



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.81.12

OCTOBER 1, 2019

EFFECTIVE DATE

(10-01-2019)

PURPOSE

- (1) This transmits revised IRM 4.81.12, Tax Exempt Bonds (TEB) Examination Program and Procedures, Compliance Review of Form 8038-CP.

MATERIAL CHANGES

- (1) Audience: Revised to indicate the transfer of the Compliance Review of the Form 8038-CP from Government Entities Compliance Services to Compliance Planning & Classification, Field Assistance Support Team.
- (2) IRM 4.81.12.1, Program Scope and Objectives, Policy Owner: Updated to remove Director, Indian Tribal Governments/Tax Exempt Bonds and add Director, Compliance Planning and Classification.
- (3) IRM 4.81.12.1, Program Scope and Objectives, Authority: Updated to add information indicating that IRC 6431 was repealed.
- (4) IRM 4.81.12.1: Removed Tax Compliance Officer.
- (5) IRM 4.81.12.1.1(1): Changed to indicate that state and local governments and other qualified issuers of DPBs use Form 8038-CP.
- (6) IRM 4.81.12.1.1(3)(a): Replaced ITG/TEB with CP&C.
- (7) IRM 4.81.12.1.3(1): Responsibilities changed to indicate that CP&C (formerly ITG/TEB) is responsible for the administration, procedures and policies contained in this IRM.
- (8) IRM 4.81.12.1.3(1): Added statement to indicate that ITG/TEB will be consulted prior to making changes to the procedures contained in this IRM.
- (9) IRM 4.81.12.1.3 (3): Added statement to indicate that CP&C IRM Coordinator is responsible for updating this IRM.
- (10) IRM 4.81.12.1.3: Removed TCO.
- (11) IRM 4.81.12.1.4: Deleted the Program reports subsection.
- (12) IRM 4.81.12.1.5, Acronyms and Terms: Added CP&C, CRX, FAST, and IAT to the table.
- (13) IRM 4.81.12.2: Deleted Tax Compliance Officer from the list.
- (14) IRM 4.81.12.2: Added the IRM reference for the ITG/TEB Direct Pay Bonds Compliance Review Coordinator's (DPBCRC) duties.
- (15) IRM 4.81.12.2.1: Deleted TCO from this section and added FAST where applicable.
- (16) IRM 4.81.12.2.1(4)c: Deleted the Note since it no longer applies.
- (17) IRM 4.81.12.2.1(6): Added Recipient to identify which document needs to be saved and removed listing since no longer applicable.

- (18) IRM 4.81.12.2.1(9)a: Deleted the reference to a listing since no longer applicable. The list is printed on the Form 3210.
- (19) IRM 4.81.12.2.2: Replaced TCO with TE.
- (20) IRM 4.81.12.2.2(3)b: Replaced GECU with FAST.
- (21) IRM 4.81.12.2.2(4): Added instructions on how to handle possible duplicate returns.
- (22) IRM 4.81.12.2.2.1: Added information and clarified the instructions on handling the missing Interest Payment Date on the Form 8038-CP.
- (23) IRM 4.81.12.2.3: Deleted TCO.
- (24) IRM 4.81.12.2.3.1: Deleted TCO, revised and added the instructions for establishing Form 8038-CP in RCCMS. Deleted the codes used in RCCMS for referring the form to ITG/TEB Tech 2.
- (25) IRM 4.81.12.3: Removed GECU and added FAST. Removed TCO and clarified instructions.
- (26) IRM 4.81.12.3.1(4): Added information for editing the Form 8038-CP,
- (27) IRM 4.81.12.3.1(5): Replaced GECU with FAST, added Duplicate for the top left-margin edits. Added reference (in Note) to Letter 4617-C and Letter 5836-C used by ERS/Rejects for return that is processed as a No Consideration.
- (28) IRM 4.81.12.3.1, Note: Deleted GECU and replaced it with FAST and added Unpostables as another point of coordination.
- (29) IRM 4.81.12.3.2: Added section to provide instructions for Early-Filed Forms 8038-CP.
- (30) IRM 4.81.12.3.2.1: Added instructions on handling undeliverable Early-Filed Forms 8038-CP.
- (31) IRM 4.81.12.3.3: Acknowledgment Return moved from IRM section 4.81.12.3.2.
- (32) IRM 4.81.12.3.4: Amended/Corrected Return moved from IRM 4.81.12.3.3.
- (33) IRM 4.81.12.3.5: Reprocessed Returns moved from IRM 4.81.12.3.4.
- (34) IRM 4.81.12.3.5: Deleted GECU and replaced it with FAST and clarified procedures.
- (35) IRM 4.81.12.3.6: Indicators of more in-depth review required moved from IRM 4.81.12.3.5.
- (36) IRM 4.81.12.3.6 Deleted TCO, acronym GECU and replaced with FAST, and provided more information for the Form 3210.
- (37) IRM 4.81.12.3.7 Compliance Review and Approval Process moved from IRM 4.81.12.3.6.
- (38) IRM 4.81.12.3.7: Deleted TCO.
- (39) IRM 4.81.12.3.7(2): Added clear and concise information on contacting the taxpayer. Added IRM reference for the CRD.
- (40) IRM 4.81.12.3.7(3): Added instructions when the TE reaches the taxpayer for missing IPD.
- (41) IRM 4.81.12.3.7.1: Remedial Action Under Section 6 of Rev. Proc. 2018-26 formerly in subsection 4.81.12.3.6.1.
- (42) IRM 4.81.12.3.7.1: Revised steps to take when referring a Form 8038-CP to the DPBCRC.
- (43) IRM 4.81.12.3.7.2 Part 1, Line 1: Previously numbered as subsection 4.81.12.3.6.2.

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- (44) IRM 4.81.12.3.7.2: Replaced GECU with FAST. Identified the Form in the table header. Provided clarity on actions to edit the form and to establish and refer the form to the DPBCRC.
 - (45) IRM 4.81.12.3.7.3 Part 1, Line 2: Renumbered as IRM 4.81.12.3.7.3, previously in subsection 4.81.12.3.6.3.
 - (46) IRM 4.81.12.3.7.3: Added IRM reference for editing the form, additional information on formatting of the EIN, validating the EIN and action to be taken when necessary.
 - (47) IRM 4.81.12.3.7.4 Part II, Line 7: Previously listed as IRM 4.81.12.3.6.4.
 - (48) 4.81.12.3.7.5 Part II, Line 8, EIN: Previously listed as IRM 4.81.12.3.6.5.
 - (49) IRM 4.81.12.3.7.5: Updated the table by removing unnecessary information and clarifying actions necessary to validate the issuers EIN.
 - (50) IRM 4.81.12.3.7.6 Line 10: Report Number and Duplicate Return Check deleted Duplicate Return Check. Previously listed as IRM 4.81.12.3.6.6 Line 10, Report Number.
 - (51) IRM 4.81.12.3.7.7: Separated this section from IRM 4.81.12.3.7.6. Added instruction on how to handle possible duplicate returns.
 - (52) IRM 4.81.12.3.7.8 Part II, Line 12: Issue Date: Section previously listed as IRM 4.81.12.3.6.7.
 - (53) IRM 4.81.12.3.7.8: Added IRM reference for establishing the Form 8038-CP in RCCMS. Deleted duplicate information that was provided earlier in the IRM. Removed GECU and replaced it with FAST.
 - (54) IRM 4.81.12.3.7.9: Form 8038-CP Statute of Limitation (SOL) as previously listed as IRM 4.81.12.3.6.8.
 - (55) IRM 4.81.12.3.7.10 Part III, Line 18: Previously listed as IRM 4.81.12.3.6.9; revised information on establishing the Form 8038-CP in RCCMS. Updated table to clarify payment frequency information.
 - (56) IRM 4.81.12.3.7.11: Part III, Lines 20a, 20b, and 20e: Previously listed as IRM 4.81.12.3.6.10. Added BABs, RZEDBs, and NCREBs, QECBs, QZABs and QSCBs to the title.
 - (57) IRM 4.81.12.3.7.11: Part III, Lines 20a, 20b, and 20e: Previously listed as IRM 4.81.12.3.6.10. Added BABs, RZEDBs, and NCREBs, QECBs, QZABs and QSCBs to the title.
 - (58) IRM 4.81.12.3.7.11: Revised the table for procedures on establishing the Form 8038-CP in RCCMS and added the line numbers associated with the bonds from Form 8038-CP.
 - (59) IRM 4.81.12.3.7.12: Part III, Lines 20a through 20f : This subsection was previously listed as IRM 4.81.12.3.6.11
 - (60) IRM 4.81.12.3.7.12(2): Additional instructions provided to show no action is necessary.
 - (61) IRM 4.81.12.3.7.12.1: Added specific instructions on what to do when there is an amount shown on lines 20c and 20d of the Form 8038-CP.
 - (62) IRM 4.81.12.3.7.12.2, Part III, Line 22: Previously numbered as IRM 4.81.12.3.6.11.1.
 - (63) IRM 4.81.12.3.7.12.2: Revised the table of the procedures for establishing the Form 8038-CP in RCCMS.
 - (64) IRM 4.81.12.3.7.12.2: Removed the duplicate information in the table for occasions when line 22 is blank.

- (65) IRM 4.81.12.3.7.13., Part III, Line 23: Previously numbered as IRM 4.81.12.3.6.12. Revised table on the procedures for establishing the Form 8038-CP in RCCMS.
- (66) IRM 4.81.12.3.8 Batches Ready to Process: Previously numbered as IRM 4.81.12.3.7. Deleted TCO and added the Form 3210 from the DPB database.
- (67) IRM 4.81.12.3.9 Disallowed Returns: Previously numbered as IRM 4.81.12.3.8. Added instructions to annotate the database for returns processed as a No Consideration.

EFFECT ON OTHER DOCUMENTS

This supersedes IRM 4.81.12 dated September 26, 2018.

AUDIENCE

Tax Exempt and Government Entities

Compliance Planning & Classification
Field Assistance Support Team

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Tax Exempt and Government Entities

4.81.12

Compliance Review of Form 8038-CP

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4.81.12.1
(10-01-2019)
**Program Scope and
Objectives**

- (1) **Purpose:** This IRM section provides procedures for the Field Assistance Support Team's review of the refundable credit payments claimed on Form 8038-CP.
- (2) **Audience:** These procedures apply to employees responsible for Form 8038-CP compliance review.
 - Tax Examiners (TE)
 - Lead TE
 - Managers
- (3) **Policy Owner:** Director, Indian Tribal Governments/Tax Exempt Bonds
- (4) **Program Owner:** Director, Compliance Planning & Classification
- (5) **Authority:** Direct Pay Bonds (DPBs) are obligations that meet applicable requirements for credits allowed under IRC 6431.

Note: The credit on DPBs is treated as an overpayment of tax and under IRC 6431(b) is to be paid (contemporaneously with each interest payment date under such bonds) to the Issuer of such bonds (or to any person who makes interest payments on behalf of the Issuer). IRC 6431 was repealed by section 13404(b) of the Tax Cuts and Jobs Act of 2017, P.L. 115-97, 131 Stat. 2054, 2138 (2017), effective for bonds issued after December 31, 2017.

4.81.12.1.1
(10-01-2019)
Background

- (1) State and local governments, and other qualified issuers of DPBs use Form 8038-CP, Return for Credit Payments to Issuers of Qualified Bonds, to claim:
 - The direct credit payments allowed under the Build America Bonds (BABs) provisions of the American Recovery and Reinvestment Act of 2009 (ARRA).
 - Specified tax credit bonds provisions of the Hiring Incentives to Restore Employment Act (HIRE) of 2010.
- (2) This law is codified as IRC 6431. The refundable credits are:
 - a. Payable to the issuer of qualified obligations, or at the issuer's option, to the designated person who pays interest on behalf of the issuer.
 - b. Based on a percentage (from 35 to 100 percent) of the interest payable under the obligation.
 - c. Designed to lower the issuer's cost of borrowing as a replacement of the federal tax benefit provided to bondholders by traditional tax-exempt bonds under IRC 103.
 - d. These qualified obligations are collectively known as **direct pay bonds**:
 - Build America bonds
 - Recovery zone economic development bonds
 - Specified tax credit bonds
- (3) Due to the potential for fraud, TEGE, in cooperation with the Wage and Investment (W&I) operating division, established a compliance review of all Form 8038-CP returns during their initial processing. This review is done in two parts:
 - a. CP&C reviews the return for conformity with ITG/TEB records of the direct pay bonds transaction.

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- b. Ogden Submission Processing Center (OSPC) processes the refund return (Form 8038-CP).

4.81.12.1.2
(10-01-2019)
Authority

- (1) The table below outlines the authorities for direct pay bonds.

Type of Bond	Statute/Authority
Build America bonds (BABs) and recovery zone economic development bonds (RZEDBs)	American Recovery and Reinvestment Act of 2009 (ARRA) introduced Build America Bonds (BABs) and included a special type of BABs eligible for an increased credit amount called recovery zone economic development bonds (RZEDBs). The authority to issue these bonds expired after December 31, 2010.
<ul style="list-style-type: none"> • New clean renewable energy bonds (NCREBs) • Qualified energy conservation bonds (QECBs) • Qualified Zone academy bonds issued under the 2009 and 2010 volume caps (QZABs) • Qualified school construction bonds (QSCBs) 	Hiring Incentives to Restore Employment Act (HIRE) of 2010 extended the refundable tax credit option to four types of previously authorized qualified tax credit bonds, defined as specified tax credit bonds in IRC 6431(f). The authority to issue QZABs as STCBs only applied for bonds issued with the national zone academy bond limitation for 2009 and 2010 and carryforward of such allocation. Carryforward must be used within two calendar years. Thus, no direct pay QZABs could be issued after December 31, 2012.

Type of Bond	Statute/Authority
DPBs and tax credit bonds	The Tax Cuts and Jobs Act (P.L. 115-97) repealed the authority to issue tax credit bonds, including specified tax credit bonds. The repeal applies to qualified forestry conservation bonds, new clean renewable energy bonds, qualified energy conservation bonds, qualified zone academy bonds, and qualified school construction bonds issued after December 31, 2017. The authority to issue recovery zone economic development bonds and build America bonds expired on January 1, 2011. See special rule for QZABs above.

4.81.12.1.3
(10-01-2019)
Responsibilities

- (1) The Director, CP&C is responsible for the administration, procedures and policies contained in this IRM.
- (2) Indian Tribal Government/Tax Exempt Bonds, as the primary stakeholder, will be consulted before making any changes to the procedures.
- (3) The CP&C IRM Coordinator is responsible for updating this IRM.
- (4) Management officials are responsible for:
 - a. Providing internal controls relating to the compliance review of Form 8038-CP.
 - b. Ensuring the instructions are communicated to and carried out by the employees completing the compliance review.
- (5) Lead TE updates the IRM for changes in how the compliance reviews are completed.
- (6) Employees complete the compliance review.

4.81.12.1.4
(10-01-2019)
Acronyms and Terms

- (1) Acronyms and terms used throughout IRM 4.81.12:

Acronym	Definition
ADP	Automated Data Processing
AM	Accounts Management
BABs	Build America Bonds
BBTS	Batch/Block Tracking System
Cc	Carbon Copy

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Acronym	Definition
CCC	Computer Condition Code
CP&C	Compliance Planning & Classification
CRX	Correspondex
CUSIP	Committee on Uniform Security Identification Procedures
DPB	Direct Pay Bonds
DPBCRC	Direct Pay Bonds Compliance Review Coordinator
DSS	Debt Service Schedule
EIN	Employer Identification Number
EO	Exempt Organizations
ERS	Errors Resolution System
FAST	Field Assistance Support Team
HIRE	Hiring Incentives to Restore Employment Act
HQ	Headquarters
IAT	Integrated Automation Tool
IDRS	Integrated Submission and Remittance Processing
IPD	Interest Payment Date
ITG/TEB	Indian Tribal Governments/Tax Exempt Bonds
Lead TE	Lead Tax Examiner
NCREBs	New Clean Renewable Energy Bonds
OJI	On the Job Instructor
OSPC	Ogden Submission Processing Center
QECBs	Qualified Energy Conservation Bonds
QSCBs	Qualified School Construction Bonds
QZABs	Qualified Zone Academy Bonds
RCCMS	Reporting Compliance Case Management System
RPT	Report
RZEDBs	Recovery Zone Economic Development Bonds
SOL	Statute of Limitations
TCO	Tax Compliance Officer
TE	Tax Examiner
TEB	Tax Exempt Bonds
TEGE	Tax Exempt Government Entities

Acronym	Definition
TLS	Tax Law Specialist
TP	Taxpayer
W & I	Wage and Investment

4.81.12.2
(10-01-2019)
General Duties and Guidelines

- (1) Form 8038-CP compliance review responsibilities depend on the employee's position.
 - a. Tax Examiner
 - b. Lead TE
 - c. Manager
 - d. ITG/TEB Direct Pay Bonds Compliance Review Coordinator's duties are defined in *IRM 4.82.3*.

4.81.12.2.1
(10-01-2019)
TE Duties

- (1) The TE reviewing the Form 8038-CP completes the following tasks:
 - a. Checks the Batch/Block Tracking System (BBTS) for any incoming batches.
 - b. Retrieves the batches.
 - c. Logs the batches in function 300 through BBTS.

Note: Refer to local procedures for checking in batches.
- (2) Date stamp all returns received that day with the FAST date stamp.
- (3) Review the Form 8038-CP returns:
 - a. Input the Form 8038-CP data into the DPB database.
 - b. Establish the Form 8038 CP returns in RCCMS by scanning returns and saving them in the office documents in RCCMS for cases referred to ITG/TEB.

Note: Don't mix reprocessed returns with other returns. Separate reprocessed returns in a separate gusset or add to a gusset containing other reprocessed returns.
- (4) Print the Form 3210, Document Transmittal, and include a listing of all the returns in the gusset folder of the Form 3210 from the DPB database. The listing must include:
 - a. The payee's EIN
 - b. Tax period
 - c. Report number
- (5) Verify the information on the Form 3210 matches the returns in the batch by comparing the Form 3210 to each return in the batch. Initial next to the "Releasing Officials" name.
- (6) Save the Recipient's Form 3210 to the shared drive in the corresponding batch. Title the listing as "Form 3210 to Code and Edit."

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- (7) Print the routing slip located in the Form 8038-CP images folder titled "Form 8038 Paper to Put on the Truck." Attach one print on the top of the truck and another on the side of the truck. Place a batch of work in each of the truck slots and take the truck to the loading dock before 10:00 a.m. daily.
- (8) Release the batch on BBTS:
 - a. Open the BBTS program.
 - b. Select **Production Web Site** under the heading **Batch/Block Tracking System**.
 - c. Log onto BBTS.
 - d. Select **Navigate** from the tool bar.
 - e. Select **Batch Release**.
 - f. Select **300** from the Function drop down list.
 - g. Enter **program code 13210** and the batch number that is being released.
- (9) When Code and Edit returns the acknowledgment copy, the Lead TE will:
 - a. Scan and save the Form 3210 to the batch folder on the shared drive.
 - b. Title the document as "Signed Form 3210".
 - c. Place a large "**X**" across the front of the document and place the document in the "designated classified waste" trash can.

4.81.12.2.2

(10-01-2019)

Lead TE Duties

- (1) Coordinate with ITG/TEB Technical and W&I to:
 - a. Provide OJI help and non-evaluative feedback to the TEs.
- (2) Conduct random review of batches before being released to the campus for processing.
- (3) Prepare a DPB Rotation monthly calendar designating the daily TE.
 - a. Complete the DPB monthly calendar by the second week of the month. If necessary, changes can be made the following week.
 - b. E-mail the final monthly calendar to the FAST manager.

Note: Group manager e-mails a copy of the monthly calendar to the group.
 - c. Save a copy of the rotation schedule to the shared drive.
- (4) Review any possible duplicate return and verify whether the return pulled is an actual duplicate return.
 - a. Check the DPB database to ensure the return was input correctly.
 - b. If input correctly:

If...	And...	Then...
The information was input correctly	Shows the return is a True Duplicate.	Research IDRS to see if the return has been processed and paid.

If...	And...	Then...
IDRS research shows the return has posted and paid.		<ol style="list-style-type: none"> 1. Edit line 10 to show the previous returns report number that was processed. 2. Edit True Duplicate in the upper left corner of the Form 8038-CP. 3. Place the return in a gusset and manually add it to Form 3210.
IDRS research shows the return hasn't posted	Hasn't been paid.	Check the tbl8038 in the DPB database "DateATRecord" column to determine when the return was sent for processing.
The DateATRecord shows the return was sent over within the last three weeks.		<p>Hold the return until the return has posted. Once the return has posted:</p> <ol style="list-style-type: none"> 1. Edit line 10 to show the previous returns report number that was processed. 2. Edit True Duplicate in the upper left corner of the Form 8038-CP. 3. Place the return in a gusset and manually add it to Form 3210.
IDRS research shows the return hasn't posted.		Determine whether the return is in ERS/ ReJects or Unpostables.

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If...	And...	Then...
The return is showing it is ERS/Rejects or Unpostables.		E-mail the Ogden Submission Processing, Planning & Analysis Analyst to determine what is happening with the return and whether the FAST Team can assist in getting the return processed.
IDRS shows the return was processed as a No Consideration, IRM 4.81.12.3.9.		<ol style="list-style-type: none"> 1. Edit the report number on the Form 8038-CP assigned by the DPB database. 2. Place the Form 8038-CP in a gusset to review for processing. 3. Update the database to show the batch number where the Form 8038-CP was placed.

4.81.12.2.2.1
(10-01-2019)

Missing Interest Payment Date (IPD)

- (1) A return isn't considered filed for interest computation purposes until the return is received in processable form.
- (2) A return in processable form:
 - Is filed on a permitted form.
 - Contains the taxpayer's name, address, and identifying number.
 - Has the required signature(s); and contains sufficient information (whether on the return or on required attachments) to permit the mathematical verification of the tax credit shown on the return.
- (3) The TE attempts to call the taxpayer for the missing interest payment date (IPD).
- (4) TE is able to reach the taxpayer.
 - a. Edit the return to show the IPD.
 - b. If applicable, edit the Correspondence Received Date (CRD) in the lower left-hand corner of the return in YYYYMMDD format. Refer to *IRM 3.12.38.5.2.7(7) Correspondence Received Date (CRD)-8* to determine if the CRD is applicable.
 - c. Continue the review process and add it to a batch.
- (5) TE is unable to reach the taxpayer:

- a. Place the return in the designated area for call backs.
- b. Check the call back area daily and attempt to reach the taxpayer.

4.81.12.2.3
(10-01-2019)
Manager Duties

- (1) Work directly with ITG/TEB Technical and the Lead TE to:

- a. Monitor the project.
- b. Provide information to senior management.
- c. Meet the project's milestones and goals.

Note: When you find barriers to meeting the goals, inform senior management and coordinate needed adjustments.

- (2) Conduct random review of batches before being released to the campus for processing.
- (3) Inform senior management about current project achievements and issues.
- (4) Monitor and evaluate TE inventory.

4.81.12.2.3.1
(10-01-2019)
RCCMS Case File

- (1) During the compliance review, the TE may need to establish a case for the Form 8038-CP in RCCMS. Document actions taken on the CCR in RCCMS.
- (2) TE e-mails the Lead TE and copies the manager indicating which case(s) were established in RCCMS.
- (3) TE scans and saves Form 8038-CP in the Office Documents folder in the RCCMS case after the form is edited.
- (4) TE will assign the case to the Unassigned inventory in RCCMS.
- (5) E-mail the Lead TE and copy the Manager when sending the information (EIN, IPD, etc.) to refer the case to DPBCRC.

4.81.12.3
(10-01-2019)
Direct Pay Bonds (DPB) Processing

- (1) Receipt & Control batches Form 8038-CP returns and enters them into BBTS before delivering them to the FAST Team.
- (2) The designated bond TE: will check the batch into BBTS when the truck is received each day.
- (3) TE: Monitors BBTS for any new batches.

Note: Complete returns in the batch within 48 to 72 hours from the time received in Function 300 on BBTS. If you're unable to work the entire batch within 72 hours, consult the Lead TE for further instructions.

- a. Select "Multi Query" under Batch Reports on the BBTS home page.
- b. Select "**Ogden**" from the drop-down box if asked to select a service center, insert "**300**" in the current Function Code Box, and insert "**13210**" in the box next to Program Code. Enter or scroll down to Submit Query at the bottom of the page. An inventory screen appears showing all the batches in Function 300.
- (4) To determine whether the batch was received, click on the batch number and a batch query report. Under "Function History," it'll show when the batch was received in Function 300.

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- (5) When the batch is received, the 48-hour time frame begins the morning the batch was released from Function 180.
- (6) After FAST completes the compliance review, they send the returns to the following “pipeline” functions for expedited processing:
 1. Code and Edit
 2. Numbering
 3. Transcription (ISRP)
 4. Validation

BBTS assigns a program number of **13210** to Form 8038-CP returns and tracks each batch of returns through the pipeline using the following function codes:

- **180 — Batching**
- **300 — FAST**
- **210 — Code and Edit**
- **190 — Numbering**
- **230 — Transcription**
- **610 — Validation**

4.81.12.3.1 (10-01-2019) Edit Marks

- (1) Add edit marks to the return (such as IPD, RPT Number, and EIN) for transcribing into the ADP system through the Integrated Submission and Remittance Processing (ISRP) system.

Note: It’s essential to properly edit Form 8038-CP to ensure the returns flow smoothly through the submission processing pipeline.

- (2) FAST employees use green pencil/pen to make edit marks.

Note: A green gel pen is more legible on scanned copies.

- (3) Never destroy, alter or erase the original entry on a return when deleting or correcting an entry. Make sure the original entry remains legible. Perfected entries create a legible “audit trail.”
- (4) See IRM 3.11.26, Miscellaneous Tax Exempt Government Entities (TEGE) Tax Returns, for information on how to edit the applicable lines shown below and shows the applicable edit marks to be made to the Form 8038-CP.
- (5) FAST must edit these lines:
 - Part I, Line 1 Payee Name
 - Part I, Line 2 Payee EIN
 - Part II, Line 7 Issuer’s Name
 - Part II, Line 8 Issuer’s EIN
 - Part II, Line 10 Report Number
 - Part III, Line 18 IPD and formatting
 - Top left margin of the Form 8038-CP (with, SOL, True Duplicate, and Duplicate, when applicable)

Note: Code and Edit does most of the editing on the Form 8038-CP and ERS/Rejects corresponds for missing information required to

process the return except for any missing Interest Payment Date (IPD). For certain math errors or missing information, ERS/Rejects will either correct the math error or issue Letter 4617-C requesting missing or incomplete information from the filer. If the filer doesn't provide the requested information, ERS/Rejects processes the claim as a "No Consideration" return and sends Letter 5836-C to the taxpayer.

Note: FAST's role is limited to: 1) ensuring the return has enough information to generate a unique report number; 2) Calling the issuer for missing IPD, entity information on lines 1, 2, 7 and 8 to generate a unique report number to affix to the return and completing a compliance review of the return to minimize the risk of paying refunds on non-qualifying claims. FAST may assist with Unpostables or ERS/Rejects, but that isn't part of the initial return processing.

4.81.12.3.2
(10-01-2019)
Early-Filed 8038-CP

- (1) Notice 2009-26 and 2010-35 provide the procedural rules for claiming the refundable credit available under IRC 6431, including the requirement that an issuer must file a Form 8038-CP to claim the credit. The due date with respect to variable rate bonds is the 45th day after the last interest payment within the quarterly period for which the credit is claimed. For fixed rate bonds, the due date is the 45th day before the applicable interest payment date.
- (2) A Form 8038-CP filed more than 120 days before the due date will be considered an unprocessable return.
 - a. TE will cross out all date stamps on the Form 8038-CP.
 - b. TE will prepare the CRX correspondence letter to return the Form 8038-CP back to the Issuer shown in Part II line 7 of the Form 8038-CP. Refer to <http://serp.enterprise.irs.gov/databases/irm.dr/current/2.dr/2.4.dr/2.4.6.dr/2.4.6.8.htm>
 - c. Use the IDRS generated cover sheet or Form 5703 to send the early-filed Form 8038-CP over to be associated to the correspondence letter. IDRS will show the cover sheet after the letter is transmitted.

To generate a cover sheet, input "Y" in the ENC field of CC LPAGE or input a description in the enclosure drop down on the IAT Letter tool.

Type or write in a brief description of any enclosures on the cover sheet or Form 5703. The description should match the enclosure portion of the letter.

Use one staple in the upper left hand corner to attach enclosures to the cover sheet or Form 5703.

- d. Attach the early-filed Form 8038-CP to the routing Form 12634 and send it to M/S 6745 CRX. The CRX team has 3 days from the day you initiate your letter to receive and attach the enclosure.

Note: The CORRESPONDEX (CRX) letter generating system for the Internal Revenue Service will be used in sending the early-filed Forms 8038-CP back to the taxpayer via the Integrated Automation Tool (IAT) **Letters Tool** <http://iat.web.irs.gov/JobAids/Letters2.xml>.

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4.81.12.3.3 (09-26-2018) Acknowledgment Returns

- (1) If more than one return is attached or another return appears to be an acknowledgement return, check the CUSIP number, issue price, credit amount, IPD and issue date to make sure the return attached is not a duplicate.

If...	Then...
There are two Form 8038-CP's stapled together and the second form shows it's an acknowledgment copy.	Mark an "X" through the attached return showing acknowledgment copy and continue the compliance review.
Everything on the return (CUSIP, issue price, credit amount, IPD, issue date and dollar amounts on Lines 19a through 22) are the same and the other return is in the batch.	<ol style="list-style-type: none"> 1. Mark an "X" through the document. 2. Attach it to the original Form 8038-CP in the batch.
Everything on the return (CUSIP, issue price, credit amount, IPD, issue date and dollar amounts on lines 19a through 22) is the same and the other return is not in the batch.	<ol style="list-style-type: none"> 1. Edit the previous return report number on the Form 8038-CP. 2. In the comment section of the DPB database, comment the "assigned report number 8XX to the return possible duplicate." 3. Pull the form from the batch and give it to the Lead TE. <p>Note: Don't put the batch number in the database.</p>
Everything matches except for the CUSIP number.	Separate the two returns and process as separate returns. If they are stapled together, remove the staple and process as separate returns.

If...	Then...
There are two returns, not stapled together and they appear to be the same return.	<p>Check the return to make sure it isn't a duplicate.</p> <ol style="list-style-type: none"> Determined to be a duplicate; <ol style="list-style-type: none"> "X" through the document. Attach it to the original Form 8038-CP in the batch. Determined that it is not a duplicate: <ol style="list-style-type: none"> Continue the compliance review. <p>Note: The CUSIP number may be identical except for two digits.</p>

4.81.12.3.4
(09-26-2018)
**Amended/Corrected
Return**

- (1) If the amended return check box in the upper right corner of Form 8038-CP, Part 1 is marked or the taxpayer wrote "amended/corrected" on the face of the return, send the return to Account Management EO Accounts via Form 3210, *Document Transmittal* and Form 12634, *OIRSC Campus Document Transmittal* to Mail Stop 6710.

Note: Do Not input the return into the database or edit anything on the return.

4.81.12.3.5
(10-01-2019)
Reprocessed Returns

- (1) **Do not** input returns received for reprocessing with Form 13596, *Reprocessing Returns*, into the database. Input the current batch number in the database so a Form 3210 can be printed. Compare the information shown on the Form 13596 and the Form 8038-CP with the information in the database.

If...	Then...
1. The report number on Line 10 of the return was changed,	<p>Check the database to determine if the report number changed on the return matches the report number in the database.</p> <p>Note: Check for a comment in the comments section indicating the return duped out and the report number was changed.</p>

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If...	Then...
<p>The processing date is more than 20 days after the received date or the return due date, whichever is later.</p> <p>Note: Processing date in this instruction means the date FAST reviews the reprocessed return.</p>	No action necessary.
<p>The processing date is less than 20 days after the received date or the return due date, whichever is later.</p> <p>Note: Processing date in this instruction means the date FAST reviews the reprocessed return.</p>	<p>Ensure the CCC "O" has been edited on the return. If not, edit the return with the CCC "O" in green ink.</p> <ul style="list-style-type: none"> Continue Processing
<p>2. The report number matches the report number in the database.</p>	<p>No action necessary.</p> <p>Note: Don't input the return into the database again. Input the batch number for a Form 3210 to be printed.</p>
<p>3. The report number doesn't match the report number in the database and there's no comment in the comment section indicating the return duped out.</p>	<p>Follow the Compliance Review and Approval Process procedures, performing all the checks to determine if the report number is correct or if it needs to be corrected. If any questions, consult the Lead TE.</p>
<p>Corrections need to be made to the reprocessed return.</p>	<p>Contact the Lead TE for further instructions.</p>
<p>None of the above apply.</p>	<p>Contact the Lead TE for further instructions.</p>

4.81.12.3.6
(10-01-2019)

**Indicators of more
in-depth review required**

- (1) TE: Pull any Form 8038-CP identified with indicators that a more in-depth review is required and give it to the Lead TE.

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- (3) FAST won't contact the authorized person listed on the Form 8038-CP pursuant to this section.
- (4) The original return won't be edited or submitted to submission processing.
- (5) Lead TE: Contact DPBCRC (scan and e-mail return using secure messaging) to review any return that indicates a more in-depth review is required. If it's determined the return requires a more-in-depth review, the Lead TE prepares the return to be sent to the DPBCRC.
 - a. Complete the partially prepared Form 3210, Document Transmittal saved on the share drive.
 - b. Attach the original return with all attachments and envelope (if available) to the Form 3210.
 - c. Mail the Form 3210 and original return to the ITG/TEB DPBCRC.
- (6) Based on the totality of the available information, determine if a more in-depth review is required.

4.81.12.3.7
(10-01-2019)

Compliance Review and Approval Process

- (1) TE opens the DPB database. On the main menu, select the "8038-CP Form" tab.
Caution: Don't deviate from the compliance review in processing the return unless otherwise instructed by the group manager or Lead TE.

- (2) Research and input the return using the DPB Database.

Note: If the data on the return (IPD and EIN) isn't sufficient to produce a unique report number, contact the issuer for the missing information. If unable to contact the issuer place the Form 8038-CP in the designated area for call back with a Post-it Note indicating the missing information. In the DPB database comments section, note the date you made each attempt and who you contacted or attempted to contact.

- (3) TE is able to reach the taxpayer:
 - a. Edit the return to show the IPD.
 - b. If applicable, edit the Correspondence Received Date (CRD) on the return, refer to *IRM 3.12.38.5.27 Correspondence Received Date (CRD)-8*.
 - c. Continue the review process and add it to a batch.
- (4) TE is unable to reach the taxpayer:
 - a. Place the return in the designated area for call backs.
 - b. Check the call back area daily and attempt to reach the taxpayer.

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4.81.12.3.7.1
(10-01-2019)

Remedial Action Under Section 6 of Rev. Proc. 2018-26

- (1) All Forms 8038-CP annotated with "Remedial Action under Section 6 of Rev. Proc. 2018-26" will be reviewed by the DPBCRC in ITG/TEB Technical.

IF...	THEN...
	<ol style="list-style-type: none"> 1. Comment in the database that the case was established in RCCMS. 2. Establish the return in RCCMS refer to IRM 4.81.12.2.3.1 RCCMS Case File. 3. Continue the review process.
	<ol style="list-style-type: none"> 1. Edit the CCC "O" on the form. 2. Establish the return in RCCMS refer to IRM 4.81.12.2.3.1 . 3. Annotate in the database the case was established in RCCMS and the return was "O" coded. 4. Continue the review process.

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4.81.12.3.7.2
(10-01-2019)

Part I, Line 1

- (1) FAST perfects the Payee information.

If the payee information on the Form 8038-CP...	Then...
Matches the name in the DPB database.	No edit is necessary.
Doesn't match the name in the DPB database.	Research IDRS to find the correct name using command codes INOLES, NAMEE, ENMOD.
Doesn't match the name in the DPB database and IDRS was researched, and the correct name was found and matches the name in the DPB database.	Edit Line 1 to match the name shown on IDRS.
Doesn't match the name in the DPB database. IDRS was re-searched and the correct name was found that matches the name on the Form 8038-CP.	Update the DPB database to show the correct name found on IDRS.

If the payee information on the Form 8038-CP...	Then...
Doesn't match the name in the DPB database and IDRS was researched, and the correct name was not found.	Discuss with the Lead TE.
Is missing and there is an EIN on line 2 .	<ol style="list-style-type: none"> 1. Research IDRS (INOLES or ENMOD) to get the missing information 2. Edit the 8038-CP with the Entity information found on IDRS. 3. Follow the procedures above.
Is missing and there is no EIN on line 2	<ol style="list-style-type: none"> 1. Call the issuer to get the EIN <ol style="list-style-type: none"> a. Research IDRS while you have the issuer on the phone to verify the EIN is correct. 2. Edit the Form 8038-CP with the Entity and EIN information. 3. Follow the procedures above.
	<ol style="list-style-type: none"> 1. Edit the CCC "O" on the form. 2. Establish the return in RCCMS refer to IRM 4.81.12.2.3.1. 3. Annotate in the database that the case was established in RCCMS and the return was "O" coded. 4. Continue the review process.

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4.81.12.3.7.3
(10-01-2019)
Part I, Line 2

- (1) To process the Form 8038-CP, there must be an EIN present on Line 2. Refer to *IRM 3.11.26.3.7* Entity Perfection - General instructions on editing the Entity.

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- (2) If the EIN isn't in the correct format (XX-XXXXXXX), edit the EIN to show the correct format.

If the EIN on Line 2...	And...	Then...
Appears to be a valid EIN (9 digits) and it's not a Trustee.	There's an approved transaction shown on the database.	No action is necessary.

If the EIN on Line 2...	And...	Then...
Appears to be a valid EIN (9 digits) and it's not a Trustee.	Database shows this is a new Payee.	<p>Check the issue date:</p> <ol style="list-style-type: none"> 1. If the issue date is a later date verify the EIN was input correctly. 2. If the EIN was input correctly identify if the EIN is the same as the Issuer's EIN. 3. If the EIN is the same as the Issuer's research the DPB database by the CUSIP, Name, etc. 4. If unable to find the information, research the DPB database research IDRS to verify the EIN is correct. If the EIN is correct, continue the review process. 5. If the EIN is for a Payee research IDRS to ensure the Entity information is correct on line 1. 6. If correct, no action necessary continue the review process. 7. If incorrect edit line 1 to show what is on IDRS and input the information into the DPB database. Continue the review process.

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If the EIN on Line 2...	And...	Then...
Appears to be a valid EIN (9 digits) and it's not a Trustee.	There's no approved transaction on the database.	<ol style="list-style-type: none"> 1. Research the DPB database by the CUSIP, Name, etc. 2. If unable to find the information, research the DPB database research IDRS to verify the EIN is correct. If the EIN is correct, continue the review process.
Appears to be a valid EIN (9 digits) and it's not a Trustee and there is no approved transaction shown on the database.	You've researched DPB database and IDRS and are unable to find a good EIN.	<ol style="list-style-type: none"> 1. Call the issuer to get a good EIN <ol style="list-style-type: none"> a. Research IDRS while you have the issuer on the phone to verify the EIN is correct 2. Edit the Form 8038-CP with the correct EIN. 3. Continue the review process. 4. Annotate in the database the actions taken.

If the EIN on Line 2...	And...	Then...
Appears to be a valid EIN (9 digits) and it's not a Trustee.	There's no approved transaction on the database.	<ol style="list-style-type: none"> 1. Research the DPB database by the CUSIP, Name, etc. 2. If unable to find the information, research the DPB database and research IDRS to verify the EIN is correct. 3. If the EIN is correct, continue the review process.
Appears to be a good EIN (9 digits) and it's not a Trustee, there is no approved transaction shown on the database, and the DPB database and IDRS has been researched and unable to find a good EIN.	You're unable to communicate with the taxpayer.	Continue the review process.
Doesn't appear to be a good EIN (less than 9 digits) or is blank.		Research IDRS using the command code NAMEE to find a good EIN.
Doesn't appear to be a good EIN (less than 9 digits) or is blank.	A good EIN is found on NAMEE and there is an approved transaction on the database.	<ol style="list-style-type: none"> 1. Edit Line 2 to show the correct EIN. 2. Continue with the review process.
Doesn't appear to be a good EIN (less than 9 digits) or is blank.	A good EIN is found on NAMEE and there is no approved transaction on the database.	<p>Research the DPB database by the CUSIP, Name, etc.</p> <ol style="list-style-type: none"> 1. Edit Line 2 to show the correct EIN. 2. Continue with the review process.

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If the EIN on Line 2...	And...	Then...
Doesn't appear to be a valid EIN (less than 9 digits) or is blank.	A valid EIN couldn't be found.	<ol style="list-style-type: none"> 1. Call the issuer to get a good EIN: <ol style="list-style-type: none"> a. Research IDRS while you have the issuer on the phone to verify the EIN is correct 2. Edit the Form 8038-CP with the correct EIN. 3. Continue the review process. 4. Annotate in the database on the actions taken. 5. If unable to reach the taxpayer, discuss with the Lead TE.

4.81.12.3.7.4
(09-26-2018)
Part II, Line 7

- (1) Line 7 must show the issuers name or the "Same" for a valid entry.

If line 7...	And the Entity name on line 1 is...	Then...
Has an entity name		No action is necessary.
Is blank.	Not a trustee and the box on line 24 isn't checked.	Edit "Same" on Line 7.
Is blank.	Is a trustee and box on line 24 isn't checked.	Call the taxpayer to get the missing information for Lines 7 and 8.

If line 7...	And the Entity name on line 1 is...	Then...
Is blank.	Not a trustee and the box on line 24 isn't checked.	Call the taxpayer to get the missing information for Lines 7 and 8.
Shows "Same".	Not a Trustee.	No action is necessary.
Is blank or "Same".	A Trustee.	Research IDRS using the EIN on Line 8. If no EIN shown on Line 8, call the taxpayer to get the missing information for Lines 7 and 8.

4.81.12.3.7.5
(10-01-2019)

Part II, Line 8, EIN

- (1) To process the Form 8038-CP, there must be an EIN on Line 8 **only** if a Trustee is present on Line 1.

If the EIN on Line 8...	And...	Then...
Is blank.	Line 7 shows " Same " and there's an approved transaction shown on the database for the issuer.	No action is necessary.
Appears to be a valid EIN (9 digits).	A trustee is shown on Line 1 and there's an approved transaction shown on the database for the issuer.	No action is necessary.
Doesn't appear to be a valid EIN (less than 9 digits or missing).	A trustee is shown on Line 1 and there's no approved transaction shown on the database for the issuer.	<ol style="list-style-type: none"> 1. Research the DPB database by using the CUSIP, Name, etc. 2. Research IDRS using the command code NAMEE to find a valid EIN.

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If the EIN on Line 8...	And...	Then...
Doesn't appear to be a valid EIN (less than 9 digits or missing).	A valid EIN is found on NAMEE and there is an approved transaction on the database.	Edit Line 8 to show the valid EIN.
Doesn't appear to be a valid EIN (less than 9 digits or missing).	A valid EIN is found on NAMEE and there's no approved transaction on the database.	<ol style="list-style-type: none"> 1. Check both EINs on Line 2 and Line 8 of the Form 8038-CP to the EINs input into the database. 2. If either EIN was input incorrectly, have the lead change the applicable EIN. 3. Edit Line 2 or 8 to show the correct EIN. 4. Continue the review process.
Doesn't appear to be a valid EIN (less than 9 digits or missing).	A valid EIN couldn't be found.	Call the taxpayer. If unable to reach the taxpayer, discuss with the Lead TE.

4.81.12.3.7.6
(10-01-2019)

Line 10, Report Number

- (1) Determine whether another return has been processed by checking Lines 2, 8, 18 and 22 on the Form 8038-CP.
- (2) Each return should reflect credit for a separate DPB transaction, or a portion of that transaction. Examples include:
 - a. Trustee banks are often designated to receive DPB's credit payments on behalf of the issuer. As the designated payee, the bank EIN issued to process returns for many different customers paying interest on the same interest payment date.
 - b. An issuer of DPB's may have two or more obligations that pay interest on the same date. Additionally, one DPB issue may have fixed-rate and variable-rate bonds, or regular BABs (35 percent credit rate) and Recovery Zone Economic Development Bonds (RZEDBs) at a 45 percent credit rate included in the same issue.
- (3) These circumstances require the issuer to file separate returns using the same payee EIN and same interest payment date. To distinguish bond returns using the same EIN and period, a report number is assigned to each return.

- a. Using the DPB Database, enter the payee's EIN, issuer's EIN and tax period (in other words, the year and month of the IPD is used to determine the tax period). After you've entered the issuer's EIN into the database, the database will search all records for returns using the payee's EIN for the tax period entered.
- b. The maximum value of the report numbers for these returns plus one is entered in the report number field automatically (i.e., If 800, 801, and 802 have already been assigned to other returns, the database will enter 803 (802, the maximum value in the list + 1) in the report number field).
- c. If there are no other returns for the payee EIN and tax period, the number entered for the report number will be 800. The database has been programmed to proceed to the 200 and 400 series of report numbers as needed.
- d. The report number field is only generated through this automated process to ensure that the payee's EIN, tax period, and report number are unique for each return and for the record in the database.
- e. The Payee's EIN, CP period, report number, or issuer's EIN can't be changed.

Note: Don't place the report number in the shaded boxes.

- (4) The report number range for Form 8038-CP is:
 - a. 800-899, first series used for report numbers.
 - b. 200-299, used when number of returns received for the same EIN and period have exceeded the 800 series.
 - c. 400-499, used when the number of returns received for the same EIN and period have exceeded the 800 and 200 series.
- (5) Give duplicate returns to the Lead TE.
- (6) If a report number is entered on the Form 8038-CP by the taxpayer, then circle the report number and edit the report number assigned by the DPB database.

4.81 Tax Exempt Bonds (TEB) Examination Program and Procedures

4.81.12.3.7.7
(10-01-2019)

Duplicate Return Check

- (1) The DPB database will search all records for returns using the payee's and issuer's EIN for the tax period. The database will return any results if there is any match. The results will be shown in the Dupe Check section of the database.

If the Dupe Check Tab in the DPB database identifies a return(s) for the same EIN with one or more of the following fields highlighted:...	And...	Then...
Payee or issuer EIN, Issue Date, CUSIP, IPD, and Issue Price.	The payee (Line 1) and issuer (Line 7) are the same or the payee (Line 1) is the same as the original filed return and Part II is the same (Line 7).	Compare the Form 8038-CP to the previous return shown on the DPB database.
Payee or issuer EIN, Issue Date, CUSIP and Credit Amount was compared to the previous return shown on the DPB database.	Everything is the same.	<ol style="list-style-type: none"> 1. In the comment section of the DPB database, place the comment "Possible Duplicate return and assigned report number 8XX to the return and give to Lead." 2. Place a Post-it note on the return indicating the return is a duplicate including the report number that is a duplicate. 3. Pull return and give it to the Lead TE. Note: Do not place the batch number in the database.

If the Dupe Check Tab in the DPB database identifies a return(s) for the same EIN with one or more of the following fields highlighted:...	And...	Then...
Payee or issuer EIN, Issue Date, CUSIP, Credit Amount and was compared to the previous return shown on the DPB database.	Everything is the same except for the credit amount.	Check the DSS to see if the dollar amounts shown on the return match the DSS.
	The dollar amounts don't match the amounts shown for the IPD, but matches the dollar amounts for a different IPD.	<ol style="list-style-type: none"> 1. Edit the report number of the previous return on the Form 8038-CP. 2. In the comment's section of the DPB database, place the comment "Possible Duplicate assigned report number 8XX to the return and gave to lead". 3. Place a Post-it Note on the return indicating the return is a duplicate include the report number that is a duplicate. 4. Pull return and give it to the Lead TE.

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If the Dupe Check Tab in the DPB database identifies a return(s) for the same EIN with one or more of the following fields highlighted:...	And...	Then...
	The payee (Line 1) <u>is</u> different from the original filed return and Part II is the same (Line 7).	<ol style="list-style-type: none"> 1. Edit the CCC "O" on the form. 2. Edit the report number. 3. Establish the return on RCCMS, refer to IRM 4.81.12.2.3.1 . 4. Annotate in the database the case was established in RCCMS and indicate if the return was O coded. 5. Continue the review process.
Payee, EIN, IPD Issue Date, CUSIP Credit Amount and Issue Price.	the credit amount is	<p>Research IDRS command code TXMODA or BMFOLT for a TC 766 dollar amount and CCC "3".</p> <p>"3" is an indicator the return was processed as a "No Consideration", see IRM 4.81.12.3.9.</p>
Payee EIN, IPD, Issue Date, CUSIP, Credit Amount, and Issue Price.	IDRS shows a TC	Assign the report number generated on the DPB database and continue the review.

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If the Dupe Check Tab in the DPB database identifies a return(s) for the same EIN with one or more of the following fields highlighted:...	And...	Then...
If the Dupe Check Tab in the DPB database doesn't identify any other return with the same Payee, EIN and IPD.		Edit the report number on the Form 8038-CP assigned by the DPB database.

4.81.12.3.7.8
(10-01-2019)
Part II, Line 12, Issue Date

(1) Pursuant to the Tax Cuts and Jobs Act of 2017, DPBs may **not** be issued after December 31, 2017, thus:

1. Any Form 8038-CP with an issue date of January 1, 2018 or later will be referred to the DPBCRC.
 - a. Edit the CCC "O" on the form.
 - b. Establish the return on RCCMS, refer IRM 4.81.12.2.3.1 for information on establishing the Form 8038-CP in RCCMS.
 - c. Annotate in the database that the case was established in RCCMS and indicate if the return was "O" coded.
 - d. Place Form 8038-CP in batch and send to the campus for processing.

4.81 Tax Exempt Bonds (TEB) Examination Program and Procedures

4.81.12.3.7.9
(10-01-2019)

Form 8038-CP Statute of Limitations (SOL)

- (1) A claim for credit or refund of the refundable credit for Qualified bonds is considered timely filed if filed within three (3) years from the bond interest payment date listed on the Form 8038-CP.

If the IPD is	Then
<p>More than three (3) years from the postmark date stamp.</p> <p>Example: IPD is 10-28-2012 and the post mark date is 11-01-2015, it is outside the statutory limitations.</p>	<p>Temporary procedures:</p> <ol style="list-style-type: none"> 1. Edit the CCC "O" on the form. 2. Annotate the database to indicate the case was "O" coded. 3. Continue with the review process. 4. Edit in the upper left-hand corner "Statute of Limitation" on the Form 8038-CP in green ink. 5. Scan and send the image to the Lead TE via e-mail. <p>Note: Don't remove any envelope(s) attached to the return.</p>
<p>The IPD is less than three (3) years from the postmark date stamp.</p> <p>Example: IPD is 10-28-2012 and the postmark date is 10-25-2015, it is inside the statutory limitations.</p>	<p>Continue processing.</p> <p>Note: Don't remove any envelope(s) attached to the return.</p>

- (2) Lead TE: Save the scanned image to the secured share drive folder SOL returns for Monitoring.
1. Input the return information on the "Monitored Form 8038-CP SOL Returns" spreadsheet.
 2. Check IDRS to see if a TC 150 has posted.
 3. E-mail a copy of the Form 8038-CP to the SOL unit when the TC 150 has posted.

4.81.12.3.7.10
(10-01-2019)
Part III, Line 18

- (1) Payments on bonds can be made at different frequencies: monthly, quarterly, semi-annually, and annually. Check the IPD against the payment frequency shown on the Approved Transaction tab in the DPB database.

Payment Frequency	IPD Date	Next Payment
Monthly - paid every month 12 payments Note: Variable rate bonds can only be filed quarterly, semiannually, and annually. Refer to Notice 2009-16 Section 3 (c).	<ul style="list-style-type: none"> January February March April May June July August September October November December 	<ul style="list-style-type: none"> February March April May June July August September October November December January
Quarterly - (every three months or four times during the year)	<ul style="list-style-type: none"> January February March April May June July August September October November December 	<ul style="list-style-type: none"> April May June July August September October November December January February March
Semi-Annually - paid twice a year	<ul style="list-style-type: none"> January February March April May June July August September October November December 	<ul style="list-style-type: none"> July August September October November December January February March April May June

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Payment Frequency	IPD Date	Next Payment
Annually - Once a year	<ul style="list-style-type: none"> • January • February • March • April • May • June • July • August • September • October • November • December 	<ul style="list-style-type: none"> • January the next year • February the next year • March the next year • April the next year • May the next year • June the next year • July the next year • August the next year • September the next year • October the next year • November the next year • December the next year

If...	Then...
The IPD is missing.	<p>Call the taxpayer to get the IPD.</p> <ol style="list-style-type: none"> 1. While the taxpayer is still on the phone compare the Form 8038-CP with the DSS for the IPD given. 2. Edit the return to show the correct IPD and in the left-hand margin put the CRD the correct IPD was received. 3. Comment on the database the call and the results. <p>Note: If after two attempts to contact the taxpayer there is no response, notate in the database the attempts to make contact. Place in the designated tub for the person working the bonds on the next day to call the taxpayer.</p>
The IPD agrees with the date suggested by the Initial Payment Date and frequency (Example: See payment frequency table above).	No action is necessary. Continue processing.
The IPD doesn't agree with the date suggested by the Initial Payment date and frequency (Example: See payment frequency table above).	Research the DSS to find the correct Interest date. The DPB database and IDRS may need be researched to ensure no other return was filed for that IPD.
1. The IPD doesn't agree with the date suggested by the Initial Payment date and frequency (Example: see payment frequency table above) the IPD on the Form 8038-CP matches the DSS.	No action is necessary. Continue processing.

4.81 Tax Exempt Bonds (TEB) Examination Program and Procedures

If...	Then...
2. The IPD doesn't agree with the date suggested by the Initial Payment date and frequency (example: see payment frequency table above) and the IPD doesn't match the DSS.	If only the date is wrong, edit to correct the date on the return. If the Month and/or Year is wrong, follow the steps below: <ol style="list-style-type: none"> 1. Establish the return in RCCMS refer to IRM 4.81.12.2.3.1 RCCMS Case File. 2. Annotate in the database to indicate the case was established in RCCMS. 3. Continue the review process.
Line 18 is in MM-DD-YYYY format.	No edit is necessary.
Line 18 isn't in MM-DD-YYYY format.	Edit the date to correct the format.

4.81.12.3.7.11
(10-01-2019)

Part III, Lines 20a, 20b, 20c, 20d, 20e, and 20f (BABs, RZEDBs, NCREBs, QECBs, QZABs and QSCBs)

(1) Review the issue date.

If the taxpayer is filing a Form 8038-CP with respect to a...	And...	Then...
BABs (line 20a) or RZEDBs (line 20b) and there is no approval on the database,	The issue date is before Feb. 17, 2009, or after Dec. 31, 2010, and this is a new filing for a BABs or RZEDBs (no approval on the database).	<ol style="list-style-type: none"> 1. Edit the CCC "O" on the form. 2. Establish the return on RCCMS, refer to IRM 4.81.12.2.3.1. 3. Annotate in the database the case was established in RCCMS and the return was "O" coded. 4. Continue the review process.

If the taxpayer is filing a Form 8038-CP with respect to a...	And...	Then...
QZABs (line 20e)	The issue date is after Dec. 31, 2010 and is a new filing (no approval on the database).	<ol style="list-style-type: none"> 1. Edit the CCC "O" on the form. 2. Establish the return on RCCMS, refer to IRM 4.81.12.2.3.1 . 3. Annotate in the database that the case was established in RCCMS and i the return was "O" coded. 4. Continue the review process.
STCBs (NCREBs (line 20c, QECBs (line 20d), QSCBs (line 20f).	The issue date is after Dec. 31, 2017 and is a new filing (no approval on the database).	<ol style="list-style-type: none"> 1. Edit the CCC "O" on the form. 2. Establish the return on RCCMS, refer to IRM 4.81.12.2.3.1. 3. Annotate in the database that the case was established in RCCMS and whether the return was "O" coded. <p>Continue the review process.</p>

4.81.12.3.7.12
(10-01-2019)
Part III, Lines 20a through 20f

- (1) If there is no dollar amount shown on Lines 20a through 20f, no action is necessary.
- (2) If there is more than one entry, no action is necessary.

4.81.12.3.7.12.1
(10-01-2019)
Part III, Lines 20c and 20d

- (1) The taxpayer needs to file a Form 8038-CP for each maturity. The DSS will need to be checked on all returns were there is an entry on line 20c or 20d.
- (2) If no entry is shown on line 20c or 20d continue the review process, IRM 4.81.12.3.7.12.2 Part III, Line 22.

Note: In the table below where it references "bond issue", it is to mean the same issue price and issue date.

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IF there is an entry on line 20c or 20d....	And	Then
The DSS matches the amount shown.		Continue the review process.
The DSS doesn't match the amount shown.	There are other returns in the batch for this same bond issue.	Add all the amounts of the returns for this bond issue together to see if the total amount matches the DSS.
All the returns in the batch match the DSS.	There are no other returns showing for this bond issue in the database.	Continue the review process.
All the returns in the batch match the DSS.	There are other returns showing for this bond issue in the database.	<ol style="list-style-type: none"> 1. Check to see if the Form 8038-CP is a duplicate of a previously processed Form 8038-CP. 2. If the Form 8038-CP is a duplicate pull and give to the Lead TE as a possible duplicate return 3. If it isn't a duplicate establish the return on RCCMS, refer to IRM 4.81.12.2.3.1 . 4. Annotate in the database the case was established in RCCMS. 5. Continue the review process.

IF there is an entry on line 20c or 20d....	And	Then
The DSS doesn't match the amount shown and all returns for this bond issue in the batch have been added and all the same bond issues in the database have been added.	The total amount is less than what is shown on the DSS.	Continue the review process.
The DSS doesn't match the amount shown and all returns for this bond issue in the batch have been added and all the same bond issues in the database have been added.	The total amount is more than what is shown on the DSS.	<ol style="list-style-type: none"> 1. Establish the return on RCCMS, refer to IRM 4.81.12.2.3.1 . 2. Annotate in the database the case was established in RCCMS. 3. Continue the review process.
Unsure if all the returns have been filed or not.		Review with the Lead TE.

4.81.12.3.7.12.2
(10-01-2019)
Part III, Line 22

(1) See procedures below.

Note: If there is no Approved Transaction Record, recheck the issuer's EIN to ensure the correct issuer is being researched.

If Line 22 is...	And...	Then...
	There is an approved transaction record on the DPB database and the amount on Line 22:	No action is necessary. Continue the review.

#

4.81 Tax Exempt Bonds (TEB) Examination Program and Procedures

If Line 22 is...	And...	Then...	
		<ol style="list-style-type: none"> 1. Compare the Form 8038-CP to the DSS. 2. DSS matches the Form 8038-CP. 3. Notify the DPBCRC to update the DPB database. 4. Continue processing. 	# # # #
	The DSS doesn't match the Form 8038-CP.	<ol style="list-style-type: none"> 1. Establish the return on RCCMS, refer to IRM 4.81.12.2.3.1 . 2. Annotate in the database the case was established in RCCMS. 3. Continue the review process. 	# # # # # #
	T) .		
	There's no approved transaction. .	<ol style="list-style-type: none"> 1. If it is determined that it is a valid filing and the EIN is valid after following the guide lines established in IRM 4.81.12.3.7.2 through IRM 4.81.12.3.7.5: . <ol style="list-style-type: none"> a. Edit the CCC "O" on the form in green ink. b. Establish the return in RCCMS, refer to IRM 4.81.12.2.3.1. c. Annotate in the database the case was established in RCCMS and the return was "O" coded. d. Continue the review process. 	#
	<ul style="list-style-type: none"> • There's an approved transaction record on the DPB database, and • The DSS matches the Form 8038-CP. 	Continue the compliance review.	#

If Line 22 is...	And...	Then...	#
	<ul style="list-style-type: none"> There's no approved transaction record on the DPB database, or The DSS doesn't match the Form 8038-CP. 	<ol style="list-style-type: none"> Refer to IRM 4.81.12.3.7.11 to determine if it is a valid filing. If it is determined that it is a valid filing and EIN is valid after following the guidelines established, refer to IRM 4.81.12.3.7.2 through IRM 4.81.12.3.7.5:: <ol style="list-style-type: none"> Edit the CCC "O" on the form in green ink Establish the return in RCCMS, refer to IRM 4.81.12.2.3.1. Annotate in the database the case was established in RCCMS and indicate if the return was "O" coded. Continue the review process. 	
Blank		Using the amount shown on Lines 20a through 20f follow the same procedures above as if the amount was on Line 22.	

4.81.12.3.7.13
(10-01-2019)
Part III, Line 23

(1) Line 23 indicates if the Form 8038-CP is a final return.

If...	And...	Then...
The " No " box on Line 23 is checked.	No prior final return has been filed.	No action is necessary. Continue the review.

4.81 Tax Exempt Bonds (TEB) Examination Program and Procedures

If...	And...	Then...
The “ No ” box on Line 23 is checked.	A prior final return has been filed.	<ol style="list-style-type: none"> 1. Edit the CCC “O” on the form. 2. Establish the return in RCCMS, refer to IRM 4.81.12.2.3.1 3. Annotate in the database the case was established in RCCMS and indicate the return was “O” coded. 4. Continue the review process.
The “ Yes ” box on Line 23 is checked.	No prior final return has been filed.	<ol style="list-style-type: none"> 1. Establish the return in RCCMS, refer to IRM 4.81.12.2.3.1. 2. Annotate in the database to indicate the case was established in RCCMS. 3. Continue processing the return.
The “ Yes ” box on Line 23 is checked.	A prior final return has been filed.	<ol style="list-style-type: none"> 1. Edit the CCC “O” on the form in green ink. 2. Establish the return in RCCMS , refer to IRM 4.81.12.2.3.1. 3. Annotate in the database the case was established in RCCMS and the return was “O” coded. 4. Continue processing the return.

If...	And...	Then...
Line 23 is blank.		<ol style="list-style-type: none"> 1. Establish the return in RCCMS , refer to IRM 4.81.12.2.3.1. 2. Annotate in the database the case was established in RCCMS. 3. Continue processing the return.

4.81.12.3.8
(10-01-2019)
Batches Ready to Process

- (1) The TE prepares the Form 3210 from the DPB database and places it on the gusset, refer to IRM 4.81.12.2.1.
- (2) Place the routing slip on the top and side of the truck showing the truck going to Code and Edit. Refer to IRM 4.81.12.2.1.
- (3) Release the batch on BBTS. Refer to IRM 4.81.12.2.1.
- (4) The truck with the Batch(es) will need to be taken to the loading dock before 10:00AM daily.

4.81.12.3.9
(10-01-2019)
Disallowed Returns

- (1) When there is an error on a Form 8038-CP due to missing or incomplete information, ERS/Rejects will issue a Letter 4617-C, Information Request, to the filer requesting the correct information. If the taxpayer doesn't respond within 45 days, ERS/Rejects processes the Form 8038-CP as a "No Consideration," reduces the credit amount and edits CCC "3".
- (3) Annotate the database to indicate the return was processed as "No Consideration".

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**Information on Entity That is to Receive Payment
of Credit.....16**

P

Perfecting the Entity (Payee)17, 22

