



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.29.1

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EFFECTIVE DATE

(08-06-2019)

PURPOSE

- (1) This transmits a revision for IRM 4.29.1, Pass-Through Control System (PCS) Handbook, Overview of the PCS.

MATERIAL CHANGES

- (1) Change to Title. Changed title from Partnership Control System (PCS) to Pass-Through Control System (PCS). PCS is used to manage S-corporations as well as partnerships. Pass-through control is more reflective of the systems function.
- (2) IRM 4.29.1.1 - Program Scope and Objectives. Added acronyms to the first use of commonly used terms. Added paragraph (8) for contact information and removed the contact information from IRM 4.29.1.1.1 paragraph (2).
- (3) IRM 4.29.1.1.1 - Background. Remove paragraph (2) and moved the contact information to IRM 4.29.1.1 paragraph (8).
- (4) Editorial changes throughout. Updated terminology used, and removed italics from titles. Changed Campus TEFRA Function (CTF) to Campus Pass-through Function (CPF). Spelled out first use of acronyms.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 4.29.1, dated 11/24/2017. Changes to this IRM will also affect the Pass-Through Entity Handbook, IRM 4.31 Sections 1 through 8.

AUDIENCE

Field and campus personnel working TEFRA and ILSC pass-through entities and/or their investors.

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4.29.1

Overview of the PCS

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4.29.1.1
(08-06-2019)
Program Scope and Objectives

- (1) This Internal Revenue Manual (IRM) section provides an overview of the Pass-Through Control System (PCS).
- (2) **Purpose:** This handbook describes:
 - The Pass-Through Control System;
 - The establishment and maintenance of the PCS database;
 - The use and basic guidelines for working PCS generated reports;
 - The unique PCS database elements;
 - The PCS generated notices and settlement letters; and
 - The coordination activities and responsibilities required for the PCS.
- (3) **Audience:** Field Examination Revenue Agents (RAs) and campus RAs, Tax Compliance Officers (TCOs), Tax Examiners (TEs) and Clerks working pass-through entities and/or their investors linked on the PCS.
- (4) **Policy Owner:** Director, Small Business/Self-Employed (SB/SE), Headquarters, Examination Field and Campus Policy (SE:S:E:HQ:EFCEP)
- (5) **Program Owner:** Program Manager, Campus Examination and Field Support (SE:S:E:HQ:EFCEP:CEFS)
- (6) **Primary Stakeholders:** SB/SE, Large Business and Industry (LB&I), and Appeals
- (7) **Program Goals:** PCS is a database used to create an electronic linkage between pass-through entities and their underlying partners. Linking in some instances is mandatory. Linkage allows for the proper control of statutes and ensures all relevant partners are processed.
- (8) **Contact Information:** To recommend changes or make any other suggestions related to this IRM section, see IRM 1.11.6.6, Providing Feedback About an IRM Section - Outside of Clearance.

4.29.1.1.1
(08-06-2019)
Background

- (1) PCS was created to monitor and control pass-through entity investors. Pass-through entities can have many partners and many levels of tiering. Tiering occurs when an investor in a pass-through entity is also a pass-through entity. This complexity can make it difficult to keep track of statutes and monitor all the investors.

4.29.1.1.2
(11-24-2017)
Authority

- (1) PCS control is a policy that was established in response to the partnership provisions of the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982. It has been expanded to cover other pass-through entities that fall outside of TEFRA.

4.29.1.1.3
(11-24-2017)
Responsibilities or Roles and Responsibilities

- (1) The Director, SB/SE, Headquarters, Examination Field and Campus Policy (SE:S:E:HQ:EFCEP) is responsible for:
 - a. Coordinating and implementing PCS enhancements;
 - b. Coordinating resolutions for PCS systemic problems; and
 - c. Updating this Handbook.
- (2) The SB/SE Program Manager, Examination Field and Campus Policy, Campus Exam & Field Support (SE:S:E:HQ:EFCEP:CEFS) is responsible for:

- a. Ensuring that PCS procedural changes and computer program changes are implemented and coordinated with area office and campus examination personnel; and
 - b. Monitoring and evaluating area office and campus examination PCS quality control procedures.
- (3) Field Territory Managers, Field Area Directors, Director over LB&I Ogden and Director, Examination - Brookhaven, are responsible for ensuring that:
 - a. An accurate database is established by designating PCS responsibilities and activities; and
 - b. A PCS quality control system is implemented. This includes timely action on PCS record establishments, PCS reports, and AIMS TC424 Reject Registers. It also includes timely processing of TEFRA notices and Appeals settlement letters (campus only).
- (4) Area office Examination Managers and campus Field Support Operations managers are responsible for:
 - a. Maintaining an updated copy of IRM 4.29, Pass-Through Control System (PCS) Handbook, in their respective functions;
 - b. Ensuring the training of technical and clerical employees in PCS procedures; and
 - c. Establishing PCS records and acting on PCS reports in a timely manner to assure an accurate PCS database.
- (5) The campus PCS Coordinator works with:
 - The other PCS coordinator(s)
 - Technical Services TEFRA Coordinators
 - Their local employees
 - Other campus functional areas to ensure timely processing of PCS related activities
- (6) The campus PCS Coordinator is charged with:
 - Identifying and resolving technical problems
 - Identifying and coordinating the resolution of PCS systemic problems
- (7) Following are specific campus PCS Coordinator responsibilities:
 - a. Coordinate PCS operations among areas, Campus Pass-through Functions (CPF), and other campus functions;
 - b. Ensure timely processing and distribution of PCS output;
 - c. Ensure that all requests for establishment and linkage on PCS are reviewed for accuracy, completeness, and timeliness;
 - d. Maintain accuracy of the PCS database by ensuring that action and error reports are worked in required time frames;
 - e. Resolve Audit Information Management System (AIMS) problems;
 - f. Assist in the training of examination personnel in PCS procedures and the system;
 - g. Establish and update CPF and Appeals parameter files;
 - h. Review completed Form 8346, PCS Notice Parameters, prepared by the CPF and Appeals;
 - i. Create, load, print, proofread, and edit parameter file data using Form 8346, PCS Notice Parameters;

- j. Coordinate with Computer Systems Analyst (CSA) whenever a change is made to parameters;
- k. Review and input all campus Command Code (CC) Mass Change (MSCHG) and linkage deletion (TSDDEL) requests;
- l. Coordinate requests for PCS IVLs with campus computer services and the requesting function.

4.29.1.1.4
(11-24-2017)
**Program Management
and Review**

- (1) **Program Reports:** PCS generates a variety of reports used to monitor the inventory and related statutes. These reports are explained in detail in IRM 4.29.4.
- (2) **Program Effectiveness:** PCS is used to help identify the effectiveness of the CPF program. PCS shows the number of investors linked within a pass-through structure. Failing to link partner returns timely can result in barred statutes or the need to follow burdensome procedures such as manual assessments or untimely notice procedures.

4.29.1.1.5
(11-24-2017)
Program Controls

- (1) PCS is a Integrated Data Retrieval System (IDRS) based system. Access to command codes are restricted based upon need. For example, generally only the PCS Coordinator is allowed to delete records from the system.

4.29.1.1.6
(11-24-2017)
**Terms/Definitions/
Acronyms**

- (1) There are several terms unique to PCS. Examples of these words:

Defined Terms

Word	Definition
Key Case	A linked pass-through entity that is being examined. This entity is where any pass-through adjustments will originate.
Linkage	The electronic relationship between a pass-through entity and its investor.
One-Year Date	This is a statute date applicable only to TEFRA partnerships. Adjustments to the partner returns must be made within one year of a final partnership determination that finalizes the key case adjustments.
Record	Information stored on the PCS database for a key case or an investor.
Tier	A pass-through entity that is a partner of a pass-through entity. An S-corporation would be a tier partner of a partnership.

- (2) See Exhibit 4.29.1-1 for a list of acronyms.

4.29.1.1.7
(11-24-2017)
Related Resources

- (1) The following IRM cross references may be helpful to PCS coordinators:
 - a. Terminal Operator Instructions: IRM 2.2 Sections 1–10
 - b. Processing: IRM 3.30.123, Processing Timeliness Cycles, Criteria and Critical Dates Handbook
 - c. Handling of Output: IRM 3.13.62, Media Transport and Control Handbook

- d. Management of Interrelated and Related Cases: IRM 4.31, Pass-Through Entity Handbook
- e. AIMS: AIMS/Processing Handbook, IRM 4.4

4.29.1.2
(11-24-2017)

**Description of the
Pass-Through Control
System (PCS)**

- (1) In this Handbook the term “record” refers to the information for the key case or investor on the PCS database.
- (2) The PCS:
 - Contains pass-through entity (key case) and related investor records;
 - Establishes a linking relationship (linkage) between a pass-through entity record and the related investor records;
 - Distinguishes between TEFRA and Investor Level Statute Control (ILSC) records;
 - Places a freeze condition for each related investor on the investor’s corresponding AIMS record to prevent premature closing of the AIMS record (which would break all pending linkages);
 - Generates investor settlement letters;
 - Generates notices to TEFRA and ILSC investors; and
 - Provides IDRS terminal research capabilities for key case and investor records.
- (3) The PCS also generates various reports for:
 - Maintaining the database;
 - Processing pending statute cases;
 - Monitoring the CPFs and LB&I Pass-through Entities (PTE) TEFRA and ILSC inventory; and
 - Providing management information.
- (4) In general:
 - The Brookhaven campus works all SB/SE key cases (Primary Business Code (PBC) 2XX), LB&I ILSC key cases (3XX), SB/SE key cases closed to Appeals, and related investors (PBC 295); and
 - The Ogden PTE works all TEFRA LB&I key cases (PBC 3XX and LB&I key cases closed to Appeals) and related investors (PBC 398).

Note: The term campus refers to both Brookhaven and LB&I PTE Ogden.

4.29.1.3
(01-01-2003)

Structure of the System

- (1) PCS is a separate system that:
 - a. Contains its own unique database elements that relate to linkages and TEFRA requirements; and
 - b. Closes the tax returns through AIMS which provides Examination assessments and accomplishments.
- (2) The PCS does not replace AIMS. The PCS accounts on AIMS must be maintained in accordance with IRM 4.4, AIMS/Processing Handbook.
- (3) A record established on PCS is treated as:
 - a. A pass-through record (PS), if an investor record is linked to it or the key case is an electing large partnership; or
 - b. An investor record (PN) if it is linked to a key case record.

Note: An investor record will close from PCS when all key case linkages to it are closed or deleted. However, the corresponding AIMS record for the investor will remain open until proper AIMS closing procedures are completed.

- (4) A tier record exists when the pass-through has a PS record and a PN record.
- (5) Closed PS records are retained on the PCS until there are no open PN records linked to the PS record.

4.29.1.4
(11-24-2017)
PCS Processing

- (1) Establishment and updates of PCS records, within a campus's jurisdiction, are made immediately via terminal real time.
- (2) Mass updates to all investor records related to a key case are completed during centralized processing at the Martinsburg Computing Center (MCC). Daily centralized processing includes:
 - a. Updating records nationwide;
 - b. Maintaining the PCS database which includes establishing, closing, and purging records based on predetermined criteria, and setting internal system indicators, and;
 - c. Producing error registers.
- (3) MCC sends a report file and an update file to the Brookhaven Campus and Ogden PTE database for processing. Weekly processing at the campuses includes:
 - a. Generating and printing of PCS notices;
 - b. The printing of PCS reports; and
 - c. Generating extracts for PCS reports.

Note: PSC Reports are also available on Control-D.

- (4) Updates to AIMS elements are reflected on PCS the next day.

4.29.1.5
(01-01-2003)
Training

- (1) PCS Coordinators should receive AIMS training no later than six months after their selection to the position.
- (2) PCS Coordinators should receive PCS training immediately after they receive AIMS training.

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Exhibit 4.29.1-1 (11-24-2017)**Acronyms (Text 4.29.1.1.6)**

Acronym	Definition
AIMS	AUDIT INFORMATION MANAGEMENT SYSTEM
BMF	BUSINESS MASTER FILE
BOD	BUSINESS OPERATING DIVISION
CC	COMMAND CODE
CPF	CAMPUS PASS-THROUGH FUNCTION
DBA	DOING BUSINESS AS
ELP	ELECTING LARGE PARTNERSHIP
FPA	FINAL PARTNERSHIP ADMINISTRATIVE ADJUSTMENT
IMF	INDIVIDUAL MASTER FILE
IRM	INTERNAL REVENUE MANUAL
LB&I	LARGE BUSINESS AND INTERNATIONAL
LIN	LB&I IMAGINING NETWORK
LN	LINKAGE
MCC	MARTINSBURG COMPUTING CENTER
MFT	MASTER FILE TAX
NBAP	NOTICE OF BEGINNING OF AN ADMINISTRATIVE PROCEEDING
OYD	ONE YEAR DATE
PBC	PRIMARY BUSINESS CODE
PCS	PASS-THROUGH CONTROL SYSTEM
PICF	PARTNERSHIP INVESTOR CONTROL FILE
PN	PARTNER
POA	POWER OF ATTORNEY
PS	PASS-THROUGH
PTE	PASS-THROUGH ENTITIES
TEFRA	TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982
TE/GE	TAX EXEMPT AND GOVERNMENT ENTITIES
TIF	TAXPAYER INFORMATION FILE
TIN	TAXPAYER IDENTIFICATION NUMBER
TMP	TAX MATTERS PARTNER
TS	TECHNICAL SERVICES
TRA	TAXPAYER RELIEF ACT OF 1997

