDRS Inventory Report, and IRM 4.19.25.23.6.2, IDRS Overage Report.

**Note:** The document repository should not be used as an inventory management tool.

- (5) When a batch has been scanned, the paper batch will be placed in the designated document retention area. The batches should be filed in a manner so documents can be easily retrieved. The paper will be retained for at least one year. A purge date will be determined in the future.

**Caution:** The paper cases cannot be destroyed without written approval from Exam Policy.

4.19.25.23.2  
(08-21-2017)  
**Employee Performance  
Reviews**

- (1) Managers perform the following types of reviews:
  - Workload reviews
  - Evaluative case reviews
  - Non-evaluative case reviews

**Note:** For additional information, refer to the Training Course 22394-002, Employee Performance Feedback for Correspondence Examination Managers, on the Electronic Publishing website.

- (2) Managers are required to perform a minimum of two workload reviews per quarter for each employee. These workload reviews consist of:
  - Bin reviews
  - Day after/time utilization reviews
- (3) Managers are required to perform evaluative case reviews. See IRM 4.19.25.23.2.2, Mandatory Evaluative Reviews, for more information.
- (4) The primary purpose of a non-evaluative review is to help the employee develop and enhance their job skills. See IRM 4.19.25.23.2.3, Non-Evaluative or Coaching Reviews, for more information.
- (5) The number of reviews should be increased when warranted.
- (6) These reviews, as in all case reviews, should be documented in a Performance Review Worksheet.



4.19.25.23.2.1  
(08-21-2017)

**Workload  
Management/Efficiency  
Reviews**

- (1) Workload reviews are performed primarily for the following reasons:
  - Make an objective assessment of an employee's performance
  - Protect the rights of customers
  - Identify training needs
- (2) Work reviews should focus on effective case resolution according to IRM guidelines.
- (3) In addition, reviews should focus not only on the employee's ability to complete their assignments, but also on their ability to set priorities and complete assignments independently and expeditiously.

**Note:** Perform workload reviews for each employee a minimum of two times per quarter. Conduct a balance of these reviews throughout the year and include a variety of types of reviews.

4.19.25.23.2.2  
(08-21-2017)

**Mandatory Evaluative  
Reviews**

- (1) Evaluative reviews must be recorded in accordance with the National Agreement established between National Treasury Employees Union (NTEU) and management.
- (2) Conduct a **minimum of two mandatory Embedded Quality Review System (EQRS) reviews** for each employee per month. Additional reviews may be completed as needed.
- (3) Evaluative reviews must be conducted by a manager or an individual in an official acting manager capacity.
- (4) When conducting reviews, ensure recordation is input into the Embedded Quality Review System.

**Note:** EQRS is a standardized data repository with trend analysis capabilities and reporting capabilities to use for employee evaluations.

- (5) Use the Employee Feedback Report on EQRS for sharing evaluative review results within the required time frame as outlined in the National Agreement. Notate the reason on the review sheet if you do not meet these time frames (for example: due to unexpected leave, etc.).
- (6) Obtain the employee's acknowledgment on the designated form. Provide one copy to the employee and retain the other copy for the employee's performance folder (EPF). Be sure to sanitize when appropriate.

4.19.25.23.2.3  
(08-21-2017)

**Non-Evaluative or  
Coaching Reviews**

- (1) The primary purpose of a non-evaluative review is to help the employee develop and enhance their job skills as determined by the manager. Effective non-evaluate reviews foster open lines of communication between the employee, the manager, and the lead technical employee. This enables the manager and/or their lead to receive employee feedback and transfer operational goals informally.
- (2) Non-evaluative reviews do not contain a written rating. Share the results orally. Some documentation is appropriate to establish that it actually occurred. EQRS may be used to track employee development for this purpose. Have the employee initial and date any documentation. Provide one copy for the employee and retain the other copy in the employee's drop file.



4.19.25.23.3  
(08-21-2017)

#### Operational Reviews

- (1) An operational review is a review of a subordinate manager and their organizational component and is imperative for their growth. It provides an opportunity to improve overall effectiveness of the team and/or department. The review should cover employee satisfaction in the unit and include receiving feedback from the manager's employees.
- (2) Be sure to praise all accomplishments, identify areas needing improvement, target completion dates established and schedule a follow-up review.
- (3) These reviews may be of organizational as well as individual performance. These reviews should be:
  - Evaluative and direct
  - Completed annually unless more frequent reviews are warranted either to address inexperience or poor performance.
- (4) The scope of operational/team reviews by upper management should include at least the following issues. Others may be added at the discretion of the reviewer:
  - Desk instructions (adequacy, need, technical accuracy) maintained in the unit
  - Work schedules (timeliness, how backlogs are handled)
  - Schedule of employee work reviews
  - Quality of supporting narratives for workload reviews in EPFs
  - Quality of supporting documentation for annual ratings (relationship between EPF documentation and assigned ratings)
  - Communications within the unit (meeting minutes, floor supervision, informal communication, listening skills, etc.)
  - Use of time, identification of problems, implementation of solutions
  - A sampling of work (open and closed cases)
  - Timekeeping and employees' time reporting
  - The unit manager's technical and/or administrative skills
  - Staff utilization
  - Use of management information reports
  - Clerical support
  - Cover a representative sampling of all work under the jurisdiction of the team or group manager being reviewed

4.19.25.23.4  
(08-21-2017)

#### Other Reviews

- (1) Management performs other reviews that are not employee performance related.

4.19.25.23.4.1  
(08-21-2017)

#### Physical Inventory Review

- (1) Management must sort the weekly CCA 42-43 report by tax examiner IDRS number. Provide a copy of each listing to the appropriate tax examiner by either printing or sending an electronic copy to them to review.
- (2) In addition, each manager will sign and complete a Quarterly "Physical Inventory Certification" sheet after receiving their employee's inventory forms and submit to the Department Manager for consolidation. See Exhibit 4.19.25-8, Physical Inventory Certificate, for more information. Management must complete a Wall Inventory, by running the CCA 42-43. See below:
  1. Sort the program listing by age, beginning with the earliest received date.
  2. Verify each of the cases on the wall to the cases listed on the CCA 42-43.

3. Verify the count in each open batch listed in the log book with the CCA 42-43.
4. Provide results to the department manager.

**Note:** The ORCAS Manager can be utilized to review the CCA report on a weekly basis.

(3) The department manager will:

1. Consolidate all tax examiner and the "Wall" physical inventory results.
2. Complete Exhibit 4.19.25-9, Wall Inventory Instruction and Certification.
3. Submit the completed certification to the operation for signature.

(4) The operation will notify their director's office this was completed 10 business days following the end of each quarter and provide their office documentation for review.

(5) All results of the physical inventory review **must** be shared with the IRP coordinator to ensure all necessary actions are taken to update the WP&C.

4.19.25.23.4.2  
(08-31-2023)  
**Program Reviews**

- (1) Appropriate program reviews will be planned and conducted based on business needs and priorities.
- (2) Required action item(s) and due dates, as applicable will be included in each final report.
- (3) If instruments or tools for documentation are developed or used, they will be retained as substantive documentation for review findings.
- (4) A read receipt or signature acknowledging the receipt of the report will be requested from the campus.
- (5) Exam Policy will retain a copy of the report and all applicable supporting documentation in a centralized location.

4.19.25.23.5  
(08-21-2017)  
**Miscellaneous  
Manager/Coordinator  
Responsibilities**

- (1) Below you will find additional coordinator/manager duties which need to be assigned to a specific person to ensure the program runs smoothly.

4.19.25.23.5.1  
(06-14-2022)  
**Statute of Limitations -  
Manager/Statute  
Coordinator**

- (1) A statute of limitation is a time period established by law to review, analyze and resolve taxpayer and/or IRS tax related issues. The IRC requires that the IRS assess, refund, credit, and collect taxes within specific time limits. These limits are known as the statutes of limitations. When they expire, the IRS can no longer assess additional tax or civil penalties, allow a claim for refund by the taxpayer, or take collection action. The determination of statute expiration differs for assessment, refund, and collection. See IRM 25.6.1, Statute of Limitations Processes and Procedures, for more information.
- (2) Statute Awareness - Communicating the importance of statutes to all employees is very important and the responsibility of every manager/statute coordinator. On an annual basis, management is expected to issue statute reminders to their employees. These reminders will be procedures which include contact information, phone numbers, coordinator name, tour of duty (TOD), instructions to follow for last minute statutes discovered, and the local

routing procedures to the statute unit or RACS (depending on time frame). Contact names and numbers can be located on the CAWR/FUTA web page. It is the responsibility of the campus to alert the web master if a change in contact information is necessary.

- (3) Document 7368, Basic Guide for Processing Statute Cases, is available to all campuses and area offices. Management must maintain a sufficient supply of this document from the National Distribution Center using catalog number 10296C. Document 7368 contains valuable information on statute-specific topics; therefore, a copy will be given to each employee. No statute imminent case will be transshipped within 90 days of the statute expiration date, the case must be worked by the campus with current ownership.
- (4) Campuses will work together to ensure statutes receive priority.
- (5) At least annually, statute awareness training must be provided to employees. The training should include the following items (at a minimum):
  - a. The case conditions that create a statute imminent case.
  - b. The procedures that must be followed in order to prevent and/or protect a statute. See IRM 4.19.25.23.5.2, Statute Searches, for more information.
  - c. The possible consequences of a barred statute.

4.19.25.23.5.2  
(08-21-2017)  
**Statute Searches**

- (1) Statute Searches must be performed beginning 90 days prior to statute expiration date. All inventories (paper and electronic) must be reviewed for statute imminent criteria and documented.
- (2) In addition, all new receipts must be reviewed as received, prior to controlling to a tax examiner. If the case is statute imminent, it needs to be labeled as such and expedited for processing.
- (3) Use the following forms and procedures for statute searches:
  - a. Form 11122, Employee's Statute Certification: Campuses must have all employees complete Form 11122, taking responsibility and documenting the biweekly statute searches beginning 90 days prior to the statute expiration date. These searches are to be increased to weekly searches 30 days prior to the statute expiration date. During the final week prior to the statute expiration date, increase the searches to daily. Each search performed must be documented.
  - b. Form 11122-A, Manager's Statute Certification: Campuses must have two levels of management complete Form 11122-A, taking responsibility and documenting the biweekly statute searches beginning 90 days prior to the statute expiration date. These searches are to be increased to weekly searches 30 days prior to the statute expiration date. During the final week prior to the statute expiration date, increase the searches to daily. Each search performed must be documented.
  - c. The operation is to confirm to Exam Policy the statute searches have been completed via faxing the results within 10 business days following the end of each quarter.
  - d. The operation manager is to ensure Forms 11122 and Forms 11122-A are completed and maintained in the employee's/manager's unofficial personnel folder drop file for three years. After three years, dispose of forms using classified waste procedures.

4.19.25.23.5.3  
(07-20-2023)

**Prompt Assessments -  
Statute Coordinator**

- (1) Form 2859, Request for Quick or Prompt Assessment, must be completed when the ASED will expire in less than 60 days:

1. Route to the accounting function using Form 3210, Document Transmittal.
2. Input a history item on IDRS ("FORM2859\$XXXX").

**Reminder:** Use multiple IDRS history items, if needed.

**Note:** This step is completed so subsequent tax examiners will not prepare another assessment for the same amount causing a duplicate assessment document in Accounting.

3. Update the Activity Code of the IDRS control to "F2859SENT".
4. Monitor the account for the posting of the assessment.

**Note:** The monitoring of the manual assessment action will help to ensure the assessment posts timely. It will enable you to know if the assessment unposts so you can correct any unpostable condition before the ASED passes.

5. Close the IDRS control once the assessment posts.

- (2) Confirmation must be made and documentation saved on all Forms 3210, Document Transmittal, faxed to Accounting for "Prompt Assessments".

**Note:** Efax may be used to send these requests to Accounting. See *SERP, Who/Where, Prompt, Quick, Jeopardy and Termination Assessments* for the applicable eFax number.

- a. Ensure an electronic receipt is requested on all faxes sent to accounting.
- b. Save a copy of the fax confirmation sheet along with the dated Form 3210.

- (3) The signed Form 3210 should be sent back from accounting notated with the DLN of the prompt assessment

- a. Attach a copy of the confirmed fax to the signed Form 3210 with the DLN of the adjustment(s).

- (4) If you do not receive confirmation, you must follow up with accounting to ensure it was received by:

- a. Calling the appropriate accounting site to confirm receipt of the prompt assessment forms that need to be made before the ASED expires.
- b. Securing confirmation from the appropriate Accounting Unit for all prompt assessments faxed to that office by requesting they fax you the signed Form 3210 with DLNs.
- c. Notating on the Form 3210 the date, time of call and who is confirming the receipt of the faxed prompt assessment next to each TIN on the Form 3210.

**Note:** For multiple TINs listed on one Form 3210, ensure each prompt assessment case has a copy of the Form 3210 with notations and a confirmation sheet attached.

- (5) Depending on the ASED, confirmation calls should be made:

- a. immediately after faxing
- b. within 12 hours
- c. within 24 hours
- d. no longer than 48 hours after faxing

**Note:** If the prompt assessment is faxed on April 15, ensure when the call for verification receipt is made, and there is enough time to re-fax documents if the Accounting Unit did not receive them.

- (6) Manager, technical advisor or designated employee will serve as backups in the event the statute coordinator is unavailable to make confirmation calls.

4.19.25.23.6  
(09-09-2019)

#### Inventory Reports

- (1) There are various CCA reports used to track and manage inventory within the IRP program:

- CCA 42-42: IDRS Inventory Control Report
- CCA 42-43: IDRS Overage Report
- CCA 42-44: IDRS Multiple Case Control Report

- (2) These reports are available on a weekly basis on Control D.

**Note:** The ORCAS Manager can be utilized to review the CCA report on a weekly basis.

**Reminder:** Managers must also monitor adherence to processing requirements related to appeals cases. See IRM 4.19.25.17.3, Appeals Cases - General Guidelines.

4.19.25.23.6.1  
(06-24-2024)

#### IDRS Inventory Control Report

- (1) The CCA 42-42 IDRS Report summarizes inventory, receipts, closures, and age by category. It gives a broad picture of the inventory in the entire operation by category.

- (2) This report is available on Control-D on Monday mornings:

- Report Name: Team Inv Report
- Job Name: CCA4242D

- (3) Items on the Report - For each case shown, the following information is provided:

Item	Description
Case Category	Category of case (See Document 6209, Section 13, IDRS).
Begin on Hand	Ending inventory volume from prior week's report.
Total Receipts	Total number of new cases for current report.
Aged Receipts	Number of cases aged as determined by category code.
Case Transfer In/Out	Number of cases transferred in or out from one team to another.

Item	Description
Category Change	Number of cases transferred from one category to another.
Cases Closed	Total number of cases closed.
Ending on Hand	Ending inventory volume.
Status of Cases in Ending Inventory	Suspense, Assigned, Background monitoring.
0 Days	Number of cases in ending inventory within that age range.
1-99 Days	Number of cases in ending inventory within that age range.
100 Days or Over	Number of cases in ending inventory within the age range.
Stat Age	Number of cases that fell within the statute age range.

- (4) The manager/lead should utilize CCA 42-42 as a tool to identify the weekly receipts and closures under each category and the number of cases aged upon receipt. No annotation is needed on this report; however, this report is a tool to monitor inventories and should be reviewed within 30 days of receipt.
- (5) It has been suggested the department manager or a delegate should review the report to monitor the number of cases and age of inventory in each category to determine if resource changes are needed. The department manager should maintain a copy of these reports for one year.

4.19.25.23.6.2  
(06-24-2024)  
**IDRS Overage Report**

- (1) The CCA 42-43 IDRS Overage Report contains all cases controlled to an IDRS employee number and can be used to:
  - Identify cases requiring action.
  - Identify specific cases for review.
  - Monitor the size of the employees' inventories.
  - Determine if employees are working inventory in the proper order.
  - Set closure expectations.
  - Identify potential management problem cases.
  - Monitor for the prevention of premature STAUP/TC 470.
- (2) This report is available on Control-D every Monday morning:
  - Report Name: Overage Report
  - Job Name: CCA 4243D
- (3) The ORCAS coordinator will load the CCA report through the ORCAS delivery database. Then the CCA report will be available to the ORCAS managers and ORCAS TE. For each case shown, the following information is provided:

Report Item	Description
TIN	Taxpayer Identification Number

Report Item	Description
IRS Rcd Date	The date IRS received the case
Status	Case History Status Code (A - Active, B- Background, C - Closed, M - Other long term delay, and S - Suspense)
BOD	Business Operating Division
CLC	Client Code
Category	Category of case
Freeze Codes	Freeze codes on the IDRS account
MFT	Master File Tax Account Code
Mod Per	Tax Period on assigned account
Assigd Date	The date the case was assigned to a tax examiner
Plan No	If applicable
Activity Code	A 10 character field on IDRS the tax examiner uses to enter actions taken on the case
Name Ctrl	Name Control on taxpayer's account
Action Date	Date of last action input on the account
Age	Number of days case has aged on IDRS
MF Mod Balance	Module Balance on IDRS
State Age	Indicates statute conditions for current and previous years returns - over, expired, or days remaining on statute
STAUP Cycle	Stops notices from generating until cycle listed
C Letter and Date	Date and type of CRX letter sent

- (4) The manager/lead must review this report to ensure cases are being worked according to IRS receive dates. Annotate cases for follow-up actions by COB Monday. The reports should be maintained for two months. Highlight the cases on the report where:
- The tax examiner has failed to take timely actions such as follow-up on a case when the purge date has passed.
  - The case is in nullified unpostable (NLUN) category over 14 days old.
  - The statute of limitations will expire within 180 days.
  - The STAUP has expired or there is no STAUP on a balance due account.
- (5) On a weekly basis, the manager/lead will provide the tax examiner with the page(s) of the report where the cases are controlled to their IDRS number. Tax examiner will notate the actions taken on each case worked and return the annotated copy to their manager/lead. Annotations should include:
- "C" - Case moved to closed status.
  - "M" - Case moved to monitor status.



- “U” - Updated activity (for example: received an ATAO request).
- “S” - Case moved to suspense status.

(6) Effective inventory management is critical to meeting taxpayer expectations and meeting organizational goals and objectives. The following table provides an operation-level inventory prioritization list. This must be used by all employees on a weekly basis to effectively manage their inventories as applicable; however, not all employees have responsibility for each inventory type.

**Example:** If a tax examiner does not have any cases meeting the definition in priority level 4 controlled to them, the tax examiner would move on to priority level 5, etc.

**Exception:** For 60 days immediately prior to the PCD, inventory priorities can be modified to ensure PCD is met. Exam Policy must be notified prior to any changes being implemented.

**Note:** The ORCAS Manager can be utilized to review the CCA report on a weekly basis and prioritize inventory.

Priority Level	Inventory Type
1	<b>Unpostables</b> —Cases controlled using category code “NLUN”. <b>Exception:</b> Any case with an ASED expiring in less than 30 calendar days becomes first priority above all other inventory.
2	<b>Statute Imminent Cases</b> —Cases with an ASED expiring within 180 days.
3	<b>Undeliverables (clerical)</b> —Processing must be completed by within 14 business days of IRS receipt or three business days of receipt in the operation, whichever is later. <b>Caution:</b> Undeliverable Notices 972-CG not processed in a timely manner cause unnecessary delays for taxpayers and can have a negative impact on the program’s ability to meet the PCD. In some cases, untimely processing of undeliverable Notices 972-CG can cause premature penalty assessments due to PCD requirements. Therefore, it is critical to both Customer Satisfaction and Business Results that all undeliverable Notices 972-CG are processed in a timely manner.
4	<b>Undeliverables (tax examiners)</b> —Processing must be completed within 14 business days of being batched. <b>Caution:</b> Undeliverable Notices 972-CG not processed in a timely manner cause unnecessary delays for taxpayers and can have a negative impact on the program’s ability to meet the PCD. In some cases, untimely processing of undeliverable Notices 972-CG can cause premature penalty assessments due to PCD requirements. Therefore, it is critical to both Customer Satisfaction and Business Results that all undeliverable Notices 972-CG are processed in a timely manner.
5	<b>Appeals Cases</b> —Appeals cases must be worked within 30 calendar days from the IRS received date.



Priority Level	Inventory Type
6	<b>972-CG Suspense (no replies)</b> —Processing must be completed during the week in which 90 days have passed from the notice date.
7	<p><b>Case Suspense Purge</b>- Cases where a suspense timeframe has expired.</p> <p><b>Example:</b> This includes Letter 1948-C suspense, document requests, extension requests, etc. See Exhibit 4.19.25-3, Activity Codes for IRP Processing, IRM 4.19.25.13, Suspense Procedures, and IRM 4.19.25.17.2, Requesting Adjustment Documents, for more information.</p> <ul style="list-style-type: none"> <li>• <b>Letter 1948-C Suspense</b>—Cases where the taxpayer was contacted and the suspense date (for example: “1948CMMDD”) has expired.</li> <li>• <b>Form 2275 Requests</b>—Cases where Form 2275 was submitted to request an adjustment document and 30 calendar days has passed since the request was submitted.</li> </ul>
8	<b>Corrective Case Actions</b> —Cases with mismatched (erroneous) case controls, category codes, and/or activity codes, etc.
9	<p><b>First in, First out (FIFO)</b>—After all processing for the inventories shown above has been completed, all other remaining inventory types with taxpayer correspondence attached must be worked by oldest IRS received date. These include the following:</p> <ul style="list-style-type: none"> <li>• Replies to Notice 972-CG</li> <li>• Replies to Letter 1948-C</li> <li>• Reconsiderations</li> </ul> <p><b>Caution:</b> DO NOT give priority consideration to one TY over another when prioritizing inventory by oldest IRS received date.</p>
10	<b>Forms 3870--</b> These cases will be worked within 45 days of receipt into the operation on a first-in, first-out basis while workload permits.
11	<b>Excessively Lates</b> — Excessively lates do not contain taxpayer correspondence and are not given the same priority as other inventories. However, these inventories must be effectively managed/prioritized and assessed within 180 calendar days of receipt into the Operation.
12	<b>No Replies to Letter 1865-C</b> — No Replies to Letter 1865-C do not contain taxpayer correspondence and are not given the same priority as other inventories. However, these inventories must be effectively managed/prioritized and assessed within 180 calendar days of receipt into the operation.

- (7) Tax examiners must annotate the CCA report with all actions taken for each case and return to the manager by the end of the employee’s work week. Refer to IRM 4.19.25.23.6.2(5) above for more information.
- (8) The manager/lead or the IRP coordinator must also review the inventory “walls” on a weekly basis to ensure cases are being pulled and worked in IRS received date order. This review must include the following items:
1. Compare the previous week’s listing to the current week’s listing and determine if cases or batches are being pulled in IRS received date order.
  2. Identify any TINs that were not pulled in IRS received date order.
  3. Attempt to physically locate the case(s). If located, assign the case(s) to a tax examiner to be worked.

4. Control the TINs of any missing cases to a tax examiner and instruct them to follow the procedures in IRM 4.19.25.5.1, Lost and/or Extra Cases.

**Note:** If lost cases are frequently identified on an inventory wall, additional research may be needed to determine the cause and to prevent future occurrences. If needed, a manager may need to complete specific performance reviews and/or performance counseling when specific performance issues are identified. See IRM 4.19.25.23.2, Employee Performance Reviews, for more information.

- (9) The manager/lead or the IRP coordinator will provide an annotated listing of wall reviews to the department manager each week and provide a list of TINs that were identified as not being pulled from the wall in IRS received date order as well as the TINs that were treated as lost cases. These reports should be maintained for two months. The manager/lead will notate the actions taken on each case. Annotations should include:
  - “A” - Case assigned to a tax examiner.
  - “L” - Case treated as a lost case.

4.19.25.23.6.3  
(06-24-2024)  
**IDRS Multiple Case  
Control Report**

- (1) The CCA 42-44 IDRS Multiple Case Control Report identifies cases when two or more employees have an open control base on the same TIN. It identifies the employee's IDRS numbers, TY, and category for the duplicate controls.
- (2) This report is available on Control-D every Monday morning. Report Name: “Multi Case Report”, Job Number: CCA 4244D.
- (3) Items on the Report - For each case shown, the following information is provided:

Item on Report	Description
TIN	Taxpayer Identification Number
BOD	Business Operating Division
BOD CLC	Business Operating Division Client Code
F/S	File Source
MFT	Master File Tax Account Code
Tax Period	Identifies the tax period that was controlled
Plan	Plan number, if applicable
N/C	Name Ctrl
“C#”	Control Base Number
Employee Number	Employee Number to whom the case is assigned
Status	Case History Status Code
Category	Category of first case
IRS Rcd Date	The first IRS received date

Item on Report	Description
"C#"	Second Control Base Number
Employee Number	Second employee number to whom the case is assigned
Status	Second Case History Status Code
Category	Category of second case
IRS Rcd Date	The second IRS received date

(4) The manager should:

- Provide the report by COB Monday to the employee identified as having controls on the case, highlighting the control number assigned to their team member.
- Instruct the employee to write the actions taken on the case on the report and return the annotated report to the manager no later than close of business Wednesday.
- After it is returned by the employee, review the report to determine if the correct actions were taken or return to the employee with feedback on the actions needing to be taken.
- Maintain these reports for three months.

**Exhibit 4.19.25-1 (06-24-2024)**
**Penalty Rates for Large Businesses**

IRC 6721 penalty rates for large businesses with gross receipts (over \$5 million) are shown below:

<b>Return Due Date</b>	<b>Not more than 30 days late</b>	<b>31 days late - August 1</b>	<b>After August 1</b>
<b>Returns due on or after 01-01-2025 through 12-31-2025 (TY 2024)</b>	\$60 per return \$664,500 maximum	\$130 per return \$1,993,500 maximum	\$330 per return \$3,987,000 maximum
<b>Returns due on or after 01-01-2024 through 12-31-2024 (TY 2023)</b>	\$60 per return \$630,500 maximum	\$120 per return \$1,891,500 maximum	\$310 per return \$3,783,000 maximum
<b>Returns due on or after 01-01-2023 through 12-31-2023 (TY 2022)</b>	\$50 per return \$588,500 maximum	\$110 per return \$1,766,000 maximum	\$290 per return \$3,532,500 maximum
<b>Returns due on or after 01-01-2022 through 12-31-2022 (TY 2021)</b>	\$50 per return \$571,000 maximum	\$110 per return \$1,713,000 maximum	\$280 per return \$3,426,000 maximum
<b>Returns due on or after 01-01-2021 through 12-31-2021 (TY 2020)</b>	\$50 per return \$565,000 maximum	\$110 per return \$1,696,000 maximum	\$280 per return \$3,392,000 maximum
<b>Returns due on or after 01-01-2020 through 12-31-2020 (TY 2019)</b>	\$50 per return \$556,500 maximum	\$110 per return \$1,669,500 maximum	\$270 per return \$3,339,000 maximum
<b>Returns due on or after 01-01-2019 through 12-31-2019 (TY 2018)</b>	\$50 per return \$545,500 maximum	\$100 per return \$1,637,500 maximum	\$270 per return \$3,275,500 maximum
<b>Returns due on or after 01-01-2018 through 12-31-2018 (TY 2017)</b>	\$50 per return \$536,000 maximum	\$100 per return \$1,609,000 maximum	\$260 per return \$3,218,500 maximum
<b>Returns due on or after 01-01-2017 through 12-31-2017 (TY 2016)</b>	\$50 per return \$532,000 maximum	\$100 per return \$1,596,500 maximum	\$260 per return \$3,193,000 maximum

**Exhibit 4.19.25-1 (Cont. 1) (06-24-2024)****Penalty Rates for Large Businesses**

<b>Return Due Date</b>	<b>Not more than 30 days late</b>	<b>31 days late - August 1</b>	<b>After August 1</b>
<b>Returns due on or after 01-01-2016 through 12-31-2016 (TY 2015)</b>	\$50 per return \$529,500 maximum	\$100 per return \$1,589,000 maximum	\$260 per return \$3,178,500 maximum
<b>Returns Due Between 01-01-2011 (TY 2010) through 12-31-2015 (TY 2014)</b>	\$30 per return \$250,000 maximum	\$60 per return \$500,000 maximum	\$100 per return \$1,500,000 maximum

**Exhibit 4.19.25-2 (06-24-2024)**
**Penalty Rates for Small Businesses**

IRC 6721 penalty rates for small businesses with gross receipts (less than \$5 million) are shown below:

<b>Return Due Date</b>	<b>Not More Than 30 Days Late</b>	<b>31 Days Late - August 1</b>	<b>After August 1</b>
<b>Returns due on or after 01-01-2025 through 12-31-2025 (TY 2024)</b>	\$60 per return \$232,500 maximum	\$130 per return \$664,500 maximum	\$330 per return \$1,329,000 maximum
<b>Returns due on or after 01-01-2024 through 12-31-2024 (TY 2023)</b>	\$60 per return \$220,500 maximum	\$120 per return \$630,500 maximum	\$310 per return \$1,261,000 maximum
<b>Returns due on or after 01-01-2023 through 12-31-2023 (TY 2022)</b>	\$50 per return \$206,000 maximum	\$110 per return \$588,500 maximum	\$290 per return \$1,177,500 maximum
<b>Returns due on or after 01-01-2022 through 12-31-2022 (TY 2021)</b>	\$50 per return \$199,500 maximum	\$110 per return \$571,000 maximum	\$280 per return \$1,142,000 maximum
<b>Returns due on or after 01-01-2021 through 12-31-2021 (TY 2020)</b>	\$50 per return \$197,500 maximum	\$110 per return \$565,000 maximum	\$280 per return \$1,130,500 maximum
<b>Returns due on or after 01-01-2020 through 12-31-2020 (TY 2019)</b>	\$50 per return \$194,500 maximum	\$110 per return \$556,500 maximum	\$270 per return \$1,113,000 maximum
<b>Returns due on or after 01-01-2019 through 12-31-2019 (TY 2018)</b>	\$50 per return \$191,000 maximum	\$100 per return \$545,500 maximum	\$270 per return \$1,091,500 maximum
<b>Returns due on or after 01-01-2018 through 12-31-2018 (TY 2017)</b>	\$50 per return \$187,500 maximum	\$100 per return \$536,000 maximum	\$260 per return \$1,072,500 maximum
<b>Returns due on or after 01-01-2017 through 12-31-2017 (TY 2016)</b>	\$50 per return \$186,000 maximum	\$100 per return \$532,000 maximum	\$260 per return \$1,064,000 maximum

**Exhibit 4.19.25-2 (Cont. 1) (06-24-2024)****Penalty Rates for Small Businesses**

<b>Return Due Date</b>	<b>Not More Than 30 Days Late</b>	<b>31 Days Late - August 1</b>	<b>After August 1</b>
<b>Returns due on or after 01-01-2016 through 12-31-2016 (TY 2015)</b>	\$50 per return \$185,000 maximum	\$100 per return \$529,500 maximum	\$260 per return \$1,059,500 maximum
<b>Returns Due Between 01-01-2011 (TY 2010) through 12-31-2015 (TY 2014)</b>	\$30 per return \$75,000 maximum	\$60 per return \$200,000 maximum	\$100 per return \$500,000 maximum

**Exhibit 4.19.25-3 (06-24-2024)****Activity Codes for IRP Processing**

The following Activity Codes provide additional information about the action taken on the case. They will be used, along with appropriate History Items to leave an adequate audit trail. This will assist with any subsequent review of the account (for example: taxpayer request for reconsideration). This list is not all inclusive:

**Suspense and Monitoring Activity Codes (IDRS CC: ACTON):** Use this information to update the IDRS control base and/or to manage suspense inventory to take next action in a timely manner.

Activity Code	Status Code	Description
972CG_SENT	"M"	Use when researching an undeliverable and a better address is found. See IRM 4.19.25.15, Undeliverables - Tax Examiner Responsibilities. <b>Caution:</b> It is critical that this activity code be used exactly as shown so the No Reply Tool will identify the applicable TINs for processing.
1948CMMDD	"S"	Letter 1948-C sent where "MMDD" represents the end of the suspense period.
2275#1MMDD	"M"	The first Form 2275 request period ("MMDD" is 30 days from the request input date).
2275#2MMDD	"M"	The second Form 2275 request ("MMDD" is 30 days from the request input date).
ESTABMMDD	"M"	When requesting a prior penalty assessment/abatement where "MMDD" represents the end of the monitoring period.
EXTENDMMDD	"S"	Taxpayer was granted an extension. "MMDD" represents the last day of the extension suspense period.
"F1096REQ"	"M"	When requesting a Form 1096.
"F3870-MMDD"	"S"	When suspending a Form 3870 case for requested information from an RO.
FEMA-OMMDD	"S"	Disaster case identified. "MMDD" represents the disaster end date.
LSTCSEMMDD	"S"	When requesting a copy of lost taxpayer correspondence using Letter 1948-C and where "MMDD" represents the end of the suspense period.
SCRIPSMDD	"M"	When requesting paper filed Form 1096 package where "MMDD" represents the end of the monitoring period.

**Adjustment Activity Codes (IDRS CC: ADJ54):** Use the following Activity Codes when inputting adjustments:

Activity Code	Status Code	Description
854CSENT	"C"	Use with BS 98 adjustment when denying the taxpayer's request to waive/abate the penalty.



**Exhibit 4.19.25-3 (Cont. 1) (06-24-2024)**  
**Activity Codes for IRP Processing**

Activity Code	Status Code	Description
972CGUNDEL	"C"	When assessing penalty on undeliverable Notice 972-CG where a new or better address was not found. See IRM 4.19.25.15, Undeliverables – Tax Examiner Responsibilities.
972NOREPLY	"C"	Use with BS 52 adjustment when the taxpayer did not reply to the Notice 972-CG
1865CPURGE	"C"	Used when assessing penalties for failure to file in proper format PRN 503 (Letter 1865-C). See IRM 4.19.25.18, No Replies to Letter 1865-C - Assessments.
BANKRPTCY	"C"	Use when waiving/abating the penalty due to bankruptcy.
EMP-CD-F OR EMP-CD-Q	"C"	Use when waiving/abating the penalty due to federal agency or quasi government status.
FULLABATE	"C"	Use with BS 53 adjustments (reconsideration) to identify a full abatement of the previously assessed penalty.
FULLASSESS	"C"	Use with BS 52 adjustment when: a. Fully denying the taxpayer's request for penalty waiver, OR b. Letter 1948-C was previously issued and either the taxpayer did not respond or did not provide the requested information.
FULLPAID	"C"	Use with BS 52 adjustment when the taxpayer paid the penalty, a payment voucher was included, and no other correspondence is present.
FULLWAIVE	"C"	Use with BS 05 (IMF) or BS 15 (BMF) adjustment when the taxpayer provides sufficient information to fully waive the penalty.
INSUFFINFO	"C"	Use with BS 05 (IMF) or 15 (BMF) adjustment when the taxpayer did not provide enough information to make a determination during the reconsideration phase.
LATE-F1096	"C"	Excessively late filed Form 1096 received from SP. See IRM 4.19.25.20, Excessively Late Filed Information Returns.
PARTABATE	"C"	Use with BS 53 adjustments (reconsideration) to identify a partial abatement of the previously assessed penalty.
PARTAGREE	"C"	Use with BS 52 adjustment when taxpayer agrees with a portion of the original penalty.
PARTASSESS	"C"	Use with BS 52 adjustment when taxpayer disagrees with the penalty and a portion of the original penalty is assessed.
PATREXEMPT	"C"	When processing approved Form 3491, Consumer Cooperative Exemption Application. See IRM 4.19.25.19.2, Processing Forms 3491.

**Exhibit 4.19.25-3 (Cont. 2) (06-24-2024)****Activity Codes for IRP Processing**

<b>Activity Code</b>	<b>Status Code</b>	<b>Description</b>
REJRODOC	"C"	When information to resolve a Form 3870 case is not received from the RO or group manager by the agreed upon receipt date (plus five business days mail time).
S/CERROR	"C"	Use with BS 53 adjustment when taking corrective action on an erroneous assessment (for example: a double assessment).
	"C"	
TPAGREES	"C"	Use with BS 52 adjustment when taxpayer fully agrees to the proposed penalty.

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**Exhibit 4.19.25-4 (06-24-2024)****IRP Penalty Reference Numbers**

<b>PRN</b>	<b>Title</b>	<b>Definition: A penalty is charged for each information return defined under IRC 6724(d) that was:</b>
500	Failure to Timely File	Not timely filed.
501	Failure to File Electronically	Not filed electronically as required by IRC 6011(e) and Treas. Reg. 301.6011-2(b).
502	Failure to Include Correct TINs	Submitted with missing or incorrect TIN information.
503	Failure to File in Proper Format	Submitted in an improper format. <b>Note:</b> This penalty is not included on the Notice 972-CG. It is based on information supplied by SP. See IRM 4.19.25.18, No Replies to Letter 1865-C - Assessments, for more information.
504	Failure to Timely File & Failure to File Electronically	Combination of not timely filed and not filed electronically.
505	Failure to Timely File & Failure to Include Correct TINs	Combination of not timely filed and missing or incorrect TIN information.
506	Failure to Timely File & Failure to File in Proper Format	Combination of not timely filed and submitted in an improper format.
507	Failure to File Electronically & Failure to Include Correct TINs	Combination of not filed electronically and missing or incorrect TIN information.
508	Failure to File Electronically & Failure to File in Proper Format	Combination of not filed electronically and submitted in an improper format.
509	Failure to Include Correct TINs & Failure to File in Proper Format	Combination of submitted with missing or incorrect TIN information and in an improper format.
510	Failure to Timely File, Failure to File Electronically & Failure to Include Correct TINs	Combination of not timely filed, not filed electronically and submitted with missing or incorrect TIN information.
511	Failure to Timely File, Failure to File Electronically & Failure to File in Proper Format	Combination of not timely filed, not filed electronically and submitted in an improper format.

**Exhibit 4.19.25-4 (Cont. 1) (06-24-2024)****IRP Penalty Reference Numbers**

<b>PRN</b>	<b>Title</b>	<b>Definition: A penalty is charged for each information return defined under IRC 6724(d) that was:</b>
512	Failure to Timely File, Failure to Include Correct TINs & Failure to File in Proper Format	Combination of not timely filed, submitted with missing or incorrect TIN information and in an improper format.
513	Failure to File Electronically, Failure to Include Correct TINs, & Failure to File in Proper Format	Combination of not filed electronically, submitted with missing or incorrect TIN information and in an improper format.
514	Failure to Timely File, Failure to File Electronically, Failure to Include Correct TINs, & Failure to File in Proper Format	Combination of not timely field, not filed electronically, missing or incorrect TIN information, and submitted in an improper format.

**Exhibit 4.19.25-5 (07-20-2023)****Penalty Reason Codes**

The PRCs below are used when waiving/abating penalties due to reasonable cause:

<b>IMF RC (1st position)</b>	<b>BMF RC (1st position)</b>	<b>PRC (4th position)</b>	<b>Description</b>
062	062	022	Normal business care and prudence followed, but taxpayer was still unable to comply due to circumstances beyond their control.
062	N/A	024	<b>IMF only</b> - Death, serious illness, or unavoidable absence of the taxpayer or a member of their immediate family.
062	062	025	Records inaccessible. Unable to obtain records. Records destroyed by fire or other casualty.
N/A	062	026	<b>BMF only</b> -Death, serious illness, or unavoidable absence of the person
062	062	030	Other - Combination of mistakes. Normal business care and prudence followed, but documentation shows non-compliance was due to circumstances beyond the taxpayer's control.

The PRCs below are used when waiving/abating penalties for criteria other than reasonable cause:

<b>IMF RC (1st position)</b>	<b>BMF RC (1st position)</b>	<b>PRC (4th position)</b>	<b>Description</b>
065	None	023	Taxpayer relied on practitioner or third party advice.
065	None	027	Timely mailed/timely filed.

**Exhibit 4.19.25-5 (Cont. 1) (07-20-2023)****Penalty Reason Codes**

<b>IMF RC (1st position)</b>	<b>BMF RC (1st position)</b>	<b>PRC (4th position)</b>	<b>Description</b>
065	None	028	Official FEMA declared disaster area.
065	None	045	IRS error. Math error in computing penalty(ies).

**Note:** See Document 6209 for additional RCs.

**Exhibit 4.19.25-6 (06-24-2024)****Acronyms**

<b>Acronym</b>	<b>Definition</b>
ASED	Assessment Statute Expiration Date
BMF	Business Master File
CAF	Centralized Authorization File
CC	Command Code
CI	Criminal Investigation
CP	Computer Paragraph
DLN	Document Locator Number
EIN	Employer Identification Number
ERQY	Employer Report/Adjustment Query: A database owned by SSA that can be researched for specific Form W-2 and Form W-2 information.
FIRE	Filing Information Returns Electronically system
FTA	First Time Abate
IAT	Integrated Automation Technologies
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IPU	IRM Procedural Update
IR	Information Return: Any statement, form or return as described in Treasury Regulation 301.6721-1(g) and IRC 6724(d)(1).
IRC	Internal Revenue Code
IRIS	Information Returns Intake System
IRP	Information Return Penalty
MFT	Master File Tax Account Code
NAICS	North American Industry Classification System
NAP	National Account Profile
NPS	National Print Site
OFP	Organization Function Program
ORCAS	Overage Report Compiler and Sorter
ORS	Online Retrieval System: A database owned by the Social Security Administration (SSA) that can be researched for specific paper-filed Form W-3 information.
PCD	Program Completion Date

**Exhibit 4.19.25-6 (Cont. 1) (06-24-2024)****Acronyms**

<b>Acronym</b>	<b>Definition</b>
PMF	Payer Master File: A database that maintains documents covering five tax years of information return data. Data is accessed through the use of IDRS CC: PMFOL. The data is the primary source for the IRP program.
POA	Power of Attorney
PRC	Penalty Reason Code
PRN	Penalty Reference Number: A three-digit number assigned to a specific penalty.
PSC	Philadelphia Service Center
RC	Reason Code
RO	Revenue Officer
RSED	Refund Statute Expiration Date
SLA	Service Level Agreement
SP	Submission Processing
SSA	Social Security Administration
SSN	Social Security Number
TAS	Taxpayer Advocate Service
TCC	Transmitter Control Code
TIA	Tax Information Authorization
TIN	Taxpayer Identification Number
TOD	Tour of Duty
TSO	Technical Services Operation: TSO serves as a focal point for electronic processing related to IRP. TSO coordinates, develops, maintains, and controls operational aspects of IRP where businesses, financial institutions, and federal, state, and local governments submit information returns electronically through the FIRE system, which will soon be replaced by IRIS.
TY	Tax Year



**Exhibit 4.19.25-7 (08-21-2017)****Notice Delay Actions (Reconsiderations)**

<b>Current IDRS Status</b>	<b>Description</b>	<b>Cycles to Next Status</b>	<b>Next Status</b>	<b>STAUP Required to Stop Next Notices</b>	<b>Remarks</b>
12	Full paid or Credit	None	N/A	N/A	There may be accruals; check IDRS CC: INTST
19	Balance Due before Due Date - MF Notice issued	Later of: Return Due Date or five Cycles	20	STAUP20	1st IDRS notice will issue the later of five Cycles after MF notice or return due date
20	First IDRS Notice - 501	5	56	STAUP56	N/A
21	Balance Due - MF Notice issued	5	20 (IMF) 58 (BMF)	STAUP20 STAUP58	This status for MF notices after return due date
22	TDA issued (ACS)	Various	24 or 26	N/A	Input TC 470 CC 90
23	Balance Below \$1,000 (BMF); \$1,500 (IMF)	None	N/A	N/A	MF notice issued yearly aggregate balance below \$1,000 (BMF); \$1,500 (IMF)
24	TDA (Queue)	Various	26	N/A	N/A
26	TDA (CFF)	None	N/A	N/A	Input TC 470 CC 90
41/42 43/44	Stay of Collection	Various	22	N/A	N/A
47	Temp Collection Freeze - TC 470	26 or Manual Release	Various	N/A	Review - re-input TC 470 CC 90, if required
48	Temp Notice Freeze - CC STAUP	# Input (1-15)	As Requested	Various	Review - update if required

**Exhibit 4.19.25-7 (Cont. 1) (08-21-2017)**  
**Notice Delay Actions (Reconsiderations)**

<b>Current IDRS Status</b>	<b>Description</b>	<b>Cycles to Next Status</b>	<b>Next Status</b>	<b>STAUP Required to Stop Next Notices</b>	<b>Remarks</b>
50	Causes module to be accelerated to requested notice/TDA status	# Input (0)	Various	N/A	N/A
51	Undeliverable Notices	1	22	N/A	N/A
53	Temp Collect. Frz TC 470 - cc 90/93	26 or Manual Release (ST58)	20	N/A	Review - re-input TC 470 CC 90, if required
53	TC 530 Account Uncollectable	Various	22	N/A	N/A
56	Third IDRS Notice - 503	5	58	STAUP58	N/A
58	Final IDRS Notice 504	6	22 or 23 or 26	STAUP22	N/A
60/61 63/64	Installment Agreement	Various	Various	Collection Operation	Collection Operation
71	Offer in Compromise	Various	Various	Collection Operation	Collection Operation
72	Bankruptcy	Various	Various	Collection Operation	Collection Operation
73	Coll/Offset Frz TC470 - CC99	Manual Release	58	N/A	Freeze does not expire
76	Immediate TDA Pending	1	22	STAUP22	504 Notice & TDA next cycle
77	Accelerated TDA	3-8	58	STAUP58	504 is only IDRS notice
91	Criminal Investigation	Various	22	CI Operation	CI Operation
99	Out of service Center location	Various	Various	-	Review-input TC 470 if required

**Exhibit 4.19.25-8 (08-21-2017)**  
**Physical Inventory Certificate**

<b>Tax Examiner Name:</b>
IDRS Number:
Date of CCA 4243:
Number of cases listed on your CCA 4243:

Action Taken	YES/NO
Verify received dates are correct.	-
Verify case was classified as correct program.	-
Correct MFT was input.	-
If case is missing, have followed the missing case procedure?	-
Ensured all appropriate interim letters have been issued.	-
Verified need for STAUP and input if necessary.	-
Ensured you are working your cases in FIFO (First-In-First-Out) order.	-
Are cases in the correct status? (A-Assigned, M-Monitored, S-Suspense, etc)	-

Program (IRP)	Number of cases
Cases listed on your CCA 4243	-
Missing	-
Closed	-
Added (newly controlled)	-
<b>TOTAL</b>	-

<b>Number of cases currently in your possession:</b>
I certify I have taken all actions stated above.
Print Name:
Sign Name:
Date:

**Exhibit 4.19.25-9 (08-21-2017)****Wall Inventory Instruction and Certification**

<b>Print Name:</b>
Sign Name:
Date:

<b>Wall Instruction and Certification</b>
---

Run the CCA 42-43 for IRP. Sort the listing by age beginning with the earliest received date. This simplifies the process to verify each of the cases on your wall to the cases listed on the CCA 42-43.

Verify the count in each open batch listed in the log book matches with the CCA 42-43.

IRP Program	Number of Cases
Cases listed on your CCA 42-43	-
Missing	-
Closed	-
Added (Newly Controlled)	-
<b>Total</b>	-

I certify I have reviewed the process used to complete this physical inventory and am confident it reflects true volumes currently in the operation. I certify the actions taken by the tax examiners are correct and warranted.

<b>Department Manager Signature:</b>
Date:

<b>Operation Manager Signature:</b>
Date:

**Exhibit 4.19.25-10 (07-26-2018)**  
**Batch Control Sheet**

## IRP Batch Cover Sheet

IRS Rec'd Date:

Batch Number:

Case Type:

[illegible]