



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.24.17

AUGUST 18, 2025

EFFECTIVE DATE

(08-18-2025)

PURPOSE

- (1) This revises IRM 4.24.17, Excise Tax, Excise Summary Terminal Activity Reporting System (ExSTARS) Compliance Examination Procedures.

MATERIAL CHANGES

- (1) Refer to the table below for a description of the material changes made.

Number	Subsection	Description of Change
1	IRM 4.24.17.1, Program Scope and Objectives	Removed reference to fuel compliance agents as this position is no longer active in Excise Examination.
2	IRM 4.24.17.1.1, Background	Changed information returns to information reports.
3	IRM 4.24.17.1.2, Authority	Added reference to IRC 4101(d) concerning electronic filing of 25 or more transactions. Added reference to IRC 6725 concerning a penalty for failing to file the report or for failing to include all required information on the report.
4	IRM 4.24.17.1.4, Program Management and Review	Updated to be consistent with other Excise Tax IRM sections.
5	IRM 4.24.17.1.5, Terms/Definitions	Changed title to Program Controls and moved the terms table to Exhibit 4.24.17-1, Terms.
6	IRM 4.24.17.1.6, Acronyms	Changed title to Terms and Acronyms and moved the acronym table to Exhibit 4.24.17-2, Acronyms. Removed acronyms that are not used throughout this section (ECS, FCA, GRM, RA, SBSE, and TBOR).
7	IRM 4.24.17.1.7, Related Resources	Removed references to other Excise Tax IRM sections easily found in IRM Online. Added reference to Publication 3536. Updated links for Excise Tax Knowledge Base, Registration Status Check: Form 637, Taxpayer Bill of Rights, and added link to the Virtual Library. Added Taxpayer Advocate Services (TAS) to related resources.
8	IRM 4.24.17.2, Introduction to Excise Summary Terminal Activity Reporting System (ExSTARS) Compliance Examinations	Removed duplicate content already in the Authority subsection. Moved reference to IRC 4101(d) concerning electronic filing of 25 or more transactions to the Authority subsection. Updated link for Registration Status Check: Form 637. Removed GRM acronym.

Number	Subsection	Description of Change
9	IRM 4.24.17.2.1, Third Party Contact Requirements	Removed the title for IRC 7602(c) to be consistent with other Excise Tax IRM sections.
10	IRM 4.24.17.2.2, Procedural Guidance Relating to Facility Control Number (FCN) Requests	Updated link for Registration Status Check: Form 637. Removed several references to FCA. Removed duplicate content and referred to IRM 4.24.26. Added a note that management may assign the review or inspection to an examiner when needed.
11	IRM 4.24.17.2.3, Procedural Guidance for Change of Facility Status	Removed several references to FCA. Removed duplicate content and referred to IRM 4.24.26. Added a note that management may assign the review or inspection to an examiner when needed.
12	IRM 4.24.17.3, ExSTARS Workload Selection and Assignment	Changed title to ExSTARS Compliance Examination - Grade of Case. Reorganized content for clarity and added a reference to IRM 4.24.21.6.3, Grade of Case, and IRM 1.4.40, SB/SE Field and Office Examination Group Manager.
13	IRM 4.24.17.4, ExSTARS Report Filings	Changed title to ExSTARS Filing Errors. Removed duplicate information that can be found by the examiner in Publication 3536, if needed.
14	IRM 4.24.17.5, ExSTARS Statute Control and Extensions	Incorporated IGM SBSE 04-0525-0024, Interim Guidance for New Joint Operation Center Request for Information Procedures, providing guidance on how to make a request to the JOC for information and case-related data analysis assistance must be made using the new RFI System. Paragraph (1) was rewritten for clarity.
15	IRM 4.24.17.6, ExSTARS Examination Return Control System (ERCS) Procedures	Corrected IRM references.
16	IRM 4.24.17.6.1, Case Coordination Guidance for Form 720 Examinations and Related ExSTARS Compliance Examinations	Changed title to ExSTARS Compliance Examinations - Coordination with Related Form 720 Examination. Removed WSD from in front of Classification Checksheets.
17	IRM 4.24.17.7, ExSTARS Information Provider Initial Contact	Changed title to ExSTARS Compliance Examination - Initial Contact. Incorporated IGM SBSE 04-0623-0017, Excise Examinations of Indian Tribal Governments, dated June 2, 2023. Updated the link to *SBSE Excise EXSTARS.
18	IRM 4.24.17.8, ExSTARS Information Report Filing Issues	Changed title to ExSTARS Compliance Examination - Filing Issues. Updated the title to ExSTARS Information Return Filing Issues.

Number	Subsection	Description of Change
19	IRM 4.24.17.9, ExSTARS Information Report Accuracy Issues	Changed title to ExSTARS Compliance Examination - Accuracy Issues. Updated the title to ExSTARS Information Return Accuracy Issues. Combined some items to make shorter lists.
20	IRM 4.24.17.10, Overview of ExSTARS Compliance Examinations	Changed title to ExSTARS Compliance Examination - Procedures. Updated wording in (5) for clarity. Moved (2), (3), and (4) appropriate subsections.
21	IRM 4.24.17.10.1, ExSTARS Compliance Examination - No Penalty Procedures	Changed title to ExSTARS Compliance Examination - Closing Letters. Updated (2) for clarity and removed (3) because this subsection is already about no penalty procedures. Updated the email address for the Form 637 Registration Lead Technician. Added reference to IRM 4.24.17.11 for cases where a penalty is applicable.
22	IRM 4.24.17.10.1.1, ExSTARS Compliance Examination – No Penalty Case File Documentation	Obsoleted subsection - moved content to IRM 4.24.17.10.2.
23	IRM 4.24.17.10.1.2, ExSTARS Compliance Examination – No Penalty Case File Closing	Obsoleted subsection - moved content to IRM 4.24.17.10.3.
24	IRM 4.24.17.10.2, ExSTARS Compliance Examination – IRC 6725 Penalty Case File Procedures	Changed name to ExSTARS Compliance Examination – Case File Documentation. Moved content from IRM 4.24.17.10.1.1 to this section and moved prior content to IRM 4.24.17.11. Updated (1) for clarity. Removed reference to Form 9984. Examiners activity is now recorded in the Examining Officer's Activity Record in IMS. Moved mandatory admin forms to (2). Removed (3) because it is duplicate information and not part of case file documentation.
25	IRM 4.24.17.10.2.1, IRC 6725 Penalty Reports	Obsoleted subsection - moved content to IRM 4.24.17.11.1.
26	IRM 4.24.17.10.2.2, IRC 6725 Penalty Case Documentation	Obsoleted subsection - moved content to IRM 4.24.17.11.2.
27	IRM 4.24.17.10.2.3, IRC 6725 Penalty Case Closing	Obsoleted subsection - moved content to IRM 4.24.17.11.3.

Number	Subsection	Description of Change
28	IRM 4.24.17.10.3, IRC 6725 Unagreed Penalty Case File Forwarded to Appeals	Changed title to ExSTARS Compliance Examination – Case File Closing. Moved content from IRM 4.24.17.10.1.2 to this section and moved prior content to IRM 4.24.17.11.4. Inserted (1) and the note in (2) which were removed from IRM 4.24.17.10. Updated the Other Instructions statement in (2)(i). Added that the ExSTARS compliance examination case file is retained in IMS for a historical record. Removed the requirement for a paper case file.
29	IRM 4.24.17.11, Instructions for Completing Form 5345-D, Examination Request-ERCS (Examination Returns Control System) Users	Changed title to IRC 6725 Penalty Procedures. Moved content from IRM 4.24.17.10.2. Moved previous content to IRM 4.24.17.12. Added a note to clarify that the Form 400 must be signed prior to any penalty discussion with the taxpayer.
30	IRM 4.24.17.11.1, Completing Form 5345-D for ExSTARS Compliance Examinations	Changed title to IRC 6725 Penalty Reports. Moved content from IRM 4.24.17.10.2.1. Moved previous content to IRM 4.24.17.12.1. Changed bulleted list to a table for clarity.
31	IRM 4.24.17.11.2, Completing Form 5345-D for IRC 6725 Penalty Case Files	Changed title to IRC 6725 Penalty Case File Documentation. Moved content from IRM 4.24.17.10.2.2. Moved previous content to IRM 4.24.17.12.2.
32	New IRM 4.24.17.11.3	Added title IRC 6725 Penalty Case File Closing. Moved content from IRM 4.24.17.10.2.3.
33	New IRM 4.24.17.11.4	Added title IRC 6725 Unagreed Penalty Case File Forwarded to Appeals. Moved content from IRM 4.24.17.10.3.
34	IRM 4.24.17.12, Instructions for Completing Form 8278, Assessment and Abatement of Miscellaneous Civil Penalties	Changed title to Instructions for Completing Form 5345-D, Examination Request-ERCS (Examination Returns Control System) Users. Moved content from IRM 4.24.17.11.
35	New IRM 4.24.17.12.1	Added title Completing Form 5345-D for ExSTARS Compliance Examinations. Moved content from IRM 4.24.17.11.1. Changed bulleted list to a table for clarity.
36	New IRM 4.24.17.12.2	Added title Completing Form 5345-D for IRC 6725 Penalty Case Files. Moved content from IRM 4.24.17.11.2. Changed bulleted list to a table for clarity. Reworded to clarify which statute date to use.
37	New IRM 4.24.17.13	Added title Instructions for Completing Form 8278, Assessment and Abatement of Miscellaneous Civil Penalties. Moved content from IRM 4.24.17.12.

- (2) Editorial changes have been made throughout this section to update electronic links and organizational name changes, correct grammar and punctuation errors, and remove excessive links to laws, forms, and letters.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 4.24.17, dated June 5, 2023. This IRM Section (section) incorporates Interim Guidance Memorandum (IGM) SBSE 04-0623-0017, Excise Examinations of Indian Tribal Governments, dated June 2, 2023, and IGM SBSE 04-0525-0024, Interim Guidance for New Joint Operation Center Request for Information Procedures, dated 5/13/2025.

AUDIENCE

This section provides guidance to SB/SE Specialty Examination, Excise Tax Examination employees.

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Small Business/Self Employed

4.24.17

Excise Summary Terminal Activity Reporting System (ExSTARS) Compliance Examination Procedures

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4.24.17.1
(08-18-2025)
Program Scope and Objectives

- (1) **Purpose** - This section provides guidance pertaining to Form 720-TO, Terminal Operator Report, and Form 720-CS, Carrier Summary Report, compliance examinations (hereinafter referred to as "ExSTARS compliance examinations") procedures.
- (2) **Audience** - The audience for this section includes the SB/SE Director, Examination - Specialty, Chief, Estate & Gift/Excise Tax, Excise Territory Managers, Excise Group Managers (hereinafter referred to as "group managers"), and Excise Tax Revenue Agents (hereinafter referred to as "examiners").
- (3) **Policy Owner** - Director, Examination - Specialty Policy is responsible for the administration, procedures, and updates related to ExSTARS compliance examinations.
- (4) **Program Owner** - Director, Examination - Specialty Tax owns Excise Tax Examination.
- (5) **Primary Stakeholders** - Primary stakeholders include the Chief, Estate & Gift/Excise Tax, Excise Tax Examination territory managers and group managers, and Excise Case Selection.
- (6) **Other Stakeholders** - Other areas that follow these policies and procedures include Independent Office of Appeals (Appeals), Agency Wide Shared Services, Counsel, SB/SE Examination, Large Business and International, and Tax Exempt and Government Entities.
- (7) **Program Goals** - The processes and procedures provided in this section are consistent with the objectives or goals for Excise Tax - Examination that are addressed in IRM 1.1.16.5.3.1, Excise Tax Examination.

4.24.17.1.1
(06-05-2023)
Background

- (1) The need for a system to monitor the movement of motor fuel was made evident by well-publicized reports detailing extensive evasion of federal and state excise taxes on motor fuel during the 1980s and 1990s. Representatives of the motor fuel industry cooperated with state and federal governments to analyze and find a solution to the problem of motor fuel tax evasion. What emerged from that cooperation is a system termed the Excise Summary Terminal Activity Reporting System (ExSTARS), which is designed to attempt to prevent and detect the existence of illegal tax evasion schemes involving the federal and state excise taxes on motor fuel.
- (2) ExSTARS is a key component (subsystem) of the Excise Files Information Retrieval System (ExFIRS) project. The ExSTARS system processes data provided by information providers, which is forwarded to the ExFIRS data warehouse for review by the IRS. The ExSTARS Gateway application provides access to the ExSTARS system for approved industry users, who have a need to upload data into the ExSTARS system.
- (3) ExSTARS is used to track the movement of fuel to and from approved terminals by electronically filed monthly Form 720-TO, Terminal Operator Report, and Form 720-CS, Carrier Summary Report, (collectively known as "information reports") reflecting fuel quantity and type as it moves through the bulk fuel distribution system. This information is used to analyze quarterly fuel volumes and is compared to the fuel tax information entered on Form 720, Quarterly Federal Excise Tax Return. All significant discrepancies are referred

to the Excise Tax Program for further analysis. The Excise Tax Program will use the results of the analyses to identify entities that appear to be in noncompliance and to direct compliance resources to those entities.

- (4) ExSTARS is also used by approved State users, who have a need to download state reports prepared for them. Primarily, an approved State will use the data to compare a terminal's tax payments and filings to the gallons that are removed from the bulk transfer/terminal system. They also use it to track shipments into neighboring states and imports of product into their state.

4.24.17.1.2
(08-18-2025)
Authority

- (1) Internal Revenue Code (IRC) 4101(d) authorizes the IRS to require information reporting from any person who is registered under IRC 4101 and from any other person who the IRS deems necessary to administer fuel tax rules.
- (2) Under *Treas. Reg. 48.4101-2*, each information report under IRC 4101(d) must be made in the form required by the Commissioner, made for a period of one calendar month, and filed by the last day of the first month following the month for which the report is made.
- (3) IRC 4101(d) requires any person with 25 or more reportable transactions (i.e., those transactions required to be reported on Form 720-TO and 720-CS) in a month to file in an electronic format.
- (4) IRC 6725 imposes a penalty on any person required to file reports under IRC 4101(d) for failing to file the report or for failing to include all required information on the report. Absent reasonable cause, the penalty is \$10,000 per failure for each carrier or facility (e.g., a terminal or refinery) for which information is required to be furnished.

4.24.17.1.3
(06-05-2023)
Roles and Responsibilities

- (1) Director, Examination - Specialty Policy, is responsible for the procedures and policies addressed in this section.
- (2) Program Manager, Excise Tax Policy, is responsible for ensuring the procedures are accurate and updated regularly as needed.
- (3) The Chief, Estate & Gift/Excise Tax, is responsible for ensuring the procedures within this section are adhered to by employees in Excise Tax Examination.
- (4) Territory managers are responsible for ensuring group managers are aware and adhere to the procedures in this section.
- (5) The group managers are responsible for ensuring their employees have current copies of this section and are adhering to the procedures in this section.
- (6) Examiners are responsible for following the procedures and policies addressed in this section.

4.24.17.1.4
(08-18-2025)
Program Management and Review

- (1) **Program Reports** - Information regarding the reporting of program objectives are included on, but not limited to Examination Headquarters Monthly Briefings, Program Manager Monthly Briefings, SB/SE Examination Operational Reviews, and Business Performance Reviews. These reports provide reliable and timely information. Periodic program reviews are conducted to:

- Determine if procedures are being followed.
- Validate the policies and procedures.
- Identify and share best practices.

- (2) **Program Effectiveness** - Program effectiveness may be measured by the Exam Quality Review Staff, located in Field and Specialty Exam Quality (FSEQ). FSEQ supports the SB/SE Quality Improvement Program utilizing National Quality Review System (NQRS) to conduct independent case reviews from statistically valid samples of examination case work. National, area, and territory trend analysis on the quality attributes are used to establish baselines to assess program performance, identify opportunities to improve work processes, analyze causes for failure, assess the feasibility of possible solutions, and measure the success of quality improvement efforts.
- (3) **Annual Review** - Program Manager, Excise Tax Policy is responsible for reviewing the information in this section annually to ensure accuracy and promote consistent tax administration.

4.24.17.1.5 (08-18-2025) **Program Controls**

- (1) All information management systems that are utilized have safeguard measures in place that address all key components of Information Technology (IT) security requirements to restrict access to sensitive data.
- (2) Program controls may overlap with program management and review information, refer to IRM 4.24.17.1.4.

4.24.17.1.6 (08-18-2025) **Terms and Acronyms**

- (1) See Exhibit 4.24.27-1, Terms, for a list of terms and definitions used in this IRM and see Exhibit 4.24.17-2, Acronyms, for a list of acronyms and definitions used in this IRM.

4.24.17.1.7 (08-18-2025) **Related Resources**

- (1) Pub 3536 is the Motor Fuel Excise Electronic Data Interchange (EDI) Guide with information for Excise Summary Terminal Activity Reporting System (ExSTARS). The publication is designed to provide the general requirements, format, specifications, and procedures for the electronic filing of Form 720-TO, Terminal Operator Report, and Form 720-CS, Carrier Summary Report.
- (2) For general guidance, procedures, tax law, and regulations on a wide variety of excise issues, refer to the *Excise Tax Knowledge Base* found in the *Virtual Library*.
- (3) Form 637, Application for Registration (For Certain Excise Tax Activities), status can be confirmed online at *Registration Status Check: Form 637*.
- (4) The *Taxpayer Bill of Rights* 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 accordance with taxpayer rights.
- (5) The Taxpayer Advocate Service (TAS) is an independent organization within the Internal Revenue Service (IRS), that assists taxpayers in resolving issues that have not been resolved through normal IRS channels. TAS offers help to taxpayers when a tax problem is causing a financial hardship, or if they believe an IRS system or procedure isn't working as it should. TAS strives to ensure that every taxpayer is treated fairly and knows and understands their rights

under the Taxpayer Bill of Rights. TAS has at least one taxpayer advocate office located in every state, the District of Columbia, and Puerto Rico.

4.24.17.2
(08-18-2025)
**Introduction to Excise
Summary Terminal
Activity Reporting
System (ExSTARS)
Compliance
Examinations**

- (1) The IRS requires terminal operators to file Form 720-TO, Terminal Operator Report, to report the receipt and disbursement of all liquid products. The IRS also requires bulk carriers to file Form 720-CS, Carrier Summary Report. Vessel operators report all liquid product receipts and disbursements to and from approved terminals and refineries designated with a Terminal Control Number (TCN) and Refinery Control Number (RCN), respectively. A pipeline operator only reports receipts and disbursements to and from an approved terminal designated with a TCN.
- (2) ExSTARS is an electronic data interchange system that was developed by federal, state, and industry stakeholders to facilitate compliance with the electronic filing requirement of IRC 4101(d). The IRS uses the information gathered through ExSTARS to plan fuel tax compliance and taxpayer service activities. Therefore, it is important that the IRS ensures that the information gathered through ExSTARS is accurate. ExSTARS compliance examinations are an integral part of the IRS's overall fuel tax compliance strategy.
- (3) The IRS issues a Facility Control Number (FCN) to designate a storage location within the motor fuel bulk transfer/terminal system. A TCN is used to identify individual terminals, and an RCN is used to identify individual refineries.

Note: Facilities may have more than one FCN. For example, a refinery with an RCN may also meet the definition of an approved terminal, which would require the facility to also have a TCN.

- (4) Operators of an approved terminal or refinery apply to register with the IRS for an TCN or RCN, through the IRS ExSTARS Coordinator. Currently, a terminal with a TCN is the only FCN required to file ExSTARS Form 720-TO reports.

Note: Vessel and pipeline operators are not issued an FCN but must file ExSTARS Form 720-CS reports.

- (5) ExSTARS compliance examinations are conducted by “examiners” in this section.
- (6) The examiner is required to utilize management-specified examination software for all ExSTARS compliance examinations. The Issue Management System (IMS) with affiliated Notebook, which provides lead sheet templates, reports, letters, and closing forms, is the current excise tax examination case software system.
- (7) The scope of an ExSTARS compliance examination is limited to ExSTARS filing requirement issues concerning:
 - Failure to make a report on or before the date prescribed.
 - Failure to include required information.
 - Failure to include correct information.
 - Failure to report electronically (25 or more monthly transactions).
- (8) ExSTARS compliance examination primary objectives are to:
 - Identify Large, Unusual, and Questionable (LUQ) items.

- Ensure reported data is accurate and timely.
- Identify and develop fraud issues (if applicable).
- Improve the likelihood of future reporting compliance.
- Apply IRC 6725 penalties impartially and consistently when warranted.

(9) During an ExSTARS compliance examination, the examiner will also determine whether the person under examination is required to register with the IRS under IRC 4101(a) and if so, confirm their Form 637 Registration status at *Registration Status Check: Form 637*.

(10) While the requirement to register and the information reporting requirements under IRC 4101 are independent of each other, most persons with an IRC 4101(d) information reporting obligation are also required to be registered under IRC 4101(a). Absent reasonable cause, IRC 6719 imposes a penalty of \$10,000 for each initial failure and \$1,000 for each day that the failure to register or reregister continues.

Note: This section does not cover IRC 6719 penalty case procedures. For additional guidance on IRC 6719 penalties, see IRM 20.1.11.8.5, IRC 6719 Penalty for Failure to Register or Reregister, and IRM 4.24.2.6, Penalty for Failure to Register or Reregister Under IRC 6719.

Note: An example of a person that has an information reporting obligation, but is not required to register under IRC 4101(a), is a vessel operator that only transports nontaxable liquids to or from a terminal.

- (11) Tax liability matters or issues identified during an ExSTARS compliance examination for unrelated entities are referred to Workload Selection and Delivery (WSD). The examiner must prepare Form 5346, Examination Information Report, with supporting documentation, and submit to their group manager for approval. Upon approval, the group manager will submit Form 5346 via secure e-mail to WSD at **SBSE Excise WSD*.
- (12) Tax liability matters or issues identified during an ExSTARS compliance examination for the entity under examination or related entities are expanded to Form 720 examinations by the examiner. The examiner must prepare Form 5345-D, Examination Request-ERCS (Examination Returns Control System) Users, and submit to their group manager for approval, with supporting documentation.
- (13) If deficiencies are identified during the ExSTARS compliance examination that impact a Form 637 Registration, then a discretionary review must be conducted with group manager approval. Refer to IRM 4.24.2, Form 637 Excise Tax Registrations, for more information about the registration process.
- (14) An FCN Questionnaire is used to request issuance, suspension, continuance, and change in operator or business operation of an approved FCN. The FCN Questionnaire can be found on the Excise Tax Knowledge Base Homepage, under ExSTARS, see ExSTARS Compliance Examinations, refer to "Other Related Resources" on the right side of the web page. See IRM 4.24.17.2.2 and IRM 4.24.17.2.3 for procedural guidance relating to FCN requests and change of facility status, respectively.

- (15) If ExSTARS compliance examination technical support is needed, submit a guidance request memorandum to Excise Tax Policy. See IRM 4.24.6.13, Requesting Excise Subject Matter Expert (SME) Assistance, procedures.

4.24.17.2.1
(08-18-2025)
**Third Party Contact
Requirements**

- (1) If LUQs are identified, then the examiner may make a third party contact. For example, an examiner is unable to locate a corresponding bulk carrier disbursement report for a terminal receipt under examination, or a bulk carrier registration status is in question. The examiner will make a third party contact with the carrier reported to resolve the potential reporting issue or check the registration status of the carrier. The examiner must follow the notification requirements of IRC 7602(c). See IRM 4.11.57, Third Party Contacts.
- (2) Taxpayer privacy rights must be protected when making third party contacts. The examiner must not discuss information that is subject to the third party notification requirements under IRM 4.11.57 until after the third party contact procedures have been followed.
- (3) Examiners must not request third party information that would rise to the level of an examination of the third party.

4.24.17.2.2
(08-18-2025)
**Procedural Guidance
Relating to Facility
Control Number (FCN)
Requests**

- (1) The IRS ExSTARS Coordinator receives FCN requests from facility operators, examiners, and fuel compliance officers (FCOs).
- (2) For FCN requests received by an examiner, the examiner will:
- Verify whether the terminal operator or refinery operator is a taxable fuel registrant with a Form 637 Registration activity letter S. Form 637 registration status can be confirmed online at *Registration Status Check: Form 637*.
- Note:** If the terminal operator or refinery operator does not have an activity letter S, then secure an initial Form 637 Registration application and forward the new application to the 637 Registration Group via secure e-mail. Refer to IRM 4.24.24.2(3), Creating, Maintaining and Monitoring Form 637 Registration Files, for additional guidance.
- Note:** The Form 637 Registration activity letter S must be approved prior to issuance of the FCN.
- Forward the request to the IRS ExSTARS Coordinator via secure e-mail at **SBSE Excise EXSTARS*.
- (3) The IRS ExSTARS Coordinator will follow procedures outlined in IRM 4.24.26.3, Facility Control Number (FCN) Requests. If the entity has a valid **S** registration then the facility must be assigned to an FCO for review or inspection.

Note: Management may assign the review or inspection to an examiner when needed.

- (4) The assigned FCO or examiner will:
- Determine if the facility meets the definition of a terminal or refinery.
 - Conduct an on-site inspection to verify initial request.
 - Submit a completed FCN Questionnaire with their comments/recommendation to their group manager.

Note: The FCN Questionnaire can be found on the Excise Tax Knowledge Base Homepage, under ExSTARS, see ExSTARS Compliance Examinations, refer to “Other Related Resources” on the right side of the web page.

- (5) Once the review is complete, the group manager will send the FCN Questionnaire and supporting documents back to the IRS ExSTARS Coordinator via secure e-mail at **SBSE Excise EXSTARS*.
- (6) The IRS ExSTARS Coordinator communicates the final determination to the facility.
- (7) The IRS ExSTARS Coordinator updates the applicable FCN locations found on the IRS.gov web page. For a current list of TCN locations see the *TCN Location Directory*, and for a current list of RCN locations see the *RCN Location Directory*.

4.24.17.2.3 (08-18-2025) Procedural Guidance for Change of Facility Status

- (1) The IRS ExSTARS Coordinator receives FCN change of facility status requests from facility operators, examiners, and FCOs. Facilities are required to notify the IRS if there is a change in operator or business operations. Notification may be via fax, phone, or e-mail. Verification is required for any FCN status update.
- (2) For FCN change of facility status requests received by an examiner, the examiner will:
 - a. Verify whether the change of facility status impacts the facility’s Form 637 Registration.

Note: If the change impacts the facility’s Form 637 Registration, then secure an updated Form 637 Registration application and forward the new application to the 637 Registration Group via secure e-mail. Refer to IRM 4.24.24.2(3), Creating, Maintaining and Monitoring Form 637 Registration Files, for additional guidance.

- b. Forward the change of facility request to the IRS ExSTARS Coordinator via secure e-mail at **SBSE Excise EXSTARS*.
- (3) The IRS ExSTARS Coordinator will follow procedures outlined in IRM 4.24.26.4, Change of Facility Status Requests.

Note: Management may assign the review or inspection to an examiner when needed.

- (4) The assigned FCO or examiner will:
 - a. Determine if the facility still meets the definition of a terminal or refinery.
 - b. Conduct an on-site inspection to verify change of facility request.
 - c. Submit a completed FCN Questionnaire with their comments/recommendation to their group manager to update the facility status. This includes but is not limited to a change in ownership, change in operator, or a request for a change in status of an FCN, (e.g., active, inactive, delete).

- (5) Once the review is complete, the group manager will send the FCN Questionnaire and supporting documents back to the IRS ExSTARS Coordinator via secure e-mail at **SBSE Excise EXSTARS*.
- (6) The IRS ExSTARS Coordinator makes the final determination for all FCN status change requests and will communicate the final determination to the facility.
- (7) The IRS ExSTARS Coordinator's determination will be communicated to the group manager and examiner via e-mail.
- (8) FCN numbers are not removed from the ExSTARS database; however, the IRS.gov web page only displays approved FCN location directories.

4.24.17.3

(06-05-2023)

ExSTARS Compliance Examination - Grade of Case

- (1) IRC 4101 compliance case work is assigned at journey level or below grade, this includes:
 - Form 720-TO and Form 720-CS, ExSTARS compliance examinations
 - Form 637, Application for Registration (For Certain Excise Tax Activities), initial applications and compliance reviews
 - IRC 6719 and IRC 6725 penalty cases
- (2) Grade level assignments may differ between IRC 4101 compliance case work and Form 720, Quarterly Federal Excise Tax Return, examinations. Refer to IRM 4.24.21.6.3, Grade of Case, and IRM 1.4.40, SB/SE Field and Office Examination Group Manager.
- (3) The primary IRC 4101 compliance case plus any prior and/or subsequent periods, or any related IRC 4101 compliance case work, controlled by an examiner, will carry the same grade level.
- (4) A related entity that is examined by other examiners will be graded separately.

4.24.17.4

(08-18-2025)

ExSTARS Filing Errors

- (1) When information reports are submitted through ExSTARS, the system validates specific data fields, syntax, and string structure. The validation process does not verify accuracy of the information or identify omitted transactions. ExSTARS generates an error report if issues are detected during the validation process. For additional guidance refer to Pub 3536, Motor Fuel Excise Tax EDI (Electronic Data Interchange) Guide.
- (2) Examples of situations that would generate error reports are entering:
 - An invalid Employer Identification Number (EIN) or a social security number
 - 777777777, 888888888, or 999999999 as the EIN for a terminal operator, position holder or bulk carrier
 - 777777777 as the EIN for a Department of Defense (DOD) carrier or consignor
 - 888888888 as the EIN for a carrier that operates a foreign-flagged vessel
 - 999999999 as the EIN for any situation other than to report rail or truck carriers when EIN is unknown

4.24.17.5
(08-18-2025)
**ExSTARS Statute
Control and Extensions**

- (1) The statute of limitations (SOL) is the allowable time in which the IRS may make an assessment with respect to a return. IRC 6501(a) provides that the statute of limitations for the assessment of tax is the later of the three years after the due date of the return or three years after the return was filed. If no return is filed, the SOL will remain open indefinitely. In the case of a filed Form 720-TO or Form 720-CS, IRC 6725 imposes a penalty on any person required to file reports under IRC 4101(d) for failing to file the report or for failing to include all required information on the report. The penalty must be assessed within the three-year SOL under IRC 6501(a).

Note: A filed paper or electronic report starts the SOL running, regardless of the electronic filing requirement.

- (2) ExSTARS information reports do not post to the Integrated Document Retrieval System (IDRS), thus, there will not be a module on the Master File with the SOL. The ExSTARS report filing date may be found in the case file building materials.
- (3) If the SOL cannot be determined, the examiner must request filing data from the Joint Operations Center (JOC). Requests to the JOC for information and case-related data analysis assistance must be made using the new *RFI System*. Follow the steps in the *JOC RFI Users Guide V 1.0* for submitting an RFI.
- (4) Examinations of ExSTARS information report and assessment of penalties must be completed timely and within the SOL period. Form 872-EX, Consent to Extend the Time on Assessment of Information Report Penalty, is used to extend the SOL. A solicitation is warranted in cases where the SOL period will expire within 180 days and there is insufficient time to complete the examination and the administrative processing of the case. Refer to IRM 25.6.22.2.1, Assessment Statute Extension.
- (5) The examiner must secure the group manager concurrence prior to a statute extension solicitation.
- (6) Letter 907-C, Request to Extend the Time on Assessment of Information Report Penalty, along with Form 872-EX are mailed to the information provider to request extension of the statute. If the information provider:
 - a. Agrees to the extension, the information provider will sign and return the Form 872-EX. The group manager will sign the Form 872-EX on behalf of the SB/SE Director, Examination - Specialty. The examiner will send a copy of the executed Form 872-EX to the information provider along with Letter 929-D, Transmittal to Taxpayer of Copy of Signed Consent.

Note: When consent agreements are executed by the group manager, the name of the SB/SE Director, Examination - Specialty will be written, typed, or stamped on the signature line of the form. The group manager will sign their name and indicate their title and date on the line immediately below.
 - b. Fails to return a signed Form 872-EX when requested, the examiner will mail the information provider follow up Letter 928-D, Excise Request Return of Consent - Follow-Up.

4.24.17.6
(08-18-2025)

**ExSTARS Examination
Return Control System
(ERCS) Procedures**

- (7) The examiner must submit through their manager Form 5348, AIMS/ERCS Update (Examination Update), upon securing Form 872-EX to reflect the new statute date.

- (1) ExSTARS information reports are not established on the Audit Inventory Management System (AIMS) and therefore do not post to the IDRS.
- (2) ExSTARS compliance examinations and associated penalties are controlled on ERCS.
- (3) Terminal operators may operate multiple approved terminal facilities under a single Taxpayer Identification Number (TIN). The use of a substitute "TIN", reflecting a facility's specific terminal control number is used for ERCS purposes.

Note: The substitute TIN format for ERCS control is 00-0 plus the 6 digits from the entity's TCN. Example: The TCN for ABC Terminal is 61-KY-1234; therefore, the substitute TIN is 00-0611234.

- (4) Bulk carriers, who report information on Form 720-CS, use actual TINs for ERCS purposes.
- (5) ExSTARS compliance examination case files are generally established on ERCS by WSD.
- (6) The examiner must complete and submit Form 5345-D, Examination Request-ERCS (Examination Returns Control System) Users, to the group manager to:
- Expand to prior or subsequent periods.
 - Expand a Form 637 Registration review to an ExSTARS compliance examination.
 - Expand a Form 720 examination to an ExSTARS compliance examination.
- (7) Penalty assessments under IRC 6725 resulting from IRC 4101 compliance case work require a separate IMS case file. The examiner must complete and submit Form 5345-D to the group manager to establish penalty case on ERCS. See IRM 4.24.17.12 for instructions about completing Form 5345-D.

4.24.17.6.1
(08-18-2025)

**ExSTARS Compliance
Examinations -
Coordination with
Related Form 720
Examination**

- (1) Procedures for when the Form 720 (MFT 03) examination is in status 12 and related ExSTARS compliance examinations are identified for classification:
- Classification Check sheets for the selected ExSTARS compliance examinations will be noted that, "Case coordination is required with the examiner assigned to the MFT 03 examination case."
 - The examiner conducting the ExSTARS compliance examination must inform the controlling case examiner of their intent to contact the information provider and will forward to the controlling examiner a copy of the Form 4564, Information Document Request (IDR), issued to the facility.
 - The examiner assigned to the MFT 03 case will schedule a conference call with the examiner assigned to the related ExSTARS compliance examination to share any pertinent information.
 - The examiner assigned to the ExSTARS compliance examination will arrange a conference call with their group manager and the examiner assigned to the Form 720 to discuss findings prior to issuance of any reports.

- e. The examiner will provide a copy of the ExSTARS compliance examination results via secure e-mail to the examiner assigned to the MFT 03 examination case for possible use/inclusion in the audit file.
 - f. The examiner assigned to the MFT 03 case will ensure consistency is achieved across all entities. Concerns will be addressed by the field group managers.
- (2) Procedures for when the MFT 03 examination case is in status 10 and related ExSTARS compliance examinations are identified for classification:
- a. Classification Checksheets for the selected ExSTARS compliance examinations will be noted that, "Case coordination is required with the field manager of the group in which the MFT 03 examination case resides."
 - b. The examiner conducting the ExSTARS compliance examination will notify the assigned field examination group manager of their intent to contact the information provider and will forward to the manager a copy of the IDR being issued to the facility.
 - c. The examiner assigned to the ExSTARS compliance examination will arrange a conference call with their group manager and the assigned Form 720 field group manager to discuss findings prior to issuance of any reports.
 - d. The examiner will provide a copy of the ExSTARS compliance Examination results via secure e-mail to the assigned field examination group manager for possible use/inclusion in the audit file.
 - e. The field examination group manager will ensure consistency is achieved across all entities. Concerns will be addressed by the field group managers.

4.24.17.7
(08-18-2025)
**ExSTARS Compliance
Examination - Initial
Contact**

- (1) Before starting an ExSTARS compliance examination, the examiner must ask the group manager to perform an ERCS/AIMS review to identify other examiners auditing related entities, subsidiaries, and facilities.
- (2) IRM 4.24.5, Large Business and International (LB&I) Examination Program Procedures for Excise Employees, requires examiners working Large Corporate Compliance (LCC) or Industry Case (IC) examinations using an LB&I team approach, to contact the LB&I team coordinator prior to contacting an entity. Similarly, communication must first be made with other examiners auditing related entities, subsidiaries, and facilities to discuss and coordinate the examination process. Refer to IRM 4.24.5.2, Excise Examinations of LB&I Taxpayers, for additional guidance about LCC/IC examination controls.
- (3) Initial notification of an ExSTARS compliance examination communication must be made to the excise tax information contact person listed on the entity's Motor Fuel Excise Tax EDI Letter of Application (LOA), utilizing Letter 2205-E, Excise Initial Contact, as described below. This information should be part of the case building material. If the contact person is not included, then the examiner must send secure e-mail to request the LOA from the IRS ExSTARS Coordinator at **SBSE Excise EXSTARS*.

Note: Refer to IRM 4.24.6.2.14, Excise Examinations of Indian Tribal Government (ITG) Cases, for procedures relating to examinations of ITGs.

- (4) The examiner will issue Letter 2205-E to the LOA contact person. Identify the TCN, if applicable, under the header subsection titled "Form".
- (5) The examiner must follow authentication requirements found in IRM 11.3.2.3.2, Requirements for Verbal or Electronic Requests, to avoid unauthorized disclosure.
- (6) Upon scheduling an initial visit, the examiner must issue the following:
 - Letter 4591, Appointment Letter
 - Form 4564, Information Document Request
 - Pub 1, Your Rights as a Taxpayer
 - Notice 609, Privacy Act Notice
- (7) When a valid Form 2848, Power of Attorney and Declaration of Representative, or Form 8821, Tax Information Authorization, is on file for the information provider, the appropriate initial contact letter will be mailed to the information provider and a copy of that letter will be mailed to the representative with Letter 937, Transmittal for Power of Attorney.
- (8) If the information provider does not respond to the initial contact letter and it is not returned as undeliverable, follow the guidance in IRM 4.10.2.8.3, No Response/No Show Procedures.
- (9) If the letter is returned undeliverable, follow the procedures in IRM 4.10.2.8.4, Undeliverable Initial Contact Letters.

4.24.17.8
(08-18-2025)
**ExSTARS Compliance
Examination - Filing
Issues**

- (1) The examination issues described in this section emphasize due dates and extensions of ExSTARS information report filings. The examiner is reminded to always consider and document reasonable cause.
- (2) ExSTARS information reports must be filed monthly and are due on the last day of the following month.
- (3) A 30-day automatic extension is granted to requests received in writing on or before the due date of a report. Additional 30 to 120-day extensions may be granted, if requested and received timely with a valid explanation.
- (4) The examiner may request ExSTARS extension information by sending a secure e-mail to the IRS ExSTARS Coordinator at **SBSE Excise EXSTARS*.
- (5) The examiner will consider all facts and circumstances that lead to a late filed report. The group manager concurrence must be obtained for all late filed penalty determinations.

4.24.17.9
(08-18-2025)
**ExSTARS Compliance
Examination - Accuracy
Issues**

- (1) The accuracy of ExSTARS information is crucial to the IRS's ability to effectively measure compliance. Timely, complete, and accurate filing is essential. The examination issues described in this section emphasize potential errors that may result from noncompliant reporting. The examiners are reminded to always consider and document reasonable cause.
- (2) Listed below are some of the ExSTARS information report terminal operator accuracy issues that the examiner may encounter during a compliance examination:
 - Volume discrepancies

- Erroneous position holder name or EIN
- Erroneous carrier name or EIN
- Incorrect product or mode code
- Incorrect reporting of two-party exchanges
- Incorrect reporting of gains/losses
- Incorrect summary reporting
- Omitting information

(3) Listed below are some of the ExSTARS information report carrier summary accuracy issues that the examiner may encounter during a compliance examination:

- Volume discrepancies
- Erroneous facility control number
- Erroneous consignor (e.g., position holder) name or EIN
- Erroneous vessel official number
- Erroneous product code
- Erroneous transaction dates
- Omitted information

Note: The lists in (2) and (3) do not include all issues an examiner may encounter.

4.24.17.10
(08-18-2025)
**ExSTARS Compliance
Examination -
Procedures**

- (1) Results of an ExSTARS compliance examination may conclude as follows:
- Substantially correct – no penalty
 - Immaterial error(s) – no penalty
 - Material error(s) – penalty imposition
- (2) Unless otherwise noted in this section, procedural guidance found in the following IRM sections generally apply to ExSTARS compliance examinations:
- IRM 4.10.1, Overview of Examiner Responsibilities
 - IRM 4.24.6.2, Procedural Guidance for Certain Types of Excise Examinations
 - IRM 4.24.20, Excise Tax Report Writing Guide
 - IRM 4.24.21, Case Closings

4.24.17.10.1
(08-18-2025)
**ExSTARS Compliance
Examination - Closing
Letters**

- (1) In cases where the ExSTARS information reports were substantially correct and no penalty is applicable, the examiner will issue Letter 4574-A, No Deficiency Letter for ExSTARS Information Report, to inform the information provider that an examination has been completed and no further action is required.
- (2) In cases where the ExSTARS information reports were incorrect with immaterial error(s) and a penalty is not warranted, the examiner will issue Letter 4574, Deficiency Warning Letter for ExSTARS Information Report, along with supporting documentation. Letter 4574 is used to inform the information provider that an examination has been completed and a deficiency requires corrective action by the information provider.
- a. In most cases, a deficiency may be summarized on the letter, but in cases where more space is needed, Form 886-A, Explanation of Items, or an attachment is appropriate.

- b. Letter 4574 must be sent via secure e-mail to the Form 637 Registration Lead Technician (LT) at & *SBSE SP EXCISE 637 COORD* to be associated with the Form 637 Registration case file.
 - c. In addition, the examiner will send a copy of Letter 4574 and the supporting documents to the IRS ExSTARS Coordinator by sending a secure e-mail to **SBSE Excise EXSTARS*.
- (3) In cases where a penalty is applicable refer to IRM 4.24.17.11, IRC 6725 Penalty Case File Procedures.

4.24.17.10.2
(08-18-2025)
**ExSTARS Compliance
Examination – Case File
Documentation**

- (1) ExSTARS compliance examination case files must contain all the information necessary to ensure a clear understanding of the audit steps taken by the examiner. Including the following:
- a. Form 3198, Special Handling Notice for Examination Case Processing
 - b. Form 4318, Form 720-TO/CS Compliance Examination Workpaper Index
 - c. Examining Officer's Activity Record
 - d. Index ZZ Supporting Workpapers
 - e. Letter 4574 or Letter 4574-A (whichever is applicable)
- (2) In addition, the case file must also contain the following mandatory admin forms:
- a. 105.1 and 105.2, Administrative Plan to Close
 - b. 110, Pre-Plan Analysis
 - c. 120, Risk Analysis
 - d. 125, General Manager Concurrence Meeting
 - e. 130, Initial Contact
 - f. 135, Initial Appointment Agenda
 - g. 200, Internal Controls
 - h. 205, Initial Interview Questions
 - i. 300, Compliance Examination
 - j. 400, Penalty Approval Form – Form 720-TO/CS Compliance Examination

Note: Mandatory admin forms and Form 4318 for ExSTARS compliance examinations are deployed in Notebook and are not on the Forms/Pubs Repository.

4.24.17.10.3
(08-18-2025)
**ExSTARS Compliance
Examination – Case File
Closing**

- (1) ExSTARS compliance examination cases have no examination report issued, and the case is closed from ERCS at the group level.
- (2) Prepare Form 3198, include the following information:
- a. ExSTARS information provider's name, address and substitute TIN
 - b. Examiner's contact information
 - c. Period(s)
 - d. Time applied
 - e. MFT - B1
 - f. Disposal code 02 (if no penalty is applicable), or 12 (if an IRC 6725 penalty is proposed)

Note: ExSTARS compliance examinations that result in a penalty assessment require separate ERCS controls and a separate penalty case file. See IRM 4.24.17.11 and IRM 4.24.17.12 for additional guidance.

- g. "Other Instructions" section of "Special Features" insert one of the following statements "ExSTARS compliance examination - no penalty proposed," or "ExSTARS compliance examination - penalty proposed."

- (3) Include Form 3198 in the case file with above mentioned case documentation.
- (4) Close the completed case file to group manager for review. Upon approval the group will update ERCS to status 90.

Note: The case closing process requires all case files to be closed electronically in IMS.

- (5) The ExSTARS compliance examination case file is retained in IMS for a historical record.

4.24.17.11 (08-18-2025) IRC 6725 Penalty Procedures

- (1) In general, no penalty will be imposed if reasonable cause is established. If reasonable cause is established, then follow the procedures in IRM 4.24.17.10. Penalty assertion requires careful consideration of the facts and circumstances of each case. The examiner will consider and document the examination issue and any reason, related to the penalty issue, furnished by the information provider.

- (2) In the event a penalty proposal is warranted, the examiner must prepare and submit the following documents to the group manager:

- a. Form 400, Penalty Approval Form – Form 720-TO/CS Compliance Examination.

Note: Additionally, the examiner will provide the group manager with information regarding any other penalty proposals under consideration from other examiners, pertaining to the controlled TIN and any related TINs. Efforts must be made to coordinate the issuance of penalty reports.

- b. Form 886-A, Explanation of Items.

- (3) Once the Form 400 is approved and signed by group manager, the examiner will complete Form 5345-D, Examination Request-ERCS (Examination Returns Control System) Users, to request control of the penalty period(s). For additional guidance see IRM 4.24.17.12.2.

Note: The Form 400 must be signed prior to any penalty discussion with the taxpayer.

Note: The Examining Officer's Activity Record or the Case Level Activity Record in IMS must be documented to record the approval of Form 400 and Form 5345-D.

- (4) The group manager will establish the ERCS penalty period(s) and return the executed forms to the examiner. The completed documents are placed in the original ExSTARS compliance examination case file. A copy of each document is also included in separate penalty case file.

- (5) Only after completion of the steps listed above (Form 400 and Form 5345-D), the examiner will discuss the proposed penalty with the ExSTARS information provider. If the contact person is unavailable, address the penalty proposal(s) with the entity's principal or officer.

Note: If the LOA contact person has changed, the examiner will secure a new LOA. The examiner must send a secure e-mail to the IRS ExSTARS Coordinator at **SBSE Excise EXSTARS* with the new LOA.

4.24.17.11.1
(08-18-2025)
**IRC 6725 Penalty
Reports**

- (1) In an IRC 6725 penalty case, the Form 5384, Excise Tax Examination Changes and Consent to Assessment & Collection, is used for both agreed and unagreed cases.
- (2) The information provider signs Form 5384 to establish agreement. No signature is needed for unagreed cases.
- (3) In addition to the taxpayer's name, address, and EIN, the examiner will prepare Form 5384 as follows:

Issue	Answer
Form Number	Enter Form 720-TO or Form 720-CS.
Person with whom changes were discussed	Enter name and title.
Period Ended	Enter MM/DD/YYYY.
IRS Number or CRN	Leave blank.
Kind of Tax	Leave blank.
Corrected Tax Liability or Credit per Exam	Leave blank.
Tax or Credit per Return or Previous Assessment	Leave blank.
Tax or Credit Increase or (Decrease)	Leave blank.
Penalties	Complete with penalty amount.
Total Tax and Penalties Due or (Refund)	Complete with penalty amount.
Other Information	Complete with the following statements, "IRC 6725 penalty for failure to report (accurate) information under IRC 4101. Penalty of \$10,000 per month from MM/YY to MM/YY (XX months). (Total \$10,000 x XX = \$XX,XXX)," and "See Form 886-A, Explanation of Adjustments, attached."

- (4) In cases where the ExSTARS information reports were incorrect or material error(s) were found and a penalty is imposed, the examiner will issue Letter 4599, IRC 6725 Penalty for ExSTARS Information Report, to inform the information provider that an examination has been completed and penalties are being imposed. Letter 4599, which gives the information provider 30 days to respond, is used to transmit Form 5384 in both agreed and unagreed cases.

- (5) The examiner will prepare Letter 4599, have the group manager sign the letter, and then mail it to the information provider along with the following:
- Form 5384, Excise Tax Examination Changes and Consent to Assessment and Collection
 - Form 886-A, Explanation of Items
 - Form 13683, Statement of Disputed Items
 - Pub 3498, The Examination Process
- (6) If the information provider does not agree with the penalty assessment, then they may:
- a. Request a managerial conference.
 - b. Request Appeals consideration.
- Note:** Appeals considers these penalties after assessment.
- c. Pay the penalty, file a claim for refund, and bring suit in the United States District Court or in the United States Court of Claims.
- (7) Penalty case files will be closed unagreed and forwarded to CCP for assessment when the information provider does any of the following:
- a. Fails to respond timely to Letter 4599.
 - b. Wishes to pay the penalty, file a claim for refund, and bring suit in the United States District Court or in the United States Court of Claims.
 - c. Wishes to pay the penalty and file a claim for refund.

4.24.17.11.2
(08-18-2025)
**IRC 6725 Penalty Case
File Documentation**

- (1) The IRC 6725 penalty case file must include the following completed documents:
- Form 3198, Special Handling Notice for Examination Case Processing
 - Form 8278, Assessment and Abatement of Miscellaneous Civil Penalties
 - Form 4665, Report Transmittal (if unagreed)
 - Form 5345-D, Examination Request-ERCS (Examination Returns Control System) Users (if applicable)
 - Form 5384, Excise Tax Examination Changes and Consent to Assessment and Collection
 - Form 886-A, Explanation of Items
 - Form 400, Penalty Approval Form – Form 720-TO/CS Compliance Examination, with manager's signature and supporting workpapers
 - Letter 4599, IRC 6725 Penalty for ExSTARS Information Report
- (2) In addition, if applicable include the following:
- Information providers written response
 - Examiner's rebuttal
 - Letter 2280-X, Transfer to Appeals
 - Form 3244-A, Payment Posting Voucher
- (3) When penalties are assessed, Letter 4599, Form 5384, Form 886-A, information provider's written response, and the examiner's rebuttal, must be sent via secure e-mail to the Form 637 Registration LT at & *SBSE SP EXCISE 637 COORD* to be associated with the Form 637 Registration case file.

4.24.17.11.3
(08-18-2025)
**IRC 6725 Penalty Case
File Closing**

- (1) Prepare Form 3198, include the following information:
 - a. ExSTARS information provider name, address, and substitute TIN
 - b. Examiner's contact information
 - c. Period(s)
 - d. Time applied
 - e. MFT - PH
 - f. Disposal Code 03 or 07 (if closing unagreed to appeals)
 - g. "Other Instructions" section of "Special Features" insert the following statement: "6725 Penalty Case File – Assess using Reference Code 667"
- (2) A separate Form 8278 is required for each tax period and penalty code section. See IRM 4.24.17.13 for additional guidance.

4.24.17.11.4
(08-18-2025)
**IRC 6725 Unagreed
Penalty Case File
Forwarded to Appeals**

- (1) Appeals has jurisdiction over unagreed penalties provided by Chapter 68, Subchapter B (Additions to the Tax, Additional Amounts, and Assessable Penalties). Unless specifically excluded from Appeals consideration, all cases are eligible for an Appeals conference if the ExSTARS information provider has requested Appeals Office consideration and, if required, has either made a small case request (total amount of penalties for each tax period is \$25,000 or less) or submits an adequate formal written protest.
- (2) To be considered **adequate**, a formal written protest and a small case request must contain all information required by Pub 5, Your Appeal Rights and How to Prepare a Protest if You Disagree. Adequacy of a protest is generally not determined based on its substantive content, such as whether the protest contains sufficient factual or legal support. Determine if a rebuttal is needed prior to forwarding the case for Appeals consideration. The examiner must follow the applicable procedures found in IRM 4.10.8.12.9.3, Request for Appeals Conference.

Note: To adhere to the general time frame for closing an unagreed case from the group, all actions (e.g., securing a consent, perfecting or rebutting a protest, holding a group manager conference, etc.) must be completed within 20 days of receipt of a formal written protest or small case request, unless the case requires additional development.

- (3) The examiner will close appeal protest cases using disposal code 07.
- (4) Appeal of an IRC 6725 penalty may be made before or after payment, but it must be made before a claim for refund is filed.
- (5) Letter 2280-X, Transfer to Appeals, must be prepared, signed and dated by the group manager. Letter 2280-X notifies the information provider of the case transfer to Appeals for consideration. If a rebuttal is prepared by the examiner, it must be sent to the information provider with Letter 2280-X.
- (6) Appeals case routing procedures found in IRM 4.24.10.7, Case Routing Procedures for Unagreed Excise Tax Examination Cases to Appeals, apply to ExSTARS penalty cases.
- (7) Unagreed penalty cases are routed to Appeals via Tech Services. The group clerk updates the case to Status 21 and forwards the case to Technical Services.

- (8) As prescribed by IRM 25.6.23.7.1, Minimum Time Remaining on ASERD, unagreed cases received in Appeals must have 365 days, minimum, remaining on the assessment statute. However, cases must have 395 days remaining on the statute at the time the case is received in Technical Services to allow sufficient processing time.

4.24.17.12
(08-18-2025)
**Instructions for
Completing Form
5345-D, Examination
Request-ERCS
(Examination Returns
Control System) Users**

- (1) The ExSTARS compliance examination must be established on ERCS when received by an examiner. However, if prior or subsequent ExSTARS compliance examination periods are expanded, the examiner must complete and submit Form 5345-D, Examination Request-ERCS (Examination Returns Control System) Users, to the group manager.
- (2) If an examiner determines an ExSTARS compliance examination is warranted from a Form 637 Registration review or a Form 720 examination, they must complete a Form 5345-D to establish on ERCS.
- (3) In addition, the penalty assessments under IRC 6725 resulting from IRC 4101 compliance case work require a separate Form 5345-D and case file from the ExSTARS compliance examination.

4.24.17.12.1
(08-18-2025)
**Completing Form 5345-D
for ExSTARS
Compliance
Examinations**

- (1) The examiner must complete a Form 5345-D to establish ERCS controls for an ExSTARS compliance examination file if it is expanded from a Form 637 Registration review, a Form 720 examination or to pick-up prior or subsequent periods.
- (2) In addition to the taxpayer's name and address, the examiner must select the **Control Non-AIMS DET Items** box and include the following specific information on Form 5345-D:

Issue	Answer
TIN	Enter the carrier summary TIN or terminal operator TIN for the entity under examination. Note: If the entity has only one TCN, use the TIN. If an entity has multiple TCNs use a substitute TIN to identify the specific facility. See 4.24.17.6(2).
MFT	Enter B1.
Form Type	Enter 720-TO or 720-CS.
Tax Period	Enter YYYYMM (for each monthly period).
Activity Code	Enter 547.
Source Code	Enter 99.
Status Code	Enter 10.
Statute Date	Contact the IRS ExSTARS Coordinator at <i>*SBSE Excise EXSTARS</i> for ExSTARS filing information to calculate the statute date.

Issue	Answer
Tracking Code	Enter the tracking code identified on the classification sheet for the primary period. Note: If expanded from a Form 637 Registration review, use tracking code 0637. If expanded from a Form 720 examination use the tracking code from the classification sheet from the Form 720 primary case.
Project Code	Enter 0063 (for Form-TO only).
Related Return Information	Enter the primary period information. Note: Leave blank if expanded from a Form 637 Registration review or a Form 720. The examiner must note the reason for request.

- (3) The following should be marked “no” on Form 5345-D for ExSTARS compliance examinations:

- TEFRA Indicator
- Do you want the original return
- Do you want labels
- Joint Committee
- Foreign Control
- CIC-LCC-CD

4.24.17.12.2
(08-18-2025)

**Completing Form 5345-D
for IRC 6725 Penalty
Case Files**

- (1) The examiner must complete a Form 5345-D to establish ERCS controls for a penalty case file.
- (2) In addition to the taxpayer’s name and address, the examiner must select the **Control Penalty Investigation** box and include the following specific information on Form 5345-D:

Issue	Answer
TIN	Penalty cases require an actual TIN. Form 5345-D must reflect the actual TIN of an approved location and not the substitute TIN used for controlling the ExSTARS compliance examination.
MFT	Enter PH (when the penalty is assessed it will post to MFT 13)
Form Type	Enter 8278.
Tax Period	Enter YYYYMM (for each applicable monthly period).
Activity Code	Enter 555.
Source Code	Enter 99.
Status Code	Enter 10.
Statute Date	Enter the statute date to reflect the same statute as the B1 case or date verified via ExSTARS coordinator.
Tracking Code	Enter 7664 for Form 720-TO penalty cases or 7770 Form 720-CS penalty cases.

Issue	Answer
Project Code	Leave blank.
Related Return Information	Leave blank. Note: Except the examiner must note the reason for request.

- (3) The following should be marked **no** on the Form 5345-D for IRC 6725 penalty case files:

- TEFRA Indicator
- Do you want the original return
- Do you want labels
- Joint Committee
- Foreign Control
- CIC-LCC-CD

4.24.17.13
(08-18-2025)
**Instructions for
Completing Form 8278,
Assessment and
Abatement of
Miscellaneous Civil
Penalties**

- (1) Form 8278 is an adjustment document used by CCP to make a manual assessment or abatement of miscellaneous civil penalties not subject to deficiency procedures.
- (2) A separate Form 8278 is required for each tax period and penalty code section.
- (3) Multiple facilities, controlled by the same TIN, are combined by period on the Form 8278 whenever possible.
- (4) In block "3. MFT," check box for BMF 13.
- (5) In block "9. C. Excise (IRM 20.1.11)," enter the number of violations and amount assessed under Penalty Code Section 6725, Failure to report a vessel/facility - IRC sec. 4101(d).

Note: Form 8278 takes the place of Form 5344.

- (6) Refer to the instructions to Form 8278 which provides specific excise-related penalty fields.
- (7) The case file should only include the relevant penalty assessment page, not all pages of Form 8278.
- (8) If necessary, the examiner must complete Form 5348, AIMS/ERCS Update (Examination Update), to update the statute date on ERCS.
- (9) Both the examiner and the manager are required to sign the Form 8278. Failure to have both signatures will cause CCP to return the case to the field, causing input delay.

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Exhibit 4.24.17-1 (08-18-2025)

Terms

The table lists commonly used terms and their definitions:

Term	Definition
Bulk Transfer/Terminal System	The taxable fuel distribution system consisting of refineries, pipelines, vessels, and terminals. Thus, taxable fuel in a refinery, pipeline, vessel, or terminal is in the bulk transfer/terminal system. Taxable fuel in the fuel supply tank of any engine, or in any tank car, rail car, trailer, truck, or other equipment suitable for ground transportation is not in the bulk transfer/terminal system.
Carrier	Any person who owns, operates or otherwise controls a pipeline, barge, ship, vessel, railcar, truck, or other vehicle to transport liquid product to or from a terminal.
Form 637	Form 637, Application for Registration (For Certain Excise Tax Activities), is used to apply for excise tax registration for activities under IRC 4101, IRC 4222, IRC 4662 and IRC 4682.
Information Reports	Form 720-TO, Terminal Operator Report, and Form 720-CS, Carrier Summary Report.
Pipeline	A distribution system that moves liquid product, in bulk, through a pipe, either from a refinery to a terminal, or from a terminal to another terminal.
Pipeline Operator	Any person who operates a pipeline within the bulk transfer/terminal system.
Position Holder	With respect to taxable fuel in a terminal, the person that holds the inventory position in the taxable fuel, as reflected on the records of the terminal operator. A person holds the inventory position in taxable fuel when that person has a contractual agreement with the terminal operator for the use of storage facilities and terminaling services at a terminal with respect to the taxable fuel. The term also includes a terminal operator that owns taxable fuel in its terminal.
Rack	A mechanism capable of delivering taxable fuel into a means of transport other than a pipeline or vessel.
Registrant	A person that has been issued a Form 637 letter of registration (Letter 3689, Approval of Excise Tax Registration).
Taxable Fuel	Gasoline, diesel fuel, and kerosene.

Exhibit 4.24.17-1 (Cont. 1) (08-18-2025)**Terms**

Term	Definition
Terminal	A taxable fuel storage and distribution facility that is supplied by pipeline or vessel and from which taxable fuel may be removed at a rack. However, the term does not include any facility at which gasoline blendstocks are used in the manufacture of products other than finished gasoline and from which no gasoline is removed. Also, the term does not include any facility where finished gasoline, undyed diesel fuel, or undyed kerosene is stored if the facility is operated by a taxable fuel registrant and all such taxable fuel stored at the facility has been previously taxed under IRC 4081 upon removal from a refinery or terminal.
Terminal Operator	Any person that owns, operates, or otherwise controls a terminal.
Vessel	A waterborne taxable fuel transporting vessel.
Vessel Operator	Any person who operates a vessel within the bulk transfer/terminal system.

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Exhibit 4.24.17-2 (08-18-2025)

Acronyms

The table lists commonly used acronyms and their definitions:

Acronym	Definition
AIMS	Audit Inventory Management System
CCP	Centralized Case Processing
EDI	Electronic Data Interchange
EIN	Employer Identification Number
ERCS	Examination Returns Control System
ExFIRS	Excise Files Information Retrieval System
ExSTARS	Excise Summary Terminal Activity Reporting System
FCN	Facility Control Number
FCO	Fuel Compliance Officer
IDR	Information Document Request
IDRS	Integrated Data Retrieval System
IMS	Issue Management System
IRC	Internal Revenue Code
LOA	Letter of Application
LT	Lead Technician
LUQ	Large, Unusual, and Questionable
RCN	Refinery Control Number
TCN	Terminal Control Number
TIN	Taxpayer Identification Number
WSD	Workload Selection Delivery

