



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.70.20

NOVEMBER 21, 2023

EFFECTIVE DATE

(11-21-2023)

PURPOSE

- (1) This transmits new IRM 4.70.20, TE/GE Examinations, Bondholder Identification and Referrals.

MATERIAL CHANGES

- (1) The TE/GE Examinations process was created to provide a consistent and streamlined examination process across TE/GE.
- (2) This IRM was extracted from the Interim Guidance Memo (IGMs) and IRM sections listed here:
 - IGM TEGE-04-0222-0008, Discussion and Documentation of Publication 1, Notice 609, Publication 5146 and the Examination Process
 - IGM TEGE-04-0921-0018, Activity, Disposal, Source and Status Codes
 - IGM TEGE-04-0221-0003, Interim Guidance on Letter Consolidation
 - IRM 4.81.7, Bondholder Identification and Referrals
 - IRM 4.75.31.7.4, Effect on Tax Exempt Bonds
 - IRM 4.75.31.7.4.1, Referrals to Tax Exempt Bonds (TEB)
- (3) Editorial changes were made throughout this IRM to:
 - Update organizational terms, titles, and acronyms.
 - Update or correct references and citations, and links to references.
 - Add plain language changes per the Plain Writing Act of 2010 and to conform to Document 12835, IRM Style Guide revised 11-2022.

EFFECT ON OTHER DOCUMENTS

This IRM obsoletes IRM 4.81.7, Bondholder Identification and Referrals, dated April 1, 2020.
This IRM supersedes IRM 4.75.31.7.4, Effect on Tax Exempt Bonds, dated February 7, 2012, and IRM 4.75.31.7.4.1, Referrals to Tax Exempt Bonds (TEB) dated July 17, 2017.

AUDIENCE

Tax Exempt and Government Entities
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4.70.20

Bondholder Identification and Referrals

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4.70.20.1
(11-21-2023)
**Program, Scope and
Objectives**

- (1) **Purpose:** This IRM section provides guidelines for TE/GE examiners and other staff to identify bondholders, extend statutes, and make referrals to other operating divisions.
- (2) **Audience:** Examiners, tax law specialists, group managers, senior managers and other employees who examine or process cases that may require identification of the bondholders.
- (3) **Policy Owner:** Director, Exempt Organizations/Government Entities
- (4) **Program Owner:** Director, Government Entities

4.70.20.1.1
(11-21-2023)
Background

- (1) This IRM provides an overview of the responsibilities that examiners must understand and apply in the performance of their duties pursuant to the identification and referral of bondholders within the TE/GE examination process.
- (2) The purpose of the Tax Exempt Bond Examination Program is to identify and correct noncompliance in tax-advantaged bonds.
- (3) The procedures contained in this IRM are not intended to be all-inclusive. Examiners must use their professional judgment in completing their exam cases and other compliance activities.

4.70.20.1.2
(11-21-2023)
Authorities

- (1) Examinations are conducted according to Policy Statement 1-236 (IRM 1.2.1.2.36), Fairness and Integrity in Enforcement Selection, and the Taxpayer Bill of Rights per IRC 7803(a)(3). 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. For additional information about the TBOR, see *Taxpayer Bill of Rights*.
- (2) Policy Statement 4-4 (IRM 1.2.1.5.2) provides package audit requirements, that:
 - a. Income tax examinations will include consideration of employment tax liability.
 - b. If warranted, employment tax returns will be examined concurrently with the income tax examination.
 - c. The examination of any return will include a check for filing other federal tax or information returns required to be filed.
- (3) Under Policy Statement 4-117 (IRM 1.2.1.5.34), examiners and managers:
 - a. Have broad authority to consider and weigh conflicting information, data, and opinions.
 - b. Use professional judgement when applying examination standards for findings of fact and application of tax law to determine the correct tax liability.
 - c. Exercise authority to get the greatest number of agreements to tax determinations without sacrificing the quality or integrity of those determinations.
 - d. Resolve tax differences at the lowest level.

- (4) Policy Statement 4-119 (IRM 1.2.1.5.36) provides that the primary objective of the TE/GE program is regulatory, with emphasis on the continued qualification of exempt organizations and employee benefit plans, and continued compliance of governmental entities (federal, state, and local governmental entities, Indian tribal governments and tribal entities, and entities or organizations that issue tax advantaged bonds). IRS selects and examines returns to:
 - a. Promote the highest degree of voluntary compliance with the statutes governing qualification of plans and exemption of certain types of organizations from tax.
 - b. Determine the extent of compliance and the causes of noncompliance with the tax laws by plans, organizations, and governmental entities.
- (5) IRC 7602 gives examiners the authority to:
 - a. Examine any books, papers, records or other data necessary to complete an examination (includes electronic media).
 - b. Issue a summons for information necessary to complete an examination.
 - c. Take testimony under oath to secure additional information needed.
 - d. Ask about any offense connected to administering or enforcing the Internal Revenue laws.
- (6) IRC 6201 - Assessment Authority, which falls under Chapter 63 - Assessment.

4.70.20.1.3
(11-21-2023)
Responsibilities

- (1) The Directors, EO/GE and EP, are the executives responsible for providing policy and guidance for field employees and ensuring consistent application of policy, procedures and tax law to effect tax administration while protecting taxpayers' rights. See IRM 1.1.23, Organization and Staffing, Tax Exempt and Government Entities Division, for additional information.
- (2) The Directors, EO Examinations, GE, and EP Examinations report to the Directors, EO/GE and EP respectively, and are responsible for the delivery of policy and guidance that impacts the field examination process. See IRM 1.1.23, Tax Exempt and Government Entities Division, for additional information.
- (3) All examiners must perform their professional responsibilities in a way that supports the IRS Mission. This requires examiners to provide top quality service and to apply the law with integrity and fairness to all.
- (4) Examiners and their managers should thoroughly acquaint themselves with the examination procedures and the information contained in this IRM, as well as other resources.

4.70.20.1.4
(11-21-2023)
Program Controls

- (1) **Program Goals:** TE/GE, including the Office of Tax Exempt Bonds (TEB), combine compliance and enforcement initiatives with outreach and educational activities to accomplish its goals. The processes and procedures in this IRM agree with TE/GE's objectives and goals. Refer to IRM 1.1.23, Organization and Staffing, Tax Exempt and Government Entities Division.
- (2) **Policy Statements:** TE/GE is governed by Policy Statements and other internal guidance that apply to all IRS employees regardless of operating division. The Policy Statements in IRM 1.2.1, Servicewide Policy Statements, apply to all bondholder related issues and examinations.

- (3) **Delegations of Authority:** Find Servicewide delegations of authority in IRM 1.2.2, Servicewide Delegations of Authority.
- (4) CP&C administers examination inventory control.
- (5) The FAC coordinates the assignment of examination inventory.
- (6) Two review groups make sure examiners conduct examinations per technical, procedural and administrative requirements:
 - a. Mandatory Review / Technical.
 - b. Special Review, see IRM 4.70.7, Special Review (SR) and Tax Exempt Quality Measurement System (TEQMS) Procedures.
- (7) In order to ensure a consistent level of managerial engagement in the process of making key strategic decisions during an exam, the examiner submits requests for approval by their manager through RCCMS.
- (8) The manager approves or rejects any request through RCCMS.
- (9) The IRS is fully committed to protecting the privacy rights of taxpayers and employees. Privacy laws are included in the IRC, the Privacy Act of 1974, the Freedom of Information Act, and IRS policies and practices. For more information about these laws, visit the *IRS Electronic Freedom of Information Act Reading Room*.
 - a. For questions about privacy, email **Privacy*.
 - b. For question about disclosure, email **Disclosure*.
- (10) **Taxpayer Bill of Rights:** 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. For additional information about TBOR, see *Taxpayer Bill of Rights*. All bondholder related examinations will be conducted in accordance with the TBOR in IRC 7803(a)(3).

4.70.20.1.5
(11-21-2023)

Acronyms and Terms

- (1) This manual uses the following acronyms and terms.

Acronyms and Terms	Description
AIMS	Audit Information Management Systems
Appeals	IRS Independent Office of Appeals
CDW	Compliance Data Warehouse
Coordinator	TLS or TEB Revenue Agent assigned to perform the role as described herein.
CP&C	Compliance, Planning, and Classification
EO	Exempt Organizations

Acronyms and Terms	Description
IDR	Information Document Request
IRC	Internal Revenue Code
RAAS	Research, Applied Analytics & Statistics
RCCMS	Reporting Compliance Case Management System
TBOR	Taxpayer Bill of Rights
TEB	Tax Exempt Bonds
TEB Program Manager	Program Manager, TEB
TE/GE	Tax Exempt and Government Entities
TLS	Tax Law Specialist

4.70.20.1.6
(11-21-2023)

Related Resources

- (1) Examiners should consult the Knowledge Management Virtual Library to ensure proper issue development and consistent application of the law.
- (2) To ensure that the IRM is always current, future revisions of the IRM will refer you to one of the books below for the correct codes to use in lieu of specifying an activity code, disposal code, source or status code. The IRM will specify the section of the document to reference and the type of activity, disposition, source and status code to look up.
 - Document 6379, Information Systems Codes FY 2023 Quick Reference for EO Employees
 - Document 6476, Information Systems Codes FY 2023 Quick Reference for EP Agents/Specialists
 - Document 11308, Information Systems Codes FY 2023 for GE Employees

Note: You can also get the current version of the documents at our *Business Systems Planning* page.

4.70.20.2
(11-21-2023)

Establishing Bondholder Case for Bond Examinations

- (1) The issuer of a bond isn't liable for any taxes due on interest that becomes taxable as a result of a failure to meet the requirements for tax-exempt financing under IRC 103. The bondholders who receive the interest payments are liable for any taxes due on such interest. Consequently, when appropriate, the IRS identifies bondholders to collect tax liability.
- (2) Interest and principal payments on the bonds generally are not paid directly by the issuer of the bonds to the bondholders. If there is a trustee/paying agent for the issue, the trustee/paying agent often receives payments from the issuer and distributes payments to the bondholders. The trustee/paying agent may also distribute payments to a nominee. There may be several tiers of nominees between the trustee/paying agent and the bondholder (the beneficial owner of the bonds) responsible for any tax on interest.

- (3) When the Examiner issues a proposed adverse determination letter, the Examiner notifies the Coordinator that it may be necessary to take actions to identify bondholders in order to protect the government's interest in connection with the case (Bondholder Case Notification).
- (4) The Bondholder Case Notification must be forwarded by e-mail through the Examiner's Manager to the Coordinator (copy to the Coordinator's Manager, if different), and include the following, if applicable:
 - A copy of the proposed adverse determination letter.
 - A copy of the explanation of items of the proposed adverse determination.
 - A listing of all outstanding maturities of the issue, including all CUSIP numbers.
 - The amount of interest paid on each interest payment date with respect to the issue for any open statute period.
 - A copy of detailed debt service schedule.
 - A copy of the series 8038 information return filed by the issuer.
 - A copy of the official statement, offering memorandum, or similar document for the issue.
 - The trustee's and/or paying agent's name, address, and contact person.
 - Contact information for the registrar or transfer agent of the issue, if any, who would have records of bond ownership.
 - A copy of the Examiner's request for bondholder identification by the issuer of the bonds through use of an IDR and any response from the issuer.
 - A copy of the most recently issued notification from the Examiner to the issuer regarding intended contact with third parties; as described in IRM 4.70.11.11, Third-Party Contacts. This would generally be Letter 3164-K, Third Party Contact (TEGE).
 - A list of any bondholders identified during the examination, including all contact and ownership information available (name, EIN, address, amount and CUSIP number of bonds acquired).
 - Any other information that would be useful in identifying the past and present bondholders of the issue.
- (5) Within 15 days of receiving the Bondholder Case Notification, the Coordinator:
 - a. Reviews it for completeness and requests any missing information from the Examiner.
 - b. Creates the bondholder case in RCCMS (but not on AIMS).
 - c. Requests establishment of the case.
- (6) The Coordinator's Manager approves establishment of the bondholder case. The RCCMS case activity must be established using the following guidelines:
 - a. Fill in **TIN** and **NAME** of the issuer.
 - b. **TYPE:** select type of return under examination
 - c. **Activity Code:**
 - 397 for Form 8038
 - 303 for Form 8038-B
 - 300 for Form 8038-G
 - 302 for Form 8038-GC
 - 306 for Form 8038-TC
 - d. **Project Code:** 4126 or 4127, depending on whether the case is pending in Appeals.

- e. **Status Code:** 10
- f. **Master File Type:** BMF
- g. **MFT:** Use 46, except for MFT 85 (Form 8038-B) and MFT 86 (Form 8038-TC) when the issuer did not elect to receive direct payments.

4.70.20.3
(11-21-2023)

Treatment of Bondholder Case

- (1) Generally, TEB will follow additional procedures described in sections IRM 4.70.20.4 through IRM 4.70.20.6 to identify bondholders upon a final adverse determination (see IRM 4.70.14.2.4.5.5). However, the TEB Program Manager may direct the Coordinator to follow such procedures prior to a final adverse determination based on facts and circumstances (such direction to be documented in writing and included in the RCCMS file).
- (2) Unless the TEB Program Manager directs the Coordinator to follow such procedures prior to a final adverse determination as described in paragraph (1), the Coordinator will update the status on the RCCMS case file to Status 38 (suspense) until a final adverse determination is made (or such a direction is received by the Coordinator). Once the Coordinator is following such procedures, the Coordinator will update the status on the RCCMS case file to Status 12.
- (3) See IRM 4.70.14.2.4.5.5, TEB – Final Adverse Determination, and IRM 4.70.14.2.4.5.6, TEB – Possible Actions Taken by Appeals, for guidance regarding when a proposed adverse determination becomes final.
- (4) IRC 6103 imposes limitations on disclosure of returns and return information but provides certain exceptions, including for certain tax administration purposes. (See IRM 4.2.5.1.1, Disclosure of Official Information, Background and IRM 11.3.2.1.12, Internet Research). The Coordinator must adhere to applicable limitations on disclosure of returns and return information.
- (5) When contacting third parties following the procedures described in sections IRM 4.70.20.4 through IRM 4.70.20.6, the Coordinator must verify that the most recent 45-day third-party contact notification to the issuer is less than one year old. If the notification was issued more than one year prior to the third-party contact, the Coordinator must request the Examiner to issue a new notification to the issuer with a new waiting period of 45 days.
- (6) For any identified potential bondholders, the Coordinator will follow the procedures in IRM 4.70.20.6 to confirm details of the bond holdings.

4.70.20.4
(11-21-2023)

Electronic Research for Bondholder Information

- (1) The Coordinator will use the information in the Bondholder Case Notification to conduct research to identify potential bondholders using internal database queries, such as with RAAS tools, and public information sources (subject to disclosure limitations). The Coordinator may require assistance of support personnel with access to certain systems and data in order to perform this research and will request such support through the Coordinator's manager.
- (2) RAAS provides access to 1099-INT form data through use of the CDW Tool. By using CUSIP Numbers this tool can be useful in identifying bondholders. The CDW Tool currently requires the Coordinator to contact RAAS personnel to request assistance in running TEB-related queries. The CDW Tool requires information about the bond issue including the affected CUSIP Numbers and the impacted tax years.

- (3) The Securities and Exchange Commission's Electronic Data Gathering, Analysis, and Retrieval system (EDGAR) database is also available to assist with bondholder identification. See 26 CFR 301.7602-2(f)(5), Third Party Contacts when contacting governmental entities.
- (4) The Municipal Securities Rulemaking Board (MSRB) has several databases available that may also be used to assist with bondholder identification.
- (5) The National Association of Insurance Commissioners (NAIC) maintains several databases including INSDATA and a comprehensive database through its affiliate the National Insurance Producer Registry (NIPR) which provide information on the bond holdings of insurance companies, including descriptions and CUSIP numbers. The NAIC is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories.
- (6) The Bloomberg database can also provide some basic information about potential bondholders for a given bond issue. The search query uses commands to list current known holders and find historical transactions that can be useful in identifying past bondholders.

4.70.20.5
(11-21-2023)
**Written Contact of Third
Parties to Identify
Bondholders**

- (1) The Coordinator may attempt to obtain bondholder information by sending a request letter to any identified third party. If information isn't provided by the third party in response to the letter request, the Coordinator will elevate the issue to the TEB Program Manager for potential use of summonses to identify potential bondholders.
- (2) IRM 25.5.1, the Summons Handbook, provides guidelines for use by TE/GE employees and covers topics including provisions of law, authority and factors to consider when issuing a Third-Party Summons or a John Doe Summons to identify bondholders. Upon a determination by the TEB Program Manager to use summonses to identify potential bondholders under paragraph (1) above, the Coordinator and the Examiner will brief their manager(s) on a plan to prepare, issue, and follow up on any summonses, as appropriate, and will implement the plan subject to adjustments based on input from their managers.
- (3) IRM 25.5.6, Summonses on Third-Party Witnesses, provides detailed guidelines for handling Third-Party Summonses and IRM 25.5.7, Special Procedures for John Doe Summonses, provides detailed guidelines for handling John Doe Summonses.
- (4) IRM 5.17.6, Legal Reference Guide for Revenue Officers, Summonses, also provides basic legal concepts governing the use and enforcement of administrative summonses.

4.70.20.6
(11-21-2023)
**Confirming Identities of
Bondholders**

- (1) The Coordinator will correspond with potential bondholder(s) identified under IRM 4.70.20.2 (by the Examiner), IRM 4.70.20.4 (through electronic research and contacts), and IRM 4.70.20.5 (through written contact with third parties) to confirm the amount of bonds held and holding period(s) as described below. Generally, such correspondence with potential bondholders will not begin prior to the issuance of a final adverse determination except as directed by the TEB Program Manager.

- a. Letter 4415, Bondholder Confirmation Letter is issued by the Coordinator to confirm the potential bondholder's ownership interest.
 - b. Letter 4416, Bondholder Confirmation Follow-up Letter. If a response to Letter 4415 is not received within 30 days from the date of mailing, the Coordinator will mail Letter 4416.
- (2) If no response is received, the Coordinator may (subject to input from their manager) submit a referral to the appropriate operating division for an examination as provided in IRM 4.70.11.15.5, Referrals to Other Business Units; IRM 4.50.2.2.5.2, LB&I Compliance Integration, Other Workload Selection – Non-Campaign Workstreams, Supplemental GHW Inventory Sources; or IRM 4.1.1.6.11, Planning, Monitoring and Coordination, Information Referrals.
- (3) The Coordinator may rely on a party's response to Letter 4415 or Letter 4416 (or other communication) confirming the amount of bonds held and the holding period to treat the party as a confirmed bondholder.
- (4) If a response is received, the Coordinator will request from appropriate support personnel (in consultation with their manager) AMDISA for taxpayer identification numbers of the confirmed bondholders. The Coordinator will review the AMDISA and such other internal systems information as necessary to determine whether the return periods during which confirmed bondholder held the bonds are under exam by another operating division.
- (5) If a confirmed bondholder's return for the applicable return periods is under examination, the Coordinator will request direction from management on whether to submit a referral to the operating division examining the return. Upon making such a referral, the Coordinator will coordinate with the examining operating division to provide information necessary to propose the adjustment to income. (See IRM 4.70.20.10 for Referral Procedures.)
- (6) If a confirmed bondholder's return for the applicable return periods is not under examination, the Coordinator will mail the bondholder Letter 4414 including:
 - Copies of the proposed or final adverse determination letter, as applicable.
 - Information on available resolution options.
 - Requests for restricted consents for statute extension related to open statute years. See Letter 4414, Proposed Adverse Transmittal Letter.
- (7) Upon the issuance of a final adverse determination, the Coordinator will identify potential statute expiration dates for identified bondholders and consult with management on next steps on requests for additional consents for statute extensions or referrals to other operating divisions.
- (8) The Coordinator may periodically repeat the search process to determine subsequent transfers as directed by management.
- (1) The Coordinator, upon direction from the TEB Program Manager, may take steps to control statutes on returns of identified bondholders. Generally, the Coordinator will follow the Statute Control procedures in IRM 25.6.23, Statute of Limitations, Examination Process-Assessment Statute of Limitations Controls, when controlling statutes.

4.70.20.7
(11-21-2023)
**Statute Control
Procedures**

- 4.70.20.8
(11-21-2023)
**Consideration of
Bondholder Request for
Closing Agreement**
- (1) If a confirmed bondholder requests a closing agreement to resolve its potential tax liability resulting from an adverse determination (rather than filing an appropriate return), TEB may consider such request subject to applicable jurisdictional limitations. Generally, such a closing agreement would be based on the bondholder's tax liability related to interest on the bond issue.
 - (2) If TEB agrees to the closing agreement, the Coordinator will prepare a closing agreement following procedures similar to the TEB closing agreement procedures under IRM 4.70.14.2.1.5.9, Tax Exempt Bonds Closing Agreements.
- 4.70.20.9
(11-21-2023)
**Action when Final
Adverse Determination
Letter Issued**
- (1) When the bondholder identification process starts after the adverse determination becomes final, skip paragraphs (2) through (4) below and move forward with referrals except to the extent bondholders resolve outstanding tax liabilities related to the bonds pursuant to a closing agreement as provided in IRM 4.70.20.8 or by filing appropriate tax returns.
 - (2) When a final adverse determination letter is issued at the group level, the manager will forward a copy of the letter to the Coordinator's Manager. If a final adverse letter is issued by Appeals, a copy will be provided to the Coordinator's Manager.
 - (3) The Coordinator's Manager will forward a copy of the final adverse determination letter to the Coordinator.
 - (4) The Coordinator will obtain AMDISA for taxpayer identification numbers of confirmed bondholders and determine whether those return periods are under examination by another operating division.
 - (5) For bondholders that are regulated investment companies, within the meaning of IRC 851, the Coordinator with the approval of their manager will make a referral of the bondholder to the appropriate operating division following the procedures starting in paragraph (6) of this section.
 - (6) If a confirmed bondholder's return for the applicable return periods is under examination, the Coordinator will make a referral to another operating division by contacting the manager of the group conducting the examination of the bondholder. Examiner with assistance of the Coordinator will coordinate with the examining group to provide information necessary to propose the adjustment to income resulting from the adverse determination. See IRM 4.70.20.10 for Referral Procedures.
 - (7) If a confirmed bondholder's return for the applicable return periods is not under examination, the Coordinator will send copies of the final adverse determination letter if not previously sent (see IRM 4.70.20.6 (4)) to the bondholder and make a referral to another operating division, subject to approval from their manager. See Letter 4417, Final Adverse Transmittal Letter. See also IRM 4.70.20.10 for Referral Procedures.
 - (8) The Coordinator may determine the trustee or paying agent is required to issue Form 1099-INT for interest to any bondholders or nominees. In the case where a trustee or paying agent is required to issue Form 1099-INT for interest, the Coordinator will notify the trustee or paying agent by issuing Letter 4418, Trustee Notification Letter, through certified mail. Generally, financial institutions are not required to issue Form 1099-INT to bondholders that are corporations or nominees such as Cede & Co. (nominee name for the Depository Trust Company (DTC)).

- (9) The Coordinator will review MSRB databases for information or communications provided by the trustee or paying agent to the bondholders or nominees as a result of the final adverse determination.
- (10) The Coordinator may determine a nominee is required to issue Form 1099-INT for interest to any bondholders. The Coordinator will notify bondholder nominees required to issue Form 1099 for interest of the final adverse determination and request delinquent or corrected information returns by issuing Letter 4418, Trustee Notification Letter.
- (11) The Coordinator requests closure of the bondholder case within RCCMS upon concurrence from management after notified bondholders:
 - a. resolved their tax liability by filing the required tax returns or entering into a closing agreement, or
 - b. have been referred to the appropriate operating division.

4.70.20.10
(11-21-2023)
Referral Procedures

- (1) Referrals to other operating divisions are completed by the Coordinator. See referral procedures in IRM 4.70.11.15.3, General Referral Process Within the IRS; IRM 4.70.11.15.4, Referrals to TE/GE Functions; and IRM 4.70.11.15.5, Referrals to Other Business Units.

4.70.20.10.1
(11-21-2023)
Effect on Tax Exempt Obligations for 501(c)(3) Organizations

- (1) Revocation of an organization's IRC 501(c)(3) status will result in the loss of the exclusion from gross income under IRC 103 for interest payments on tax-exempt obligations issued under IRC 145 as "qualified IRC 501(c)(3) bonds." The loss of such exclusion is effective back to the date of issuance of the tax-exempt obligations.
- (2) Determine whether the organization is the beneficiary of outstanding tax-exempt obligations under IRC 145 at the time of revocation.

4.70.20.10.2
(11-21-2023)
Referral to Tax Exempt Bonds (TEB)

- (1) Because a revocation of the tax-exempt status of an IRC 501(c)(3) organization results in the loss of excluding interest from gross income of bondholders on the organization's qualified IRC 501(c)(3) bonds, a referral is required to Tax Exempt Bonds. This section describes the procedure to make a referral by submitting a referral to the TE/GE Classification & Case Assignment mailbox at: "*Manager EO Classification"(eoclass@irs.gov).
- (2) Use the *Specialist Referral System (SRS)* or Form 5666 to refer a potential noncompliant bond issuance to the TEB Referral Coordinator. Detailed instructions for completing the form are located in *IRM Exhibit 4.5.1-12*.
- (3) Complete a separate Form 5666 with all information that is available about the issuer of the bonds and the nature and size of the potential noncompliance issue. Include information pertaining to the source of the EO examination and attach any news articles, correspondence or other documentation concerning the potential noncompliance issue with the Form 5666. The referral package must be as complete as possible with objective information to facilitate the CP&C Classifier in making their recommendations of compliance actions.
- (4) Use the proper AIMS Source Codes for each referral. The following guidance will assist the originator in determining the proper source code for referrals and the preparation of Form 5666 or the Specialist Referral System.

- a. Use the appropriate source codes based on the EO examination. TEB source codes are identified in the GE Computer Systems Codes Book, Document 11308.

4.70.20.11
(11-21-2023)
**Post Appeals Action
when Bonds Remain
Qualified**

- (1) When bond examinations within the jurisdiction of Appeals are resolved without issuance of a final adverse determination letter, the TEB Program Manager will notify the Coordinator's Manager.
- (2) The Coordinator's Manager will notify the Coordinator that the issue was resolved in Appeals. The Coordinator must notify any identified bondholders that have been contacted that the case has been closed by issuing Letter 4419, Bondholder No Change Advisory Letter.
- (3) The Coordinator must then include all correspondence in the RCCMS case file and request closure of the bondholder case within RCCMS.

