



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.119.4

DECEMBER 14, 2023

EFFECTIVE DATE

(12-14-2023)

PURPOSE

- (1) This transmits revised IRM 4.119.4, BMF Liability Determination, BMF Underreporter (BUR) Program.

MATERIAL CHANGES

- (1) IRM 4.119.4.1.8, Related IRMs and Publications - Added new IRM 10.10.3, Centralized Authentication Policy - Centralizing Identity Proofing for Authentication Across all IRS Channels, to the list of related IRM references.
- (2) IRM 4.119.4.3.3, Transaction Codes Reflecting Tax Liability - Added IAT eClerical Tool to (8) as an option for ordering returns.
- (3) IRM 4.119.4.3.5, Correspondence Imaging Inventory (CII) Documents - Replaced Correspondence Imaging System (CIS) Documents with Correspondence Imaging Inventory (CII) Documents.
- (4) IRM 4.119.4.4, Analysis Procedures - Replaced the term “virtual currency” with “digital asset” throughout the section.
- (5) IRM 4.119.4.4.1, Fraud Referral Program, Added new (7) to acknowledge and define the purpose of the Brookhaven Campus Fraud Coordinator (BCFC).
- (6) IRM 4.119.4.4.1.2, BUR Tax Examiners Fraud Responsibilities - Modified (2) to state the Lead TE will determine if the case should be referred to the local approving official, and added a If/Then table to clarify local approving official instructions.
- (7) IRM 4.119.4.4.1.2, BUR Tax Examiners Fraud Responsibilities - Added new (3) to provide instruction when the CFC accepts the fraud referral for further development.
- (8) IRM 4.119.4.4.1.2, BUR Tax Examiners Fraud Responsibilities - Added new (4) to provide instruction when the CFC declines the referral for further development.
- (9) IRM 4.119.4.4.1.3, BUR Fraud Coordinator Responsibilities - Removed the entire section. BUR works with AUR FFC for fraud referrals.
- (10) IRM 4.119.4.4.3, Declared Disaster Areas - Added new section to the table below (2) to provide instruction to take steps to protect the statute when the disaster end date is beyond the ASED.
- (11) IRM 4.119.4.4.6, Comparison of Information Returns with Return Information, Added new step 2 to (16) to keep a copy of Letter 2030 page 2 in the case file to verify it is appropriate to close the case PC 4220.
- (12) IRM 4.119.4.4.9, Miscellaneous - Replaced the term “virtual currency” with “digital asset” throughout the section.
- (13) IRM 4.119.4.6, Determination of Letter 2531 Issuance - Removed (1) c) content regarding Schedule O instruction for tax year 2017 and prior. BUR is no longer issuing notices for TY 2017 and prior.
- (14) IRM 4.119.4.7.3, Form 1041 Business Income or (Loss) (bartering/Payment Card/Third Party Network Payments/Fishing Boat Proceeds/Fish Purchased for Resale/Medical Payments/Nonemployee

Compensation) - General - Removed reference to obsolete Schedule C-EZ in (1). BUR is no longer issuing notices for TY 2019 and prior.

- (15) IRM 4.119.4.7.3.1, Bartering Analysis - Removed reference to obsolete Schedule C-EZ in (1) a). BUR is no longer issuing notices for TY 2019 and prior.
- (16) IRM 4.119.4.7.3.3, Payment Card/Third Party Network Payments - Analysis - Removed (1) b) referencing obsolete Schedule C-EZ BUR is no longer issuing notices for TY 2019 and prior.
- (17) IRM 4.119.4.7.3.3, Payment Card/Third Party Network Payments - Analysis - Replaced the term “virtual currency” with “digital asset” in (4).
- (18) IRM 4.119.4.7.3.3, Payment Card/Third Party Network Payments - Analysis - Replaced the term “virtual currency” with “digital asset” in the caution below (5) a).
- (19) IRM 4.119.4.7.3.3, Payment Card/Third Party Network Payments - Analysis - Replaced the term “virtual currency” with “digital asset” in the caution below (5) c).
- (20) IRM 4.119.4.7.3.3, Payment Card/Third Party Network Payments - Analysis - Replaced the term “virtual currency” with “digital asset” in the caution below (5) d).
- (21) IRM 4.119.4.7.3.5, Fishing Boat Proceeds/Fish Purchased for Resale - Analysis - Simplified definition of fishing income in (1).
- (22) IRM 4.119.4.7.3.5, Fishing Boat Proceeds/Fish Purchased for Resale - Analysis - Removed (2) b) referencing Schedule C-EZ. BUR is no longer issuing notices for TY 2019 and prior.
- (23) IRM 4.119.4.7.3.7, Medical Payments - Analysis - Removed the reference to obsolete Schedule C-EZ in (1) a). BUR is not longer issuing notices for TY 2019 and prior.
- (24) IRM 4.119.4.7.3.9, Nonemployee Compensation - Analysis - Removed the reference to obsolete Schedule C-EZ in (1) b). BUR is no longer issuing notices for TY 2019 and prior.
- (25) IRM 4.119.4.7.3.9, Nonemployee Compensation - Analysis- -Replaced the term “virtual currency” with “digital asset” in (2).
- (26) IRM 4.119.4.7.3.9, Nonemployee Compensation - Analysis - Replaced the term “virtual currency” with “digital asset” in the caution below (3) b).
- (27) IRM 4.119.4.7.3.9, Nonemployee Compensation - Analysis - Replaced the term “virtual currency” with “digital asset” in the caution below (3) d).
- (28) IRM 4.119.4.7.3.9, Nonemployee Compensation - Analysis - Replaced the term “virtual currency” with “digital asset” in the caution below (3) e).
- (29) IRM 4.119.4.7.4.1, Cancellation of Debt - Analysis - Removed the reference to obsolete Schedule C-EZ in the Form 1041 side of the table below (2). BUR is no longer issuing notices for TY 2019 and prior.
- (30) IRM 4.119.4.7.6, Cooperative Distributions - General - Added clarifying language in the second note in (2) that referral to the Lead Tax Examiner for cases with a section 199A(a) deduction is specific to Form 1041.
- (31) IRM 4.119.4.7.9.1, Gambling Winnings - Analysis - Removed the reference to obsolete Schedule C-EZ in the Form 1041 side of the table in (1). BUR is no longer issuing notices for TY 2019 and prior.

-
- (32) IRM 4.119.4.7.10.1, Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Boat Proceeds/Fish Purchased for Resale/Medical Payments/Nonemployee Compensation) - Analysis - Replaced the term "virtual currency" with "digital asset" in (2).
 - (33) IRM 4.119.4.7.12.1, Other Income - Analysis - Replaced the term "virtual currency" with "digital asset" in (2).
 - (34) IRM 4.119.4.7.15.1, Real Estate Sales - Analysis - Removed the reference to obsolete Schedule C-EZ in the Form 1041 side of the table in (3). BUR is no longer issuing notices for TY 2019 and prior.
 - (35) IRM 4.119.4.7.17.1, Form 1041 Rents and Royalties - Analysis - Removed reference to obsolete Schedule C-EZ in (1) c) and note. BUR is no longer issuing notices for TY 2019 and prior.
 - (36) IRM 4.119.4.9, Form 1120 Recomputation of Tax - Removed the note and table in (1) referencing the TY 2017 Tax Rate Schedule. BUR is no longer issuing notices for TY 2017 and prior.
 - (37) IRM 4.119.4.9, Form 1120 Recomputation of Tax - Removed (2) referencing TY 2016 Alternative Tax for Qualified Corporations with Qualified Timber Gain. BUR is no longer issuing notices for TY 2016.
 - (38) IRM 4.119.4.12, Form 1041 Recomputation of Tax - Added TY 2022, and removed TY 2019 Form 1041 Tax Rate Schedule to the table in (1).
 - (39) IRM 4.119.4.14.1, Form 1041 Net Investment Income Tax - Individuals, Estates, and Trusts, Form 8960 - Updated the NIIT AGI threshold table in (2) to add TY 2022 and remove TY 2019.
 - (40) IRM 4.119.4.14.1, Form 1041 Net Investment Income Tax - Individuals, Estates, and Trusts, Form 8960 - Updated the NIIT AGI threshold table in (6) to add TY 2022 and remove TY 2019.
 - (41) IPU 22U1081 - IRM 4.119.4.16.1, Failure to File Penalty (FTF) - Added new (3) to include information regarding Notice 2022-36, Penalty Relief for Certain Taxpayers Filing Returns for Taxable Years 2019 and 2020.
 - (42) IPU 22U1081 - IRM 4.119.4.16.1, Failure to File Penalty (FTF) - Added new (4) c) to include information regarding penalty relief under the authority from IRC 7803(a) in response to COVID.19 pandemic.
 - (43) IPU 22U1081 - IRM 4.119.4.16.2, Failure to File Penalty (FTF) - Added new exception under (5) a) to include information regarding FTF Penalty waiver for certain TY 2019 and 2020 returns listed in Notice 2022-36.
 - (44) IPU 22U1081 - IRM 4.119.4.16.1, Failure to File Penalty (FTF) - Added new exception under (5) c) to include information regarding FTF penalty waiver for certain 2019 and 2020 returns listed in Notice 2022-36.
 - (45) IPU 22U1081 - IRM 4.119.4.16.1, Failure to File Penalty (FTF) - Added new exception under (6) to add information regarding FTF penalty waiver for certain 2019 and 2020 returns listed in Notice 2022-36.
 - (46) IPU 22U1081 - IRM 4.119.4.16.1, Failure to File Penalty (FTF) - Updated the dates and minimum penalty amount in the table and note in (6).
 - (47) IRM 4.119.4.18.1, Letter 2531 Preparation, Added new step 5 in (6) to keep a copy of Letter 2030 page 2 to verify the case meets Letter 2531 criteria.

- (48) IRM 4.119.4.19, No Response - Added IRM Default Statutory Notice of Deficiency reference to the caution in (5) c).
- (49) IRM 4.119.4.21, Taxpayer Responses - Added new (2) to refer the case to the Lead Tax Examiner if the response indicates the income is from a Covid Relief Program.
- (50) IRM 4.119.4.21.1, Taxpayer Responses - Overview - Replaced the term “virtual currency” with “digital asset” in all of (7).
- (51) IRM 4.119.4.21.1.9, Disaster Area - Added new section in the table under (5) to provide information when the disaster end date is beyond the ASED.
- (52) IRM 4.119.4.21.2.2, Disclosure - Revised the language in (3) to improve readability and clarify that the IAT Disclosure Tool is mandatory.
- (53) IRM 4.119.4.21.2.2, Disclosure - Revised the language in (4) to provide information on the IAT Disclosure Tool function.
- (54) IRM 4.119.4.21.2.2, Disclosure - Updated the table in (4) to clarify who is considered authorized to receive tax information.
- (55) IRM 4.119.4.21.2.4, General Inquiries - Updated the ESRP transfer extension numbers for English and Spanish in (1) c).
- (56) IRM 4.119.4.21.2.4, General Inquiries - Updated the IMF-AUR transfer extension numbers for English and Spanish in (1) d).
- (57) IRM 4.119.4.21.2.4, General Inquiries - Added a link to the TTG in (1) m).
- (58) IRM 4.119.4.21.2.5, Case Specific Inquiries - Added the IAT Phone Number Tool to the instruction in (17).
- (59) IRM 4.119.4.21.2.5, Case Specific Inquiries - Removed IAT Disclosure Tool as a source to verify the telephone number and added IDRS CC:CFINK in (19).
- (60) IRM 4.119.4.21.2.6, Out Calls - Added the IAT Telephone Number Tool and Removed IAT Disclosure Tool as a source to verify the telephone number in the reminder under (4). The Disclosure Tool no longer has that feature.
- (61) IRM 4.119.4.21.3.1, Aggregate Profit Or Loss On Contracts - Added new (4) to refer the case to the Lead Tax Examiner if the response indicates the income is from a Covid Relief Program.
- (62) IRM 4.119.4.21.3.2, Agriculture Payments - Added new (2) to refer the case to the Lead Tax Examiner if the response indicates the income is from a Covid Relief Program.
- (63) IRM 4.119.4.21.3.3, Cancellation of Debt - Added new (3) to refer the case to the Lead Tax Examiner if the response indicates the income is from a Covid Relief Program.
- (64) IRM 4.119.4.21.3.5, Fishing - Added new (3) to refer the case to the Lead Tax Examiner if the response indicates the income is from a Covid Relief Program.
- (65) IRM 4.119.4.21.3.6, Form 1099-K Payment Card Transactions and Third Party Network Payments - Replaced the term “virtual currency” with “digital asset” in the first bullet under (5).
- (66) IRM 4.119.4.21.3.6, Form 1099-K Payment Card Transactions and Third Party Network Payments - Replaced the term “virtual currency” with “digital asset” in (8) and the first bullet under (8).

- (67) IRM 4.119.4.21.3.9, Medical Payments - Added new (2) to refer the case to the Lead Tax Examiner if the response indicates the income is from a Covid Relief Program.
- (68) IRM 4.119.4.21.3.15, Rent/Royalty Form 1041 Only - Added new (2) to refer the case to the Lead Tax Examiner if the response indicates the income is from a Covid Relief Program.
- (69) IRM 4.119.4.21.4.1, Discrepancy Explained (No Change) - Analysis - Replaced the term “virtual currency” with “digital asset” in (5).
- (70) IRM 4.119.4.21.4.1, Discrepancy Explained (No Change) - Analysis - Removed the note from (2) and added a new (3) to follow the 1099-K instructions when the TP claims additional expenses.
- (71) IRM 4.119.4.21.6.1, Recomputed Notice/Supplemental Report - Removed the first reminder under (2) b) referencing recalculation of Schedule O for TY 2017 and prior. BUR is no longer issuing notices for TY 2017 and prior.
- (72) IPU 22U1081 - IRM 4.119.4.21.7.1, Discovered Remittance - Added new (2) to provide information that both Forms 3244 and 4287 must be completed when remittance is discovered.
- (73) IPU 22U1081 - IRM 4.119.4.21.7.1, Discovered Remittance - (3) modified to include information that two copies of Form 3244 must be completed for each discovered remittance.
- (74) IPU 22U1081 - IRM 4.119.4.21.7.1, Discovered Remittance - Added new (4) to provide instruction for completing Form 4287.
- (75) IPU 22U1081 - IRM 4.119.4.21.7.1, Discovered Remittance - Revised (5) to specify instruction is when working in the office.
- (76) IPU 22U1081 - IRM 4.119.4.21.7.1, Discovered Remittance - Added new (6) to provide instructions when teleworking.
- (77) IRM 4.119.4.21.11, Letter 3219-B Statutory Notice of Deficiency Preparation - Added new (2) to provide information that SNoD must be sent by certified or registered mail.
- (78) IRM 4.119.4.21.11, Letter 3219-B Statutory Notice of Deficiency Preparation - Added new (3) to provide instruction for using certified Automated Mail Solutions (CAMS) application to send certified mail to taxpayers inside the United States.
- (79) IRM 4.119.4.21.11, Letter 3219-B Statutory Notice of Deficiency Preparation - Added new (4) to provide instruction to create a cover page using the CAMS application.
- (80) IRM 4.119.4.21.11, Letter 3219-B Statutory Notice of Deficiency Preparation - Added new (5) to provide information that notices issued to taxpayers outside of the United States are sent by registered mail.
- (81) IRM 4.119.4.21.11, Letter 3219-B Statutory Notice of Deficiency Preparation - Added new steps 6 and 7 to (10) to print the cover page and the CAMS manifest.
- (82) IRM 4.119.4.21.11.1.2, Docketed Cases - Restructured content in (3) to an if/then table to enhance readability
- (83) IRM 4.119.4.21.11.1.2, Docketed Cases - Added new (4) to provide guidance when a response is received after the case is docketed.
- (84) IRM 4.119.4.21.11.2, Default Letter 3219-B Statutory Notice of Deficiency - Added new note to the table in (2) step 2) to protect the statute when the disaster date is beyond the ASER.

- (85) IRM 4.119.4.24.1, Prior Appeals Closures - Added new note to the table in (2) to consult the Lead Tax Examiner if the court decision document is not visible.
- (86) IRM 4.119.4.24.6.4, Ordering Returns - Added IAT eClerical Tool to (2) step 1 as an option for ordering returns.
- (87) IRM 4.119.4.25.1, Basic Steps for Resolving Unpostables - Added IAT eClerical Tool as an option for ordering source documents to (2).
- (88) Exhibit 4.119.4-1, Acronyms - Added BCFC, CAMS, OFEA and TTG to the table.
- (89) Exhibit 4.119.4-7, Activity Codes/Category Codes - Added IPC 41MR to the table.
- (90) IPU 22U1081 - Exhibit 4.119.4-10, CP PARAGRAPHS, Paragraph 70 (FTF Penalty) revised to include the minimum penalty amount.
- (91) Editorial changes were made throughout this IRM including IRM references.

EFFECT ON OTHER DOCUMENTS

This revision supersedes IRM 4.119.4 dated July 26, 2022 (effective October 1, 2022). The following IRM Procedural Update (IPU), issued on November 08, 2022 is incorporated into this IRM: 22U1081.

AUDIENCE

BUR tax examiners at the Small Business and Self-Employed site.

Heather J Yocum
Acting Director, Examination Field and Campus Policy
Small Business Self-Employed

4.119.4

BMF Underreporter (BUR) Program

Table of Contents

- 4.119.4.1 Program Scope and Objectives
 - 4.119.4.1.1 Background
 - 4.119.4.1.2 Authority
 - 4.119.4.1.3 Roles and Responsibilities
 - 4.119.4.1.4 Program Management and Review
 - 4.119.4.1.5 Terms/Definitions/Acronyms
 - 4.119.4.1.6 Taxpayer Advocate Service (TAS)
 - 4.119.4.1.6.1 Operations Assistance Request (OAR), Form 12412
 - 4.119.4.1.7 Statute Awareness Program
 - 4.119.4.1.8 Related IRMs and Publications
 - 4.119.4.1.9 Modernized e-File (MeF)
 - 4.119.4.1.10 Integrated Data Retrieval System (IDRS)
 - 4.119.4.1.10.1 Integrated Automation Technologies (IAT)
 - 4.119.4.1.11 Accounts Management Services (AMS)
- 4.119.4.2 Case Information
 - 4.119.4.2.1 Controlling Work
 - 4.119.4.2.2 Case Contents
 - 4.119.4.2.3 Lost Case (LC)
 - 4.119.4.2.4 Wrong Pulls in Screening (WP)
 - 4.119.4.2.5 Mixed Entity/Period
 - 4.119.4.2.5.1 Form 3465, Adjustment Request
- 4.119.4.3 TXMOD Review
 - 4.119.4.3.1 Power of Attorney (POA)
 - 4.119.4.3.2 Freeze Codes
 - 4.119.4.3.3 Transaction Codes Reflecting Tax Liability
 - 4.119.4.3.4 Other Transaction Codes and Math Error Codes
 - 4.119.4.3.5 Correspondence Imaging Inventory(CII) Documents
- 4.119.4.4 Analysis Procedures
 - 4.119.4.4.1 Fraud Referral Program
 - 4.119.4.4.1.1 Identifying and Developing Fraud in BUR
 - 4.119.4.4.1.2 BUR Tax Examiners Fraud Responsibilities
 - 4.119.4.4.2 Frivolous Return Program (FRP)
 - 4.119.4.4.3 Declared Disaster Areas
 - 4.119.4.4.4 Consolidated Returns Form 851 Affiliation Schedule
 - 4.119.4.4.5 Information Returns - Review

- 4.119.4.4.5.1 Amended/Corrected Original Submission IRs
- 4.119.4.4.6 Comparison of Information Returns with Return Information
 - 4.119.4.4.6.1 Service Center Recognition/Image Processing System (SCRIPS)
- 4.119.4.4.7 Nominee Recipient
- 4.119.4.4.8 Grantor Trusts
- 4.119.4.4.9 Miscellaneous
- 4.119.4.4.10 Erroneous Refunds
 - 4.119.4.4.10.1 Stopping Refunds
- 4.119.4.5 Payer Agent
 - 4.119.4.5.1 Tax Examiner - Instructions
 - 4.119.4.5.2 BUR Site Payer Agent Coordinator - Instructions
- 4.119.4.6 Determination of Letter 2531 Issuance
- 4.119.4.7 Analysis of Income Types
 - 4.119.4.7.1 Aggregate Profit or Loss on Contracts - General
 - 4.119.4.7.1.1 Aggregate Profit or Loss on Contracts - Analysis
 - 4.119.4.7.1.2 Aggregate Profit or Loss on Contracts - Miscellaneous
 - 4.119.4.7.2 Agriculture Payments and Market Gain on Commodity Credit Corp (CCC) Loans - General
 - 4.119.4.7.2.1 Form 1041 Agricultural Payments and Market Gain on Commodity Credit Corp. (CCC) Loans - Analysis
 - 4.119.4.7.2.2 Form 1120 Agricultural Payments and Market Gain on Commodity Credit Corp. (CCC) Loans - Analysis
 - 4.119.4.7.2.3 Agricultural Payments and Market Gain on Commodity Credit Corp. (CCC) Loans - Miscellaneous
 - 4.119.4.7.3 Form 1041 Business Income or (Loss) (Bartering/Payment Card/Third Party Network Payments/Fishing Boat Proceeds/Fish Purchased for Resale/Medical Payments/Nonemployee Compensation) - General
 - 4.119.4.7.3.1 Bartering Analysis
 - 4.119.4.7.3.2 Bartering - Miscellaneous
 - 4.119.4.7.3.3 Payment Card/Third Party Network Payments - Analysis
 - 4.119.4.7.3.4 Payment Card/Third Party Network Payments - Miscellaneous
 - 4.119.4.7.3.5 Fishing Boat Proceeds/Fish Purchased for Resale- Analysis
 - 4.119.4.7.3.6 Fishing Boat Proceeds/Fish Purchased for Resale- Miscellaneous
 - 4.119.4.7.3.7 Medical Payments - Analysis
 - 4.119.4.7.3.8 Medical Payments - Miscellaneous
 - 4.119.4.7.3.9 Nonemployee Compensation - Analysis
 - 4.119.4.7.3.10 Nonemployee Compensation - Miscellaneous
 - 4.119.4.7.4 Cancellation of Debt - General
 - 4.119.4.7.4.1 Cancellation of Debt - Analysis
 - 4.119.4.7.4.2 Cancellation of Debt - Miscellaneous

- 4.119.4.7.5 Commodity Credit Corporation (CCC) Loans Forfeited - General
 - 4.119.4.7.5.1 Form 1041 Commodity Credit Corporation (CCC) Loans Forfeited - Analysis
 - 4.119.4.7.5.2 Form 1120 Commodity Credit Corporation (CCC) Loans Forfeited - Analysis
 - 4.119.4.7.5.3 Commodity Credit Corporation (CCC) Loans Forfeited - Miscellaneous
- 4.119.4.7.6 Cooperative Distributions - General
 - 4.119.4.7.6.1 Form 1041 Cooperative Distributions - Analysis
 - 4.119.4.7.6.2 Form 1120 Cooperative Distributions - Analysis
 - 4.119.4.7.6.3 Cooperative Distributions - Miscellaneous
- 4.119.4.7.7 Crop Insurance - General
 - 4.119.4.7.7.1 Form 1041 Crop Insurance - Analysis
 - 4.119.4.7.7.2 Form 1120 Crop Insurance - Analysis
 - 4.119.4.7.7.3 Crop Insurance - Miscellaneous
- 4.119.4.7.8 Dividends and Capital Gain Distributions
 - 4.119.4.7.8.1 Dividends - General
 - 4.119.4.7.8.2 Form 1041 Dividends - Analysis
 - 4.119.4.7.8.3 Form 1120 Dividends - Analysis
 - 4.119.4.7.8.4 Dividends - Miscellaneous
 - 4.119.4.7.8.5 Capital Gains Distributions - General
 - 4.119.4.7.8.6 Capital Gain Distributions - Analysis
 - 4.119.4.7.8.7 Capital Gain Distributions - Miscellaneous
- 4.119.4.7.9 Gambling Winnings - General
 - 4.119.4.7.9.1 Gambling Winnings - Analysis
 - 4.119.4.7.9.2 Gambling Winnings - Miscellaneous
- 4.119.4.7.10 Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Boat Proceeds/Fish Purchased for Resale/Medical Payments/Nonemployee Compensation) - General
 - 4.119.4.7.10.1 Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Boat Proceeds/Fish Purchased for Resale/Medical Payments/Nonemployee Compensation) - Analysis
 - 4.119.4.7.10.2 Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Boat Proceeds/Fish Purchased for Resale/Medical Payments/Nonemployee Compensation) - Miscellaneous
- 4.119.4.7.11 Interest - General
 - 4.119.4.7.11.1 Interest - Analysis
 - 4.119.4.7.11.2 Interest - Miscellaneous
- 4.119.4.7.12 Other Income - General
 - 4.119.4.7.12.1 Other Income - Analysis
 - 4.119.4.7.12.2 Other Income - Miscellaneous
- 4.119.4.7.13 Partnership/Trust/S-Corporation (Conduit Income) - General
 - 4.119.4.7.13.1 Form 1041 Partnership/Trust/S-Corporation (Conduit Income) - Analysis

-
- 4.119.4.7.13.2 Form 1120 Partnership/Trust/S-Corporation (Conduit Income) - Analysis
 - 4.119.4.7.13.3 Partnership/Trust/S-Corporation (Conduit Income) - Miscellaneous
 - 4.119.4.7.14 Form 1041 Qualified Education Program Payments - General
 - 4.119.4.7.14.1 Form 1041 Qualified Education Program Payments - Analysis
 - 4.119.4.7.14.2 Form 1041 Qualified Education Program Payments - Miscellaneous
 - 4.119.4.7.15 Real Estate Sales - General
 - 4.119.4.7.15.1 Real Estate - Analysis
 - 4.119.4.7.15.2 Real Estate - Miscellaneous
 - 4.119.4.7.16 Form 1120 Rents - General
 - 4.119.4.7.16.1 Form 1120 Rents - Analysis
 - 4.119.4.7.16.2 Form 1120 Rents - Miscellaneous
 - 4.119.4.7.17 Form 1041 Rents and Royalties - General
 - 4.119.4.7.17.1 Form 1041 Rents and Royalties - Analysis
 - 4.119.4.7.17.2 Form 1041 Rents and Royalties - Miscellaneous
 - 4.119.4.7.18 Form 1120 Royalties - General
 - 4.119.4.7.18.1 Form 1120 Royalties - Analysis
 - 4.119.4.7.18.2 Form 1120 Royalties - Miscellaneous
 - 4.119.4.7.19 Securities Sales and Cost Basis - General
 - 4.119.4.7.19.1 Securities Sales and Cost Basis - Analysis
 - 4.119.4.7.19.2 Securities Sales and Cost Basis - Miscellaneous
 - 4.119.4.7.20 Substitute Payments in Lieu of Dividends or Tax-Exempt Interest - General
 - 4.119.4.7.20.1 Substitute Payments in Lieu of Dividends or Tax-Exempt Interest - Analysis
 - 4.119.4.7.20.2 Substitute Payments in Lieu of Dividends or Tax-Exempt Interest - Miscellaneous
 - 4.119.4.7.21 Taxable Grants - General
 - 4.119.4.7.21.1 Form 1041 Taxable Grants - Analysis
 - 4.119.4.7.21.2 Form 1120 Taxable Grants - Analysis
 - 4.119.4.7.21.3 Taxable Grants - Miscellaneous
 - 4.119.4.8 Net Operating Loss (NOL) Recovery
 - 4.119.4.9 Form 1120 Recomputation of Tax
 - 4.119.4.9.1 Form 1120 Qualified Personal Service Corporation (QPSC) Tax Rate
 - 4.119.4.9.2 Form 1120 Schedule O, Consent Plan and Apportionment Schedule for a Controlled Group
 - 4.119.4.10 Form 1120 Non - Refundable Credits
 - 4.119.4.10.1 Form 1120 Carryforward Credits
 - 4.119.4.11 Form 1120 Other Taxes
 - 4.119.4.12 Form 1041 Recomputation of Tax
 - 4.119.4.13 Form 1041 Non - Refundable Credits
 - 4.119.4.13.1 Form 1041 Carryforward Credits
 - 4.119.4.14 Form 1041 Other Taxes
 - 4.119.4.14.1 Form 1041 Net Investment Income Tax - Individuals, Estates, and Trusts, Form 8960

- 4.119.4.15 Withholding (W/H) - General
 - 4.119.4.15.1 Withholding W/H - Analysis
 - 4.119.4.15.2 Withholding W/H - Miscellaneous
- 4.119.4.16 Penalties and Interest
 - 4.119.4.16.1 Failure to File Penalty (FTF)
 - 4.119.4.16.2 Failure to Pay Penalty (FTP)
 - 4.119.4.16.3 Accuracy-Related Penalty on Underpayments
 - 4.119.4.16.3.1 Accuracy-Related Penalty Due to Substantial Understatement of Tax
 - 4.119.4.16.3.2 Accuracy-Related Penalty Due to Negligence or Disregard of Rules or Regulations (Negligence Penalty)
 - 4.119.4.16.4 Interest for Letter 2030
 - 4.119.4.16.5 Form 1120 2% Large Corporate Underpayment (LCU)
 - 4.119.4.16.6 Revenue Ruling 99-40 and Credit Elects (May Sequa)
- 4.119.4.17 Letter Rejects
- 4.119.4.18 Letter 2531 and Letter 2030 Information
 - 4.119.4.18.1 Letter 2531 Preparation
 - 4.119.4.18.2 Letter 2030 Preparation
 - 4.119.4.18.3 Amended/Corrected Letter 2030 and Letter 2531
- 4.119.4.19 No Response
- 4.119.4.20 Undeliverable Notices
- 4.119.4.21 Taxpayer Responses
 - 4.119.4.21.1 Taxpayer Responses - Overview
 - 4.119.4.21.1.1 Controlling Responses
 - 4.119.4.21.1.1.1 Lost Cases (Responses)
 - 4.119.4.21.1.1.2 Lost Responses
 - 4.119.4.21.1.1.3 Refiling Cases (Internal Process Code 4XRF)
 - 4.119.4.21.1.1.4 Case Transfer to Another Area
 - 4.119.4.21.1.2 Abatement of Interest
 - 4.119.4.21.1.3 Address Changes
 - 4.119.4.21.1.4 Adjustment Cases Relating to BUR
 - 4.119.4.21.1.5 Amended Return
 - 4.119.4.21.1.6 Independent Office of Appeals
 - 4.119.4.21.1.7 Bankruptcy Procedures - Responses
 - 4.119.4.21.1.8 Deposits to Stop the Accrual of Interest - Section 6603
 - 4.119.4.21.1.9 Disaster Area
 - 4.119.4.21.1.10 Installment Agreements
 - 4.119.4.21.1.11 Letters From a Third Party and Authorization From a Valid Power of Attorney (POA)
 - 4.119.4.21.1.12 Policy Statement P-21-3 (formerly P-6-12) Guidelines (Action 61)
 - 4.119.4.21.1.13 Relief from Accuracy Related Penalties

- 4.119.4.21.1.14 Sensitive Case
 - 4.119.4.21.1.14.1 Congressional Cases
- 4.119.4.21.1.15 Large Dollar/Accounts Receivable Dollar Inventory (ARDI) Guidelines
- 4.119.4.21.2 Telephone Responses
 - 4.119.4.21.2.1 Answering the Telephone
 - 4.119.4.21.2.2 Disclosure
 - 4.119.4.21.2.3 Contact Recording
 - 4.119.4.21.2.4 General Inquiries
 - 4.119.4.21.2.5 Case Specific Inquiries
 - 4.119.4.21.2.6 Out Calls
- 4.119.4.21.3 Instructions Specific to Income/Issue Types
 - 4.119.4.21.3.1 Aggregate Profit Or Loss On Contracts
 - 4.119.4.21.3.2 Agriculture Payments
 - 4.119.4.21.3.3 Cancellation of Debt
 - 4.119.4.21.3.4 Dividends
 - 4.119.4.21.3.5 Fishing
 - 4.119.4.21.3.6 Form 1099-K Payment Card Transactions and Third Party Network Payments
 - 4.119.4.21.3.7 Grantor Trusts
 - 4.119.4.21.3.8 Interest
 - 4.119.4.21.3.9 Medical Payments Form 1120 Only
 - 4.119.4.21.3.10 Net Investment Income Tax (NIIT) Form 1041 Only
 - 4.119.4.21.3.11 Partnership/Trust/S-Corporation Conduit Income
 - 4.119.4.21.3.12 Qualified Education Payment Program (QTP) Distributions Form 1041 Only
 - 4.119.4.21.3.13 Qualified Personal Service Corporation (QPSC) Tax Rate Form 1120 Only
 - 4.119.4.21.3.14 Real Estate Sales
 - 4.119.4.21.3.15 Rent/Royalty Form 1041 Only
 - 4.119.4.21.3.16 Securities Sales and Cost Basis
 - 4.119.4.21.3.17 Schedule D Changes Form 1041 Only
 - 4.119.4.21.3.18 Withholding Overclaimed (O/C)
 - 4.119.4.21.3.19 Withholding Underclaimed (U/C)
- 4.119.4.21.4 Discrepancy Explained (No Change) - General
 - 4.119.4.21.4.1 Discrepancy Explained (No Change) - Analysis
- 4.119.4.21.5 Agreed Responses
- 4.119.4.21.6 Partially Agreed Responses
 - 4.119.4.21.6.1 Recomputed Notice/Supplemental Report
- 4.119.4.21.7 Responses Needing Further Action
 - 4.119.4.21.7.1 Discovered Remittance
 - 4.119.4.21.7.2 Extension Requests
 - 4.119.4.21.7.3 NOL Carryback/Carryforward (or Carryover)

- 4.119.4.21.7.4 Adjustments to Non - Refundable Credits
- 4.119.4.21.7.5 Third Party Contacts
- 4.119.4.21.7.6 Nominee Income
- 4.119.4.21.7.7 Income Reported on Another Tax Return (Not Nominee)
- 4.119.4.21.7.8 Prior and/or Subsequent Year Impact
- 4.119.4.21.7.9 Income Reported in a Different Tax Year
- 4.119.4.21.8 Disagreed Responses
- 4.119.4.21.9 Creating Correspondence Letters
- 4.119.4.21.10 Adjustments
 - 4.119.4.21.10.1 Confirmation Receipt of Prompt Assessment FAX
- 4.119.4.21.11 Letter 3219-B Statutory Notice of Deficiency Preparation
 - 4.119.4.21.11.1 Instructions Specific to Letter 3219-B Statutory Notice of Deficiency/Responses
 - 4.119.4.21.11.1.1 Rescinding Letter 3219-B Statutory Notice of Deficiency
 - 4.119.4.21.11.1.2 Docketed Cases
 - 4.119.4.21.11.2 Default Letter 3219-B Statutory Notice of Deficiency
- 4.119.4.22 Letter 2030 Review
- 4.119.4.23 Overview of Accounts Maintenance Research (AMRH) Transcripts
 - 4.119.4.23.1 Accounts Maintenance Research (AMRH) Transcripts - General Procedures
 - 4.119.4.23.2 Resolving AMRH Transcripts
- 4.119.4.24 BUR Reconsideration Cases
 - 4.119.4.24.1 Prior Appeals Closures
 - 4.119.4.24.2 RECON Receipt, Tracking and Reporting
 - 4.119.4.24.2.1 Controlling Reconsiderations
 - 4.119.4.24.3 Initial Case Actions
 - 4.119.4.24.4 Routing/Work Flow Determination
 - 4.119.4.24.5 Multiple Controls
 - 4.119.4.24.6 Evaluating RECON Correspondence
 - 4.119.4.24.6.1 Full Adjustment Determinations
 - 4.119.4.24.6.2 Partial Adjustment Determinations
 - 4.119.4.24.6.3 No Adjustment Determinations
 - 4.119.4.24.6.4 Ordering Returns
 - 4.119.4.24.6.5 Taxpayer Contact for Additional Information
 - 4.119.4.24.6.6 Payer Contact
 - 4.119.4.24.6.7 Miscellaneous RECON
 - 4.119.4.24.6.8 Document Disposition
- 4.119.4.25 Unpostable BUR Transactions
 - 4.119.4.25.1 Basic Steps for Resolving Unpostables
 - 4.119.4.25.2 Unpostables IDRS Command Codes
 - 4.119.4.25.3 Guidelines for Preventing Unpostable IDRS Transactions

4.119.4.26 Inventory Management

4.119.4.26.1 CCA 4243 IDRS Inventory Report

4.119.4.26.2 CCA 4244 - IDRS Multiple Case Control Report

4.119.4.27 BUR Organization, Function and Program (OFP) Codes

Exhibits

4.119.4-1 Acronyms

4.119.4-2 Glossary

4.119.4-3 BUR Category Code/Subfile Sub Category Code Descriptions

4.119.4-4 No Change Reason Codes (NRC)

4.119.4-5 BUR Internal Process Codes (IPC)

4.119.4-6 BUR Process Codes (PC)

4.119.4-7 Activity Codes/Category Codes

4.119.4-8 Definer Codes

4.119.4-9 Batch Types

4.119.4-10 CP PARAGRAPHS

4.119.4-11 BUR Reconsideration Issue Codes

4.119.4-12 Notice Review Error Codes

4.119.4-13 Notice Delay Actions (Reconsiderations)

4.119.4-14 Process Code Consistency Chart

4.119.4.1
(09-06-2017)
Program Scope and Objectives

- (1) Purpose. This Internal Revenue Manual (IRM) provides instructions for the Business Underreporter (BUR) Program, the analysis and processing of potential underreported (U/R) issues identified through information return (IR) matching.
- (2) Audience. These procedures apply to BUR employees assigned to the various programs discussed in this IRM.
- (3) Policy Owner. BUR is under Examination Operation.
- (4) Program Owner. BMF Document Matching, under Exam Field and Campus Policy, is responsible for the content of this IRM and providing guidance for administering the BMF Underreporter program.

4.119.4.1.1
(09-06-2017)
Background

- (1) BUR cases are built from two primary sources:
 - The Business Master File (BMF) which contains information reported to the IRS by taxpayers
 - The Information Return Master File (IRMF) which contains information submitted by payers
- (2) BUR Operations compile and control selected cases.
 - a. Form 4251, (Return Charge-Out), contains a Taxpayer Identification Number (TIN), tax year, and other case identification information.
 - b. Federal Records Center (FRC) pulls, and forwards paper returns to the Campus Files function for routing to BUR.
 - c. Cases are controlled on Integrated Data Retrieval System (IDRS).
- (3) The BMF file contains information reported on Form 1120, U.S. Corporation Income Tax Return, and Form 1041, U.S. Income Tax Return for Estates and Trusts.
- (4) The IRMF information is matched with the BMF information to verify all income is reported. A BUR case results when computer analysis detects a discrepancy between the two data sources. Examples (not all-inclusive) of the information in the IRMF are:
 - Form 1099-MISC, Miscellaneous Income
 - Form 1099-PATR, Taxable Distribution Received From Cooperatives
 - Schedule K-1, Shareholder's Share of Income, Deductions, Credits, etc.
 - Form 1099-INT, Interest income
- (5) Avoid **auditing returns**. All returns in the BUR inventory were previously screened for unallowable items and audit potential. They were not selected for action in either event. See IRM 4.119.4.21, Taxpayer Responses, for additional information.

4.119.4.1.2
(09-06-2017)
Authority

- (1) Chapter 61 of the Internal Revenue Code (Information and Returns), Subchapter A (records and Returns, Part III (Information Returns)), sections 6031-6059, contains the requirements for the filing of information returns for income reporting purposes. Rev. Proc. 2005-32 identifies taxpayer contacts to verify a discrepancy between the taxpayer's tax return and an information return, or between a tax return and information otherwise in the Service's possession as taxpayer contacts and other actions not considered an examination, inspection, or reopening.

4.119.4.1.3
(09-06-2017)

**Roles and
Responsibilities**

- (1) The Director of Exam Field and Campus Policy is responsible for the BMF Underreporter program.
- (2) Management officials are responsible for:
 - a. Providing internal controls relating to each program, process, or activity.
 - b. Ensuring the instructions are communicated to and carried out by the proper officers and employees.
- (3) Employee-Tax examiner (TE). After cases are selected from the inventory, they are worked according to procedures in this IRM. The TE performs an in-depth analysis of each case. The TE determines if the income/deductions in question is satisfactorily identified on the tax return. If so, close the case. If reasonable doubt remains that the income/deductions are included on the return, send taxpayer either:
 - A Letter 2030, Initial Notice Issued to Request Verification for Underreported Income, Deductions, Payments and/or Credits on BMF Income Tax Returns Matched to Payer Information Documents or
 - A Letter 2531, Initial Contact for Potential Discrepancy of Income, Deductions and/or Credits Claimed on BMF Income Tax Returns Matched to Payer Information Documents

Note: A Letter 3219-B, Statutory Notice of Deficiency, may be sent as a follow up to the Letter 2030.
- (4) Tax examiners also use Correspondex (CRX) letters to obtain or provide additional information. To distinguish guidelines relative to Letter 2531, Letter 2030 and/or Letter 3219-B from guidelines relative to Correspondex letters, the following statements in this IRM are true.
 - a. Any references to *notice* or *notices* refer to Letters: 2531, 2030 and/or 3219-B (unless otherwise specified).
 - b. Any references to *letter* or *letters* refer to Correspondex (CRX) letters (unless otherwise specified).
- (5) Process Codes (PC) are used to provide an audit trail for BUR case processing.
- (6) Internal Processing Codes (IPC) are codes used in BUR for internal processing.
- (7) Tax examiners use the Data Collection Instrument (DCI) to record actions taken.

4.119.4.1.4
(09-06-2017)

**Program Management
and Review**

- (1) Program Reports. The following reports are used to monitor BUR inventory and identify multiple controls:
 - IDRS CCA 4243 (generated weekly and contains all cases controlled to an IDRS employee number)
 - IDRS CCA 4244 (identifies cases when two or more employees have an open control base on the same TIN)

4.119.4.1.5
(09-06-2017)
**Terms/Definitions/
Acronyms**

- (1) See Exhibit 4.119.4-1, Acronyms, and Exhibit 4.119.4-2, Glossary, for a list of abbreviations and definitions used in BUR processing.

4.119.4.1.6
(08-26-2021)
**Taxpayer Advocate
Service (TAS)**

- (1) The Taxpayer Advocate Service (TAS) is an independent organization within the Internal Revenue Service (IRS), led by the National Taxpayer Advocate. Its job is to protect taxpayer's rights by striving to ensure that every taxpayer is treated fairly and knows and understands their rights under the Taxpayer Bill of Rights (TBOR). TAS offers free help to taxpayers, including when taxpayers face financial difficulties due to an IRS problem, when they are unable to resolve tax problems, they haven't been able to resolve on their own, or when they need assistance to address an IRS system, process, or procedure that is not functioning as it should. TAS has at least one taxpayer advocate office located in every state, the District of Columbia, and Puerto Rico.
- (2) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For additional information about the TBOR, see <https://www.irs.gov/taxpayer-bill-of-rights>.
- (3) TAS and Small Business Self-Employed (SBSE) have a Service Level Agreement (SLA) between them that outlines the procedures and responsibilities for the processing of TAS cases whenever the statutory or delegated authority to complete case transactions rests outside of TAS. The SBSE SLA covers the BUR operation. An Addendum to the SLA lists contacts from various Operations in the Ogden Service Center. Visit the Service Level Agreement (SLA) at https://www.irs.gov/pub/tas/sbse_sla_05-30-2011.pdf.
- (4) Refer taxpayers to TAS when the contact meets TAS criteria (see IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria), or when Form 911, Request for Taxpayer Advocate Service Assistance (and Application for Taxpayer Assistance Order), is received and steps cannot be taken to resolve the taxpayer's issue the same day.

Note: "Same day" includes cases that can be resolved in 24 hours, as well as cases where steps can be taken within 24 hours to begin resolving the issue. See IRM 13.1.7.5, Same Day Resolution by Operations, for additional information.

- (5) All potential TAS referrals must be approved by the BUR TAS Liaison.
 1. Update IDRS Activity and /or Category Code as Appropriate, see Exhibit 4.119.4-7, Activity Codes/Category Codes.
 2. Update DCI.
 3. Update case folder.
- (6) The BUR TAS Liaison will complete Sections I, II and III of Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), and forward to TAS. The taxpayer's problem and the taxpayer's relief sought must be clear and specific in Items 12a and 12b of Section I. The Liaison is also required to document the reason why the relief action was not taken.

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

4.119.4.1.6.1
(07-26-2022)

**Operations Assistance
Request (OAR), Form
12412**

- (1) A Form 12412, Operations Assistance Request, is sent by TAS for cases when there is an issue that they do not have the authority to resolve. An OAR can be received by fax, e-fax, mail, or E-mail and will have a Form 3210, Document Transmittal, attached.
- (2) The Form 12412 will contain the name, telephone, and fax number of the TAS employee making the request. An OAR package will also include an explanation of what is being requested and any documentation obtained by the TAS employee.
- (3) The OAR may include Form 907, Agreement to Extend Time for Filing Suit. Taxpayers have two years to appeal Letter 105-C, Claim Disallowed, and Letter 106-C, Claim Partially Disallowed. If Form 907 is filed in response to Letter 105-C/106-C issued by BUR, it must be signed by the Operations Manager or approved delegate.
- (4) Form 12412 is to be acknowledged within 1-day for expedited cases or 3-days for all other cases. The acknowledgement on the Form 3210 sent with the OAR and will include the name and phone number of the assigned person (or team/manager).
- (5) The following are addressed when working an OAR:
 - a. An expedited Form 12412 has three days to be completed.
 - b. After the period, for a non-expedited Form 12412, the SB/SE employee assigned the OAR will negotiate with the TAS employee a reasonable time frame for OAR resolution.
 - c. Sections V and VI of Form 12412 must be completed by a BUR employee, including any actions taken and the reasons behind those actions.
 - d. A file copy of the OAR is kept by BUR for 6-months.
 - e. The completed OAR package is returned to the TAS employee.

4.119.4.1.7
(09-16-2019)

**Statute Awareness
Program**

- (1) The Statute Awareness Program was created to minimize barred assessments and erroneous abatements. Because of the time lag involved in the processing of BUR issues, BUR employees must be particularly watchful for conditions that may indicate statute imminent cases.
- (2) Employees must be personally knowledgeable of the rules that govern the Assessment Statute Expiration Date (ASED) and Refund Statute Expiration Date (RSED). These rules are outlined in IRM 25.6, Statute of Limitations.

Note: The ASED and RSED can be found using IDRS CC: TXMOD. The date should always be verified.

- (3) Each functional area should ensure that an adequate number of "Statute Specialists" are assigned.
- (4) On a quarterly basis, verification that the operation has completed the required search for cases that are statute imminent is sent to the Planning and Analysis (P&A) Staff. The P&A staff forwards a consolidated Campus report as appropriate.

4.119.4.1.8
(12-14-2023)
Related IRMs and Publications

- (1) Before disclosing any tax information, ensure the caller is the taxpayer or the authorized representative. See the Taxpayer Authentication guidelines in IRM 21.1.3.2.3, Required Taxpayer Authentication, IRM 21.1.3.3, Third Party (POA/TIA/F706) Authentication, or IRM 21.1.3.2, General Disclosure Guidelines, for further information.
 - See IRM 10.5.1.6.7.2, Answering Machine or Voice Mail, for proper disclosure protocols before leaving messages on a taxpayer's answering machine
 - See IRM 21.2.3.5.5, Using Electronic Fax Services, for proper disclosure protocols before faxing confidential information to the taxpayer
- (2) The following additional IRMs and publications/documents are listed as a convenience when BUR determines that in-depth research is required to resolve unusual technical issues not covered in this IRM. When reference to one of the related IRMs is **required** for BUR processing, the complete IRM reference will be stated in this IRM:

Note: Technical issues that occur frequently should be brought to the attention of the IRM 4.119.4, BMF Underreporter (BUR) Program, author for consideration for inclusion in this IRM.

IRM 2.3, IDRS Terminal Responses
IRM 2.4, IDRS Terminal Input
IRM 3.13.62, Campus Document Services - Media Transport and Control
IRM 3.42.4, Electronic Tax Administration - IRS e-file for Business Tax Returns
IRM 4.13.1, Audit Reconsiderations - Introduction
IRM 4.19.3, IMF Automated Underreporter Program
IRM 4.119.1, BMF Underreporter (BUR) Control
IRM 5.9, Bankruptcy and Other Insolvencies
IRM 8.20.10, Appeals Account and Processing Support (APS), Processing Employee Automated System (PEAS)
IRM 10.5, Privacy and Information Protection
IRM 10.8.1, Information Technology (IT) Security, Policy and Guidance
IRM 10.10.3, Centralized Authentication Policy - Centralizing Identity Proofing for Authentication Across all IRS Channels
IRM 11.3, Disclosure of Official Information
IRM 13.1.7, Taxpayer Advocate Case Processing - Taxpayer Advocate Service (TAS) Case Criteria
IRM 20.1, Penalty Handbook
IRM 20.2, Interest

IRM 21.1.1, Accounts Management and Compliance Services Operations - Accounts Management & Compliance Services Overview
IRM 21.1.3.18, Operational Guidelines Overview, Taxpayer Advocate Service (TAS) Guidelines
IRM 21.3.3, Taxpayer Contacts - Incoming and Outgoing Correspondence/Letters
IRM 21.3.5.2, What is a Referral?
IRM 21.3.7, Processing Third Party Authorizations onto the Centralized Authorization File (CAF)
IRM 21.4.4, Refund Inquiries - Manual Refunds
IRM 21.4.5, Erroneous Refunds
IRM 21.5, Account Resolution
IRM 21.6, Individual Tax Returns
IRM 21.7, Business Tax Returns and Non-Master File Accounts
IRM 25.1.2.3, Fraud Handbook - Recognizing and Developing Fraud, Indicators of Fraud
IRM 25.6, Statute of Limitations
IRM 25.16, Disaster Assistance and Emergency Relief
IRM 25.25.10, Revenue Protection - Frivolous Return Program
Publication 1220, Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G
Publication 542, Corporations
Publication 544, Sales and Other Dispositions of Assets
Publication 550, Investment Income and Expenses
Publication 559, Survivors, Executors, and Administrators
Document 6209, IRS Processing Codes and Information

4.119.4.1.9
(10-01-2018)

Modernized e-File (MeF)

- (1) Modernized e-File (MeF) is a web-based system that allows electronic filing of Tax Returns through the Internet. MeF documents can be obtained on-line using the Employee User Portal (EUP). Click the following link to access EUP: https://eup.irs.gov/eup_login/.
- (2) The following forms can be e-filed through the MeF platform:
 - Corporations - Form 1120, Form 1120-F and Form 1120-S and related forms and schedules
 - Partnerships - Form 1065 and Form 1065-B and related forms and schedules
 - Individuals - Form 1040 and related forms and schedules
 - Estates and Trust - Form 1041 and related forms and schedules

Note: See IRM 3.42.4.5, E-Services Overview, for additional information.

- (3) Electronically transmitted returns are identified by a unique Document Locator Number (DLN). The first two digits represent the File Location Code (FLC). Use the FLC shown below for the electronic filing of income tax returns. The second number listed is the rollover FLC used when a site exhausts the regular FLC for a given processing date.

- OSC - 60, 78, 88, 92, 93

- (4) An attachment or association form cannot be used to file information such as loose forms, schedules, and correspondence to a MeF return. They must be filed separately.

4.119.4.1.10
(04-05-2016)

Integrated Data Retrieval System (IDRS)

- (1) The Integrated Data Retrieval System (IDRS) is a computer system that contains the most accurate and current information for each taxpayer's account.
- (2) The most common command codes are:
 - CC: ACTON: Used to open, update and close controls on IDRS
 - CC: CFINK: Displays a list of Third Party Information and authorizations present for the taxpayer
 - CC: ENMOD: Displays name, address, and other entity information
 - CC: INOLE: Displays name line information available for any account associated with that Taxpayer Identification Number (TIN)
 - CC: IRPTR: Displays on-line payee transcripts of income reported on various document types
 - CC: REQ54: Used to input an adjustment on IDRS
 - CC: REQ77: Used to request a format to input a transaction
 - CC: SUMRY: A summary of all Taxpayer Information File (TIF) modules available
 - CC: TRDBV: A display of the returns/schedules/forms
 - CC: TXMOD: Request a display of tax information for a specific Business Master File (BMF) module

4.119.4.1.10.1
(09-17-2014)

Integrated Automation Technologies (IAT)

- (1) BUR employees are mandated to use the Integrated Automation Technologies (IAT) tools when an action must be taken on IDRS. The IAT tools assist with IDRS research and input.
- (2) Cases should be worked using IDRS when the IAT tool is not functioning properly.

4.119.4.1.11
(09-06-2017)

Accounts Management Services (AMS)

- (1) Is a web-based system with the capability to record case history notes, collect, retrieve, view, and manage taxpayer account information through a single user interface. It includes automated inventories such as correspondence imaging (CIS), 4442 and e911 referrals, and transcripts. Additional case resolution tools such as automated forms, pre-formatted letters, worksheets, checklists, payoff calculator, tax return data, and IDRS alerts are all available in AMS. AMS interfaces with a variety of systems including IDRS, ACSWeb, AUR, ATFR, RCA, ANMF, and ELITE. See IRM 4.119.4.3.5, Correspondence Imaging System (CIS) Documents, for additional information.

4.119.4.2
(09-17-2014)
Case Information

- (1) Each BUR case contains information for a single BMF account.

4.119.4.2.1
(07-26-2022)
Controlling Work

- (1) BUR cases are assembled into batches, and divided into work units.
- (2) Activity Codes/Category Codes, Internal Process Codes (IPC), and Process Codes (PC) are required to provide an audit trail for BUR case processing. See Exhibit 4.119.4-7, Activity Codes/Category Codes, Exhibit 4.119.4-6, BUR Process Codes (PC) Exhibit 4.119.4-5, BUR Internal Process Codes (IPC), for further instructions.
- (3) When assigning a work unit from a batch, verify that there is a case folder for every TIN shown on the Work Unit Listing and that the TIN on the case folder matches the TIN on the Work Unit Listing **before** updating the control on IDRS. If a case folder is missing (or there is an extra folder) see IRM 4.119.4.2.3, Lost Case.
- (4) Update the IDRS Control for the case folders that are verified against the Work Unit Listing.

Note: If the case folder is missing either a DCI or a paper filed tax return or contains an incorrectly associated paper tax return, see IRM 4.119.4.2.3, Lost Case.

- (5) Whenever an action is taken on a case:
 - a. Update IDRS Activity and/or Category Code as appropriate. See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 - b. Input Transaction Code (TC) 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. See Exhibit 4.119.4-6, BUR Process Codes (PC), and Exhibit 4.119.4-14, Process Code Consistency Chart, for additional information.
 - c. Update the DCI.
 - d. Update the case folder.
- (6) When it is necessary to refer the case to another user:
 - a. Update IDRS Activity Codes with the appropriate referral action.
 - b. Annotate DCI and case folder with applicable referral IPC. See Exhibit 4.119.4-5, BUR Internal Process Codes (IPC).
- (7) When it is necessary to transfer the case to another program area outside of BUR (e.g., Independent Office of Appeals (Appeals), Exam, etc.) see IRM 4.119.4.21.1.1.4, Case Transfer to Another Area.
- (8) When the income or deduction(s) in question are satisfactorily identified on the tax return or analysis identifies acceptable information return reporting, the case is closed, and the taxpayer is not contacted.
 - a. Close the case using the appropriate Process Code (PC). See Exhibit 4.119.4-6, BUR Process Codes (PC), and Exhibit 4.119.4-14, Process Code Consistency Chart, for additional information.
 - b. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.
 - c. Update the activity code and close the control base. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for further information.

- d. Annotate the DCI and case folder with the appropriate Process Code (PC).

4.119.4.2.2
(10-05-2017)
Case Contents

- (1) Each case consists of tax year information for the current BUR processing year. The contents of the case folder include:
 - Form 1120 or Form 1041, if it was a paper filed tax return
 - DCI
- (2) In addition, a complete case file must include the following:
 - a. Current IDRS CC: IRPTRL for information return (IR) data.
 - b. Current IDRS CC: ENMOD for the taxpayer entity information.

Caution: If IDRS CC: ENMOD displays indicator PDT (Potentially Dangerous Taxpayer), see IRM 25.4.1, Employee Protection, Potentially Dangerous Taxpayer, for additional information. If IDRS CC: ENMOD displays indicator CAU (Caution Upon Contact), see IRM 25.4.2, Employee Protection, Caution Upon Contact Taxpayer.

 - c. Current IDRS CC: TXMODA for tax account activity.
 - d. Current IDRS CC: CFINK for Power of Attorney information.
- (3) Ensure that the Tax Return and IDRS; CC: IRPTRL, CC: TXMODA, CC: ENMOD and CC: CFINK are all for the same entity and for the correct tax year.
- (4) Some cases may have an amended return **attached** to the original income tax return.

If	And	Then
There is an indication that the amended return was filed to claim a tentative carryback or carryforward credit, research IDRS CC:TXMOD for a corresponding TC 976 and TC 295.	TC 976 and TC 295 are present	Leave the amended return attached and continue working the case.
There is an indication that the amended return was filed to claim a tentative carryback or carryforward credit, research IDRS CC: TXMOD for a corresponding TC 976 and TC 295.	TC 976 and TC 295 are not present	The carryback has not been processed. See IRM 4.119.4.21.7.3, NOL Carryback/ Carryforward (or Carryover), for further instructions.
The amended return was processed,	N/A	consider it in the BUR case resolution and refile separately when the case is closed.

If	And	Then
The amended return was not processed,	the issue(s) do not meet CAT-A criteria as identified in IRM Exhibit 21.5.3-2, Examination Criteria (CAT-A) – General	Refer to the Lead Tax Examiner for review.
The amended return was not processed,	the issue(s) meet CAT-A criteria as identified in IRM Exhibit 21.5.3-2, Examination Criteria (CAT-A) – General	Refer the case to the Lead Tax Examiner for review.

- (5) An action trail **must** be made part of the case file. As the case is worked, document actions taken.

Note: Case notes are part of the official case file and may be viewed by the taxpayer.

4.119.4.2.3
(09-17-2014)
Lost Case (LC)

- (1) When a TIN is assigned to a batch, but the corresponding case (i.e., case folder, DCI, and/or paper filed tax return) is missing, it is considered a “lost” case. Lost case includes incorrectly associated paper tax return in the case folder or incorrect case folder in the work unit (based on the Work Unit listing verification).
- (2) When a lost case is identified, provide the information to the Lead Tax Examiner who will attempt to locate the case:

Note: If only the DCI is missing, the Lead Tax Examiner will obtain a new DCI from the Clerical Function.

If	Then
The Lead Tax Examiner locates the case	Continue processing.
The Lead Tax Examiner cannot locate the case folder	<ol style="list-style-type: none"> 1. Update IDRS activity with 4XLCMMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/Category Codes. 2. Ensure that the IDRS control remains in the Clerical IDRS control number. 3. Print IDRS CC:TXMOD and give to the Lead Tax Examiner who will route to the Clerical Function.

If	Then
The Lead Tax Examiner cannot locate the paper filed tax return	<ol style="list-style-type: none"> 1. Update IDRS activity with 4XLCMMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/Category Codes. 2. Return the case folder to the Lead Tax Examiner who will route to the Clerical Function. <p>Note: If the Clerical Function is unable to locate the case, they will update IDRS back to their control.</p>

4.119.4.2.4
(09-17-2014)
**Wrong Pulls in
Screening (WP)**

- (1) If the original tax return DLN and the Form 4251 DLN do not match.
- a. Leave the Form 4251 attached to the tax return and annotate WP in the upper right corner.
 - b. Update IDRS activity with 41WPMMDD.
 - c. Annotate IPC 41WP on the case folder and the DCI.

Note: The tax return will be sent to Federal Records Center (FRC).

4.119.4.2.5
(04-05-2016)
Mixed Entity/Period

- (1) If the tax return was processed to the incorrect entity or tax year/period, research IDRS to determine if the mixed issue (entity or period) has been corrected:

If	Then
The mixed issue has been corrected	Continue normal processing.
The mixed entity/period is not corrected	<ol style="list-style-type: none"> 1. Close the case using PC 4290. 2. Input TC 925 with PC 4290 using IDRS CC: REQ77/FRM77. 3. Annotate PC 4290 on the DCI and case folder. 4. Complete Form 3465, Adjustment Request, and route to Accounts Management. See IRM 4.119.4.2.5.1, Form 3465, Adjustment Request, for further information.

4.119.4.2.5.1
(09-17-2014)

Form 3465, Adjustment Request

- (1) Prepare Form 3465, Adjustment Request, when an adjustment action is needed. The following fields must be completed:
 - a. Taxpayer's name.
 - b. Document Locator Number (DLN).
 - c. Check Routing box for "Accounts Management."
 - d. TIN.
 - e. MFT.
 - f. Period ending, year and month.
 - g. Tax form number.
 - h. In the "Remarks" area, thoroughly explain the problem, include any pertinent research that will help resolve the issue.
 - i. Complete the blocks for Signature, Unit, Phone and Date.
- (2) Assemble the following items together, in the order listed below, and route to Accounts Management:
 1. Form 12634, OIRSC Campus Document Transmittal.
 2. Form 3465, Adjustment Request.
 3. Tax return or MeF printout.
- (3) Paper tax returns must be recharged to Accounts Management. Enter BMF AM in the "RECHARGE DOCUMENT TO" box on the Form 4251, RETURN CHARGE OUT, and route to the Files function.

4.119.4.3
(12-11-2014)

TXMOD Review

- (1) IDRS CC: TXMOD displays posted information from the taxpayer's Master File account. It contains return amounts, transactions, and other current data.
- (2) Compare the Taxable Income on the return with the Taxable Income on IDRS CC: TXMOD. A mismatch could be due to a taxpayer and/or processing error. The BUR Function is responsible for issuing a Letter 2030 to correct these types of errors.

Note: If the processing error resulted in an erroneous refund, transfer to the Erroneous Refund Coordinator.

4.119.4.3.1
(07-26-2022)

Power of Attorney (POA)

- (1) A numeric indicator displays in the Centralized Authorization File (CAF) field of IDRS CC: TXMOD when a POA is on file. See below for a list of the CAF indicators:
 - 0 - TC 961 deleted or revoked module
 - 1 - 1 representative authorized to receive notices
 - 2 - 2 representatives authorized to receive notices
 - 3 - 1 representative authorized to receive notices and refunds
 - 4 - 2 representatives authorized to receive notices and 1 representative authorized to receive refunds
 - 5 - No authorization to receive notices or refunds. No blind trust.
 - 6 - Reserved
 - 7 - 1 representative authorized to receive refunds
 - 8 - Blind trust in effect
- (2) In addition to CAF indicators, the following transaction codes may also be present on the account:
 - TC 960 is a CAF Indicator (POA on file)

- [illegible]

- ##

##

- b. Annotate (in Red) "Faxed POA," and the date in the upper right corner of the Form 2848.
 - c. Leave the original POA in the case file.
 - d. Input a history item on IDRS stating "POA faxed."
- (8) Disregard invalid POAs, see IRM 4.119.4.21.1.11, Letters From a Third Party and Authorization From a Valid Power of Attorney (POA), for additional information.
- (9) Consider valid POAs approved.
- (10) Check Yes or No on the POA section of the DCI to indicate if a POA is authorized to receive notices.

4.119.4.3.2
(08-26-2021)
Freeze Codes

- (1) Review IDRS CC: TXMOD for Transaction Codes (TC), Freeze Codes, or for Indicators that may require research, referral, or other specific actions.
- (2) If any of the following conditions are present on the current year, follow the instructions below to perform required actions.
- (3) If **Freeze Code -A** is present, this indicates an amended return was filed. See IRM 4.119.4.3.3, Transaction Codes Reflecting Tax Liability, for further instructions.
- (4) If **Freeze Code -F** is present, this indicates that an advanced payment (TC 640) has posted to the account. See IRM 4.119.4.3.4, Other Transaction Codes and Math Error Codes, for further instructions.
- (5) If **Freeze Code -I** is present, a Manual Interest computation is required at the time of assessment.

Note: Consult with the Lead Tax Examiner if there is **any** indication of a Bipartisan Budget (BBA) assessment (e.g., TC 290 .00 with Reference Number 221, Form 8978, Partner's Additional Reporting Year Tax, attached to the return, "FROM FORM 8978" as a write-in on the dotted line of Form 1120, Schedule J, lines 2 or 6, or Form 1041, Schedule G, lines 1d or 2e, etc.).

Note: If a Manual Interest computation is required, consult with the Lead Tax Examiner. A non-restricting TC 340 should be used whenever possible. See IRM 20.2.5.6.3, Non-Restricting Transaction Code (TC) 340, for additional information.

- (6) If a **Freeze Code "I-"** is present on the tax account:

#

- b. After a notice has been issued and the case results in a refund, then a manual interest computation is required. Consult with the Lead Tax Examiner for guidance on how to proceed.
 - c. Update TC 925 using IDRS CC: REQ77/ FRM77 with the appropriate Process Code (PC) See Exhibit 4.119.4-6, BUR Process Codes (PC), for additional information.
 - d. Annotate the DCI and case folder with the appropriate PC.
- (7) **Freeze Code "-L"** (Audit Indicators TC 420 or 424, not reversed by TC 421) indicates the return is currently being requested or possibly audited by Exam. Take the following action when this Freeze Code is present:

Before a Notice has been issued (Screening Phase)

- a. Research IDRS CC:TXMODA for a pending TC 421 that will reverse the “-L” freeze. If there is a reversal or CURRENT-STATUS-CD is 08 or less, continue normal processing.
- b. If there is **no** reversal, determine if the case is controlled by the Tax Equity and Fiscal Responsibility Act (TEFRA) function. These cases are identified on IDRS by a “33” or “34” under the CURRENT-STATUS-CD/DATE field on IDRS CC:AMDISA. If the case is controlled by TEFRA, continue normal processing. Do not use the Exam transfer PC(s) to close TEFRA cases.
- c. If the conditions above are not met, contact the appropriate Exam area to determine further case action.
- d. Review IDRS CC: AMDISA to determine the Primary Business Code (PBC), Secondary Business Code (SBC) and Employee Group Code (EGC).
- e. Use the PBC, SBC and EGC information from IDRS CC: AMDISA to locate the correct Exam contact by accessing the following website: *Audit Information Management System (AIMS) - AIMS Assignee Code (AAC) Contact Listings...* (irsnet.gov)
- f. If Exam wants the case, use PC 4130 (Closed to Campus Examination), or PC 4110 (Closed to Field/Office Audit) as appropriate. See IRM 4.119.4.21.1.1.4, Case Transfer to Another Area, for additional information.
- g. If Exam does not want the case, leave a case note and continue normal processing.

After a Notice has been issued

- a. Contact the appropriate Exam area to determine further case action.
- b. Review IDRS CC: AMDISA to determine the Primary Business Code (PBC), Secondary Business Code (SBC) and Employee Group Code (EGC).
- c. Use the PBC, SBC and EGC information from IDRS CC: AMDISA to locate the correct Exam contact by accessing the following website:
Audit Information Management System (AIMS) - AIMS Assignee Code (AAC) Contact Listings... (irsnet.gov)
- d. If Exam wants the case, use PC 4380 (Case Closed to Campus Examination) or PC 4350 (Case Closed to Field/Office Audit) (Letter 2531), PC 4570 (Case closed to Campus Examination) or PC 4560 (Case Closed to Field/Office Audit) (Letter 2030) or PC 4790 (Case Closed to Campus Examination) or PC 4780 (Case Closed to Field/Office Audit) (Letter 3219-B Statutory Notice). See IRM 4.119.4.21.1.1.4, Case Transfer to Another Area, for additional information.
Exception: If a STAT notice has been issued, place the case in suspense and allow the statutory period to expire before closing the case PC 4790.
- e. If Exam does not want the case, leave a case note and continue normal processing.

- (8) **Freeze Code -O** is a Disaster Indicator set by TC 971 AC 086 or 087 on IDRS CC: ENMOD. See IRM 4.119.4.4.3, Declared Disaster Areas, for further instruction.

#

- (10) **Freeze Code -S** identifies tax returns filed within a declared disaster area and is set with a TC 971 Action Code (AC) 688 on CC:ENMOD. See IRM 4.119.4.4.3, Declared Disaster Areas.

#

- (12) **Freeze Code -U** indicates the Erroneous Refund area is monitoring a case for available credits. Transfer to the Erroneous Refund Coordinator.

- (13) **Freeze Code -V** and/or TC 520 (not reversed by TC 521 or 522), a Bankruptcy condition is present. If identified on the IDRS CC:TXMOD:

#

- (14) **Freeze Code -W** and/or TC 520 (not reversed by TC 521 or 522) with closing code 60-67, 70-81, 84, 85 or 89 indicates that a Bankruptcy or litigation is present. If present:

#

- (15) **Freeze Code -Y** indicates that the taxpayer filed an Offer-in-Compromise (OIC) with the service. See IRM 4.119.4.3.4, Other Transaction Codes and Math Error Codes, TC 780 for further guidance.

#

#

- (17) Refer to Document 6209, IRS Processing Codes and Information, for additional information regarding any other Freeze Codes not mentioned above.

4.119.4.3.3
(12-14-2023)
**Transaction Codes
Reflecting Tax Liability**

- (1) A **TC 150** indicates a return was filed and posted to the Master File. The TC 150 amount is the tax assessed when the original return was filed.
- (2) TC's 29X and 30X indicate an adjustment to the tax after the original return was filed (i.e., TC 150). These adjustments are associated with a source document that details the reason for the adjustment.
- TC's 290 and 300** indicate additional tax was assessed. Add these amounts to the TC 150 amount to determine the total tax per return.
 - TC's 291 and 301** indicate a portion or all of a previously assessed tax was abated. Subtract these amounts from the TC 150 amount to determine the total tax per return.
- (3) Prior to issuing Letter 2531 or Letter 2030, review the TC 29X/30X source document. The following are considered source documents:
- Form 5147, IDRS Transaction Record
 - Form 5344, Examination Closing Record
 - Form 1120X or Amended Form 1041
 - Duplicate Form 1120 or Form 1041
 - Correspondence Imaging System (CIS) document. See (4) below for additional information on how to identify when a CIS document is present on IDRS CC: TXMODA

If	And	Then
The TC 29X/30X source document is present in the case file (i.e., attached to the original paper return) or available on CIS	It resolves the U/R issue	<ol style="list-style-type: none"> Close the case with PC 42X0 as appropriate. Input TC 925 with the appropriate PC using IDRS CC: REQ77/ FRM77. Annotate the PC on the DCI and case folder.

If	And	Then
The TC 29X/30X source document is present in the case file (i.e., attached to the original paper return) or available on CIS	It does not account for all of the U/R income	Issue a notice for the outstanding U/R income issues. Note: Consider all previous changes to income, deductions, refundable/non-refundable credits, taxes, and penalties when a Letter 2030 is to be issued.
The TC 29X/30X source document is not present in the case file (i.e., attached to the original paper return)	The source document is not a CIS document.	Order the source document before contacting the taxpayer. See (8) below for additional information on ordering documents. Note: See (7) below for situations where it is not necessary to order the TC 29X/30X source documents.
The TC 29X/30X source document is not present in the case file (i.e., attached to the original paper return)	The source document is a CIS document	See (4) below.

- (4) IDRS CC: TXMOD will indicate if the adjustment source document is a CIS document. If it is determined the adjustment is a CIS document, view/print the CIS print utilizing AMS view image. See IRM 4.119.4.3.5, Correspondence Imaging System (CIS) Documents, for further information. If the image is not available via AMS or MeF **and** does not meet the conditions in (7) below, close the case PC 4290.
- Input TC 925 with PC 4290 using IDRS CC: REQ77/ FRM77.
 - Annotate PC 4290 on the DCI and case folder.
- (5) TC 290 for .00 adjustment source documents should be ordered when one of the following is present:

Form 1120	Form 1041
<ul style="list-style-type: none"> a. Corresponding TC 976. b. TC 971 Action Code (AC) 010 or 012 through 016. c. TC 766/767 without a Credit Reference Number (CRN) and a TC 290 for .00 for returns posted prior to cycle 201703. This is an indication of an adjustment to W/H. d. TC 766/767 CRN 399 for returns posted in cycle 201703 and subsequent. This is an indication of an adjustment to W/H. e. MeF return and the Blocking Series of the TC 290 for .00 is "00" or "15". 	<ul style="list-style-type: none"> a. Corresponding TC 976. b. TC 971 Action Code (AC) 010 or 012 through 016. c. TC 806/807 and a TC 290 for .00. This is an indication of an adjustment to W/H. d. MeF return and the Blocking Series of the TC 290 for .00 is "00" or "17".

(6) **Do not order TC 290 for .00 adjustment source documents** for the following:

- a. The TC 290 for .00 adjustment source document is for changes to refundable credits (i.e., TC 766/767 with a Credit Reference Number (CRN) other than CRN 399) and there is no change to TXI.
- b. The TC 290 for .00 has a corresponding TC 971 AC 270. These are cases where the amended return was sent back to the taxpayer.
- c. The TC 290 for .00 is in the 98 blocking series (adjustment made without the original return) and there is a RC 062. These are penalty abatement request disallowances and have no impact on our BUR case.
- d. The adjustment is a TC 290 for .00 with a corresponding TC 971 AC 142. This is a true duplicate return.
- e. TC 290.00 with only a corresponding TC 170/171. This is an Estimated Tax Penalty issue.
- f. The TC 290 for .00 with Reference number 221. These are cases with a Bipartisan Budget Act (BBA) adjustment. Refer the case to the Lead Tax Examiner.

(7) **Do not order the TC 290/291 (or TC 300/301)** source document for the following situations:

- a. The adjustment changes the amount(s) or item(s) back to the original figures on the return (changes may have resulted from a math error code or unallowable code). The TXI and Tax (TC 150 minus TC 291) should equal the amounts on the original tax return.
- b. The difference between the TXI on the return and the TXI shown on the

#

#

the case using PC 4210 if there are no other related issues.
- c. The adjustment is a TC 291/301 when the TXI and the tax has been

#

#

the DCI and case folder.

- (8) Use the IAT eClerical Tool or IDRS CC: ESTAB to request the source document:

Exception: Do not order MeF returns or CIS document. See IRM 4.119.4.1.9, Modernized e-File (MeF), or IRM 4.119.4.3.5, Corresponding Imaging System (CIS) Documents.

- a. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Code/Category Codes.
- b. Annotate the DCI and case folder with IPC 41RR, 43RR, 45RR or 47RR as appropriate.
- c. If the DLN of the amended return is the control DLN on the Tax Module, attach the original return behind the amended return and refile together under the control DLN. Otherwise, refile them separately.

Note: If you are unable to secure the requested source document, close the case with PC 4290. Input TC 925 with PC 4290 using IDRS CC: REQ77/ FRM77. Annotate the DCI and case folder.

- (9) Once you receive the requested source document determine if the source document resolves the U/R issue:

If	Then
The information in the source document resolves the U/R income issue	<ol style="list-style-type: none"> 1. Close the case with PC 42X0 as appropriate. 2. Input TC 925 with the appropriate PC using IDRS CC: REQ77/ FRM77. 3. Annotate the PC on the DCI and case folder. 4. Refile the requested source document separately.
The information in the source document does not resolve the U/R income issue	<p>Issue a notice for the outstanding U/R income issues.</p> <p>Note: Consider all previous changes to income, deductions, refundable/non-refundable credits, taxes and penalties when a Letter 2030 is to be issued.</p> <p>Note: Refile the requested source document separately when the case is eventually closed.</p>

Reminder: If you are unable to secure the requested source document, close the case with PC 4290. Input TC 925 with PC 4290 using IDRS CC: REQ77/ FRM77. Annotate the DCI and case folder.

- (10) When a **TC 300/301 is present** on the Tax Module with a TC 421 and no -L freeze, a Disposal Code displays on the Tax Module. If pursuing U/R income, determine the Disposal Code. The Disposal Code is located under the column titled **DIS CD** in the transaction section of the Tax Module:
 - a. If the Disposal Code is 01 - 13, review the attached audit papers to determine if the U/R amount has been addressed. If there is still a U/R amount after review, issue a notice. Consider all changes made by Exam per the TC 300/301.
 - b. If the Disposal Code is 20 - 99, no audit was performed. Continue processing the case.
- (11) If a **TC 300/301 and a TC 577 with Julian date 999** is displayed on the tax Module (no -L Freeze present) the U/R income has not been addressed by Examination Function. Review the papers to determine what changes were made and take those changes into consideration when calculating U/R income adjustments.
- (12) A TC 976 or TC 971 AC 010 or 012 through 016 present on the tax account indicates that the taxpayer filed an amended (or duplicate) tax return. If a **TC 290/291 is not present** allow Accounts Management time to process the amended/duplicate return before contacting the taxpayer.
 1. Update IDRS activity with the applicable Activity Code to suspend the case. See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 2. Monitor the case for 45-days from the date the case was assigned to you.

If	And	Then
The TC 290/291 has posted	The return is available electronically	Review the electronic document to determine if the U/R income has been accounted for and proceed accordingly.
The TC 290/291 has posted	The return is not available electronically	Order the adjustment source document.
The TC 290/291 has not posted by the end of the 45-day monitoring period	N/A	Refer to the Lead Tax Examiner for review.

- (13) **TC 295** indicates an abatement of tax, based on a tentative allowance, input by Accounts Management. TC 299 indicates an abatement of the original tax. If there is a TC 295 or 299 unreversed, (or only partially reversed) by TC 294 or 298, and there is U/R income, issue a notice. Subtract the TC 295 (plus the TC 299) amount minus the TC 294/TC 298 amount from the TC 150 amount to determine the total tax per return.
- (14) **TC 305** indicates an abatement of tax, based on a tentative allowance, input by Exam. TC 309 indicates an abatement of the prior tax assessment (with an interest computation date). If there is a TC 305 or 309 unreversed, (or only

partially reversed) by TC 304 or 308, and there is U/R income, issue a notice. Subtract the TC 305 (plus the TC 309) amount minus the TC 304/TC 308 amount from the TC 150 amount to determine the total tax per return.

4.119.4.3.4
(08-26-2021)

**Other Transaction Codes
and Math Error Codes**

- (1) Other TCs shown on the Tax Module may require additional action.
- (2) **TC 160 or 166** indicates a Delinquency/Failure to File Penalty was assessed. TC 161 or 167 means a portion, or all of the penalty has been abated. When a U/R issue exists, compute or recompute the Delinquency/Failure to File Penalty when required. If the Delinquency/Failure to File penalty is restricted by a TC 160/161 and applicable, enter the amount on the adjustment or it will unpost. See IRM 4.119.4.16.1, Failure to File Penalty (FTF), for additional information.
- (3) **TC 170 or 176** indicates an Estimated Tax (ES) Penalty was assessed. TC 171 or 177 means a portion, or all of the penalty has been abated.
- (4) **TC 270 or 276** indicates a Failure to Pay Penalty (FTP) was assessed. TC 271 or 277 means a portion, or all of the penalty is abated. See IRM 4.119.4.16.2, Failure to Pay Penalty (FTP), for additional information.
- (5) **TC 460** indicates a request for extension of time to file was approved. The extension date appears at the end of the transaction code line in the EXT-DT field.
- (6) **TC 480 (not reversed by TC 481 or 482)** indicates the taxpayer has filed an "Offer in Compromise (OIC)" with the Service. Continue normal BUR processing. A TC 29X may be input on these type cases. Send copies of the case data to Collection OIC function upon their request.
- (7) **TC 530 (not reversed by TC 531 or 532)** with a closing code 07 or 10, indicates that the account is considered uncollectible.

#

3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
4. Annotate the DCI and case folder with the appropriate PC.
- (8) **TC 604 (not reversed by TC 605)** indicates that assessed debit has been cleared.

#

3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
4. Annotate the DCI and case folder with the appropriate PC.

- (9) **TC 640** indicates an advanced payment of an underreporter proposal. The TC 640 payment sets an -F freeze and is released with a TC 29X in a BUR blocking series.
- (10) **TC 670** indicates a subsequent payment. When a payment relating to the BUR issue posts as a TC 670, input a TC 570 to prevent the payment from refunding.
- (11) **TC 766 or 767** (tax year 2017 and prior) indicates substantiated payment credits, including withholding (W/H). W/H may need to be adjusted due to the BUR processing. Before proposing a change to W/H, be certain that the adjustment has not been previously allowed.

Note: Beginning in January 2017, Form 1120 Corporate series returns claiming W/H/Backup W/H posting in cycle 201703 and subsequent will post as a TC 766/767 with CRN 399.

- (12) **TC 766 with CRN 263** BMF programming systemically posts a TC 766 CRN 263 by using the AC 115 amount posted for a case with an IRC Section 965 tax liability where a 965(h) deferred payment election was made. During original processing these returns are assigned Computer Condition Code (CCC) J (tax returns reporting an IRC 965 election). See (17) below, and IRM 4.119.4.4.9, Miscellaneous, for additional information.
- (13) **TC 780** indicates that the Service accepted an Offer In Compromise (OIC) from the taxpayer. If an **unreversed TC 780 is present**, take the following action:

#

- (14) **TC 806** credits the tax module for W/H claimed on a Form 1041 tax return. **TC 807** reverses the TC 806 credit in whole or in part. W/H may need to be adjusted due to the BUR processing. Before proposing a change to W/H, be certain that the adjustment has not been previously allowed.
- (15) **TC 830 or 836** identifies the credit elect amount on the overpaid module and TC 710 or 716 identifies the posting of the prior year credit elect to the BUR tax year module.
- (16) **TC 925** is a universal indicator of BUR IDRS activity. TC 925 displays process codes in a string of up to 10 process codes, allowing IDRS users to know the extent of BUR activity on the account (i.e., case open, Letter 2030 issued, closed agreed, etc.).
- (17) **TC 971** Action Code 114/115 are used for IRC pipeline processing and post

processing adjustments. See IRM 4.119.4.4.9, Miscellaneous, for additional information.

- TC 971 with Action Code 114 represents the total net liability under section 965 reported by the taxpayer
- TC 971 with Action Code 115 represents the total net liability under section 965 to be paid in installments (deferred) under section 965(h)

- (18) **TC 971** Action Code 177 indicates the taxpayer reported an investment into a Qualified Opportunity Fund (QOF). This could have been input during original processing or a previous amended return.

Note: TC 972 with Action Code 177 reverses a previous TC 971 Action Code 177.

- (19) **TC 971** Action Code 199 was posted on tax year 2019 accounts when the return was filed before the extended due date of July 15, 2020, due to COVID-19.
- (20) **TC 971** Action Code 375, 376 or 377 (not reversed by TC 972), indicates that a Form 1120-S was converted to Form 1120 tax return.

#

- c. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
- d. Annotate the DCI and case folder with the appropriate PC.

- (21) **TC 971** Action Code 522 indicates Identity Theft. Refer the case to Lead Tax Examiner for referral to Headquarters (HQ).
- (22) **TC 971** Action Code 653 indicates that Rev. Rul. 99-40, (May Sequa), has been considered on the module. Manual Interest determination is required when inputting the assessment. See IRM 4.119.4.16.6, Revenue Ruling 99-40 and Credit Elects (May Sequa), for additional information.
- (23) If a Transaction Code other than those explained in IRM 4.119.4.3.3, Transaction Codes Reflecting Tax Liability, or IRM 4.119.4.3.4, Other Transaction Codes and Math Error Codes, are indicated on the IDRS CC:TXMOD, refer to Document 6209, IRS Processing Codes and Information.
- (24) If there is a math error code present, it displays in the MATH-STS-CD field of IDRS CC: TXMOD. See Document 6209, IRS Processing Codes and Information, for a full definition of Math Error Codes.
- (25) When preparing a Letter 2030, use “per return” figures from the filed tax return, however, when “per return” amounts on the Letter 2030 differ from those shown on the original return because of a processing change (Math Error Code present), previously filed amended return, or other adjustment, and:

If	Then
<p>The taxpayer was notified of the adjustment. Indicators that the taxpayer was notified of the adjustment include:</p> <ul style="list-style-type: none"> a. Presence of a TC 290 or 291, generally due to filing of an amended return. OR b. Presence of a TC 300 or 301, due to prior Examination. OR c. TXMOD shows MATH-STS-CD > 3 	<p>Include PARAGRAPH 30 on the Letter 2030.</p> <p>Note: PARAGRAPH 30 reminds the taxpayer that the “per return” amounts shown on the Letter 2030 differ from the originally filed tax return due to prior adjustments to the account.</p>
<p>The taxpayer was not notified of the adjustment</p>	<p>Include PARAGRAPH 31 on the Letter 2030.</p> <p>Note: There must be a significant difference (i.e., more than \$1) between the “per return” amount used on the Letter 2030 and the corresponding amount on the originally filed tax return.</p>

4.119.4.3.5
(12-14-2023)
**Correspondence
Imaging Inventory(CII)
Documents**

- (1) The Correspondence Imaging Inventory (CII) is an inventory system used to manage scanned images of amended returns, documents, and electronic case files.
- (2) When a duplicate/amended return (TC 976 or TC 971 with AC 010 or 012 through 016 and a posted TC 290/291) is present, IDRS CC:TXMODA will display an indicator 1 in the CII-IND field indicating that a CII document is available.
- (3) If a CII document is indicated, take the following actions:
 1. Access IDRS.
 2. Access AMS.
 3. From the AMS screen, click on “Cases by TIN” in the Case Management section.
 4. In the Taxpayer Lookup screen, enter the taxpayer TIN in the “Request by TIN” field and then click on go or press enter on the keyboard.

Note: This will allow the taxpayer account screen to appear.

 5. In the Alert section, click on the view pages link.
 6. Select the tax year to review the CII image list and click on “Open Image.”

Caution: If an amended return is not present, check EUP to see if it is an MeF return. See IRM 4.119.4.1.9, Modernized e-File (MeF), for further instructions.

Note: The thumbnail view can be used to view each page.

7. Compare the amended return to the U/R issues to determine if any or all issues are addressed. Continue normal processing.
- (4) To exit AMS, click on the Exit Account link in the upper right-hand corner. In the Taxpayer Lookup window, click on the Log off link to exit the system.

4.119.4.4
(12-14-2023)

Analysis Procedures

- (1) The following instructions are for use by BUR tax examiners. They are to be used in conjunction with training materials:
 - a. An UNDERREPORTED (U/R) condition exists when there is income shown on the IR(s) that was not reported by the taxpayer on the tax return. Proposed tax adjustments are based on these U/R amounts, as well as on reported income amounts for which the taxpayer failed to include any required additional taxes.
 - b. An OVER-DEDUCTED (O/D) condition exists when the taxpayer claims more of a deduction than is substantiated by IR(s) and/or allowed by law.
 - c. An UNDERCLAIMED (U/C) condition exists when the taxpayer does not claim all the payments to which they are entitled.
 - d. An OVERCLAIMED (O/C) condition exists when the taxpayer reduces their tax liability by an amount that either exceeds the amount shown on the IRs, and/or the amount cannot otherwise be substantiated.
- (2) Analyze income elements on the IR(s) following the guidelines for specific income types as provided in this IRM.
- (3) **Digital Assets** (formerly referenced in BUR as **virtual currencies**) such as Bitcoin or another cryptocurrency, are generally taxed as property for Federal tax purposes unlike real currencies such as the U.S. dollar.
 - a. A taxpayer who receives digital assets as a payment for rent, royalties, goods, or services recognizes ordinary income when the taxpayer receives the digital asset if received as part of operating a trade or business. The taxpayer will typically hold the digital asset as a capital asset thereafter. The value of the payment is the fair market value (FMV) of the digital asset in U.S. dollars on the date of receipt.
 - b. The sale or exchange of a digital asset held as a capital asset results in capital gain or loss and should be reported as sale or disposition of capital assets. Like stocks, the taxpayer's gain or loss will equal the amount of cash and/or the FMV of the property in exchange for the units of digital assets minus the taxpayer's basis in those units.
 - c. Follow the appropriate analysis procedures based on the type of document the payer used to report the income.
- (4) Proposed adjustments on the Letter 2030, or Letter 2531 may require an explanation to the taxpayer. There is only one set of explanation paragraphs for both the Letter 2030 and Letter 2531.

#

- Letter 2030, Letter 2531 paragraphs are annotated in this IRM as “**PARAGRAPH.**”

Note: See Exhibit 4.119.4-10, CP PARAGRAPHS, for a listing of available CP Paragraphs.

- Miscellaneous Notice or Letter paragraphs are annotated as “Special Paragraph.”

Note: The verbiage provided in this IRM for a “Special Paragraph” is for example only and can be modified as needed.

- (5) When issuing a notice for underreported issues, enclose the applicable IR(s) using IDRS CC:IRPTRW.
- (6) Tax returns with a calendar year of less than 12-months are considered **short year** returns. Calendar dates are listed at the top of the tax return below the title. Take the following action when a **short year return** is identified:

If	And	Then
Form 1041	N/A	Continue normal processing.
Form 1120 - Research IDRS CC:BMFOLI to determine if the return is an initial return. Note: A check mark on Form 1120, section E, box 1, is not itself, confirmation of an “initial return.”	IDRS research confirms it is an initial return.	Continue normal processing.
Form 1120	IDRS research shows the return is other than “initial return.”	

#

4.119.4.4.1
(12-14-2023)
Fraud Referral Program

- (1) The primary objective of the National Fraud Program is to foster voluntary compliance through the recommendation of a criminal investigation and/or civil penalties against taxpayers who evade the assessments and/or payment of taxes known to be due and owing.

- (2) Tax fraud is often defined as an intentional wrongdoing on the part of a taxpayer, with the specific purpose of evading a tax known or believed to be owing. Tax fraud requires both a tax due and fraudulent intent.
- (3) The objective of the Campus Fraud Referral Program is to:
 - a. Identify cases with potential fraud.
 - b. Develop potential fraud cases with guidance from the Campus Fraud Technical Advisor.
 - c. Refer potential fraud cases to Field Exam for further development.
 - d. Develop fraud guidance to ensure campus employees are properly trained on the indicators of fraud.
- (4) The Fraud Enforcement Advisor (FEA) assists with the development of fraud in the Campus Examination environment.
- (5) The Functional Fraud Coordinator (FFC) is a fraud specialist assigned to a specific function or operation within the Campus. The FFC is responsible for reviewing Form 13549, Campus Fraud Lead Sheet, for potential fraud issues, conducting research to establish a pattern of non-compliance and, when appropriate, referring cases to the Campus Fraud Coordinator.
- (6) The Campus Fraud Coordinator (CFC) is a fraud liaison assigned to each SB/SE Campus. The CFC is the main point of contact with the FEA assigned to that campus.
- (7) The **Brookhaven Campus Fraud Coordinator (BCFC)** is a fraud liaison dedicated to each SB/SE Exam/AUR Campus. The BCFC is the main point of contact for each CFC and BSC FFC/CFC and Office of Fraud Enforcement Advisor (OFEA).
- (1) During BUR case work, situations may be encountered involving potential fraud, referred to as indicators of fraud. Although only a small percentage of cases are fraudulent, it is essential to detect and report any potentially fraudulent activities. IRM 25.1.2.3, Fraud Handbook - Recognizing and Developing Fraud, Indicators of Fraud, provides several lists of Fraud Indicators. The following list has been developed for BUR and identifies examples of indicators of fraud that are most likely to be found in a campus environment (this list is not all inclusive and may involve a promoter/return preparer):

Altered documents
False deductions/adjustments to income
False basis in assets
Concealing assets
False transaction date for asset disposition
False statements made by taxpayer
False business, rental, or farm expenses
False or overstated refundable credits
Amended returns with any of the above

4.119.4.4.1.1
(09-17-2014)
**Identifying and
Developing Fraud in
BUR**

Understating Income
Failure to cooperate
Maintaining inadequate records
Inconsistent or implausible explanations
Engaging in illegal activities
Concealment of activities
Preparer schemes

- (2) Fraud cases are developed by trained Fraud caseworkers until it is determined that affirmative acts (deceit, subterfuge, camouflage, concealment or some attempt to color or obscure events or to make things seem other than they are) exist. The Service must prove that the taxpayer acted deliberately and knowingly with the specific intent to violate the law. Once a suspicion or indicator of fraud is found, it is essential that the case be transferred to the designated Fraud Coordinator for further development.
- (3) See IRM 25.1.1.4, Indicators of Fraud vs. Affirmative Acts of Fraud.

4.119.4.4.1.2
(12-14-2023)
**BUR Tax Examiners
Fraud Responsibilities**

- (1) Identify indications of fraud that are uncovered through regular case processing. Use the list in IRM 4.119.4.4.1.1, Identifying and Developing Fraud in BUR.
- (2) Discuss the indicators of fraud with the Lead Tax Examiner who will determine if the case should be referred to the local approving official.

If	Then
The local approving official determines the case should be referred	<ol style="list-style-type: none"> 1. Complete sections I, II, III, IV and item 1 of section V Form 13549, Campus Fraud Lead Sheet. 2. Complete a case history sheet stating "FFC" to document the case activity. 3. Update the Activity Code using Definer Code "FD". See Exhibit 4.119.4-8, Definer Codes, and Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information. 4. Submit Form 13549, to the local approving official who will forward the approved Form 13549, to the designated FFC.

If	Then
The local approving official determines the case does not meet fraud criteria.	Continue processing using normal IRM procedures.

- (3) If the CFC accepts the fraud referral for further development, BUR will:
- Close the case using Fraud Closing PC 4140, 4370, 4580, or 4770 as appropriate.
 - Input TC 925 with the applicable PC using IDRS CC: REQ77 /FRM77.
 - Annotate the DCI and case folder with the appropriate PC.

Note: The case folder and DCI **must** remain in the BUR operation.

- (4) If the CFC declines the fraud referral:
- The CFC will return Form 13549, to the local approving official with a written explanation of the determination.
 - The local approving official will return Form 13549, to the initiating tax examiner.
 - The tax examiner will continue processing the case using normal IRM procedures.

4.119.4.4.2
(09-06-2017)
**F frivolous Return
Program (FRP)**

- (1) A frivolous return is defined as noncompliance with filing and/or paying tax based on unfounded legal or constitutional arguments per IRM 25.25.10, Revenue Protection - Frivolous Return Program. If in doubt about whether the return is frivolous, consult with the Lead Tax Examiner or manager. If it is determined during screening that the return is frivolous, close the case with PC 4130.
- Input TC 925 with PC 4130 using IDRS CC: REQ77/ FRM77.
 - Annotate PC 4130 on the DCI and case folder.
 - Annotate the DCI and case folder with "FRP to Ogden".
- (2) If the return is determined NOT to be frivolous, continue normal processing.
- (3) If FRP requests a BUR case after contacting the taxpayer, close the case with the appropriate PC (4570 or 4790), annotate the case folder and DCI for clerical "FRP to Ogden." See IRM 4.119.4.21.1.1.4, Case Transfer to Another Area, for additional information.

4.119.4.4.3
(12-14-2023)
Declared Disaster Areas

- (1) BUR Coordinator alerts tax examiners of ZIP Codes for specific declared disaster area situations as necessary based on IRS Disaster Relief Memos. Follow Coordinator's instruction on proper handling of declared disaster area cases.
- (2) Possible Disaster case impact:

If	And	Then
Freeze Code -S is present on IDRS CC: TXMOD	A notice is to be issued	Continue processing by issuing the applicable notice (i.e., Letter 2531, Letter 2030, or Letter 3219-B).
Freeze Code -S is present on IDRS CC: TXMOD	The Stat notice suspense time frame has elapsed, but the disaster time frame has not expired	<ol style="list-style-type: none">1. Update IDRS activity with 47MRDSMMDD. See Exhibit 4.119.4-7, Activity Codes/Category Codes, and Exhibit 4.119.4-8, Definer Codes.2. Suspend the case until the Disaster date expires.3. Once the Disaster end date has passed, complete the default action on the case.

If	And	Then
Freeze Code -O is present on IDRS CC: TXMOD	N/A	<ol style="list-style-type: none"> 1. Do not issue a notice or assess by default. 2. Update IDRS activity with 4XMRDSMMDD. See Exhibit 4.119.4-7, Activity Codes/Category Codes, and Exhibit 4.119.4-8, Definer Codes. 3. Suspend the case until the Disaster date expires. 4. Once the Disaster end date has passed continue normal processing.
The disaster end date is beyond the ASED or extended ASED	N/A	Timely/appropriate action must be taken to protect the statute. See IRM 4.119.4.21.11.2, Default Statutory Notice of Deficiency, for additional information.

Note: See IRM 4.119.4.21.1.9, Disaster Area, if correspondence is received during the Disaster time frame.

4.119.4.4.4
(09-06-2017)
**Consolidated Returns
Form 851 Affiliation
Schedule**

- (1) An affiliated group of corporations can elect to file a consolidated income tax return by including Form 851, Affiliation Schedule.
- (2) When Form 851 is included with the tax return, the consolidated return **must include all the income of the parent plus the income of each subsidiary** for the portion of such taxable year during which it was a member of the group.
 1. Research IDRS CC:IRPTR for each listed affiliated TIN(s).
 2. Consider all information returns as part of the case review.
- (3) When issuing a notice include the following Special Paragraph: "Our records show you filed Form 851, Affiliations Schedule, with your tax return. We have enclosed transcripts of information for each entity shown on your affiliations

schedule. All income reported on a consolidated return must include the income of the parent plus the income of each subsidiary for the portion of the taxable year during which it was a member of the group.”

4.119.4.4.5 (10-05-2017) Information Returns - Review

- (1) The initial review of information returns (IRs) is accomplished using IDRS Command Code (CC) IRPTL.
- (2) Compare payer information to the tax return and take the correct action if there are any discrepancies.
 - a. Be aware of Payer Agent information. See IRM 4.119.4.5, Payer Agent, for further instruction.

#

holding, see IRM 4.119.4.15.1, Withholding W/H - Analysis, for additional information.

Note: All IR(s) with the same document type are sorted in payer Employer Identification Number (EIN) sequence.

- (3) When comparing income from payers to the tax return, discrepancies may be discovered. Discrepancies can occur for a variety of reasons. The most common causes for discrepancies are:
 - Misplaced entries
 - Entries added incorrectly
 - Income not carried forward from attached schedules
 - Incorrect information from payers
 - Omission of information
- (4) Review each IR for validity prior to determining any unreported amounts. Use the following status codes to indicate the result of the review:
 - a. “R” to indicate reported.
 - b. “U” to indicate underreported.
 - c. “X” to indicate deleted.

#

Condition	And
<p>The payee area indicates that the income belongs to a retirement plan. Indicators may include the following terms:</p> <ul style="list-style-type: none"> • Retirement Plan • Retirement Rollover • Profit Sharing Plan (PSP) • Defined Benefit Pension Plan • Defined Benefit Plan (DFB or DBP) • Employee Benefit Plan (EBP) • Keogh (HR-10) or Tax Shelter Annuities (403(b)) • Simplified Employee Pension (SEP) or Individual Retirement Accounts (IRA) • 401 (k) Plans <p>Note: The above list is not all inclusive.</p> <p>Note: Consider all abbreviations and/or variations of terms.</p>	N/A
<p>The payer area identifies the income as deriving from a Municipal Bond or a Capital Construction Fund (CCF) account.</p>	N/A
<p>The payee's name line(s) is obviously not the taxpayer, even though the EIN matches.</p> <p>Exception: If it is obvious that the Payee may be an owner of the business. For example, the business is a medical practice and the name listed is one of the physicians.</p>	N/A

Condition	And
The Payer EIN is 99-9999999, foreign income	<p>Another EIN is present for the same payer.</p> <p>Note: Income dollar amounts may vary due to currency exchange rates. Foreign source IRs are treated the same as domestic source IRs. Therefore, do not delete a foreign source IR unless another related IR from the same payer is present. See (7) below for additional information.</p>
The money amount on a single IR equal \$999,999,999, unless the taxable income on the tax return supports this amount (this may be an indicator the information return is incorrect).	N/A
<p>If all elements (TIN, name, amount, account number, income type, etc.) on any two IRs are identical:</p> <ul style="list-style-type: none"> • Including the source, delete one IR. • Except the source, delete the paper source. 	N/A
The IR is found on the Payer Agent listing	<p>Instructions state to delete the IR.</p> <p>Note: If all U/R income is from identified Payer Agents and the Payer Agent listing contains instructions to delete the IR(s): close the case with PC 4240, input TC 925 with PC 4240 using IDRS CC: REQ77/FRM77, annotate PC 4240 on the DCI and case folder.</p>

Condition	And
<p>There is an indication in the payee area that the income is not attributable to the taxpayer. Indicators may include the following terms:</p> <ul style="list-style-type: none"> a. Escrow. b. Trust For (TR). c. In Trust For (ITF). d. Trust Account. e. Trust. f. Workers Compensation. <p>Note: The above list is not all inclusive.</p> <p>Note: Consider all abbreviations and/or variations of terms.</p> <p>Exception: If there is an indication that the income is attributable to the taxpayer, then consider the IR as belonging to the taxpayer. For example: the taxpayer is ABC Corp., and the payee area displays: "XYZ Corp., ITF ABC Corp." In this instance ABC Corp. is responsible for reporting the income.</p>	<p>Only when working Form 1120 cases.</p>
<p>All elements on any two IRs are identical except that one does not contain an account number. Delete the IR without the account number.</p>	<p>N/A</p>
<p>If all elements (except the account numbers) of any two IRs are the same</p>	<p>It can be determined that the account numbers of both IRs contain the same sequence of numbers or characters, delete one of the IRs.</p>
<p>Form 1099-MISC and Schedule K-1 information returns are present with identical elements (TIN, name, amount, income type, etc.)</p>	<p>It appears that one of the IRs is fully reported, delete the other. Otherwise pursue the income from both IRs.</p>

- (6) Consider the IR valid (as belonging to the taxpayer) when **any** of the following conditions are present:
 - a. The **payer's** name is garbled, missing, or incomplete. Use the TIN to research IDRS for the proper payer name. If the income is U/R include a special paragraph to explain the proper name of the payer's TIN being shown on the IR.
 - b. The payee's name is in a different order on the IR.
 - c. Only a name control is showing as the payee's name and it matches the Entity name.
 - d. The name on the IR is different and a review of IDRS CC: ENMOD and/or IDRS CC: FINDE (when working Form 1120 cases) shows it as a prior name.
 - e. If it is obvious that the Payee name may be an owner of the Business (e.g., the Business is a medical practice and the name listed is the Physicians).

- (7) Foreign source income IRs may be identified by:

- A payer TIN of "99-9999999"
- An unusual payer name (e.g., Bundesent fer Finazen, Banque de Quebec) or a payer name indicating a foreign country (e.g., French Dividends, German Securities, United Kingdom Royalties)
- Foreign country abbreviation in the State field on the payer address
- Account Code Type "T"

Reminder: Foreign source IRs are treated the same as domestic source IRs. Therefore, do not delete a foreign source IR (even if the payer's name appears unclear or garbled) unless another related IR from the same payer is present.

- (8) See IRM 4.119.4.4.5.1, Amended/Corrected Original Submission IRs, when the IR is an amended or corrected original submission.
- (9) Compare all valid IR's to amounts on the tax return and related schedules. Use instruction for the particular type of income involved.

4.119.4.4.5.1
(08-26-2021)

**Amended/Corrected
Original Submission IRs**

- (1) The IDRS CC: IRPTR transcript displays the following payer information return submission types:
 - a. ORIGINAL SUBMISSION.
 - b. CORRECTED ORIGINAL SUBMISSION.
 - c. AMENDED SUBMISSION.
- (2) When an IR is either an amended (or corrected original) submission, determine if an original submission IR is also present. Delete original submission IR(s) when there is a matching amended (or corrected original) IR(s). Both IRs must have:
 - The same payer's name and/or TIN
 - The same account number (if present)
 - The same type of income if the money amount changes or different amount type's when the money amount stays the same
 - The same money amount and Form 1099-MISC income was amended/corrected with Form 1099-NEC

- Note:** Beginning in tax year 2020, non-employee compensation is reported on Form 1099-NEC.
- (3) Pursue all IRs if the amended (or corrected original) does not match an original, or if the amended (or corrected original) IR matches more than one of the other IRs.
 - (4) Consider a valid payer document attached to the tax return marked “Corrected” more accurate than the IDRS CC: IRPTR original submission information.
 - (5) Amended IRs may reflect incomplete information; neither amount literals nor \$0 (zero-dollar amounts) are present. If such an IR is present, assume the payer attempted to zero out an incorrect income amount previously reported.

4.119.4.4.6
(12-14-2023)
**Comparison of
Information Returns with
Return Information**

- (1) The following general rules apply to the analysis of all types of IRs:
 - b. Consider an IR reported if the taxpayer reports the same amount of income but under a different payer name.
 - c. Allow a tolerance of \$1 (rounding) for each IR.
 - d. Consider Payer Agent criteria when evaluating IRs.
 - e. Place an “R” on the IR for reported, a “U” for underreported or “X” to delete.
- Caution:** Be sure that income identified on attachments are appropriately carried forward and included in the total income when applicable.
- (2) Misplaced entries on the tax return are frequent causes of U/R discrepancies. Taxpayers report income in a variety of places. It is important to thoroughly review the **entire** return. Consider all attached schedules, forms, documents, and statements before identifying income as being underreported.
 - (3) For IRs with multiple Amount Types (e.g., Form 1099-MISC or Schedule K-1) consider each component of the IR separately.
 - (4) Whenever possible attempt to match IR amounts to a specific line on the tax return. For example, match the sum of INTEREST Amount Types to the amount reported on Form 1120, line 5 or Form 1041, line 1.
 - (5) When comparing IRs with entries on any line not specifically identified for that Amount Type, the amount must match within \$1 or be clearly identified as the income type in question.
 - a. If the amount matches within \$1, consider the IR reported.
 - b. If the amount does not match within \$1, but the income has been clearly identified, consider the IR(s) reported if the entry is a larger amount or consider the IR partially U/R if the entry is a lesser amount.
 - (6) When payer documents are attached to a paper return, consider them more accurate than the IR **unless**:

cessing and consider the IR most accurate.

- c. There is an amended IR that corresponds with the payer document. Consider the amended IR the most accurate.
 - d. They appear to be for an incorrect tax year.
- (7) If the return is missing supporting forms or schedules, research IDRS. If the information is not available, take the following action(s):
 1. Give credit for amounts based on the available tax return information.
 2. Compute if the necessary supporting schedule or form is missing.
 3. Include a Special Paragraph requesting the missing forms or schedules from the taxpayer and apologize for the inconvenience.
- (8) Group same amount types together when a breakdown has not been provided and it is necessary to compare a total money amount for related IRs with a single or multiple line entries on the tax return e.g., MED PAYMTS and NONEMP COM will often be combined when the business is medical.
 - a. If the group total amount is larger than the single line entry on the return, consider the difference underreported.
 - b. If the group total amount is smaller than the single line entry on the return, consider the issue resolved.
- (9) If a Form 1099-MISC IR has two identical money amounts and the taxpayer

#
- (10) If a Form 1099-K and Form 1099-MISC/Form 1099-NEC are present with

#
- Note:** Beginning in tax year 2020, nonemployee compensation is reported on Form 1099-NEC.
- (11) A photocopy of a prior year Letter 2030 or Letter 2531 response may be attached to the return. Consider the information in the previous year's response. This information may result in resolving the U/R issue(s).
- (12) When a U/R issue for the same Amount type from the same payer was resolved per a copy of a Letter 4552-C response from a prior year attached to
#
- (13) If a prior year BUR closure Letter 4551-C is attached to the return, request the prior year tax return to see if the resolved issue(s) corresponds to the current

#
- (14) If all IRs are matched exactly, but there is still a U/R amount:
 1. Add the amounts reported on the return. There has probably been a math error.
 2. Pursue the U/R issue.
 3. Include a special paragraph to advise the taxpayer of the error.
- (15) If the discrepancy is totally resolved, close the case using PC 4210.
 1. Input TC 925 with PC 4210 using IDRS CC: REQ77/ FRM77.
 2. Annotate PC 4210 on the DCI and case folder.

#

- (17) If the taxable income per return is a negative amount include **PARAGRAPH 32** on the Letter 2030.

4.119.4.4.6.1
(09-06-2017)
**Service Center
Recognition/Image
Processing System
(SCRIPS)**

- (1) All paper submissions are scanned into the Service Center Recognition/Image Processing System (SCRIPS).

#

- a. Obvious decimal point errors. A decimal error may be identified by multiplying the U/R amount by 1.111 and the result equals the IR (within \$1).
- b. Commas read as numeric (i.e., \$1,050 read as \$12050, etc.). U/R amounts that are a multiple of one thousand (1,000) is an indication that the comma was misread as a numeric.

Example: SCRIPS IR displays as 21230 (comma misread as the digit "1"), the taxpayer reports 2230 with a resulting U/R of 19000.

- c. Dollar signs read as numeric. When a dollar sign is misread as a numeric, the U/R amount is a multiple of 10, 100, 1,000, 10,000, etc., depending upon the number of digits in the SCRIPS IR.

Example: SCRIPS IR displays 587 (dollar sign misread as the digit "5"), the taxpayer reports 87 with a resulting U/R of \$500.

- d. Duplicate money amounts for both income and withholding.

Note: If a SCRIPS IR is U/R and none of these conditions are present, consider the IR valid and pursue the issue using normal procedures.

4.119.4.4.7
(10-28-2015)
Nominee Recipient

- (1) When a taxpayer indicates they received income on behalf of another entity/person because they acted as an intermediary, agent, or broker for that entity/person they are considered a nominee recipient.

Note: Consider the taxpayer a nominee recipient when their explanation states that the income was: held in escrow, received but are not entitled to its use, or other statements that the income was passed through to another recipient.

- (2) When an attachment or statement indicates that the taxpayer acted as a nominee recipient, and:

- a. Includes sufficient information about the intended recipients (name and/or TIN and amount distributed): research IDRS CC: PMFOLS, CC: IRPTRI and CC: IRPTRL (for the recipient/payee) to determine if the taxpayer issued Forms 1099 to the intended recipients.

Note: The Forms 1099 issued to the intended recipients should be the same type as the Form 1099 received by the taxpayer.

If	Then
IDRS research confirms the presence of the Form 1099 for the intended recipients and the amount is equal to or greater than the U/R amount	Consider the U/R discrepancy resolved.
Form 1099 payments are present for the intended recipients and the amount is less than the U/R amount OR IDRS research does not indicate any distribution of payments	<ol style="list-style-type: none"> 1. Attempt to verify that the income was reported on the recipient's tax return. See IRM 4.119.4.21.7.7, Income Reported on Another Return (Not Nominee). 2. If the income can be accounted for on another return, then consider the U/R discrepancy resolved. 3. If the income cannot be accounted for on the recipient's return, pursue the U/R discrepancy in full and include PARAGRAPH 25.

- b. Does not include sufficient information about the intended recipients to research IDRS, pursue the nominee income as U/R and include **PARAGRAPH 25**.

4.119.4.4.8
(11-16-2020)
Grantor Trusts

- (1) A Grantor Trust is a trust in which all income is distributed to the beneficiaries and not taxable to the trust.
- (2) If the entire trust is a Grantor Trust, taxpayers are instructed to fill in only the entity portion of the return and not have any entries on Form 1041, lines 1 through 22 (tax year 2018 and prior) or lines 1 through 23 (tax year 2019 and subsequent).

#

taxpayer checks Grantor Trust box in Form 1041, Section A and:

Note: In lieu of checking the box, the taxpayer writes Grantor Trust on the return or cites IRC 671-678.

- a. Reports no income or deductions. If the only entry is for the exemption on Form 1041, line 20 (tax year 2018 and prior) or line 21 (tax year 2019 and subsequent) consider this the same as reporting no income/deductions.
- b. Taxpayer reports income and then distributes the entire amount on Form 1041 line 18 and includes related Schedule K-1's.

#

- (4) When the taxpayer checks the Grantor Trust box and another box in Form 1041, Section A, and reports income/deductions, this is an indication that a

portion of the trust is taxable. If part of the trust is taxable, the income, deductions, etc., that are taxable to the trust are reported on Form 1041. The amounts that are taxable directly to the grantor are shown on an attachment to the return or can be a statement indicating a percentage allocable to them.

- a. When screening the various amount types on IDRS CC: IRPTR determine if the trust reported the appropriate portion on the Form 1041.

Example: Attached statement says 50% distributed to beneficiaries, IR for \$5,000 Interest and \$2,500 is reported on Form 1041, line 1.

- b. Consider the IR fully resolved if the portion allocable to the trust is reported.
- c. If the IR cannot be fully accounted for, pursue the entire difference.

(5) If none of the above conditions apply, pursue the U/R income in full.

4.119.4.4.9
(12-14-2023)
Miscellaneous

(1) If IRC 6501(d), Request for Prompt Assessment, is noted on the tax return, or

#

(2) When there is an indication on the tax return that income was reported on another return see IRM 4.119.4.4.7, Nominee Recipient, for additional information.

(3) When Form 1120 is from a financial institution and the entity section shows "FDIC" (Federal Deposit Insurance Corp.) or similar wording and/or cites IRC 7507(a) (Exemption of insolvent banks from tax), close the case with PC 4260.

- 1. Input TC 925 with PC 4260 using IDRS CC: REQ77/ FRM77.
- 2. Annotate PC 4260 on the DCI and case folder.

(4) Refer the case to the Lead Tax Examiner when:

Tax Year 2017 Form 1041	Tax Year 2018 (and subsequent) Form 1041
Form 1041, line 8, states SEC 965, "Section 965", "965 TAX", IRC 965 Transition Tax statement or similar statement is attached.	<ul style="list-style-type: none"> • There is any indication Section 461, Limitation on Excess Business Losses was used to determine taxable income (e.g., Form 461, Limitation on Business Losses, attached to the return, line 8 states ELA or limitation on business losses, etc.) • Form 8990, Limitation on Business Interest Expense Under Section 163(j) is attached. • There is any indication Section 965 was used to determine income and or net tax on liability (e.g., amount on Form 1041, page 1 line 24, annotation on Form 1041, line 8 states SEC 965, "965 TAX" or similar language annotated on the return, attachments, or statements). • Form 965-A attached to the return. • Form 8978, Partner's Additional Reporting Year Tax, is attached to the return. • There is any indication Form 8978, Partner's Additional Reporting Year Tax, was used to determine income or net tax liability, (e.g., Form 1041, Schedule G, line 1d or 2e shows "FROM FORM 8978" on the dotted line, TC 290 .00 with Reference Number 221 etc.).

Tax Year 2017 Form 1120	Tax Year 2018 (and subsequent) Form 1120
<p>Form 1120, line 10 states SEC 965, "Section 965", Transition Tax on Untaxed Foreign Earnings of Foreign Corporations with U.S. Shareholders, "Section 965" or "965 TAX" or similar language annotated on the return, attachments or statements</p>	<ul style="list-style-type: none"> • There is an indication Section 965 was used to determine income and or net tax liability (e.g., Form 1120, line 32 or 33 (if section 965 amount was included), Form 1120, Schedule J, Part II, line 12, Form 1120, Schedule J, Part II, line 22 , Form 965-B, is attached, annotation on Form 1120, line 10 states SEC 965, "Section 965", Transition Tax on Foreign Earnings of Foreign Corporations with U.S. Shareholders, "965 TAX" or similar language annotated on the return, attachments or statements). • Form 8991, Tax on Base Erosion Payments of Taxpayers With Substantial Gross Receipts, was used to compute the amount on Form 1120, Schedule J, line 3, Base Erosion minimum tax. • Form 8978, Partner's Additional Reporting Year Tax, is attached to the return. • There is any indication Form 8978, Partner's Additional Reporting Year Tax, was used to determine income or net tax liability, (e.g., Form 1120, Schedule J, line 2 or 6 shows "FROM FORM 8978" on the dotted line, TC 290 .00 with Reference Number 221 etc.).

- (5) **Digital Assets** (formerly referenced in BUR as **virtual currencies**) such as Bitcoin or another cryptocurrency, are generally treated as property for Federal tax purposes unlike real currencies such as the U.S. dollar:

- a. A taxpayer who receives digital assets as a payment for rent, royalties, goods or services recognizes ordinary income when the taxpayer receives the digital asset if received as part of operating a trade or

- b. The sale or exchange of a digital asset held as a capital asset results in a capital gain or loss and should be reported as sale or other disposition of capital assets. Like stocks, the taxpayer's gain or loss will equal the amount of cash and/or the FMV of the property received in exchange for the units of the digital asset minus the taxpayer's basis in those units.
- c. Follow the appropriate analysis procedures based on the type of document the payer used to report the income.

##

- ##

##

- ##

##

##

- Cat. No. 55355Q (12-14-2023)
Any line marked with a #
is for **Official Use Only**

4.119.4.4.10
(11-22-2016)
Erroneous Refunds

- (1) An erroneous refund is any receipt of money from the Service to which the recipient is not entitled. It includes all erroneous payments to the taxpayer, even if the erroneous refund involves returning the taxpayer's own money. An erroneous refund may occur when:
 - The statute of limitations has expired, and a refund is issued
 - There are misapplied payments
 - The BUR adjustment erroneously releases a credit hold
 - The BUR payment posted with TC 670 or TC 610
- (2) When an erroneous refund is identified and the TC 846 has posted, use the IAT "Stop Refund" tool to attempt to stop the refund. See IRM 4.119.4.4.10.1, Stopping Refunds, for additional information.

Caution: See IRM 21.4.5, Erroneous Refunds, if the IAT "Stop Refunds" tool is unable to stop the TC 846.

4.119.4.4.10.1
(09-02-2016)
Stopping Refunds

- (1) IDRS CC: NOREF is used to stop a refund check from being sent and must be input by 4:00 p.m. Eastern Standard Time (EST), the Thursday prior to the TC 846 for taxpayer Master File (BMF).
- (2) IDRS CC: NOREF cannot be initiated more than 10-days prior to the 23C date of the TC 846 being stopped.
- (3) Complete all account actions, except credit transfers, when requesting to stop a refund. Utilize a post delay code of 4 and hold code 2 on IDRS CC:REQ54 adjustments to delay posting and notice issue prior to the TC 841 posting the account. Transfer a credit after the TC 841 posts. If the account action will result in a balance due, input TC 470 to hold any balance due notices that may generate. It takes 4-6 weeks for the TC 841 to post.
- (4) Employees stopping the refund will maintain an open control on all cases where a IDRS CC: NOREF is input. The employee places the open control in "B" or "M" status. The case can be closed when confirmation is received that the refund has been stopped.
 - The controlling employee must monitor for the TC 841 and take appropriate action. If there is an adjustment on the module and the control is in background, the tax examiner should make the adjustment based on the information provided by the taxpayer.
 - Utilize IAT for resolving or stopping refunds, erroneous refund procedures and manual refund.

4.119.4.5
(09-17-2014)
Payer Agent

- (1) The Payer Agent file is a compilation of Payer Information Return (IR) documents which have been verified as erroneously filed or processed. The BUR Payer Agent file is tax year specific.
- (2) Payer Agent listing is currently maintained by the IMF-AUR program. Any updates made by either the AUR or BUR Payer Agent Coordinator will be available to both programs.
- (3) Taxpayers and/or Payers may contact or notify IRS BUR that a discrepancy with documents or the filing of the Information Returns for a tax year has occurred; examples are duplicate IRs, incorrect Amended IR, or IRs with incorrect information.

4.119.4.5.1
(09-17-2014)
**Tax Examiner -
Instructions**

- (1) Access the Payer Agent listing when questionable IR(s) are present.
- (2) During the screening phase, the tax examiner may identify questionable Information Returns (IRs) which appear to be erroneous. When the IRs appears to be questionable or erroneous, forward the case and any additional supporting information documents to the Lead Tax Examiner for determination.
- (3) During the response phase, the tax examiner may receive information from the payer or the taxpayer indicating the proposed U/R is the result of a payer reporting error. Forward a copy of the case and any additional supporting information documents to the Lead Tax Examiner and continue processing.

4.119.4.5.2
(09-17-2014)
**BUR Site Payer Agent
Coordinator -
Instructions**

- (1) The BUR Payer Agent (P/A) Coordinator will perform the following tasks.
 - a. Take action on all IRs referred by tax examiners as questionable/suspicious Payer Agent data.
 - b. Sort and review the screen prints received from tax examiners deemed questionable/suspicious. Begin research when four or more screen prints with the same EIN are identified. The BUR Site P/A Coordinator should attempt to make a determination about the discrepant IRs. If payer contact is necessary to determine the impact, check IDRS for a telephone number or call XXX-555-1212 (XXX represents the area code of the city/state being called).

Note: Revised Third Party procedures allow for the administrative action of verifying information received from Employers/Payers. This verification is not considered a third-party contact if the purpose of the contact is to process information received from the source and/or to ensure its validity/correctness.

 - c. Add new or update existing information to the Payer Agent Listing as appropriate.
- (2) At the end of the BUR program for the tax year, print a copy of the Payer Agent Listing and retain in the Payer Agent file for three years.

4.119.4.6
(12-14-2023)
**Determination of Letter
2531 Issuance**

- (1) Letter 2531 (PC 4300) is required as the first taxpayer contact for the following conditions:
 - c. Cases involving Schedule PH, U.S. Personal Holding Company (PHC) Tax. Include the following Special Paragraph: "According to our records, you filed Schedule PH, U.S. Personal Holding Company (PHC) Tax. Send us a revised Schedule PH using the underreported income as shown on this notice. If we don't receive your revised Schedule PH, we'll determine any additional tax due by treating the underreported income as undistributed PHC income."

further information.

#

#

#

- (2) In certain situations, a Letter 2531 may be issued as the initial taxpayer contact since it is an inquiry instead of a proposal of assessment. If in doubt, consult the Lead Tax Examiner for guidance.

4.119.4.7
(08-26-2021)

Analysis of Income Types

- (1) BUR evaluates third party income from information returns (IRs) against amounts reported on the income section of Form 1041, U.S. Income Tax Return for Estates and Trusts, and Form 1120, U.S. Corporation Income Tax Return, for the following areas of income to determine the Underreported amount (U/R) for each income type:

Form 1041	Form 1120
<ul style="list-style-type: none"> • Interest income, line 1 • Total ordinary dividends, line 2a • Business income or (loss), line 3 • Capital gain or (loss), line 4 • Rents, royalties, partnerships, other estates and trusts, line 5 • Farm income or (loss), line 6 • Ordinary gain or (loss), line 7 • Other income, line 8 	<ul style="list-style-type: none"> • Gross receipts or sales, line 1a • Dividends and inclusions line 4 • Interest, line 5 • Gross rents, line 6 • Gross royalties, line 7 • Capital gain net income, line 8 • Net gain (or loss) from Form 4797, line 9 • Other income, line 10

- (2) The following instructions are used to process the various U/R income amounts by each income type. Review the complete return including all attached statements and schedules to make determinations.
- (3) Analyze all income elements on all of the IR(s) following the guidelines for specific income types as provided in this IRM.
- (4) See IRM 4.119.4.15, Withholding (W/H) - General, anytime the taxpayer claims withholding, or the Information Return contains Amount Type (IRPTR Literal) FED TAX W/H.

4.119.4.7.1
(09-02-2016)

Aggregate Profit or Loss on Contracts - General

- (1) Transactions relating to regulated futures contracts, nonequity, options, dealer equity options, dealer securities futures contracts and foreign currency contracts are taxable under IRC Section 1256 and are generally referred to as "Section 1256 Contracts." Payers report these transactions on Form 1099-B, boxes 8-11. The overall aggregate profit or loss on contracts is reported in box 11.
- (2) Aggregate Profit or Loss on Contracts are identified with Document Type 1099-B and Amount Type (IRPTR Literal) PROFIT&LOSS.

Note: UNREAL PY, REALIZED, and UNREAL CY are for information purposes only.

4.119.4.7.1.1

(11-16-2020)

**Aggregate Profit or Loss
on Contracts - Analysis**

#

- (3) When more than one information return containing Aggregate Profit Or Loss On Contracts is present and the taxpayer does not provide a breakdown:
 1. Group all Aggregate Profit or Loss on Contracts together.
 2. Compare the group total amount to the total reported Aggregate Profit or Loss on Contracts on Form 1041, line 4 or Form 1120, line 8.
 3. If the group total is smaller, consider the issue resolved.
 4. If the group total is larger, consider the difference underreported.

Caution: Do not allow credit from Form 1041, line 4, or Form 1120, line 8, if the amount reported is identified as another income (e.g., Capital Gain, Securities etc.).
- (4) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.1.2

(09-02-2016)

**Aggregate Profit or Loss
on Contracts -
Miscellaneous**

- (1) If Aggregate Profit or Loss on Contracts Income is U/R, enter the following on the Letter 2030:
 - a. Select AGGREGATE PROFIT & LOSS from the drop-down menu in the “Your income and deductions” field.
 - b. Enter the gross reported amount in the “Shown on return” field.
 - c. Enter the total of all U/R Aggregate Profit or Loss on Contracts IR amounts plus the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.
 - d. Verify the “Difference” field matches the U/R amount.
- (2) Include **PARAGRAPH 14** when Aggregate Profit or Loss is U/R.

4.119.4.7.2

(09-02-2016)

**Agriculture Payments
and Market Gain on
Commodity Credit Corp
(CCC) Loans - General**

- (1) Agriculture Payments are governmental subsidies paid to farmers and agricultural businesses to supplement their income. Market Gain on Commodity Credit Corp (CCC) Loans are the market gain associated with the repayment of a CCC loan.
- (2) Agriculture Payments and Market Gain on Commodity Credit Corp (CCC) Loans display on IDRS CC: IRPTR with the following Amount Type and Document Type:

Income Type	Amount Type (IRPTR Literal)	Document Type
Agriculture Payments	AG SUBS	1099-G
Market Gain on Commodity Credit Corporation loans repaid using cash or CCC certificates	MRKGAINCCC	1099-G

4.119.4.7.2.1
(09-02-2016)

**Form 1041 Agricultural
Payments and Market
Gain on Commodity
Credit Corp. (CCC)
Loans - Analysis**

(1) Compare Agriculture Payments and/or Market Gain amounts with entries on:

- Form 1040, Schedule F, lines 4a (line 4b if line 4a is zero or blank) or line 39a (line 39b if line 39a is zero or blank).
- Form 1040, Schedule E, Part I, line 3. Group all farm related Amount Types from all IR(s) with any other rental related Amount Types IR(s) present.

Exception: Do not allow credit for any amount reported on Form 1040, Schedule E, Part I, line 3 if the taxpayer has reported farming income elsewhere on the return.

- Form 1040, Schedule E, Part II. If the income is from a farming business, consider the Agriculture Payments and/or Market Gain amount reported.
- Form 4835, Farm Rental Income and Expenses line 3a (line 3b if line 3a is zero or blank).
- Form 1041, line 6.
- Form 1040, Schedule E, Part V, line 42:

If the amount reported on Schedule E, Part V, line 42 is	Then
Equal to or greater than the sum total of all farm related Amount Types from all IR's	Consider the income discrepancy resolved.
Less than the sum total of all farm related Amount Types from all IR's	Pursue the IR amount(s) in full do not give credit for any amount reported on this line.

Exception: Do not allow credit for any amount reported on Form 1040, Schedule E, Part V, line 42 when the taxpayer has reported farm income elsewhere on the return.

(2) Agriculture Payments and/or Market Gain comparisons for the following entries must match within \$1 or be **clearly identified**:

- Form 1040 Schedule F, lines 8 or 43. Form 1040 Schedule F, lines 2 or 37 (agricultural payments reported as commodities).
- Form 4835, Farm Rental Income and Expenses, line 6.
- Form 1041, line 8.

Note: Give credit for amounts reported on Form 1041, line 8 when identified as Gross Farm Income only when Form 1040, Schedule F or Form 4835 is not attached.

- (3) Agricultural subsidy payments made to members of federally recognized Native American Tribes under programs administered by the Department of Agriculture's Stabilization and Conservation Service, are exempt from federal income taxes when the subsidy is received as a result of activity occurring on the individual's allotted land. Do not pursue apparent U/R Agricultural subsidy payments amounts if information on the return or attached schedules/statements references Rev. Rul. 69-289.
- (4) When more than one information return containing Agriculture Payments and/or Market Gain amounts are present, and the taxpayer does not provide a breakdown:
 1. Group all Agriculture Payments and/or Market Gain together.
 2. Compare the group total amount to the total reported.
 3. If the group total is smaller, consider the issue resolved.
 4. If the group total is larger, consider the difference underreported.
- (5) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.2.2
(09-02-2016)

Form 1120 Agricultural Payments and Market Gain on Commodity Credit Corp. (CCC) Loans - Analysis

- (1) Compare Agriculture Payments and/or Market Gain amounts with entries on:
 - a. Form 1120, line 10. Taxpayers are instructed to identify any amounts reported on Form 1120, line 10. Do not give credit for any unidentified amounts reported on line 10 unless there is a \$1 match.
 - b. Form 1040, Schedule F, lines 4a (line 4b if line 4a is zero or blank) or line 39a (line 39b if line 39a is zero or blank).
 - c. Form 4835, line 3a (line 3b if line 3a is zero or blank).

Note: Give credit for amounts reported on Form 1120, line 10 when identified as Gross Farm Income only when Form 1040, Schedule F or Form 4835 is not attached.

- d. Form 1120, line 1a when the taxpayer's name or Business Activity as shown on Form 1120, Schedule K, lines 2a – 2c relates to farming activity. See IRM 4.119.4.7.10, Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Proceeds/Medical Payments/ Nonemployee Compensation) - General, for additional information. Consider any other Gross Receipts and farming related IRs when determining the total amount to compare to Form 1120, line 1a.

Exception: Do not give credit for any amounts reported on Form 1120, line 1a when the taxpayer has reported farming income on Form 1120, line 10.

- (2) When more than one information return containing Agriculture Payments and/or Market Gain amounts are present, and the taxpayer does not provide a breakdown:
 1. Group all Agriculture Payments and/or Market Gain together.
 2. Compare the group total amount to the total reported.

3. If the group total is smaller, consider the issue resolved.
4. If the group total is larger, consider the difference underreported.

- (3) When an attachment or statement indicates Nominee income see IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.2.3
(09-16-2019)

**Agricultural Payments
and Market Gain on
Commodity Credit Corp.
(CCC) Loans -
Miscellaneous**

- (1) If Agricultural Payments or Market Gain on CCC Loans are U/R, enter the following on the Letter 2030:

- a. Select AGRICULTURE PAYMENTS or MARKET GAIN ON CCC LOAN from the drop-down menu in the "Your income and deductions" field.

Exception: Form 1041 only - When giving credit for amounts reported on Form 1040, Schedule E, Part I, line 3, select RENTS from the drop-down menu in the "Your income and deductions" field.

- b. Enter the gross reported amount in the "Shown on return" field.
- c. Enter the total of all U/R Agricultural Payments or Market Gain on CCC Loans IR amounts plus the "Shown on return" amount in the "As corrected by IRS" field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the "Difference" field matches the U/R amount.

4.119.4.7.3
(12-14-2023)

**Form 1041 Business
Income or (Loss)
(Bartering/Payment
Card/Third Party
Network
Payments/Fishing Boat
Proceeds/Fish
Purchased for
Resale/Medical
Payments/Nonemployee
Compensation) - General**

- (1) If an estate operated a business, income and expenses are reported on Form 1040, Schedule C, Profit or Loss From Business . Net profit or (loss) from Schedule C is carried forward to Form 1041, line 3.
- (2) Income types generally considered Business Income display on IDRS CC: IRPTR with the following Amount Type and Document Type:

Income Type	Amount Type (IRPTR Literal)	Document Type	Income Description
Bartering	BARTERING	Form 1099-B	An exchange of one taxpayer's property or services for another taxpayer's property or services. The fair market value of property or services received through barter is taxable income.

Income Type	Amount Type (IRPTR Literal)	Document Type	Income Description
Gross Proceeds Paid to an Attorney	ATTRNY FEE	Form 1099-MISC	Gross proceeds paid to an attorney in connection with legal services.
Gross Amount of Payment Card / Third Party Network Transactions	GAMC&TN Note: JAN PMT - DEC PMT and CARDNTPRES are for information only.	Form 1099-K	Consist of total transactions received from payment card transactions (i.e., Master Card, Visa, etc.); electronic payment facilitators or third-party settlement organizations (i.e., PayPal, etc.).
Fishing Boat Proceeds	FISH INC	Form 1099-MISC	Proceeds from the sale of a catch.
Fish Purchased for Resale	FISH RESAL	Form 1099-MISC	Amounts paid for the purchase of fish for resale from any person engaged in the business of catching fish.
Medical and Healthcare Payments	MED PAYMTS	Form 1099-MISC	Compensation for medically related services provided or goods sold.
Nonemployee Compensation	NONEMP COM	Form 1099-MISC (tax year 2019 and prior) and Form 1099-NEC (tax year 2020 and subsequent)	Compensation for services provided or goods sold.

- (3) Payers (generally insurance companies) report gross proceeds paid to an attorney (i.e., Attorney's Fees) on Form 1099-MISC when they cannot determine the specific portion of the payment attributable to the taxpayer. The taxpayer is instructed to report only the taxable portion as income on their

#

- a. During Case Analysis, do not consider this amount type when determining U/R UNLESS the taxpayer provides a specific breakdown of their Business Income and includes this amount type on their tax return.

#

#

- c. During response phase it may be necessary to account for this amount type when evaluating the taxpayer's response.

4.119.4.7.3.1 (12-14-2023) Bartering Analysis

- (1) Compare Bartering amounts with entries on:
- a. Form 1040, Schedule C, lines 1 or 6.

- b. Form 1040, Schedule F, lines 1a, 2, 7, 8, 9, 37, 42, 43, or 44. (Consider bartering reported here only if it can determine from the payer's name or business activity that it is farm related income).
 - c. Form 1041, line 3.
- (2) Comparisons for the following entries must match within \$1 or be **clearly identified** as Bartering:
 - a. Form 1041, line 8.
 - b. Form 1041, Schedule D.

Note: Payers may erroneously report securities transactions as bartering since both income types are reported on Form 1099-B.

 - c. Form 8949.
 - d. Form 1040, Schedule E, lines 3 or 4.
 - e. Form 4835, lines 1, 6 or 7.
- (3) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.3.2
(09-02-2016)
**Bartering -
Miscellaneous**

- (1) If Bartering is U/R, enter the following on the Letter 2030:
 - a. Select BARTERING from the drop-down menu in the "Your income and deductions" field.

Exception: GROSS RECEIPTS **may be selected** from the drop-down menu when multiple business income related Amount Types (IRPTR Literals) are involved.

 - b. Enter the gross reported amount in the "Shown on return" field.
 - c. Enter the total of all U/R Bartering IR amounts plus the "Shown on return" amount in the "As corrected by IRS" field.

Caution: It may be necessary to include any additional amounts identified on the return.

 - d. Verify the "Difference" field matches the U/R amount.

4.119.4.7.3.3
(12-14-2023)
**Payment Card/Third
Party Network Payments
- Analysis**

- (1) Compare Payment Card/Third Party Network Payments amounts with entries on:
 - a. Form 1040, Schedule C, Part I, line 1.
 - b. Form 1040, Schedule F.
 - c. Consider Payment Card/Third Party Network Payments reported if it is included in a larger total for the applicable taxpayer on Form 1040 Schedule C, C-EZ, or F, unless the IR is obviously not the same type of income.
 - d. Form 1041, line 3.
- (2) If a Form 1099-K and Form 1099-MISC/Form 1099-NEC are present with

#

Note: Beginning in tax year 2020 nonemployee compensation is reported on Form 1099-NEC.

- (3) Gross Payment Card transactions are not adjusted for any authorized returns or other allowances.
 - a. During Case Analysis consider the entire IR amount when determining underreported income UNLESS the taxpayer provides a specific breakdown of their Gross Receipts or Sales and includes this amount type on their tax return.

#

- (4) A taxpayer who receives a digital asset, such as Bitcoin or another cryptocurrency as a payment for rent, royalties, goods or services recognizes ordinary income when the taxpayer receives the digital asset if received as part of operating a trade or business. The taxpayer will typically hold the digital asset

#

- (5) When comparing Payment Card/Third Party network Payment IRs with entries on any line not specifically identified for Payment Card/Third Party Network Payments the amount must match within \$1 or be **clearly identified** by payer name, activity or as Payment Card/Third Party Network Payments income:

- a. Form 1041, Schedule D, Part I, lines 1a - 3, column (d) or Part II, lines 8a through 10 column (d).

Caution: Income from the sale or other disposition of digital assets may

#

- b. Form 1040, Schedule E, Part I.
- c. Form 8949, Part I, line 1 column (d) or Part II, line 1, column (d).

Caution: Income from the sale or other disposition of digital assets may be reported or partially reported on Form 8949. This income may be identified by payer name or by the name of the digital

#

- d. Form 4797, Parts I, II, or III.

Caution: Income from the sale or distribution of digital assets may be reported or partially reported on Form 4797. This income may be identified by payer name or by the name of the digital asset

#

- (6) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.
- 4.119.4.7.3.4
(09-02-2016)
Payment Card/Third Party Network Payments - Miscellaneous
- (1) If Payment Card/Third Party Network Payments is U/R, enter the following on the Letter 2030:
- Select GROSS PAYMENT CARD PAYMENTS from the drop-down menu in the “Your income and deductions” field.
- Exception:** GROSS RECEIPTS **may be selected** from the drop-down menu when multiple business income related Amount Types (IRPTR Literals) are involved.
- Enter the gross reported amount in the “Shown on return” field.
 - Enter the total of all U/R Payment Card/Third Party Network Payment IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.
- Caution:** It may be necessary to include any additional amounts identified on the return.
- Verify the “Difference” field matches the U/R amount.
- (2) Include **PARAGRAPH 1** when Payment Card/Third Party Network Payments is U/R.
- 4.119.4.7.3.5
(12-14-2023)
Fishing Boat Proceeds/Fish Purchased for Resale-Analysis
- (1) Fishing income is earned by fishing boat crews, or the cash amounts paid for the purchase of fish for resale from any person engaged in the trade or business of catching fish.
- (2) When comparing Fishing Boat Proceeds or Fish Purchased for Resale amounts with the following entries, the amount must match within \$1 or be CLEARLY identified by payer name, activity or as fish income:
- Form 1040, Schedule C, Part I.
 - Form 1040, Schedule E, Part I.
 - Form 1040, Schedule E, Part II.
 - Form 1041, line 3.
 - Form 1041, line 8.
- (3) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.
- 4.119.4.7.3.6
(07-26-2022)
Fishing Boat Proceeds/Fish Purchased for Resale-Miscellaneous
- (1) If Fishing Boat Proceeds or Fish Purchased for Resale are U/R, enter the following on the Letter 2030:
- Select FISHING BOAT PROCEEDS (IRPTR literal “FISH INC”) or FISH PURCHASED FOR RESALE (IRPTR literal “FISH RESAL”) from the drop-down menu in the “Your income and deductions” field.
- Exception:** GROSS RECEIPTS **may be selected** from the drop-down menu when multiple business income related Amount Types (IRPTR Literals) are involved.
- Enter the gross reported amount in the “Shown on return” field.

- c. Enter the total of all U/R Fishing Boat Proceeds/Fish Purchased for Resale IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the “Difference” field matches the U/R amount.

4.119.4.7.3.7
(12-14-2023)

**Medical Payments -
Analysis**

- (1) Compare Medical Payments with entries on:

- a. Form 1040, Schedule C, Part I if it appears to be for a medical practice.
- b. Form 1040, Schedule E, Part II if it appears to be related to the medical profession.
- c. Form 1041, line 3.
- d. Form 1041, line 8, the amount must match within \$1 or be CLEARLY IDENTIFIED as Medical Payments.

#

- (3) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.3.8
(09-02-2016)

**Medical Payments -
Miscellaneous**

- (1) If Medical Payments are U/R, enter the following on the Letter 2030:

- a. Select MEDICAL PAYMENTS from the drop-down menu in the “Your income and deductions” field.

Exception: GROSS RECEIPTS **may be selected** from the drop-down menu when multiple business income related Amount Types (IRPTR Literals) are involved.

- b. Enter the gross reported amount in the “Shown on return” field.
- c. Enter the total of all U/R Medical Payments IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the “Difference” field matches the U/R amount.

4.119.4.7.3.9
(12-14-2023)

**Nonemployee
Compensation -
Analysis**

- (1) Compare Nonemployee Compensation amounts with entries on:

- a. Form 1040, Schedule C, Part I.
- b. Form 1040, Schedule F, Part I or III.
- c. Form 4835, Part I.

- d. Consider Nonemployee Compensation reported if it is included in a larger total on Form 1040, Schedule C, C-EZ, F or Form 4835, unless the IR is obviously not the same type of income.

Note: Beginning in tax year 2019, Schedule C-EZ is obsolete.

- e. Form 1041, line 3.

- (2) A taxpayer who receives a digital asset such as Bitcoin or another cryptocurrency, as a payment for rent, royalties, goods or services recognizes ordinary income when the taxpayer receives the digital asset if received as part of operating a trade or business. The taxpayer will typically hold the digital asset as a capital asset thereafter. The value of the payment is the fair market value

#

- (3) When comparing Non-employee Compensation IRs with entries on any line not specifically identified for Non-employee Compensation, the amount must match within \$1 or be **clearly identified**:

- a. Form 1040, Schedule E, Part I.
- b. Form 4797, Sales of Business Property, Parts I, II, or III - Consider the Non-employee Compensation reported if the sales price matches the IR within \$1.

Caution: Income from the sale or other disposition of digital assets may be reported or partially reported on Form 4797. This income may be identified by payer name or by the name of the digital

#

- c. Form 6252, Installment Sale Income, line 5 or line 21.
- d. Form 1041, Schedule D, Part I, lines 1a - 3 column (d) or Part II, lines 8a, - 10, column (d).

Caution: Income from the sale or other disposition of digital assets may

#

- e. Form 8949, Part I, line 1 column (d) or Part II, line 1, column (d).

Caution: Income from the sale or other disposition of digital assets may be reported or partially reported on Form 8949. This income may be identified by payer name or by the name of the digital

#

#

- (5) Nonemployee Compensation may represent crop insurance proceeds, which are reported on Form 1040, Schedule F, line 6a or 6b, or Form 4835, line 5a or 5b.

#

- (7) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.3.10
(09-02-2016)
**Nonemployee
Compensation -
Miscellaneous**

- (1) If Non-employee Compensation are U/R, enter the following on the Letter 2030:
- a. Select NON-EMPLOYEE COMPENSATION from the drop-down menu in the “Your income and deductions” field.
Exception: GROSS RECEIPTS **may be selected** from the drop-down menu when multiple business income Amount Types (IRPTR Literals) are involved.
 - b. Enter the gross reported amount in the “Shown on return” field.
 - c. Enter the total of all U/R Non-employee Compensation IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.
Caution: It may be necessary to include any additional amounts identified on the return.
 - d. Verify the “Difference” field matches the U/R amount.

4.119.4.7.4
(09-02-2016)
**Cancellation of Debt -
General**

- (1) Cancellation of Debt is considered income to the taxpayer if a debt owed to the Federal Government, financial institution, credit union or other creditor was discharged and is not otherwise excluded from gross income.
- (2) Cancellation of Debt is reported on Form 1099-C.
- (3) Cancellation of Debt is identified on IDRS CC: IRPTR as Amount Type (IRPTR Literal) AMT DBT CN.

Note: PRPTY FMV and INT FORGVN are displayed for information purposes only.

4.119.4.7.4.1

(12-14-2023)

**Cancellation of Debt -
Analysis**#

#

- (2) Cancellation of Debt comparisons for the following entries must match within \$1 or be CLEARLY IDENTIFIED:

Form 1041	Form 1120
a. Form 1041, line 8. b. Form 1040 Schedule C, Part I, line 6. c. Form 1040, Schedule E, Part I, lines 3 and/or 4. d. Form 1040, Schedule F, Part I, lines 3a, 4a, 5b, 6a, and 8 or Part III, line 39a through 43.	a. Form 1120, line 10. b. Form 4797: Compare the description of debt property from the IR(s) to Column (a) in Parts I, II, and III and allow credit for gross amounts reported. If the IR is not clearly identified, pursue the income. If the PRPTY FMV amount is less than the AMT DBT CN, pursue the difference.

- (3) If the taxpayer reduces the reported AMT DBT CN amount by the INT

#

- (4) If the taxpayer received AMT DBT CN from a Foreclosure or Repossession and the taxpayer **is** personally liable (**recourse debt**), the amount by which the canceled debt exceeds the PRPTY FMV of the property must generally be reported as ordinary income on Form 1041, line 8 or Form 1120, line 10.

Note: The payer may indicate on the Form 1099-C that the taxpayer is personally liable for repayment of the debt. The 1099-C IR indicates Personally liable in the "Was Debtor Personally liable" field on IDRS CC:IRPTR.

- (5) If the taxpayer has received AMT DBT CN from a Foreclosure or Repossession and the taxpayer **is not** personally liable (**non-recourse debt**), the gain or loss is computed by comparing the balance of the loan amount (1099-C) with the adjusted basis.

- a. Losses are non-deductible, unless the property was used in trade or
Special Paragraph to inform the taxpayer these losses are not deductible.
- b. Losses in excess of gains from sales of property used in trade or
business are deductible as ordinary losses.

- (6) If the taxpayers indicate that the income is not taxable because they are **insolvent**, (e.g., Form 982, Box 1b, is checked or on an attached statement), they **must** provide a statement showing the amount of their insolvency. If taxpayers do not provide a breakdown of their assets and liabilities, do not consider them to be insolvent. The taxpayers are considered insolvent if the net liability amount(s) shown on the attached statement is **greater** than the total fair market value of assets immediately prior to the debt cancellation.

- a. If the AMT DBT CN amount(s) is less than or equal to the insolvency
- b. If the AMT DBT CN amount(s) is more than the insolvency amount, the

#

- (7) When more than one information return containing Cancellation of Debt amounts are present and the taxpayer does not provide a breakdown:
 - 1. Group all Cancellation of Debt together.
 - 2. Compare the group total amount to the total reported.
 - 3. If the group total is smaller, consider the issue resolved.
 - 4. If the group total is larger, consider the difference underreported.

4.119.4.7.4.2
(09-02-2016)
**Cancellation of Debt -
Miscellaneous**

- (1) If Cancellation of Debt is U/R, enter the following on the Letter 2030:
 - a. Select CANCELLATION OF DEBT from the drop-down menu in the “Your income and deductions” field.
 - b. Enter the gross reported amount in the “Shown on return” field.
 - c. Enter the total of all U/R Cancellation of Debt IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the “Difference” field matches the U/R amount.

- (2) Include **PARAGRAPH 24** when Cancellation of Debt is U/R.

4.119.4.7.5
(09-02-2016)
**Commodity Credit
Corporation (CCC)
Loans Forfeited -
General**

- (1) Commodity Credit Corporation (CCC) Loans Forfeited are reported on Form 1099-A, Acquisition or Abandonment of Secured Property, and displays on IDRS CC: IRPTR as Amount Type (IRPTR Literal) DEBT OUT.

Note: PRPTY FMV is displayed for information purposes only.

4.119.4.7.5.1
(09-16-2019)
**Form 1041 Commodity
Credit Corporation
(CCC) Loans Forfeited -
Analysis**

- (1) When the outstanding debt relates to a forfeited Commodity Credit Corporation loan, the payer is instructed to indicate "CCC" in the property description on Form 1099-A, box 6.
- (2) The debt (principal only) owed at the time that the Commodity Credit Corporation (CCC) loan is forfeited is considered income unless the taxpayer elected to include the loan in income for the taxable year in which it was received.

#

- (4) Compare Debts Out (i.e., CCC Loan Forfeited) with entries on:
 - a. Form 1040, Schedule F, line 5b (use line 5c if line 5b is zero or blank) or line 40b (use line 40c if line 40b is zero or blank).
 - b. Form 1040, Schedule E, Part I, line 3. Group all farm related Amount Types from all IR(s) with any other rental related Amount Types IR(s) present.

Exception: Do not allow credit for any amount reported on Form 1040, Schedule E, Part I, line 3 if the taxpayer has reported farming income elsewhere on the return.
 - c. Form 4835, line 4b (use line 4c if line 4b is zero or blank).
 - d. Give credit for amounts reported on Form 1041, line 6.
 - e. Form 1041, line 8. Taxpayers are instructed to identify any amounts reported on Form 1041, line 8. **Do not** give credit for any unidentified amounts reported on line 8, unless there is a \$1 match.
 - f. Give credit for amounts reported on Form 1041, line 8 when identified as Gross Farm Income ONLY when Form 1040, Schedule F or Form 4835 is not attached.
 - g. Form 1040, Schedule E, Part V, line 42:

If the amount reported on Schedule E, Part V, line 42 is	Then
Equal to or greater than the sum total of all farm related Amount Types from all IR's	Consider the income discrepancy resolved.
Less than the sum total of all farm related Amount Types from all IR's	Pursue the IR amount(s) in full do not give credit for any amount reported on this line.

Exception: Do not allow credit for any amount reported on Form 1040, Schedule E, Part V, line 42 when the taxpayer has reported farm income elsewhere on the return.

- (5) Consider CCC loans Forfeited reported if income from a farming business is reported on Schedule E, Part II.
- (6) When more than one information return containing CCC Loan Forfeited amounts are present and the taxpayer does not provide a breakdown:
 1. Group all CCC Loan Forfeited together.

2. Compare the group total amount to the total reported.
3. If the group total is smaller, consider the issue resolved.
4. If the group total is larger, consider the difference underreported.

- (7) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.5.2
(09-16-2019)

**Form 1120 Commodity
Credit Corporation
(CCC) Loans Forfeited -
Analysis**

- (1) When the outstanding debt relates to a forfeited Commodity Credit Corporation loan, the payer is instructed to indicate "CCC" in the property description on Form 1099-A, box 6.
- (2) The debt (principal only) owed at the time that the Commodity Credit Corporation (CCC) loan is forfeited is considered income unless the taxpayer elected to include the loan in income for the taxable year in which it was received.

#

- (4) Compare Debts Out (i.e., CCC Loan Forfeited) with entries on:
 - a. Form 1120, line 10. Taxpayers are instructed to identify any amounts reported on Form 1120, line 10. Do not give credit for any unidentified amounts reported on line 10 unless there is a \$1 match.
 - b. Form 1040, Schedule F, line 5b (use line 5c if line 5b is zero or blank) or line 40b (use line 40c if line 40b is zero or blank).
 - c. Form 4835, line 4b (use line 4c if line 4b is zero or blank).
 - d. Give credit for amounts reported on Form 1120, line 10 when identified as Gross Farm Income **only** when Form 1040, Schedule F or Form 4835 is not attached.
 - e. Form 1120, line 1a when the taxpayer's name or Business Activity as shown on Form 1120, Schedule K, lines 2a – 2c relates to farming activity. See IRM 4.119.4.7.10, Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Proceeds/Medical Payments/Non-employee Compensation) - General, for additional information. Consider any other Gross Receipts and farming related IRs when determining the total amount to compare to Form 1120, line 1a.

Exception: Do not give credit for any amounts reported on Form 1120, line 1a when the taxpayer has reported farming income on Form 1120, line 10.

- (5) When more than one information return containing CCC Loan Forfeited amounts are present and the taxpayer does not provide a breakdown:
 1. Group all CCC Loan Forfeited together.
 2. Compare the group total amount to the total reported.
 3. If the group total is smaller, consider the issue resolved.
 4. If the group total is larger, consider the difference underreported.
- (6) When an attachment or statement indicates Nominee income see IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.5.3
(09-02-2016)
**Commodity Credit
Corporation (CCC)
Loans Forfeited -
Miscellaneous**

- (1) If CCC Loans forfeited are U/R, enter the following on the Letter 2030:
 - a. Select COMMODITY CREDIT CORPORATION LOAN FORFEITED from the drop-down menu in the “Your income and deductions” field.

Exception: Form 1041 only - When giving credit for amounts reported on Form 1040, Schedule E, Part I, line 3, select RENTS from the drop-down menu in the “Your income and deductions” field.
 - b. Enter the gross reported amount in the “Shown on return” field.
 - c. Enter the total of all U/R Commodity Credit Corporation (CCC) Loans Forfeited IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.
 - d. Verify the “Difference” field matches the U/R amount.

4.119.4.7.6
(12-14-2023)
**Cooperative
Distributions - General**

- (1) Cooperative Distributions are paid by cooperatives to their members.
- (2) Cooperative Distributions display on IDRS CC: IRPTR with the following Amount Type and Document Type:

Income Type	Amount Type (IRPTR Literal)	Document Type
Patronage Dividends	PATRONAGE	1099-PATR
Per-unit Retained Allocations	RTAIN ALLC	1099-PATR
Redemption of Non-qualified Notices and Retain Allocations	REDEMPTION	1099-PATR
Non-Patronage Distributions	NONPAT DIS	1099-PATR

Note: INVEST CRD, WRK OP CRD, PT AMT ADJ, PROD DEDCT , QLFD PYMNT, QLFD ITEMS, SSTB ITEMS and OTH CDT&DD are for information purposes only.

Note: If QLFD PYMNT and QLFD ITEMS (or possibly SSTB ITEMS) amount is on Form 1099-PATR then it is likely that the patron’s section 199A(a) deduction on Form 1041 will be subject to the section 199A(b)(7) reduction. Refer the case to the Lead Tax Examiner.

4.119.4.7.6.1
(09-02-2016)
**Form 1041 Cooperative
Distributions - Analysis**

- (1) Group Patronage Dividends, Per-unit Retain Allocations, Redemption Amount and Non-Patronage Distributions IRs to determine the overall amount and compare with the following entries:
 - a. Form 1040, Schedule F, line 3a (use 3b if line 3a is zero or blank) or 38a (use line 38b if line 38a is zero or blank).

Caution: Per Unit Retain Allocations may be reported on Form 1040, Schedule F line 2. Only give credit if the amount reported on line 2 matches within \$1 or is clearly identified as Per Unit Retain Allocations.

- b. Form 4835, Farm Rental Income and Expenses, line 2a (line 2b if line 2a is zero or blank).
- c. Form 1040, Schedule E, Part I, line 3. Group all farm related Amount Types from all IR(s) with any other rental related Amount Types IR(s) present.

Exception: Do not allow credit for any amount reported on Form 1040, Schedule E, Part I, line 3 if the taxpayer has reported farming income elsewhere on the return.

- d. Form 1041, line 6.
- e. Form 1041, line 8. Taxpayers are instructed to identify any amounts reported on Form 1041, line 8. Do not give credit for any unidentified amounts reported on line 8, unless there is a \$1 match.

Note: Give credit for amounts reported on Form 1041, line 8 when identified as Gross Farm Income **only** when Form 1040, Schedule F or Form 4835 is not attached.

- f. Form 1040, Schedule E, Part V, line 42:

If the amount reported on Schedule E, Part V, line 42 is	Then
Equal to or greater than the sum total of all farm related Amount Types from all IR's	Consider the income discrepancy resolved.
Less than the sum total of all farm related Amount Types from all IR's	Pursue the IR amount(s) in full do not give credit for any amount reported on this line.

Exception: Do not allow credit for any amount reported on Form 1040, Schedule E, Part V, line 42 when the taxpayer has reported farm income elsewhere on the return.

- (2) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.6.2
(09-02-2016)

Form 1120 Cooperative Distributions - Analysis

- (1) Group Patronage Dividends, Per-unit Retain Allocations, Redemption Amount and Non-Patronage Distributions IRs to determine the overall amount and compare with the following entries:
 - a. Form 1120, line 10. Taxpayers are instructed to identify any amounts reported on Form 1120, line 10. Do not give credit for any unidentified amounts reported on line 10 unless there is a \$1 match.
 - b. Form 1040, Schedule F, Profit or Loss From Farming, line 3a (use 3b if line 3a is zero or blank) or 38a (use line 38b if line 38a is zero or blank).

Caution: Per Unit Retain Allocations may be reported on Form 1040, Schedule F line 2. Only give credit if the amount reported on line 2 matches within \$1 or is clearly identified as Per Unit Retain Allocations.

- c. Form 4835, line 2a (line 2b if line 2a is zero or blank).

Reminder: Give credit for amounts reported on Form 1120, line 10 when identified as Gross Farm Income only when Form 1040, Schedule F or Form 4835 is not attached.

- d. Form 1120, line 1a when the taxpayer's name or Business Activity as shown on Form 1120, Schedule K, lines 2a – 2c relates to farming activity. See IRM 4.119.4.7.10, Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Proceeds/Medical Payments/Non-employee Compensation) - General, for additional information. Consider any other Gross Receipts and farming related IRs when determining the total amount to compare to Form 1120, line 1a.

Exception: Do not give credit for any amounts reported on Form 1120, line 1a when the taxpayer has reported farming income on Form 1120, line 10.

- (2) When an attachment or statement indicates Nominee income see IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.6.3
(09-02-2016)
**Cooperative
Distributions -
Miscellaneous**

- (1) If Cooperative Distributions is U/R, enter the following on the Letter 2030:

- a. Select COOPERATIVE DISTRIBUTIONS from the drop-down menu in the "Your income and deductions" field.

Exception: Form 1041 only - When giving credit for amounts reported on Form 1040, Schedule E, Part I, line 3, select RENTS from the drop-down menu in the "Your income and deductions" field.

- b. Enter the gross reported amount in the "Shown on return" field.
c. Enter the total of all U/R Cooperative Distribution IR amounts **plus** the "Shown on return" amount in the "As corrected by IRS" field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the "Difference" field matches the U/R amount.

4.119.4.7.7
(09-02-2016)
**Crop Insurance -
General**

- (1) Crop Insurance proceeds are payments received by farmers or agricultural businesses as a result of destruction or damage to crops.
(2) Crop Insurance is reported on Form 1099-MISC and displays on IDRS CC: IRPTR as Amount Type (IRPTR Literal) CROP INS.

4.119.4.7.7.1
(09-16-2019)
**Form 1041 Crop
Insurance - Analysis**

- (1) Compare Crop Insurance with entries on:
a. Form 1040, Schedule F, line 6a (use line 6b if line 6a is zero or blank) or line 41.

- b. Form 1040, Schedule E, Part I, line 3. Group all farm related Amount Types from all IR(s) with any other rental related Amount Types IR(s) present.

Exception: Do not allow credit for any amount reported on Form 1040, Schedule E, Part I, line 3 if the taxpayer has reported farming income elsewhere on the return.

- c. Form 4835, line 5a (use line 5b if line 5a is zero or blank).
 d. Give credit for amounts reported on Form 1041, line 6.
 e. Form 1041, line 8. Taxpayers are instructed to identify any amounts reported on Form 1041, line 8. Do not give credit for any unidentified amounts reported on line 8, unless there is a \$1 match.

Note: Give credit for amounts reported on Form 1041, line 8 when identified as Gross Farm Income only when Form 1040, Schedule F or Form 4835 is not attached.

- f. Form 1040, Schedule E, Part V, line 42:

If the amount reported on Schedule E, Part V, line 42 is	Then
Equal to or greater than the sum total of all farm related Amount Types from all IR's	Consider the income discrepancy resolved.
Less than the sum total of all farm related Amount Types from all IR's	Pursue the IR amount(s) in full do not give credit for any amount reported on this line.

Exception: Do not allow credit for any amount reported on Form 1040, Schedule E, Part V, line 42 when the taxpayer has reported farm income elsewhere on the return.

- (2) Apparent Crop Insurance discrepancies may be due to the taxpayer electing to defer reporting the proceeds to the next year. Consider any Crop Insurance discrepancies resolved when **all** of the following conditions are met:

- a. Uses a cash accounting method (see Form 1040, Schedule F), **and**
 b. Attaches a statement electing to defer Crop Insurance proceeds to the subsequent year (under IRC Section 451(f) and Regulation Section 1.451-6).

Note: If the taxpayer filed Form 1040, Schedule F, box 6c should be checked. If Form 4835 is filed, box 5c should be checked.

- (3) When more than one information return containing Crop Insurance amounts are present and the taxpayer does not provide a breakdown:

1. Group all Crop Insurance together.
2. Compare the group total amount to the total reported.
3. If the group total is smaller, consider the issue resolved.
4. If the group total is larger, consider the difference underreported.

- (4) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.7.2
(09-16-2019)
**Form 1120 Crop
Insurance - Analysis**

- (1) Compare Crop Insurance with entries on:
- Form 1120, line 10. Taxpayers are instructed to identify any amounts reported on Form 1120, line 10. **Do not** give credit for any unidentified amounts reported on line 10 unless there is a \$1 match.
 - Form 1040, Schedule F, line 6a (use line 6b if line 6a is zero or blank) or line 41.
 - Form 4835, line 5a (use line 5b if line 5a is zero or blank).

Note: Give credit for amounts reported on Form 1120, line 10 when identified as Gross Farm Income **only** when Form 1040, Schedule F or Form 4835 is not attached.

- Form 1120, line 1a when the taxpayer's name or Business Activity as shown on Form 1120, Schedule K, lines 2a – 2c relates to farming activity. See IRM 4.119.4.7.10, Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Proceeds/Fish Purchased for Resale/Medical Payments/Non-employee Compensation) - General, for additional information. Consider any other Gross Receipts and farming related IRs when determining the total amount to compare to Form 1120, line 1a.

Exception: Do not give credit for any amounts reported on Form 1120, line 1a when the taxpayer has reported farming income on Form 1120, line 10.

- (2) Apparent Crop Insurance discrepancies may be due to the taxpayer electing to defer reporting the proceeds to the next year. Consider any Crop Insurance discrepancies resolved when **all** of the following conditions are met:
- Uses a cash accounting method (see Form 1120, Schedule K), **and**
 - Attaches a statement electing to defer Crop Insurance proceeds to the subsequent year (under IRC Section 451(f) and Regulation Section 1.451-6).

Note: If the taxpayer filed Form 1040, Schedule F, box 6c should be checked. If Form 4835 is filed, box 5c should be checked.

- (3) When more than one information return containing Crop Insurance amounts are present and the taxpayer does not provide a breakdown:
- Group all Crop Insurance together.
 - Compare the group total amount to the total reported.
 - If the group total is smaller, consider the issue resolved.
 - If the group total is larger, consider the difference underreported.
- (4) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.7.3
(09-02-2016)
**Crop Insurance -
Miscellaneous**

- (1) If Crop Insurance is U/R, enter the following on the Letter 2030:
- Select CROP INSURANCE from the drop-down menu in the "Your income and deductions" field.

Exception: Form 1041 only - When giving credit for amounts reported on Form 1040, Schedule E, Part I, line 3, select RENTS from the drop-down menu in the “Your income and deductions” field.

- b. Enter the gross reported amount in the “Shown on return” field.
- c. Enter the total of all U/R Crop Insurance IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the “Difference” field matches the U/R amount.

(2) Include **PARAGRAPH 20** whenever Crop Insurance is U/R.

4.119.4.7.8
(09-16-2019)
**Dividends and Capital
Gain Distributions**

- (1) Dividends are distributions of property made by a corporation to its shareholders out of its current or accumulated earnings and profits. Dividends paid directly to a shareholder are reported on Form 1099-DIV, Dividends and Distributions. Dividends received indirectly through a pass-through entity are reported on Schedules K-1 from Form 1065, U.S. Return of Partnership Income, Form 1041, U.S. Income Tax Return for Estates & Trusts, and Form 1120-S, U.S. Income Tax Return for an S Corporation.
- (2) Capital gain distributions are normally paid by regulated investment companies, mutual funds, and real estate investment trusts from their net capital gains.

4.119.4.7.8.1
(07-26-2022)
Dividends - General

- (1) Dividends display on IDRS CC: IRPTR with the following Amount Type and Document Type:

Income Type	Amount Type (IRPTR Literal)	Document Type
Ordinary Dividend	ORD DIV	1099-DIV
Ordinary Dividends	DIVIDENDS	K-1 1120S
Ordinary Dividends	DIVIDENDS	K-1 1041
Ordinary Dividends	DIVIDENDS	K-1 1065

Note: QLF DVDNDS, 28% RT GN, UN 1250 GN, CASH LIQ, NOCASH LIQ, SC 1202 GN, NONDV DIST, INVEST EXP, FRGN TX PD, EXMTINTDIV, SEC199ADIV, SPRVACTBID, and SEC897ODIV are for information purposes only.

4.119.4.7.8.2
(09-02-2016)
**Form 1041 Dividends -
Analysis**

- Keogh (HR-10) or Tax-Sheltered Annuities (403(b)) accounts
- Simplified Employee Pensions (SEP) or Individual Retirement Accounts (IRA)
- A pension plan or profit-sharing plan (PSP) (including a 401(k) plan)
- An Escrow Account (Attorneys)

#

- Municipal Bonds
- (2) Compare Ordinary dividends and/or Dividend amounts with entries on:
 - a. Form 1041, line 2a.
 - b. Form 1040, Schedule E, Parts II, III, and/or IV. The amounts must match within \$1 or be clearly identified as Dividend Income.
 - (3) Do not screen the QLF DVDNDS element of the IR(s). The taxpayer determines the portion of QLF DVDNDS (from Form 1099-DIV, Box 1b) that is entered on Form 1041, line 2b. For all 1099-DIV IRs where the ORD DIV element is fully or partially U/R and a QLF DVDNDS element is present, take the following action:
 1. When issuing a Letter 2030, always enter the qualified dividends reported on Form 1041, line 2b (2) in the Capital Gains Tax Rate Calculation worksheet.
Note: Qualified Dividends are used in determining the proper Capital Gains tax rate.
 2. Include the QLF DVDNDS element(s) on the IRs.
 3. Include **PARAGRAPH 6**.
 - (4) When more than one information return containing Ordinary Dividends and/or Dividends are present, and the taxpayer does not provide a breakdown:
 1. Group all Ordinary Dividend and/or Dividend IRs together.
 2. Compare the group total amount to the total reported.
 3. If the group total is smaller, consider the issue resolved.
 4. If the group total is larger, consider the difference underreported.
 - (5) Dividends and Interest income may be interchanged. Check any interest income areas when comparing IR amounts. Offset dividend income against interest income **only** if an unidentified amount matches the U/R dividend amount within \$1.
 - (6) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.8.3

(09-16-2019)

Form 1120 Dividends - Analysis

- Keogh (HR-10) or Tax-Sheltered Annuities (403(b)) accounts
 - Simplified Employee Pensions (SEP) or Individual Retirement Accounts (IRA)
 - A trust or a plan where the corporation is listed as a Trustee
 - A pension plan or profit-sharing plan (PSP) (including a 401(k) plan)
 - An Escrow Account (Attorneys)
 - Municipal Bonds
- (2) Compare Ordinary Dividends, Dividends and Inclusions, and/or Dividend amounts with entries on:
 - a. Form 1120, line 4.
 - b. Form 1120, line 10. The amount must match within \$1 or be clearly identified as dividend income.

#

- (3) When more than one information return containing Ordinary Dividends and/or Dividends are present and the taxpayer does not provide a breakdown:
 1. Group all Ordinary Dividend and/or Dividend IRs together.
 2. Compare the group total amount to the total reported.
 3. If the group total is smaller, consider the issue resolved.
 4. If the group total is larger, consider the difference underreported.
- (4) Dividends and Interest income may be interchanged. Check any interest income areas when comparing IR amounts. Offset dividend income against interest income **only** if an unidentified amount matches the U/R dividend amount within \$1.
- (5) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instructions.

4.119.4.7.8.4
(09-02-2016)
**Dividends -
Miscellaneous**

- (1) If Dividends are U/R, enter the following on the Letter 2030:
 - a. Select DIVIDENDS from the drop-down menu in the “Your income and deductions” field.
 - b. Enter the gross reported amount in the “Shown on return” field.
 - c. Enter the total of all U/R Dividend IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.

 - d. Verify the “Difference” field matches the U/R amount.
- (2) Include the following:

Form 1041	Form 1120
PARAGRAPH 6 when sending QLF DVDNDS elements with the notice.	PARAGRAPH 4 when dividends are U/R.

4.119.4.7.8.5
(07-26-2022)
**Capital Gains
Distributions - General**

- (1) Capital Gain Distributions display on IDRS CC:IRPTR with Amount Type (IRPTR Literal) CAPTL GAIN and Document Type Form 1099-DIV.
Note: SEC897CPGN is for information only purposes.
- (2) Capital Gain Distribution are considered separately from Ordinary Dividends.

4.119.4.7.8.6
(09-02-2016)
**Capital Gain
Distributions - Analysis**

- (1) Compare Amount Type CAPTL GAIN amounts with entries on:

Form 1041	Form 1120
<ul style="list-style-type: none"> • Schedule D, line 13 • Line 4, if Form 1041, Schedule D is not attached 	<ul style="list-style-type: none"> • Schedule D, line 14 • Line 8, if Form 1120, Schedule D is not attached

Exception: Do not give credit for amounts on Form 1041, line 4 or Form 1120, line 8 if the amounts listed are clearly identified as a different income type.

- (2) If the taxpayer provides a breakdown of Capital Gains Distributions (for example on an attachment/statement), ensure that the amount was properly carried forward to the following lines before considering them reported:
 - a. Form 1041, Schedule D, line 13 or Form 1041, line 4.
 - b. Form 1120, Schedule D, line 14 or Form 1120, line 8.
- (3) Verify that Capital Gain Distributions reported on Schedule D, are appropriately carried forward to page one of the tax return. If not, then consider the amount U/R and include **PARAGRAPH 12**.
- (4) When more than one information return containing Capital Gain Distributions are present and the taxpayer does not provide a breakdown:
 1. Group all Capital Gain Distributions IRs together.
 2. Compare the group total to the amount reported on:

Form 1041	Form 1120
<ul style="list-style-type: none"> • Schedule D, line 13 • Line 4, if Form 1041, Schedule D is not attached 	<ul style="list-style-type: none"> • Schedule D, line 14 • Line 8, if Form 1120, Schedule D is not attached

Exception: Do not give credit for amounts on Form 1041, line 4 or Form 1120, line 8 if the amounts listed are clearly identified as a different income type.

3. If the group total is smaller, consider the issue resolved.
4. If the group total is larger, consider the difference underreported.
- (5) **Form 1041 only** - If there is CAPTL GAIN U/R and the taxpayer reports a capital loss of \$3,000 or more include **PARAGRAPH 8**.
- (6) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instructions.

4.119.4.7.8.7
(09-02-2016)
**Capital Gain
Distributions -
Miscellaneous**

- (1) If Capital Gain Distributions are U/R, enter the following on the Letter 2030:
 - a. Select CAPITAL GAIN DISTRIBUTIONS from the drop-down menu in the "Your income and deductions" field.
 - b. Enter the gross reported amount in the "Shown on return" field.
 - c. Enter the total of all U/R Capital Gain Distribution IR amounts **plus** the "Shown on return" amount in the "As corrected by IRS" field.

Caution: It may be necessary to include any additional amounts identified on the return.

 - d. Verify the "Difference" field matches the U/R amount.
- (2) Include the following:

Form 1041	Form 1120
<ul style="list-style-type: none"> • PARAGRAPH 8 when applicable • PARAGRAPH 12 when applicable 	<ul style="list-style-type: none"> • PARAGRAPH 12 when applicable

4.119.4.7.9
(09-02-2016)
Gambling Winnings - General

- (1) Gambling winnings are identified on IDRS CC:IRPTR as Document Type “W-2G” and Amount Type (IRPTR Literal) GR WINNING.

Note: IDEN WAGER is displayed for information purpose only.

4.119.4.7.9.1
(12-14-2023)
Gambling Winnings - Analysis

- (1) Compare Gambling winnings with entries on:

Form 1041	Form 1120
<p>a. Form 1041, Line 8. Taxpayers are instructed to identify any amounts reported on Form 1041, line 8. Do not give credit for any unidentified amounts reported on line 8 unless there is a \$1 match.</p> <p>b. Form 1040, Schedule C, line 1. only when the Business Activity relates to Gambling Industries - including Casinos and Racetracks activities. Consider any other Business income related IRs when determining the total amount to compare to Form 1040, Schedule C, line 1.</p>	<p>a. Form 1120, Line 10. Taxpayers are instructed to identify any amounts reported on Form 1120, line 10. Do not give credit for any unidentified amounts reported on line 10 unless there is a \$1 match.</p> <p>b. Form 1120, line 1a (Gross Receipts) only when the Business Activity on Form 1120, Schedule K lines 2a - 2c relates to Gambling Industries - including Casino and Racetrack activities. See IRM 4.119.4.7.10, Gross Receipts or Sales (Bartering/ Payment Card Transactions/ Attorney’s Proceeds/Fishing Proceeds/Fish Purchased for Resale/Medical Payments/ Nonemployee Compensation) – General, for additional information on information returns that are related to Gross Receipts or Sales. Consider any other Gross Receipts related IRs when determining the total amount to compare to Form 1120, line 1a.</p>

- (2) When more than one information return containing Gambling Winnings amounts are present and the taxpayer does not provide a breakdown:
 1. Group all Gambling Winnings together.
 2. Compare the group total amount to the total reported.
 3. If the group total is smaller, consider the issue resolved.
 4. If the group total is larger, consider the difference underreported.
- (3) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instructions.

4.119.4.7.9.2
(09-02-2016)

**Gambling Winnings -
Miscellaneous**

- (1) If Gambling winnings is U/R, enter the following on the Letter 2030:
 - a. Select GAMBLING INCOME from the drop-down menu in the “Your income and deductions” field.
 - b. Enter the gross reported amount in the “Shown on return” field.
 - c. Enter the total of all U/R Gambling winning IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the “Difference” field matches the U/R amount.

4.119.4.7.10
(07-26-2022)

**Form 1120 Gross
Receipts or Sales
(Bartering/Payment Card
Transactions/Attorney’s
Proceeds/Fishing Boat
Proceeds/Fish
Purchased for
Resale/Medical
Payments/ Nonemployee
Compensation) - General**

- (1) Income types generally considered Gross Receipts display on IDRS CC:IRPTR with the following Amount types and Document Types:

Income Type	Amount Type (IRPTR Literal)	Document Type	Income Description
Bartering	BARTERING	Form 1099-B	An exchange of one taxpayer’s property or services for another taxpayer’s property or services. The fair market value of property or services received through barter is taxable income.

Income Type	Amount Type (IRPTR Literal)	Document Type	Income Description
Gross Amount of Payment Card / Third Party Network Transactions	GAMC&TN Note: JAN PMT - DEC PMT and CARDNTPRES are for information only.	Form 1099-K	Consist of total transactions received from payment card transactions (i.e., Master Card, Visa, etc.); electronic payment facilitators or third-party settlement organizations (i.e., PayPal, etc.).
Gross Proceeds Paid to an Attorney	ATTRNY FEE	Form 1099-MISC	Gross proceeds paid to an attorney in connection with legal services.
Fishing Boat Proceeds	FISH INC	Form 1099-MISC	Proceeds from the sale of a catch.
Fish Purchased for Resale	FISH RESAL	Form 1099-MISC Note: Beginning in tax year 2021, Form 1099-MISC, box 11, was updated to include income from fish purchased for resale from any person engaged in the business of catching fish.	Amount paid for the purchase of fish for resale
Medical and Healthcare Payments	MED PAYMTS	Form 1099-MISC	Compensation for medically related services provided or goods sold.
Nonemployee Compensation	NONEMP COM	Form 1099-MISC (tax year 2019 and prior) or Form 1099-NEC	Compensation for services provided or goods sold.

4.119.4.7.10.1
(12-14-2023)

Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Boat Proceeds/Fish Purchased for Resale/Medical Payments/ Nonemployee Compensation) - Analysis

- (1) Gross Receipts or Sales refer to all other income received except those that are reported on Form 1120 lines 4 through 10.
- (2) A taxpayer who receives a digital asset, such as Bitcoin or another cryptocurrency, as a payment for rent, royalties, goods, or services recognizes ordinary income when the taxpayer receives the digital asset if received as part of operating a trade or business. The taxpayer will typically hold the digital asset as a capital asset thereafter. The value of the payment is the fair market value

#

- (3) When determining underreported income, compare affected Amount Types to Form 1120, line 1a (Gross receipts or sales) and/or Form 1120, line 10 (Other income).

Note: Taxpayers are instructed to identify any amounts reported on Form 1120, line 10. **Do not** give credit for any unidentified amounts reported on line 10 unless it is a dollar match to the information return amount.

- (4) If a Form 1099-K and Form 1099-MISC/1099-NEC are present with identical

#

Note: Beginning in tax year 2020, nonemployee compensation is reported on Form 1099-NEC.

- (5) Gross Payment Card transactions are not adjusted for any authorized returns or other allowances.

- a. During Case Analysis consider the entire IR amount when determining underreported income **unless** the taxpayer provides a specific breakdown of their Gross Receipts or Sales and includes this amount type on their tax return.

#

- (6) Payers (generally insurance companies) report gross proceeds paid to an attorney (i.e., Attorney's Fees) on Form 1099-MISC when they cannot determine the specific portion of the payment attributable to the taxpayer. The taxpayer is instructed to report only the taxable portion as income on their

#

- a. During Case Analysis, do not consider this amount type when determining U/R **unless** the taxpayer provides a specific breakdown of their Gross Receipts or Sales and includes this amount type on their tax return.

#

- c. During response phase you may need to account for this amount type when evaluating the taxpayer's response.

- (7) When there is more than one type of Gross Receipts (e.g., Nonemployee Compensation and Medical payments) present on the same case and the taxpayer does not provide a breakdown. Group to determine the overall income amount to compare against amounts reported on the tax return.

- a. If the group total is larger, consider the difference underreported.
b. If the group total is smaller, consider the issue resolved.

- (8) If the taxpayer reports the same amount of Form 1099-MISC/ 1099-NEC income as shown on the IR, but under a different payer name, consider the IR reported.

Note: Beginning in tax year 2020, nonemployee compensation is reported on Form 1099-NEC.

- (9) When an attachment or statement indicates Nominee income see IRM 4.119.4.4.7, Nominee Recipient, for further instructions.

4.119.4.7.10.2
(07-26-2022)

Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Boat Proceeds/Fish Purchased for Resale/Medical Payments/ Nonemployee Compensation) - Miscellaneous

- (1) If Gross receipts are U/R, enter the following on the Letter 2030:
- Select GROSS RECEIPTS from the drop-down menu in the "Your income and deductions" field.
 - Enter the amount from Form 1120, line 1a in the "Shown on return" field.
 - Enter the total of all U/R Gross Receipt IR amounts **plus** the "Shown on return" amount in the "As corrected by IRS" field.
- Caution:** It may be necessary to include any additional amounts identified on the return.
- Verify the "Difference" field matches the U/R amount.
- (2) Include **PARAGRAPH 1** when Gross Payment Card transactions are U/R.
- (3) Select the appropriate income type from the drop down for any U/R Amount Types that are not part of the "Gross Receipts" group.

Example: If there is U/R from Amount Type BARTERING that was partially reported on Form 1120, line 10 statements, then "Bartering" should be displayed in the "Your income and deductions" section of the notice. Enter the amount of bartering reported on the tax return in the "Shown on return" field on the notice.

4.119.4.7.11
(11-16-2020)
Interest - General

- (1) Interest income displays on IDRS CC:IRPTR with the following Amount Type and Document Type:

Income Type	Amount Type (IRPTR Literal)	Document Type
Interest	INTEREST	1099-INT
Interest on U.S. Savings Bonds and Treasury Obligations	SAV BOND	1099-INT
Early Withdrawal Penalty	INT FORFET	1099-INT
Market Discount	MARKETDISC	1099-INT
Original Issue Discount on U.S. Treasury Obligation	OID TRS OB	1099-OID
Original Issue Discount for Current Year	OR ISS DSC	1099-OID
Other Periodic Interest	INTEREST	1099-OID
Early Withdrawal Penalty	INT FORFET	1099-OID

Income Type	Amount Type (IRPTR Literal)	Document Type
Market Discount	MARKETDISC	1099-OID
Interest	INTEREST	K-1 1120S
Interest	INTEREST	K-1 1041
Interest	INTEREST	K-1 1065

Note: INVEST EXP, FRGN TX PD, TX EXM INT, SP PR INT, BOND PREM, BDPMTAXEXM, AQUISPREM, TAXEXMPOID, BDPREM, and BDPMTREAS are for information purposes only.

- (2) Original issue discount (OID), which is treated as interest income, is the excess of the stated redemption over the issue price of a debt instrument (e.g., bond).
- (3) Market discount, also treated as interest income, is the excess of the stated redemption price over the holder’s cost basis in the debt instrument.

4.119.4.7.11.1
(11-16-2020)
Interest - Analysis

- Municipal Bonds
- Keogh (HR-10) or Tax-Sheltered Annuities (403(b)) accounts
- Simplified Employee Pensions (SEP) or Individual Retirement Accounts (IRA)
- A Pension Plan or Profit-Sharing Plan (including a 401(k) plan)
- A Capital Construction Fund (CCF) account

#

- (3) Compare Interest, Market Discount, Savings Bond and OID amounts with entries on:

Form 1041	Form 1120
<ul style="list-style-type: none">• Form 1041, Line 1• Form 1041, Line 8. The amount must match within \$1 or be clearly identified	<ul style="list-style-type: none">• Form 1120, Line 5• Form 1120, Line 10. The amount must match within \$1 or be clearly identified

- (4) The taxpayer may reduce INTEREST amounts by the Early Withdrawal Penalty shown on the information return as Amount Type “INT FORFET” and report the difference on Form 1041, line 1 or Form 1120, line 5.

#

- (5) When more than one information return containing Interest, Market Discount, Savings Bond and/or OID are present, and the taxpayer does not provide a breakdown:
 1. Group all Interest, Market Discount, Savings Bond and OID IRs together.
 2. Compare the group total amount to the total reported interest.
 3. If the group total is smaller, consider the issue resolved.
 4. If the group total is larger, consider the difference underreported.
- (6) **Form 1041 only** - Interest comparison for the following entries must match within \$1 or be CLEARLY IDENTIFIED as interest:
 - Form 1040 Schedule C, line 6
 - Form 1040 Schedule E, Parts II, III or IV
 - Form 1040 Schedule F, Lines 8 or 43
- (7) Form 1041, line 1 or Form 1120, line 5 may be reduced by any of the following. The amount should reflect the taxable amount of interest minus these adjustments:
 - Accrued Interest - Interest on securities transferred between interest payment dates
 - Tax-Exempt Interest - (e.g., Municipal Bonds, etc.)
 - Amortizable Bond Premium - Premium offsets interest on taxable bonds acquired after December 31, 1987
 - Frozen Deposits - An account from which the taxpayer is unable to withdraw funds because the financial institution or others in the area are bankrupt, insolvent, or in receivership
 - Acquisition Premium offsets OID
- (8) Interest and Dividends income may be interchanged. Check any dividend income area when comparing IR amounts. Offset Interest/OID income against dividend income only if an unidentified amount matches the U/R Interest/OID amount within a \$1.
- (9) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instructions.

4.119.4.7.11.2
(09-02-2016)

Interest - Miscellaneous

- (1) If Interest is U/R, enter the following on the Letter 2030:
 - a. Select INTEREST from the drop-down menu in the "Your income and deductions" field.
 - b. Enter the gross reported amount in the "Shown on return" field.
 - c. Enter the total of all U/R Interest IR amounts **plus** the "Shown on return" amount in the "As corrected by IRS" field.

Caution: It may be necessary to include any additional amounts identified on the return.
 - d. Verify the "Difference" field matches the U/R amount.

4.119.4.7.12
(09-02-2016)

Other Income - General

- (1) Other income is identified with Document Type “1099-MISC” and displays on IDRS CC:IRPTR as Amount Type (IRPTR Literal) MISC OTH I.

4.119.4.7.12.1
(12-14-2023)

Other Income - Analysis

- (1) Compare Amount Type MISC OTH I with entries on:
- Form 1041, line 8 or Form 1120, line 10. Taxpayers are instructed to identify any amounts reported on these lines. Do not give credit for any unidentified amounts unless there is a \$1 match.
- Caution:** See IRM 4.119.4.4.9, Miscellaneous, when there is any indication Section 461 Limitation on Business Losses was used to determine taxable income (e.g., Form 461 attached to Form 1041, Form 1041, line 8 states ELA or limitation on business losses etc.), or Section 965 was used to determine income and or net tax liability (Form 1041 or 1120).
- Form 1040, Schedule F, lines 8 or 43. The amount must match within \$1 or be clearly identified.
 - Form 4835, line 6. The amount must match within \$1 or be clearly identified.
 - Form 1040, Schedule C, line 6.
- (2) Other income can be received in the form of digital assets, such as Bitcoin or

#

- (3) When more than one information return containing Other Income amounts are present and the taxpayer does not provide a breakdown:
- Group all Other Income together.
 - Compare the group total amount to the total reported.
 - If the group total is smaller, consider the issue resolved.
 - If the group total is larger, consider the difference underreported.
- (4) The Other Income amount on a Form 1099-MISC IR represents the full value of Other Income. If the taxpayer reports a lesser amount, consider the difference U/R, unless documentation is attached to the return.
- (5) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.12.2
(09-02-2016)

Other Income - Miscellaneous

- (1) If Other Income is U/R, enter the following on the Letter 2030:
- Select OTHER INCOME from the drop-down menu in the “Your income and deductions” field.
 - Enter the gross reported amount in the “Shown on return” field.
 - Enter the total of all U/R Other Income IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.

- Verify the “Difference” field matches the U/R amount.

4.119.4.7.13
(08-26-2021)

**Partnership/ Trust/
S-Corporation (Conduit
Income) - General**

- (1) Conduit income is the taxpayer's distributive share from a Form 1065, U.S. Return of Partnership Income, Form 1120-S, U.S. Income Tax Return for an S Corporation or Form 1041, U.S. Income Tax Return for Estates and Trusts.
- (2) Conduit income displays on IDRS CC: IRPTR with the following Amount Type and Document Type:

Income Type	Amount Type (IRPTR Literal)	Document Type
Ordinary Dividends	DIVIDENDS	<ul style="list-style-type: none">• K-1 1120S• K-1 1041• K-1 1065
Interest Income	INTEREST	<ul style="list-style-type: none">• K-1 1120S• K-1 1041• K-1 1065
Net Rental Real Estate Income	REAL EST	<ul style="list-style-type: none">• K-1 1120S• K-1 1065
Net Rental Real Estate Income	NET RENTAL	<ul style="list-style-type: none">• K-1 1041
Other Net Rental Income	OTHER RENT	<ul style="list-style-type: none">• K-1 1120S• K-1 1065
Other Rental Income	OTH RENTAL	<ul style="list-style-type: none">• K-1 1041
Net Short Term Capital Gain	SHT TRM CG	<ul style="list-style-type: none">• K-1 1120S• K-1 1041• K-1 1065
Net Long Term Capital Gain	LNG TRM CG	<ul style="list-style-type: none">• K-1 1120S• K-1 1041• K-1 1065
Other Portfolio and Non-Business Income	OTH PRTFLO	<ul style="list-style-type: none">• K-1 1041
Royalties	ROYALTIES	<ul style="list-style-type: none">• K-1 1120S• K-1 1065
Ordinary Business Income	OR INC K-1	<ul style="list-style-type: none">• K-1 1120S• K-1 1065
Ordinary Business Income	BUSI INC	<ul style="list-style-type: none">• K-1 1041
Guaranteed Payments	GUAR PAYMT	<ul style="list-style-type: none">• K-1 1065
Section 179 Deduction	SECT179 EX	<ul style="list-style-type: none">• K-1 1120S• K-1 1065
SEC 965 Income	PT3INCLOSS	<ul style="list-style-type: none">• K-1 1120S• K-1 1065

Income Type	Amount Type (IRPTR Literal)	Document Type
SEC 965 Deduction	PT3DEDLOSS	<div><div></div><div>K-1 1120S</div><div>K-1 1065</div></div>

Note: The literals CREDITS CR&CR RCAP, OTHER INFO, NRECOURBEG, NRECOUREND, QLRECOURBEG, QLRECUREND, RECOURBEG, RECOUREND, DIVIDENDEQU, and SECT179 EX are shown for information only. Do not pursue the SECT179EX amount.

- (3) Refer the case to the Lead Tax Examiner for review when an IR with Amount Type PT3INCLOSS or PT3DEDLOSS is present. See IRM 4.119.4.4.9, Miscellaneous, for additional information.

4.119.4.7.13.1
(08-26-2021)
Form 1041 Partnership/
Trust/ S-Corporation
(Conduit Income) -
Analysis

#

- (2) Refer the case to the Lead Tax Examiner for review when an IR with Amount Type PT3INCLOSS or PT3DEDLOSS is present. See IRM 4.119.4.4.9, Miscellaneous, for additional information.
- (3) When screening conduit IRs, keep the positive and negative amounts separate, but be aware that the taxpayer may have netted the negative IRs against positive IRs and/or the totals on the tax return. Review all forms, schedules and attached explanations to identify gross income amounts.

Caution: Ensure that any amounts reported on attachments/forms are properly included as income on page one of the return.

#

- (6) REAL EST, OTHER RENT, GUAR PAYMT and OR INC K-1 is reported on Form 1040, Schedule E, Part II, Columns (g) and/or (j). If the amount is not found on Form 1040, Schedule E, Part II, Columns (g) and/or (j), check column (a) for the payer name and/or column (d) for the payer EIN.
- a. If the taxpayer reports passive income on column (g) or passive loss on column (f) **and** attaches Form 8582, Passive Activity Loss Limitations, accept the gain or loss as reported, regardless of the amount, including zero.
 - b. If the taxpayer does not report the payer name/EIN on the Form 1040, Schedule E (or Schedule E is not completed/present) **and** attaches Form 8582, Passive Activity Loss Limitation, that includes the payer's name and/or EIN of the discrepant IR, consider the discrepancy resolved.
 - c. If the taxpayer attaches a completed Form 6198, At Risk Limitation, that matches the payer name and/or EIN consider the discrepancy resolved regardless of whether there is corresponding income/loss reported on Form 1040, Schedule E.
- (7) OTH RENTAL, NET RENTAL, BUSI INC and OTH PRTFLO is reported on Form 1040, Schedule E, Part III, column (d) and/or (f). If the amount is not found on Form 1040, Schedule E, Part III, column (d) and/or (f), check column (a) for the payer's name and/or column (b) for the payer EIN.
- a. If the taxpayer reports passive income on column (d) or passive loss on column (c) and attaches Form 8582, Passive Activity Loss Limitation, accept the gain or loss as reported, regardless of the amount, including zero.
 - b. If the taxpayer does not report the payer name/EIN on the Form 1040, Schedule E (or Schedule E is not completed/present) and attaches Form 8582, Passive Activity Loss Limitation, that includes the payer's name and/or EIN of the discrepant IR, consider the discrepancy resolved.
 - c. If the taxpayer attaches a completed Form 6198, At Risk Limitation, that matches the payer's name and/or EIN consider the discrepancy resolved regardless of whether there is corresponding income/loss reported on Form 1040, Schedule E.
- (8) Compare Amount Types: REAL EST, NET RENTAL, OTHER RENT, OTH RENTAL, OR INC K-1, BUSI INC, OTH PRTFLO, and GUAR PAYMT with entries on:
- a. Form 1040, Schedule E, Part II and III.
 - b. The taxpayer may combine Schedule K-1 amounts with SECTION 179 DEDUCTION and report the net on Form 1041, Schedule E, Part II or III. If the taxpayer did not claim the SECTION 179 DEDUCTION do not pursue.
 - c. Form 1041, line 8. Taxpayers are instructed to identify any amounts reported on Form 1041, line 8. Do not give credit for any unidentified amounts reported on line 8 unless there is a \$1 match.
 - d. These Amount Types may be found elsewhere on the return and/or attachments. **Thoroughly review the entire return, schedules, forms and attachments before pursuing discrepant K-1 amounts.**

- (9) ROYALTIES are reported on Form 1040 Schedule E, Part I, line 4.
- #

#
- (11) If multiple conduit IRs are present from the same payer for the same taxpayer take the following action:
- a. Review IDRS CC:IRPTRL for each IR to determine the **On File Date**.
- #

#
- d. If the On File Date is the same for multiple IRs and none of the IRs are reported, pursue all IRs.
- (12) For tax year 2016 and prior IDRS research is required to determine if fully U/R Schedule K-1 (Form 1041) IRs Trusts are the result of a fiscal year filing requirement. Using the payer EIN, research IDRS CC:BMFOLI to determine the following:
- a. Presence of MFT 05 with a Return Posted indicator of "Y", denoting that a Schedule K-1 (Form 1041) was filed.
- b. If the MFT 05 indicates that it is for our BUR tax year pursue the U/R amount. If for another tax year, consider the issue resolved.
- #
- (13) Beginning in tax year 2017, Schedule K-1 IDRS CC:IRPTR documents display
- #
#
- (14) Conduit income may be found elsewhere on the return and/or attachments. Thoroughly review the entire return, schedules, and attachments before pursuing discrepant K-1 amounts:
- #

#
- b. Consider each component of a K-1 IR separately. For example, if the taxpayer only reports the INTEREST/DIVIDENDS portion of the IR but fails to report the remaining K-1 income types included on the IR (e.g., OR INC K-1, GUAR PAYMT, etc.), pursue the remaining income types based on the applicable IRM procedures.
- (15) DIVIDENDS - See IRM 4.119.4.7.8.2, Form 1041 Dividends - Analysis, for further instructions.
- (16) INTEREST - See IRM 4.119.4.7.11.1, Interest - Analysis, for further instructions.

- (17) RENTS and ROYALTIES - See IRM 4.119.4.7.17.1, Form 1041 Rents and Royalties – Analysis, for further instructions.
- (18) Compare Schedule K-1 Amount Type SHT TRM CG with entries on:
 - a. Form 1041, Schedule D, line 5.
 - b. If the taxpayer did not file a Schedule D, determine if the Short Term Capital Gains are reported on Form 1041, line 4.
 - c. Form 1041, line 8. Taxpayers are instructed to identify any amounts reported on Form 1041, line 8. **Do not** give credit for any unidentified amounts reported on line 8 unless there is a \$1 match.
- (19) Compare Schedule K-1 Amount Type LNG TRM CG with entries on:
 - a. Form 1041, Schedule D, line 12.
 - b. If the taxpayer did not file a Schedule D, determine if the Capital Gains are reported on Form 1041, line 4.
 - c. Form 1041, line 8 Taxpayers are instructed to identify any amounts reported on Form 1041, line 8. **Do not** give credit for any unidentified amounts reported on line 8 unless there is a \$1 match.
- (20) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.13.2

(08-26-2021)

**Form 1120 Partnership/
Trust/ S-Corporation
(Conduit Income) -
Analysis**

#

- (2) Refer the case to the Lead Tax Examiner for review when an IR with Amount Type PT3INCLOSS or PT3DRDLOSS is present. See IRM 4.119.4.4.9, Miscellaneous, for additional information.
- (3) When screening conduit IRs, keep the positive and negative amounts separate, but be aware that the taxpayer may have netted the negative IRs against positive IRs and/or the totals on the tax return. Review all forms, schedules and attached explanations to identify gross income amounts.

Caution: Ensure that any amounts reported on attachments/forms are properly included as income on page one of the return.

#

#

- (6) Compare Amount Types: REAL EST, NET RENTAL, OTHER RENT, OTH RENTAL, OR INC K-1, BUSI INC, OTH PRTFLO, and GUAR PAYMT with entries on Form 1120, line 10. Taxpayers are instructed to identify any amounts reported on Form 1120, line 10. Do not give credit for any unidentified amounts reported on line 10, unless there is a \$1 match.
- a. These Amount Types may be found elsewhere on the return and/or attachments. **Thoroughly review the entire return, schedules, forms and attachments before pursuing discrepant K-1 amounts.**
 - b. The taxpayer may combine Schedule K-1 amounts with SECTION 179 DEDUCTION and report the net on Form 1120, line 10. If the taxpayer did not claim the SECTION 179 DEDUCTION do not pursue.

#

- (8) If multiple conduit IRs are present from the same payer for the same taxpayer take the following action:

- a. Review IDRS CC:IRPTRL for each IR to determine the **On File Date**.

#

- d. If the On File Date is the same for multiple IRs and none of the IRs are reported, pursue all IRs.

- (9) For tax year 2016 and prior, IDRS research is required to determine if fully U/R Schedule K-1 (1041) IRs Trusts are the result of a fiscal year filing requirement. Using the payer EIN, research IDRS CC: BMFOLI to determine the following:

- a. Presence of MFT 05 with a Return Posted indicator of "Y", denoting that a Schedule K-1 (1041) was filed.
- b. If the MFT 05 indicates that it is for our BUR tax year pursue the U/R amount. If for another tax year, consider the issue resolved.

#

(10) Beginning in tax year 2017, Schedule K-1 IDRS CC: IRPTR documents display

#

(11) Conduit income may be found elsewhere on the return and/or attachments. Thoroughly review the entire return, schedules, and attachments before pursuing discrepant K-1 amounts.

#

b. Consider each component of a K-1 IR separately. For example, if the taxpayer only reports the INTEREST/DIVIDENDS portion of the IR but fails to report the remaining K-1 income types included on the IR (e.g., OR INC K-1, GUAR PAYMT, etc.), pursue the remaining income types based on the applicable IRM procedures.

(12) DIVIDENDS - See IRM 4.119.4.7.8.3, Form 1120 Dividends - Analysis, for further instructions.

(13) INTEREST - See IRM 4.119.4.7.11.1, Interest - Analysis, for further instructions.

(14) ROYALTIES - See IRM 4.119.4.7.18.1, Form 1120 Royalties – Analysis, for further instructions.

(15) Compare Schedule K-1 Amount Type SHT TRM CG with entries on:

- a. Form 8949, Part I, line 1. Taxpayers are instructed to write “from Schedule K-1” and to enter the amount in column (h).
- b. If the taxpayer did not file a Schedule D, determine if the Short Term Capital Gains are reported on Form 1120, line 8.
- c. Form 1120, line 10. Taxpayers are instructed to identify any amounts reported on Form 1120, line 10. **Do not** give credit for any unidentified amounts reported on line 10 unless there is a \$1 match.

(16) Compare Schedule K-1 Amount Type LNG TRM CG with entries on:

- a. Form 8949, Part II, line 1. Taxpayers are instructed to write “from Schedule K-1” and to enter the amount in column (h).
- b. If the taxpayer did not file a Schedule D, determine if the Capital Gains are reported on Form 1120, line 8.
- c. Form 1120, line 10. Taxpayers are instructed to identify any amounts reported on Form 1120, line 10. **Do not** give credit for any unidentified amounts reported on line 10 unless there is a \$1 match.

(17) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.13.3
(09-02-2016)

**Partnership/ Trust/
S-Corporation (Conduit
Income) - Miscellaneous**

(1) If Conduit Income is U/R, enter the following on the Letter 2030:

- a. Select the PARTNERSHIP/TRUST/SMALL BUSINESS from the drop-down menu in the “Your income and deductions” field.
- b. Enter the gross reported amount in the “Shown on return” field.
- c. Enter the total of all U/R Conduit Income IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the “Difference” field matches the U/R amount.

4.119.4.7.14
(09-02-2016)

Form 1041 Qualified Education Program Payments - General

- (1) Qualified Education Program Payments consist of Qualified Tuition Program (QTP) and are reported to IRS on Form 1099-Q. Amount indicators on the Form 1099-Q reflects Gross Distribution (Box 1); Earnings (Box 2); and Qualified Tuition Basis (Basis) (Box 3).
- (2) Form 1099-Q IRs may display a distribution type based on the information in Form 1099-Q, Box 5. The following distribution types are for information only.
 - a. PRIVATE BOX CHECKED.
 - b. STATE BOX CHECKED.
 - c. COVERDELL ESA. BOX CHECKED.
- (3) Qualified Education Program Payments are reported on Form 1099-Q and displays on IDRS CC:IRPTR as Amount Type (IRPTR Literal) QTP EARNGS.

Note: QTP DIST & QTP BASIS is for information purposes only.

4.119.4.7.14.1
(09-02-2016)

Form 1041 Qualified Education Program Payments - Analysis

- (1) If the IR shows TRUSTEE ROLLOVER BOX CHECKED the distribution is non-taxable. Do not pursue the issue.
- (2) Only pursue net positive EARNGS. When there are multiple Form 1099-Q IR(s), combine positive EARNGS with any negative EARNGS. If the combined net EARNGS is negative, do not pursue the EARNGS issue.
- (3) Generally, QTP distributions are nontaxable if they are less than the designated beneficiary’s qualified education expenses. The taxable amount is reported on Form 1041, line 8. Consider the Form 1099-Q distribution(s) reported when:
 - a. The taxpayer identifies the amount reported on line 8 as the taxable portion of the Form 1099-Q distribution.
 - b. The taxpayer indicates the designated beneficiary’s qualified education expenses were greater than the Form 1099-Q distribution.
- (4) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instructions.

4.119.4.7.14.2
(09-02-2016)

Form 1041 Qualified Education Program Payments - Miscellaneous

- (1) If Qualified Education Program Payments is U/R, enter the following on the Letter 2030:
 - a. Select QUALIFIED EDUCATION PROGRAM PAYMENTS from the drop-down menu in the “Your income and deductions” field.
 - b. Enter the gross reported amount in the “Shown on return” field.
 - c. Enter the total of all U/R Qualified Education Program Payments IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the “Difference” field matches the U/R amount.

- (2) Include **PARAGRAPH 9** when Qualified Education Program Payments is U/R.

4.119.4.7.15
(09-02-2016)

**Real Estate Sales -
General**

- (1) Real estate transactions are the proceeds from the transfer (sale or exchange) of real estate.
- (2) Real estate transactions are identified with Document Type "1099-S" and are displayed on IDRS CC:IRPTR as Amount Type (IRPTR Literal) REAL ES SL.

Note: BYR RE TAX is displayed for information only.

4.119.4.7.15.1
(12-14-2023)

Real Estate - Analysis

#

- (3) Compare Real Estate Sales amounts with entries on:

Form 1041	Form 1120
<p>a. Form 1041, line 8. Taxpayers are instructed to identify any amounts reported on Form 1041, line 8. Do not give credit for any unidentified amounts reported on line 8, unless there is a \$1 match.</p> <p>b. Form 1040, Schedule C, line 1 only when the Business Activity relates to Real Estate activities. Consider any other Business income related IRs when determining the total amount to compare to Form 1040, Schedule C, line 1. or 6.</p> <p>c. Form 4797, Sale of Business Property, lines 1, 2(d), 10(d), or 20.</p> <p>d. Form 6252, Installment Sale Income, lines 5 or 21.</p> <p>e. Form 1041, Schedule D, or Form 8949.</p> <p>f. Form 8824, Like-Kind Exchanges, line 15.</p>	<p>a. Form 1120, line 10. Taxpayers are instructed to identify any amounts reported on Form 1120, line 10. Do not give credit for any unidentified amounts reported on line 10 unless there is a \$1 match.</p> <p>b. Form 1120, line 1a (Gross Receipts) only when the taxpayer's name or Business Activity on Form 1120, Schedule K lines 2a - 2c relates to Real Estate activities See IRM 4.119.4.7.10, Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Proceeds/Fish Purchased for Resale/Medical Payments/Nonemployee Compensation) – General, for additional information on information returns that are related to Gross Receipts or Sales. Consider any other Gross Receipts related IRs when determining the total amount to compare to Form 1120, line 1a.</p> <p>c. Form 4797, Sale of Business Property, lines 1, 2(d), 10(d), or 20.</p> <p>d. Form 6252, Installment Sale Income, lines 5 or 21.</p> <p>e. Form 1120, Schedule D, Part I, line(s) 1 - 3 column (d) or Part II line(s) 8 - 10, column (d).</p> <p>f. Form 8949, lines Part I, line 1 column (d) or Part II line 1 column (d).</p> <p>g. Form 8824, Like-Kind Exchanges, line 15.</p>

- (4) If the amounts reported on these Forms or Schedules are equal to or greater than the REAL ES SL IR(s) amounts, consider the issue resolved. If the amounts reported are less, consider the difference U/R.

- (5) Ensure that amounts reported on Forms and Schedules are properly carried forward to page 1 of the tax return.
- (6) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.15.2
(09-02-2016)

**Real Estate -
Miscellaneous**

- (1) If Real Estate Sales is U/R, enter the following on the Letter 2030:
 - a. Select REAL ESTATE SALES from the drop-down menu in the “Your income and deductions” field.
 - b. Enter the gross reported amount in the “Shown on return” field.
 - c. Enter the total of all U/R Real Estate Sales IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.

 - d. Verify the “Difference” field matches the U/R amount.
- (2) Include **PARAGRAPH 18** when Real Estate Sales are U/R.

4.119.4.7.16
(09-02-2016)

**Form 1120 Rents -
General**

- (1) Rental income is compensation for the use of property by someone other than the owner.
- (2) Rents display on IDRS CC:IRPTR with the following Amount Type and Document Type:

Income Type	Amount Type (IRPTR Literal)	Document Type
Rents	RENTS	1099-MISC
Net Rental Real Estate Income	NET RENTAL	K-1 1041
Other Rental income	OTH RENTAL	K-1 1041
Net Rental Real Estate Income	REAL EST	K-1 1065
Other Net Rental income	OTHER RENT	K-1 1065
Net Rental Real Estate Income	REAL EST	K-1 1120S
Other Net Rental Income	OTHER RENT	K-1 1120S

4.119.4.7.16.1
(09-02-2016)

**Form 1120 Rents -
Analysis**

- (1) Compare Rental Information Return amounts with entries on:
 - a. Form 1120, line 6.
 - b. Form 1040, **Schedule F, Part I or Part III**, lines 2, 8 or 43. The amount must match within \$1 or be clearly identified as Rental Income.
 - c. Form 1120, line 10. The amount must match within \$1 or be clearly identified as Rental Income.

- d. Form 1120, line 1a when the taxpayer's name or Business Activity as shown on Form 1120, Schedule K, lines 2a – 2c relates to rental activity (i.e., Rental, Real Estate, Property Management, Warehouse Storage, Leasing, Rental Equipment, etc.). See IRM 4.119.4.7.10, Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Proceeds/Medical Payments/Non-employee Compensation) - General, for additional information. Consider any other Gross Receipts related IRs when determining the total amount to compare to Form 1120, line 1a.

Exception: Do not give credit for any amounts reported on Form 1120, line 1a when the taxpayer has reported an amount on Form 1120, line 6 (Gross Rents).

- (2) When more than one information return containing Rental Income are present and the taxpayer does not provide a breakdown:
1. Group all rent IRs together.
 2. Compare the group total amount to the total reported rents.
 3. If the group total is smaller, consider the issue resolved.
 4. If the group total is larger, consider the difference underreported.
- (3) When an attachment or statement indicates Nominee income see IRM 4.119.4.4.7, Nominee Recipient, for further instructions.

4.119.4.7.16.2
(09-06-2017)

**Form 1120 Rents -
Miscellaneous**

- (1) If Rental Income is U/R, enter the following on the Letter 2030:
- a. Select GROSS RENTS from the drop-down menu in the "Your income and deductions" field.
 - b. Enter the gross reported amount in the "Shown on return" field.
 - c. Enter the total of all U/R Rent IR amounts **plus** the "Shown on return" amount in the "As corrected by IRS" field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the "Difference" field matches the U/R amount.

4.119.4.7.17
(09-02-2016)

**Form 1041 Rents and
Royalties - General**

- (1) Rent and Royalties income is compensation for the use of property or rights by someone other than the owner.
- (2) Rent and Royalties display on IDRS CC:IRPTR with the following Amount Type and Document Type:

Income Type	Amount Type (IRPTR Literal)	Document Type
Rents	RENTS	1099-MISC
Net Rental Real Estate Income	NET RENTAL	K-1 1041
Other Rental income	OTH RENTAL	K-1 1041
Net Rental Real Estate Income	REAL EST	K-1 1065

Income Type	Amount Type (IRPTR Literal)	Document Type
Other Net Rental Income	OTHER RENT	K-1 1065
Net Rental Real Estate Income	REAL EST	K-1 1120S
Other Net Rental Income	OTHER RENT	K-1 1120S
Royalties	ROYALTIES	1099-MISC
Royalties	ROYALTIES	K-1 1065
Royalties	ROYALTIES	K-1 1120S

4.119.4.7.17.1
(12-14-2023)
Form 1041 Rents and Royalties - Analysis

- (1) Compare RENTS or ROYALTIES amounts with entries on:
 - a. Form 1040, Schedule E, Part I, lines 3 and 4.
 - b. Form 1041, line 5.
 - c. Form 1040, Schedule C, Part I, line 1 1. If the taxpayer is in the business of rental property, or it can be determined from the payer name or business activity that the income is from the same source. When screening for Rents/Royalties income on Form 1040, Schedule C, also consider any additional Business Income IR(s) to determine the U/R amount.
 - d. Consider the IRs reported if the gross amount on Form 4835 is large enough to include the Rent/Royalty amount as long as distributions from Amount Types (IRPTR Literal) TX GRANT, PATRONAGE, NONPAT DIS, RTAIN ALLC, AG SUBS, MRKGAINCCC, and CROP INS are accounted for first. Otherwise, issue a Letter 2030 for the full amount of the IR(s).
 - e. Form 1041, Schedule D, or Form 8949. If income is identified as Coal and Timber royalties, patents, rights of way, or easements. If the payer is identified and the amount is larger accept, if the payer is identified and the amount is smaller give credit and pursue the difference.
- (2) RENTS or ROYALTIES for the following entries must match within \$1 or be **clearly identified**:
 - a. Form 1040, Schedule C, Part 1, line 6.
 - b. Form 1040, Schedule E, Part II.
 - c. Form 1040, Schedule F, Part I or Part III. Do not pursue IRs when the amount matches Form 1040, Schedule F, lines 2, 8 or 43 within \$1, or a larger amount is present and is identified as rent or royalty.
 - d. Form 1041, line 8.

#

#

- (4) If a breakdown of Rents and Royalty Income is not shown on the return and there is more than one IR:
- Group by income type RENTS or ROYALTIES as applicable.
 - Compare the group total amount to the total reported rents or royalties.
 - If the group total is smaller, consider the issue resolved.
 - If the group total is larger, consider the difference underreported.
- (5) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.17.2
(09-02-2016)
**Form 1041 Rents and
Royalties -
Miscellaneous**

- (1) If Rents and Royalties is U/R, enter the following on the Letter 2030:
- Select RENTS or ROYALTIES from the drop-down menu in the “Your income and deductions” field.
 - Enter the gross reported amount in the “Shown on return” field.
 - Enter the total of all U/R Rents or Royalties IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.
- Caution:** It may be necessary to include any additional amounts identified on the return.
- Verify the “Difference” field matches the U/R amount.

4.119.4.7.18
(09-02-2016)
**Form 1120 Royalties -
General**

- (1) Royalties are compensation for the use of property, usually copyrighted works, patented inventions, or natural resources, by someone other than the owner.
- (2) Royalties display on IDRS CC: IRPTR with the following Amount Type and Document Type:

Income Type	Amount Type (IRPTR Literal)	Document Type
Royalties	ROYALTIES	1099-MISC
Royalties	ROYALTIES	K-1 1065
Royalties	ROYALTIES	K-1 1120S

4.119.4.7.18.1
(09-02-2016)
**Form 1120 Royalties -
Analysis**

- (1) Compare Royalties amounts with entries on:
- Form 1120, line 7.

- b. Form 1040, **Schedule F, Part I or Part III**, lines 8 or 43. The amount must match within \$1 or be clearly identified as Royalties.
- c. Form 1120, line 10. The amount must match within \$1 or be clearly identified as Royalties.
- d. Form 1120, line 1a when the taxpayer's name or Business Activity as shown on Form 1120, Schedule K, lines 2a - 2c relates to Mining, Independent Artists (including Writers and/or Performers), Advertising or Publishing (including Software Development and/or Film Production) activities. See IRM 4.119.4.7.10, Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Proceeds/Fish Purchased for Resale/Medical Payments/Nonemployee Compensation) - General, for additional information. Consider any other Gross Receipts related IRs when determining the total amount to compare to Form 1120, line 1a.

Exception: Do not give credit for any amounts reported on Form 1120, line 1a when the taxpayer has reported an amount on Form 1120, line 7 (Gross Royalties).

- (2) When more than one information return containing Royalties are present and the taxpayer does not provide a breakdown:
 - 1. Group all Royalties together.
 - 2. Compare the group total amount to the total reported Royalties.
 - 3. If the group total is smaller, consider the issue resolved.
 - 4. If the group total is larger, consider the difference underreported.
- (3) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instructions.

4.119.4.7.18.2
(09-06-2017)
**Form 1120 Royalties -
Miscellaneous**

- (1) If Royalties are U/R, enter the following on the Letter 2030:
 - a. Select GROSS ROYALTIES from the drop-down menu in the "Your income and deductions" field.
 - b. Enter the gross reported amount in the "Shown on return" field.
 - c. Enter the total of all U/R Royalty IR amounts **plus** the "Shown on return" amount in the "As corrected by IRS" field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the "Difference" field matches the U/R amount.

4.119.4.7.19
(11-16-2020)
**Securities Sales and
Cost Basis - General**

- (1) **Securities Sales** are the proceeds from transactions involving stocks, bonds, options, other debt obligations, commodities, securities futures contracts or forward contracts.
- (2) Securities Sales are identified on IDRS CC: IRPTR with Document Type 1099-B and Amount Type (IRPTR literal) PROCEEDS.
- (3) **Cost Basis** represents the purchase price of the securities sale.
- (4) Cost Basis is identified on IDRS CC: IRPTR with Document Type 1099-B and Amount Type (IRPTR literal) COST&BASIS.

Note: Amount Type ADJUSTMENT, SALE&LOSS, and ACCRUED MDA are for information purposes only.

Note: Payers report COST&BASIS on “covered securities” (e.g., the sale of a stock transaction that was purchased in 2011 or later). Therefore, not all Form 1099-B IRs will contain a COST&BASIS.

- (5) **Qualified Opportunity Fund (QO Fund)** is an investment vehicle organized as a corporation or a partnership for the purpose of investing in Qualified Opportunity Zone (QOZ) property (other than another QO Fund) that holds at least 90% of its assets in a QOZ property.
- (6) **Qualified Opportunity Fund (QO Fund) investment** is an investment in a QO Fund, the amount for which a section 1400Z-2(a) election is made to defer an equal amount of eligible gain. Under this provision, a taxpayer may contribute eligible gains to a Qualified Opportunity Fund (QO Fund) and defer the tax (until the earlier of either December 31, 2026 or an inclusion event). The provision offers three tax incentives for investors investing in qualified opportunity zones through a QO Fund.
 - **Temporary Deferral** - Investors may elect to contribute eligible gains to a QO Fund using Form 8949, Sales and Dispositions of Capital Assets, within 180 days of the sale or exchange. If they make an election, they may defer the taxes on that gain until the earlier of December 31, 2026, or an inclusion event.
 - **Basis Increase** - At the time of the investment into the QO Fund, the taxpayer's basis in the investment is \$0. If the investment is held for at least 5 years, then the taxpayer may increase the basis 10% by the original deferred amount. If the investment is held for at least 7 years, the taxpayer may increase the basis an additional 5% by the original deferred amount. Thus, in recognizing the original deferred gain, the taxpayer may exclude up to 15% of the gain, if held for at least 7 years.
 - **Permanent Exclusion** - If the QO Fund investment is held for at least 10 years, the taxpayer may permanently exclude gain from the sale or exchange of its investment at the time the investment is sold or exchanged.
- (7) The provision allows the recognition of these gains to be deferred if the gains are invested in a QO Fund. If the investment is held for at least 10 years, the investor receives a basis equal to the fair market value at the time the investment is sold or exchanged thereby avoiding paying taxes on any subsequent gain from its investment in the QO Fund.
- (8) An investor uses Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QO Fund) Investments, to inform the IRS of the QO Fund investments and deferred gains held at the beginning and end of the current tax year, as well as any eligible gains deferred by investing in a QO Fund and QO Fund investments disposed of during the current tax year.
- (9) An investor elects to defer the tax on an eligible gain by reporting the eligible gain on Form 8949. Investors report the deferral of the eligible gain on its own row of Form 8949 in Part I with box “C” checked or Part II with box “F” checked (depending on whether the gain being deferred is short term or long term). The taxpayer will enter the EIN of the QO Fund in column (a), the date

of the QO Fund investment in column (b), code “Z” in column (f) and the amount of the deferred gain as a negative number (in parentheses) in column (g).

- (10) If a taxpayer disposes of its investment in a QO Fund, or has an inclusion event, the taxpayer must report the amount of eligible gain that was previously deferred and that is now being recognized. The taxpayer will attach Form 8949 and Form 8997 to its applicable tax return. The Taxpayer will enter the EIN of the QO Fund investment sold in column (a), complete columns (b), (c), (d) and (e), enter code “Y” in column (f) and in (g) enter the amount of the previously deferred gain as a positive number.
- (11) During original processing, business returns are coded with a Computer Condition Code (CCC) “M” when tax period is 2017 and later and Form 8949 contains a “Z” and/or “Y” in any line for column (f) of Part I or Part II.

Note: TC 971 Action Code 177 indicates the taxpayer reported an investment into a Qualified Opportunity Fund (QO Fund). See IRM 4.119.4.3.4, Other Transaction Codes and Math Error Codes, for additional information.

- (12) Proceeds from a Qualified Opportunity Fund (QO Fund) transaction are identified on Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, box 3 when the QO Fund box is checked. The IR shows indicator 2 in the “Proceeds from Collectible” field when the QO Fund box is checked.
- (13) Schedule D (Form 1120) and Schedule D (Form 1041) were revised for tax year 2019 to include a new check-box for previously deferred Qualified Opportunity Fund investments.
- (14) During screening, do not consider amounts shown on Form 8949 identified as deferred QO Fund investments (i.e., “Z” code on line 1(f)).

4.119.4.7.19.1
(11-16-2020)
**Securities Sales and
Cost Basis - Analysis**

- (2) Generally, Form 1099-B PROCEEDS IRs contain a CUSIP (Committee on Uniform Security Identification Procedures) number. This number is usually nine characters long, consisting of alpha and/or numeric characters. The CUSIP number identifies the issuer of the transaction and the type of transaction. Alpha characters in the 7th and/or 8th position(s) of the CUSIP number

#

#

into consideration when determining the U/R amount.

- a. Be careful when determining the position of the CUSIP number containing the alpha characters. The first six digits represent the issuer number and the 4th and 5th and/or 6th positions may contain alpha character(s).
- b. Pursue PROCEEDS IRs whose entity includes nontaxable Municipal Bond, tax free exchange or tax free unless the CUSIP number meets the conditions provided above.

- (3) Some PROCEEDS IR(s) appear to be duplicates because the account numbers, the amounts, and the source (paper or tape) are identical. Do not consider these IR(s) as duplicates if the transaction (sales) dates shown on the IR(s) are different.

#

- (5) Form 1041 or Form 1120, Schedule D, line 1a and/or line 8a is used to report an aggregate total of stock transactions that don't require a breakdown on Form 8949, Sales and Other Dispositions of Capital Assets. **However**, the taxpayer can also complete a Form 8949 for other transactions that are then reported on Form 1041 or Form 1120, Schedule D, line 1b, 2, 3, 8b, 9 and/or 10.

- a. Utilize the instructions in (6) and (7) below when screening cases where the taxpayer has reported transactions on Form 1041 or Form 1120, Schedule D line 1a and/or 8a **and** also includes a Form 8949 to report other transactions.
- b. Attempt to resolve specific IRs by comparing them to the specific transactions reported on Form 8949 **before** grouping to match against the aggregate total reported on Form 1041 or Form 1120, Schedule D, line 1a and/or 8a.

- (6) If Form 1041 or Form 1120, Schedule D is present without Form 8949 compare PROCEEDS amounts with entries on:

1. Form 1041 or Form 1120, Schedule D, Part I, line(s) 1a through 3, column (d).
2. Form 1041 or Form 1120, Schedule D, Part II, line(s) 8a through 10, column (d).

Note: Use the IR payer name or item description to identify the transactions reported on the tax return.

#

#

- (7) If the Form 8949, or attachment includes a breakdown of transactions by payer name, sales date or item description:

Caution: If the Form 8949 or attachment does not provide sufficient detail to match against the IRs (e.g., The description of property is listed as: securities, various, various stock sales, etc.), group any remaining outstanding IRs against the total proceeds reported on Form 8949, Part I, line 1, column (d) or Part II, line 1, column (d).

1. Compare Form 8949, Part I, line 1, column (d) or Part II, line 1, column (d) entries to the PROCEEDS and give credit for identified reported amounts.
2. If there are **multiple IRs with the same payer's name or item description**, compare the **total** to the identified amount(s) reported on the return.
3. Do not give credit for any amounts reported on the Form 8949 when the payer name or item description does not match the IR, unless there is a dollar match.
4. Ensure that any amounts reported on attachments/forms are properly included as income on page one of the return.

#

#

- (8) **Form 1041 only** - If PROCEEDS are U/R and the taxpayer reports a capital loss of \$3,000 or more include **PARAGRAPH 8**.

(9) If the taxpayer does not file a Form 1041 or Form 1120 Schedule D, Form 8949 or a breakdown of securities sales is not provided and there is more than one Securities Sales IR, take the following action:

#

2. Group the remaining IRs by Amount Type PROCEEDS and compare the total to the gross amounts reported on Form 1041, line 4 or Form 1120, line 8.

Exception: Do not give credit for amounts on Form 1041, line 4 or Form 1120, line 8 if the amounts listed are clearly identified as a different income type.

3. If the PROCEEDS group total is smaller, consider the issue resolved.
4. If the PROCEEDS group total is larger, consider the difference underreported.
5. Group any COST&BASIS Amount Types, consider the difference underreported and enter zero as the reported amount.

#

#

- (10) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.
- (11) When a taxpayer has an inclusion event regarding its investment in a QO Fund in a tax year, they must report the amount of eligible gain previously deferred that is now being recognized on Form 8949, Sales and Other Dispositions of Capital Assets, then carry the amount(s) from Form 8949 to Schedule D (Form 1120 or Form 1041). The taxpayer is instructed to:
- a. Report the gain from each investment on its own row of Form 8949.
 - b. Enter the TIN of the QO Fund investment that was sold.
 - c. Complete columns (b), (c), (d) and (e).
 - d. Enter "Y" in column (f).
 - e. Enter the amount of the previously deferred gain as a positive number in column (g).
- (12) Compare IR identified as a QO Fund investment gain (i.e., Form 1099-B box 3 has QO Fund checked and/or the IR is coded with indicator 2 in the "Proceeds from Collectible" field) with the income reported on Form 8949 identified with code "Y" in column (f).

If	Then
The amount in Form 8949 column (d) is a dollar match	Consider the income reported
The amount in Form 8949 column (d) does not match, but is identified by payer name EIN etc.	Pursue the difference
The IR is fully U/R	Pursue in full and send the following special paragraph "We received information showing you sold or exchanged your investment in a previously deferred Qualified Opportunity Fund (QO Fund). The gain is to be reported on Form 8949, Sales and Other Dispositions. Please submit Form 8949 showing the transaction, along with Form 8997, Initial and Annual Statement of Qualified Opportunity Fund (QO Fund) investments with your response to this notice."

4.119.4.7.19.2
(09-02-2016)
**Securities Sales and
Cost Basis -
Miscellaneous**

- (1) When PROCEEDS is U/R, enter the following on the Letter 2030:
 - a. Select SECURITIES SALES from the drop-down menu in the "Your income and deductions" field.
 - b. Enter the gross reported amount in the "Shown on return" field.
 - c. Enter the total of all U/R Securities Sales IR amounts **plus** the "Shown on return" amount in the "As corrected by IRS" field.

Caution: It may be necessary to include any additional amounts identified on the return.

 - d. Verify the "Difference" field matches the U/R amount.
- (2) Send **PARAGRAPH 13** when Securities Sales are U/R.
- (3) When COST&BASIS is U/R, enter the following on the Letter 2030:
 - a. Select COST BASIS from the drop-down menu in the "Your income and deductions" field.
 - b. Enter the gross reported amount as a **negative** in the "Shown on return" field.
 - c. Enter the total of all U/R Cost Basis IR amounts **plus** the "Shown on return" amount as a **negative** in the "As corrected by IRS" field.

Caution: It may be necessary to include any additional amounts identified on the return.

 - d. Verify the "Difference" field matches the U/R amount.
- (4) **Form 1041 only** - Include **PARAGRAPH 8** when applicable.

4.119.4.7.20
(11-16-2020)

Substitute Payments in Lieu of Dividends or Tax-Exempt Interest - General

- (1) Substitute Payments in lieu of dividends or tax-exempt interest are made by a broker who transfers a taxpayer's securities for use in a short sale or in securities lending transaction and receives certain substitute dividend or tax-exempt interest payments on the taxpayer's behalf while the short sale or securities lending transaction is open.

Note: Identifying these amounts is important because dividends and tax-exempt interest are often taxed at a lower rate than a taxpayer's marginal rate, while substitute payments in lieu of those amounts are taxed at the taxpayer's marginal rate.

- (2) Substitute Payments in lieu of dividends or tax-exempt interest are identified with Document Type "1099-MISC" and displays on IDRS CC:IRPTR as Amount Type (IRPTR Literal) SUB PAYMTS.

4.119.4.7.20.1
(09-06-2017)

Substitute Payments in Lieu of Dividends or Tax-Exempt Interest - Analysis

- (1) Compare Amount Type SUB PAYMTS with entries on Form 1041, line 8 or Form 1120, line 10. Taxpayers are instructed to identify any amounts reported on Form 1041, line 8 or Form 1120, line 10. Do not give credit for any unidentified amounts reported on line 10 unless the match is within \$1.
- (2) When more than one information return containing Substitute Payments in Lieu of Dividends or Tax-Exempt Interest amounts are present, and the taxpayer does not provide a breakdown:

1. Group all Substitute Payments in Lieu of Dividends or Tax-Exempt Interest together.
2. Compare the group total amount to the total reported.
3. If the group total is smaller, consider the issue resolved.
4. If the group total is larger, consider the difference underreported.

- (3) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.20.2
(09-06-2017)

Substitute Payments in Lieu of Dividends or Tax-Exempt Interest - Miscellaneous

- (1) If Substitute Payments in Lieu of Dividends or Tax-Exempt Interest is U/R, enter the following on the Letter 2030:
 - a. Select PAYMENTS IN LIEU OF DIVIDENDS from the drop-down menu in the "Your income and deductions" field.
 - b. Enter the gross reported amount in the "Shown on return" field.
 - c. Enter the total of all U/R Substitute Payments in Lieu of Dividends or Tax-Exempt Interest IR amounts **plus** the "Shown on return" amount in the "As corrected by IRS" field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the "Difference" field matches the U/R amount.

4.119.4.7.21
(09-16-2019)

Taxable Grants - General

- (1) A grant includes subsidized energy financing or grants for projects designed to conserve or produce energy paid by a federal, state, or local program and is generally income to the recipient.

- (2) Taxable grants are reported on Form 1099-G.

- (3) Taxable grants are identified on IDRS CC:IRPTR as Amount type (IRPTR Literal) TX GRANT.

4.119.4.7.21.1
(09-02-2016)
**Form 1041 Taxable
Grants - Analysis**

- (1) If the payer is the US Department of Agriculture, compare Taxable Grant amount(s) with entries on:
- Form 1040, Schedule F, lines 4a (line 4b if line 4a is zero or blank) or line 39a (line 39b if line 39a is zero or blank).
 - Form 1040, Schedule F, lines 8 or 43. The amount must match within \$1 or be clearly identified as grants.
 - Form 1040, Schedule E, Part I, line 3. Group all farm related Amount Types from all IR(s) with any other rental related Amount Types IR(s) present.

Exception: Do not allow credit for any amount reported on Form 1040, Schedule E, Part I, line 3 if the taxpayer has reported farming income elsewhere on the return.

- Form 4835, line 3a (line 3b if line 3a is zero or blank).
- Form 1041, line 6.

Note: Give credit for amounts reported on Form 1041, line 8 when identified as Gross Farm Income **only** when Form 1040, Schedule F or Form 4835 is not attached.

Note: If agriculture payments are present, consider these amounts when determining the U/R.

- Form 1041, line 8. Taxpayers are instructed to identify any amounts reported on Form 1041, line 8. **Do not** give credit for any unidentified amounts reported on line 8 unless there is a \$1 match.
- Form 1040, Schedule E, Part V, line 42:

If the amount reported on Schedule E, Part V, line 42 is	Then
Equal to or greater than the sum total of all farm related Amount Types from all IR's	Consider the income discrepancy resolved.
Less than the sum total of all farm related Amount Types from all IR's	Pursue the IR amount(s) in full do not give credit for any amount reported on this line.

Exception: Do not allow credit for any amount reported on Form 1040, Schedule E, Part V, line 42 when the taxpayer has reported farm income elsewhere on the return.

- (2) When more than one information return containing Taxable Grants amounts are present and the taxpayer does not provide a breakdown:
- Group all Taxable Grants together.
 - Compare the group total amount to the total reported.
 - If the group total is smaller, consider the issue resolved.
 - If the group total is larger, consider the difference underreported.
- (3) When an attachment or statement indicates Nominee income. See IRM

4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.21.2

(09-02-2016)

Form 1120 Taxable Grants - Analysis

- (1) Compare Taxable Grants with entries on Form 1120, line 10. Taxpayers are instructed to identify any amounts reported on Form 1120, line 10. Do not give credit for any unidentified amounts reported on line 10 unless there is a \$1 match.
- (2) If the payer is the US Department of Agriculture, compare Taxable Grant amount(s) with entries on:
 - a. Form 1040, Schedule F, lines 4a (line 4b if line 4a is zero or blank) or line 39a (line 39b if line 39a is zero or blank).
 - b. Form 1040, Schedule F, lines 8 or 43. The amount must match within \$1 or be clearly identified as grants.
 - c. Form 4835, line 3a (line 3b if line 3a is zero or blank).
 - d. Give credit for amounts reported on Form 1120, line 10 when identified as Gross Farm Income **only** when Form 1040, Schedule F or Form 4835 is not attached.

Note: If agriculture payments are present, consider these amounts when determining the U/R.

- e. Form 1120, line 1a when the taxpayer's name or Business Activity as shown on Form 1120, Schedule K, lines 2a – 2c relates to farming activity. See IRM 4.119.4.7.10, Form 1120 Gross Receipts or Sales (Bartering/Payment Card Transactions/Attorney's Proceeds/Fishing Proceeds/Medical Payments/Nonemployee Compensation) - General, for additional information. Consider any other Gross Receipts and farming related IRs when determining the total amount to compare to Form 1120, line 1a.

Exception: Do not give credit for any amounts reported on Form 1120, line 1a when the taxpayer has reported farming income on Form 1120, line 10.

- (3) When more than one information return containing Taxable Grants amounts are present and the taxpayer does not provide a breakdown:
 1. Group all Taxable Grants together.
 2. Compare the group total amount to the total reported.
 3. If the group total is smaller, consider the issue resolved.
 4. If the group total is larger, consider the difference underreported.
- (4) When an attachment or statement indicates Nominee income. See IRM 4.119.4.4.7, Nominee Recipient, for further instruction.

4.119.4.7.21.3

(09-02-2016)

Taxable Grants - Miscellaneous

- (1) If Taxable Grants are U/R, enter the following on the Letter 2030:
 - a. Select TAXABLE GRANTS from the drop-down menu in the "Your income and deductions" field.

Exception: Form 1041 only - When giving credit for amounts reported on Form 1040, Schedule E, Part I, line 3, select RENTS from the drop-down menu in the "Your income and deductions" field.

- b. Enter the gross reported amount in the “Shown on return” field.
- c. Enter the total of all U/R Taxable Grants IR amounts **plus** the “Shown on return” amount in the “As corrected by IRS” field.

Caution: It may be necessary to include any additional amounts identified on the return.

- d. Verify the “Difference” field matches the U/R amount.

4.119.4.8
(09-06-2017)
**Net Operating Loss
(NOL) Recovery**

- (1) Net Operating Loss (NOL) Recovery cases are identified as returns claiming an NOL deduction on Form 1120, line 29a and a prior year BUR adjustment.
- (2) Cases that meet the above criteria are identified on the DCI as Subfile **N** and/or identified with the following treatment code:

Tax Year	Treatment Code
2015 and subsequent	3C0
2014	NOL1

- (3) Refer cases in Subfile **N** or identified with the above treatment codes to the Lead Tax Examiner.

4.119.4.9
(12-14-2023)
**Form 1120
Recomputation of Tax**

- (1) For tax years beginning in 2018, corporations, including qualified personal service corporations, multiply taxable income by 21%.
- Note:** See IRM 4.119.4.4.9, Miscellaneous, If there is any indication the taxpayer computed tax under “Section 965”, Transition Tax on Untaxed Foreign Earnings of Foreign Corporations with U.S. Shareholders, (e.g., “Section 965” or “965 TAX” or similar language notated on the return, attachments or statements, or IRC 965 Transition Tax Statement or similar statement is attached).

4.119.4.9.1
(09-16-2019)
**Form 1120 Qualified
Personal Service
Corporation (QPSC) Tax
Rate**

- (1) A corporation is considered a Qualified Personal Service Corporation (QPSC) when it meets both of the following conditions:
 - a. Substantially all of the corporation’s activities involve the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts or consulting **and**
 - b. At least 95% of the corporation’s stock is directly or indirectly owned by its: employees, retired employees, and the estate or legatees of those persons, or any other person who acquired such stock by reason of the death of an employee or retired employee (but only for the 2-year period beginning on the date of the death of such individual).
- (2) For tax years beginning in 2018, corporations, including qualified personal service corporations, multiply taxable income by 21%. Follow the instructions in (3) - (8) below for tax year 2017 and prior.
- (3) Tax year 2017 and prior, a QPSC is taxed at a flat rate of 35% on their taxable income.

Note: Due to Original Processing errors, it is possible that the taxpayer indicated that they are a QPSC but did not use the 35% tax rate to calculate their base tax.

- (4) A taxpayer is identified as a QPSC when they check the **qualified personal service corporation** box on Form 1120, Schedule J, line 2.

Note: When the taxpayer checks this box the tax return is flagged, and the following codes are uploaded to Masterfile: ABLM CD 400 and CONTROL GRP CD 2.

Note: If the taxpayer also checks the “member of a controlled group” box 1 on Form 1120, Schedule J, the QPSC takes priority.

- (5) When the taxpayer has checked the “qualified personal service corporation” box on Form 1120, Schedule J, line 2 take the following actions:
1. Verify that the “PSC” box on the DCI contains a “check mark.”
 2. If the “PSC” box on the DCI is blank, enter a “check mark” in the “PSC” box on the DCI.

Reminder: Take into consideration any prior adjustments for tax and taxable income when preparing a notice. If information was received after the original return was filed (e.g., amended return was filed) indicating the corporation is no longer a QPSC, remove the PSC **check mark** on the DCI.

- (6) When issuing a Letter 2030, use the QPSC rate to determine tax when there is an indication that the taxpayer is a QPSC.
- (7) Include **PARAGRAPH 35** on the Letter 2030 when the taxpayer indicated they are a QPSC but did not use the 35% tax rate to calculate their base tax.

Reminder: **PARAGRAPH 35** is **not** applicable on notices generated for tax year 2018 and subsequent.

- (8) Based on the taxpayer’s response, it may be necessary to recalculate the QPSC tax to the applicable tax schedule rate.

4.119.4.9.2 (09-16-2019)

Form 1120 Schedule O, Consent Plan and Apportionment Schedule for a Controlled Group

- (1) Beginning in tax year 2018 the graduated corporate tax structure was replaced with a flat 21% corporate tax rate. Follow the instructions in (2) - (7) below for tax year 2017 and prior.
- (2) Tax year 2017 and prior, a corporation that is a member of a controlled group uses Form 1120, Schedule O, Consent Plan and Apportionment Schedule for a Controlled Group, to report the distribution of taxable income and income tax (including certain tax benefits) between all members of the group. The Schedule O includes all of the control group members and lists them in Part II and Part III.
- (3) For each member of the control group, taxable income is allocated to the following tax rate brackets:
- 15% tax rate - limited to \$50,000
 - 25% tax rate - limited to \$25,000

- 34% tax rate - limited to \$9,925,000
- (4) For each member of the control group, certain tax benefits are allocated to the following tax rate brackets:
 - 5% tax rate - limited to \$11,750
 - 3% tax rate - limited to \$100,000
- (5) Taxpayers filing Form 1120, Schedule O are instructed to check Form 1120, Schedule J, box 1.

Note: If the taxpayer also checks the “qualified personal service corporation” box on Form 1120, Schedule J, line 2, the QPSC indicator takes priority.

- (6) If the taxpayer uses a Schedule O to determine tax, refer to the Lead Tax Examiner.

Reminder: Issue a Letter 2531 as the initial taxpayer contact. See IRM 4.119.4.6, Determination of Letter 2531 Issuance.

- (7) Include **PARAGRAPH 36** when issuing a notice.

Reminder: **PARAGRAPH 36** is **NOT** applicable on notices issued for tax year 2018 and subsequent.

4.119.4.10
(11-16-2020)
**Form 1120 Non -
Refundable Credits**

- (1) Non-Refundable credits are used to reduce tax. They include the following credits reported on:
 - a. Form 1118, Foreign Tax Credit-Corporations, reported on Form 1120, Schedule J, line 5a.
 - b. Form 8834, Qualified Plug-in Electric and Electric Vehicle Credit, reported on Form 1120, Schedule J, line 5b.
 - c. Form 5735, American Samoa Economic Development Credit, reported on Form 1120, Schedule J, line 5b.

Note: Although not listed on Form 1120, Schedule J, the Form 1120, reporting instructions direct the taxpayer to include any credit from Form 5735 on Schedule J, line 5b.

- d. Form 3800, General Business Credit, reported on Form 1120, Schedule J, line 5c.
- e. Form 8827, Credit for Prior Year Minimum Tax-Corporations, reported on Form 1120, Schedule J, line 5d.
- f. Form 8912, Credit to Holders of Credit Bonds reported on Form 1120, Schedule J, line 5e.
- g. Form 8978, Partner’s Additional Reporting Year Tax.

Note: If the taxpayer filed Form 8978, Partner’s Additional Reporting Year Tax, and/or has “FROM FORM 8978” as a write-in on the dotted line next to Form 1120, Schedule J, line 6, refer the case to the Lead Tax Examiner.

- (2) Include **PARAGRAPH 40** when the tax return shows any entries on Form 1120, Schedule J, lines 5a - 5e (other than zero).

4.119.4.10.1
(09-16-2019)

Form 1120 Carryforward Credits

(1) The following credits are carryforward credits:

- a. Form 1118, Foreign Tax Credit-Corporations, Schedule K (Foreign Tax Carryover Reconciliation Schedule).
- b. Form 3800, General Business Credit.
- c. Form 8827, Credit for Prior Year Minimum Tax-Corporations.

Note: Taxpayer can claim the unused portion of a carryforward credit on their subsequent year's tax return.

Note: Both Form 3800, General Business Credit and Form 8827, Credit for Prior Year Minimum Tax-Corporations, have a refundable credit component which can be claimed on Form 1120, Schedule J, line 19c (tax year 2017 and prior) or 20c (tax year 2018 and subsequent).

(2) Based on the taxpayer's response it may be necessary to revise the amount of carryforward credits claimed. Ensure that carryback/carryforward guidelines are followed if the taxpayer responds requesting change(s) to the amount of previously reported credit(s). See IRM 4.119.4.21.7.3, NOL Carryback/Carryforward, for additional instructions.

4.119.4.11
(08-26-2021)

Form 1120 Other Taxes

(1) The following pertain to changes to certain other taxes claimed by taxpayers.

(2) These other taxes may include:

Additions to Base Tax - Taxpayers subject to deferred tax under IRC 1291 or IRC 197 (f) are instructed to add the amount(s) to base tax on the dotted portion of Form 1120, Schedule J, line 2

Form 4626, Alternative Minimum Tax – Corporations (tax year 2017 and prior)

Form 8991, Tax on Base Erosion Payments of Taxpayers with Substantial Gross receipts, (tax year 2018 and subsequent)

Note: Refer the case to the Lead Tax Examiner when the taxpayer claims an amount greater than zero on Form 1120, Schedule J, line 3 and the case requires a Letter 2030 or a recomputed Letter 2030.

Form 1120, Schedule PH, U.S. Personal Holding Company (PHC) Tax

Note: If the taxpayer filed Schedule PH, refer to the Lead Tax Examiner when a response (or no response to Letter 2531) requires a Letter 2030 (or recomputed Letter 2030).

Form 4255, Recapture of Investment Credit

Form 8611, Recapture of Low-Income Housing Credit

Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts

Form 8866, Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method

Form 8902, Alternative Tax on Qualifying Shipping Activities
Interest/tax due under Section 453A(c) and/or Section 453(l)
Form 8978, Partner's Additional Reporting Year Tax Note: If the taxpayer filed Form 8978, Partner's Additional Reporting Year Tax, and/or has "FROM FORM 8978" as a write-in on the dotted line next to Form 1120, Schedule J, line 2, refer the case to the Lead Tax Examiner.
Other taxes reported on Form 1120, Schedule J, line 9g

(3) Based on the taxpayer's response Other Taxes may change.

Note: See IRM 4.119.4.4.9, Miscellaneous, if there is any indication the taxpayer computed tax under "Section 965", Transition Tax on Untaxed Foreign Earnings of Foreign Corporations with U.S. Shareholders, (e.g., "Section 965" or "965 TAX" or similar language notated on the return, attachments or statements, or IRC 965 Transition Tax Statement or similar statement is attached).

4.119.4.12
(12-14-2023)
Form 1041
Recomputation of Tax

(1) Most estates and trusts figure their tax by using the tax rate schedule below:

Tax Year 2022: If the taxable income is over:	But not over:	The tax is:	Of the amount over:
\$0	\$2,750	10%	\$0
\$2,750	\$9,850	\$275 + 24%	\$2,750
\$9,850	\$13,450	\$1,979 + 35%	\$9,850
\$13,450	----	\$3,239 + 37%	\$13,450

Tax Year 2021: If the taxable income is over	But not over:	The tax is:	Of the amount over:
\$0	\$2,650	10%	\$0
\$2,650	\$9,550	\$265 + 24%	\$2,650
\$9,550	\$13,050	\$1,921 + 35%	\$9,550
\$13,050	----	\$3,146 + 37%	\$13,050

Tax Year 2020: If the taxable income is over:	But not over:	The tax is:	Of the amount over
\$0	\$2,600	10%	\$0
\$2,600	\$9,450	\$260 + 24%	\$2,600
\$9,450	\$12,450	\$1904 + 35%	\$9,450
\$12,950	----	\$3,129 + 37%	\$12,950

Note: See IRM 4.119.4.4.9, Miscellaneous, if there is any indication the taxpayer computed tax under “Section 965”, Transition Tax on Untaxed Foreign Earnings of Foreign Corporations with U.S. Shareholders, (e.g., “Section 965” or “965 TAX” or similar language notated on the return, attachments or statements, or IRC 965 Transition Tax Statement or similar statement is attached).

- (2) Estates and trusts may also figure their tax on the sale or exchange of capital assets by using the Capital Gains tax rate. Generally, the taxpayer completes Form 1041, Schedule D, Part V to determine their tax using this method. However, if the taxpayer reports qualified dividends on Form 1041, line 2b (2) and does not have to complete Schedule D, Part I or Part II, they can use the Qualified Dividends tax Worksheet instead.
- When issuing a Letter 2030, complete the Capital Gains Tax Rate Calculation Worksheet.
 - always** enter the reported qualified dividends reported on Form 1041, line 2b (2) in the worksheet, even if the taxpayer did not file a Schedule D.

Note: Qualified Dividends are used in determining the proper Capital Gains tax rate.

4.119.4.13
(11-16-2020)
**Form 1041 Non -
Refundable Credits**

- (1) Non-Refundable credits are used to reduce tax. They include the following credits reported on:
- Form 1116, Foreign Tax Credit, reported on Form 1041, Schedule G, line 2a.
 - Form 3800, General Business Credit, reported on Form 1041, Schedule G, line 2b.
 - Form 8801, Credit for Prior Year Minimum Tax-Individuals, Estates and Trusts, reported on Form 1041, Schedule G, line 2c.
 - Form 8912, Credit to Holders of Tax Credit Bonds, reported on Form 1041, Schedule G, line 2d.
 - Form 8978, Partner’s Additional Reporting Year Tax.

Note: If the taxpayer filed Form 8978, Partner’s Additional Year Tax, and/or has “FROM FORM 8978” as a write-in on the dotted line next to Form 1041, Schedule G, line 2e, refer the case to the Lead Tax Examiner.

- (2) Include **PARAGRAPH 40** when the tax return shows any entries on Form 1041, Schedule G, lines 2a-2d (other than zero).

4.119.4.13.1
(09-11-2015)

Form 1041 Carryforward Credits

- (1) The following credits are carryforward credits:
- a. Form 3800, General Business Credit.
 - b. Form 8801, Credit for Prior Year Minimum Tax-Individual, Estates and Trusts.

Note: Taxpayer can claim the unused portion of a carryforward credit on their subsequent year's tax return.

- (2) Based on the taxpayer's response it may be necessary to revise the amount of carryforward credits claimed. Ensure that carryback/carryforward guidelines are followed if the taxpayer responds requesting change(s) to the amount of previously reported credit(s). See IRM 4.119.4.21.7.3, NOL Carryback/Carryforward, for additional instructions.

4.119.4.14
(11-16-2020)

Form 1041 Other Taxes

- (1) The following pertain to changes to certain other taxes claimed by taxpayers.

- (2) These other taxes may include:

- Tax on Lump-Sum Distributions Form 4972
- Alternative Minimum Tax-Estates and Trusts Form 1041 Schedule I
- Tax on the EBST portion of the trust (for "Electing Small Business Trust". See section 641(c))
- Net Investment Income Tax - Individuals, Estates, and Trust - Form 8960, see IRM 4.119.4.14.1, Form 1041 Net Investment Income Tax - Individuals, Estates, and Trusts, Form 8960, for further instructions
- Recapture taxes are reported on a Form 4255, Recapture of Investment Credit, or Form 8611, Recapture of Low Income Housing Credit
- Household Employment Taxes. Form 1040, Schedule H
- Form 8978, Partner's Additional Reporting Year Tax

Note: If the taxpayer filed Form 8978, Partner's Additional Reporting Year Tax, and/or has "FROM FORM 8978" as a write-in on the dotted line next to Form 1041, Schedule G, line 1d, refer the case to the Lead Tax Examiner.

- (3) Based on the taxpayer's response Other Taxes may change.

Note: See IRM 4.119.4.4.9, Miscellaneous, for additional information if there is any indication the taxpayer computed tax under "Section 965", Transition Tax on Untaxed Foreign Earnings of Foreign Corporations with U.S. Shareholders, (e.g., "Section 965" or "965 TAX" or similar language notated on the return, attachments or statements, or IRC 965 Transition Tax Statement or similar statement is attached).

4.119.4.14.1
(12-14-2023)

Form 1041 Net Investment Income Tax - Individuals, Estates, and Trusts, Form 8960

- (1) The Health Care and Education Reconciliation Act of 2010 added a Net Investment Income Tax (NIIT) under section 1411 of the Internal Revenue Code for tax years 2013 and subsequent. The NIIT applies at a rate of 3.8% to certain Net Investment Income (NII) of individuals, estates, and trusts.

- (2) The NIIT tax applies to estates and trusts that have undistributed net investment income and their adjusted gross income (AGI) exceeds:

Tax Year 2022	\$13,450
Tax Year 2021	\$13,050
Tax year 2020	\$12,950

- (3) Taxpayers figure their Adjusted Gross Income (AGI) by reducing the total income reported on line 9 by the following:
- The total of lines 12 (Fiduciary fees) 14 (Attorney, accountant and return preparer fees) and 15a (Other deductions not subject to the 2% floor) to the extent they are costs incurred in the administration of estate or trust.
 - The domestic productions activities deduction (DPAD) (reported on Form 8903, Domestic Production Activities Deduction) claimed on 15a, Tax year 2017 and prior.
 - Net Operating Loss deduction claimed on line 15b.
 - Income Distribution deduction claimed on line 18.
 - Exemption amount claimed on line 20.
- (4) Net investment income includes:
- Interest
 - Dividends
 - Capital Gains
 - Non-qualified Annuities (Distribution code D)
 - Royalties
 - Rents
- (5) The NIIT tax is computed using Form 8960, Net Investment Income Tax – Individuals, Estates and Trusts.
- (6) NIIT is based on investment income and Adjusted Gross Income (AGI). Therefore, NIIT must be considered whenever the taxpayer has investment income (reported or unreported) and U/R that causes the new AGI to exceed:

Tax Year 2022	\$13,450
Tax Year 2021	\$13,050
Tax year 2020	\$12,950

- When issuing a Letter 2030, **always** complete the NIIT Calculation worksheet.
 - Include **PARAGRAPH 33**.
- (7) See IRM 4.119.4.21.10, Adjustments, when inputting an assessment that requires an adjustment to NIIT.

4.119.4.15
(08-26-2021)
**Withholding (W/H) -
General**

- (1) Withholding is identified on IDRS CC: IRPTR as Document Form 1042-S, Form 1099 and Form W-2 series as Amount Type (IRPTR Literal) FED TAX WH.

Note: Form 1120-S Schedule K-1 with Amount Type (IRPTR Literal) CREDIT **and** CREDIT CD 1 = O (letter O not zero) indicates Backup withholding (BUWH).

- (2) Withholding (W/H) and backup withholding (BUWH) are treated the same way in the Document Matching program. Any withholding claimed needs to be supported by Information Return data.
- (3) Taxpayers claim Withholding on:
 - a. Form 1120, Schedule J, line 17, (tax year 17 and prior) or line 18 (tax year 2018 and subsequent).
 - b. Form 1041, line 24e, (tax year 2017 and prior) or line 25e (tax year 2018), or Schedule G, Part II, line 14 (tax year 2019 and subsequent).
- (4) Payments and Refundable Credits (including withholding) are reported on **Form 1120**, Schedule J, lines 12 through 21 (tax year 2017 and prior) or lines 13 through 23 (tax year 2018 and subsequent) appear on the IDRS CC:TXMOD with a TC 766:
 - a. Subsequent adjustments to withholding display with a TC 766 (additional withholding) or TC 767 (reduction in withholding) **without** a Credit Reference Number (CRN).

Note: Beginning in January 2017, Form 1120 Corporate series returns claiming W/H/Backup W/H posting in cycle 201703 and subsequent will post as a TC 766/767 with CRN 399.
 - b. Subsequent adjustments to other refundable credits display with a TC 766 (addition credit) or TC 767 (reduction in credit) with the applicable CRN identifying the credit.
- (5) Withholding reported on **Form 1041**, line 24e (tax year 2017 and prior) or line 25e (tax year 2018) or Schedule G, line 14 (tax year 2019 and subsequent) appears on IDRS CC: TXMOD with a TC 806. Subsequent adjustments to withholding display with a TC 806 (additional withholding) or TC 807 (reduction in withholding).

4.119.4.15.1
(09-16-2019)
**Withholding W/H -
Analysis**

#

- a. Another IR from the same payer is present showing income.
 - b. The withholding amount in question is shown on a valid payer information return document attached to the return.
- (2) When a payer document(s) is included as part of the return and there is a corresponding IDRS CC: IRPTR information return(s) (i.e., payer name, document type and Amount Type and income amount matches), however the FED TAX WH amounts don't match, consider the FED TAX WH on the IDRS CC: IRPTR IR more accurate UNLESS the Payer Agent Listing verifies that the IDRS CC: IRPTR information is not correct.
 - (3) Complete Form 13549 and refer to the BUR Fraud Coordinator for review, when payer document(s) included with the return appear to be altered.

Note: Use the IDRS CC: IRPTR IR as the most accurate information even if the case does not meet referral criteria or if the referral is returned.

#

when information documents attached to the return do not appear as IRs on IDRS CC: RPTR print out.

- a. Consider the income and withholding from the attached document(s) as part of the review unless it appears to be fraudulent. Consult with the BUR Functional Fraud Coordinator if appropriate.
 - b. If income and/or withholding shown on the attached information documents is not reported, pursue the issue(s).
- (5) Schedule(s) K-1 may contain BUWH that does not display on the information return. Consider attached Schedule(s) K-1 as documentation to support additional withholding (not shown on the IR) when:
- a. Schedule K-1 (Form 1041) contains an amount in box 13, with code "B".
 - b. Schedule K-1 (Form 1065) contains an amount in box 15 with code "O".
 - c. Schedule K-1 (Form 1120S) contains an amount in box 13 with code "O".
- Note:** Consider these amounts when determining overall allowable withholding.
- (6) Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, IR may contain W/H. Consider the W/H amount when determining the overall
- (7) Withholding can be either overclaimed (O/C) or underclaimed (U/C):
- a. O/C W/H occurs when the taxpayer claims more withholding on the tax return than is supported by payer information returns. When disallowing O/C W/H amounts and issuing a notice, show all available withholding related Amount Types. This will assist the taxpayer to determine the additional documentation they need to provide.
 - b. U/C W/H occurs when the taxpayer claims less withholding on the tax return based on withholding related Amount Types on the information returns. Allow the additional W/H from the IRs unless it can clearly be determined that the IR is invalid (e.g., not the taxpayer, Payer Agent issue, etc.).
- (8) Use the following methodology to determine any discrepancies between withholding reported on the tax return and withholding reported by payer(s).
1. Determine the W/H PER RETURN

#

Form 1120	Form 1041
<p>Use the amount claimed on Form 1120, Schedule J, line 17 (tax year 2017 and prior) or line 18 (tax year 2018 and subsequent). Then add/subtract any subsequent TC 766/767 (without any Credit reference numbers) that appear on IDRS CC:TXMOD. This total is the W/H PER RETURN amount.</p> <p>Note: Beginning in January 2017, Form 1120 Corporate series returns claiming W/H/Backup W/H posting in cycle 201703 and subsequent will post as a TC 766/767 with CRN 399.</p> <p>Reminder: TC 767 reduces TC 766.</p> <p>Caution: Do not consider the initial TC 766 that displays on IDRS CC:TXMOD. That amount may include other refundable credits claimed on the tax return.</p>	<p>Combine all TC 806 and TC 807 that appear on IDRS CC:TXMOD. This total is the W/H PER RETURN amount.</p> <p>Reminder: TC 807 reduces TC 806.</p>

- Determine the **W/H NOW**. Total all the withholding from payer IRs shown on IDRS CC: IRPTR. Also include any withholding from valid payer documents attached to the tax return. This total is the **W/H NOW** amount.

#

If	Then
The W/H NOW and W/H PER RETURN amounts are the same	The withholding is reported.
If the W/H NOW is more than the W/H PER RETURN	The taxpayer has underclaimed their allowable W/H. The taxpayer is entitled to additional U/C withholding.
If the W/H NOW is less than the W/H PER RETURN	The taxpayer has overclaimed their allowable W/H. Disallow the difference as O/C withholding.

- (9) If the taxpayer includes payer information return documents that correspond to every IDRS CC: IRPTR IR with a withholding related Amount Type and there is a withholding mismatch, the discrepancy may be due to:
- A math error, transposition of figures, illegible information document(s), displaced decimal point, and/or transcription error, etc.
 - The taxpayer may have claimed an amount from the wrong box on the payer information return document.
 - Payer(s) may have been identified as having submitted erroneous information and are included in Payer Agent data.
 - The taxpayer may have received a corrected information document that is not shown on the IDRS CC: IRPTR.
- (10) Do not adjust withholding when the taxpayer claims it correctly but indicates that the income is not reported because it was not received until the subsequent year. Withholding is allowed when reported to IRS by the payer, while income is taxable when received by the taxpayer.

4.119.4.15.2
(10-01-2018)
**Withholding W/H -
Miscellaneous**

- (1) A notice **must be** issued when there is a tax change above tolerance and a withholding discrepancy.

#

- A Letter 2531 for cases with U/C W/H **and** an overall refund.
- A Letter 2030 for all other situations.

- (3) When preparing a Letter 2030 that includes a W/H discrepancy, take the following steps:

- Enter the W/H PER RETURN amount in the "Shown on return" field for Withholding.
- Enter the W/H NOW amount in the "As corrected by IRS" field for Withholding.
- Include **PARAGRAPH 60 and 71** when disallowing O/C W/H.
- Include **PARAGRAPH 61** when allowing additional U/C W/H.

Note: Include **PARAGRAPH 60** (O/C W/H) or **61** (U/C W/H) when issuing a Letter 2531.

4.119.4.16
(09-06-2017)
Penalties and Interest

- (1) The following instructions are used in calculating the various penalties and interest amounts for BUR processing.
- (2) IRC 6751(b)(1) states that no penalty may be assessed unless the initial determination of the penalty is approved (in writing) by the employee's supervisor. This requirement does not apply to: the Failure to File penalty, Estimated Tax penalty or any other penalty automatically calculated through electronic means (IRC 6751(b)(2)). The Letter 2030 determines and calculates (through electronic means) the IRC 6662 accuracy-related penalties for negligence or substantial understatement. As a result, the **initial** Letter 2030 is exempt from written supervisory approval. Once the taxpayer responds to the Letter 2030 (or notice of deficiency), the tax examiner's evaluation of the response, regard-

less of whether or not the taxpayer specifically addresses the penalty, must also consider the penalty. Therefore, the exception no longer applies and written supervisory approval is needed. See IRM 20.1.1, Introduction and Penalty Relief, for additional information about IRC 6751(b)(1) requirements and supervisory approval.

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

Example: The response requests that the penalty be waived, and the examiner determines that the explanation does not meet reasonable cause criteria.

Example: The response results in a lowering of the initial tax increase and a recomputed Letter 2030, that includes a revised accuracy related penalty is needed.

Example: The response is incomplete or unacceptable and the tax examiner issues a Letter 4550C to request additional information.

4.119.4.16.1
(12-14-2023)
Failure to File Penalty (FTF)

- (1) Tax returns worked in the BUR program are due by the following dates:
 - a. Starting in Tax Year 2016, Form 1120 tax returns are due by April 15th.
Note: Tax year 2015 and prior, Form 1120 was due by March 15th.
 - b. Form 1041 tax returns are due by April 15th.
Exception: The return due date for tax year 2019 is July 15, 2020, see (2) below for additional information.
- (2) Due to COVID-19 pandemic, the original filing deadline and tax payment due for 2019 was postponed from April 15, 2020, to July 15, 2020.
 - a. In order to accommodate the change, IDRS programming was implemented to recognize the postponed filing deadline by using disaster classification protocol to reflect the later date.
 - b. Disaster freeze codes are not posted on TXMOD.
 - c. IDRS CC: BMFOLT was updated to add the following fields:

DIS ST DT - Identifies the start date of the disaster classification (e.g., 04-15-2020)

DIS DUE DT - Identifies the due date when disaster criteria are involved (e.g., 07-15-2020)

- (3) Notice 2022-36 <https://www.irs.gov/pub/irs-drop/n-22-36.pdf>, Penalty Relief for Certain Taxpayers Filing Returns for Taxable Years 2019 and 2020, was issued August 24, 2022. It grants administrative relief, provided under the authority from IRC 7803(a) in response to the COVID-19 pandemic and the challenges experienced by both the taxpayers and the IRS. The FTF penalty is waived for certain returns listed in Notice 2022-36 that are filed on or before September 30, 2022.

Note: The above dates apply, unless they fall on a Saturday, Sunday, or a legal holiday. In this case the return is due on the next succeeding day that is not a Saturday, Sunday, or a legal holiday or by the approved extension date.

#

File (FTF) Penalty may have been assessed on the unpaid tax balance. An additional FTF penalty may be due because of BUR processing.

- (4) Additional FTF penalty does not apply when:
- a. The original return was “R” coded. This code displays on IDRS CC: BRTVU in the “COMP COND CDS” also known as (CCC) field. If the tax return was paper filed, the “R” appears in the income section of the return. This code indicates that the taxpayer was not subject to FTF penalty because they provided reasonable cause for late filing.
 - b. The penalty was previously removed using Reasonable Cause or First Time Abate criteria. See IRM 20.1.1-2, Penalty Reason Code Chart, for additional information.
 - c. Penalty relief was provided under the authority from IRC 7803(a) in response to the COVID-19 pandemic for certain Form 1041 and Form 1120 tax returns filed in tax years 2019 and 2020 listed in Notice 2022-36. See IRM 20.1.1.3.3.2.2, Administrative Waiver - Penalty Relief for Certain Taxpayers Filing 2019 and 2020 Returns, for additional information.
- (5) Compute additional FTF penalty using the mandatory “BMF IRC 6651(a)(1) FTF Penalty Worksheet” when generating a Recomputed Letter 2030, Recompute After STAT Letter 2030 or Letter 3219-B, Statutory Notice of Deficiency, and the conditions below are present.
- a. The return posted date is later than the return due date as stated in (1) and (2) above.

Exception: FTF penalty is waived for certain tax year 2019 and 2020 returns listed in Notice 2022-36, filed on or before September 30, 2022.

Caution: Before computing any FTF penalty, review the entity portion of the account to determine if the return due date (including extensions) fell within a Federally Declared Disaster area period. See IRM 20.1.2, Failure to File/Failure to Pay Penalties.

Note: The BMF IRC 6651(a)(1) FTF Penalty Worksheet is programmed to default to the extended return due date of July 15, 2020, for tax year 2019.

- b. Consider previously posted FTF penalty. TC 160 or TC 166. If the penalty was partially or fully reversed, it shows as TC 161 or TC 167.

Caution: Consider previously posted Failure to Pay (FTP) penalty. Tax account shows TC 270 or TC 276 when the penalty is assessed. If the penalty was partially or fully reversed, tax account shows TC 271 or 277.

FTF penalty. Do not add any unpaid FTF penalty that was **written off**

write-off amount when the BUR assessment posts.

Exception: FTF penalty is waived for certain tax year 2019 and 2020 returns listed in Notice 2022-36, filed on or before September 30, 2022.

- (6) If the return is more than 60 days late, and the normal computed penalty is less than the amount listed in the table below, then a minimum penalty applies:

Exception: FTF penalty is waived for certain tax year 2019 and 2020 returns listed in Notice 2022-36, filed on or before September 30, 2022.

Return Due Date (without extension)	Minimum Amount
On or before 12/31/2008	\$100.00 or 100% of the unpaid tax, whichever is less.
Between 01/01/2009 and 12/31/2015	\$135.00 or 100% of the unpaid tax, whichever is less.
Between 01/01/2016 and 12/31/2017	\$205.00 or 100% of the unpaid tax, whichever is less.
Between 01/01/2018 and 12/31/2019	\$210.00 or 100% of the unpaid tax, whichever is less.
Between 01/01/2020 and 12/31/2022	\$435.00 or 100% of the unpaid tax, whichever is less
After 12/31/2022	\$450.00 or 100% of the unpaid tax whichever is less

Note: The \$450 minimum amount in the table above is subject to inflation adjustments.

Note: See IRM 20.1.2, Penalty Handbook - Failure to File/Failure to Pay Penalties, for procedures regarding the recomputation of FTF.

- (7) If the tax on a late filed balance due return is decreased or if the net result of changes to W/H or Refundable Credits is a decrease in balance due, any unpaid tax is reduced and the FTF penalty is also reduced. If the return is adjusted to become a refund return, and TC 160/166 is present on IDRS CC: TXMOD, it is reversed with a TC 161/167.

- (8) The FTF penalty is automatically corrected on IDRS when there is a change to pre-payments on a late-filed return. No action is needed to address the FTF penalty when posting a withholding only change.
- (9) When posting a TC 290/291 for a significant amount and a previous TC 160/161 is present, a TC 160/161 must be input (including a TC 160 for .00) to avoid an unpostable condition.
- (10) When an assessment is needed and the FTF penalty is being decreased with a TC 161, review IDRS CC:TXMOD. Add all the displayed TC 16Xs together and compare this total to the amount computed using the tool. Input the necessary TC 161 adjustment to correct the posted FTF penalty if required. This action is needed because of rounding discrepancies and will prevent an unpostable condition.

Note: Reason Code(s) determine the explanation that prints on the adjustment notice. For valid codes see IRM 20.1.1-2, Penalty Reason Code Chart. BUR requires reason codes when abating penalties.

- (11) Include **PARAGRAPH 70** on the Letter 2030 or Letter 2531 when the taxpayer may be subject to an adjustment to FTF penalty.

4.119.4.16.2
(11-16-2020)
**Failure to Pay Penalty
(FTP)**

- (1) If a FTP was assessed, it appears on IDRS CC: TXMOD as TC 270 or TC 276. If the penalty was partially or fully reversed, it shows as TC 271 or TC 277.

Note: See IRM 4.119.4.16.1, Failure to File Penalty (FTF), for additional information when tax account shows TC 160 or TC 166 not reversed by TC 161 or TC 167.

- (2) Include **PARAGRAPH 71** when disallowing O/C W/H.

4.119.4.16.3
(09-11-2015)
**Accuracy-Related
Penalty on
Underpayments**

- (1) Accuracy-Related Penalty on underpayments considered by BUR include:
 - Substantial Understatement of Income Tax, or
 - Negligence or Disregard of Rules or Regulations
- (2) The penalty is equal to 20% of the underpayment of tax.
- (3) If both the accuracy-related penalty due to negligence or disregard of rules or regulations and substantial understatement of tax apply, only the larger of the two penalties will be imposed.

4.119.4.16.3.1
(11-16-2020)
**Accuracy-Related
Penalty Due to
Substantial
Understatement of Tax**

- (1) Form 1041 - An understatement of income tax is considered substantial when it exceeds the greater of the following:
 - a. 10% of the tax required to be shown on the return for a taxable year; or
 - b. \$5,000.
- (2) Form 1041 - The Tax Cuts and Jobs Act (TCJA) added IRC 6662(d)(1)(C), which provides a special rule for any taxpayer claiming a deduction under IRC 199A. For taxable years beginning after December 31, 2017, for any taxpayer claiming a deduction under 199A, an understatement is **substantial** if it exceeds the greater of the following:

- a. 5% of the tax required to be shown on the return; or
- b. \$5,000.

Note: Refer the case to the Lead Tax Examiner if there is any indication of a deduction under IRC 199A.

- (3) Form 1120 - A corporation (other than an s-corporation or a personal holding company) has a substantial understatement of income tax if the amount of the understatement exceeds the lesser of the following:

- a. 10% of the tax required to be shown on the return for a taxable year (or, if greater, \$10,000), or
- b. \$10,000,000.

- (4) When a substantial understatement exists, a penalty may be imposed equal to 20 percent of the underpayment of tax attributable to the understatement.

Note: The Substantial Understatement Penalty may be proposed on returns that are also subject to the Failure to File Penalty.

- (5) An underpayment may be subject to only one accuracy penalty even though that portion may be attributable to both a substantial understatement of tax and negligence or disregard of rules or regulations. If both penalties apply to the same underpayment, only one 20 percent penalty is imposed.
- (6) As part of the Letter 2030 preparation process, the Substantial Understatement Penalty is automatically determined when the understatement meets the conditions above. The notice includes **PARAGRAPH 76** to advise the taxpayer of the conditions subject to the penalty.
- (7) See IRM 20.1.5, Penalty Handbook - Return-Related Penalties, for procedures regarding the computation of the penalty.
- (8) The amount of the understatement is reduced to the extent the taxpayer shows that there is or was substantial authority for his or its reporting of the item on the return. Examples of sources that could provide substantial authority are:

Internal Revenue Code
Temporary, Proposed and Final Regulations
Court Cases
Revenue Rulings
Revenue Procedures
Tax Treaties with Accompanying Regulations and Official Explanations
Committee Reports (Congressional Intent)
Blue Book (Joint Committee Explanations)
Private Letter Rulings
Technical Advice Memoranda and Expedited Technical Advice Memoranda

Actions on Decisions
General Counsel Memoranda
IRS information including press releases, notices, announcements and other administrative pronouncements published in the Internal Revenue Bulletin

Reminder: See IRM 20.1.5, Penalty Handbook - Return Related Penalties, for additional information.

- (9) IRC 6664(c)(1) provides an exception to the substantial understatement penalty if the taxpayer has reasonable cause and acted in good faith. See IRM 20.1.5.7.1, Reasonable Cause, for additional information.
- (10) If the substantial understatement penalty can be waived, and a recomputed Letter 2030 is needed, see the Lead Tax Examiner for additional information.

Reminder: Check the Penalty Waiver IND box on the DCI if the Accuracy Related Penalty has been waived.

4.119.4.16.3.2

(09-06-2017)

Accuracy-Related**Penalty Due to****Negligence or Disregard****of Rules or Regulations****(Negligence Penalty)**

- (2) The negligence penalty is 20 percent of the portion of the underpayment attrib-

- (3) The negligence penalty is proposed as applicable, on **all** U/R income or O/C deduction issues when the issues result in an underpayment of tax.

Note: The Negligence Penalty may be proposed on returns that are also subject to the Failure to File Penalty.

- (4) An underpayment may be subject to only one accuracy penalty even though that portion may be attributable to both a substantial understatement of tax and negligence or disregard of rules or regulations. If both penalties apply to the same underpayment, only one 20 percent penalty is imposed.

- (5) As part of the notice preparation process, the Negligence Penalty is automatic-
notice includes **PARAGRAPH 75** to advise the taxpayer they are subject to the penalty.

- (6) The amount of an underpayment attributable to Disregard of Rules or Regulations is reduced by any portion of the underpayment for which the taxpayer has made an adequate disclosure. A disclosure can be adequate only if it is made on Form 8275, Disclosure Statement or, if the position is contrary to a

regulation, on Form 8275-R, Regulation Disclosure Statement. See IRM 20.1.5, Return Related Penalties, for additional information.

- (7) The negligence penalty is **not** imposed if reasonable cause exists for the U/R. or O/C item. The most common reasonable cause issues for waiving the penalty (if they occurred at the time of filing) are as follows:

- Death (taxpayer or individual responsible for filing and paying taxes)
- Serious illness (taxpayer or individual responsible for filing and paying taxes)
- Disaster (i.e., fire, floods, tornadoes)
- Unavoidable absence (taxpayer)
- Inability to obtain records due to reasons beyond the taxpayer's control

Note: See IRM 20.1.5, Penalty Handbook - Return-Related Penalties, for additional information.

Reminder: Check the Penalty Waiver IND box on the DCI if the Accuracy Related Penalty has been waived.

Note: Generally, reasons such as forgetfulness, ignorance of the law, or mistakes (e.g., the taxpayer/preparer forgot to include the income or thought the income was nontaxable) do not qualify for penalty relief because these actions do not demonstrate ordinary business care and prudence.

4.119.4.16.4
(12-11-2014)
Interest for Letter 2030

- (1) Interest on Letter 2030 is predetermined by letter date.
- (2) Form 1120 filers worked within the BUR program with an underpayment or proposed deficiency greater than \$100,000 may be subject to additional interest as described in IRM 20.2.5, Interest on Underpayments. See IRM 4.119.4.16.5, Form 1120 2% Large Corporate Underpayment (LCU), for additional information.

4.119.4.16.5
(09-06-2017)
Form 1120 2% Large Corporate Underpayment (LCU)

- (1) Corporations are subject to a 2% increase above the prevailing underpayment rate when:
- a. A notice/letter of underpayment or proposed deficiency is greater than \$100,000 (determined without regard to interest, penalties, or additions to the tax), and
 - b. The amount shown on a proposed deficiency is not paid within 30-days from the notice/letter date.

Note: This is also known as 2% Large Corporate Underpayment or 2% LCU. See IRM 20.2.5.8, Large Corporate Underpayment (LCU), for additional information.

- (2) Taxpayer accounts subject to 2% LCU require manually computed interest at the time of assessment.
- (3) Taxpayers may be liable for 2% LCU based on original filing or previous activity on the account. If this is the case, the 2% - INT field on IDRS CC: TXMOD will contain a value.
- (4) If the taxpayer was subject to 2% LCU based on prior account activity, any additional assessment (other than TC 290 for .00 to post a No Change) due to

BUR underreporting will require manual interest (regardless of the amount of the BUR deficiency or the notice phase).

1. Determine the amount of manual interest to be asserted on the assessment.
 2. Input the adjustment using IDRS CC: ADJ54. See IRM 4.119.4.21.10, Adjustments, for further information.
 3. Close the case with the applicable Process Code based on case disposition (agree or default).
 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
 5. Annotate the DCI and case folder with the appropriate PC.
- (5) If the BUR deficiency meets the 2% LCU criteria, and the taxpayer submits full payment within 30-days of the Letter 3219-B, Statutory Notice of Deficiency:
- a. Review a current IDRS CC: TXMOD screen for presence of TC 640/670 payment relating to the amount on the Letter 3219-B.

Note: If payment has refunded see IRM 4.119.4.4.10, Erroneous Refunds, for additional information.

Note: If payment has unposted, refer case to Lead Tax Examiner.

- b. If the payment submitted is for the entire deficiency and the payment date is equal to or less than 30-days from the Letter 3219-B date, the taxpayer **is not subject** to the additional 2% LCU interest.
- Exception:** Cash bonds and 6603 deposits are not considered for purposes of determining whether the underpayment is paid within 30-days.
- c. Process the case per normal procedures.
- (6) If the BUR deficiency meets the 2% LCU criteria and the taxpayer **does not submit full payment** within 30-days of the Letter 3219-B, then:
1. Determine the amount of manual interest to be asserted on the assessment.
 2. Input the adjustment using IDRS CC: ADJ54. See IRM 4.119.4.21.10, Adjustments, for further information.
 3. Close the case with the applicable Process Code based on case disposition (agree or default).
 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
 5. Annotate the DCI and case folder with the appropriate PC.

4.119.4.16.6
(09-06-2017)
**Revenue Ruling 99-40
and Credit Elects (May
Sequa)**

- (1) Rev. Rul. 99-40 provides rules for determining the date from which interest will be assessed on a deficiency when an overpayment claimed on the original return is credited to the succeeding year's estimated tax or refunded without interest, and a deficiency for the overpayment year is subsequently determined.
- (2) Transaction Code 830 or 836 identify the credit elect amount on the overpaid module and TC 710 or 716 identifies the posting of the prior year credit elect to the BUR tax year module. If these transaction codes are posted on IDRS CC: TXMOD, then the taxpayer may be allowed an interest-free period when computing interest on a deficiency for the year that generated the credit elect.

Note: The taxpayer may also be eligible for an interest-free period on a deficiency assessment when Transaction Code 840 or 846, without credit interest, is present on the module. Manual interest is not needed unless there is another condition on the module that requires it.

- (3) Taxpayer accounts with unreversed TC 830/836 require manually computed interest for subsequent assessments (other than TC 290 for .00 to post a No Change) **when the subsequent year return has been filed.**

Note: A non-restricting TC 340 should be used whenever possible. See IRM 20.2.5.6.3, Non-Restricting Transaction Code (TC) 340, for additional information.

Note: Manual interest is not needed if the subsequent year return has not been filed or the credit elect is applied only to the first installment, and the TC 836 transaction date posted is the date of the first installment.

1. Determine the amount of manual interest to be asserted on the assessment. See IRM 20.2.5.7.2, Revenue Ruling 99-40 and Credit Elects (May/Sequa).
2. Input the adjustment using IDRS CC: ADJ54. See IRM 4.119.4.21.10, Adjustments, for further information.
3. If Rev. Rul. 99-40 was considered, input TC 971 with AC 653 using IDRS CC: REQ77 to document the module.
4. Close the case with the applicable Process Code based on case disposition (agree or default).
5. Annotate the DCI and case folder.

4.119.4.17
(09-17-2014)
Letter Rejects

- (1) When letters are sent to the taxpayer (e.g., Letter 4550-C, Letter 4314-C, etc.) and errors are discovered during review, or IDRS incompatibility causes the letter to reject, the letters or cases are returned to the tax examiner who issued the letter.

4.119.4.18
(12-11-2014)
Letter 2531 and Letter 2030 Information

- (1) The following instructions are used to process taxpayer contact by generating a Letter 2030 or Letter 2531 in the BUR Program.

4.119.4.18.1
(12-14-2023)
Letter 2531 Preparation

- (1) Letter 2531 is sent to a taxpayer to obtain additional information prior to issuing a Letter 2030.

Caution: If Freeze Code -O is present on IDRS CC: TXMOD, see IRM 4.119.4.4.3, Declared Disaster Areas, for additional information.

- (2) Select the Letter 2531 Master Letter template for the desired Letter Mailout Date.
 - a. Select the applicable "Form Type."
 - b. Complete the template.
 - c. On a case by case basis, include any additional explanation paragraph(s) that will assist the taxpayer to understand the underreported issue(s).
 - d. Edit IRPTRW print IR's to only show the discrepant amount type on the IR using the advanced editing tool when creating the notice.

- (3) Complete Letter 937, Transmittal Letter For Power of Attorney, for cases that have a valid POA authorized to receive correspondence and attach a copy of the Letter 2531. See IRM 4.119.4.3.1, Power of Attorney (POA), for additional information.
- (4) Upload the completed template, IRPTRW prints and Letter 937 (if applicable) to the BUR Letter Repository.
- (5) Publication 1, Your Rights as a Taxpayer, is mailed as an enclosure with Letter 2531.
- (6) When issuing Letter 2531 follow the steps below:
 1. Update IDRS activity with CP2531MMDD. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for further information.
 2. Update IDRS category to BUR1.
 3. Assign the case to the designated generic notice team number on IDRS.
 4. Input TC 925 with PC 4300 using IDRS CC: REQ77/ FRM77.
 5. Print page 2 of Letter 2030 (to verify the case meets Letter 2531 criteria) and place in the case file. See IRM 4.119.4.6, Determination of Letter 2531 Issuance, for additional information.
 6. Annotate the DCI and case folder using PC 4300.
- (7) The Clerical Function suspends the Letter 2531 for 60-days (90-days for foreign or APO/FPO address).

4.119.4.18.2
(09-16-2019)
Letter 2030 Preparation

- (1) Letter 2030 is sent to the taxpayer to propose a change to income tax liability because of income that is not identified or does not appear to be fully reported on the tax return.

Caution: If Freeze Code -O is present on IDRS CC: TXMOD, see IRM 4.119.4.4.3, Declared Disaster Areas, for additional information.

- (2) There are two initial Letter 2030 Master Letter templates based on tax return type.
- (3) Select the applicable Letter 2030 Master Letter template based on the tax return for the desired Letter Mailout Date.

Reminder: Refer any cases requiring a recalculation of: Schedule O (TY 17 and prior), Schedule PH, or Form 4626 (tax year 2017 and prior) to the Lead Tax Examiner.

- a. Complete the template.
- b. On a case by case basis, include any additional explanation paragraph(s) that will assist the taxpayer to understand the underreported issue(s).
- c. Edit IRPTRW print IR's to only show the discrepant amount type on the IR using the advanced editing tool when creating the notice.

Caution: When preparing a Letter 2030 based on a no reply to a Letter 2531, review the case to determine the correct underreported amounts.

- (4) Complete Letter 937, Transmittal Letter For Power of Attorney, for cases that have a valid POA authorized to receive correspondence and attach a copy of

the Letter 2030. See IRM 4.119.4.3.1, Power of Attorney (POA), for additional information.

- (5) Upload the completed template, IRPTRW prints and Letter 937 (if applicable) to the BUR Letter Repository.
- (6) Publication 1, Your Rights as a Taxpayer, is mailed as an enclosure with Letter 2030.
- (7) When issuing Letter 2030 update the following:
 1. IDRS activity with CP2030MMDD, CORR30MMDD (corrected original Letter 2030) or FCP30MMDD (Letter 2030 after Letter 2531). See Exhibit 4.119.4-7, Activity Codes/Category Codes, for further information.
 2. IDRS category to BUR0.
 3. Assign the case to the designated generic notice team number on IDRS.
 4. Input TC 925 with PC 4500 or 4520 (Letter 2030 after Letter 2531), as applicable using IDRS CC: REQ77/ FRM77.
 5. Annotate the DCI and case folder using PC 4500 or 4520 (Letter 2030 after Letter 2531).
- (8) The Clerical Function suspends the Letter 2030 for 60-days (90-days for foreign or APO/FPO address).

4.119.4.18.3
(09-16-2019)
**Amended/Corrected
Letter 2030 and Letter
2531**

- (1) If a notice is incorrect or a new address is identified, an amended/corrected notice can be created. Multiple amended/corrected notices can be created if necessary.
 - a. Amended notices are created when either the notice is returned as undeliverable and the Clerical Function has found a new address, or a new address is found during the no response notice preparation process. See IRM 4.119.4.20, Undeliverable Notices, or IRM 4.119.4.19, No Response, for further instructions.
 - b. A corrected notice is created when the original notice was mailed and during the no response notice preparation process (BT 59X Aged Letter 2030/Recomp Stat Preparation) it is determined that a new notice is needed.
- (2) When it is necessary to correct a notice that has not been mailed:
 1. **Delete the original file from the BUR Letter repository.**
 2. Input TC 925 with the applicable Stopped Notice (Notice Not Mailed) PC: 4310 (Letter 2531 or Amended Letter 2531 not mailed), 4320 (Letter 2030 after a Letter 2531 not mailed), 4510 (Letter 2030 not mailed), 4540 (Amended or Recomputed Letter 2030 not mailed), 4760 (Recomputed Letter 2030 or Amended Letter 2030 after Statutory Notice not mailed) using IDRS CC: REQ77/ FRM77. See Exhibit 4.119.4-14, Process Code Consistency Chart, for additional information.
 3. Annotate the DCI and case folder with the Stopped Notice (Notice Not Mailed) process code.
 4. Determine the next action:

If	Then
A notice is needed	<ol style="list-style-type: none"> 1. Prepare a new notice for the next available Letter Mailout Date. See IRM 4.119.4.18.1, Letter 2531 Preparation, or IRM 4.119.4.18.2 Letter 2030 Preparation, for additional information. <p>Reminder: Refer any cases requiring a recalculation of: Schedule O (tax year 2017 and prior), Schedule PH or Form 4626 (tax year 2017 and prior) to the Lead Tax Examiner.</p> <p>Caution: There must be sufficient time remaining on the Statutory Notice of Deficiency suspense period to issue another recomputed notice (i.e., PC 4750).</p> <ol style="list-style-type: none"> 2. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7 Activity Codes/Category Codes. 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77. 4. Annotate the DCI and case folder with the appropriate PC.

If	Then
The case should be closed	<ol style="list-style-type: none"> 1. Close the case with the appropriate closing process code. Example: If the Letter 2030 (or Letter 2531) is not needed because all the U/R was accounted for on the tax return, then close the case with PC 4210. 2. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77. 3. Annotate the DCI and case folder with the appropriate PC.

(3) If an incorrect Letter 2030 was mailed:

1. Prepare a new notice for the next available Letter Mailout Date. See IRM 4.119.4.18.2, Letter 2030 Preparation, for additional information.
Reminder: Refer any cases requiring a recalculation of: Schedule O (tax year 2017 and prior), Schedule PH or Form 4626 (tax year 2017 and prior) to the Lead Tax Examiner.
2. Update IDRS activity with Activity Code CORR30MMDD (corrected original Letter 2030) or FCP30MMDD (Letter 2030 after Letter 2531). See Exhibit 4.119.4-7, Activity Codes/Category Codes.
3. Input TC 925 with Process Code 4500 or 4520 using IDRS CC: REQ77/FRM77.
4. Annotate the DCI and case folder with the appropriate PC.

(4) The Clerical Function suspends the amended/corrected notice for 60-days (90-days for foreign or APO/FPO address).

Note: An amended/corrected Letter 2030 after a Stat Notice (PC 4750 or 4755) does not extend the period of time the taxpayer has to petition the U.S. Tax Court.

4.119.4.19
(12-14-2023)
No Response

- (1) When there is no response to a BUR notice, the case is moved to the next phase. Next phase is generally defined as:
 - a. Letter 2531 no response, issue a Letter 2030. See IRM 4.119.4.18.2, Letter 2030 Preparation, for further information.
 - b. Letter 2030 no response, issue a Letter 3219-B Statutory Notice of Deficiency. See IRM 4.119.4.21.11, Letter 3219-B Statutory Notice of Deficiency Preparation, for further information.
 - c. Letter 3219-B no response, assess the additional tax within 10-days. See IRM 4.119.4.21.11.2, Default Letter 3219-B Statutory of Deficiency, for further information.

- (2) At the end of every mail out date suspense period, the Clerical Function batches any remaining cases for tax examiner review.
 - a. No Response Letter 2531 cases are built to Batch Type 49X (X = 0 for 1120 and 1 for 1041), Aged Letter 2531/2030 Preparation - No Response.
 - b. No Response Letter 2030 cases are built to Batch Type 59X (X = 0 for 1120 and 1 for 1041), Aged Letter 2030/Recomp Stat Preparation - No Response.
 - c. No Response Letter 3219-B cases are built to Batch Type 79X (X = 0 for 1120 and 1 for 1041), Statutory Notice Defaults.
- (3) Prior to processing the case to the next phase, review the account for any activity since the notice was issued.
- (4) Review current IDRS CC: TXMODA, CC: ENMOD and CC: CFINK for any recent changes that would impact the processing of the case to the next phase. If changes are present update the case file.

Reminder: If IDRS CC: ENMOD displays indicator PDT (Potentially Dangerous Taxpayer), see IRM 25.4.1, Potentially Dangerous Taxpayer, for additional information. If IDRS CC: ENMOD displays indicator CAU (Caution Upon Contact), see IRM 25.4.2, Caution Upon Contact Taxpayer.

- (5) If IDRS CC:TXMOD shows the taxpayer submitted full payment for the tax and related penalties (i.e., TC 640 or TC 670) before issuance of a Letter 3219-B Statutory Notice of Deficiency, and there was no balance due prior to the notice:

Note: If payment has refunded see IRM 4.119.4.4.10, Erroneous Refunds, for additional information.

Note: If payment has unposted, refer case to Lead Tax Examiner.

Exception: If the TC 640 payment has a blocking series of 990-999 indicating it is an IRC 6603 deposit, issue Letter 4550-C to acknowledge payment and request missing signature.

#

- b. Input the adjustment using IDRS CC: ADJ54. See IRM 4.119.4.21.10, Adjustments, for further information.
- c. Close the case with Process Code 4470, 4670 or 4870 as appropriate.

Caution: Full payment received after issuance of Letter 3219-B, Statutory Notice of Deficiency, cannot be accepted as agreement to the tax increase. Issue a Letter 4550-C to acknowledge payment and request missing signature. If the suspense time frame of 105-days (**165-days if the notice is addressed to a person outside the U.S.**) has expired, default the case. See IRM 4.119.4.21.11.2, Default Letter 3219-B Statutory Notice of Deficiency, for additional information.

- d. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
- e. Annotate the DCI and case folder with the appropriate PC.

- (6) If the taxpayer submitted a partial payment, do not request the payment account was in Zero Balance prior to the notice, or if the payment Blocking Series is 300-399.

#

Note: If the payment has refunded see IRM 4.119.4.4.10, Erroneous Refunds, for additional information.

Note: If the payment has unposted, refer the case to Lead Tax Examiner.

If	Then
The case is a no response to a Letter 2531	Issue a Letter 2030 (PC 4520).
The case is a no response to a Letter 2030	Issue Letter 4550C requesting the taxpayer's signature to consent.
The case is a no response to a Letter 3219-B	See IRM 4.119.4.21.11.2, Default Letter 3219-B Statutory Notice of Deficiency, for additional information.

- a. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 - b. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.
 - c. Annotate the DCI and case folder with the appropriate PC.
- (7) If full or partial payment posts **after** the creation of the Letter 3219-B but before the Stat Notice is mailed:
1. Delete the Letter 3219-B from the BUR Letter Repository.
 2. Input TC 925 with PC 4710 using IDRS CC: REQ77/ FRM77.
 3. Request the case file from the Clerical Function.
 4. When the case file is received, update IDRS activity with 45MRPCMMDD. See Exhibit 4.119.4-8 Definer Codes.
 5. If two weeks have passed and correspondence has not been received, see (5) or (6) above.
 6. If the correspondence is received, rework the case per the correspondence.
- (8) If IDRS CC: TXMOD shows a TC 976, research AMS and/or MeF as applicable:
- a. If the amended return is available, see IRM 4.119.4.21.1.5, Amended Return, for further information.
 - b. If the amended return is not available, suspend action on case for 14-days. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes. After the 14-days have passed:

If	Then
The amended return is available	See IRM 4.119.4.21.1.5, Amended Return, for additional information.
The amended return is not available	<ol style="list-style-type: none"> 1. Correspond with the taxpayer to request a signed copy of the amended tax return. 2. Update IDRS activity with the appropriate Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.

- (9) If a new Freeze Code is present, see IRM 4.119.4.3.2, Freeze Codes, for instructions.

Exception: See (10) below when Freeze Codes -V or -W are present.

- (10) Take the following actions when IDRS CC: TXMOD displays indicators of Bankruptcy or litigation:

If	Then
<ol style="list-style-type: none"> a. Freeze code -V and/or TC 520 (not reversed by TC 521 or 522) is present. b. Freeze code -W and/or TC 520 (not reversed by TC 521 or 522) with closing code 60-67, 70-81, 84, 85 or 89 is present. 	<ol style="list-style-type: none"> 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 4. Annotate the DCI and case folder with the appropriate PC.

#

#

priate.

#

- b. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.
 - c. Annotate the DCI and case folder with the appropriate PC.
- (12) If TC 971 AC 522 Identity Theft or any indication of identity theft, refer the case to the Lead Tax Examiner for referral to HQ.
- (13) If a Letter 4552-C was issued to the payer and no response was received:
- a. And the taxpayer disclaims knowledge of or denies receipt of the income,

#

#

- (14) If a new address is present, review all prior notices to determine if a notice was previously mailed to that address.

If	Then
A prior notice was issued to the address shown as the new address	<ol style="list-style-type: none">1. Process the case to the next phase. Do not reissue the same notice.2. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes.3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.4. Annotate the DCI and case folder with the appropriate PC.

If	Then
A prior notice was not mailed to the address shown as a new address	<ol style="list-style-type: none"> 1. Reissue the notice to the new address using the appropriate Amended Letter PC: 4305 (amended Letter 2531), 4505 (amended Letter 2030), 4525 (amended Letter 2030 after Letter 2531), 4535 (amended recomputed Letter 2030), 4705 (amended Stat Notice), 4755 (amended recomputed Letter 2030 after Stat Notice). <p>Caution: There must be sufficient time remaining on the Statutory Notice of Deficiency suspense period to issue another recomputed notice (i.e., PC 4755).</p> <ol style="list-style-type: none"> 2. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes. 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 4. Annotate the case folder and DCI with the appropriate PC.

- (15) If a **Form 1120** case has a proposed adjustment of \$1,000,000 (or more) or a **Form 1041** case has a proposed adjustment of \$100,000 (or more), do not close the case with default Process Code 4850. The case requires special handling. See IRM 4.119.4.21.1.15 , Large Dollar/Accounts Receivable Dollar Inventory (ARDI) Guidelines, for additional information.

#

Reminder: If the notice was returned as undeliverable and a newer address is available see (14) above. If a newer address is not available, follow the steps below.

1. Issue Letter 4551-C and include the following Special Paragraph: "We did not make any adjustments to the tax or prepaid credits because you did not respond to our previous notice."
2. Close the case with PC 4400 or 4600.
3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.

4. Annotate the DCI and case folder with the appropriate PC.

#

- (17) When working a no response to a Letter 2531, if the notice was issued for

#

Reminder: If the notice was returned as undeliverable and a newer address is available, reissue the notice to the newer address. Update the activity code and DCI as applicable. If a newer address is not available, follow the steps below.

1. Issue Letter 4551-C and include the following Special Paragraph: "We did not make any adjustments to the tax or prepaid credits because you did not respond to our previous notice."
2. Close the case with PC 4400.
3. Input TC 925 with PC 4400 using IDRS CC: REQ77/ FRM77.
4. Annotate PC 4400 on the DCI and case folder.

- (18) When working a no response to a Letter 2030, if the notice was issued for

#

Reminder: If the notice was returned as undeliverable and a newer address is available, reissue the notice to the newer address. Update the activity code and DCI as applicable. If a newer address is not available, follow the steps below.

1. Input the adjustment using IDRS CC: ADJ54. See IRM 4.119.4.21.10, Adjustments, for further information.
2. Close the case with PC 4680.
3. Input TC 925 with PC 4680 using IDRS CC: REQ77/ FRM77.
4. Annotate PC 4680 on the DCI and case folder.

- (19) If an incorrect Letter 2030 has been mailed and a corrected Letter 2030 needs to be issued, see IRM 4.119.4.18.3, Amended/Corrected Letter 2030 and Letter 2531, for additional information.

- (20) When working a Form 1120 no response to Letter 2030 or Letter 3219-B and the taxpayer is subject to 2% LCU. See IRM 4.119.4.16.5, Form 1120 2% Large Corporate Underpayment (LCU) – 2% LCU, for additional information.

4.119.4.20
(08-26-2021)
Undeliverable Notices

- (1) The Clerical Function researches all BUR notices returned by the U.S. Postal Service as undeliverable for a new address.
 - a. If a new(er) address is not available, the notice is returned to the notice mail date until the end of the notice suspense period.
 - b. If a new(er) address is found, the notice (and case) is built into a batch for tax examiner review.
 - c. The Clerical Function will annotate the DCI and case folder with 4XUD (X represents the phase).
 - d. The Clerical function updates the IDRS Category Code to "UNDL" when appropriate.

Caution: Correspondex Letters returned as undeliverable are **not** researched for a new(er) address.

- (2) When Clerical determines that the undeliverable notice contains a new(er) address, the case is built into the applicable Undeliverable batch (BT 410/411, BT 620/621 or BT 820/821). The tax examiner will review all prior notices to determine if a notice was previously mailed to that address. IRM 4.119.4.21.1.3, Address Changes, for additional information.

If	Then
A prior notice was issued to the address shown on the new address	<ol style="list-style-type: none">1. Process the case to the next phase. Do not reissue the same notice.2. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes.3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.4. Annotate the DCI and case folder with the appropriate PC.

If	Then
A prior notice was not mailed to the address shown as a new address	<ol style="list-style-type: none"> 1. Reissue a notice to the new address with the applicable Amended Notice PC: 4305 (amended Letter 2531), 4505 (amended Letter 2030), 4525 (amended Letter 2030 after Letter 2531), 4535 (amended re-computed Letter 2030), 4705 (amended Stat Notice), 4755 (amended recomputed Letter 2030 after Stat Notice). Caution: There must be sufficient time remaining on the Statutory Notice of Deficiency suspense period to issue another recomputed notice (i.e., PC 4755). 2. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes. 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 4. Annotate the DCI and case folder with the appropriate PC.

- (3) When working a case that is either in a response or no response batch and an undeliverable notice is present:

Caution: Do not treat Stat Notices stamped as “Unclaimed or Refused” as an undeliverable.

Note: If a notice addressed to a POA is returned as undeliverable, do not take any action to research for better POA address. Retain the undeliverable in the case file.

If	Then
The undeliverable notice is the most recent notice and in the same phase as the case.	<ol style="list-style-type: none"> 1. Update the IDRS Category Code to "UNDL." 2. Annotate the case folder and DCI with the applicable undeliverable IPC: 43UD (Letter 2531), 45UD (Letter 2030) or 47UD (Stat Notice). 3. Follow normal procedures based on the case status (i.e., response batch or no response batch). See IRM 4.119.4.21, Taxpayer Responses, or IRM 4.119.4.19, No Response, for additional information.
The undeliverable notice is not in the same phase as the case or is not the most recent notice.	<ol style="list-style-type: none"> 1. If not already present on the case folder and DCI, annotate the case folder and DCI with the applicable IPC: 43UD (Letter 2531), 45UD (Letter 2030) or 47UD (Stat Notice). 2. Follow normal procedures based on the case status (i.e., response batch or no response batch). See IRM 4.119.4.21, Taxpayer Responses, or IRM 4.119.4.19, No Response, for additional information.

- (4) Occasionally the Clerical Function receives an undeliverable notice for a case that is assigned to a tax examiner.

Caution: Do not treat Stat Notices stamped as **Unclaimed or Refused** as an undeliverable.

Note: If a notice addressed to a POA is returned as undeliverable, do not take any action to research for better POA address. Retain the undeliverable in the case file.

If	Then
The undeliverable notice is in the most recent notice and in the same phase as the case.	<ol style="list-style-type: none"> 1. Associate the undeliverable with the case. 2. Update the IDRS Category Code to "UNDL." 3. Annotate the case folder and DCI with the applicable undeliverable IPC: 43UD (Letter 2531), 45UD (Letter 2030) or 47UD (Stat Notice). 4. Follow normal procedures based on the case status (i.e., response batch or no response batch). See IRM 4.119.4.21, Taxpayer Responses, or IRM 4.119.4.19, No Response, for additional information.
The undeliverable notice is not in the same phase as the case or is not the most recent notice.	<ol style="list-style-type: none"> 1. Associate undeliverable with the case. 2. Annotate the case folder and DCI with the applicable undeliverable IPC: 43UD (Letter 2531), 45UD (Letter 2030) or 47UD (Stat Notice). 3. Follow normal procedures based on the case status (i.e., response batch or no response batch).

- (5) If the Post Office returns mail as "**Unclaimed or Refused**" rather than undeliverable, continue processing the case using normal procedures. An additional address check is not necessary.

4.119.4.21
(12-14-2023)

Taxpayer Responses

- (1) Most taxpayer explanations are self-explanatory and acceptable at face value. It is not necessary to verify everything the taxpayer says.
 - a. The tax examiner should consider the reasonableness of the explanation. It may be necessary to consult with the Lead Tax Examiner.
 - b. If other Exam issues are discovered during BUR processing, consult with the Lead Tax Examiner. Then, if necessary, consult with an Exam representative to decide the appropriate actions(s) to take.
- (2) If the response indicates the income is from a Covid Relief Program, refer the case to the Lead Tax Examiner for guidance on how to proceed.
- (3) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the Internal Revenue 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 / Internal Revenue Service (irs.gov)*.

- (4) Under these rights taxpayers have the right to receive prompt, courteous, and professional assistance in their dealings with IRS, to be spoken to in a way they can easily understand, to receive clear and easily understandable communications from the IRS, and to speak to a supervisor about inadequate service.

#4.119.4.21.1
(12-14-2023)**Taxpayer Responses -
Overview**

- (1) The primary purpose of the BUR Program is to account for discrepancies between amounts on IRs and amounts on the tax return.
- (2) Review carefully what the response is trying to say and research all related information.
- (3) A taxpayer's response to a BUR notice can be:
- A copy of the Letter 2030 or Letter 2531.
 - The taxpayer response page from the Letter 2030 or Letter 2531.
 - Form 15113, Request Verification for Potential Discrepancy of Income, Deductions and/or Credits Claimed on BMF Income Tax Returns Matched to Payer Information Documents (response page for Letter 2030).
 - Form 15114, Request Verification for Potential Discrepancy of Income, Deductions and/or Credits Claimed on BMF Income Tax Returns Matched to Payer Information Documents (response page for Letter 2531).
 - A copy of the Letter 3219-B Statutory Notice of Deficiency.

Note: Taxpayers may submit their response through electronic media (e.g., thumb drives, diskettes, flash memory etc.). See IRM 10.8.1, Information Technology (IT) Security, Policy, and Guidance, for additional information.

Note: The taxpayer is allowed 90-days (**150-days if the notice is addressed to a person outside the U.S.**) to petition the Tax Court. The taxpayer cannot receive an extension of this statutory period.

Note: The Statutory Notice is a legal document. If the taxpayer sends the original Letter 3219-B Statutory Notice of Deficiency OR the Letter 2030 do not make any marks or corrections on either response.

- A letter, note.
 - A fax or e-fax
 - An amended return.
 - A telephone call.
 - A Form 4442, Inquiry Referral, from Customer Service.
- (4) If the taxpayer's response indicates the taxpayer's attorney submitted a **Qualified Offer**, uses the words "**Qualified Offer**" or mentions **IRC 7430(g)**, immediately fax the offer to "Chief, Branch 5, Office of the Associate Chief

Counsel (Procedure & Administration”), at 855-592-8972, requesting a determination of whether the offer is a qualified offer under IRC 7430. See IRM 4.8.8.20, Qualified Offers, for additional information. Along with the offer document include the following:

Note: If during a phone call the taxpayer’s representative mentions they have filed a qualified offer, notify the BUR Coordinator immediately so that they can obtain the case file and take the necessary actions.

Caution: Do not confuse a “Qualified Offer” with an “Offer in Compromise”.

- A cover sheet with the name of the taxpayer
 - A brief description of the issue(s)
 - The type of tax and
 - The name and telephone number of a person in the campus who is the point of contact
- (5) The subject line of the fax cover sheet should be “**Purported Qualified Offer under Section 7430**”. For more information about qualified offers, see IRC 7430(g), Treas. Reg. 301.7430-7, Chief Counsel Notice 2010-007, and IRM 35.10.1, Awards of Litigation and Administration Costs and Fees. In general, a taxpayer who submits a Qualified Offer and meets the other requirements of section 7430 may recover reasonable administrative and litigation costs from the IRS if the IRS does not accept the offer and the taxpayer’s liability pursuant to a judgement in a court proceeding is equal to or less than the liability the taxpayer would have incurred if the Service had accepted the offer.
- (6) The taxpayer’s response (and all attachments) should be retained as part of the case file. If it can be determined that the taxpayer has submitted original documents, make a copy for the case file and mail the originals to the taxpayer with a cover letter.

Exception: Do not return original Information Return documents.

- (7) Digital assets (formerly referenced in BUR as virtual currencies) such as Bitcoin or other cryptocurrencies are generally treated as property for Federal tax purposes unlike real currencies such as the U.S. dollar.
- a. A taxpayer who receives a digital asset, such as Bitcoin or another cryptocurrency as a payment for rent, royalties, goods or services recognizes ordinary income when the taxpayer receives the digital asset if received as part of operating a trade or business. The taxpayer will typically hold the digital asset as a capital asset thereafter. The value of the payment is the fair market value (FMV) of the digital currency in U.S. dollars on the date of receipt.
 - b. The sale or exchange of a digital asset held as a capital asset results in capital gain or loss and should be reported as sale or other disposition of capital assets. Like stocks, the taxpayer’s gain or loss will equal the amount of cash and/or the FMV of the property received in exchange for the units of digital assets minus the taxpayer’s basis in those units.
 - c. Follow the appropriate response procedures based on the type of document the payer used to report the income.

- (8) If the taxpayer includes a telephone number in the response to any notice and it is appropriate, call them to resolve the outstanding U/R issue(s) before sending any written correspondence. Document when a phone call is made or attempted. Only one attempt is required. An attempt must be made even when the taxpayer provides only an evening phone number for a day shift tax examiner or a day phone number for a swing (night) shift tax examiner. See IRM 4.119.4.21.2.6, Out Calls, for further instruction.

Note: Always identify yourself by title (e.g., Mr., Mrs., or Ms.) and last name or first and last name, employee identification (ID) Number, and as an IRS employee during telephone contact with the taxpayer. Provide the taxpayer with a telephone number to contact the Service about their case if needed. Always use courteous behavior when speaking to a taxpayer via the telephone. See IRM 4.119.4.21.2, Telephone Responses, for additional telephone and mandatory Disclosure procedures that must be followed.

- (9) When evaluating responses, the tax examiner must review current BUR tax account activity for any changes.

- Review IDRS CC: TXMOD for any new transaction codes, freeze codes, etc. that may impact processing

Note: If there is any indication of Identity Theft on CC: TXMOD, refer the case to the Lead Tax Examiner for referral to HQ.

- Review IDRS CC: ENMOD for any changes to the taxpayer's address

Reminder: If IDRS CC: ENMOD displays indicator PDT (Potentially Dangerous Taxpayer), see IRM 25.4.1, Potentially Dangerous Taxpayer, for additional information. If IDRS CC: ENMOD displays indicator CAU (Caution Upon Contact), see IRM 25.4.2, Caution Upon Contact Taxpayer.

- Review IDRS CC: CFINK for any changes to the taxpayer authorized representatives

- (10) When evaluating responses, it may be necessary to review the Payer Agent List.

- (11) While evaluating the taxpayer's response, verify revised calculations of the U/R amount, adjustments, tax, credits, and balance due/refund amounts are accurate. Leave an audit trail of all actions, if needed.

Note: The following method may be used when processing a No Change case: All taxpayer addressed IRs that are now resolved (i.e., no longer U/R) should be marked with "Reported", "Deleted" or "Nontaxable", before using a Process Code to close the case.

- (12) If additional returns or adjustment documents were requested during case analysis and:

- a. The case is being closed **with an assessment** in the Underreporter blocking series, leave the documents with the BUR case file.
 - b. The case is being closed **without an assessment**, refile them separately.
- (13) If the taxpayer writes in with a question or requests assistance on a **non-BUR** related matter:
1. Photocopy the question/request.
 2. Annotate taxpayer name, EIN, and address on the photocopy.
 3. Forward the photocopy to the appropriate area for response and leave the original in the case file.
 4. Follow Policy Statement P-21-3 (Action 61) Guidelines for responding to the taxpayer. See IRM 4.119.4.21.1.12, Policy Statement P-21-3 (formerly P-6-12) Guidelines (Action 61).
- (14) Any response may require a new address. See IRM 4.119.4.21.1.3, Address Changes.
- (15) When an original payment is included with the taxpayer response, see IRM 4.119.4.21.7.1, Discovered Remittances, for additional information.
- (16) When working with correspondence that has not been processed through the Clerical Function (i.e., a faxed response sent directly to a specific tax examiner or correspondence received after a case/batch that has been assigned to a tax examiner/team), ensure that an IRS Received Date is recorded on IDRS.

Exception: A faxed Form 2848, Power of Attorney and Declaration of Representative, with no explanation is not considered correspondence for purposes of updating the BUR Received Date.

4.119.4.21.1.1
(09-17-2014)
Controlling Responses

- (1) Response cases to be analyzed by the BUR tax examiner are assembled into batches, which are then divided into work units. See IRM 4.119.4.2.1 Controlling Work, for additional information regarding, updating: IDRS, DCIs and case folders for various actions.
- (2) When assigning a work unit from a response batch, verify that there is a case folder for every TIN shown on the Work Unit Listing and that the TIN on the case folder matches the TIN on the Work Unit Listing **before** updating the control on IDRS. If a case folder is missing (or there is an extra folder) see IRM 4.119.4.21.1.1.1, Lost Cases (Responses).
- (3) Update the IDRS Control for the case folders that are verified against the Work Unit Listing.

Note: If the case folder is missing either a DCI or a paper filed tax return or contains an incorrectly associated paper tax return, see IRM 4.119.4.21.1.1.1, Lost Cases (Responses).

4.119.4.21.1.1.1
(09-17-2014)
Lost Cases (Responses)

- (1) When a TIN is assigned to a response batch, but the corresponding case (i.e., case folder, DCI, and/or paper filed tax return) is missing, it is considered a "lost" case. Lost case includes incorrectly associated paper tax return in the case folder or incorrect case folder in the work unit (based on Work Unit listing verification).

Note: See IRM 4.119.4.21.1.1.2, Lost Responses, if the case file is missing taxpayer correspondence.

- (2) When a lost case is identified, provide the information to the Lead Tax Examiner who will attempt to locate the case:

Note: If only the DCI is missing, the Lead Tax Examiner will obtain a new DCI from the Clerical Function.

If	Then
The Lead Tax Examiner locates the case	Continue processing.
The Lead Tax Examiner cannot locate the case folder	<ol style="list-style-type: none"> 1. Update IDRS activity with 4XLCMMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/Category Codes. 2. Ensure that the IDRS control remains in the Clerical IDRS control number. 3. Print IDRS CC: TXMOD and give to the Lead Tax Examiner who will route to the Clerical Function.
The Lead Tax Examiner cannot locate the paper filed tax return	<p>Continue working the case. If necessary use IDRS CC:TRDBV to obtain tax return information.</p> <p>Note: These instructions do not apply to MeF returns.</p>

4.119.4.21.1.1.2
(09-17-2014)
Lost Responses

- (1) During the Response phase a case may: contain an extra response, a wrong response or a response may be missing.
- (2) If the case contains an **extra response**:
- a. Give the extra response to the Lead Tax Examiner who will research to determine if the response belongs to another case in the batch.
 - b. If the extra response does not belong in the batch, the Lead Tax Examiner will print and attach the IDRS CC: TXMOD to the correspondence and route to the Clerical Function.
- (3) If the case contains the **wrong response**:
1. Give the wrong response to the Lead Tax Examiner who will research to determine if the response belongs to another case in the batch.
 2. If the wrong response does not belong in the batch, the Lead Tax Examiner will print and attach the IDRS CC: TXMOD to the correspondence and route to the Clerical Function.

3. If the case no longer contains a valid response, the case must be refiled back to the previous status.
 4. Update IDRS activity with the Activity Code reflecting the prior case status.
Example: CP2XXXMMDD or STATMMDD as appropriate. See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 5. Annotate the DCI and case folder with 4XRF (X represents the phase).
 6. Route the case to the Clerical Function.
- (4) If the case is **missing** the taxpayer's response (per the TIN assigned to the work unit) notify the Lead Tax Examiner who will search for the response in the batch. If the response is not located:
1. Update the IDRS activity with 4XLMMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 2. Annotate the DCI and case folder with 4XLR (X represents the phase).
 3. Give the case to the Lead Tax Examiner who will route the case to the Clerical Function.
 4. The Clerical Function will attempt to locate the missing response and will return the case file back to the originating tax examiner.

If	Then
The Clerical Function locates the missing response.	Continue processing.
The Clerical Function cannot locate the missing response.	<ol style="list-style-type: none"> 1. Contact the taxpayer, apologize for the inconvenience and request the taxpayer resubmit their response. 2. Update IDRS with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes. 3. Annotate on the DCI and case folder 4XLT or 4XPH (X represents the phase), as appropriate.

4.119.4.21.1.1.3
(12-11-2014)

Refiling Cases (Internal Process Code 4XRF)

- (1) There are occasions when a case needs to be refiled back to its previous status (e.g., a duplicate correspondence is received).
- (2) When refiling a case to its previous status take the following actions:
 1. Update the IDRS activity with the previous suspense status.
Example: CP2XXXMMDD or STATMMDD as appropriate. See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 2. Annotate the DCI and case folder with 4XRF (X represents the phase).
 3. Route the case to the Clerical Function.

Caution: If the Letter 2531, Letter 2030, or Letter 3219-B, has aged (time frame has expired or passed), do not refile the case. Continue processing. See IRM 4.119.4.19, No Response or IRM 4.119.4.21.11.2, Default Letter 3219-B Statutory Notice of Deficiency, for further information.

4.119.4.21.1.1.4
(09-16-2019)

**Case Transfer to
Another Area**

- (1) When transferring a case to another area (i.e., Appeals, Exam, Accounts Management, etc.), close the case with the appropriate transfer Process Code.
 1. **Do Not** input a TC 290 when transferring to another area.
 2. Close the IDRS control base.
 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
 4. Annotate the DCI and case folder with the appropriate PC.
 5. If the taxpayer has been contacted (i.e., Letter 2531, Letter 2030, etc.) issue Letter 4551-C to inform the taxpayer we have transferred the case to another area.

#

Reminder: When transferring a case in Stat Notice phase to Exam, place the case in suspense and allow the statutory period to expire before closing the case PC 4790 (Case Closed to Campus Examination) or PC 4780 (Case Closed to Field/Office Audit). See IRM 4.119.4.3.2, Freeze Codes.

- (2) When transferring a case to another area the case file must be complete. In addition to the current case contents the case file must include the following:
 - a. Prints of all notices issued.
 - b. Copy of DCI.

Note: Ensure the original DCI is retained in the case file.

4.119.4.21.1.2
(08-26-2021)

Abatement of Interest

- (1) IRC 6404(e)(1)(A) permits the service to abate the assessment of interest on deficiencies or payments of deficiencies attributable to any unreasonable error or delay by the Service in performing a ministerial or managerial act. The abatement may be made only if no significant aspect of such error or delay can be attributed to the taxpayer and after the Service has contacted the taxpayer in writing with respect to such deficiency or payment. IRC 6404 provides several exceptions to the IRC 6601 general requirement that interest be charged from the due date of the return until the balance due is paid in full.
- (2) A **ministerial act** is a procedural or mechanical action that does not involve the exercise of judgment or discretion, and that occurs during the processing of a taxpayer's case after all prerequisites to the act have taken place.
- (3) A **managerial act** is an administrative action that occurs during the processing of a taxpayer's case and that involves the temporary or permanent loss of records or the exercise of judgment or discretion relating to management of personnel. Interest attributable to a general administrative decision, such as the Service's decision on how to organize the processing of tax returns, may not be abated.

Note: See Treas. Reg. 301.6404-2(c) for specific examples of managerial and ministerial acts.

- (4) Annotate (on a Case History Sheet) and route taxpayer's requests and claims for abatement of interest to the Interest Abatement Coordinator (IAC) for processing.

Note: If taxpayer requests interest abatement, address this in an open paragraph when corresponding with the taxpayer.

Note: The assessment of interest is mandatory, unless the law specifically permits suspension, waiver or reduction of interest. **The law does not permit the reduction of interest for reasonable cause.**

4.119.4.21.1.3 (08-26-2021) Address Changes

- (1) When a taxpayer contact includes clear and concise notification of an address change, including foreign address change, input the appropriate new address on IDRS CC: ENREQ.
- (2) Changes to the taxpayer's name line due to a spelling error should also be made. However, **do not** change the first four characters of the name line (i.e., the name control).
 - a. The authority for making changes to a primary name line is delegated to the BMF Entity function.
 - b. Any correspondence received after an EIN has been assigned, requesting a change to the primary name line, that affects the name control, must be routed to the appropriate BMF Entity function.
 - c. See IRM 21.7.13.7.2.2, Cases Forwarded to Submission Processing BMF Entity for additional information.
- (3) For certain notices, such as the Letter 3219-B, Statutory Notice of Deficiency, the Internal Revenue Code provides that when the notice is sent to the taxpayer's last known address (LKA), the notice is legally effective even if the taxpayer never receives it.

Note: As a point of due diligence, if there is taxpayer correspondence with a different address mail a copy of the Letter 3219-B, Statutory Notice of Deficiency, to that address as well. Do not update Master File without clear and concise notification from the taxpayer.

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

- d. Oral notification made in response to a BUR notice which meets appropriate disclosure guidelines or if a taxpayer is contacted by phone by an IRS employee in connection with the taxpayer's account (not related to an address change). The taxpayer may provide a change of address to the IRS employee who responded to the phone call or initiated the phone contact. See IRM 4.119.4.21.2, Telephone Responses, for additional information regarding telephone responses.
 - e. Notification of an address change made by the U.S. Postal Service. See (5) below for additional information.
- (5) Treas. Reg. 301.6212-2(b)(2) and Revenue Procedure 2010-16 govern the update of taxpayer's address in IRS records. Under specific circumstances, clear and concise notification does include information from the United States Postal Service (USPS). IRS employees may change an address using information received from the USPS. An address obtained from the USPS becomes the taxpayer's last known address unless the taxpayer provides clear and concise notification of a change of address. Upon receipt on undeliverable BUR correspondence with an affixed USPS yellow label, research and update the address as follows:

If	And	Then
The USPS attached yellow label to the envelope that displays a different address than what is shown on the BUR correspondence	The name printed on the BUR correspondence matches what is shown on the yellow label,	Update the address on IDRS. See IRM 4.119.4.20, Undeliverable Notices, for further information.
The USPS attached a yellow label to the envelope that displays a different address than what is shown on the BUR correspondence	The name on the printed correspondence DOES NOT match what is shown on the yellow label,	Do not use the address on the yellow label to reissue the notice. See IRM 4.119.4.20, Undeliverable Notices for further information.

- (6) Clear and concise notification, whether written or oral, must contain the following:
- a. The Entity's full name.
 - b. For written requests, the signature of the taxpayer or an authorized representative. For oral requests, successful completion of disclosure verification. See IRM 4.119.4.21.2.2, Disclosure, for additional information.
 - c. The taxpayer's new address.
 - d. The taxpayer's old address, unless it can be determined from the posted data. Do not request the old address from the taxpayer.
 - e. The taxpayer identification number (TIN).
- (7) If any of the information from (4) or (5) above is missing from the taxpayer's request, do not update Master File. Send the appropriate letter to the taxpayer, at the new address, using a Special Paragraph to advise them of the information needed. Enclose Form 8822-B, Change of Address.

- (8) If the taxpayer provides a temporary address, a beginning and ending date of when the taxpayer will be using that address should be given. Do not update Master File.
- (9) Any time doubt exists as to whether an address should be changed, discuss it with the manager who will either provide an answer or refer the question to the Disclosure Office.
- (10) If a document is received containing a name or address change which does not meet the specific requirements for updating Master File, the information should be noted and maintained in the BUR case file. If a notice is returned, the Service is required to use due diligence in locating the taxpayer, which includes a search of existing records to locate any updated information supplied by the taxpayer.

4.119.4.21.1.4
(09-17-2014)
**Adjustment Cases
Relating to BUR**

- (1) Accounts Management frequently receives amended returns or correspondence from taxpayers who received BUR notices. Multiple assessments could result if both Adjustments and BUR simultaneously work these cases.
- (2) To eliminate multiple assessments:
 - a. Accounts Management may route cases related to an **open** BUR case to BUR. Work these cases following normal BUR procedures.
 - b. Always check AMS and/or MeF (if applicable) for any indication that an amended return has been filed.
 - c. Accounts Management will work responses or amended return related to a **closed** BUR case as part of the subsequent adjustment.
 - d. Accounts Management will forward all reconsideration cases to BUR prior to any new adjustment.
- (3) Responses that deal with multiple tax years are treated as separate responses whenever feasible. In such instances, photocopy the response so each tax year has the appropriate response to resolve the case. Route copies of the responses that are non-BUR to Accounts Management.

Exception: Coordinate Net Operating Losses (NOL) and carryback/ carryforward (CB/CF) issues between Accounts Management and BUR. Exercise caution with regard to Statute of Limitations and payment of interest.

4.119.4.21.1.5
(11-16-2020)
Amended Return

- (1) If the taxpayer responds with an amended return, review IDRS CC: TXMOD to determine if the adjustment posted. Math verify any tax adjustments.

Reminder: If the taxpayer filed Form 8978, Partner's Additional Reporting Year Tax, refer the case to the Lead Tax Examiner.

Note: See IRM 4.119.4.21.11.1, Instructions Specific to Statutory Notices/ Responses, for amended returns that exceed the tax increase shown on the Letter 3219-B Statutory Notice of Deficiency.

- (2) If the adjustment did not post and the taxpayer responds with a mathematically correct amended return or a signed statement that recalculates the tax on some but not all of the U/R issues, or does not address the penalties, send the appropriate notice to the taxpayer for signature. Include **PARAGRAPH 110** to

#

Note: Written supervisory approval is required when the accuracy related penalty applies. See IRM 4.119.4.16, Penalties and Interest, for additional information.

#

#####

- Ensure it is for the correct tax year.
- Verify the name and address.
- Math verify for revised tax and applicable penalties (e.g., Accuracy Related penalty).

- d. Once verified, process the assessment based on the recomputed tax figures. See IRM 4.119.4.21.10, Adjustments, for additional information.

Caution: The response must contain a signature of agreement (including claims for refunds). If signature is missing, issue a new notice with revised figures. See IRM 4.119.4.21.6.1, Recomputed Notice/Supplemental Report.

Note: If for any reason the amended return is not clear or complete, correspond for missing information.

- e. Close the case using Process Code 4470 (Letter 2531 phase) 4675 (Letter 2030 phase) or 4875 (Stat Notice phase).
 - f. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.
 - g. Annotate the DCI and case folder with the appropriate PC.
- (5) If the taxpayer submits an amended **Form 1041**, agreeing to all the U/R income and allocates it to the beneficiaries:

If	Then
They also provide amended Schedule K-1(s) for all the U/R income.	<ol style="list-style-type: none"> 1. Accept the explanation. 2. Send Letter 4551-C with the following special paragraph "Please advise the impacted beneficiaries to amend their tax return based on the amended Schedule K-1(s) you provided." 3. Close the case with the applicable N/C Process Code. 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate the case folder and DCI with appropriate N/C Process Code and include NRC 10.
If all the amended Schedule K-1(s) are not provided.	<ol style="list-style-type: none"> 1. Send Letter 4550-C requesting the amended Schedule K-1(s). 2. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes. 3. Annotate DCI and case folder with appropriate IPC. 4. Suspend and monitor. If no activity at the end of suspense period, take next action.

- (6) A corporation or trust may file an amended income tax return (Form 1120-X, or Form 1041) to adjust or claim a deferral of capital gains timely invested in a Qualified Opportunity Fund (QO Fund). The amended return or claim must contain a Form 8949, Sales and Other Distributions of Capital Assets, attached as well as the Schedule D, Capital Gains and Losses.
- (7) Transaction Code (TC) 971 Action Code (AC) 177 is used to record certain information from Form 8949, Sales and Other Dispositions of Capital Assets.

The TC 971 AC 177 records the EIN of the QO Fund, the date of the investment, and the dollar amount of the capital gain invested in the QO Fund.

Note: Information from Form 8949, Sales and Other Dispositions of Capital Assets, may be contained in either Part I or Part II, (identified by a “Z” code entered on line 1(f)), or both depending on whether the capital asset was a short term or long term transaction. Review the entire form prior to inputting the TC 971.

- (8) Review IDRS for any previously input TC 971 AC 177. If there are none on the module, input TC 971 AC 177 as instructed in the table below. The TC 971 AC 177 contains information about the deferral amount of tax, the date and company involved. If there is a TC 971 AC 177 located on the module, the taxpayer previously reported an investment into a QO Fund. This could have been input during original processing or a previous amended return.

If	And	Then
No TC 971 AC 177 and/or TC 972 AC 177 on the module	Taxpayer has one QO Fund investment reported on Form 8949,	<p>Input TC 971 AC 177 using the REQ77 IAT tool;</p> <ul style="list-style-type: none"> Input the date of the investment (Form 8949, column “b”) in the TRANS-DT field. Use 00000000, if “INHERITED” or “VARIOUS”, or if REQ77 responds with “date invalid”. Input the EIN of the QO Fund, (located on Form 8949, column a) in the XREF-TIN field. <p>Note: If the EIN is missing, input as 00-0000001.</p> Input the deferred amount in the Misc. field on REQ77 as a positive amount (dollars only), (capital gain amount located on Form 8949, column “g” shown as a negative on the form but posts as a positive on TC 971).

If	And	Then
Previous TC 971 AC 177 on the account	The EIN is the same as the previous TC 971 AC 177 but the data elements (the date of the investment, Form 8949 column "b" or the deferred amount) are different than the elements on the posted TC 971 AC 177	<p>Reverse the original TC 971 AC 177 with TC 972 AC 177 using the original figures from the existing TC 971 AC 177.</p> <p>Note: Use a posting delay code of "1" on the new TC 971 AC 177.</p> <p>For reversal:</p> <ul style="list-style-type: none"> • Input the date currently in the TRANS-DT field of TC 971 AC 177 being reversed. • Input the EIN of the QO Fund of the current TC 971 AC 177 (that is being reversed) in the XREF-TIN filed. <p>Note: If the EIN is missing, input EIN as 00-0000001.</p> <ul style="list-style-type: none"> • Input the deferred amount from the current TC 971 AC 177 being reversed in the Misc. field as a negative amount. <p>Note: See row above to input the new TC 971 AC 177 after reversal. Use a posting delay of "1" on the new TC 971 AC 177.</p>

If	And	Then
Previous TC 971 AC 177 on the module	The EIN is different than the previous TC 971 AC 177	<p>Input another TC 971 AC 177.</p> <ul style="list-style-type: none"> Input the date of the investment (Form 8949, column "b") in the TRANS-DT field. Use 00000000, if "INHERITED" or "VARIOUS", or if REQ77 responds with "date invalid". Input the EIN of the QO Fund (located on column "a" of Form 8949, in the XREF-TIN field) Note: If the EIN is missing, enter 00-0000001. Input the deferral amount in the Misc. field of REQ77 as a positive amount (dollars only), (capital gain amount located on Form 8949, column "g") shown as a negative on the form but will post as a positive on TC 971
No TC 971 AC 177 on the module	Taxpayer submits multiple Forms 8949, with different EINs	<p>Input a separate TC 971 AC 177 for each EIN number</p> <ul style="list-style-type: none"> Input the date of the investment (Form 8949, column "b") in the TRANS-DT field. Use 00000000, if "INHERITED" or "VARIOUS", or if REQ77 responds with "date invalid". Input the EIN of the QO Fund (located on column "a" of Form 8949), in the XREF-TIN field Note: If the EIN is missing, input EIN as .00-0000001. Input the deferral amount in the Misc. field on REQ77 as a positive amount (dollars only), capital gain amount located on Form 8949, column "g") shown as a negative on the form, but will post as a positive on TC 971

Reminder: If multiple Opportunity Zone investments are reported on Form 8949, you must input a separate TC 971 AC 177 for each investment.

- (9) In order to accept the amended return as an agreed response, the tax change shown on the amended return must agree with the manually computed tax

#

Accuracy Related penalty). If not, advise the taxpayer of the discrepancy and continue processing the case.

- (10) If the amended return information results in a zero (0) tax change and a TC 976 or TC 971 AC 010 or 012-016 posted, input/verify TC 290 for .00 to release the A Freeze.
- a. Close the case with the appropriate Process Code. If a change to TXI **only** is necessary. See IRM 4.119.4.21.6, Partially Agreed Responses.
 - b. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.
 - c. Annotate the DCI and case folder with the appropriate PC.

- (11) If the adjustment has posted:

And	Then
The amended return correctly includes all U/R issues.	<ol style="list-style-type: none"> 1. Close the case with the appropriate N/C Process Code. 2. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 3. Annotate the case folder and DCI with the appropriate Process Code and include NRC 10.
The amended return addresses all U/R issues but not the Accuracy Related penalty.	<ol style="list-style-type: none"> 1. Pursue the penalty if the amended return was filed after the BUR contact. 2. Issue Letter 4550C advising the taxpayer that they are subject to the Accuracy Related penalty. 3. Prepare a Letter 3219-B, Statutory Notice of Deficiency for the penalty amount. Continue processing the case through to default (if necessary).
There are other U/R issues besides those reported on the amended return.	Adjust the U/R by reworking the case and send the appropriate notice for the taxpayer's signature.

- (12) The taxpayer replies that they filed an amended return which included the U/R income in question, review IDRS CC:TXMOD.

- a. If IDRS shows a TC 290, and the tax increase due to U/R income matches the TC 290, close the case.
 - b. If IDRS shows a TC 290, and the tax increase due to U/R income does NOT match the TC 290, order the TC 290 DLN.
 - c. If IDRS shows a TC 976 or TC 971 AC 010 or 012-016 with no corresponding TC 290 and there is an indication that it is a CII document order the return. See IRM 4.119.4.3.5, Correspondence Imaging System (CII) Documents, for more information.
 - d. If IDRS does not show a TC 976 or TC 971 AC 010 or 012-016, or the amended return cannot be obtained, send Letter 4550C to request a signed copy from the taxpayer. Include the following Special Paragraph: "You indicated that the income in question was reported on your amended return, however: we are unable to locate it. Please send or fax us a signed copy of your amended return attached behind a copy of this letter."
- (13) If the amended return is not acceptable or all BUR issues are not addressed and case results in a tax decrease, send the appropriate letter with a Special Paragraph informing the taxpayer that we are unable to process the amended return as filed since they did not address all of the issues shown on our notice.
- Caution:** Consider the date the amended return was submitted and the date the notice was issued when creating the Special Paragraph.
- (14) If the U/R issue is resolved, but the taxpayer states that another amount was NOT CLAIMED, UNDERCLAIMED, OR OVER-STATED on the original return and:
- a. The taxpayer provides sufficient information, make the necessary adjustment. Use good judgment to determine if the taxpayer is entitled to this adjustment. If necessary, discuss with the Lead Tax Examiner to determine action to be taken.
- Note:** STATUTE OF LIMITATIONS MUST BE CONSIDERED.
- b. If the taxpayer does not provide all of the necessary information, contact the taxpayer for the missing information and/or documentation.
- (15) If the amended return results in a no change to tax:
- a. Close the case with the appropriate Process Code.
 - b. Input TC 925 with the applicable closing Process Code using IDRS CC: REQ77/ FRM77.
 - c. Annotate the case folder and DCI with the appropriate Process code and include NRC 10. See IRM 4.119.4.21.6, Partially Agreed Responses, for additional instructions.
- (16) CAT-A criteria identifies issues that require a referral to the Examination Classifiers prior to allowing a taxpayer claim, including protective claims and requests for abatement of CAT-A criteria penalties as identified in IRM Exhibit 21.5.3-2 Examination Criteria (CAT-A) – General. If a response is received with CAT-A criteria refer the case to the Lead Tax Examiner for review.

4.119.4.21.1.6
(07-26-2022)

Independent Office of Appeals

- (1) If the taxpayer makes a non-docketed appeals request (i.e., specifically requests a hearing with an Appeals Officer and submits a Form 12203, Request for Appeals Review, or otherwise submits an adequate protest as required in Pub 5, Your Appeal Rights and How to Prepare a Protest if you Disagree), take the following actions:

If	Then
Prior to issuance of Letter 3219-B, Statutory Notice of Deficiency, and there are less than 395 days left on the ASED.	<ol style="list-style-type: none"> 1. Attempt to resolve the issue(s) by telephone. See IRM 4.119.4.21.2.6, Out Calls, for further information. 2. Advise the taxpayer either verbally or using a Letter 4550C that, in order for Appeals to have enough time to consider your case, the assessment statute of limitations must have at least 365 days remaining when Appeals receives it. Because we are within that time period, we are unable to forward your case to Appeals. 3. Issue Letter 3219-B, Statutory Notice of Deficiency. See IRM 4.119.4.21.11, Letter 3219-B Statutory Notice of Deficiency Preparation, for additional information.
Prior to issuance of Letter 3219-B, Statutory Notice of Deficiency, and there are 395 days or more left on the ASED.	<ol style="list-style-type: none"> 1. Attempt to resolve the issue(s) by telephone. See IRM 4.119.4.21.2.6, Out Calls, for further information. 2. If it is still necessary to transfer the case to Appeals, research the following SharePoint: https://portal.ds.irsnet.gov/sites/ap/Pages/COS/APS/CaseRouting.aspx. Select the Case Routing Addresses and Instructions link to access the Appeals Case Routing SharePoint site, and route the case to the address shown in the "Exam & all other Non-Collection Cases" section of the web page. 3. Prepare Form 3210, Document Transmittal, and see IRM 4.119.4.21.1.1.4, Case Transfer to Another Area, for additional information on preparing the case for transfer. 4. Close the case with PC 4590. 5. Issue Letter 4551-C to inform the taxpayer we have transferred the case to another area. 6. Input TC 925 with PC 4590 using IDRS CC: REQ77/ FRM77. 7. Annotate PC 4590 on the DCI and case folder. 8. Give the case to the Clerical Lead to establish the AIMS control.

If	Then
<p>After the issuance of Letter 3219-B, Statutory Notice of Deficiency</p>	<ol style="list-style-type: none"> 1. Issue Letter 4550C advising the taxpayer that their request cannot be honored and that they need to follow the instructions in the Statutory Notice they received and file a petition with the U.S. Tax Court within the period specified (usually 90 days). Note: The taxpayer has 150 days to petition the U.S. Tax Court if the notice is addressed to a person outside the United States. 2. Inform the taxpayer that a case petitioned to the U.S. Tax Court will usually be considered for settlement by Appeals before the trial date. 3. Continue processing, re-filing the case as necessary for the remainder of the Statutory suspense period or until you are notified to pull the case from suspense because the taxpayer filed a U.S. Tax Court petition. Note: If less than 30 days remain on the 90 day period (150 days if the notice is addressed to person outside the U.S.), the tax examiner must attempt to contact the taxpayer by telephone to advise them that their request has been denied. See IRM 4.119.4.21.2.6, Out calls, for further information. Note: Do not update DCI or input PC 4800 for non-docketed cases.

If	Then
Reconsiderations - Responses received after the case has been closed by the BUR program	<ol style="list-style-type: none"> 1. Attempt to resolve the issue(s) by telephone. See IRM 4.119.4.21.2.6, Out Calls, for further information. 2. If it is still necessary to transfer the case to Appeals, research the following Share-Point: https://portal.ds.irsnet.gov/sites/ap/Pages/COS/APS/CaseRouting.aspx. Select the Case Routing Addresses and Instructions link to access the Appeals Case Routing SharePoint site, and route the case to the address shown in the “Exam & all other Non-Collection Cases” section of the web page. 3. Prepare Form 3210, Document Transmittal, and see IRM 4.119.4.21.1.1.4, Case Transfer to Another Area, for additional information preparing the case for transfer. 4. Send Letter 86C to advise the taxpayer their request has been forwarded to Appeals. 5. Input TC 925 with PC 4940 using IDRS CC: REQ77/ FRM77. 6. Annotate the DCI and case folder with PC 4940.

- (2) If the taxpayer’s response indicates “**Qualified Offer**” or mentions **IRC 7430(g)**, see IRM 4.119.4.21.1, Taxpayer Responses Overview, for additional information.

4.119.4.21.1.7
(09-06-2017)

**Bankruptcy Procedures -
Responses**

- (1) When the taxpayer indicates that they filed for bankruptcy:

If	And	Then
IDRS CC:TXMOD displays the following Bankruptcy indicators: a. Freeze code -V and/or TC 520 (not reversed by TC 521 or 522). b. Freeze code -W and/or TC 520 (not reversed by TC 521 or 522) with closing code 60-67, 70-81, 84, 85 or 89.	N/A	3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FM77. 4. Annotate the DCI and case folder with the appropriate PC.
Bankruptcy indicators are not present on IDRS CC: TXMOD	The taxpayer does not provide documentation	Request verification of the Bankruptcy and continue processing.
Bankruptcy indicators are not present on IDRS CC: TXMOD	The taxpayer provides documentation	3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FM77. 4. Annotate the DCI and case folder with the appropriate PC.

#

4.119.4.21.1.8
(09-06-2017)

**Deposits to Stop the
Accrual of Interest -
Section 6603**

- (1) A taxpayer may stop the further accrual of interest while the case is being resolved by making either a payment or an IRC 6603 deposit.
- (2) IRC Section 6603 allows taxpayers to submit deposits to suspend the running of interest on potential underpayments:
 - a. IRC 6603 deposits are identified on IDRS CC: TXMOD by a TC 640 with a Blocking series of 990-999, or TC 640 with DPC 12.
 - b. The taxpayer must use the specific designation for the payment or conversion of a cash bond to be considered an IRC 6603 payment.
 - c. Unlike Cash Bonds, the taxpayer may be entitled to credit interest (at a lower 6603(d)(4) rate) on any refunded portion of the IRC 6603 deposit that was made for a disputable tax.
- Note:** After an assessment is made and the funds are applied as a payment against the assessed liability, the normal rules regarding interest on overpayments apply.
- (3) A taxpayer may request the return of all or part of an IRC 6603 deposit before the deposit is used for a payment of tax. The requests must be in writing and include the following:
 1. The date(s) and amount(s) of the original deposit(s),
 2. The type(s) of tax to which the deposit was intended to be applied,
 3. The tax year(s) to which the deposit was intended to be applied.
- (4) If the taxpayer requests a return of an IRC 6603 deposit, a manual refund is required. Interest must be manually computed and input. See IRM 21.4.4, Manual Refunds, IRM 20.2.4.8.2.3, Request for Return on an IRC 6603 Deposit, IRM 21.5.1, General Adjustments, and IRM 21.5.2, Adjustment Guidelines, for more information.

Note: The accrual of interest stops on the date of the taxpayer remittance. Interest continues to accrue on any unpaid amounts, including accrued interest.

4.119.4.21.1.9
(12-14-2023)

Disaster Area

- (1) The BUR Coordinator will monitor ZIP Codes for specific declared disaster area situations as necessary based on IRS Disaster Relief Memos.
- (2) The BUR Coordinator will provide the tax examiners instruction for the states that have declared disasters.
- (3) Review FEMA website at <https://www.fema.gov/> for special case handling requirements.
- Reminder:** IDRS CC:TXMOD displays a disaster related Freeze Code (-S or -O) on impacted accounts.
- (4) The taxpayer corresponds **before the disaster** start date and a Freeze Code -O is present on the account:

If	Then
The response results in a closure (i.e., No Change, Fully Agreed or Partially Agreed)	<ol style="list-style-type: none"> 1. Input TC 29X. 2. Close the case with the appropriate Process Code. 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 4. Annotate the DCI and case folder with the appropriate PC.
The response does not result in a closure (i.e., recomputed notice or additional correspondence is needed)	<ol style="list-style-type: none"> 1. Update IDRS activity with 4XMRDSMMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/Category Codes and Exhibit 4.119.4-8, Definer Codes. 2. Suspend the case until the Disaster date expires. 3. Once the Disaster end date has passed continue normal processing.

(5) The taxpayer corresponds **during the disaster** time frame:

If	Then
<p>The response results in a closure (i.e., No Change, Fully Agreed, or Partially Agreed)</p> <p>Reminder: Do not assess the case by default until the disaster expiration date has passed. See IRM 4.119.4.4.3, Declared Disaster Areas, for additional information.</p>	<ol style="list-style-type: none"> 1. Input TC 29X. 2. Close the case with the appropriate Process Code. 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 4. Annotate the DCI and case folder with the appropriate PC.

If	Then
The response does not result in a closure.	Correspond for additional information (CRX Letter or next notice) as appropriate. Exception: See (6) below if the response indicates that the taxpayer's place of business or records was lost, destroyed or not accessible due to the disaster.
The disaster end date is beyond the ASED or extended ASED	Timely/appropriate actions must be taken to protect the statute. See IRM 4.119.4.21.11.2, Default Notice of Deficiency, for additional information.

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

- d. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
- e. Annotate the DCI and case folder with the appropriate PC.

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

4.119.4.21.1.10
(12-11-2014)

Installment Agreements

- (1) If the taxpayer AGREES (contains signature and no disputing comments) to the proposed BUR adjustment and STATES they cannot pay, will pay later, or submits a specific request for an **installment agreement** (IA), a payment plan, or requests the additional tax due to be added to an existing **installment agreement** (IA) close the case agreed and:

- a. Route the IA request to Compliance Service Collection Operation (CSCO).

Note: If the Form 433-D or Form 9465 is **the signature document** used to agree to the tax increase, make a copy to send to CSCO. Use red ink to annotate the copy of the Form 433-D or Form 9465 with "Pending BUR Assessment." Annotate the original Form 433-D or Form 9465 that a copy was sent to Collection.

- b. Leave BUR Case Note "IA to Coll" or similar wording.

- ## Letters From a Third Party and Authorization From a Valid Power of Attorney (POA)

- (1) Information supplied by an unauthorized third party may be used. However, ***send no tax information to, or discuss tax information with an unauthorized person..*** Any further correspondence required must be sent directly to the taxpayer.
- (2) The Third Party Designee (Check Box) authority on the tax return, does not apply to Compliance issues, including BUR. Therefore, do not send copies of BUR correspondence to a Third Party Designee and do not disclose specific case or tax return information based on a Third Party Designee check box.
- (3) In order to respond to the IRS on behalf of a taxpayer, a person must be part of a specifically authorized category of representative as listed on Form 2848, Power of Attorney and Declaration of Representative, Part II. If an individual does not qualify under one of those designations, they cannot represent taxpayers before the IRS. See IRM 1.25.1, Practice Before the IRS, Rules Governing Practice Before the IRS, for additional information.

[illegible]

- Cat. No. 55355Q (12-14-2023)
Any line marked with a #
is for **Official Use Only**

organization designated on Form 8821, Tax Information Authorization, but this form does not authorize the person to respond to the IRS on behalf of the taxpayer if the response constitutes practice before the IRS.

- (7) A document/letter request may be used in lieu of Form 2848 or Form 8821, provided it contains all of the information described below.

Note: The taxpayer may give oral authorization to address issues with a third party.

- (8) The Form 2848, Form 8821, or a document/letter in lieu of these two forms, a fax/e-fax, or photocopy of these forms should contain relevant information requested of a signatory by a Form 2848 or Form 8821, including:

- Name, EIN, and mailing address of the entity
- Name and mailing address of the designated representative Power of Attorney (POA) or Tax Information Authorization (TIA)

Caution: Do not send copies of notices or Correspondence letters to the designated representative when the box on Form 2848 Part I, section 2 or Form 8821 box 5a is not marked.

- Type of tax and the Federal tax form number
- Tax year(s) or period(s) or specific use (POA) or specific matter (TIA)
- Authorized signature and date of signature
- In the case of a Form 2848, a completed Declaration of Representative (Part II)

Caution: If the POA/TIA is determined to be invalid, return it to the taxpayer unless there is an indication that Form 2848 or Form 8821 has been sent to CAF for evaluation. Include the invalid POA/TIA as an attachment to Letter 2627-C.

- (9) If the POA/TIA is attached to the return, and the POA contains all of the above items, fax the authorization to the CAF Function for further processing and write "Faxed POA to CAF" on the form and leave it in the case folder.
- (10) If the POA/TIA is received without a return or document and contains all of the items shown above, fax it to the CAF Function and leave a Case Note.
- (11) If a letter request is used in lieu of Form 2848 or Form 8821 and contains all of the items shown above, fax the request to the CAF Function for processing and write "Faxed POA to CAF" on the letter and leave it in the case folder.
- (12) When a valid POA/TIA is received specifically for the BUR notice (i.e., checks the "Specific Use" box in Form 2848, Part I, section 4 or indicates that the representative is only authorized to discuss the BUR notices) **do not fax to the CAF Function.**
- (13) If the taxpayer or POA/TIA writes in and requests that a current POA be revoked and that no further information should be sent to this POA:
1. Fax the POA revocation request to the CAF Function for processing.
 2. Ensure information is not sent to the revoked POA.
- (14) When a POA/TIA request is included in the response that does not relate to the BUR case (i.e., for another taxpayer, another tax return type or different tax

year, etc.) route (do not FAX) the form(s) to the CAF unit for processing. **Do not** leave a copy in the BUR case file.

4.119.4.21.1.12
(09-02-2016)

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

- (1) Policy Statement P-21-3 (formerly P-6-12) Guidelines (Action 61) are the result of a task force initiated to provide timely, quality responses to taxpayer correspondence. The general guidelines are:
 - A quality response is an accurate and professional communication which, based on information provided, resolves the taxpayer issues
 - Requests additional information from the taxpayer, or
 - Notifies the taxpayer we have requested information from outside the IRS
- (2) A quality response is timely when initiated within 30 calendar days of the IRS Received Date.
- (3) When a quality response cannot be issued timely, an interim response must be initiated by the 30th calendar day from the IRS Received Date. Issue a Letter 4314-C.
- (4) All interim letters should inform the taxpayer when a final response can be expected and provide a contact name and number for additional inquiries.

Reminder: Screen taxpayer responses to BUR notices received after the BUR case is closed (BUR Reconsideration cases) to ensure cases are worked on a first in, first out basis. Control the case on IDRS with the IRS received date no later than 14 days from the BUR received date (and send an interim letter if the 30 day criteria outlined above cannot be met). See IRM 4.119.4.24, BUR Reconsideration Cases, for additional information.

- (5) Subsequent interim letters must be issued when a final resolution cannot be provided as indicated in the previous interim letter.

4.119.4.21.1.13
(09-11-2015)

**Relief from Accuracy
Related Penalties**

- (1) If the taxpayer's response claims or cites substantial authority as the basis for tax treatment of an item, see IRM 4.119.4.16.3.1, Accuracy-Related Penalty Due to Substantial Understatement of Tax.
- (2) Accuracy-related penalties will not apply to any portion of the understatement if the taxpayer demonstrates that there was reasonable cause for the understatement and the taxpayer acted in good faith. The most common reasonable cause issues for waiving the penalty (if they occurred at the time of filing) include:
 - a. Death (taxpayer or individual responsible for filing and paying taxes).
 - b. Serious illness (taxpayer or individual responsible for filing and paying taxes).
 - c. Disaster (i.e., fire, flood, tornadoes, etc.).
 - d. Unavoidable absence (taxpayer or individual responsible for filing and paying taxes).
 - e. Inability to obtain records due to reasons beyond the taxpayer's control.

Note: See IRM 20.1.1, Penalty Handbook - Introduction and Penalty Relief, for more information regarding reasonable cause criteria in general.

Note: See IRM 20.1.5, Penalty Handbook - Return Related Penalties, for exceptions to the Substantial Understatement Penalty.

(3) Depending on the facts and circumstances of each case, the tax examiner has the following choices:

1. Denying the request for penalty relief on the entire or a portion of the understatement.

Note: Per IRC 6751(b) written supervisory approval is required at the time that the tax examiner determines to deny the taxpayer's request for penalty relief. The signed approval must be included with the case file.

2. Waiving the penalty in its entirety.

Caution: If the substantial understatement or negligence disregard penalty can be waived, and a recomputed Letter 2030 is needed, see the Lead Tax Examiner for additional information.

(4) Advise the taxpayer of the status of their request to have the penalty waived:

- a. If the penalty is **fully waived**, include **PARAGRAPH 78** on the revised Letter 2030.
- b. If the request is denied, include **PARAGRAPH 79** when issuing a revised Letter 2030.

Note: If the taxpayer agrees with the proposed tax increase and the penalty request is denied, issue Letter 4550-C advising the taxpayer why the Accuracy – Related Penalty was not waived.

4.119.4.21.1.14
(11-15-2017)
Sensitive Case

(1) Sensitive Case Reports (SCR) are used to notify Leadership of the existence of a case where a notice has been issued with a potential balance due that is likely to attract media or stakeholder attention.

(2) Generally, a sensitive case meets one or more of the following criteria:

- a. Likely to attract media or Congressional attention. See IRM 4.119.4.21.1.14.1, Congressional Cases, for additional information.
- b. Unique or novel issue - Is the case novel or unusual in some way? Does the case fall outside of the other criteria, but is worth elevating to ensure leadership is aware of potential negative impact or public interest? A case under these criteria should be accompanied by a brief explanation of why it is unique.,
- c. Affects a large number of taxpayers.

(3) If the BUR case meets the sensitive case criteria, consult with the Lead Tax Examiner for determination and referral.

(4) Take the following action to determine if a SCR is needed:

1. Review the proposed assessment for technical and mathematical accuracy.
2. Analyze the taxpayer's account to ensure all affected tax periods are processed appropriately.
3. Verify the payer information is accurate.

4. If the taxpayer provides an unacceptable response (or states, they disagree without giving a reason) an attempt to resolve the issue(s) by telephone **MUST** be made. Document the contact, including if telephone contact could not be made.
5. When the evaluation is completed, and it is determined that an SCR is needed, notify BUR Headquarters of the proposed action and any updates for review prior to distribution of the report to local management.

4.119.4.21.1.14.1
(09-17-2014)
Congressional Cases

- (1) A case is considered a Congressional case if correspondence/inquiry is received on U.S. Congressional Letterhead or attached to U.S. Congressional Letterhead.
- (2) If a Congressional case is discovered, immediately give the case to the BUR Taxpayer Advocate liaison for expedited handling.

Note: Do not consider a case a Congressional case if the taxpayer states they sent a copy of the BUR notice to a member of Congress or the White House, or contacted or is going to contact a member of Congress or the President, or threatens to do so if the case is not resolved.

- (3) The case may require a Sensitive Case Report (SCR). See IRM 4.119.4.21.1.14, Sensitive Case for additional information.

4.119.4.21.1.15
(11-15-2017)
Large Dollar/Accounts Receivable Dollar Inventory (ARDI) Guidelines

- (1) Due to the adverse impact on Accounts Receivable Dollar Inventory (ARDI), the IRS must strive to minimize the volume of unresolved large dollar debit and credit modules/issues in the inventory. Therefore, in accordance with prevailing guidelines and in tandem with all other processing timeliness requirements (i.e., first in, first out, etc.), it is necessary to ensure that all modules/issues involving a balance of \$100,000 (Form 1041), \$1,000,000 (Form 1120) and over are expeditiously resolved.
- (2) Most of the cases that meet the large dollar case criteria require special case processing.
- (3) For cases identified that require special handling, the tax examiner will:
 - a. Leave a case note stating that the large dollar issue has been transferred to the Lead Tax Examiner.
 - b. Transfer the case to the Lead Tax Examiner who will refer to a locally designated ARDI Coordinator for specialized processing.
 - c. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 - d. If necessary, issue an interim letter to the taxpayer. See IRM 4.119.4.21.1.12, Policy Statement P-21-3 (formerly P-6-12) Guidelines (Action 61), for additional information.
- (4) The ARDI Coordinator will take the following actions:
 - a. Review the proposed assessment for technical and mathematical accuracy.
 - b. Analyze the taxpayer's account to ensure that all affected tax periods process appropriately.
 - c. Verify that the payer information is accurate.
 - d. If the taxpayer provides an unacceptable response (or states, they disagree without giving a reason) an attempt to resolve the issue(s) by

telephone **MUST** be made. Leave a case note to document the contact, including if telephone contact could not be made.

Note: For fully agreed cases, contact the taxpayer if necessary.

e. Leave a case note.

(5) When the case evaluation is completed, take the appropriate case action (i.e., input the assessment, revise the proposal and issue a Recomputed Notice, or close the case No Change) using standard processing procedures.

(6) If the case is being closed with an assessment of over **\$10 million dollars**: photocopy the **entire case contents**, make prints of the IDRS CC:TXMOD, Information Returns, Case Notes and Letter 2030/ Letter 2531 and send the copies/prints to the Chief Financial Office Staff at the following address:

IRS

CFO, Business Analysis & Support Section

Stop S-2, 1035

333 W Pershing Rd.

Kansas City MO 64108

Reminder: Leave a case note indicating that the case information was sent to CFO.

4.119.4.21.2
(07-26-2022)
Telephone Responses

(1) The purpose of the BUR toll-free telephones is to assist taxpayer's and/or their authorized representatives who call IRS regarding BUR initiated contacts.

Note: Written documentation may be requested if unable to determine if the oral statement is valid.

Caution: When these instructions refer to the taxpayer, the instruction also applies to the authorized representative who calls for the taxpayer. See IRM 4.119.4.21.2.2, Disclosure, for additional information regarding authorized representatives.

(2) Hearing-impaired callers may be speaking through a relay operator. The operator will announce they are calling as a relay operator on behalf of a taxpayer as soon as you answer. Perform disclosure verification as if talking directly to the taxpayer and continue with the conversation. Inform the caller of the following: You have placed this call with the assistance of a Relay Service Operator (RSO). We assume that in doing so, you have consented to the disclosure of your return information to the Relay Services Operator to the extent necessary to assist you with your question.

Caution: If the customer does not give oral consent, apologize to the customer (through the RSO) for the inconvenience. Because of disclosure rules, we

cannot provide the requested information through this connection without oral consent. These rules were established to protect the privacy of all taxpayers.

- (3) **Oral Statement Authority** is acceptance of information provided verbally to resolve account inquiries. The Toll-Free BUR tool will be used to determine situations that will allow the Telephone Assistor to take actions on cases.

Note: An Oral Statement cannot be used to close a case fully agreed. A signature must be secured.

- (4) The BUR CISCO telephone system has been updated to always advise the taxpayer that the telephone call does not extend the 90-day period in which they have to petition the Tax Court as specified in the Notice of Deficiency. The caller will always hear this announcement prior to speaking with an assistor. Should the taxpayer question this announcement, inform the taxpayer that this is a requirement and answer any other related questions.
- (5) If taxpayer calls and indicates they wish to fax/e-fax their response/agreement to the BUR issue, clearly document the date of contact and the taxpayer's intent to fax a signed consent. A faxed consent to assess additional tax (Letter 2030, Letter 4550-C, Letter 3219-B (Stat Notice) or Form 433-D) is acceptable if contact was made and the case history documents the date of contact. See IRM 21.2.3.5.5, Using Electronic Fax Services for additional information.

4.119.4.21.2.1
(08-26-2021)
**Answering the
Telephone**

- (1) The Toll-Free BUR tool will be used to determine situations that will allow the Telephone Assistor to take closing actions on cases.
- (2) The Restructuring and Reform Act of 1998 (RRA '98) requires that IRS employees use a unique identifier in written or verbal communications with taxpayers. The **entire 10 digits** of the Position Identification (PID) will be used as the **Employee Identification**. When speaking with a taxpayer, ALWAYS identify yourself by title and last name or first and last name and PID. Be courteous, polite, and professional.
- (3) Important steps to provide quality telephone assistance include the following:
- Greet the taxpayer:** Identify yourself, including employee identification (badge) number, and indicate a willingness to help.
 - Respond to the taxpayer's opening statement:** Actively listen to the caller; deal with the taxpayer's feelings, if appropriate, and acknowledge the ability to help. If appropriate, apologize for any mistakes made by IRS.
 - Target the taxpayer's questions:** Listen to the taxpayer's opening statement; form and use confirming questions; gain agreement from the taxpayer; and determine any targeting required to better identify the taxpayer's issue.
 - Get the necessary facts:** Ask the right questions and use appropriate hold procedures. Do not keep the caller on hold for more than a few minutes without giving them an explanation and apology. If additional research time is or will be too lengthy, offer to return the call with the requested information.
 - Provide assistance:** Provide accurate and complete assistance and/or appropriately refer the taxpayer to another source, if required.

- f. **Close the conversation:** Verify the taxpayer's understanding and conclude the contact courteously.

- (4) Telephone assisters are expected to handle account actions while the taxpayer is on the phone. Telephone actions should be taken in "Talk or Hold status." Wrap time is appropriate when:

- The caller does not wish to stay on the line,
- The case is complex requiring significant time to complete documentation or research, or
- The taxpayer is abusive or is using inappropriate language and the phone assistor has to end the call

Note: Muting a call is not appropriate when research is being conducted. The caller should be placed on hold unless the caller specifically requests not to be placed on hold.

- (5) The IRS is under no obligation to determine if the TP is using a cordless device for example, cell phone, cordless phone. However, if you become aware it is a cordless device (for example, you know that the number the TP is calling from is a cell phone because they had previously told you it is, or they mention during the conversation that it is a cell phone), advise the TP that there is a privacy risk as cordless devices use unsecured lines, and the conversation may be heard on another device.

Note: See IRM 13.1.16.4.2, Use of Cell Phones and Cordless Devices, for additional information. The TP is not prohibited from using any unsecured platform (for example, cell phone, cordless speaker phone). The caller accepts any security vulnerability by using the cordless device or unsecured platform.

1. If the TP does not agree to cordless use, advise the TP to call back on a more secure land line.
2. If the TP agrees to continue the discussion, leave a case note.

4.119.4.21.2.2 (12-14-2023) Disclosure

- (1) Disclosure is defined as making known to any person, in any manner, a return or return information.
- (2) When responding to telephone inquiries, disclose no tax return information until you are sure the person making the inquiry is authorized to receive the information even though most calls to the BUR toll-free number are in response to BUR notices and are not considered high risk.

Reminder: The Third-Party Designee check box on a return is intended to facilitate the processing of tax returns and does not cover Compliance issues, including BUR. Do not disclose specific case or tax return information to a Third-Party Designee.

- (3) Telephone assisters are mandated to use the IAT Disclosure Tool for all cases that require access to specific account information to resolve the taxpayer's issue.
- (4) The IAT Disclosure tool provides a series of automated questions on a pass/fail basis to help determine if the caller can be authenticated. The following chart is a list of those who may be authorized to receive tax information.

Reminder: Disclosure also requires that the caller give the entity name, EIN and address.

Exception: The POA/TIA is not required to provide the entity address.

Form	Who Authorized
Form 1120 Corporation	<ul style="list-style-type: none"> • President/CEO • Officer authorized to legally bind the corporation. The authority to bind means the ability to execute agreements that are binding and legally enforceable against corporation under state law • Corporate secretary • Corporate treasurer <p>Note: A corporate officer who is not the president/CEO of the corporation must be asked if they can legally bind the corporation.</p> <ul style="list-style-type: none"> • Power of Attorney • Reporting Agent • Third Party Designee • Oral Disclosure Consent
Form 1041 Estate or Trust	<ul style="list-style-type: none"> • Administrator, executor or trustee or personal representative whose name is listed in the entity portion of Master file. For banks listed as a trustee or a fiduciary ("ABC Bank Trust,") ensure the caller is a trust department employee not any bank employee/officer • Any heir at law, next of kin, or beneficiary who establishes material interests must submit their requests in writing • Power of Attorney • Reporting Agent • Third party designee • Oral Disclosure Consent

- (5) If a person states they have **Third-party authorization**, request the taxpayer's name and TIN. Use the IAT disclosure tool to determine if a POA or authorized

[illegible]

Note: Do not solicit verbal authorization from the taxpayer.

- a. If the taxpayer wishes to verbally authorize a third party to assist them with BUR related matters, ensure that they understand that this consent will allow BUR to continue discussion with the designated third party until the issue is resolved. Annotate the taxpayer's verbal authorization of the designated third party to discuss BUR related matters, and record the BUR specific authorization using IDRS CC: ACTON.
- b. If the taxpayer indicates that they want the designee to act for the taxpayer in matters beyond BUR, ensure that the taxpayer understands that this consent will allow the IRS to continue discussion with the designated third party until this particular tax matter is resolved. If the taxpayer still wants the authorization, record the Oral Disclosure Consent on IDRS, using IDRS CC: ACTON to input History Items on each tax module (TXMOD) under consideration. See IRM 4.119.4.21.2.4, General Inquiries, for further actions relating to non-BUR inquiries.

4.119.4.21.2.3
(09-17-2014)

Contact Recording

- (1) **Contact Recording** is a telephone application/tool/system that records incoming toll free telephone contacts for the purpose of possible subsequent monitoring. When the taxpayer calls the BUR toll-free number, they are notified that their call may be recorded.

- a. If the taxpayer **objects to being recorded**, use the "Stop Recording" icon on your desktop to disable the contact recording feature.
- b. If the call is **transferred**, advise the caller that they will have to restate their request that they do not wish to be recorded.
- c. If the **caller also asks to record the conversation**, advise the caller that they may not record the call; however, they may request a copy of the call under the Freedom of Information Act (FOIA). This request must be in writing and contain the date, name, identification number of the employee, and the approximate time of the call. See IRM 21.1.3.17.1, Freedom of Information Act (FOIA), for FOIA recording requests.

4.119.4.21.2.4
(12-14-2023)

General Inquiries

- (1) If the call is a **general** inquiry or a request for information about:
- a. BMF Underreporter issue(s) that do not require accessing the taxpayer's account (e.g., "Where do I mail or fax my response?", etc.): respond to the issue(s).
 - b. Account related issues (other than IMF-AUR and ESRP) that do not pertain to the BUR case: provide the Customer Service number, 800-829-1040 for IMF and 800-829-4933 for BMF.
 - c. Employer Shared Responsibility Payment (ESRP) related, (e.g., Letters 266J, 227L, 227M, 227N, 5698, 5699 etc.), transfer the call to ext 1113 for English and 1114 for Spanish.

Note: If the taxpayer does not want to be transferred or is calling outside the ESRP operational hours (9:00 a.m. - 5:00 p.m. local time), provide the toll-free number 866-379-6176.

- d. IMF-AUR related, (i.e., CP2501, CP2000, CP 3219-A, etc.): transfer the call to IMF-AUR ext 1020 for English or ext 1021 for Spanish.

Note: If the taxpayer does not want to be transferred or is calling outside the AUR operational hours (7:00 a.m. - 8:00 p.m. local time) provide the toll-free number 800-829-8310.

- e. IRC Section 965 related - The IRC Section 965 transition tax program is centralized at the Ogden Accounts Management Campus (OAMC) for BMF, transfer the call to ext 1038.
- f. Tax forms: provide the toll-free number for forms, 800-829-3676, or provide the IRS web site address www.irs.gov.
- g. Tax transcripts: provide the toll-free number, 800-908-9946 for IMF and 800-829-4933 for BMF, or provide the IRS web site address, www.irs.gov.
- h. Balance Due (non - status 22): transfer call to Accounts Management ext 1089 for English or ext 1076 for Spanish.
- i. Combined Annual Wage Reporting (CAWR) employee wage information reported by employer, transfer call to Accounts Management ext 1089 for English or ext 1076 for Spanish.
- j. Balance Due (status 22): transfer call to Automated Collection System ext 1085 for English or ext 1076 for Spanish.
- k. Exam inquires (open TC 420 or -L Freeze): transfer call to Exam ext 1861 for English or ext 1862 for Spanish.
- l. Tax Law questions can be transferred to Accounts Management under certain conditions. See 2 below for additional information regarding when a tax law related question can be referred to Accounts Management.
- m. Refer to The "Source for Telephone Numbers" at <http://gatekeeper.web.irs.gov/plList.asp> for a list of telephone numbers most frequently requested by taxpayers,, and the Telephone Transfer Guide (TTG) at [Telephone Transfer Guidehttp://serp.enterprise.irs.gov/databases/who-where.dr/ttg/TTGGuide.htm](http://serp.enterprise.irs.gov/databases/who-where.dr/ttg/TTGGuide.htm), for a list of transfer extensions.

Reminder: When transferring a call always inform the caller that they are being transferred.

- (2) Accounts Management only answers specific tax law questions during filing season. Use the chart below to determine actions to take when the call is related to Tax law.

If	And	Then
The call is during the filing season (January 15th - April 16th)	N/A	Transfer the caller to Accounts Management by pressing #3013 for English or ext 3014 for Spanish. If unable to transfer to ext 3013 or ext 3014, use #3011. Reminder: When transferring a call, always inform the caller that they are being transferred.

If	And	Then
The call is after the filing season (i.e., after April 16th)	The call is related to the following topics: <ul style="list-style-type: none"> • Tax Exempt Government Entities (TEGE) • Special Services: Military or Civilian Combat, Federally Declared Disaster • Affordable Care Act (ACA) • International Tax Law (overseas calls only) 	Transfer the call to Accounts Management by pressing ext 3011. Reminder: When transferring a call, always inform the caller that they are being transferred.
The call is after the filing season (i.e., after April 16th)	The tax law question is other than those above.	Inform the caller that you cannot provide assistance on that topic and refer them to www.irs.gov and recommend they select any of the following: <ol style="list-style-type: none"> “Help & Resources” tab on the home page. Options are listed on the left side of the page, or Interactive Tax Assistant: Enter “ITA” into the Search feature, or IRS Tax map - Enter “IRS Tax Map” into the Search feature for more detailed information.

- (3) If a phone call is received asking for a change to the primary name line, advise the taxpayer the request must be made in writing. Advise the taxpayer to send the request to the BMF Entity function. If the entity is a corporation or an LLC, advise them to include a copy of the amendment to their Articles of Incorporation or Articles of Organization showing the entity’s correct name.

Exception: Changes to the taxpayer’s name line due to a spelling error should be made. However, **do not** change the first four characters of the name line (i.e., the name control). See IRM 4.119.4.21.1.3, Address Changes, for further information.

4.119.4.21.2.5
(12-14-2023)

Case Specific Inquiries

- (1) **If the taxpayer has questions/information relating to a BUR case** that cannot be answered without further reviewing the account, access the taxpayer account on IDRS and the Letter repository to determine how to help them.

Reminder: If the caller is inquiring about multiple tax years, be certain that they have proper authority for each tax year in question and is entitled to receive information on those periods.

- (2) If the taxpayer calls and disagrees with the proposed change, refer to the consent page of the notice which provides complete information. Instruct the taxpayer to sign, date, and fax or return any information to resolve the issue. Document the contact.
- (3) The Toll-Free BUR tool will be used to determine situations that meet Oral Statement Authority to allow the Telephone Assister to take actions on cases (based on the taxpayer's oral statements).

If	Then
The taxpayer's account cannot be resolved based on the oral statement:	<ol style="list-style-type: none"> Ask the taxpayer/ representative to mail or FAX the information. Provide the general toll-free e-FAX number to the caller. See IRM 21.2.3.5.5, Using Electronic Fax Services, for additional information. Document the call activity.
The taxpayer's account can be resolved based on the oral statement:	<ol style="list-style-type: none"> Document the call activity and the action being taken. Request the case file from the Clerical Function. When the case file is received, complete case processing using the documented call activity as the taxpayer's response.

- (4) If the taxpayer asks for an extension see IRM 4.119.4.21.7.2, Extension Requests, for further instructions.
- (5) If the taxpayer calls and agrees with the proposed changes, instruct the taxpayer to sign, date, and fax or return the consent to tax increase, or refer the taxpayer to the consent page of the notice which provides complete information. Tell the taxpayer they should send in payment to stop the accrual of interest and penalties.
- (6) **If the taxpayer requests the balance due amount**, provide the Letter 2030 amount and advise that penalties and interest continue to accrue. **If the taxpayer requests a specific payoff amount computed to certain date**, use IDRS CC:INTST if the BUR assessment has posted or IDRS CC: COMPA on open BUR cases.

Caution: If the account contains restricted interest, ensure that the payoff amount correctly accounts for the restricted items.

- (7) If the taxpayer agrees but states they cannot pay or requests a payment plan, advise them to complete and submit Form 433-D, Installment Agreement, along with the signed consent to tax increase.
- (8) **If the taxpayer states they are making a payment other than electronically**, provide check annotation information **if needed**.
 - a. The BUR phone script provides check annotation information if the taxpayer selects the “Agree” path or chooses to speak with a tax examiner. The tax examiner is not required to address this subject unless the taxpayer asks a specific question.
 - b. To respond to the taxpayer’s specific question, refer them to the consent page of the notice or advise them to make the check or money order payable to the “United States Treasury” and include the TIN, Form type and tax year from the notice.
- (9) **If the taxpayer inquires about paying electronically:**
 1. Advise the taxpayer to call 800-555-4477 to speak with a representative from the Electronic Federal Tax Payment System (EFTPS).
 2. Advise the taxpayer that the EFTPS representative will provide any additional information.
 3. Advise the taxpayer to sign and return the consent to tax page in order to complete action on their case.
- (10) **If the taxpayer states the balance due has already been paid and the payment is displayed** on IDRS CC: TXMOD,
 1. Document the call activity and the action being taken.
 2. Request the case from the Clerical Function.
 3. When the case file is received, close the case using “Agreed Response” criteria. See IRM 4.119.4.21.5, Agreed Responses for additional information.
- Exception:** A signature is required if full payment was received after the Letter 3219-B, Statutory Notice of Deficiency was issued.
- (11) **If the taxpayer states they have paid the balance due in full and now received a bill for additional interest**, research IDRS CC: TXMOD to determine if a TC 276 has posted after the BUR adjustment. If a TC 276 has posted inform the taxpayer that per the paragraph titled Failure To Pay Penalty - IRC 6651(a) on their Letter 2030 an additional penalty (FTP) was assessed on their account. Payments received are applied in the following order:
 1. Tax.
 2. Penalties.
 3. Interest.

Caution: If TC 276 is not present, and if appropriate, inform the caller that interest is compounded daily until the entire amount is paid, including penalties and interest.

- (12) **If the taxpayer states a payment was sent and the payment is NOT shown** on IDRS, determine if it has been at least two weeks since the taxpayer mailed their payment or one week since the scheduled date of an authorized electronic payment:

If	Then
The above time frame has not been met	Ask the taxpayer to call back at that time
The above time frame has been met and the taxpayer paid by check	<ol style="list-style-type: none"> 1. Research IDRS CC: TXMODA, CC: BMFOLI, CC: BMFOLP or CC: BMFOLT. 2. If the payment is found posted on another tax module (i.e., subsequent year) ensure that the payment is transferred to the correct tax module using the IAT "Credit Transfer" tool. 3. If the payment cannot be located ask the taxpayer to send a copy of the front and back of the cancelled check.
The above time frame has been met and the taxpayer paid electronically via EFTPS	<ol style="list-style-type: none"> 1. Research IDRS CC: EFTPS with definer E and ask the taxpayer for the 15-digit confirmation code. 2. If the payment is found posted on another tax module (i.e., subsequent year) ensure that the payment is transferred to the correct tax module using the IAT "Credit Transfer" tool. 3. If the payment cannot be located ask the taxpayer to send in a copy of the bank statement or other documentation that shows the withdrawal.

Note: Advise the taxpayer to sign and return the consent to tax page in order to complete action on their case.

- (13) **If during the telephone call, it is determined the taxpayer is due a refund or expects a refund**, inform the taxpayer the refund will be issued if they owe no other taxes or federal obligations.
- (14) If during a phone call, IDRS research shows the taxpayer's account balance due status (i.e., 21 or 58) **is the result of a BUR assessment** and the

taxpayer agrees to provide documentation to resolve/change the assessment, input IDRS CC: STAUP to prevent issuance of additional notices while the case is being worked.

Exception: If the account is in Collection status 22 or 26, input TC 470 on IDRS. See Exhibit 4.119.4-13, Notice Delay Actions (Reconsiderations), for additional information.

Note: Allow the STAUP to be effective for six cycles unless the situation warrants a longer period.

- (15) When the taxpayer requests a call back or is told the tax examiner will call them back, inform the taxpayer you will return the call after you receive the information. Transfer the case to suspense, hold for up to 5 days. If the information is not received within the 5 days continue normal processing. Document the time frame as part of the call activity.
- (16) When returning the taxpayer's/representative's call and if it is necessary to leave a message on an answering machine or voice mail:
 - a. Leave your name, phone number, indicate that you are calling from the IRS and the name of the person you are calling.
 - b. Do not divulge previous contact with the taxpayer/representative unless it is verified that the number reached was the one given for contact purposes (i.e., the taxpayer identifies themselves in the greeting) **and** that the taxpayer/representative is the only person with access to the voice mail or answering machine.
 - c. **Do not** provide any information about the specific tax matters involved nor indicate exactly why you need to speak to the taxpayer/representative.
- (17) Input/verify the taxpayer telephone number using the IAT Phone Number Tool or IDRS CC: TELEA/TELEC.
- (18) If the taxpayer provides a new address, update address on IDRS. See IRM 4.119.4.21.1.3, Address Changes. The latest address displays on IDRS CC: ENMOD. This may not be the address that received a notice.
- (19) Verify the representative's telephone number using IDRS CC: CFINK.
 - a. If the representative provides a new telephone number and/or address, document the information as part of the call activity.
 - b. Inform the representative to file an amended Form 2848 or Form 8821 to have telephone number and/or address information updated.
- (20) Document any information the caller provides, even if they do not pass disclosure.

Exception: It is not necessary to document phone calls on closed cases. Advise the taxpayer/representative to mail or Fax any additional information. Provide the general toll-free e-fax number.

- (1) During the response phase there may be times when calling the taxpayer will expedite the resolution of the case.

Example: Taxpayer responds to notice but inadvertently omitted required information or signatures delaying the action on the case.

- (2) Out calls also provide better topic and time control of a conversation.
- (3) It may be beneficial to make an out call in lieu of sending the taxpayer a letter to resolve their account when the taxpayer has provided telephone contact information, and the information needed can be provided orally or by fax.
- (4) There are times during the response phase when you **must** attempt to call the taxpayer to resolve the issue. Always document the attempt. You **must** attempt to call the taxpayer when the taxpayer:

Reminder: Normal telephone procedures should be followed when making an out call. Input/verify the taxpayer telephone number using the IAT Phone Number Tool or IDRS CC: TELEA/TELEC.

- a. Requests an appeal of our findings. Tax examiners must attempt to resolve the issue(s) by phone prior to forwarding the appeals request. See IRM 4.119.4.21.1.6, Independent office of Appeals, for additional information.
 - b. Requests a phone call. Tax examiners must attempt a call even when the taxpayer provides a contact time which is outside the tax examiner's shift.
 - c. Fully agrees - but is missing required signature(s).
- (5) There are times during the response phase when you **may** attempt to call the taxpayer to resolve the issue. Always document the attempt. Attempt to call the taxpayer when the taxpayer:
 - a. Submits full payment after the Letter 3219-B, Statutory Notice of Deficiency, is issued, without the required signature(s).

Note: If unable to reach the taxpayer by phone and you are requesting a missing signature for a case in Letter 3219-B, Statutory Notice of Deficiency, phase where the suspense time frame has expired, do not issue a Letter 4550C. See IRM 4.119.4.21.11.2, Default Letter 3219-B Statutory Notice of Deficiency, for additional information.

- b. Omits requested information or documentation.

Note: If unable to reach the taxpayer by phone, issue a Letter 4550-C to request the missing signature(s) and/or information.

- (6) When an outgoing phone call is initiated, the taxpayer may be reluctant to provide their Taxpayer Identification Number (TIN). To ease any concerns that the taxpayer may have, provide the taxpayer with the last four digits of the TIN and request that the taxpayer verify the first five digits. After verification of the TIN, follow, IRM 4.119.4.21.2.2, Disclosure and use IAT and the Toll-Free BUR Script tool.
- (7) If taxpayer is still reluctant to provide information, leave a detailed case note outlining the information that is needed from the taxpayer. Provide the taxpayer with the BUR toll-free number. The taxpayer can then call the toll free number and the assister can inform the taxpayer what is needed.

- (8) Use the following guidelines when leaving messages that contain confidential information on answering machines/voice mail. These guidelines are consistent with prudent business practices and disclosure rules while still providing good customer service.
 - a. While tax information generally may not be left on an answering machine or voice mail, there are exceptions. If the employee “reasonably believes” he or she has reached the taxpayer’s correct answering machine or voice mail, it is acceptable to leave the employee’s name, telephone number, any appropriate reference number for the inquiry, the fact that he or she works for the IRS (identifying the function of the calling employee is permissible) and the name of the person who should return the call. Additional information can be left on the recording if the taxpayer has given prior approval to leave such information on voice mail or the answering machine.
 - b. “Reasonable belief” is supported by the greeting on the answering machine or voice mail refers to the taxpayer being contacted, or the taxpayer has indicated that this is the telephone number where he or she may be reached directly.
 - c. Document the taxpayer’s telephone number, his/her approval to call that number, and the taxpayer’s permission for IRS to leave information on the recording.
 - d. If the employee does not have a reasonable belief they have reached the correct taxpayer, no tax or other confidential information should be disclosed on the message.
- (9) When the out-going call results in the taxpayer agreeing to submit additional information (i.e., additional documentation, signed consent to additional tax, etc.), suspend activity on the case to allow the taxpayer time to reply.
 1. Document the call.
 2. Update IDRS activity with 4XPHMMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 3. Annotate the DCI with the phone call date and 4XPH (X represents the phase).
 4. Annotate the case folder with 4XPH (X represents the phase).
 5. Suspend the case file until the purge date.
 6. When the information is received, call the taxpayer if the taxpayer requested receipt confirmation.

4.119.4.21.3
(09-17-2014)
**Instructions Specific to
Income/Issue Types**

- (1) The following instructions provide guidelines for working specific BUR issues. These instructions apply to processing responses to either Form 1120 or Form 1041 tax returns unless, otherwise stated.
- (2) See IRM 4.119.4.4.1, Fraud Referral Program, for potential FRAUD referrals.

4.119.4.21.3.1
(12-14-2023)
**Aggregate Profit Or
Loss On Contracts**

- (1) An adjustment is required when the taxpayer agrees that an amount was U/R or omitted and provides sufficient information to determine the taxable gain or loss.
- (2) If the taxpayer does not provide sufficient information to determine taxable gain or loss, contact the taxpayer to obtain the information needed to make the adjustment using normal processing procedures.

and/or Schedule D reporting Aggregate Profit or Loss on Contracts.

- (4) If the response indicates the income is from a Covid Relief Program, refer the case to the Lead Tax Examiner for guidance on how to proceed.

4.119.4.21.3.2
(12-14-2023)

Agriculture Payments

- a. Surface Mining Control and Reclamation Act of 1977 (Rural Abandoned Mine Program).
- b. Water Bank Act.
- c. Agricultural Credit Act of 1978, Title IV (Emergency Conservation Measures Program).
- d. Soil Conservation and Domestic Allotment Act (Agricultural Conservation Program).
- e. Soil Conservation and Domestic Policy Act, Section 16 (Great Plains Conservation Program).
- f. Cooperative Forestry Assistance Act of 1978, Section 4 (Forestry Incentives Program).
- g. Watershed Protection and Flood Prevention Act.
- h. Agricultural, Rural Development, and Related Agencies Appropriations Act (Experimental Rural Clean Water Program).
- i. The Agriculture payment is not subject to federal income tax per the provisions outlined in Rev. Rul. 69-289. The subsidy payment was made to a member of a federally recognized Native American tribe in connection with activity occurring on allotted or restricted lands and is not subject to taxation.
- j. Food Security Act of 1985, Federal Agriculture Improvement and Reform Act of 1996 and Farm Security and Rural Investment Act of 2002 (Wetlands Reserve Program, Conservation Reserve Program, Forest Land Enhancement Program).
- k. Federal Agricultural Improvement and Reform Act of 1996 (Environmental Quality Incentives Program, or Wildlife Habitat Incentive Program).
- l. Agricultural Risk Protection Act of 2000 (Soil and Water Conservation Assistance Program or Agricultural Management Assistance Program).
- m. Colorado River Basin Salinity Control Act.

- (2) If the response indicates the income is from a Covid Relief Program, refer the case to the Lead Tax Examiner for guidance on how to proceed.

4.119.4.21.3.3
(12-14-2023)

Cancellation of Debt

- (1) If the taxpayer responds with a completed Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)

Exception: If Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment) box 1b (insolvency) is checked, see (3) below.

- (3) If the response indicates the income is from a Covid Relief Program, refer the case to the Lead Tax Examiner for guidance on how to proceed.
- (4) If the taxpayer claims insolvency, they **must** provide a statement listing assets and liabilities. The taxpayer is considered insolvent when total liabilities exceed the fair market value (FMV) of assets before the debt was cancelled. The taxpayer may only exclude cancelled debt up to the insolvent amount.

#

b. Issue a recomputed notice for the remaining taxable cancelled debt when

#

c. Issue a Letter 4550-C if Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment), is submitted without a statement listing assets and liabilities.

- (5) If the taxpayer reduces the cancelled debt by interest forgiven (as shown on the IR), accept the revised amount. If the IR does not show Amount Type (IRPTR Literal) INT FORGVN, correspond and request the additional documentation.

- (6) If the taxpayer's response indicates that the cancelled debt was for a foreclosure or repossession and:

a. Provides a Fair Market Value (FMV) amount that is larger than the

#

c. A worksheet for Foreclosures and Repossessions (or a similar statement

#

Note: If not, issue Letter 4550-C stating that losses are non-deductible. See IRM 4.119.4.7.4.1, Cancellation of Debt - Analysis, for further information.

- (7) If the taxpayer states that the discharge of debt is from a Qualified Farm Debt

#

- (8) Do not delete the issue if the taxpayer provides a statement from the creditor/collection agency stating the settlement was paid in full. Issue a Letter 4550-C to inform the taxpayer the difference between the original debt and the settlement offer amount is considered taxable income.

4.119.4.21.3.4 (09-16-2019) Dividends

#

- Dividend income is a nontaxable distribution
- Income is from a CCF account
- If an attachment states that the dividend income was received from a Domestic Corporation and was a licensee under the Small Business Investment Act
- The income in question was earned on an IRA, Keogh (HR-10), SEP, SIMPLE Plan, pension plan or profit-sharing plan (including a 401(k) plan) or 403(b) plan

#

- Taxpayer's explanation states that dividends were from a mutual savings bank and was reported as interest and it can be identified
- **Form 1120 only:** Dividends qualified for a deduction under IRC 243 and IRC 245

#

portion of the dividends qualify for a special deduction (e.g., **Form 1120**, Schedule C).

- (4) The **Form 1041** response may state that the taxpayer is entitled to qualifying dividends or additional qualifying dividends. The QUALIFIED DIVIDEND is the amount of ORDINARY DIVIDEND that is eligible for the capital gain rate. If the taxpayer did not claim qualifying dividend on the original return and now states they want the capital gain rate. Determine the revised tax using the Capital Gain tax rate.

4.119.4.21.3.5
(12-14-2023)
Fishing

#

#

#

- (2) If the income is NONEMP COM or FISH INC accept the response when it states the taxpayer is a fisherman and one of the following:

#

Note: IRC 6050A requires the boat captain to issue a Form 1099-MISC when the crewman (stern man) sells his/her portion of the catch for CASH. However, the buyer also issues a Form 1099.

#

#

#

#

#

#

- (3) If the response indicates the income is from a Covid Relief Program, refer the case to the Lead Tax Examiner for guidance on how to proceed.

4.119.4.21.3.6
(12-14-2023)
**Form 1099-K Payment
Card Transactions and
Third Party Network
Payments**

- (1) If the taxpayer's response indicates that there is a duplicate reporting of Payment Card Transactions on both Form 1099-K and Form 1099-MISC/Form 1099-NEC, review the IRs.

Note: Beginning in tax year 2020, nonemployee compensation is reported on Form 1099-NEC.

#

#

#

Note: Beginning in tax year 2020, non-employee compensation is reported on Form 1099-NEC.

- (3) If Form 1099-K and Form 1099-MISC/ Form 1099-NEC IRs with duplicate amounts are not present and the taxpayer provided sufficient information to identify the affected IRs, contact the payers of both the Form 1099-K and Form 1099-MISC income. See IRM 4.119.4.21.7.5, Third Party Contacts, for additional information.

Note: Beginning in tax year 2020, nonemployee compensation is reported on Form 1099-NEC.

- (4) If Form 1099-K and Form 1099-MISC/ Form 1099-NEC IRs with duplicate amounts are not present and the taxpayer did not provide sufficient information to identify the affected IRs, correspond with the taxpayer.

Note: Beginning in tax year 2020, non-employee compensation is reported on Form 1099-NEC.

- (5) Accept the taxpayer's explanation and consider the Form 1099-K issue resolved when:

#

IRM 4.119.4.21.1.5, Amended Return, for additional information.

- (7) If the taxpayer's response indicates that they are unable to determine the underreported portion on the Form 1099-K, take the following action:
1. Correspond with the taxpayer and include the following Special Paragraph: "To assist you in determining the underreported portion of the Form 1099-K transactions, please review the separate statement provided to you by your card processors, as applicable, along with your books and records. Examples of allowable items that can be used to reduce the underreported amount include sales tax, fees, cash back, etc. Please provide us with a statement detailing any additional deductions you are entitled to."
 2. Suspend the case.
 3. Update IDRS activity as appropriate.
 4. Annotate the DCI and case folder.
- (8) If the taxpayer's response indicates they are unable to determine the underreported portion on the Form 1099-K for income identified as a digital asset, take the following action:
- Correspond with the taxpayer and include the following Special Paragraph: "For U.S. tax purposes, transactions using a digital asset

must be reported in U.S. dollars. Taxpayers determine the fair market value in U.S. dollars as of the date and time of payment or receipt. Please provide us with a statement showing the fair market value of the transaction(s)."

- Suspend the case
- Update IDRS activity as appropriate
- Annotate the DCI and case folder

- (9) If the taxpayer states that their tax return was examined for Form 1099-K related issue in a prior year (i.e., Exam audit or BMF Underreporter), research the prior year(s).

#

Note: See IRM 4.119.4.21.4.1, Discrepancy Explained (No Change-Analysis), if the taxpayer states the same issue was addressed by BUR in a prior year.

- c. If there is no indication of a prior year examination, and the issue cannot be resolved based on the instruction above, confer with the Lead Tax Examiner to determine the next steps.

4.119.4.21.3.7
(11-16-2020)
Grantor Trusts

#

in Form 1041, Section A and:

Note: In lieu of checking the box, the taxpayer writes Grantor Trust on the return or cites IRC 671-678.

- a. Reports no income or deductions. If the only entry is for the exemption on Form 1041, line 20 (tax year 2018 and prior) or Form 1041, line 21 (tax year 2019 and subsequent), consider this the same as reporting no income/deductions.
 - b. Taxpayer reports income and then distributes the entire amount on Form 1041, line 18 and includes related Schedule K-1's.
- (2) When the taxpayer indicates the Grantor Trust was a combination of taxable and non-taxable income and difference is due to the distribution of income to the beneficiaries:

If	Then
They also provide amended Schedule K-1(s) for all the U/R income	<ol style="list-style-type: none"> 1. Accept the explanation. 2. Send Letter 4551-C with the following special paragraph "Please advise the impacted beneficiaries to amend their tax return based on the amended Schedule K-1(s) you provided." 3. Close the case with the applicable N/C Process Code. 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate case folder and DCI with appropriate N/C Process Code and include NRC 10.
If all the amended Schedule K-1(s) are not provided	<ol style="list-style-type: none"> 1. Send Letter 4550C requesting the amended Schedule K-1(s). 2. Update IDRS activity with 4XLT (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/ Category Codes. 3. Annotate DCI and case folder with 4XLT (X represents the phase). 4. Suspend and monitor. If no activity at the end of suspense period, take next action.

- (3) If the taxpayer response indicates they are changing the status of the trust to a Grantor Trust refer to the Lead Tax Examiner.

4.119.4.21.3.8
(09-06-2017)

Interest

- The taxpayer is an attorney and states that the interest earned on an escrow account was paid to the Bar Association
 - Series E bonds were converted to Series H bonds. Therefore, the interest is not taxable upon the conversion
 - They elected to report bond interest or discount on savings bonds each year as it accrued
-
- The taxpayer reported short-term OID/ obligation each year as it accrued

#

#

#

- The income in question is from a municipal bond and is nontaxable
- The income in question is accrued interest that was paid when the bond was purchased
- A lesser amount of interest was reported because the obligation was a short term OID/ obligation
- Income is from a CCF account
- The taxpayer reported a lesser amount of interest as they amortized the bond premium or acquisition premium. This treatment offsets the interest or OID includable as income
- The income in question was earned on an IRA, Keogh (HR-10), SEP, SIMPLE Plan, pension plan or profit-sharing plan (including a 401(k) plan) or 403(b) plan

4.119.4.21.3.9
(12-14-2023)

Medical Payments Form 1120 Only

#

liability of adjustment for Medicare/Medicaid due to offsets, other allowances, etc. that reduce the gross receipts reported by the payer. Include the following Special Paragraph in the closing letter (or with the recomputed notice, if there are other unresolved issues) "Items of income and expenses must be separately stated in the appropriate section of the return and should not be netted."

Example: Company X submitted Medicare claims of \$1,000 for payment. The claims were processed and approved for payment, however there is a prior year amount due the program of \$300. The \$300 amount is offset against the \$1,000 due the provider, and a payment of \$700 is authorized. Since the provider received benefit of \$1,000 (\$700 in cash and \$300 reduction of a liability) the amount of payment that is required to be reported to the IRS on Form 1099 is \$1,000. They should offset the \$300 as an expense.

- (2) If the response indicates the income is from a Covid Relief Program, refer the case to the Lead Tax Examiner for guidance on how to proceed.

4.119.4.21.3.10
(11-16-2020)

Net Investment Income Tax (NIIT) Form 1041 Only

- (1) Adjustments to the Net Investment Income Tax (NIIT) must be considered when the taxpayer's response includes changes to investment income and/or deductions on Form 1041.
- (2) Select the correct Income Discrepancy Amount Types when preparing a recomputed/revised Letter 2030.
- (3) Use the "Miscellaneous" options available in the Letter 2030 drop-down menu in the "Your income and deductions" field, when the underreported issue is other than a specific Amount Type (e.g., Interest, Dividends, Rent, Capital Gains, etc.).
 - a. **Miscellaneous Adjustment:** Select this option from the dropdown menu when revising non-investment income that is not included in the dropdown menu.

Example: When an adjustment to Business Income/Loss (Form 1040, Schedule C) or Farm Income/Loss (Form 1040, Schedule F) is needed.

- b. **Miscellaneous Investment Income Adjustment:** Select this option from the dropdown menu when revising investment income that is not included in the dropdown menu.

Example: When an adjustment to Supplemental Income/Loss (Form 1040, Schedule E), Ordinary Gain/Loss (Form 4797) or pensions/annuities on Form 1099R (with COD D) is needed.

- c. **Miscellaneous Deductions:** Select this option from the dropdown menu when revising deductions on Form 1041, lines 10 through 20 (tax year 2018 and prior) or Form 1041, lines 10 through 21 (tax year 2019 and subsequent).

Note: Each “miscellaneous” option can only be listed once on the notice.

Note: Always include a Special Paragraph explaining the adjustment whenever any of these options are selected.

4.119.4.21.3.11
(09-16-2019)

**Partnership/ Trust/
S-Corporation Conduit
Income**

#

- a. States that the income or loss amount was netted against other reportable items of expense or deduction/depreciation. Verify that the income was fully reported prior to netting and accept the explanation. Send a closing letter with a Special Paragraph “Items of income and expenses must be separately stated in the appropriate section of the return and should not be netted.”

Example: Taxpayer netted the Amount Type SECTION 179 DEDUCTION and reported the difference.

- b. Does not agree with the amount of income or loss adjustment and provides a copy of the original or amended K-1 document for reconciliation.
- c. The distributive shares reported on the return were adjusted by Form 6198, At-Risk Limitations.
- d. The Partner, Beneficiary or Shareholder filed Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), or uses terminology such as: “inconsistent treatment” or “administrative adjustment request (AAR).”
- e. Cites IRC 751 or IRC 754, or states the Sch K-1 (1065) was an “entire disposition”, or the taxpayer states that they disposed of their entire ownership in the partnership.
- f. The Sch K-1 (1065) information return was from a Publicly Traded Partnership (PTP).
- g. States that the discrepancy is due to the Partnership, S-Corp or Estate/ Trust filing a fiscal year Schedule K-1.
- h. The Partner or Shareholder filed a Form 8082 and indicates an election under Rev. Proc. 2003-79 to apply a ratable 4-year spread to the share of the income attributable to a change in the annual accounting period or uses similar terminology.
- i. The income was reported on Form 8582, Passive Activity Loss Limitations.
- j. The rent was reported on Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation, Passive Activity Loss Limitations.

- (2) If the taxpayer provides a corrected/amended Schedule K-1:

And	Then
The response is accompanied by a letter from the payer	
The response is not accompanied by a letter from the payer	<p>Research IDRS and or MeF to determine if the payer filed an amended return (i.e., amended Form 1120S, 1041, or 1065).</p> <ol style="list-style-type: none"> 1. If the amended return is present, accept the amended document. 2. If the amended return is not present, send Letter 4552C to the payer. See IRM 4.119.4.21.7.5, Third Party Contacts, for additional information.

#

- (3) See IRM 4.119.4.4.9, Miscellaneous, for additional information when there is any indication of Section 965 Deferred Foreign Income.

4.119.4.21.3.12
(09-17-2014)

**Qualified Education
Payment Program (QTP)
Distributions Form 1041
Only**

- (1) Accept the explanation when the taxpayer states:

#

4.119.4.21.3.13
(09-16-2019)

**Qualified Personal
Service Corporation
(QPSC) Tax Rate Form
1120 Only**

- (1) A Qualified Personal Service Corporation (QPSC) is a Corporation that satisfies the function test and the ownership test.
- (2) A Corporation meets the function test if 95% or more of the time spent by employees is devoted to the performance of services in one or more of the following qualifying fields:
- Health (including ambulance services)
 - Law
 - Engineering (including surveying and mapping)

- Architecture
 - Accounting
 - Actuarial science
 - The performing arts (excluding athletes)
 - Consulting (providing advice or counseling services, including financial planners but not brokerage)
 - Veterinary (per Rev. Rul. 91–30, as modified by Rev. Rul. 92–65)
- (3) A Corporation meets the ownership test if at least 95% of the corporation's stock is directly or indirectly owned by its employees, retired employees, the estate of those persons, or any other person who acquired such stock by reason of the death of an employee or retired employee (but only for the 2-year period beginning on the date of the death of date of such individual).
- (4) For tax years beginning in 2018, corporations, including qualified personal service corporations, multiply taxable income by 21%. Follow the instructions in (5) - (8) for tax year 2017 and prior.
- (5) Tax year 2017 and prior, a taxpayer is identified as a QPSC by checking the **qualified personal service corporation** box on Form 1120, Schedule J, line 2.

Note: QPSCs are taxed at a flat 35% rate.

Note: When the taxpayer checks this box the tax return is flagged and the following codes are uploaded to Masterfile: ABLM CD 400 and CONTROL GRP CD 2.

- (6) Due to Original Processing errors, it is possible that the taxpayer indicated that they are a QPSC but did not use the 35% tax rate to calculate their base tax. Validate that the proper tax rate is used.
- (7) If the taxpayer disputes the application of the 35% QPSC tax rate, consider the following when evaluating their response:
- a. Is the corporation's trade or business a service activity that is described in the list of qualifying items?
 - b. Did the owners/employees own, directly or indirectly, at least 95% of the stock of the corporation?
 - c. Was 95% or more of the time spent by employees engaged in the performance of services of the corporation in one or more qualifying fields?
 - d. Is the principal business at least 95% of all business activity for the corporation?

#

Reminder: If in doubt, consult with the Lead Tax Examiner.

4.119.4.21.3.14
(09-17-2014)
Real Estate Sales

- (1) Revise the U/R when the taxpayer provides the necessary documentation of basis to compute the gain or loss.

- (2) If the taxpayer does not provide the necessary documentation of basis to compute the gain or loss, contact the taxpayer to obtain the information needed to make the adjustment using normal processing procedures.

#

4.119.4.21.3.15
(12-14-2023)
**Rent/Royalty Form 1041
Only**

- (1) Accept the taxpayer explanation when:

#

- (2) If the response indicates the income is from a Covid Relief Program, refer the case to the Lead Tax Examiner for guidance on how to proceed.

4.119.4.21.3.16
(09-16-2019)
**Securities Sales and
Cost Basis**

- (1) If the taxpayer provides broker statements or other information (in lieu of a revised Form 8949), use the information to determine the revised underreported securities sales amount. Use the cost basis provided by the taxpayer to adjust any U/R securities sales amounts.

Caution: Capital losses are **not** allowed on Form 1120. Limit any additional cost basis to reduce overall net capital gain income to zero.

Note: If issuing a recomputed notice ensure **PARAGRAPH 13** is **not** sent.

- (2) If the taxpayer provides a revised Form 8949 and/or, Schedule D compare securities sales amounts with entries on:

- a. Form 8949, Part I, line 1, column d.
- b. Form 8949, Part II, line 1, column d.
- c. Schedule D, Part I, lines 1a - 3, column (d).
- d. Schedule D, Part II, lines 8a - 10, column (d).

Note: Use the cost basis provided by the taxpayer to adjust any U/R securities sales amounts.

Caution: Capital losses are **not** allowed on Form 1120. Limit any additional cost basis to reduce overall net capital gain income to zero.

Note: If issuing a recomputed notice ensure **PARAGRAPH 13** is **not** sent.

- (3) If the taxpayer response includes a revised Form 8949 to adjust or claim a deferral of capital gains timely invested in a Qualified Opportunity Fund (QO Fund), shown on line 1 (f) with code "Z", Input or correct TC 971 AC 177 on TXMOD. See IRM 4.119.4.21.1.5 , Amended Return, for instructions.

- (4) Issue a recomputed notice for the revised U/R amount and include **PARAGRAPH 38** (unless the response meets agree or partial agree criteria). See IRM 4.119.4.21.5, Agreed Responses or IRM 4.119.4.21.6, Partially Agreed Responses, for further instructions.

Note: If an adjustment to the TXI **only** is necessary, see IRM 4.119.4.21.6, Partially Agreed Responses, for further information.

- (5) When the taxpayer disagrees with the U/R securities sales, accept the statement when:

#

4.119.4.21.3.17
(09-16-2019)
**Schedule D Changes
Form 1041 Only**

- (1) When the taxpayer responds with a new or revised Form 1041, Schedule D, determine the amount of capital gain or loss allocable to the Estate or Trust.
1. Review to determine that all of the U/R issues are addressed.
 2. Accept any offsets (i.e., additional cost basis offsetting PROCEEDS U/R amounts).

- (2) If the new/revised Form 1041, Schedule D is an overall gain, the amount from line 19, column 3 is reported on Form 1041, line 4.

- (3) If the new/revised Form 1041, Schedule D is an overall loss, the amount (limited to \$3,000) from line 20 is reported on Form 1041, line 4.

Note: If the total capital loss is more than the total capital gains, the capital loss is allowed as a deduction but only to the extent of the smaller of the net loss or \$3,000. Any additional losses are carried forward to the subsequent year.

- (4) Compare the new/revised Form 1041, Schedule D amount to the original. The difference is the amount of additional income (or allowable loss) that impacts the TXI.

- (5) Issue a recomputed notice for the revised U/R amount (unless the response meets agree or partial agree criteria). See IRM 4.119.4.21.5, Agreed Responses or IRM 4.119.4.21.6, Partially Agreed Responses, for further instructions.

Note: If an adjustment to the TXI **only** is necessary, see IRM 4.119.4.21.6, Partially Agreed Responses, for further instructions.

- (6) If the new/revised Form 1041, Schedule D qualifies the taxpayer to compute their tax using the maximum capital gains rates (i.e., Part V is completed), manually verify the accuracy of the computation.

#

taxpayer identifies that the U/R gains from PROCEEDS, CAPTL GAIN, REAL

ES SL or Schedule D NONEMP COM income can be reduced by current unused Schedule D losses and states any of the following:

#

- (8) If the taxpayer response includes a revised Form 8949 to adjust or claim a deferral of capital gains timely invested in a Qualified Opportunity Fund (QO Fund) shown on line 1(f) with code "Z", input or correct TC 971 AC 177 on TXMOD. See IRM 4.119.4.21.1.5, Amended Return, for instructions.

4.119.4.21.3.18
(04-05-2016)
**Withholding
Overclaimed (O/C)**

- (1) Schedules K-1 may contain backup withholding (BUWH). Accept the taxpayer's response if it includes a copy of the following:
- a. Form 1041, Schedule K-1 contains an amount in box 13, with code "B".
 - b. Form 1065, Schedule K-1 contains an amount in box 15, with code "O".
 - c. Form 1120-S, Schedule K-1 contains an amount in box 13, with code "O".
- (2) If the taxpayer responds to a notice issued solely for O/C questionable W/H and provides the necessary documentation:
- 1. Close the case No Change.
 - 2. Input TC 925 with the applicable N/C Process Code using IDRS CC:REQ77/FRM77.
 - 3. Annotate DCI and case folder with the appropriate PC.
- (3) If the taxpayer responds to a notice issued for O/C questionable W/H, provides
- (4) If the taxpayer responds to a Letter 2030 that includes O/C questionable W/H

#

If	Then
O/C W/H was the only issue	<ol style="list-style-type: none"> 1. Assess the undocumented O/C W/H amount. See IRM 4.119.4.21.10, Adjustments, for further information. 2. Issue Letter 2893-C. Inform the taxpayer that we have disallowed the undocumented additional W/H, they will receive an adjustment notice and they may file an amended return when the necessary documentation is obtained. 3. Close the case with PC 4680. 4. Input TC 925 with PC 4680 using IDRS CC: REQ77/FRM77. 5. Annotate PC 4680 on the DCI and case folder.
The notice contains other issues and the tax increase is above tolerance	<ol style="list-style-type: none"> a. Ensure that the AGREE criteria is met before inputting the assessment. See IRM 4.119.4.21.5, Agreed Responses, for further information. b. Continue processing if the AGREE criteria is not met.
The notice contains other issues and the tax increase is below tolerance .	<ol style="list-style-type: none"> 1. Input the adjustment for the O/C W/H only. 2. Issue Letter 2893-C. Inform the taxpayer that we have disallowed the undocumented additional W/H, they will receive an adjustment notice and they may file an amended return when the necessary documentation is obtained. 3. Close the case with PC 4680. 4. Input TC 925 with PC 4680 using IDRS CC: REQ77/FRM77. 5. Annotate PC 4680 on the DCI and case folder.

Note: A Letter 3219-B, Statutory Notice of Deficiency, cannot be issued when there is no tax increase (or the tax increase is below tolerance). The taxpayer has no appeal rights solely for withholding.

4.119.4.21.3.19
(04-05-2016)
**Withholding
Underclaimed (U/C)**

- (1) If the taxpayer responds to a Letter 2531 that was issued only for U/C questionable W/H or U/C questionable W/H with U/R issue(s) that result in a below tolerance net tax change:

And	Then
Provides documentation or acknowledges that the U/C W/H should have been reported on the return, allow the additional U/C W/H.	See (2) below for further instructions. Example: Taxpayer signs the Letter 2531 and makes no indication of disagreement.
Fails to address/verify the U/C W/H.	<ol style="list-style-type: none"> 1. Close the case with PC 4400. 2. Issue Letter 4551-C to inform the taxpayer that we have concluded our investigation and they may file an amended return if they have any additional information they want us to consider. 3. Input TC 925 with PC 4400 using IDRS CC: REQ77/FRM77. 4. Annotate PC 4400 on the DCI and case folder.
Only addresses SOME of the U/C W/H.	<ol style="list-style-type: none"> 1. Input the adjustment for the additional documented/acknowledged W/H only. 2. See (2) below for further instructions. Issue Letter 2893-C to explain the W/H adjustment allowed and instruct the taxpayer to file an amended return if they have any additional information they want us to consider.
	<ol style="list-style-type: none"> 3. Annotate the DCI and case folder with the appropriate PC.

#

- (2) If all other issues have been resolved or result in a below tolerance net tax change and allowable U/C withholding is still an issue:

Exception: If the taxpayer responds with an acceptable amended return or provides revised figures, pursue all issues.

1. Input the adjustment for the U/C withholding amount only. See IRM 4.119.4.21.10, Adjustments, for further information.
2. Issue Letter 2893-C to advise the taxpayer of the changes.
3. Close the case with PC 4470 (Letter 2531), PC 4680 (Letter 2030) or PC 4880 (Statutory Notice).
4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
5. Annotate the DCI and case folder with the appropriate PC.

4.119.4.21.4
(10-12-2016)

**Discrepancy Explained
(No Change) - General**

- (1) Close a case with no change to original tax liability if a response to the notice contains an acceptable explanation for the full amount in question.

Caution: Prior to closing the case, ensure there is no other outstanding tax related issue(s) (e.g., NIIT tax not correct on original return, incorrect tax rate, etc.). See IRM 4.119.4.21.6, Partially Agreed Responses, for further information.

- (2) Use the following Process Codes to indicate that the case is being closed No Change and that we are accepting the tax return as originally filed:

- PC 4400 when the response is to a Letter 2531
- PC 4600 when the response is to a Letter 2030
- PC 4810 when the response is to a Letter 3219-B, Statutory Notice of Deficiency

Note: Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.

- (3) A TC 290 for .00 is required for all No Change cases. See IRM 4.119.4.21.10, Adjustments, for further information.

Reminder: After the input of the adjustment, close the IDRS control base.

- (4) Always send the taxpayer Letter 4551-C to acknowledge the receipt of the correspondence and that we are accepting the tax return as originally filed.
- (5) Include a No Change Reason Code on the DCI when appropriate. See Exhibit 4.119.4-4, No Change Reason codes (NRC), for further information.

4.119.4.21.4.1
(12-14-2023)

**Discrepancy Explained
(No Change) - Analysis**

- (1) Use the following examples of acceptable explanations as a guide for evaluating taxpayer responses. These examples are not all inclusive.

amount was netted against other reportable items of expense or deduction/depreciation.

1. Issue Letter 4551-C and include the following Special Paragraph "Items of income and expenses must be separately stated in the appropriate section of the return and should not be netted."
2. Close the case with the appropriate N/C Process Code.

#

3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
 4. Annotate the case folder and DCI with the appropriate PC and include NRC 5.
- (3) Follow the instructions in IRM 4.119.4.21.3.6, Form 1099-K Payment Card Transaction and Third Party Network Payments, when the taxpayer is claiming additional expenses related to underreported Form 1099-K IRs.

#

- (5) Accept the explanation when Form 1120 entity section shows "FDIC" or similar wording and/or cites IRC 7507(a) (Exception of insolvent banks from tax).

#

- (7) The income in question is nontaxable, and information sources (the Internal Revenue Code, etc.) confirm the nontaxability. No NRC is needed.
- (8) The same issue was addressed in a prior year and was correctly closed No Change. Use appropriate NRC based upon research completed.
- (9) If the taxpayer replies that the U/R income **belongs to another recipient** and provides: the name and/or TIN of the recipient and supporting documentation
- (10) The taxpayer disclaims knowledge of the income and any of the following conditions are present:

#

And	Then
	<ol style="list-style-type: none"> 1. Issue Letter 4551-C. 2. Close the case with the appropriate N/C Process Code. 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77. 4. Annotate the case folder and DCI with N/C Process Code and include NRC 9.
	<ol style="list-style-type: none"> 1. Issue Letter 4551-C. 2. Close the case with the appropriate N/C Process Code. 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 4. Annotate the case folder and DCI with N/C Process Code and include NRC 8.

#

#

And	Then
Master File shows an indication of a mixed entity situation.	<div><div>1.</div>Issue Letter 4551-C.</div> <div><div>2.</div>Close the case with the appropriate N/C Process Code.</div> <div><div>3.</div>Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.</div> <div><div>4.</div>Annotate the case folder and DCI with N/C Process Code and include NRC 6.</div>

Note: If the above conditions do not apply see IRM 4.119.4.21.7.5, Third Party Contacts, for further instruction.

- (11) The income is erroneous and information on the Payer Agent list confirms the taxpayer’s statement:
1.

Issue Letter 4551-C.
2.

Close the case with the appropriate N/C Process Code.
3.

Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.
4.

Annotate the case folder and DCI with N/C Process Code and include NRC 7.

#

#

#

#

#

#

#

#

#

#

#

#

#

#

#

Note: Check the Payer Agent listing; if the information is not present, route a copy of the documentation provided by the taxpayer/payer to the BUR Payer Agent Coordinator.

- (14) The amount(s) in question is (are) reported on the return, and after reviewing the return, all proposed U/R income is located.

1. Send Letter 4551-C including the following Special Paragraph: "To avoid receiving similar notices from the Internal Revenue Service in the future, please report the specific income type with their corresponding line on your tax return."
2. Close the case with the appropriate N/C Process Code.
3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
4. Annotate the case folder and DCI with N/C Process Code and include NRC 1.

#

1. Issue Letter 4551-C.
2. Close the case with the appropriate N/C Process Code.
3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
4. Annotate the case folder and DCI with N/C Process Code and include NRC 8.

#

fluctuation-income partially reported on the return and the taxpayer states that different currency rates caused the difference in the income.

1. Issue Letter 4551-C.
2. Close the case with the appropriate N/C Process Code.
3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
4. Annotate the case folder and DCI with N/C Process Code and include NRC 8.

4.119.4.21.5
(08-26-2021)
Agreed Responses

- (1) An agreed response must contain no disputing comments and must meet **one** of the following conditions:

Note: If the only disputing comments are concerning interest, treat as an agreed response. The taxpayer does not have to consent to the assessment of interest as this is a statutory adjustment. Issue Letter 4551-C to inform the taxpayer. See IRM 4.119.4.21.1.2, Abatement of Interest.

- a. Be full paid prior to issuance of the Letter 3219-B, Statutory Notice of Deficiency, for tax and all penalties, except the following: ES Penalty, Accuracy Related Penalty Due to Negligence/Substantial Understatement

if evidence of reasonable cause is provided and accepted and FTF/ FTP relating solely to adjustments to W/H.

Note: If full payment has refunded see IRM 4.119.4.4.10, Erroneous Refunds, for additional information.

Note: If payment has unposted refer case to Lead Tax Examiner.

Caution: Full payment received after issuance of the Letter 3219-B, Statutory Notice of Deficiency, cannot be accepted as agreement to the tax increase. Attempt to contact the taxpayer by phone to request missing signature(s). See IRM 4.119.4.21.2.6, Out Calls.

- b. Be a signed Form 433-D, Installment Agreement, or Form 9465, Installment Agreement Request, attached to a notice with no taxpayer comments. See IRM 4.119.4.21.1.10, Installment Agreements, for further instruction.
- c. Contain signature on a Letter 2030 with no disputing comments.

Note: A statement or similar document must contain (in addition to the signature) the tax year, the tax increase amount, and applicable penalties unless attached to the notice.

- d. A signature on a Letter 2531 **does not meet agreed criteria** for assessment of tax/penalties **unless** the taxpayer provides a computation of tax and penalty (if applicable).
- (2) The signature of a third party is acceptable if a Power of Attorney has been filed authorizing the third party to sign.
 - (3) If a **Form 1120** case has a proposed adjustment of \$1,000,000 (or more) or a **Form 1041** case has a proposed adjustment of \$100,000 (or more), **do not** close the case with an agreed Process Code, even if the taxpayer has fully agreed. The case requires special handling. See IRM 4.119.4.21.1.15, Large Dollar/Accounts Receivable Dollar Inventory (ARDI) Guidelines, for additional information.
 - (4) If the taxpayer agrees and indicates they would like to talk to someone:
 - 1. Contact the taxpayer by phone (only one attempt is required), and
 - 2. Take the appropriate action.
 - (5) If the taxpayer requests that the subsequent year's refund be applied to the deficiency:
 - a. Close the case agreed.
 - b. Issue Letter 4551-C informing them that there may not be enough time to deduct the liability from this year's refund.
 - (6) If the taxpayer does not request an Installment Agreement but indicates that they can pay the balance due within 120-days, forward the extension to pay to Collection for processing.
 - 1. Close the case agreed.
 - 2. Issue a Letter 4551-C with the following Special paragraph "We referred your request for an extension to pay to the appropriate office."
 - 3. Leave a case note stating "Extension to Pay to Coll" or similar verbiage.

If	Then
They also provide amended Schedule K-1(s) for all the U/R income.	<ol style="list-style-type: none"> 1. Accept the explanation. 2. Send Letter 4551-C with the following special paragraph "Please advise the impacted beneficiaries to amend their tax return based on the amended Schedule K-1(s) you provided." 3. Close the case with the applicable N/C Process Code. 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate case folder and DCI with appropriate N/C Process Code and include NRC 10.
If all the amended Schedule K-1(s) are not provided.	<ol style="list-style-type: none"> 1. Send Letter 4550-C requesting the amended Schedule K-1(s). 2. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes. 3. Annotate DCI and case folder with appropriate IPC. 4. Suspend and monitor. If no activity at the end of the suspense period, take the next action.

- (4) When the response includes a calculation of the new tax liability, **always** verify the correct tax figures.
- (5) If the taxpayer's calculation of new tax **matches** the verified revised tax figures:

If	Then
<p>The “agree criteria” is met. See IRM 4.119.4.21.5, Agreed Responses, for additional information</p> <p>Reminder: Taxpayer must also agree to any remaining applicable penalties: (e.g., Accuracy Related penalty).</p>	<ol style="list-style-type: none"> 1. Process the assessment based on the recomputed tax figures. See IRM 4.119.4.21.10, Adjustments, for additional information. 2. Close the case using Process Code 4470 (Letter 2531 phase), 4675 (Letter 2030 phase) or 4875 (Stat Notice phase). 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 4. Annotate the DCI and case folder with the appropriate PC.
<p>The “agree criteria” is not met.</p>	<ol style="list-style-type: none"> 1. Issue a recomputed Letter 2030 using PC 4520 (Letter 2030 after Letter 2531 phase), 4530 (Letter 2030 phase) or 4750 (Stat Notice phase). 2. Update IDRS Activity Code as appropriate. See Exhibit 4.119.4-7, Activity Codes/ Category Codes, for additional information. 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 4. Annotate the DCI and case folder with the appropriate PC.

- (6) If the taxpayer’s calculation of the new tax does not match the revised tax figures, take the following action:

If	Then
<p>The taxpayer's revised tax figures revised tax calculation and the "agree criteria" is met. See IRM 4.119.4.21.5, Agreed Responses, for additional information</p> <p>Reminder: Taxpayer must also agree to any remaining applicable penalties (e.g., Accuracy Related penalty).</p>	<ol style="list-style-type: none"> 1. Process the assessment using the taxpayer's figures as the new tax liability. See IRM 4.119.4.21.10, Adjustments, for additional information. 2. Close the case using Process Code 4470 (Letter 2531 phase), 4675 (Letter 2030 phase) or 4875 (Stat Notice phase). 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 4. Annotate the DCI and case folder with the appropriate PC.
<p>The taxpayer's revised tax figures revised tax calculation and the "agree criteria" is not met.</p>	<ol style="list-style-type: none"> 1. Issue a recomputed Letter 2030 with the taxpayer's figures using Process Code 4520 (Letter 2030 after Letter 2531 phase). 4530 (Letter 2030 phase) or 4750 (Stat Notice phase). 2. Update IDRS Activity Code as appropriate. See Exhibit 4.119.4-7, Activity Codes/ Category Codes, for additional information. 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 4. Annotate the DCI and case folder with the appropriate PC.

#

#

If	Then
<p>The taxpayer's revised tax figures revised tax calculation.</p>	<ol style="list-style-type: none"> 1. Issue a recomputed Letter 2030 with the corrected figures using Process Code 4520 (Letter 2030 after Letter 2531 phase), 4530 (Letter 2030 phase) or 4750 (Stat Notice phase). 2. If necessary, include an explanation paragraph regarding the difference in the calculation. 3. Update IDRS Activity Code as appropriate. See Exhibit 4.119.4-7, Activity Code/Category Codes, for additional information. 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate the DCI and case folder with the appropriate PC.
<p>The verified revised tax calculation is less than the taxpayer's calculation and the "agree criteria" is met. See IRM 4.119.4.21.5, Agreed Responses, for additional information</p> <p>Reminder: Taxpayer must also agree to any remaining applicable penalties (e.g., Accuracy Related penalty).</p>	<ol style="list-style-type: none"> 1. Process the assessment based on the verified revised tax calculation. See IRM 4.119.4.21.10, Adjustments, for additional information. 2. Issue Letter 4551-C advising the taxpayer of the adjustment. 3. Close the case using Process Code 4470 (Letter 2531 phase), 4675 (Letter 2030 phase) or 4875 (Stat Notice phase). 4. Input TC 925 with applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate the DCI and case folder with the appropriate PC.

#

If	Then
The verified revised tax calculation is less than the taxpayer's calculation and the "agree criteria" is not met .	<ol style="list-style-type: none"> 1. Issue a recomputed notice with the corrected figures using Process Code 4520 (Letter 2030 after Letter 2531 phase), 4530 (Letter 2030 phase) or 4750 (Stat Notice phase). 2. If necessary, include an explanation paragraph regarding the difference in tax calculation. 3. Update IDRS Activity Code as appropriate. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information. 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate the DCI and case folder with the appropriate PC.

(7) If the taxpayer's acceptable response results in **no tax deficiencies** (i.e., tax decrease), with or without a signed consent, take the following action:

1. Input the adjustment on IDRS. See IRM 4.119.4.21.10, Adjustments, for additional information.
2. Issue Letter 4551-C advising the taxpayer of the adjustment and that they can expect a refund if they don't owe any outstanding tax liabilities.
3. Update IDRS Activity Code as appropriate. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.
4. Close the case using Process Code 4675 (Letter 2030 phase) or 4875 (Stat Notice phase).
5. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.
6. Annotate the DCI and case folder with the appropriate PC.

#

the taxpayer has not signed a consent to tax increase nor fully paid with no disputing comments, recompute the tax and issue a revised Letter 2030 (for

#

#

for additional information.

#

#

#

#

#

- (9) If the recomputed net tax change is below tolerance and the taxpayer does not submit a payment, or does not request a bill/notice, close the case No Change:

If	Then
An adjustment to prepayment credits and/or Total Income is not necessary .	<ul style="list-style-type: none">a. Close the case using PC 4400 (Letter 2531 phase), PC 4600 (Letter 2030 phase) or PC 4810 (Stat Notice phase).b. Issue Letter 4551-C.c. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.d. Annotate the DCI and case folder with appropriate PC.
An adjustment to prepayment credits is necessary .	<ul style="list-style-type: none">a. Close the case using PC 4470 (Letter 2531 phase), PC 4680 (Letter 2030 phase) or PC 4880 (Stat Notice phase).b. Send Letter 4551-C include an explanation regarding the prepayments adjustment.c. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.d. Annotate the DCI and case folder with the appropriate PC.

If	Then
An adjustment to TXI only is necessary and the tax change is zero (for example: the taxpayer agrees to unreported income and they have a negative TXI that remains negative).	<ol style="list-style-type: none"> Input the TXI adjustment on IDRS. See IRM 4.119.4.21.10, Adjustments, for additional information. Close the case using with PC: 4420 (Letter 2531 phase), 4610 (Letter 2030 phase) or 4820 (Stat Notice phase). Send Letter 4551-C to advise the taxpayer of the adjustment to TXI. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. Annotate the case folder and DCI with the appropriate PC and include NRC 10. <p>Reminder: Do not include TXI changes for amounts that the taxpayer has not agreed to. For</p>

#

#

taxpayer or authorized representative acknowledges the existence of a remaining balance due/refund (e.g., submits a payment, a signed amended return or requests a “bill” or “notice”) and;

Note: If payment has refunded see IRM 4.119.4.4.10, Erroneous Refunds, for additional information.

Note: If payment has unposted, refer to Lead Tax Examiner.

If	Then
The recomputation is equal to or less than the payment amount (or the taxpayer did not submit a payment).	<ol style="list-style-type: none"> Input the applicable changes on IDRS. See IRM 4.119.4.21.10, Adjustments, for additional information. Send Letter 4551-C to advise the taxpayer of the adjustment. Close the case with the applicable PC. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. Annotate the DCI and case folder with appropriate PC.
The recomputation is more than the payment amount.	<ol style="list-style-type: none"> Consider the payment amount as the tax change and update IDRS accordingly See IRM 4.119.4.21.10, Adjustments, for additional information. Send Letter 4551-C to advise the taxpayer of the adjustment. Close the case with the applicable PC. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. Annotate the DCI and case folder with the appropriate PC.

#

- (11) If there is a recomputed refund less than \$1 and the taxpayer requests a refund, issue it using manual refund procedures in IRM 21.5.1, General Adjustments, IRM 21.4.4, Manual Refunds, and IRM 21.5.2, Adjustments Guidelines.

- (12) Whenever processing the assessment on a partially agreed response, issue closing Letter 4551-C, acknowledging the taxpayer response. Advise the taxpayer of the adjustment and close the IDRS control base.

Note: All case closures require a TC 29X (including a TC 290 .00 when closing the case No Change). See IRM 4.119.4.21.10, Adjustments, for additional information.

4.119.4.21.6.1
(12-14-2023)

**Recomputed
Notice/Supplemental
Report**

- (1) Rework the case and take the appropriate actions to:
- Recompute the tax when the taxpayer's response is partially agreed
 - Correct an erroneous Letter 2030 or Letter 3219-B, Statutory Notice of Deficiency
 - Obtain the taxpayer's signature, if the taxpayer agreed to the notice but failed to sign (a letter may also be sent for this purpose)

- (2) When a condition exists that requires a Recomputed Notice:

- a. There are two Recompute Letter 2030 and two Recompute After STAT Letter 2030 Master Letter templates based on tax return type. Use the appropriate version for the desired Letter Mailout date.
- b. Complete the template.

Reminder: Use the "BMF IRC 6651(a)(1) FTF Penalty Worksheet" to calculate additional FTF penalty.

- c. On a case by case basis, include any additional explanation paragraph(s) that will assist the taxpayer to understand the underreported issue(s).

Note: Written supervisory approval is required when the accuracy related penalty applies. See IRM 4.119.4.16, Penalties and Interest, for additional information.

- d. When the taxpayer submits a payment subsequent to the initial contact notice, include **PARAGRAPH 102**.

Note: When the taxpayer's response indicates a payment was made, research IDRS for payments previously made.

- e. Edit IRPTRW print IR's to only show the discrepant amount type on the IR using the advanced editing tool when creating the notice.
- f. Amount types that were not part of the IRPTRW print sent with the original Letter 2030 can be included on the Recomputed Notice for clarification.

#

- g. See IRM 4.119.4.18.2, Letter 2030 Preparation, for additional instruction regarding all steps necessary to create and mail a recomputed Letter 2030 (including all enclosures).
- h. Input TC 925 with the applicable Process Code PC 4520 (Letter 2030 after Letter 2531), PC 4530 (recomputed Letter 2030) or PC 4750 (recomputed Letter 2030 after Stat Notice) using IDRS CC: REQ77/ FRM77.
- i. Update IDRS Activity Code as appropriate. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.
- j. Annotate the DCI and case folder with the appropriate PC.

- (3) If a decrease to the tax deficiency is necessary after the Letter 3219-B, Statutory Notice of Deficiency was mailed and:

If	Then
There is sufficient time left on the Statutory Notice suspense period	<ol style="list-style-type: none"> 1. Issue the recomputed Letter 2030 for the lower deficiency amount using PC 4750. 2. Update the IDRS Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information. 3. Input TC 925 with PC 4750 using IDRS CC: REQ77/FRM77. 4. Update the DCI and case folder with Process Code 4750. <p>Caution: A recomputed notice sent after the Letter 3219-B has been issued cannot have a deficiency greater than the original deficiency amount.</p>
There is insufficient time remaining on the Statutory Notice suspense period	<ol style="list-style-type: none"> 1. Suspend the case until the statutory period has expired. 2. Assess for the revised amount. See IRM 4.119.4.21.10, Adjustments, for additional information. 3. Send Letter 4551-C. Include an explanation advising the taxpayer of the revised figures. 4. Close the case with Process Code 4840. 5. Input TC 925 with PC 4840 using IDRS CC: REQ77/FRM77. 6. Annotate PC 4840 on the DCI and case folder.

- (4) The Clerical Function suspends the recomputed Letter 2030 for 60-days (90-days for foreign or APO/FPO address).

Exception: Recomputed notices issued after a Letter 3219-B are suspended back to the original Statutory Notice date. The taxpayer is allowed 90-days

4.119.4.21.7
(11-16-2020)
**Responses Needing
Further Action**

- Caution:** When making an outgoing call, you must ensure that you are speaking to an authorized individual. See IRM 4.119.4.21.2.2, Disclosure and IRM 4.119.4.21.2.6, Out Calls, for further information.

#####

Note: See IRM 4.119.4.21.3.6, Form 1099-K Payment Card Transactions and Third-Party Network Payments, when the taxpayer is claiming additional expenses related to underreported Form 1099-K IRs.

Reminder: See (3) above for additional information when the other taxes, expenses, deductions and or allowances are based on TCJA legislative changes.

- (5) If the taxpayer requests a **copy of the tax return** for the open BUR tax year, send a photocopy of the return to the taxpayer at no charge.
- (6) If the taxpayer requests an explanation for the **amount of time it took the IRS to notify them** of the unreported income, send a Letter 4550-C. If issuing a recomputed notice, include **PARAGRAPH 105**.
- (7) If the taxpayer states U/R **income was reported** on the tax return:
 - a. Review the return and IDRS for applicable adjustments.
 - b. The response may indicate that the U/R income is reported on another line of the tax return. As part of the review, consider IRs previously considered reported before determining that the U/R is resolved.

Example: The taxpayer states that U/R Dividends were reported as Interest. Consider both Interest and Dividend IRs amounts when comparing to the tax return amount.

- c. Based on the review of the return, take the following actions:

If	Then
If the U/R income cannot be found	<ul style="list-style-type: none"> a. Send Letter 4550-C. b. Include the following Special Paragraph "You indicated that the income in question was reported. However, we are unable to find this income on your return. Please indicate where on your return the income is located." c. Update IDRS activity with 4XLTMMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/ Category Codes. d. Annotate the DCI and case folder with 4XLT (X represents the phase).

If	Then
If the U/R income is found reported on an incorrect line and is completely accounted for	<ol style="list-style-type: none"> Consider the issue resolved. Close the case with the applicable No Change Process Code. Send Letter 4551-C including the following Special Paragraph: "To avoid receiving similar notices from the Internal Revenue Service in the future, please report the specific income type with their corresponding line on your tax return." Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. Annotate the case folder and DCI with the appropriate PC and include NRC 1.
If the U/R income is found reported on an incorrect line, but there is still an underreporter issue	Pursue the outstanding underreported income issue(s). See IRM 4.119.4.21.6.1, Recomputed Notice/Supplemental Report, for further instruction.

(8) If a **non-BUR** related inquiry is included with the response:

- Photocopy the inquiry and route to the appropriate function. Include the Business name, address, TIN, and the Received Date.
- Send an acknowledgment letter to the taxpayer.

(9) If an **original current year return is attached** to a response, route it to the appropriate area for processing.

(10) If the taxpayer requests a copy of a 1099 series, Schedule K-1 or other payer documents, advise them to request a duplicate copy from the payer. If issuing a recomputed notice, include **PARAGRAPH 106**. Whenever possible, provide the taxpayer with the payer's name and address.

Note: If the taxpayer states the income was not reported because they did not receive an income document, and a recomputed notice is being issued, include **PARAGRAPH 103**. If issuing a Correspondence Letter, ensure the letter includes wording similar to **PARAGRAPH 103**.

(11) If the U/R issue is resolved, but the taxpayer states that another amount was not claimed, underclaimed, or overstated on the original return, and the taxpayer **provides sufficient information**, make the adjustment. Use good judgment in determining if the taxpayer is entitled to this adjustment. If questionable issues are involved discuss with the Lead Tax Examiner.

- (12) If the taxpayer replies that the U/R income **belongs to another recipient** and does not provide the name and/or TIN of the recipient and supporting documentation (e.g., letter from payer, billing agreement/arrangement, etc.):

#

name and TIN of the recipient responsible for the income and supporting documentation.

- c. If the taxpayer responds to the Letter 4550C and provides the name or
- d. If the taxpayer responds to the Letter 4550C and does not provide the name or the TIN of the other recipient **and** supporting documentation, contact the payer. See IRM 4.119.4.21.7.5, Third Party Contacts, for additional information.
- (13) If the taxpayer indicates they received Form 1099 for amounts that belong to another entity/person because they acted as an intermediary, agent, or broker for that entity/person, see IRM 4.119.4.21.7.6, Nominee Income, for further instructions.
- (14) If the taxpayer provides a corrected/amended Form 1099:

#

And	Then
The response is accompanied by substantiation from the payer	
The response is not accompanied by substantiation from the payer	See IRM 4.119.4.21.7.5, Third Party Contacts, for additional information.

#

- (15) If the taxpayer provides a corrected/amended Schedule K-1, see IRM 4.119.4.21.3.11, Partnership/ Trust/ S-Corporation Conduit Income, for additional information.
- (16) If the taxpayer states that the U/R income was **reported in another tax year**, see IRM 4.119.4.21.7.9, Income Reported in a Different Tax Year, for further instructions.
- (17) If the taxpayer replies that **a payment was submitted**, but there is no indication on IDRS that the payment was received and at least three weeks have passed since the IRS Received Date:

1. Research the payment on IDRS. The payment may show as pending or unpostable.
2. If payment is found posted on another tax module (i.e., subsequent year) ensure the payment is transferred to the correct module using the IAT "Credit Transfer" tool.
3. If no record of the payment is found, issue a Letter 4550C to request a copy of the front and back of the canceled check.
4. When the Taxpayer replies with the copy of the front and back of the check, use the encoding on the check to determine where the payment has posted. The back of the check should display the following information Name Control or CK Digit, the DLN, the Transaction Code, the MFT Code, the TIN, the Tax Period and the Posting Date.

Note: The Remittance Tracking Research (RTR) System provides 3-years of check images (from ISRP and Lockbox Bank processing sites) and may be used to research the payment.

- (18) If the taxpayer replies that they **submitted a payment electronically**, but there is no indication on IDRS that the payment was received and at least 10-days have passed since the payment was made, research using IDRS CC:EFTPS:
1. Use Definer T if the taxpayer provides payment date and payment amount: or
 2. Use Definer E if the taxpayer provides the 15 digit EFT trace number.
 3. If the payment is found posted on another tax module (i.e., subsequent year) ensure the payment is transferred to the correct module using the IAT "Credit Transfer" tool.
 4. Always research the account thoroughly including previous and subsequent tax years. If there is an EFTPS payment for \$0.00 with the same payment date, refer to the Lead Tax Examiner for further research before contacting the taxpayer.
 5. If the payment is not found; issue Letter 4550-C requesting a bank statement or other documentation that shows the withdrawal.
 6. When the taxpayer replies with the requested documentation, refer to the Lead Tax Examiner.
- (19) If the taxpayer wants to talk to (or have their case reviewed by) a **manager**, refer the case to the Lead Tax Examiner. They will attempt to resolve the issue(s) by telephone contact.
- (20) If the taxpayer wants their case sent to their local **Area Office**, attempt to resolve the issue(s) by telephone contact. If the telephone contact does not resolve the issue(s) consult with Lead Tax Examiner.
- (21) See IRM 4.119.4.21.7.6, Nominee Income, when the response from an Oil and Gas Industry related corporation states that the income was distributed to other entities.

4.119.4.21.7.1
(12-14-2023)

Discovered Remittance

- (1) Discovered remittance is a response and/or correspondence with an original form of payment attached such as a personal check, money order or cashier's check. Also, a loose check(s) discovered in an envelope or attached to a blank piece of paper.

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

- (2) If any of the items listed in (1) are discovered, both Form 3244, Payment Posting Voucher, and Form 4287, record of Discovered remittance **must** be completed.
- (3) Two copies of Form 3244 must be completed for each discovered remittance and contain entries in the following fields:
 - TIN
 - Form number/MFT
 - Tax Period
 - Transaction/Received date (IRS received date)
 - Taxpayer name, address, and ZIP code
 - Transaction Data - Enter the remittance amount next to code 640 (Advance Payment of Deficiency)
 - Remarks (the team manager's phone number and Mail Stop)
 - Prepared by (SEID)
- (4) Form 4287, Record of Discovered Remittance, must be completed to log all discovered remittances. The following fields must have entries:

Note: Form 4287 allows for multiple entries.

Stop number
Unit
Telephone number
Today's date (MM-DD-YYYY) format)
Type of doc - (e.g., Form 1041, Form 1120)
Tax period - (entire period XXXX)
Type of remit - (e.g., check or money order)
Amount of remit - (total money amount including comma and decimal point)
Received date - (in MM/DD/YYYY format)
Name (entire name)
TIN
Discoverer - (Name of person who discovered the remittance and their supervisor's name)

- (5) If remittance is discovered while working **in the office**, take the following steps:
 1. Attach one copy to the remittance and give it to the Manager/Lead Tax Examiner to be given to the Clerical Manager/Lead Clerk to put in a locked box..
 2. Attach the second copy of Form 3244 to the response.
 3. Complete Form 4287, and give it to the Manager/Lead Tax Examiner to be given to the Clerical Manager/Lead Clerk to log the discovered remittance.

- (6) If remittance is discovered while **teleworking immediately** take the following steps:
1. Notify your Manager and Lead Tax Examiner **immediately**.
 2. E-mail completed Form 3244 and Form 4287 to your Manager and Lead Tax Examiner.
 3. Place remittance in a **sealed envelope** and store in a secure place (locked desk or cabinet).
 4. Complete a Case History sheet to document remittance details.
 5. Make an appointment with the Manager or Lead Tax Examiner to bring the discovered remittance into the operation within **2 business days**.
 6. Manager/Lead Tax Examiner will accept the discovered remittance and print Form 3244 and 4287.
 7. Manager/Lead Tax Examiner will attach one copy of Form 3244 to the remittance and give the second copy to the Tax Examiner to attach to the response.
 8. Manager/Lead Tax Examiner will deliver the discovered remittance, Form 3244 and Form 4287 to the Clerical Manager/Lead Clerk.
- (7) IRS CHECKS - Returned IRS refund checks are handled differently than regular discovered remittance. If an IRS refund check is found, take it to the team Manager/Lead Tax Examiner to be routed to the Refund Inquiry Unit.
- (8) VOIDED CHECKS - If the response has a "VOIDED" personal check attached, remove the check from the response and attach it to the Installment Agreement (IA) request. Route the "VOIDED" check with the IA to Collections.

4.119.4.21.7.2
(11-15-2017)

Extension Requests

- (1) When the taxpayer **request** for **an extension** to respond to the notice, or indicates they will obtain information and send it later, take the following action(s) using one of the following charts as appropriate:

• **Written Response:**

If	Then
The taxpayer requests an extension to respond to the Letter 2531 :	<ol style="list-style-type: none"> 1. Issue a Letter 2030 (recomputed) using PC 4520. Include the following Special Paragraph "Based on your request for an extension we have issued this notice which allows you additional time to respond." 2. Update IDRS activity with FCP30MMDD. See Exhibit 4.119.4-7, Activity Codes/Category Codes. 3. Input TC 925 with PC 4520 using IDRS CC: REQ77/FRM77. 4. Annotate the DCI and case folder with PC 4520.

If	Then
<p>The taxpayer requests an extension to respond to the Letter 2030:</p>	<ol style="list-style-type: none"> 1. Issue a Letter 4550-C informing the taxpayer their request for an extension has been granted. 2. Update IDRS activity with 45EXLTMMDD. See Exhibit 4.119.4-7, Activity Codes/Category Codes. 3. Annotate the DCI and case folder with 45LT. <p>Note: Do not grant multiple extensions unless extenuating circumstances apply.</p>
<p>The taxpayer requests an extension to respond to the Letter 3219-B Statutory Notice of Deficiency:</p>	<ol style="list-style-type: none"> 1. Issue a Letter 4550-C advising the taxpayer that the period of time to petition the US Tax Court cannot be extended. 2. Update IDRS activity with 47LTMMDD and then update the IDRS activity with STATMMDD (MMDD is the original STAT Purge Date). See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information. 3. Annotate the DCI and the case folder with 47LT. <p>Reminder: All Letter 3219-B, Statutory Notice of Deficiency, responses are worked on an expedite basis.</p>

- **Telephone Response:**

If	And	Then
The taxpayer requests an extension to respond to the Letter 2531	N/A	<ol style="list-style-type: none">1. Advise the caller that they have been granted a 15-day extension.2. Advise the caller to respond as soon as possible and if the response is not received, a subsequent contact will be initiated.3. Send Letter 4550-C, when necessary. Print a copy of Letter 4550-C and associate with the case file.4. Document the call activity.

If	And	Then
The taxpayer requests an extension to respond to the Letter 2030	The Activity Code on IDRS is not 59XXXXWUXX or STATMMDD	<ol style="list-style-type: none"> 1. Inform the caller they have an additional 30-days to respond to the notice. 2. Send Letter 4550-C, when necessary. Print a copy of Letter 4550-C and associate with the case file. 3. Document the call activity and indicate extension granted. 4. Update the IDRS activity with 45EXMMDD. See Exhibit 4.119.4-7, Activity Codes/ Category Codes, for additional information. <p>Note: Do not grant multiple extensions, unless extenuating circumstances apply.</p>
The taxpayer requests an extension to respond to the Letter 2030:	The Activity Code on IDRS is 51XXXXWUXX, 53XXXXWUXX or 54XXXXWUXX	<ol style="list-style-type: none"> 1. Advise the caller we have received their correspondence, will respond within 30 days and that there is no need for an extension at this time. 2. Document the call activity. 3. Do not make any updates to IDRS Activity.

If	And	Then
The taxpayer requests an extension to respond to the Letter 2030 :	The Activity Code on IDRS is 59XXXXWUXX or STATMMDD	<ol style="list-style-type: none"> 1. Inform the caller they will be receiving a Letter 3219-B, Statutory Notice of Deficiency, and this will allow them 90-days (150-days if the notice is addressed to a person outside the U.S.) to respond. 2. Send Letter 4550-C, when necessary. Print a copy of Letter 4550-C and associate with the case file. 3. Document the call activity.
The taxpayer requests an extension to respond to the Letter 3219-B , Statutory Notice of Deficiency:	N/A	<ol style="list-style-type: none"> 1. Advise the caller that the period of time to petition the US Tax Court cannot be extended. 2. Send Letter 4550-C, when necessary. Print a copy of Letter 4550-C and associate with the case file. 3. Document the call activity.

4.119.4.21.7.3
(07-26-2022)

NOL
Carryback/Carryforward
(or Carryover)

- (1) **The Tax Cuts and Jobs Act of 2017 (TCJA)** was signed into law on December 22, 2017, as Public Law 115-97. The following sections of the Tax Cuts and Jobs Act of 2017 affect Carryback cases. See IRM 21.5.9.5.10.3, Tax Cuts and Jobs Act of 2017 (P.L. 115-97), Sections Affecting Net Operating Losses, for additional information:

Note: See (4) below for information regarding temporary modifications of TCJA due to The Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act) signed into law on March 27, 2020.

- a. Section 11012 temporarily prohibits taxpayers other than corporations from claiming excess business losses for tax years beginning after December 31, 2017, and before January 1, 2026. Excess business losses prohibited under Section 11012 are carried forward and treated as an NOL carryforward in the subsequent tax year.
 - b. Section 12001 repealed the corporate alternative minimum tax (AMT) for tax years beginning after December 31, 2017.
 - c. Section 12002 modified the AMT credit for corporations to make the credit refundable for any tax year beginning after December 31, 2017, and before January 1, 2022, in the amount equal to 50 percent (100 percent beginning in 2021) of the excess of the minimum tax credit for the taxable year over the amount of the credit allowable for the year against the regular liability.
 - d. Section 13302 modified the net operating loss deduction for NOLs arising in tax years beginning after December 31, 2017, to (1) limit the deduction to 80 percent of the taxable income determined without regard to the NOL deductions with an exception for insurance companies other than life insurance companies, (2) repealed the two-year and other specified carryback provisions as described in IRM 21.5.9.5.3, Special Carryback. Carryforward Periods, for NOLs arising in tax years ending after December 31, 2017, with the exception of certain losses incurred in the trade or business of farming and or insurance companies other than life insurance companies, (3) allows for a two-year carryback for certain losses incurred on the trade or business of farming and for insurance companies other than life insurance companies for NOL carrybacks arising in tax years ending after December 31, 2017, (4) allows an indefinite carryforward of NOLs with the exception of insurance companies other than life insurance companies who can carry forward an NOL for 20 years, and (5) allows taxpayers eligible to carryback NOLs to waive the carryback period as described in IRM 21.5.9.5.2, Carryback/Carryforward Election.
 - e. Section 13511 repealed the operations loss deduction for life insurance companies and allows the net operating loss deduction that can be carried forward under 172 for tax periods beginning after December 31, 2017.
 - f. Section 13516 repealed the special estimated tax payment rules for insurance companies for tax periods beginning after December 31, 2017.
- (2) Beginning in tax year 2018, taxpayers can no longer carry net operating losses back to previous tax periods, unless their NOLs are incurred in the trade or business of farming, or unless they are insurance companies other than life insurance companies. All taxpayers can carry their NOLs forward indefinitely, with the exception of insurance companies other than life insurance companies, which are limited to a 20 year NOL carryforward period.
- (3) The Tax Cuts and Jobs Act of 2017 restricted the carryback of NOLs to NOLs of insurance companies other than life insurance companies and to the portion of an NOL attributable to a farming loss. These restrictions apply to NOLs incurred in taxable years ending after December 31, 2017. Carryback applications and/or claims filed by entities other than farmers or insurance companies other than life insurance companies are to be rejected back to the taxpayer using the appropriate carryback letter. Carryback application and/or claims from farmers must be analyzed to make sure the NOL being carried back is attributable to a farming loss.

- (4) **The Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act)** was signed into law on March 27, 2020, as Public Law 116-136. See IRM 21.5.9.5.10.8, Coronavirus Aid, Relief, and Economic Act of 2020 (PL 116-136, Section 2303, Section 2304, and 2305) Overview - Net Operating Losses, for additional information.
- a. **Section 2303** of the CARES Act, Modifications for Net Operating Losses, amends section 172(a) of the Internal Revenue Code to provide a temporary repeal of the 80 percent taxable income limitation for net operating loss (NOL) deductions, which was added by the TCJA. The CARES Act also amended section 172(b)(1) of the Internal Revenue Code allow a five year period for NOLs arising in tax years beginning in 2018, 2019, and 2020.
 - b. **Section 2304** of the CARES Act, Modifications of Limitation on Losses for Taxpayers Other than Corporations, amends section 461(l) of the Code to provide relief for non-corporate taxpayers from disallowance of excess business losses for taxable years beginning in 2018, 2019, and 2020.
 - c. **Section 2305** of the CARES Act, Modifications of Credit for Prior Year Minimum Tax Liability for Corporations, amends sections 53 and 6411 of the code to provide corporate taxpayers with additional opportunities to receive refunds by filing Form 1139, Corporation Application for Tentative Refund.
- (5) **NOL Carryback eliminated** - The special rules in section 172 permitting 5 year carrybacks for 2018, 2019, and 2020 NOLs added by the CARES Act have expired. Generally, an NOL arising in a tax year beginning in 2021 or later may not be carried back and instead must be carried forward indefinitely. See below for exceptions:

Form 1041	Form 1120
Taxpayers with certain farming losses may be carried back 2 years. See Pub 536, Net Operating Losses (NOLs) for individuals, Estates, and Trusts, for additional information.	Taxpayers with certain farming losses and losses from an insurance company (other than a life insurance) company can be carried back 2 years. See Instructions for Form 1120, for additional information.

- (6) **NOL deduction limitation** - In general, the NOL deduction for tax years beginning after December 31, 2020, cannot exceed:
- a. The aggregate of the NOL carryover plus the net NOL carrybacks or,
 - b. 80 percent of the taxable income computed without including an NOL deduction.

Exception: The 80 percent limitation does not apply to non-life insurance companies.

Reminder: The CARES Act suspends the 80 percent taxable income limitation requirement applicable to tax years 2018, 2019 and 2020.

Note: Farmers electing to waive CARES Act provisions are subject to the 80 percent taxable income limitation for NOL deductions.

- (7) Taxpayers can have a Net Operating Loss (NOL), unused credits, a Net Capital Loss (NCL) or an overpayment of tax due to Claim of Right that will result in a negative taxable income or overpayment of tax. They can choose to apply the loss, excess, or overpayment to prior (carryback) or future (carryforward) years.
 - a. An NOL or NCL changes the taxable income and the total tax for the year it is affecting.
 - b. Unused credits or a Claim of Right will have a direct effect on the total tax.

- (8) A corporation can file Form 1139, Corporation Application for Tentative Refund, (referred to as a TENT) or Form 1120X (referred to as a RINT) to apply their carryback. A TENT has a 90-day statutory processing requirement.

Note: Both RINTS and TENTs must be processed within the 45-Day Interest Free period. **Work these cases on an expedited basis.**

- (9) An Estate or Trust can file Form 1045, Application for Tentative Refund, (referred to as a TENT) or an Amended Form 1041 (referred to as a RINT) to apply their carryback. A TENT has a 90-day statutory processing requirement.
- (10) Carryback TENTs including section 965 involvement included on Form 1139 and Form 1045 are now processable. Do not reject a TENT for an NOL carried back to a section 965 year. Refer the case to the Lead Tax Examiner if there is any indication of section 965 involvement.

Note: Both RINTS and TENTs must be processed within the 45-Day Interest Free period. **Work these cases on an expedited basis.**

- (11) When the taxpayer's response includes a request to carryback a subsequent year's overpayment or loss in order to offset the results of the Underreporter issue(s), the BUR issues and the carryback request will be treated separately.
- (12) A TENT must be filed within one year from the end of the loss year (e.g., a TENT filed for Tax Year 2016 must be filed before December 31, 2017). If the response includes a TENT that is not timely filed:

Exception: The CARES Act and Notice 2020-26 provide for updated TENT due dates in certain circumstances. See IRM 21.5.9.5.10.8.7, Tentative Carryback Applications (TENT) Filed Under the CARES Act - Extension of Time to File, for additional information.

- 1. Return it to the taxpayer.
- 2. Issue the appropriate Correspondence Letter and inform the taxpayer that we are returning the form because the application was filed more than 12-months after the end of the tax year from which the carryback resulted and that they need to file an amended tax return.
- 3. Update IDRS with TC 971 AC 270.
- 4. Leave a case note documenting the actions.
- 5. Continue processing the BUR case.

- (13) If the taxpayer's response resolves the BUR issues (i.e., allows the case to be closed; fully agreed, partial agreed or no change) and includes a RINT/ TENT:
1. Rework the case per the taxpayer's response.
 2. Photocopy the RINT/ TENT to be retained with the case file.
 3. Send the original request to the CII Team for scanning and routing to the appropriate Carryback Team. Include a cover page indicating the originating area (BUR), contact number and include the following statement: "Assessment Pending."

Exception: If closing the case No Change, use the following statement on the cover page: "No Pending Assessment."

4. Issue Letter 4551-C. In addition to informing the taxpayer that we are processing their agreement to the underreporter issue(s), include the following statement:

If	Then
The carryback claim was filed as a TENT:	"We have forwarded your request for a tentative refund for processing. Please be advised that you will receive balance due notices until your request for a tentative refund has been approved and processed."
The carryback claim was filed as a RINT:	"We have forwarded your amended return for processing. Please be advised that you will receive balance due notices until your amended return has been approved and processed."

5. Close the case with the applicable Process Code.

Reminder: Carryback claims must be expedited in order to meet the 45-Day Interest Free requirement as well as the 90-day statutory requirement for tentative carryback.

6. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.
 7. Annotate the DCI and case folder with the appropriate PC.
- (14) If the taxpayer's response does not resolve all (or part) of the U/R issues (i.e., the case cannot be closed as an agree, partial agree or no change) and includes a RINT/ TENT:
1. Continue processing the BUR case.
 2. Return the RINT/ TENT to the taxpayer.
 3. Issue the appropriate Correspondence Letter. Include a paragraph informing the taxpayer to resubmit their request when they have addressed the unresolved U/R issues.
 4. Update IDRS with TC 971 with AC 270.
 5. Leave a case note documenting the actions.
 6. Update IDRS with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 7. Annotate the DCI and case folder.

- (15) The Accounts Management Carryback Team contacts BUR when they receive a RINT/ TENT and the case is open for the BUR tax year.

If	Then
The RINT/TENT includes a response that fully resolves the BUR issues (i.e., the case can be closed agreed, partially agreed or no change).	<ol style="list-style-type: none"> 1. Work the case and complete all IDRS actions. 2. Advise the Carryback Team to monitor IDRS for posting of BUR closing actions.
The RINT/ TENT does not include a response or includes a response that does not fully resolve the BUR issue (i.e., the case cannot be closed agree, partially agree or no change).	<ol style="list-style-type: none"> 1. Advise the Carryback team that BUR will notify the taxpayer that the claim cannot be processed. 2. Follow the procedures in (7) above. Note: Provide the taxpayer with a copy if the RINT/ TENT. See IRM 4.119.4.3.5, Correspondence Imaging Inventory (CII) Documents, for further information.

- (16) When the taxpayer's response includes an increase to the **NOL deduction** claimed on the tax return review all subsequent tax year(s) to verify the available prior year NOL carryover amount.

Note: Taxpayers are not required to file an amended return to claim carryforward credits.

- a. On a subsequent year(s) **Form 1120** tax return(s), review both Form 1120, 29a (NOL deduction claimed) and Schedule K, line 12 (prior year NOL carryover available) to determine the amount of NOL carryover available to offset the BMF-Underreporter issues(s).

Note: NOL deductions and carryover information for Form 1120 are available on IDRS CC: BRTVU.

Exception: Consult with the Lead Tax Examiner if there is evidence that the taxpayer claimed a RINT or TENT (i.e., TC 295/299 or 305/309 present on the account).

- b. Consult with the Lead Tax Examiner when the taxpayer increases their NOL deductions on Form 1041, line 15b.
- c. Take the following actions once you have determined the available NOL carryover:

If	Then
<p>The available NOL carryover is enough to grant the taxpayer's request in full.</p> <p>Example: Taxpayer requests that we apply their prior year NOL carryover to offset the proposed \$25,000 U/R income. Review of the subsequent year(s) returns show: \$150,000 prior year NOL available and the taxpayer claimed \$47,000 NOL deduction. The amount of available carryover NOL that can be applied to the BMF-Underreporter issue(s) is \$103,000 (\$150,000 - \$47,000).</p>	<ol style="list-style-type: none"> 1. Allow the additional NOL deduction. <p>Note: This will generally result in closing the case No Change.</p> <ol style="list-style-type: none"> 2. Continue processing the case. 3. Include the following Special Paragraph: "We applied your available prior year Net Operating Loss (NOL) carryover to reduce our proposal. Please correct your NOL carryover records to account for this change. The NOL applied to this tax period cannot be used as a deduction for any subsequent tax returns."

If	Then
<p>The available NOL carryover is enough to grant some of the taxpayer's request.</p> <p>Example: Taxpayer requests that we apply to their prior year NOL carryover to offset the proposed \$15,000 U/R income. Review of the subsequent year(s) returns show \$20,000 prior year NOL available and the taxpayer claimed \$13,000 NOL deduction. The amount of available carryover NOL that can be applied to the BMF-Underreporter issue is \$7,000 (\$20,000 - \$13,000).</p>	<ol style="list-style-type: none"> 1. Allow the additional NOL deduction up to the available amount. 2. Issue a recomputed Letter 2030 using PC 4520 (Letter 2030 after Letter 2531), PC 4530 (recomputed Letter 2030) or PC 4750 (recomputed Letter 2030 after Stat Notice). Select "NET OPERATING LOSS DEDUCTION" from the drop down menu in the "Your income and deductions" field to display the allowable NOL deduction. See IRM 4.119.4.21.6.1, Recomputed Letter/Supplemental Report. 3. Include a special paragraph to explain the issue. 4. Update IDRS Activity Code as appropriate. See Exhibit 4.119.4-7, Activity Codes/ Category Codes, for additional information. 5. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 6. Annotate the DCI and case folder with the appropriate PC.

If	Then
<p>The taxpayer used all available prior year carryover NOL in the subsequent year.</p> <p>Example: Taxpayer requests that we apply their prior year NOL carryover to offset the proposed \$30,000 U/R income. Review of the subsequent year(s) returns shows: \$75,000 prior year NOL available and the taxpayer claimed a \$75,000 NOL deduction. The amount of available carryover NOL that can be applied to the BMF-Underreporter issue is \$0 (\$75,000-\$75,000).</p>	<ol style="list-style-type: none"> 1. Deny the request. 2. Send Letter 4550-C. 3. Include the following Special Paragraph: "We cannot apply the Net Operating Loss (NOL) amount you requested to reduce our proposal because it has been used in another tax year. To change this election, please file an amended tax return for the year where the loss was applied. Once we receive your amended return we'll correct our proposed changes." 4. Update IDRS activity with 4XLTMMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/Category Codes. 5. Annotate the DCI and case folder with 4XLT (X represents the phase).

4.119.4.21.7.4
(12-11-2014)

**Adjustments to Non -
Refundable Credits**

- (1) If the taxpayer's response states that we did not adjust non-refundable **non-carryforward** credit(s):
 1. Review the tax return to confirm the taxpayer's statement.
 2. Adjust the refundable credit(s) to take into account any additional allowable credit(s) the taxpayer is entitled to claim.
 3. Refer the case to the Lead Tax Examiner if a recomputed Letter 2030 is needed.
- (2) If the taxpayer's response states that we did not adjust the non-refundable **carryforward** credit(s):

If the taxpayer	And	Then
	N/A	<ol style="list-style-type: none"> 1. Adjust the refundable credit(s) to take into account any additional allowable credit(s) the taxpayer is entitled to claim. 2. Refer the case to the Lead Tax Examiner if a recomputed Letter 2030 is needed.
Does not address the subsequent year carryforward credit issue, research the subsequent tax year (using IDRS CC:BMFOL) for evidence that an amended return was filed.	A TC 976 or TC 971 AC 010 or 012 - 016	<ol style="list-style-type: none"> 1. Adjust the refundable credit(s) to take into account any additional allowable credit(s) the taxpayer is entitled to claim. 2. Refer the case to the Lead Tax Examiner if a recomputed Letter 2030 is needed.

#

If the taxpayer	And	Then
Does not address the subsequent year carryforward credit issue	there is no indication that the subsequent year return was amended or if the subsequent year tax return has not been filed.	<ol style="list-style-type: none"> 1. Issue Letter 4550-C. Inform the taxpayer that we cannot adjust the allowable amount of credit until either the filed subsequent year tax return has been amended or a signed statement is received confirming that the carryforward credit records have been corrected. 2. Update IDRS Activity Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information. 3. Annotate the DCI and case folder.

4.119.4.21.7.5 (11-16-2020)

Third Party Contacts

- (1) RRA '98 Section 3417 added a provision to IRC 7602 requiring taxpayer notification prior to making a third party contact. Section 1206 of the Taxpayer First Act of 2019 (P.L. 116-25), effective after August 15, 2019 changed these advanced notice requirements before the IRS may contact third parties.
- (2) If the taxpayer **disputes the amount** and does not provide documentation to support the claim, contact taxpayer and request the needed documentation.

Note: If Letter 3219-B, Statutory Notice of Deficiency, has been issued, inform the taxpayer this letter does not extend the period of time to petition the U.S. Tax Court.

Note: Follow the instructions in (5) or (6) below if the taxpayer responds that they are unable to obtain the requested documentation.

- (3) If the taxpayer provides a **corrected/amended** Form 1099, Form 1099-K, Schedule K-1 and the response is not accompanied by substantiation from the payer, contact the payer and request the needed documentation.

Note: If Letter 3219-B, Statutory Notice of Deficiency, has been issued, inform the taxpayer this letter does not extend the period of time to petition the U.S. Tax Court.

Note: Follow the instructions in (5) or (6) below if the taxpayer responds that they are unable to obtain the requested documentation.

- (4) If the taxpayer **disclaims knowledge or denies receipt of the income**

following conditions are present:

- a. IR does not belong to the taxpayer.
- b. The IR is TIN perfected.

#

#

- (5) If the IR is determined to be valid, and a Letter 3219-B, Statutory Notice of Deficiency, **has not** been issued or payer contact is necessary in the Reconsideration phase, take the following actions:

1. Research IDRS CC: INOLE or CC: ENMOD to obtain the most current payer address.
2. Issue Letter 3404-C to the taxpayer advising them of the payer(s) we need to contact in order to resolve the issue.
3. Update IDRS activity with 4XTPCMMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.
4. Annotate the DCI and case folder with 4XLT (X represents the phase). See Exhibit 4.119.4-5, BUR Internal Process Codes (IPC), for additional information.
5. Wait 45-days and then issue Letter 4552-C to the payer(s). Select applicable paragraphs to compose the letter.

Note: Do not issue a Letter 4552-C when the taxpayer disagrees with our proposal because they did not receive the Information Return document. Inform the taxpayer that they are responsible for reporting all taxable income received.

6. Complete and forward Form 12175, *Third Party Contact Report Form*, to the designated Campus Third Party Coordinator.
7. Update IDRS activity with 4XLTMMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/Category Codes for additional information.
8. Annotate the DCI and case folder with 4XLT (X represents the phase).

- (6) If the IR is determined to be valid and a Letter 3219-B, Statutory Notice of Deficiency, **has** been issued, take the following actions:

If	Then
The TP/POA provides a phone number	<ol style="list-style-type: none"> 1. Call the TP/POA and advise them to contact the payer for the documentation necessary to resolve the issue. 2. Update IDRS activity with 47PHMMDD. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information. 3. Annotate the DCI and case folder with 47PH. See Exhibit 4.119.4-5, BUR Internal Process Codes (IPC), for additional information.
You are unable to contact the TP/POA by phone	<ol style="list-style-type: none"> 1. Issue Letter 4550-C. <ul style="list-style-type: none"> • Include an open paragraph describing the documentation necessary to resolve the issue and to request reconsideration if they are unable to obtain the requested documentation. • Include a paragraph stating this letter does not extend the time the taxpayer has to file a petition with the U.S. Tax Court. 2. Complete a Case History Sheet with a note stating we are unable to contact the payer due to time constraints and normal case processing should continue. 3. Update IDRS activity with 47LTMMDD. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information. 4. Annotate the DCI and case folder with 47LT. See Exhibit 4.119.4-5, BUR Internal Process Codes (IPC) for additional information.

(7) Take the following actions when the **payer responds** to the Letter 4552-C:

- a. If the information provided by the payer indicates the **income does not** same situation occurred in a subsequent year, send a copy of the response from the payer and the IR(s) to be associated with the subsequent year's return. #
- b. If the information provided by the payer indicates that the **income does belong to the taxpayer**, issue a Letter 4550C to inform the taxpayer that the payer verified that the income belongs to them. Include a copy of the payer(s) response. #

Note: If the taxpayer responds to the Letter 4550-C and *disagrees with* #

- c. If it **cannot be determined** that the income belongs to the taxpayer or if #

4.119.4.21.7.6
(09-16-2019)
Nominee Income

- (1) When the taxpayer indicates they received Form 1099 for amounts that belong to another entity/person because they acted as an intermediary, agent, or broker for that entity/person they are considered a nominee recipient.

Note: Consider the taxpayer a nominee recipient when their explanation states that the income was: held in escrow, received but are not entitled to its use, or other statements that the income was passed through to another recipient.

Caution: If the taxpayer indicates that their business activity relates to distributing funds to multiple recipients (e.g., fund-raising, crowdfunding, etc.) consult with the Lead Tax Examiner.

- (2) If the response indicates the corporation is related to the Oil & Gas Industry (as shown by the Business Activity on **Form 1120**, Schedule K lines 2a - 2c) and they acted as a broker, agent or middleman for other entities, research IDRS CC: PMFOLS and IDRS CC: IRPTRI to determine if the taxpayer issued nominee Forms 1099-MISC.

If	Then
The total money amount of the Form 1099-MISC payments is equal to or larger than the U/R amount	<ol style="list-style-type: none"> 1. Accept the taxpayer's response and consider the U/R discrepancy resolved. 2. Issue closing Letter 4551-C. 3. Close the case with the applicable N/C Process Code. 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate the case folder and DCI with the appropriate N/C Process Code and include NRC 4 (nominee).

If	Then
The money amount of the Form 1099-MISC payments is less than the U/R amount	<ol style="list-style-type: none"> 1. Pursue the difference as U/R income. 2. Issue a recomputed notice and include the following Special Paragraph: "We have allowed credit for the Form(s) 1099-MISC income you distributed to the nominee recipient(s)." 3. Update IDRS activity with the applicable activity code. See Exhibit 4.119.4-7, Activity Codes/Category Codes. 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate the DCI and case folder with the appropriate PC.
The IDRS research does not indicate any distribution of Form 1099-MISC payments	<ol style="list-style-type: none"> 1. Pursue the U/R discrepancy in full. 2. Send Letter 4550-C and include Paragraph "V". <p>Note: If Letter 3219-B, Statutory Notice of Deficiency was issued, include a paragraph stating that this letter does not extend the period in which the taxpayer may petition the U.S. Tax Court.</p>

- (3) When the taxpayer **is not related** to the Oil & Gas Industry (as shown by the Business Activity on **Form 1120**, Schedule K, lines 2a - 2c) and the response indicates that they acted as a broker, agent or middleman for other entities, follow the procedures in (4) - (7) below to determine the actions needed to resolve the U/R issue.
- (4) If the response does not include any supporting information (i.e., Forms 1099 and/or sufficient information about the intended recipient(s) of the income (e.g., name and/or TIN and amount distributed (if more than one recipient))), contact the taxpayer to obtain additional information. Issue Letter 4550-C and include Paragraph **V**.

Note: If issuing a recomputed notice, include **PARAGRAPH 25**.

Note: If a Letter 3219-B, Statutory Notice of Deficiency, was issued, include a paragraph stating this letter does not extend the period in which the taxpayer may petition the U.S. Tax Court.

- (5) If the response includes Forms 1099 issued to the intended recipients: research IDRS CC: PMFOLS/ CC: IRPTRI and CC: IRPTRL (for the recipient/payee) to determine if the taxpayer issued Forms 1099 to the intended recipients.

Note: The Forms 1099 issued to the intended recipients should be the same type as the Form 1099 received by the taxpayer.

If	Then
IDRS research confirms the presence of the Form 1099 for the intended recipient and the amount is equal to or greater than the U/R amount.	<ol style="list-style-type: none"> 1. Consider the issue resolved. 2. Send Letter 4551-C and include Paragraph "L". 3. Close the case with the applicable N/C Process Code. 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate the case folder and DCI with the appropriate N/C Process Code and include NRC 4 (nominee).
Form 1099 payments are present for the intended recipient(s) and the amount is less than the U/R amount OR IDRS research does not indicate any distribution of payments.	<ol style="list-style-type: none"> 1. Attempt to verify that the income was reported on the recipient's tax return. See IRM 4.119.4.21.7.7, Income Reported on Another Return (Not Nominee). 2. If the income can be accounted for on another return, then consider the U/R discrepancy resolved. Send Letter 4551-C and include Paragraph "L". Close the case with the applicable N/C Process Code. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. Annotate the DCI and case folder with the appropriate N/C Process Code and NRC 4 (nominee). 3. If the income cannot be accounted for on another return, then consult with the Lead Tax Examiner.

- (6) If the response does not include Forms 1099, but includes sufficient information about the intended recipients (name and/or TIN and amount distributed (if more than one recipient)): research IDRS CC: PMFOLS/CC: IRPTRI and CC:IRPTRL (for the recipient/payee) to determine if the taxpayer issued Forms 1099 to the intended recipients.

Note: The Forms 1099 issued to the intended recipients should be the same type as the Form 1099 received by the taxpayer.

If	Then
IDRS research confirms the presence of the Form 1099 for the intended recipients and the amount is equal to or greater than the U/R amount.	<ol style="list-style-type: none">1. Consider the issue resolved.2. Send Letter 4551-C and include Paragraph "L".3. Close the case with the applicable N/C Process Code.4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.5. Annotate the case folder and DCI with the appropriate N/C Process Code and include NRC 4 (nominee).

If	Then
Form 1099 payments are present for the intended recipients and the amount is less than the U/R amount or IDRS research does not indicate any distribution of payments.	<ol style="list-style-type: none"> <li data-bbox="1024 289 1443 478">1. Attempt to verify that the income was reported on the recipient's tax return. See IRM 4.119.4.21.7.7, Income Reported on Another Return (Not Nominee). <li data-bbox="1024 478 1443 951">2. If the income can be accounted for on another return, then consider the U/R discrepancy resolved. Send Letter 4551-C and include Paragraph "L". Close the case with the applicable N/C Process Code. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. Annotate the DCI and case folder with the appropriate N/C Process Code and NRC 4 (nominee). <li data-bbox="1024 951 1443 1140">3. If the income cannot be accounted for on another return, then pursue the U/R discrepancy in full. Send Letter 4550C and include Paragraph "V". <p data-bbox="1024 1150 1443 1245">Note: If issuing a recomputed notice, include PARAGRAPH 25.</p> <p data-bbox="1024 1255 1443 1507">Note: If Letter 3219-B, Statutory Notice of Deficiency, was issued, include a paragraph stating that this letter does not extend the period in which the taxpayer may petition the U.S. Tax Court.</p>

- (7) If the taxpayer provides documentation that cannot be verified through IDRS research (e.g., cancelled checks, contracts, and/or agreements) consult with the Lead Tax Examiner.

Caution: Ensure information provided in the response is complete before referring.

necessary, contact the taxpayer for the needed additional information.

#

Reminder: If the taxpayer indicates that their business activity relates to distributing funds to multiple recipients (e.g., fund-raising, crowdfunding, etc.) consult with the Lead Tax Examiner.

- (8) Take the following actions when it is necessary to contact the alleged nominee recipient: See IRM 4.119.4.21.7.5, Third Party Contacts, for additional information.
 1. Research IDRS CC: INOLE or CC: ENMOD to obtain the most current address of the alleged nominee recipient.
 2. Issue Letter 3404-C to the taxpayer advising them of the need to contact the nominee recipient in order to resolve the issue.
 3. Update IDRS activity with 4XTPCMMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.
 4. Annotate the DCI and case folder with 4XLT (X represents the phase). See Exhibit 4.119.4-5, BUR Internal Process Codes (IPC), for additional information.
 5. Wait 45-days and then issue Letter 4552-C to the alleged nominee recipient.
 6. Complete Form 12175, Third Party Contact Report. Forward the completed form to the Clerical Function for routing to the designated Campus Third Party Coordinator.
 7. Update IDRS activity with 4XLTMMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 8. Annotate the DCI and case folder with 4XLT (X represents the phase).
- (9) Take the following action when the alleged nominee recipient responds to Letter 4552C or the suspense time frame has expired.

If	Then
The alleged nominee recipient does not respond to the Letter 4552C or disputes the existence of the nominee arrangement	<ol style="list-style-type: none"> 1. Send Letter 4550-C and include Paragraph "W". 2. Attach a copy of the nominee recipient's response (if available). <p>Exception: If a Letter 3219-B, Statutory Notice of Deficiency, was issued, do not use Paragraph "W". Instead, inform the taxpayer that we are unable to confirm the nominee arrangement. Also include a paragraph stating this letter does not extend the period in which the taxpayer may petition the U.S. Tax Court.</p>
The alleged nominee recipient responds to the Letter 4552C and confirms that the arrangement is valid	<ol style="list-style-type: none"> 1. Send Letter 4551-C to BUR taxpayer. Include Paragraph "L". 2. Close the close case using the applicable N/C Process Code. 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 4. Annotate the case folder and DCI with the appropriate N/C Process Code and include NRC 4 (nominee).

4.119.4.21.7.7
(02-28-2017)

**Income Reported on
Another Tax Return (Not
Nominee)**

- (1) Be aware of nominee situations even if "nominee" is not directly mentioned in the response. If the response includes any indication that income was transferred, allocated or distributed to another entity, see IRM 4.119.4.21.7.6, Nominee Income.

Caution: See IRM 4.119.4.21.1.5, Amended Return, or IRM 4.119.4.21.6, Partially Agreed Responses, for additional information when the Form 1041 response indicates that the U/R income was distributed to beneficiaries.

- (2) When the taxpayer response states that the underreported (U/R) income was reported on another return:
 1. Research IDRS CC: TRDBV for the affected taxpayer(s):

Caution: It may be necessary to perform additional IDRS research to determine the primary account holder.

Caution: IDRS CC: TRDBV displays information from original filing. Additional IDRS research is needed if the return was amended or adjusted.

If	Then
<p>The IDRS CC: TRDBV information for the affected taxpayer(s) matches the income type and income amount provided by the taxpayer.</p> <p>Example: U/R income is interest for \$7,567. Taxpayer states that the income was reported by John Smith. IDRS CC:TRDBV shows \$7,567 interest reported on John Smith's return.</p>	<ol style="list-style-type: none">1. Consider the response confirmed.2. Issue Letter 4551-C.3. Close the case with the appropriate N/C Process Code.4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77.5. Annotate case folder and DCI with the appropriate PC and include NRC 2.

#

If	Then
<p>The IDRS CC: TRDBV information for the affected taxpayer(s) does not match the income type and amount provided by the taxpayer.</p> <p>Example: U/R issue is Non-Employee Compensation of \$15,800. The taxpayer states that the income was reported by ABC Company. IDRS CC: TRDBV shows \$100,125 Gross Receipts reported on ABC Company's return.</p>	<ol style="list-style-type: none"> 1. Obtain IDRS CC: IRPTR payer income information for the affected taxpayer's TIN. If the affected return is an individual tax return (i.e., Form 1040 or Form 1040A), also obtain IDRS CC: IRPTR payer income information for the spouse's SSN (for Married Filing Joint). 2. Review the IRPTR data to determine presence of amended and/or replacement Information Returns. 3. Combine the U/R income with the related IDRS CC: IRPTR payer income information for the taxpayer (and the spouse if appropriate when reviewing an Individual tax return) and compare to the amount reported on the Form or Schedule. <p>Note: Consider Amended Information Returns that may be attempts to reduce or zero-out income amounts.</p>

2. Based on the results of the comparison of the return amounts with the IDRS CC:IRPTR information:

If	And	Then
<p>The amount reported on the affected taxpayer's return is</p> <p>U/R income and IRPTR payer information</p>	N/A	<ol style="list-style-type: none"> 1. Consider the response confirmed. 2. Close the case with the applicable N/C Process Code. 3. Issue Letter 4551-C. 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate the case folder and DCI and include NRC 2.
<p>The amount reported on the affected taxpayer's return is less than the sum of the U/R income and IRPTR payer income information:</p>	<p>The other return is our taxpayer's individual tax return</p>	<ol style="list-style-type: none"> 1. Issue Letter 4550-C and include PARAGRAPH X. In the fill-in enter the return type (i.e., 1040, 1040A, or 1040EZ). 2. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/ Category Codes, for additional information. 3. Annotate the DCI and case folder.

#

If	And	Then
The amount reported on the affected taxpayer's return is less than the sum of the U/R income and IRPTR payer income information:	The other tax return is not our taxpayer's individual tax return	<ol style="list-style-type: none"> 1. Consider the response unconfirmed. 2. Issue Letter 4551-C. 3. Close the case with the applicable N/C Process Code. 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate the DCI and case folder with N/C process Code and include NRC 3.

4.119.4.21.7.8
(11-22-2016)

**Prior and/or Subsequent
Year Impact**

- (1) If the taxpayer's response indicates that the same error of income omission was made on a subsequent and/or prior tax year:

1. Process the Current year BUR issue(s) per normal procedures.
2. Send the appropriate letter and inform the taxpayer to file an amended return to include the omitted income in the affected tax year.

Exception: If the response includes a signed amended return, for a prior or subsequent year send it to Accounts Management for processing. Inform the taxpayer the request was sent to another area for processing.

- (2) If the taxpayer's response includes acceptable explanations for some or all of the BUR issues **and** indicates that the same erroneous payer information will occur in the subsequent year, take the following action:

1. Leave a case note explaining that a copy of the taxpayer's response was sent to be associated with the subsequent year tax return.
2. Advise the taxpayer that a copy of their response has been forwarded to be associated with their subsequent year's tax return.
3. Research IDRS for the subsequent year tax return DLN in order to forward a photocopy of the response to the Campus Files Function.

If	Then
The subsequent year tax return was Electronically filed.	Use IDRS to post a TC 290 for .00 with a blocking series "15" (Form 1120) or "17" (Form 1041). Do not use an attachment or association form.
There is an indication that the subsequent year's return has not yet been filed.	Correspond with the taxpayer and advise them to include a copy of their explanation/documentation with their tax return.

Exception: If the response includes a signed amended return, for a prior or subsequent year send it to Accounts Management for processing. Inform the taxpayer the request was sent to another area for processing.

4.119.4.21.7.9
(09-02-2016)

**Income Reported in a
Different Tax Year**

- (1) When the taxpayer indicates that the U/R income was reported in another year and/or provides accounting records showing BUR tax year deposits versus subsequent (or prior) year deposits or other evidence that the income was not received in the BUR tax year.

If	Then
<p>Note: Accounting methods are indicated on Form 1120, Schedule K, line 1.</p>	<p>Caution: See (3) below if the subsequent year return has not yet been filed.</p> <ol style="list-style-type: none"> 2. Close the case with the applicable No Change Process Code. 3. Issue Letter 4551-C and include the following Special Paragraph: "Under the cash basis accounting method, you include in your gross income all items of income you actually or constructively receive during the tax year. To avoid receiving similar notices from us in the future, please report all income in the year it was actually (or constructively) received. See Publication 538, Accounting Periods and Methods, for additional information." 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate the case folder and DCI with the appropriate PC and include NRC 2.
<p>Note: Accounting methods are indicated on Form 1120, Schedule K, line 1.</p>	<ol style="list-style-type: none"> 2. Close the case with the applicable No Change Process code. 3. Issue Letter 4551-C. 4. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/ FRM77. 5. Annotate the case folder and DCI with the appropriate PC and include NRC 2.

#

#

- (2) When the taxpayer response states that the U/R income was reported in a subsequent tax year, research IDRS:

- 1. Obtain tax return information (including accompanying forms and schedules) and related IDRS CC: IRPTR payer income information for the year(s) in question.
Caution: See (3) below if the subsequent year return has not yet been filed.
- 2. Combine the U/R income with the related IDRS CC: IRPTR payer income information for the indicated tax year and compare to the amount reported on tax return.

Reminder: Review the IDRS CC: IRPTR data for amended and/or replacement Information Returns that may be attempts to reduce or “zero-out” income amounts.

- 3. If the amount reported on the tax return is equal to or greater than the

#

Caution: If the taxpayer used a cash basis accounting method, issue Letter 4551-C and include the following Special Paragraph: “Under the cash basis accounting method, you include in your gross income all items of income you actually or constructively receive during the tax year. To avoid receiving similar notices from us in the future, please report all income in the year it was actually (or constructively) received. See Publication 538, Accounting Periods and Methods, for additional information.”

- 4. If the amount reported on the tax return is less than the sum of the U/R income and IDRS CC:IRPTR payer income information, send Letter 4550C and include the following special paragraph “You indicated the income in question was reported on your [enter BUR tax year] tax return. However, we are unable to locate this income. Please provide us with a complete breakdown of all income and where on your return the income in question is reported.”

If	Then
The taxpayer responds to the Letter 4550-C and does not provide sufficient information	Continue processing.

If	Then
The taxpayer responds to the Letter 4550-C and provides the requested information	<p>Review for validity:</p> <ol style="list-style-type: none"> If verified, close the case using the applicable No Change Process Code. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77. Annotate case folder and DCI with the appropriate PC and include NRC 2. <p>Caution: If the taxpayer used a cash basis accounting method, issue Letter 4551-C and include the following Special Paragraph: "Under the cash basis accounting method, you include in your gross income all items of income you actually or constructively receive during the tax year. To avoid receiving similar notices from us in the future, please report all income in the year it was actually (or constructively) received. See Publication 538, Accounting Periods and Methods, for additional information."</p> <ol style="list-style-type: none"> If not verified, contact the taxpayer and continue processing.
The taxpayer does not respond to the Letter 4550-C	Continue processing.

- (3) When the taxpayer response states that the U/R income was reported in a subsequent tax year and IDRS research shows no record of a filed tax return:
- Consider the income reportable in the BUR tax year and continue processing.
 - Include the following Special Paragraph: "We are unable to change our proposal because we can't verify the information you provided in your response. Under the cash basis accounting method, you include in your gross income all items of income you actually or constructively receive during the tax year. See Publication 538, Accounting Periods and Methods, for additional information."

4.119.4.21.8
(09-06-2017)

Disagreed Responses

- (1) A response is disagreed when:
 - a. The taxpayer clearly does not agree with at least some part of the adjustment (excluding interest) and does not provide an acceptable explanation.
 - b. The taxpayer makes any comment that they do not intend to waive their appeal rights, even if the Consent to Tax Increase is signed, or the tax and all penalties have been fully paid.
 - c. The taxpayer submits full payment after issuance of the Letter 3219-B, Statutory Notice of Deficiency and the necessary signature is not present. Issue a Letter 4550C to acknowledge payment and request missing signature. If the suspense time frame has expired default the case with PC 4850. Input TC 925 with PC 4850 using IDRS CC: REQ77/FRM77. Annotate PC 4850 on the case folder and DCI.

Note: If payment has refunded see IRM 4.119.4.4.10, Erroneous Refunds, for additional information.

Note: If payment has unposted, refer case to Lead Tax Examiner.

Reminder: A telephone call may be made in lieu of issuing Letter 4550-C to request missing signature.

Caution: When making an outgoing call, you must ensure that you are speaking to an authorized individual. See IRM 4.119.4.21.2.2, Disclosure and IRM 4.119.4.21.2.6, Out Calls for further information.

- (2) A frivolous return or response is defined as noncompliance with filing and/or paying tax based on unfounded legal or constitutional arguments per IRM 25.25.10, Revenue Protection-Frivolous Return Program, Objecting to paying interest/penalty, being upset because they were not notified sooner, using off-color language, etc., are **not** frivolous and should be handled with a normal reply to the taxpayer. If in doubt about whether the return and/or response is frivolous, consult with the Lead Tax Examiner. If it is determined that the return or response is frivolous, refer a photocopy of the return and/or response to the Frivolous Tax Team and continue normal processing.

4.119.4.21.9
(11-16-2020)

Creating Correspondex Letters

- (1) If subsequent correspondence (other than a Recomputed Notice or Supplemental Report) on a response case requires a reply from the taxpayer, or payer:
 1. Create the appropriate Correspondex letter select all applicable paragraphs. If none of the paragraphs are applicable, use a Special Paragraph.
 2. Print a copy of the Correspondex letter to include with the case file.
 3. Update IDRS activity with 4XLTMDD (X represents the phase). See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 4. Annotate the DCI and case folder with 4XLT (X represents the phase).
- (2) When acknowledging the taxpayer's response input the date using the following priority:
 - a. The date the taxpayer entered on their most recent correspondence.
 - b. Envelope postmark date.

- c. Three days prior to the IRS Received Date.
 - d. Current date.
- (3) There are some situations where it is necessary to issue a letter and take another action on the case at the same time. Create the Correspondex letter on IDRS and then take the subsequent action (e.g., issuing a Letter 3219-B, Statutory Notice of Deficiency).
- 1. Update the IDRS Activity Code with 4XLTMDD (X represents the phase) **and**
 - 2. Update the IDRS Activity Code with the subsequent action taken (for example STATMDD to indicate the Letter 3219-B, Statutory Notice of Deficiency).
 - 3. If there is a Process Code related to the subsequent action, input TC 925 with the Process Code using IDRS CC: REQ77/ FRM77 (e.g., PC 4700 when issuing Letter 3219-B, Statutory Notice of Deficiency).
 - 4. Annotate the DCI, and case folder with both actions taken in the following order; letter action first followed by the subsequent action (e.g., 45LT followed by PC 4700).
- (4) If the information provided by the taxpayer does not justify a change in the tax deficiency, and it is necessary to send Letter 4550-C for further information, always send the Consent to tax increase paragraph.

Note: If a Letter 3219-B, Statutory Notice of Deficiency, was issued include a paragraph stating this letter does not extend the period in which the taxpayer may petition the US Tax Court.

- (5) A letter sent to a taxpayer requesting information should have the following paragraphs, as applicable, in addition to other paragraphs sent for a specific condition:
- a. A paragraph that informs the taxpayer when a response is required.
 - b. A paragraph requesting the taxpayer's telephone number and the most convenient time to call.
 - c. If a payment was submitted, a paragraph acknowledging the payment.
 - d. If the taxpayer submitted a request for a payment plan, a paragraph informing the taxpayer their request was forwarded to the proper department and a fee may be charged for processing the request.

Note: Leave a case note stating that payment plan request was forwarded to proper department.

- e. When a response from the taxpayer is required, include a paragraph stating a return envelope is enclosed.
- (6) When a correspondex letter is returned undeliverable, continue processing. Update the IDRS Activity Code/Category Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.

4.119.4.21.10
(08-26-2021)
Adjustments

- (1) Consider the ASER before inputting any assessments:

If	And	Then
There are more than 90 days remaining on the ASED	Letter 3219-B, Statutory Notice of Deficiency, was issued	<p>The statute is not imminent. Process the case using normal procedures.</p> <p>Note: TC 560 is not needed on these cases.</p> <p>Caution: If there are 5 working days or less before the ninety (90) day time frame, input the assessment immediately.</p>
There are more than 90 days remaining on the ASED	Letter 3219-B, Statutory Notice of Deficiency, was not issued	<p>The statute is not imminent. Process the case using normal procedures.</p> <p>Note: TC 560 is not needed on these cases.</p> <p>Caution: If there are 5 working days or less before the ninety (90) day time frame, input the assessment immediately.</p>
There are 90 days or less remaining on the ASED	Letter 3219-B , Statutory Notice of Deficiency, was issued	<p>Input TC 560 to extend the ASED. See IRM 4.119.4.21.11.1, Instructions Specific to Statutory Notice of Deficiency/Responses, for instruction.</p> <p>Caution: Do not input TC 560 and TC 290 in the same cycle. If the TC 560 does not post, the TC 290 will not post which may result in a barred assessment.</p>
There are 90 days or less remaining on the ASED	Letter 3219-B, Statutory Notice of Deficiency was not issued	<p>The statute is imminent. The case requires a prompt/quick assessment. Follow the instructions for Form 2859, Request for Quick or Prompt Assessment, and route the case to the designated BUR Statute Coordinator. The BUR Statute Coordinator will follow IRM 4.119.4.21.10.1, Confirmation Receipt of Prompt Assessments FAX.</p>

If	And	Then
There are less than 60 days remaining on the ASSED (short statute case)	N/A	<p>Penalties and interest must be manually computed and input.</p> <p>Example: A late filed case must have FTF penalty input on Form 2859, Request for Quick or Prompt Assessment and route the case to the designated BUR Statute Coordinator. The BUR Statute Coordinator will follow IRM 4.119.4.21.10.1, Confirmation Receipt of Prompt Assessment FAX.</p> <p>Note: Use TC 190 for interest whenever possible. See IRM 20.2.5.6.2, Manual Computations, for additional information.</p>
The statute is imminent after the input of TC 560, or if the TC 560 is not input to extend the ASSED	N/A	<p>Follow the instructions for Form 2859, Request for Quick or Prompt Assessment, and route the case to the designated BUR Statute Coordinator. The BUR Statute Coordinator will follow IRM 4.119.4.21.10.1, Confirmation Receipt of Prompt Assessment FAX.</p>

- (2) When responses are closed, use the IAT Tool to input an adjustment on IDRS CC: REQ54 to file no change responses and process necessary adjustments:

Form 1041	Form 1120
<ul style="list-style-type: none"> a. Input TC 29X. b. Input TC 806/807 as applicable for W/H adjustments. c. Input Reference Number 886 to adjust taxable income. d. Input the appropriate reference number for the Accuracy Related Penalty amount. See (16) below. 	<ul style="list-style-type: none"> a. Input TC 29X. b. Input the appropriate TC or reference number as applicable when adjusting W/H. Note: Returns that posted in cycle 201703 and subsequent, input Reference Number 399. Reference Number 399 for a positive amount will generate a TC 766 for an increase in the credit. Reference Number 399 for a negative amount will generate TC 767 for a decrease in the credit. Note: When adjusting W/H on original corporate returns posting prior to 201703, input TC 766/767 without a CRN. c. Input Reference Number 886 to adjust the taxable income. d. Input the appropriate reference number for the Accuracy Related Penalty amount. See (16) below.

Reminder: Annotate the Accuracy Related Penalty in the “Assessed Penalty” field of the DCI.

(3) **BLOCKING SERIES** - The following blocking series are used for BUR adjustments:

- a. Blocking Series - 55 (550-569) BMF-URP Refile DLN is used for BMF **Form 1120** cases with a paper filed tax return.
- b. Blocking Series - 57 (570-579) BMF-URP Non-Refile DLN is used for BMF **Form 1120** cases with a MeF tax return.
- c. Blocking Series - 58 (580-589) BMF-URP Adj Letter 3219-B, Statutory Notice of Deficiency, Refile DLN is used for BMF **Form 1120** cases with a paper filed tax return.
- d. Blocking Series - 59 (590-599) BMF-URP Adj Letter 3219-B, Statutory Notice of Deficiency, Non-Refile DLN is used for BMF **Form 1120** cases with a MeF tax return.

- e. Blocking Series - 64 (640-649) BMF-URP Refile DLN is used for all assessments made to: Form 1040 series and **Form 1041** cases with a paper filed tax return.
- f. Blocking Series - 89 (890-899) BMF-URP Non-Refile DLN is used for Form 1040, **Form 1041** and Form 1065 cases with a MeF tax return.

(4) **CORRESPONDENCE DATE** - This date is required on all BUR assessments when the taxpayer has submitted a response. Input using the following priority:

- a. The date the taxpayer entered on their most recent correspondence.
- b. Envelope postmark date or the date stamped by the Fax machine.
- c. Three days prior to the IRS Received Date.
- d. Current date.

Note: Use the posted payment date from IDRS CC: TXMOD when the taxpayer's correspondence is not present and the account is full paid to the BUR notice.

Note: In subsequent notices to the taxpayer, provide the date of the correspondence that was used for the assessment.

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

- a. Received date stamped on correspondence.
- b. Envelope postmark date or the date stamped by the Fax machine.
- c. Signature date.
- d. Current date.

Note: Use the posted payment date from IDRS CC:TXMOD when the taxpayer's correspondence is not present and the account is full paid to the BUR notice.

(6) **2% INTEREST DATE** – A 2% Interest date is required when the taxpayer is subject to 2% LCU. See IRM 4.119.4.16.5, Form 1120 2% Large Corporate Underpayment (LCU) – 2% LCU, for further instructions.

- a. The 2% INTEREST DATE is the date of the last (i.e., first deliverable) Letter 3219-B, Statutory Notice of Deficiency, mailed to the taxpayer **plus 30-days**.
- b. If it is determined that a 2% INTEREST DATE that has previously posted to Masterfile is no longer applicable, enter 99999999 (eight 9's) in the 2% INTEREST DATE field. A TC 340 or 341 is required.

(7) **TCB-DT (CREDIT INTEREST DATE)** - Enter the taxpayer agreement date in the TCB-DT field on all other than full paid balance due assessments based on taxpayer correspondence. The TCB-DT field **must be left blank** for the following conditions.

Note: Use the IRS Received Date as the taxpayer agreement date. See the instructions in (4) above for additional information.

- a. When the case is being assessed by Default (i.e., PC 4850).
- b. Interest stops automatically at the date of the payment on fully paid assessments. This applies whether the payment was timely or not. Full paid is defined as payment for tax, penalty, and interest.
- c. On all tax decrease/overall refund cases.

Note: The entry will post as CR-INT-TO-DT.

- (8) **OVERRIDE CODE** - An Override Code is required when the IRS Received Date is over one year old and on cases when the statute has expired.
- a. R - Allows IRS Received Date to be older than a year in the past.
 - b. S - Allows current date and the Refund Statute Control Date (RSCD) to be later than the Refund Statute Expiration Date (RSED).

Note: Multiple Override Codes may be used when applicable.

- (9) **REFUND STATUTE CONTROL DATE** - Refund Statute Control Date (RFSCDT) is required when the RSED is expired.

Note: If both the current date and the RFSCDT are later than the RSED, OVERRIDE-CODE S must also be input.

- (10) **AMENDED CLAIMS DATE** - Enter the IRS Received date when the adjustment results in a refund.
- a. Amended Claims Date identifies the time period for credit interest paid on tax adjustments that result in a refund.
 - b. A TC 290 or 291 must be present.
 - c. The date cannot be later than the current date.
- (11) **DEBIT INTEREST TO DATE** - Debit Interest to Date is the date Manual Interest was computed to. It is a required field when a TC 340 or 341 is input.
- (12) **TRANSACTION CODES** - Input transaction code(s) in the TC> field(s) as applicable. Input the corresponding transaction amount in the AMT> field:
- a. TC 290/291 - Adjusts the tax.
 - b. TC 170/171 - Adjusts the ES Penalty when a penalty was previously assessed and there is a change to W/H.
 - c. TC 160/161 - Adjusts the Failure to File Penalty. See IRM 4.119.4.16.1, Failure to File (FTF), for additional information.
 - d. TC 270/271 - Adjusts the Failure to Pay Penalty.
 - e. TC 340/341/342 - Manual Debit Interest.
- (13) **REASON CODES** - The Reason Code(s) determine the explanation that prints on the adjustment notice. See Document 6209, IRS Processing Codes and Information, for valid codes. BMF requires reason codes when abating penalties.

Example: TC 161 reason code 062 is required in the first position for reasonable cause abatements with a corresponding penalty reason code in the fourth position. Statutory non-reasonable cause abatements require a reason code in the fourth position only.

Example: Reason Code 074 is required in the first position when TC 34X is included as part of the IDRS CC;REQ54.

- (14) **HOLD CODES** - Use Hold Codes with TC 29X adjustments to prevent or delay the issuance of a refund and/or notice. See Document 6209, IRS Processing Codes and Information, for a list of valid codes.

- (15) **PRIORITY CODES** - Input the following Priority Codes when certain module conditions exist. Failure to use the Priority Code when specified will cause the transactions to unpost:
- a. Use Priority Code 1 when there is an -L freeze. See IRM 4.119.4.3.2, Freeze Codes, for further instructions. Adjustments with no tax increase/decrease (TC 290 for .00) do not require Priority Code 1.
 - b. Use Priority Code 3 when issuing a refund.
- Exception:** Do not use Priority Code 3 when refunding a payment.
- c. When a Priority Code 1 and 3 are necessary use a Priority Code 2.
 - d. Priority Code 8 must be input when a BUR tax increase/decrease is within \$10 of a previous significant TC 290/291 adjustment.
 - e. Priority Code 8 is needed when there is a change to W/H credits and a TC 170/171 or TC 176/177 is present on the account, but an adjustment to the ES Penalty (TC 170/171) is not necessary.
- (16) **REFERENCE NUMBER** - Input the following Reference Numbers (i.e., Item Reference Number (IRN) to adjust tax and/or taxable income, Credit Reference Number (CRN) to adjust credits and Penalty Reference Number (PRN) to adjust penalties) in the CD> field(s) as applicable. Input the corresponding adjustment amount in the AMT> field(s):

Reference Number	Description/Additional Information
680	Use when assessing the Accuracy Related Penalty and the Substantial Understatement threshold is met. IDRS converts a 680 to a TC 240.
786	Use when assessing the Accuracy Related Penalty and the Substantial Understatement threshold is not met. IDRS converts a 786 to a TC 240.
787	Use when assessing the Accuracy-Related Penalty and the the Substantial Understatement threshold is met. IDRS converts a 787 to a TC 240.
886	Adjusts taxable income (TXI) (increases or decreases).
399	Form 1120 Adjusts withholding for returns posted in cycle 201703 and subsequent. See (1) above for additional information.

#

#

#

Reference Number	Description/Additional Information
766	Form 1120 Adjusts additional underclaimed withholding on original corporate returns posted prior to cycle 201703.
767	Form 1120 Adjusts disallowed overclaimed withholding on original corporate returns posted prior to cycle 201703.
806	Form 1041 Adjusts additional underclaimed withholding.
807	Form 1041 Adjusts disallowed overclaimed withholding.
861	Form 1041 Adjusts Net Investment Income (increases or decreases).
862	Form 1041 Adjusts Net Investment Tax (increases or decreases).

Note: See Document 6209, IRS Processing Codes and Information, when adjusting Reference Numbers other than those listed above.

- (17) **SOURCE DOC** - This is a required field and is used to inform the Campus Files function when an assessment(s) with a source document (tax return, correspondence, etc.) is routed there for attachment of Form 5147.
- (18) **REMARKS** - This is a required field and is used to leave an action trail concerning the adjustment. It is recommended that **BUR ADJ** be used on all BUR adjustments.
- (19) Verify that all fields in the IDRS CC:REQ54 are correct. This ensures an accurate adjustment to the taxpayer's account.
- (20) All adjustments to the tax, withholding and/or penalty (including a TC 290.00 No Change) must be entered on the DCI. When inputting an adjustment other than TC 290 .00 (No Change) include the **IDRS CC: ADJ54** print-out in the case folder.
- (21) All assessments other than TC 290.00 (No Change) are reviewed for accuracy.

4.119.4.21.10.1
(07-26-2022)

**Confirmation Receipt of
Prompt Assessment FAX**

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

Note: E-fax may be used to send these requests to Accounting. See *SERP - Prompt, Quick, Jeopardy & Termination Assessments - Who/Where (irs.gov)*, for the applicable e-Fax number.

- a. Ensure an electronic receipt is requested on all faxes sent to accounting.

- b. Save a copy of the FAX confirmation sheet along with the dated Form 3210.
 - c. Update the DCI and case folder with 4XQPMMD.
- (2) The signed Form 3210 should be sent back from accounting annotated with the DLN of the prompt assessment.
 - a. Attach a copy of the confirmed fax to the signed Form 3210 with the DLN of the adjustment.
- (3) If you do not receive confirmation, you must follow up with accounting to ensure it was received by:
 - a. Calling the appropriate accounting site to confirm receipt of the Prompt Assessment forms that need to be made before the ASER expires.
 - b. Securing confirmation from the appropriate Accounting Unit for all Prompt Assessments faxed to that office by requesting they fax you the signed Form 3210 with DLNs.
 - c. Annotating on the Form 3210 the date, time of call, and who is confirming the receipt of the faxed Prompt Assessment next to each TIN on the Form 3210.

Note: For multiple TINs listed on one Form 3210 ensure each Prompt Assessment case has a copy of the Form 3210 with annotations and a confirmation sheet attached.

- (4) Depending on the ASER, confirmation calls should be made:
 - 1. immediately after faxing
 - 2. within 12 hours
 - 3. within 24 hours
 - 4. no longer than 48 hours after faxing

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

- (5) Manager Technical Advisor or Designated Employee will serve as backups in the event the Statute Coordinator is unavailable to make confirmation calls.

4.119.4.21.11
(12-14-2023)

**Letter 3219-B Statutory
Notice of Deficiency
Preparation**

- (1) Before generating a Letter 3219-B, Statutory Notice of Deficiency, research IDRS for updates or changes that may affect the BUR account. See IRM 4.119.4.19, No Response, and IRM 4.119.4.20, Undeliverable Notices, for additional information.

Caution: If Freeze Code -O is present on IDRS CC: TXMOD, see IRM 4.119.4.4.3, Declared Disaster Areas, for additional information.

Reminder: If a FTF penalty applies, a penalty calculation is required. See IRM 4.119.4.16.1, Failure to File Penalty, for further instruction.

- (2) IRC 6212 requires the IRS issue Statutory Notice of Deficiency to the taxpayer last known address by certified or registered mail. Once the IRS issues this notice, the taxpayer has 90 days (150 days if the Stat is addressed to a

taxpayer outside the United States) to file a petition with the United States Tax Court. This 90-day (or 150 day) period is statutory and IRS employees cannot extend it.

- (3) Letter 3219-B, Statutory Notice of Deficiency, issued to taxpayers **inside** the United States are sent by **certified** mail. All certified letters will be mailed using the Certified Automated Mail Solutions (CAMS) application.
- (4) Create a cover page using the CAMS application.

Note: The cover page shows the taxpayer entity information, bar code, and the 22 digit certified mail number.

- (5) Letter 3219-B, Statutory Notice of Deficiency, issued to taxpayers **outside** the United States are sent by **registered** mail using a registered mail receipt red label.
- (6) Select the Letter 3219-B Master Letter Template for the desired Letter Mailout Date and complete the template.
- (7) A Letter 3219-B, Statutory Notice of Deficiency, includes the following:
 - a. Letter 3219-B, Statutory Notice of Deficiency, which explains how and when to file a petition with Tax Court.
 - b. Form 4089, Notice of Deficiency - Waiver, which is the consent to assess and collect.
 - c. A copy of the latest Letter 2030 or Recomputed Letter 2030 except page 1 and the Response Page.
 - d. The current CC:IRPTRW prints.
 - e. Pub 1, Your Rights as a Taxpayer.
- (8) Complete Letter 937, Transmittal Letter For Power of Attorney, for cases that have a valid POA authorized to receive correspondence and attach a copy of the Letter 3219-B and all other attachments. See IRM 4.119.4.3.1, Power of Attorney (POA), for additional information.
- (9) Upload the completed template, and Letter 937 (if applicable) to the BUR Letter Repository.
- (10) When issuing a Letter 3219-B or a corrected Letter 3219-B Take the following steps:
 - 1. IDRS activity with STATMMDD or CORRSTMMDD (corrected Letter 3219-B). See Exhibit 4.119.4-7, Activity Codes/Category Codes, for further information.
 - 2. IDRS Category Code BURS.
 - 3. Assign the case to the designated generic notice team number on IDRS.
 - 4. Input TC 925 with PC 4700 using IDRS CC: REQ77/ FRM77.
 - 5. Annotate the DCI and case folder with PC 4700.
 - 6. Print the cover page from the CAMS application and place as the first item in the case folder.
 - 7. Print the CAMS manifest and place on the outside of the case folder.

Note: One manifest can be used for a group of cases created on the same day.

- (11) Every Letter 3219-B is reviewed before being mailed. If an error is found:

1. The case will be returned to the originator for corrective action.
 2. If the Letter 3219-B needs to be corrected, **the original Letter 3219-B file must be deleted from the BUR Letter repository.**
 3. Update IDRS activity with 5BXRWKMMDD. See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 4. Input TC 925 with PC 4710 using IDRS CC: REQ77/FRM77.
 5. Prepare a new Letter 3219-B for the next available Letter Mailout Date.
 6. Update IDRS activity with STATMMDD. See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 7. Input TC 925 with PC 4700, Posting Delay Code (PDC) "1" using IDRS CC: REQ77/ FRM77
 8. Annotate the DCI and case folder with PC's 4710 and 4700.
- (12) Input TC 971 Action Code 257 and the Letter 3219-B date on IDRS CC: REQ77 when issuing a Letter 3219-B on **Form 1120** cases with a tax deficiency of \$100,000 (or more).

Caution: Do not INPUT TC 971 Action Code 257 until the notice has been mailed.

- (13) The Clerical Function suspends the Letter 3219-B for 105-days (165-days for foreign or APO/FPO address).

4.119.4.21.11.1
(07-26-2022)

**Instructions Specific to
Letter 3219-B Statutory
Notice of
Deficiency/Responses**

- (1) When the taxpayer response is a signed amended return with a tax increase **greater than** the tax increase on the Letter 3219-B, Statutory Notice of Deficiency, review IDRS to determine if the adjustment has posted:

If	Then
The amended return has not posted.	<ol style="list-style-type: none"> 1. Math verify the taxpayer's figures. 2. Ensure all BUR issues are addressed. <p>Reminder: Taxpayer must also agree to any applicable penalties: (i.e., Accuracy Related penalty).</p> <ol style="list-style-type: none"> 3. Enter the adjustment per the amended return. See IRM 4.119.4.21.10, Adjustments, for additional information. 4. Close the case using PC 4880. 5. Input TC 925 with PC 4880 using IDRS CC: REQ77/ FRM77. 6. Annotate the DCI and case folder with PC 4880.

If	Then
<p>The amended return has posted and all BUR issues are included.</p> <p>Reminder: Taxpayer must also agree to any remaining applicable penalties: (i.e., Accuracy Related penalty).</p> <p>See IRM 4.119.4.21.1.5, Amended Return, for additional information.</p>	<ol style="list-style-type: none"> 1. Close the case using PC 4810. 2. Do not issue a closing letter to the taxpayer. 3. Input TC 925 with PC 4810 using IDRS CC: REQ77/FRM77. 4. Annotate PC 4810 on the DCI and case folder.
<p>The amended return has posted and all BUR issues are not included.</p>	<p>Issue a recomputed notice for outstanding issues. See IRM 4.119.4.21.6.1, Recomputed Notice/Supplemental Report, for additional information.</p>

- (2) For a Letter 3219-B, Statutory Notice of Deficiency, with a subsequent agreement received prior to the expiration of the 90-days **(150-days if the notice is addressed to a person outside the U.S.)**, the assessment period is extended for the number of days the Letter 3219-B, Statutory Notice of Deficiency, was outstanding (from the issue date to the taxpayer's reply date), plus 60 additional days allowed for processing the case.
- (3) Consider the Assessment Statute Expiration Date (ASED) before inputting an assessment:

If	Then
<p>There are more than 90 days remaining on the ASED</p>	<p>The statute is not imminent. Process the case using normal procedures. TC 560 is not needed on these cases.</p> <p>Caution: If there are five working days or less before the ninety (90) day time-frame, input the assessment immediately.</p>

If	Then
There are 90 days or less remaining on the ASED	<p>The statute is imminent. Input TC 560 on the account. See below for further instruction.</p> <p>Caution: TC 560 is for Statutory Notice of Deficiency assessments only.</p> <ol style="list-style-type: none"> 1. Input TC 560 and wait for it to post to the tax account. <p>Caution: Do not input the TC 560 and TC 290 in the same IDRS cycle. If the TC 560 does not post, the TC 290 will not post which may result in a barred assessment.</p> <ol style="list-style-type: none"> 2. Input TC 290 to the tax account. <p>Note: Every effort should be taken to input the TC 560 before the ASED expires.</p>

- (4) Compute the EXDATE (Extended Statute Expiration Date) using the <http://serp.web.irs.gov/web-forms/AsedCalc.aspx>. Select the "Agreed Cases" tab and input the following information:
 - Input the ASED shown on tax account in the "Select ASED Date" field
 - Input the Letter 3219-B, Statutory Notice of Deficiency issue date in the "Select SNoD Issued Date" field
 - Input the date of the taxpayer's correspondence in the "Select Agree Date" field
- (5) If the Assessment Statute Expiration Date (ASED) Calculator is not available, manually calculate the EXDATE (Extended Statute Expiration Date) using the procedure in (2) above.
- (6) Input TC 560 using the IAT REQ77/ FRM77 tool with the following information:
 1. TIN
 2. MFT Code
 3. Tax Period (YYYYMM)
 4. Name control
 5. TC 560
 6. Extension date (MMDDYYYY) - (new ASED)
 7. DLN-CD blocking code 70 (used only when the ASED has expired at the time of TC 560 input)

Caution: Failure to input blocking code 70 will result in unpostable code 344.
 8. Remarks - SNoD ASED extension

- (7) If the statute is imminent after the input of TC 560, or if the TC 560 is not input to extend the ASSED, follow the instructions for Form 2859, Request for Quick or Prompt Assessment, and route to the designated BUR Statute Coordinator. The BUR Statute Coordinator will follow IRM 4.119.4.21.10.1, Confirmation Receipt of Prompt Assessment FAX.
- (8) Input the applicable 2% LCU date and TC 340 manual interest adjustments if appropriate on Form 1120 cases. See IRM 4.119.4.21.10, Adjustments, for further information.
- (9) If the account module contains a TC 830 or 836, then Rev. Rul. 99-40 may apply. Refer to the Lead Tax Examiner for additional determination. See IRM 4.119.4.16.6, Revenue Ruling 99-40 and Credit Elects (May Sequa) for further instruction.

Note: All assessments made with Form 2859, Request for Quick or Prompt Assessment, must have the interest computed. If the return does not need to be restricted, TC 190 can be used. See IRM 20.2.5.6.2, Manual Computations, for additional information.

4.119.4.21.11.1.1
(11-16-2020)

**Rescinding Letter
3219-B Statutory Notice
of Deficiency**

- (1) After a Letter 3219-B, Statutory Notice of Deficiency, is mailed, it may be necessary to rescind the notice. The taxpayer or the IRS may initiate rescission of a Letter 3219-B, Statutory Notice of Deficiency. The decision to rescind is discretionary on the part of the IRS, is made on a case-by-case basis and requires the taxpayer's written consent. BUR tax examiners will NOT rescind Letter 3219-B, Statutory Notice of Deficiency, without prior managerial approval confirmed in a case note. ***When a taxpayer requests the rescission of a Letter 3219-B, Statutory Notice of Deficiency, the first step is to attempt taxpayer contact to resolve the taxpayer's concern/issue.***
- (2) A rescission may be agreed to if:
 - a. The notice was issued as a result of an administrative error (to the wrong taxpayer, for the wrong tax period or without considering a properly executed Form 872, Consent to Extend the Time to Assess Tax, or Form 872-A, Special Consent to Extend the Time to Assess Tax).

Note: If the Letter 3219-B, Statutory Notice of Deficiency, was issued for the wrong taxpayer or wrong tax period, close the case with the applicable No Change process code.

- b. The taxpayer submits information establishing the actual tax due is less than the amount shown in the notice.

Note: Issue a recomputed notice for the lesser amount.

#

case note and process the case on the original deficiency.

- c. The taxpayer requests a hearing with an Appeals officer and submits a Form 12203, Request for Appeals Review, or otherwise submits an adequate protest as required in Pub 5, Your Appeal Rights and How to Prepare a Protest If You Disagree, (for the purpose of entering into settle-

ment negotiations - as determined by Appeals) and the case will be received in Appeals with at least 365-days remaining on the statute of limitations.

- d. If TC 971 AC 257 was input and Letter 3219-B, Statutory Notice of Deficiency, will be rescinded due to an administrative error, input a TC 972 AC 257.

(3) A rescission will not be considered when:

- a. On the date of the rescission, 90-days or less remain before the expiration date of the period of limitations on assessment; however, a notice of deficiency may be rescinded in these circumstances if, before rescission, the taxpayer and the IRS execute a consent to extend the period of limitations on Form 872 Consent to Extend the Time to Assess Tax, or Form 872-A, Special Consent to Extend the Time to Assess Tax;
- b. The 90-day (or 150-day for taxpayers living outside the U.S.) petition period has expired and the taxpayer has not filed a petition with the Tax Court.
- c. The taxpayer has petitioned Tax Court or;
- d. The taxpayer and the IRS, prior to issuance of the notice of deficiency, executed a Form 872-A, Special Consent to Extend the Time to Assess Tax, covering any of the tax years in the notice.

(4) After all the conditions in (1), (2), and (3) have been considered (**managerial approval is required**), follow these steps to obtain the taxpayer's consent:

1. Complete a Letter 2264 in duplicate (one copy for the taxpayer and the other to be attached to the file copy of the Letter 3219-B, Statutory Notice of Deficiency).
2. Prepare a Form 8626, Agreement to Rescind Notice of Deficiency, in duplicate. Attach one copy to the Letter 2264 and attach the other copy to the file copy of the Letter 3219-B, Statutory Notice of Deficiency.
3. Send the Letter 2264 with a copy of the Form 8626, Agreement to Rescind Notice of Deficiency, and a return envelope to the taxpayer that day.
4. Leave a case note. Ensure copies of the forms and letters are in the case file.
5. Update IDRS activity with 47PHMMDD and then update the IDRS activity with STATMMDD (MMDD is the original STAT Purge Date). See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.

Note: If communicating with the taxpayer pending receipt of the rescission agreement, be sure to include notification that the 90-day period to petition Tax Court is still in effect.

(5) When the taxpayer returns the signed Form 8626, Agreement to Rescind Notice of Deficiency, it must be countersigned by the Director Compliance Service, Field or designated official. The rescission is effective on the date the Director or designated official countersigns the form:

1. Complete a Letter 2262 in duplicate.
2. Send the taxpayer one copy of the letter and a copy of the countersigned Form 8626, Agreement to Rescind Notice of Deficiency.
3. Leave a case note.
4. Maintain copies of the Form 8626, Agreement to Rescind Notice of Deficiency, and a Letter 2262 in the case file.

5. Update IDRS activity with PC 4730 followed by the next action activity code. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.
6. Update the Category Code back to BUR0.
7. Input TC 925 with PC 4730 using IDRS CC: REQ77/ FRM77.
8. Annotate the DCI and case folder with PC 4730.
9. Take next action.
10. Annotate DCI and case folder with applicable PC or IPC.

Reminder: Input TC 925 if the next action taken is a process code action.

4.119.4.21.11.1.2
(12-14-2023)
Docketed Cases

- (1) When the taxpayer files a petition with the U.S. Tax Court, the newly docketed Tax Court cases are uploaded to the Tax Litigation Automatic Tracking System (TLCATS) New Docketed Case listing.
- (2) The Clerical Function is responsible for monitoring the daily TLCATS listing and preparing identified cases for transfer to Appeals.
- (3) When a docketed case is received for review, take the following actions:

If	Then
There is an overclaimed withholding issue	<ol style="list-style-type: none"> 1. Input a partial assessment on IDRS for the overclaimed withholding only. Note: Changes to withholding are not considered a deficiency under IRC 6211, Definition of a Deficiency, and are not included on the Statutory Notice of Deficiency. 2. Print a copy of IDRS CC: REQ54 adjustment and IDRS CC: TXMOD showing the pending assessment (highlight the pending adjustment) and include with the case file. 3. Issue Letter 4551-C to explain the partial assessment and advise the taxpayer that the remaining issues will be addressed as part of the docketed case process. 4. Print a copy of Letter 4551-C and include it in the case file. 5. Complete and print a Case History Sheet documenting the case actions. 6. Print all notices, case contents, tax account (TXMODA), IRPTR Information Returns, DCI, Case Notes, Signed/dated Accuracy Related Penalty Case Note (if applicable) and associate with the case file. 7. Include the original tax return. If the electronically filed, you must include the MeF print of the entire return (including all schedules, forms and attachments) for the case file. 8. Input TC 925 with PC 4800 using IDRS CC: REQ77/ FRM77. 9. Annotate the DCI and case folder with PC 4800, and make a copy to send to Appeals. Note: The original DCI must be retained in the case folder. 10. Return the case to the designated clerk.

If	Then
There is not an overclaimed withholding issue	<ol style="list-style-type: none"> 1. Print all notices, case contents, tax account (TXMODA), IRPTR Information Returns, DCI, Case Notes, Signed/dated Accuracy Related Penalty Case Note (if applicable) and associate with the case file. 2. Include the original tax return. If the electronically filed, you must include the MeF print of the entire return (including all schedules, forms and attachments) for the case file. 3. Input TC 925 with PC 4800 using IDRS CC: REQ77/ FRM77. 4. Annotate the DCI and case folder with PC 4800, and make a copy to send to Appeals. <p>Note: The original DCI must be retained in the case folder.</p> <ol style="list-style-type: none"> 5. Return the case to the designated clerk.

(4) If a response is received, review the information:

If	Then
The issue can be resolved per IRM 4.119.4.21.4.1, Discrepancy Explained (No Change) - Analysis, or other IRM procedures:	<ol style="list-style-type: none"> a. Issue Letter 4551-C advising the taxpayer the issue is resolved. b. Close the case with appropriate No Change Process Code. c. Input TC 290 .00 using IDRS CC: REQ77/ FRM77. d. Input TC 925 with the No Change Process Code. e. Document the case actions on the Case History Sheet. f. Annotate the DCI and Case folder with the appropriate Process Code. g. Do Not send these cases to Appeals/ Tax Court. Complete and sign Form 14121, No Change Certification, and return to the Clerical Function with instruction to fax to the Fresno Appeals APS DIMS team and the assigned counsel location.

If	Then
The case can not be closed No Change and/or meets CAT A criteria	<ol style="list-style-type: none"> 1. Print all notices, case contents, tax account (TXMODA), IRPTR Information Returns, DCI, Case Notes, Signed/dated Accuracy Related Penalty Case Note (if applicable) and associate with the case file. 2. Include the original tax return. If the electronically filed, you must include the MeF print of the entire return (including all schedules, forms and attachments) for the case file. 3. Input TC 925 with PC 4800 using IDRS CC: REQ77/FRM77. 4. Annotate the DCI and case folder with PC 4800, and make a copy to send to Appeals. <p>Note: The original DCI must be retained in the case folder.</p> <ol style="list-style-type: none"> 5. Return the case to the designated clerk.

4.119.4.21.11.2
(12-14-2023)
**Default Letter 3219-B
Statutory Notice of
Deficiency**

- (1) If a **Form 1120** case has a proposed adjustment of \$1,000,000 (or more) or a **Form 1041** case has a proposed adjustment of \$100,000 (or more), the case requires special handling. See IRM 4.119.4.21.1.15, Large Dollar/Accounts Receivable Dollar Inventory (ARDI) Guidelines, for additional information.
- (2) Thoroughly review each case to ensure that:
 1. The suspense time frame of 105-days (**165-days if the notice is addressed to a person outside the U.S.**) has elapsed.

Note: If the time frame has not elapsed, hold the case until the suspense time frame has expired before taking any default action.
 2. There aren't any account activities that would impact the processing of the default assessment (i.e., disaster related Freeze Codes or indication that the taxpayer filed an amended return).

If	Then
Freeze Code -S or -O is present on IDRS CC: TXMOD	Do not take any further action until the disaster end date has passed. See IRM 4.119.4.4.3, Declared Disaster Areas, for additional information. Note: If the disaster end date is beyond the ASED or extended ASED, timely/ appropriate actions must be taken to protect the statute. See IRM 4.2.2.7, Protection of Statute of Limitations, for additional information.
IDRS CC: TXMOD shows a TC 976	See IRM 4.119.4.19, No Response, for additional information.

Caution: Full payment received after issuance of a Letter 3219-B, *Statutory Notice of Deficiency*, cannot be considered agreement to the tax increase. Since the necessary signature(s) were not obtained, these cases will be closed as Defaults.

Note: See IRM 4.119.4.19, No Response, for additional information.

Note: If an incorrect Letter 3219-B, Statutory Notice of Deficiency has been mailed and a corrected Letter 3219-B, Statutory Notice of Deficiency needs to be issued see IRM 4.119.4.21.11, Letter 3219-B Statutory Notice of Deficiency Preparation, for additional information.

(3) Take the following actions when defaulting:

1. Assess the tax increase and applicable penalties. See IRM 4.119.4.21.10, Adjustments, for additional information.
2. Input TC 925 with PC 4850 using IDRS CC: REQ77/ FRM77.
3. Annotate PC 4850 on the DCI and case folder.

(4) Verify the ASED of each default case.

If	Then
There are more than 90 days remaining on the ASED	The statute is not imminent. Process the case using normal procedures. TC 560 is not needed on these cases .

If	Then
There are 90 days or less remaining on the ASED	<p>The statute is imminent. Input TC 560 on the account. See below for further instruction.</p> <p>Caution: TC 560 is for Statutory Notice of Deficiency assessments only.</p> <ol style="list-style-type: none"> 1. Input TC 560 and wait for it to post to the tax account. <p>Caution: Do not input the TC 560 and TC 290 in the same IDRS cycle. If the TC 560 does not post, the TC 290 will not post which may result in a barred assessment.</p> <ol style="list-style-type: none"> 2. Input TC 290 to the tax account. <p>Note: Every effort should be taken to input the TC 560 before the ASED expires.</p>

- (5) Compute the EXDATE (Extended Statute Expiration Date) for a Defaulted 90-Day Letter using the <http://serp.web.irs.gov/web-forms/AsedCalc.aspx>. Select the "Default Cases" tab and input the following information:

- Input the ASED shown on tax account in the "Select ASED Date" field
- Input Letter 3219-B, Statutory Notice of Deficiency issue date in the "Select SNoD Issued Date" field

- (6) If the Assessment Statute Expiration Date (ASED) Calculator is not available, manually compute the EXDATE (extended statute expiration date) for a defaulted 90-day letter:

1. Determine the original ASED and convert to the Julian date which is the number of continuous days since the beginning of the calendar year.
3. The EXDATE is the sum of steps 1 and 2.
4. Convert the sum to a calendar date.

#

#

- (7) Input TC 560 using the IAT REQ77/ FRM77 tool. Input and/or verify the following:
1. TIN
 2. MFT Code
 3. Tax Period (YYYYMM)
 4. Name control
 5. TC 560
 6. Extension date (MMDDYYYY) - (new ASED)
 7. DLN-CD blocking code 70 (used when the ASED has expired at the time of TC 560 input)

Caution: Failure to input blocking code 70 will result in unpostable code 344.

8. Remarks - SNoD ASED extension
- (8) If the statute is imminent after the input of TC 560, or the TC 560 is not input to extend the ASED, follow the instructions for Form 2859, Request for Quick or Prompt Assessment, and route to the designated BUR Statute Coordinator. The BUR Statute Coordinator will follow IRM 4.119.4.21.10.1, Confirmation Receipt of Prompt Assessment FAX.
- (9) Input the applicable 2% LCU date and TC 340 Manual interest adjustments if appropriate on Form 1120 cases. See IRM 4.119.4.21.10, Adjustments, for further information.
- (10) If the account module contains a TC 830 or 836, then Rev. Rul. 99-40 may apply. Refer to Lead Tax Examiner for additional determination. See IRM 4.119.4.16.6, Revenue Ruling 99-40 and Credit Elects (May Sequa), for additional information.

Note: All assessments made with Form 2859, Request for Quick or Prompt Assessment, must have the interest computed. If the return does not need to be restricted, TC 190 can be used. See IRM 20.2.5.6.2, Manual Computations, for additional information.

4.119.4.22
(11-16-2020)
Letter 2030 Review

- (1) A statistically valid sample of cases is produced for review. This is a product review toward perfecting the quality of notices. In the review, the case is reworked from the beginning, including the determination of the U/R amount.
- (2) The selection of sample notices is performed from all Letter 2030 mail out dates.
- (3) The reviewer will review all the sampled Letter 2030 cases built into BT 682.
- (4) The reviewer verifies the Letter 2030 for correctness and overall quality by reworking the case.
- (5) If no error is found, no action is necessary.
- (6) If an error is found, complete Form 5963, Quality Assurance Review Notice, with the applicable Notice Review Error Code. See Exhibit 4.119.4-12, Notice Review Error Codes.
 1. Errors that impact the proposed balance due are considered **critical**.
Delete the original notice file from the BUR Letter repository.

2. Errors that **don't impact** the proposed balance due are considered **non-critical**. On a case-by-case basis, determine whether the non-critical error will hamper the taxpayer's ability to understand the notice. Only delete the original notice file if it is determined that the non-critical error will cause the taxpayer difficulties in understanding the issues on the notice.
- (7) If the original file is being deleted:
1. Update IDRS activity with 31XRWKMMDD. See Exhibit 4.119.4-7, Activity Codes/Category Codes.
 2. Input TC 925 with the applicable Stopped Notice (Notice Not Mailed) Process Code: 4510 (Letter 2030 not mailed) using IDRS CC: REQ77/FRM77.
 3. Annotate the DCI and case folder with the applicable Stopped Notice (Notice Not Mailed) PC.
 4. Return the case to the originator for corrective action.
- (8) The originator will rework the case.

If	Then
A notice is needed	<ol style="list-style-type: none"> 1. Prepare a new notice for the next available Letter Mailout Date. 2. Update IDRS activity with the applicable Action Code. See Exhibit 4.119.4-7, Activity Codes/Category Codes. 3. Input TC 925 with the applicable Process Code, Posting Delay Code (PDC) "1" using IDRS CC: REQ77/FRM77. 4. Annotate the DCI and case folder with the appropriate PC.

If	Then
The case should be closed	<ol style="list-style-type: none"> 1. Close the case with the appropriate closing process code. Example: If the Letter 2030 was created in error and all the U/R was accounted for on the tax return, then close the case with PC 4210. 2. Input TC 925 with the applicable Process Code, Posting Delay Code (PDC) "1" using IDRS CC: REQ77/FRM77. 3. Annotate DCI and case folder with the appropriate PC.

- (9) On a weekly basis, the BUR Campus will provide Headquarters with the results of the review.
- a. Include only those cases that are found in error.
 - b. Use the appropriate error codes. See Exhibit 4.119.4-12, Notice Review Error Codes.

Reminder: "Critical" errors affect the proposed balance due. "Noncritical" errors do not affect the proposed balance due.

- (10) If the critical error rate exceeds 10%, BUR Campus will determine a plan of corrective action. Within 2-days, advise Headquarters of the error rate and describe the corrective action(s) taken.

4.119.4.23
(07-26-2022)

**Overview of Accounts
Maintenance Research
(AMRH) Transcripts**

- (1) An AMRH transcript 25 or 27 generates for an unsettled BUR case module as an alert that an action (e.g., closure assessment) needs to take place to resolve a taxpayer's account
- (2) The AMRH transcripts generate to identify over aged freezes and unsettled conditions that failed to be resolved following normal procedures and processing as a result of oversight, procedural shortcomings, systemic issues, etc.

Caution: It is critical to work these transcripts timely - **within 120 days** - and completely to resolve a case before the Assessment Statute Date expires.

- (3) The AMRH transcripts with TC 925 (IRP/BUR) posted are transferred or forwarded to BUR from AM to identify unresolved accounts that were not closed within a certain length of time. For any additional specific instructions, refer to IRM 21.2.4, Master File Accounts Maintenance, or IRM 25.6, Statute of Limitations, which contains instructions to transfer AMRH transcripts with TC 925 in module(s) to BUR for processing.
- (4) An unresolved TC 925 condition exists when:

- a. There is a credit balance (surplus) on the module. This condition creates the AMRH25 (25R) transcript. A credit balance may be caused by a variety of conditions (such as an unreversed TC 640, Advance Payment of Determined Deficiency on a BUR Proposal, erroneous no change closure).
 - b. A closing PC is not present on the module or does not post as the last PC in the TC 925 string. This condition creates the AMRH27 (27F) transcript. A closing PC may be missing for a number of reasons (such as, a Letter 2030 or subsequent notice was generated and no follow-up or closing action was taken, or a closing PC may have posted the cycle after the transcript was generated).
 - c. An AMRH transcript is also created when a closing assessment PC is posted, but an adjustment in the BUR blocking series is not on the account.
- (5) AMRH transcripts 25R/27F are routed directly to BUR by Information Systems. BUR must handle these transcripts to completion.
 - (6) Take the necessary action to review the following conditions:
 - The BUR issue is resolved
 - All appropriate closing PCs are in the last position of the TC 925 string
 - Required adjustments are posted in a BUR blocking series
 - There is no credit balance
 - No freeze codes are present
 - (7) If all of the conditions in (6) are met, discard the transcript and close the control base.
 - (8) For any case where there is no longer a BUR issue, but there is a freeze code present that cannot be resolved by BUR, direct the transcript back to the appropriate area. If a required adjustment has unposted or did not post to an account and there is more than 90-days before the statute expiration date, input the adjustment using a BUR blocking series.

4.119.4.23.1
(07-26-2022)
**Accounts Maintenance
Research (AMRH)
Transcripts - General
Procedures**

- (1) Review AMRH transcripts to determine the last PC reflected on the TC 925.
- (2) If the tax module on IDRS reflects a TC 925 without Process Codes, research CC: BMFOLT.
- (3) When reviewing AMRH transcripts, be alert for cases open on AIMS (Source Code 14 or 85). If open on AIMS, secure the original return and take the following actions:

Exception: Do not input an assessment on cases closed with PC 4800 or with a TC 520 present on the module.

1. Rework the case and input an assessment if necessary.
 2. Close the case with PC 4260, 4460, 4660, or 4890 as appropriate.
 3. Input TC 925 with the applicable Process Code using IDRS CC: REQ77/FRM77.
 4. Annotate the DCI and case folder with the appropriate PC.
 5. Route the case to Examination.
- (4) Review the case and IDRS to determine the actions needed to resolve the account. In most situations the return is not necessary. The transcript can be

used as the source document for many adjustments. If an adjustment is necessary using a BUR blocking series and the return is not needed, then:

- a. Complete Form 2275, Records Request, Charge and Recharge, if a paper return was filed, to associate the original return to the assessment DLN.
- b. Form 4251 can be used as the source document, if an MeF return was filed. Make the following notation, "Original return was filed electronically" or similar wording.

Note: Ensure all closing actions have been taken. After the necessary actions to resolve the account have been taken, close all related control bases.

(5) If the case is open and currently being processed, take the following actions:

1. Discard the transcript in accordance with local classified waste procedures.
2. Close all related control bases on IDRS.

Exception: If the ASED is imminent, ensure that all required adjustments and actions are completed before the statute expires.

(6) If a "No Change" PC has unposted or has posted out of sequence, input a TC 290 for .00 in a BUR blocking series to resolve the account.

(7) If a required adjustment has unposted or did not post to an account, consider the ASED before making any adjustments and follow the instructions in the table below:

If	And	Then
There are more than 90 days remaining on the ASED	Letter 3219-B, Statutory Notice of Deficiency, was issued	<p>The statute is not imminent. Process the case using normal procedures.</p> <p>Note: TC 560 is not needed on these cases.</p> <p>Caution: If there are 5 working days or less before the ninety (90) day time frame, input the assessment immediately.</p>
There are more than 90 days remaining on the ASED	Letter 3219-B, Statutory Notice of Deficiency, was not issued	<p>The statute is not imminent. Process the case using normal procedures.</p> <p>Note: TC 560 is not needed on these cases.</p> <p>Caution: If there are 5 working days or less before the ninety (90) day time frame, input the assessment immediately.</p>

If	And	Then
There are 90 days or less remaining on the ASED	Letter 3219-B, Statutory Notice of Deficiency, was issued	Input TC 560 to extend the ASED. See IRM 4.119.4.21.11.1, Instructions Specific to Statutory Notice of Deficiency/Responses, for instruction. Caution: Do not input TC 560 and TC 290 in the same cycle. If the TC 560 does not post, the TC 290 will not post which may result in a barred assessment.
There are 90 days or less remaining on the ASED	Letter 3219-B, Statutory Notice of Deficiency, was not issued	The statute is imminent. The case requires a prompt/quick assessment. Follow the instructions for Form 2859, Request for Quick or Prompt Assessment and route the case to the Designated BUR Statute Coordinator. The BUR Statute Coordinator will follow IRM 4.119.4.21.10.1 , Confirmation Receipt of Prompt Assessments FAX.
There are less than 60 days remaining on the ASED (short statute case)	N/A	Penalties and interest must be manually computed and input. Example: A late filed case must have FTF penalty input on Form 2859, Request for Quick or Prompt Assessment, route the case to the designated BUR Statute Coordinator. The BUR Statute Coordinator will follow IRM 4.119.4.21.10.1, Confirmation Receipt of Prompt Assessment FAX. Note: Use TC 190 for interest whenever possible. See IRM 20.2.5.6.2, Manual Computations, for additional information.

If	And	Then
The statute is imminent after the input of TC 560, or if the TC 560 was not input to extend the ASED	N/A	Follow the instructions for Form 2859, Request for Quick or Prompt Assessment, and route the case to the designated BUR Statute Coordinator. The BUR Statute Coordinator will follow IRM 4.119.4.21.10.1, Confirmation Receipt of Prompt Assessment FAX.

- (8) If a required adjustment has unposted or did not post to an account and the **statute has expired**, follow procedures in IRM 25.6.1.13.2.8.5, Statute Expiration Reporting Responsibilities and Procedures for SB/SE Campus Examination/AUR for processing as a barred assessment.

Note: After statute processing it may be necessary to input a TC 290 .00 using a BUR blocking series to clear the account.

- (9) If a TC 640 payment needs to be released, input a TC 290 for .00 adjustment using a BUR blocking series.

Exception: If the case was closed in error (i.e., taxpayer recomputed the amount of tax owed) and there is remittance, input the adjustment using a BUR blocking series.

- (10) Bankruptcy and merged accounts may require additional research. Take all necessary actions to ensure that all related accounts and issues are resolved.
- (11) If a TC 780 Offer in Compromise (OIC) has posted to the account, discard the transcript (in accordance with local classified waste procedures) and close all BUR and/or transcript control bases.

Note: An adjustment with a BUR blocking series will not post to these accounts.

Exception: If TC 788 has posted to the account, input TC 290 .00 using the appropriate BUR blocking series to close the BUR control base and resolve the transcript issue.

- (12) If the return was timely filed (without an extension), the case is statute imminent on April 15th (Form 1041 and 1120) of the statute year. However, if a Letter 3219-B, Statutory Notice of Deficiency, was issued on a BUR case, the assessment period is suspended, and BUR can work the case past the statute expiration date. A Letter 3219-B, Statutory Notice of Deficiency, increases the assessment period for the number of days from the date of the letter/notice until the taxpayer responds with an agreement, **plus** the 60-days mandated by the Internal Revenue Code.

4.119.4.23.2
(09-17-2014)
**Resolving AMRH
Transcripts**

- (1) AMRH transcripts or DIAG Q transcripts are received from Accounts Managements. These accounts are BUR cases that have been closed but there is now a freeze code or other conditions that needs to be reviewed/addressed.
- (2) Freeze Code -F is set when a TC 640 payment is posted to the account.
- (3) Freeze Code -R is set when a payment is received after an account is full paid.
- (4) Perform the necessary research, to determine the correct action. Verify the case was closed correctly. This may require requesting the return to determine whether the BUR issue was erroneously closed as a no change instead of being assessed.
- (5) Take the following action once it is determined why the freeze was set:
 1. If the payment should be refunded, input a TC 290 for .00 with the appropriate blocking series, to release the freeze. Create a Form 4251 to attach the adjustment to the return.
 2. If payment was received after case was closed no change and taxpayer agrees and the U/R issue is full paid, input the adjustment on IDRS with the appropriate blocking series. Create a Form 4251 from the BUR system to attach the adjustment to the return.
 3. If research indicates an adjustment is needed and the previous tax examiner closed case in error, feedback needs to be given to the previous tax examiner's Lead Tax Examiner or Manager. The previous tax examiner will need to input the adjustment on IDRS. For example, tax examiner closed case no change and taxpayer sent in a small payment for a below tolerance issue.

Note: Cases with a short ASER should be assessed before sending the feedback to the previous tax examiners Lead Tax Examiner or Manager.
- (6) Freeze Code -A indicates a duplicate/amended return was filed. Review account for TC 976 or TC 971 with closing codes 010-014, that may have generated the -A freeze. Determine if the amended return was used in the BUR adjustment.
 - a. If the amended return was used, input a TC 290 for .00 with the appropriate blocking series to release the freeze.
 - b. If the amended return was not used, check for CII document and print if available. Give to clerical to be built as a RECON batch.

4.119.4.24
(09-17-2014)
**BUR Reconsideration
Cases**

- (1) BUR reconsideration cases (RECON) are responses received after the case has been closed (assessment or no change) on the BUR program. A RECON is a claim for a credit or refund not previously reported or allowed, or a request for abatement of tax, penalty, and/or interest. Use the same guidelines in making determinations for reconsideration correspondence as when working open BUR cases.

Note: See IRM 4.119.4.24.1, Prior Appeals Closures, for further information, when the BUR case was closed with PC 4590 or 4800.
- (2) When working with non-current BUR tax year requests for reconsideration, as a general rule, the tax examiner should apply the most current BUR proce-

dures in the processing of the reconsideration. The tax examiner needs to consider specific regulations regarding limitations, phase-outs, etc.

4.119.4.24.1
(12-14-2023)

Prior Appeals Closures

- (1) If the case was closed with PC 4590 (non docketed Appeals request) or PC 4800 (docketed Appeals request), research to determine if the case can be worked as a BUR Reconsideration.
 - a. Cases that are closed with finality (including dismissals for lack of prosecution) **cannot be** considered for reconsideration.
 - b. Cases identified as closed/dismissed due to lack of jurisdiction, will be worked using the BUR Reconsideration process.
- (2) To determine if a prior Appeals closure case can be worked as a BUR reconsideration, research IDRS for the presence of a TC 300 assessment for the BUR amount:

If	Then
The TC 300 assessment is not present:	<ol style="list-style-type: none"> 1. Forward the correspondence to the appropriate Appeals Office. See IRM 4.119.4.21.1.6, Independent Office of Appeals, for instructions on determining the appropriate Appeals Office. 2. Close the case PC 4940 (Recon Referral). See IRM 4.119.4.24.2.1, Controlling Reconsiderations, for further instructions.

If	Then
The TC 300 assessment is present:	<ol style="list-style-type: none"> 1. Use Microsoft Edge to Access the US Tax Court website at <i>www.ustaxcourt.gov</i>. 2. Click "eFILING & CASE MAINTENANCE". 3. Select the Search (case, order, opinion) option from the drop-down menu . 4. Enter the docket number or the taxpayer's name in the appropriate search box and click "search." The docket listing will display. The last entry identifies the type of resolution and provides a link to view and print the decision document. <p>Note: Consult with the Lead Tax Examiner if the decision document is not visible.</p>

- (3) Once the taxpayers account has been accessed, read the court's decision to determine if the case was closed due to lack of jurisdiction or closed with finality.

Note: The decision of the Tax Court will become final 90-days from the date the decision is entered unless either party files a timely notice of appeal.

Caution: Unlike a regular case (non-S case), an *S case* (i.e., a case with a docket number that ends with *S*) can not be appealed.

- a. If the decision indicates the case was dismissed for **lack of jurisdiction**, continue processing as a BUR reconsideration.

Note: Use TC 29X when adjusting the original BUR assessment.

- b. If the decision indicates that the case was closed with **finality (including dismissals for lack of prosecution)**, issue Letter 916C to the taxpayer denying the reconsideration. Include the following Special Paragraph:
 "Your request for reconsideration is denied. Our records indicate you filed a claim with the U.S. Tax Court regarding this issue. The Court has entered a final decision which cannot be appealed."

4.119.4.24.2
 (09-17-2014)
**RECON Receipt,
 Tracking and Reporting**

- (1) Correspondence is initially sorted by the Clerical Function based on whether or not the BUR case is still open. If open, the correspondence is batched with regular BUR receipts. If the BUR case is closed, the correspondence is considered a RECON. Correspondence for RECONs may also be sorted by tax year.
- (2) A First Read of all correspondence received on closed cases will be performed. Requests that do not meet the true criteria of reconsideration

request, (i.e., installment agreement, misrouted mail, etc.) will be handled as part of the first read process. Accurate counts of first read volumes will be maintained.

- (3) RECONs must be controlled no later than 14-days from the BUR received date.
- (4) (BUR) RECONs are subject to Policy Statement P-21-3 (formerly P-6-12) Guidelines (Action 61). See IRM 4.119.4.21.1.12, Policy Statement P-21-3 (formerly P-6-12) Guidelines (Action 61). Taxpayer contact must be made within the 30-days criteria:
 - a. Letter 86C is used to inform the taxpayer that their correspondence is being routed to another area.
 - b. Letter 4314C is sent to the taxpayer as a first or second interim letter.
- (5) Phone call RECONs must be controlled by the tax examiner receiving/working the case. Incoming phone calls or responses for multiple years or taxpayers, qualifying as a RECON must be counted into the inventory. A case count is taken for each account that requires an action. Report each new RECON receipt to the Lead Tax Examiner or manager. It is recommended that an action be taken within one day of receipt of these cases.

Note: Phone call initiated RECONs must be controlled on IDRS if held for further action.

- (6) IDRS actions are necessary on certain BUR RECON cases. If IDRS actions are necessary on an assigned RECON case, the control base on IDRS must be either updated or closed using IDRS CC: ACTON:
 - a. Use the ACTIVITY field to document actions and pending dates. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.
 - b. When suspending a case, ordering a document or contacting the payer, update the status control to "M" (monitor).
 - c. Use IDRS history items to document additional information when appropriate.
- (7) Cases are considered aged when the IRS received date is greater than 45-days.
- (8) REASON CODES - The Reason Code(s) determine the explanation that prints on the adjustment notice. For valid codes see Document 6209, IRS Processing Codes and Information. BMF requires reason codes when abating penalties.

Example: Abating Failure to File penalty: TC 161 reason code 062 can be used in the first position for reasonable cause abatements with a corresponding reason code in the fourth position. Statutory non-reasonable cause abatements need only a penalty reason code in the fourth position.

Caution: BUR reconsideration Reason Codes CANNOT be entered in the fourth position (IDRS CC: REQ54). The fourth position in IDRS CC: REQ54 is reserved for penalty reason codes only.

4.119.4.24.2.1
(04-05-2016)
**Controlling
Reconsiderations**

- (1) IDRS is used to control, monitor and track closed correspondence received in BUR for reconsideration of the assessment.
- (2) Update the Activity Code to 94XRCNMMDD and the Category Code to BURC. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.
- (3) Internal Process Codes and Process Codes have been designated for use with cases as follows:

IPC/PC	Definition
4050	Reconsideration Received
4900	Reconsideration Full Abatement
4910	Reconsideration Partial
4920	Reconsideration No Change to BUR Assessment
4930	Reconsideration Information Request/Misc
4940	RECON Referral - Non-BUR Issue
49LT	Reconsideration Additional Correspondence (e.g., Payer Letter)
49RR	Reconsideration Research Request for tax Return and/or Transcripts
49TR	Reconsideration Technical/Manager referral within BUR

Note: PC 4910 should be used when the original BUR closure was closed as a No Change and the reconsideration results in a change to the account.

- (4) RECON Tax Examiners are responsible to establish a new TC 925 with Process Code 4050 using IDRS CC: REQ77/FRM77. This will create a second TC 925 on the tax account that will allow input of RECON related Process Codes.

Note: To avoid delaying the processing of a RECON case, work the case first and then input all TC 925 Process Code actions at the same time, using Posting Delay Code(s) (PDC).

4.119.4.24.3
(11-22-2016)
Initial Case Actions

- (1) If IDRS research shows the taxpayer's account is in notice status (balance due), input IDRS CC:STAUP with a definer "S" to prevent the taxpayer from receiving additional notices while the response is being worked.

Exception: If the case is in collection status input TC 470.

Caution: Use extreme caution when adjusting an account that is in Collection Status 26.

- (2) Prior to making an adjustment to an account that is in Collection Status 26, consult with the Lead Tax Examiner who will contact the Revenue Officer to whom the case is assigned.
- (3) When closing the case reduce the IDRS CC:STAUP based on the closing process code.

Reminder: If the case is in Collection status input a TC 472 to reverse the previously posted TC 470.

- (4) When suspending cases for payer contact, additional research, returns, etc., a record of case actions must be maintained:
 - 1. Leave a case note and attach to the case.
 - 2. Update IDRS activity with the applicable Activity Code. See Exhibit 4.119.4-7, Activity Codes/ Category Codes, for additional information.
 - 3. Annotate the DCI and case folder.

Note: Worksheets used in recomputation or any case notes should be maintained with the case.

- (5) Correspondence sent to the taxpayer must address all questions and adjustment requests.

4.119.4.24.4
(11-22-2016)
**Routing/Work Flow
Determination**

- (1) When the case needs to be referred within the Operation:
 - 1. Update the IDRS activity with 49TRXXMMDD (XX represents the definer code). See Exhibit 4.119.4-8, Definer Codes, for additional information.
 - 2. Annotate the DCI and case folder with 49TR.
- (2) When the case needs to be routed to another area:
 - 1. Send IDRS Letter 86C to the taxpayer.
 - 2. Input a STAUP for 9-15 cycles, as needed.
 - 3. Leave a case note documenting the reason for routing the case file.
 - 4. Close the case using PC 4940.
 - 5. Input TC 925 with PC 4050 using IDRS CC: REQ77/ FRM77.
 - 6. Input TC 925 with PC 4940, Posting Delay Code (PDC) "1" using IDRS CC: REQ77/ FRM77.
 - 7. Annotate the DCI and case folder with PC 4940 and include the applicable Reconsideration Issue Code. See Exhibit 4.119.4-11, BUR Reconsideration Issue Codes.

4.119.4.24.5
(09-17-2014)
Multiple Controls

- (1) If the case was originally transferred to Exam during original BUR processing, research the account. Forward the new information to the office that made the adjustment (TC 30X). Print the IDRS CC: AMDISA first page and attach it to the correspondence.
- (2) **Open Appeals cases** should be routed to the controlling Area Office through the Campus Appeals. These cases can be identified by an open TC 420/424 with an entry in the Appeals code field or has an IDRS control base assigned to 66XXXXXXXX. A TC 520 with an action code 70 thru 81 or 84.
- (3) **NOL CB/ CF issues** see IRM 4.119.4.21.7.3, NOL Carryback/Carryforward, for additional information.

- (4) For all other scenarios contact the area with the open control and coordinate.

4.119.4.24.6
(08-26-2021)
**Evaluating RECON
Correspondence**

- (1) As with all taxpayer correspondence, determine if BUR is the appropriate area to respond to the taxpayer's needs. Carefully read the correspondence and

be taken.

Reminder: Refer to IRM 21.5.3-2, Examination Criteria (CAT-A) - General, for exam referral criteria.

Note: Full and partial adjustment refers to the BUR assessed amount.

Caution: When W/H is an issue, verify the information provided by the taxpayer before adjusting.

Note: When fully or partially disallowing reconsideration requests, send the appropriate C-Letter using the IAT **Letters** tool.

- (2) An erroneous refund is any receipt of money from the IRS to which the recipient is not entitled. It includes all erroneous payments to the taxpayer, even if the erroneous refund involves returning the taxpayer's own money. See IRM 4.119.4.4.10, Erroneous Refunds, for additional information.
- (3) When adjusting an account, the Assessment Statute Expiration Date (ASED) and/or the Refund Statute Expiration Date (RSED) may be imminent or may have expired. See IRM 25.6.1.5, Basic Guide for Processing Cases with Statute of Limitations Issues, for additional information.

#

ASED - Assessment Statute Expiration Date	RSED - Refund Statute Expiration Date
<p>The ASED normally expires three years from the date the original return was filed, or three years from the due date of the return, whichever is later.</p> <p>Note: Some conditions extend the ASED. See IRM 25.6.1.9.6, Assessments Period - Taxpayers in Special Conditions, Basic Guide for Processing Cases with Statute of Limitation Issues, for additional information.</p> <p>Caution: If the Assessment Statute date expires within 90-days, and there is an increase to tax, the case will need to be sent to the Accounting function for Assessment. Refer these cases to the BUR Statute Coordinator for preparation of Form 2859, Request for Quick or Prompt Assessment.</p>	<p>Generally, a claim for refund must be filed within three years from the time the original return was filed or two years from the time the tax was paid, whichever is later. Claims for refunds must be filed on or before the RSED.</p> <p>Note: Even if the claim was timely filed, the amount of the refund allowed may be limited based on when the claim was filed and when the tax was paid.</p> <ol style="list-style-type: none"> If the claim was filed within three years of filing the return, the refund is limited to the tax paid within three years (plus any time of extension the taxpayer had in filing the return) of the claim. See IRM 25.6.1.10.2.7.2.1, Three-Year Rule, for additional information. If the claim was not filed within three years of filing the return, the refund is limited to tax paid within two years of the claim. See IRM 25.6.1.10.2.7.2.2, Two-year Rule, for additional information. If no return was filed, the refund is limited to tax paid within two years of the claim. See IRM 25.6.1.7.2, Time When Payments and Credits are Considered to be Made, for additional information. If no claim was filed, the refund is limited to the amount allowable if the claim was made on the date the refund is allowed. <p>Note: RSED cases must be statute cleared. If a timely claim is received after the RFSCDT, then use Override Code "S". If the override code is not entered, the following error message displays; "Override Needed."</p>

- (4) An abatement should not be made of any paid portion of an assessment for which a refund cannot be made. Section 6511(a) provides that a claim for credit or refund must be filed within 3 years from the time the return was filed, or 2 years from the time the tax was paid, whichever is later. Section 6511(b) limits the amount of the credit or refund to the amount paid within the 2 or 3 year period before the date of a claim.
 - If the entire claim for credit or refund is non-refundable due to the Refund Statute Expiration Date (RSED) passing, do not input a correction to create an overpayment. Input a TC 29X for zero with blocking series 9899, and send the taxpayer Letter 105C, Claim Disallowed-Full.
 - If the taxpayer is entitled to a partial credit or refund, you must input the tax decrease that will generate only partial credit or refund, and send Letter 106C, Claim Disallowed Partial, for the amount barred from

crediting or refunding. **Issue a manual refund or manually offset the credit to bring the tax account to zero.**

Caution: If the tax account is not zero, a resulting credit balance is frozen at Masterfile with a “-D” freeze that will stop any payments from refunding.

- c. If the claim for refund is fully allowable, input the tax adjustment to create the overpayment. A manual refund must be input if the normal 3-year period for refund has expired.

- (5) Penalties and interest should not be abated on a full paid account if the overpayment created is barred from refunding because the RSED has passed and no condition exists that will extend the refund period. Input a TC 29X for zero with Blocking Series 98 and send the taxpayer a disallowance letter as stated in (4) above. This is true even if the taxpayer’s claim for penalty abatement is based on reasonable cause.

Note: If the original paper filed return was secured, follow the procedures in IRM 4.119.4.24.6.8, Document Disposition.

4.119.4.24.6.1
(08-26-2021)
**Full Adjustment
Determinations**

- (1) If the taxpayer provides acceptable explanations or there is enough information to fully reverse the BUR assessment:

- 1. Input a reversal of the BUR assessment using blocking series “15” (Form 1120) or “17” (Form 1041). See IRM 4.119.4.24.6, Evaluating RECON Correspondence, for additional information regarding ASER/RSED considerations.

Note: If the original paper filed return was secured, follow the procedures in IRM 4.119.4.24.6.8, Document Disposition.

Note: If reducing or removing the previously posted Accuracy-Related Penalty, you must use the same reference number that the original penalty was assessed under. Failure to use the appropriate reference number will result in restricting the account or an unpostable condition. For example, if the original penalty was assessed with reference number 680, input the reversal using reference number 680. If the original penalty was assessed with reference number 787, input the reversal using reference number 787.

Exception: If IDRS CC: TXMOD displays Freeze Code **-W** and/or TC 520 (not reversed by TC 521 or 522) with closing code 76 or 77 (Collection Due Process (CDP)), refer the case to the Lead Tax Examiner.

Reminder: Manual Interest computation is required when a -I freeze (TC 340 or 341) displays on IDRS CC:TXMOD. A non-restricting TC 340 should be used whenever possible. See IRM 20.2.5.6.3, Non-Restricting Transaction Code (TC) 340, for additional information.

Note: The taxpayer will receive a CP 210/CP 220 as notification of the adjustment.

2. If the reversal of a BUR assessment is over **\$10 million dollars**, photocopy the response and make prints of IDRS CC: TXMOD, Case Notes, and Case History. Send the copies/prints to the Chief Financial Office Staff at the following address:

IRS

CFO, Business Analysis & Support Section

Stop S-2, 1035

333 W Pershing Rd.

Kansas City MO 64108

Reminder: Include a case note indicating the case information was sent to CFO.

3. Update IDRS CC: STAUP to 3 cycles.
4. Close the case using PC 4900.
5. Input TC 925 with PC 4050 using IDRS CC: REQ77/ FRM77.
6. Input TC 925 with PC 4900, Posting Delay Code (PDC) "1" using IDRS CC: REQ77/ FRM77.
7. Annotate the DCI and case folder with PC 4900 and include the applicable Reconsideration Issue Code. See Exhibit 4.119.4-11, BUR Reconsideration Issue Codes.

4.119.4.24.6.2
(08-26-2021)

**Partial Adjustment
Determinations**

- (1) If the taxpayer provides acceptable verification for some of the issues or does not address all of the BUR issues:

1. If the taxpayer provides a computation, rework and math verify all figures.
2. Input the allowable adjustment on IDRS, including any penalty and interest adjustments, if needed using blocking series "15" (Form 1120) or "17" (Form 1041). See IRM 4.119.4.24.6, Evaluating RECON Correspondence, for additional information regarding ASSED/ RSED considerations.

#

Note: If the original paper filed return was secured, follow the procedures in IRM 4.119.4.24.6.8, Document Disposition.

Note: If reducing or removing the previously posted Accuracy-Related Penalty, you must use the same reference number that the original penalty was assessed under. Failure to use the appropriate reference number will result in restricting the account or an unpostable condition. For example, if the original penalty was assessed with reference number 680, input the reversal using reference number 680. If the original penalty was assessed with reference number 787, input the reversal using reference number 787.

Exception: If IDRS CC: TXMOD displays Freeze Code **-W** and/or TC 520 (not reversed by TC 521 or 522) with closing code 76 or 77 (Collection Due Process (CDP)), refer the case to the Lead Tax Examiner.

Reminder: Manual Interest computation is required when a -I freeze (TC 340 or 341) displays on IDRS CC:TXMOD. A non-restricting TC 340 should be used whenever possible. See IRM 20.2.5.6.3, Non-Restricting Transaction Code (TC) 340, for additional information.

3. Send the appropriate C-Letter to explain the adjustment that was made. Include a statement that the taxpayer may send in additional information for consideration if appropriate.
4. If the partial reversal of a BUR assessment is over **\$10 million dollars**, photocopy the response and make prints of IDRS CC: TXMOD, Case Notes, and Case History. Send the copies/prints to the Chief Financial Office Staff at the following address:

IRS

CFO, Business Analysis & Support Section

Stop S-2, 1035

333 W Pershing Rd.

Kansas City MO 64108

Reminder: Include a case note indicating the case information was sent to CFO.

5. Update IDRS CC: STAUP to 3 cycles.
6. Close the case using PC 4910.
7. Input TC 925 with PC 4050 using IDRS CC: REQ77/ FRM77.
8. Input TC 925 with PC 4910, Posting Delay Code (PDC) "1" using IDRS CC: REQ77/ FRM77.
9. Annotate the DCI and case folder with PC 4910 and include the applicable Reconsideration Issue Code. See Exhibit 4.119.4-11, BUR Reconsideration Issue Codes.

Note: PC 4910 should be used when the original BUR closure was closed as a No Change and the reconsideration results in a change to the account.

4.119.4.24.6.3
(09-02-2016)
**No Adjustment
Determinations**

- (1) If the taxpayer states they do not agree with the BUR assessment, but does not provide an acceptable explanation or documentation:
 1. Send the appropriate C-Letter to explain why an adjustment is not being made.
 2. Input a TC 290 for .00 with blocking series "98".

Note: If the original paper filed return was secured, follow the procedures in IRM 4.119.4.24.6.8, Document Disposition.
 3. Update IDRS CC:STAUP to 3 cycles.
 4. Close the case using PC 4920.
 5. Input TC 925 with PC 4050 using IDRS CC: REQ77/ FRM77.
 6. Input TC 925 with PC 4920, Posting Delay Code (PDC) "1" using IDRS CC: REQ77/ FRM77.
 7. Annotate the DCI and case folder with PC 4920 and include the appli-

cable Reconsideration Issue Code. See Exhibit 4.119.4-11, BUR Reconsideration Issue Codes.

4.119.4.24.6.4
(12-14-2023)
Ordering Returns

- (1) Order the tax return if information is missing or there is not enough information present to work the case.

- (2) When ordering the tax return:

Reminder: If an amended return is posted and there is an indication that it is a CII document, view the return using AMS and/or MeF if applicable.

1. Order the tax return using the IAT eClerical Tool or IDRS CC: ESTAB.
2. Send Letter 4314C (interim) to the taxpayer, as needed.
3. Update IDRS activity with 94XESTMMDD (X represents the return type). See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.
4. Monitor for 30-days. If the return is not received, make a second request.

#

5. Check the STAUP and extend, if needed.
6. Annotate IPC 49RR on DCI and case folder.

- (3) See IRM 4.119.4.24.6.8, Document Disposition, for additional information when taking closing action on the reconsideration case.

4.119.4.24.6.5
(09-02-2016)
**Taxpayer Contact for
Additional Information**

- (1) When the taxpayer correspondence does not include all the necessary information to make a redetermination and it is not necessary to keep the case open:

1. Contact the taxpayer by telephone or send a Letter 916C and inform them that the information received was not sufficient to address their issues.

Note: If making telephone contact ensure that disclosure procedures are followed. See IRM 4.119.4.21.2.2, Disclosure.

2. Update the IDRS CC: STAUP to 3 cycles.
3. Input a TC 290 for .00 using blocking series "15" (Form 1120) or "17" (Form 1041).

Note: If the original paper filed return was secured, follow the procedures in IRM 4.119.4.24.6.8, Document Disposition.

4. Close the case using PC 4920.
5. Input TC 925 with PC 4050 using IDRS CC: REQ77/ FRM77.
6. Input TC 925 with PC 4920, Posting Delay Code (PDC) "1" using IDRS CC: REQ77/ FRM77.
7. Annotate the DCI and case folder with PC 4920 and include the applicable Reconsideration Issue Code. See Exhibit 4.119.4-11, BUR Reconsideration Issue Codes.

- (2) When the taxpayer correspondence does not include all the necessary information to make a redetermination and it is necessary to keep the case open.

1. Contact the taxpayer by telephone or send a Letter 4550C to request the additional information to resolve their issues.

2. Check the STAUP and extend, if needed.
3. Update IDRS Activity Code to 49LTMMDD or 49PHMMDD as appropriate. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.
4. Annotate the DCI and case folder.
5. Suspend and monitor the case for 45-days pending the taxpayer's response.

4.119.4.24.6.6
(09-17-2014)
Payer Contact

- (1) Prior to initiating payer contact, make sure the information was not verified during the original BUR case processing.
- (2) If payer contact is needed:
 1. See IRM 4.119.4.21.7.5, Third Party Contacts, for further information.
 2. Check the STAUP and extend, if needed.
 3. Update IDRS Activity Code to 49LTMMDD. See Exhibit 4.119.4-7, Activity Codes/Category Codes, for additional information.
 4. Annotate the DCI and case folder.
 5. Monitor the case for 60-days pending the payer's response.

#

4.119.4.24.6.7
(09-16-2019)
Miscellaneous RECON

- (1) **Manual Refunds** are issued based on specific criteria. Some examples of situations when a manual refund should be issued are:
 - a. Taxpayer requests a refund amount below one dollar.
 - b. The refund is to be issued in a name and/or address other than the one on Master File.
 - c. The account was pulled from the retention register.
 - d. Refunds issued after the RSED has expired (prevention of RSED STAT transcript generating to the Statute team).

Note: See IRM 21.4.4, Manual Refunds, for additional information.

- (2) If the taxpayer requests an **adjustment notice**:
 1. Mail a transcript of the account to the taxpayer using Transcript Delivery Systems (TDS).
 2. Update IDRS CC: STAUP to 3 cycles.
 3. Close the case using PC 4930.
 4. Input TC 925 with PC 4050 using IDRS CC: REQ77/ FRM77.
 5. Input TC 925 with PC 4930, Posting Delay Code (PDC) "1" using IDRS CC: REQ77/ FRM77.
 6. Annotate the DCI and case folder with PC 4930 and include the applicable Reconsideration Issue Code. See Exhibit 4.119.4-11, BUR Reconsideration Issue Codes.

Note: To refile taxpayer correspondence, see IRM 4.119.4.24.6.8, Document Disposition, for additional information.

- (3) If the taxpayer requests an **explanation of BUR adjustment**:
 1. Send the requested information using the appropriate C- Letter.
 2. Update IDRS CC: STAUP to 3 cycles.
 3. Close the case using PC 4930.

4. Input TC 925 with PC 4050 using IDRS CC: REQ77/ FRM77.
5. Input TC 925 with PC 4930, Posting Delay Code (PDC) "1" using IDRS CC: REQ77/ FRM77.
6. Annotate the DCI and case folder with PC 4930 and include the applicable Reconsideration Issue Code. See Exhibit 4.119.4-11, BUR Reconsideration Issue Codes.

Note: To refile taxpayer correspondence, see IRM 4.119.4.24.6.8, Document Disposition, for additional information.

- (4) If the taxpayer requests a computation of **Penalties and/or Interest**:
 1. Send a transcript of the account to the taxpayer using IDRS CC: PINEX.
Exception: If the account contains restricted interest (TC 340 or 341) obtain a copy of the manual interest document and provide a copy to the taxpayer.
 2. Close the case using PC 4930.
 3. Input TC 925 with PC 4050 using IDRS CC: REQ77/ FRM77.
 4. Input TC 925 with PC 4930, Posting Delay Code (PDC) "1" using IDRS CC: REQ77/ FRM77.
 5. Annotate the DCI and case folder with PC 4930 and include the applicable Reconsideration Issue Code. See Exhibit 4.119.4-11, BUR Reconsideration Issue Codes.

Note: To refile taxpayer correspondence, see IRM 4.119.4.24.6.8, Document Disposition, for additional information.

4.119.4.24.6.8
(09-02-2016)

Document Disposition

- (1) Relevant material that has a direct bearing on the case should be retained. Attach the documents to the adjustment (including 290 for .00).
- (2) If not making an adjustment, attach the information to the original return by completing a Form 9856, Attachment Alert.

Caution: Information cannot be attached to an MeF return.

- (3) Refile all secured documents (i.e., paper filed tax returns and controlling DLN documents) back to Files Function separately from the BUR RECON closing action.

4.119.4.25
(09-17-2014)

Unpostable BUR Transactions

- (1) Unpostable transactions are those which failed validity checks to allow them to be posted to the Master File. Unpostables that cannot be resolved by the Unpostable Function are closed to the initiating function for correction. A Form 4251 is usually generated to pull source documents from Files and return them to the initiating function.

Reminder: Unpostables should be handled in 7 calendar days to avoid possible statute cases.

- (2) Most unpostables are controlled on IDRS to the employee who input the transaction. These controls are listed on the CCA reports (age listings). Input of STAUP and interim letters should be addressed if applicable.
- (3) Unpostable Codes (UPC) identify the condition that caused the transactions to be unpostable. The Form 4251 shows the 3-digit unpostable code and a 1-digit

unpostable reason code (RC) next to the unpostable code. Refer to the unpostable section in Document 6209, IRS Processing Codes and Information, Section 8, for interpretation of these codes:

1. Find the 3-digit number in the "UPC" column.
 2. Find the 1-digit number in the "RC" column.
 3. The explanation in the corresponding "Description" column will identify the cause of the unpostable condition.
- (4) The CCA 4243 age listing should be monitored to ensure all unpostable transactions are resolved.
- (5) Unpostables are identified on IDRS by the following Pending Transaction Identification Codes:
- **UNNN** (U = unpostable, NNN = the numeric unpostable code) - This is an open unpostable case
 - **CU** - Corrected Unpostable - this shows the transaction should post to the module in the cycle appearing to the right of the transaction
 - **NU** - Nullified Unpostable - this case has been referred to the responsible function for correction
 - **DU** - Deleted Unpostable - this case has been closed and deleted from the ECC-MTB Unpostables tape - research to determine appropriate action
 - **DN** - Transaction deleted by IDRS daily TIF batch processing
 - **DJ** - A transaction deleted through normal weekly updates
 - **RJ** - Reject transaction - case referred to Rejects Function
 - **DC** - Transaction deleted by ERS or SC Reject Processing

Note: These codes are displayed in front of the unpostable transaction. Rarely will DN or DJ impact an unpostable BUR transaction.

4.119.4.25.1
(12-14-2023)
**Basic Steps for
Resolving Unpostables**

- (1) To determine why the transaction did not post, consider the description for the UPC/RC and determine if the previous transaction was in error. See Document 6209, IRS Processing Codes and Information, for a complete list of Unpostable Codes, Reason Codes and a brief description of each.
- (2) If the Form 4251 with the source document was not returned to the BUR function, attempt to resolve the issue without these items. If the unpostable was an adjustment to the account and can be resolved without the source document, complete Form 2275 to instruct Files to pull the unpostable document (DU or NU DLN) and attach it to the corrected adjustment. This is required since the DLN of the unpostable transaction will not be retained once the account is resolved. If the source document is required to resolve the unpostable condition, request the document (DU or NU DLN) using the IAT eClerical Tool or IDRS CC:ESTAB.
- (3) If the unpostable is an adjustment to the account, attach the Form 4251 to the back of the case file and line through the incorrect DLN. On the Form 5147 (IDRS generated document that is attached to any backup material, such as the original return) carefully line through the DLN, as it should still be readable. Make a note above or next to the incorrect DLN.
- (4) Input new adjustment with the correct information.

Note: Ensure that the new adjustment does not exceed the original assessment amount and notify the taxpayer of the change, if applicable.

(5) Consider the ASED before inputting any assessments:

If	And	Then
There are more than 90 days remaining on the ASED	Letter 3219-B, Statutory Notice of Deficiency, was issued	<p>The statute is not imminent. Process the case using normal procedures.</p> <p>Note: TC 560 is not needed on these cases.</p> <p>Caution: If there are 5 working days or less before the ninety (90) day time frame, input the assessment immediately.</p>
There are more than 90 days remaining on the ASED	Letter 3219-B, Statutory Notice of Deficiency was not issued	<p>The statute is not imminent. Process the case using normal procedures.</p> <p>Note: TC 560 is not needed on these cases.</p> <p>Caution: If there are 5 working days or less before the ninety (90) day time frame, input the assessment immediately.</p>
There are 90 days or less remaining on the ASED	Letter 3219-B, Statutory Notice of Deficiency, was issued	<p>Input TC 560 to extend the ASED. See IRM 4.119.4.21.11.1, Instructions Specific to Statutory Notice of Deficiency/Responses, for instruction.</p> <p>Caution: Do not input TC 560 and TC 290 in the same cycle. If the TC 560 does not post, the TC 290 will not post which may result in a barred assessment.</p>

If	And	Then
There are 90 days or less remaining on the ASED	Letter 3219-B, Statutory Notice of Deficiency was not issued	The statute is imminent. The case requires a prompt/quick assessment. Follow the instructions for Form 2859, Request for Quick or Prompt Assessment, and route the case to the designated BUR Statute Coordinator. The BUR Statute Coordinator will follow IRM 4.119.4.21.10.1, Confirmation Receipt of Prompt Assessments FAX.
There are less than 60 days remaining on the ASED (short statute case)	N/A	Penalties and interest must be manually computed and input. Example: A late filed case must have FTF penalty input on Form 2859, Request for Quick or Prompt Assessment and route the case to the designated BUR Statute Coordinator. IRM 4.119.4.21.10.1, Confirmation Receipt of Prompt Assessment FAX, for additional information. Note: Use TC 190 for interest whenever possible. See IRM 20.2.5.6.2, Manual Computations, for additional information.
The statute is imminent after the input of TC 560, or if the TC 560 is not input to extend the ASED	N/A	Follow the instructions for Form 2859, Request for Quick or Prompt Assessment, and route the case to the designated BUR Statute Coordinator. IRM 4.119.4.21.10.1, Confirmation Receipt of Prompt Assessment FAX, for additional information.

- (6) If the unpostable is a credit transfer, review both accounts/modules for erroneous refunds and/or to ensure that both sides unposted. If one side did not unpost, take to the Lead Tax Examiner.
- (7) Reinput the credit transfer with the correct information.
- (8) If the unpostable is an address change, TC 844/845, etc., (any action that would not generate a control base), reinput the transaction and then close the

unpostable control base (if appropriate). These transactions may be identified on the CCA 4243 age listing as MFT 00 and period 0000, referring to an open control on IDRS CC: ENMOD.

Note: BUR Unpostable transactions should be resolved in 7 calendar days to ensure minimum impact to BUR and to the taxpayer.

4.119.4.25.2
(09-17-2014)

Unpostables IDRS Command Codes

- (1) Use CC: UPTIN, UPDIS (UPRES), and UPCASZ to research/resolve unpostables.
- (2) **UPTIN:** This command code displays all open unpostable cases for the input TIN. Closed unpostables for the input TIN are displayed for three months before dropping off IDRS. Research IDRS CC: UPTIN for the following information:
 - The unpostable sequence number of an open case
 - The case status (open, suspended, or closed)
 - The employee assignment number
 - The corrective action taken to resolve a previously closed case, when IDRS CC: UPDIS can no longer be accessed
- (3) **UPDIS:** This command code displays unpostable records. When IDRS CC: UPDIS is input, the automatic screen display IDRS CC: UPRES appears. Research IDRS CC: UPDIS for the following information:
 - a. To display a specific closed unpostable for the input sequence until the correcting action is included in the Thursday night correction tape run.
 - b. The information displayed on IDRS CC: UPDIS varies depending on the type of unpostable. IDRS CC: UPDIS must also be used as a prerequisite for IDRS CC: UPRES and IDRS CC: UPCASZ.

Note: IDRS CC: UPDIS may be used via IDRS Universal Access.

- (4) **UPCAS:** This command code is used for:
 - Requesting an MRS transcript of the unpostable record
 - Requesting a document or return
 - Placing or updating a case in suspense status
 - Adding information to aid the Unpostables Function in the resolution of the unpostable condition

Note: Use IDRS CC: UPCAS with the definer "Z" to input message/history information; up to 80 characters are available.

- (5) For a closed case, research IDRS CC: UPTIN to determine how it was closed.

4.119.4.25.3
(10-05-2017)

Guidelines for Preventing Unpostable IDRS Transactions

- (1) The following list provides guidelines for preventing unpostable transactions:
 - a. Use IDRS CC: TXMOD or CC: BMFOL when making an adjustment to a taxpayer's account.
 - b. Ensure IDRS CC: TXMOD is for the correct TIN and year.
 - c. Do not attempt to move (credit) or remove (tax and/or penalty) for an amount larger than is shown on IDRS CC: TXMODA. Rounding "up" frequently results in an unpostable.

- d. Review IDRS CC: TXMOD for manual interest (TC 340/341). If there is a -I freeze due to a TC 340/341, interest will need to be manually updated with another TC 340/341. Refer to the Lead Tax Examiner if unable to work.
- e. Check for previous adjustments for the same amount.
- f. Check for and consider any previous adjustments when making the adjustment.
- g. If appropriate, input TC 570 (credit side) on credit transfers. This will help prevent an erroneous refund if the debit side goes unpostable. An alternate solution is to use Document Code 34 for credit transfers when possible. Use of Doc. Code 34 depends on the original posted transaction. This credit transfer document is considered a "two-sided" document because the credit does not attempt to post until the debit side has posted.
- h. Make sure hold codes and priority codes are used when necessary.

(2) Be especially watchful for the following transaction codes:

- TC 160/161 - FTF penalty
- TC 170/171 - ES penalty
- TC 270/271- FTP penalty
- TC 340/341- Restricted interest "-I" freeze
- TC 420/424 or TC 576 "-L" or unallowable issue

(3) Additional information can be found in Document 6209, IRS Processing Codes and Information, under the Unpostables Codes.

4.119.4.26
(10-02-2017)
Inventory Management

(1) Inventory management is crucial to the BUR program. Tax examiners are responsible for monitoring the cases assigned to their individual IDRS number to ensure all appropriate actions are taken and mandated time frames are adhered to, (e.g., interim letter).

(2) The reports in the BUR program serve two distinct purposes:

- Provide listings to aid in the workflow through the teams
- Provide Manager and Coordinator information used to coordinate work distributions and to monitor all inventory in the operation

4.119.4.26.1
(10-01-2018)
**CCA 4243 IDRS
Inventory Report**

(1) This report contains all cases controlled to BUR. The Tax Examiner/Manager use this to:

- Identify cases that require action
- Identify specific cases for review
- Determine if employees are working inventory in the proper order
- Set closure expectations
- Identify potential management problem cases
- Monitor for the prevention of premature STAUP/TC 470

(2) This report is available on Control-D every Monday morning under:

- Report Name: "Overage Report"
- Job Name: "CCA 4243"

Note: The CCA report can also be accessed through the Overage Report Compiler and Sorter (ORCAS) delivery database.

- (3) The report lists cases assigned to IDRS employee numbers. For each case shown, the following information is provided:

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

- (4) Each tax examiner is responsible to ensure the control assigned to them on IDRS is physically in their possession and can be retrieved at any time:

If the case	Then
Cannot be found.	See IRM 4.119.4.2.3, Lost Case, or IRM 4.119.4.21.1.1.1, Lost Case (Responses), for additional Information.
Was already assessed but not closed.	Close the control on IDRS.
Has been controlled to someone else.	Notify the Lead Tax Examiner or Manager for direction.
You have a case that is not on the list.	<ol style="list-style-type: none"> 1. Research IDRS and determine the proper location of the case. 2. If the case belongs to you, update the IDRS control to yourself. 3. If it belongs to someone else or belongs on the wall, give the case to the Lead Tax Examiner.

- (5) Review the CCA 4243 for the following activities and take corrective actions as appropriate:

If	Then
There is a payment on the account.	Research to determine if the payment activity is recent and take additional action, if necessary.
The case has aged.	Determine the next appropriate action (Responses, cases requiring next notice or defaults actions).
Freeze Code conditions exist (i.e., Disaster, Exam activity, Amended return, and Bankruptcy).	Take the appropriate action.
Action date has expired.	Take the appropriate action.
Category code is not accurately reflected (Misc, Undl, BUR1, BUR0, BURS, or BURC).	Correct it.
MFT code does not reflect batch type.	Correct it.

If	Then
The case meets interim letter criteria.	Issue Letter 4314C.
CC:STAUP is needed (i.e., Recons).	Follow IRM STAUP procedures.
Response is received.	Work cases in first in, first out (FIFO) order.
ASED is statute imminent.	Process case accordingly.
The case has incorrect status or Activity Code.	Correct it.

(6) Work cases in the following priority order:

- NLUN category cases
- The statute will expire within 180-days
- Taxpayer was contacted and the purge date passed
- Cases with mismatched (erroneous) controls, category codes, or activity codes
- Remaining cases in oldest date received order

(7) Annotate the report with all actions taken for each case and return to the Manager/Lead Tax Examiner by no later than close of business the following Wednesday.

4.119.4.26.2
(10-02-2017)

**CCA 4244 - IDRS
Multiple Case Control
Report**

- (1) CCA 4244 report identifies cases with an open control base on the same TIN by two or more employees (multiple controls).
- (2) The Manager/Lead Tax Examiner will provide the report (either electronically or by paper) Monday morning to the employee identified as having controls on the case. The report identifies the following information:
- BOD - Business Operating Division
 - TXPD - Tax period on assigned account
 - NAME - Name Control on taxpayer's account
 - MFT - Master File Tax Account Code
 - EMP - Employees IDRS number
 - Category - Category of case
 - IRS RCD Date - The date the IRS received the case
- (3) Review the multiple control bases to:
- Identify cases where the same employee has more than one control base open
- Note:** There will be times when more than one control base on the same account is appropriate. Each case will need to be reviewed to determine if multiple control base should remain open.
- Resolve the account issues when necessary
 - Determine if any of the multiple controls include a response to our notice

Note: Multiple controls may indicate our response has been scanned into CII. A review of the document through AMS is required to determine if this is a response to our notice. See IRM 4.119.4.3.5, Correspondence Imaging Inventory (CII) Documents, for additional information.

- (4) Annotate the report with the actions taken for each case and return to the Manager/Lead Tax Examiner by no later than close of business the following Wednesday.

4.119.4.27
(10-02-2017)
**BUR Organization,
Function and Program
(OFP) Codes**

- (1) OFP codes are used in preparation of the business operating divisions work plans/work schedules. This data shows historic staff-hour and volume usage. Because of the many uses for this data it is imperative that reporting be as accurate, consistent and error free as possible.
- (2) Organization, Function and Program codes recorded on Form 3081, Employee Time Report, identify BUR IRS employees work performed.
- An organization code is a five character code and is used to describe where the work is being performed, (i.e., 87000 BUR)
 - A function code is a three digit code that is used to describe “what” is being done, (e.g., 290 Unpostable Resolution, 700 Telephone Activity, 320 Output Review (Notices) etc.)
 - A program code is a five digit code that is used to describe the “program” being worked (e.g., 19505 Form 1041 Screening, 19105, Form 1120 Screening etc.)
- (3) The tables shown below provide a list of Form 1041/1120 OFP codes:

Function Code	Program Code	Description
290	19580	Unpostables
320	19520	Notice Review
700	19190	All Response Phones
710	19505	Screening
710	19515	LT2531 Response
710	19525	LT2030 Response
710	19511	LT2531 No Response/ Purge
710	19521	LT2030 No Response/ Stat Prep
710	19535	Stat Notice Response
710	19531	Stat No Response/ Default Assessment
710	19545	Reconsideration

Function Code	Program Code	Description
290	19180	Unpostables
320	19120	Notice Review
700	19190	All Response phones
710	19105	Screening
710	19115	LT2531 Response
710	19125	LT2030 Response
710	19111	LT2531 No Response/ Purge
710	19121	LT2030 No Response/ Stat Prep
710	19135	Stat Notice Response
710	19131	Stat No Response/ Default Assessment
710	19145	Reconsideration

Exhibit 4.119.4-1 (12-14-2023)

Acronyms

Acronym	Definition
AAR	Administrative Adjustment Request
AC	Action Code
AGI	Adjusted Gross Income
AIMS	Audit Information Management System
AMRH	Accounts Maintenance Research
AMS	Accounts Managements Service
AMT	Alternative Minimum Tax
AMTAP	Accounts Management Taxpayer Assurance Program
APO/FPO	Army Post Office/Fleet Post Office
ARDI	Accounts Receivable Dollar Inventory
ASED	Assessment Statute Expiration Date
AUR	IMF Automated Underreporter
BBA	Bipartisan Budget Act
BCFC	Brookhaven Campus Fraud Coordinator
BMF	Business Master File
BOD	Business Operating Division
BUR	BMF Underreporter
BT	Batch Type
BUWH	Backup Withholding
CAF	Centralized Authorization File
CAMS	Certified Automated Mail Solution
CAU	Caution Upon Contact Taxpayer
CB/CF	Carryback/Carryforward
CC	Command Code
CCA	Case Control Activity
CCC	Computer Condition Code
CCF	Capital Construction Fund
CFC	Campus Fraud Coordinator
CI	Criminal Investigation

Exhibit 4.119.4-1 (Cont. 1) (12-14-2023)**Acronyms**

Acronym	Definition
CII	Correspondence Imaging Inventory
CP	Computer Paragraph
CPA	Certified Public Accountant
CRN	Credit Reference Number
CRP	Conservation Reserve Program
CRX	Correspondex Letter
CSN	Case Sequence Number
CUSIP	Committee on Uniform Security Identification Procedures
DCI	Data Collection Instrument
DFB/DBP	Defined Benefit Plan
DIMS	Docket Information Management Systems
DIS CD	Disposal Code
DLN	Document Locator Number
DPAD	Domestic Production Activity Deduction
EBP	Employee Benefit Plan
EGC	Employee Group Code
EIN	Employer Identification Number
ES	Estimated Tax
ESRP	Employer Shared Responsibility Payment
EST	Eastern Standard Time
EUP	Employee User Portal
FAX	Facsimile
FEMA	Federal Emergency Management Agency
FDIC	Federal Deposit Insurance Corp.
FDIF	Foreign Derived Intangible Income
FFC	Functional Fraud Coordinator
FLC	File Location Code
FMV	Fair Market Value
FOIA	Freedom of Information Act
FRC	Federal Records Center

Exhibit 4.119.4-1 (Cont. 2) (12-14-2023)

Acronyms

Acronym	Definition
FRP	Frivolous Return Program
FRMF	Fraud Referral Monitoring Report
FTA	Fraud Technical Advisor
FTF	Failure to File Penalty
FTP	Failure to Pay Penalty
GILTI	Global Intangible Low Taxed Income
HQ	Headquarters
IA	Installment Agreement
IAC	Interest Abatement Coordinator
IAT	Integrated Automation Technologies
ID	Identify, Identification
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IPC	Internal Process Code
IR	Information Return
IRA	Individual Retirement Account
IRC	Internal Revenue Code
IRM	Internal Revenue Manual
IRMF	Information Return Master File
IRN	Item Reference Number
IRP	Information Return Processing
IRS	Internal Revenue Service
ISRP	Integrated Submission and Return Processing
IT	Information Technology
ITF	In Trust For
LC	Lost Case
LCU	Large Corporate Underpayment
LKA	Last Known Address
LR	Lost Response
MeF	Modernized e-Filed
MFT	Master File Tax

Exhibit 4.119.4-1 (Cont. 3) (12-14-2023)**Acronyms**

Acronym	Definition
MISC	Miscellaneous
N/C	No Change
NCL	Net Capital Loss
NIIT	Net Investment Income Tax
NOL	Net Operating Loss
NRC	No Change Reason Code
OAR	Operations Assistance Request
O/C	Overclaimed
O/D	Over deducted
OFEA	Office of Fraud Enforcement Advisor
OIC	Offer In Compromise
OID	Original Issue Discount
P/A	Payer Agent
P&A	Planning and Analysis
PBC	Primary Business Code
PC	Process Code
PDT	Potentially Dangerous Taxpayer
PHC	Personal Holding Company
PID	Position Identification
PIK	Payment in Kind
POA	Power of Attorney
PDC	Posting Delay Code
PRN	Penalty Reference Number
PSP	Profit Sharing Plan
PTP	Publicly Traded Partnership
QBID	Qualified Business Income Deduction
QOF	Qualified Opportunity Fund
QPSC	Qualified Personal Service Corporation
QTP	Qualified Tuition Program
RC	Reason Code
RF	Refile Case

Exhibit 4.119.4-1 (Cont. 4) (12-14-2023)

Acronyms

Acronym	Definition
RRA '98	Restructuring and Reform Act of 1998
RSED	Refund Statute Expiration Date
RSO	Relay Service Operator
RTR	Remittance Tracking Research
SBSE	Small Business/ Self-Employed
SBC	Secondary Business Code
SC	Service Center
SCR	Sensitive Case Report
SCRIPS	Service Center Recognition/ Image Processing System
SEID	Standard Employee Identifier
SEP	Simplified Employee Pension
SERP	Servicewide Electronic Research Portal
SF	Subfile
SLA	Service Level Agreement
STAT	Letter 3219-B Statutory Notice of Deficiency
TAS	Taxpayer Advocate Service
TBOR	Taxpayer Bill of Rights
TC	Transaction Code
TCJA	Tax Cuts and Jobs Act
TDA	Taxpayer Delinquent Account
TE	Tax Examiner
TEFRA	Tax Equity Fiscal Responsibility Act
TIA	Taxpayer information Authorization
TIF	Taxpayer Information File
TIN	Taxpayer Identification Number
TLCATS	Tax Litigation Automatic Tracking System
TP	Taxpayer
TR	Trust For
TTG	Telephone Transfer Guide
TXI	Taxable Income

Exhibit 4.119.4-1 (Cont. 5) (12-14-2023)**Acronyms**

Acronym	Definition
TY	Tax Year
U/C	Underclaimed
U/R	Underreported
W/H	Withholding
WP	Wrong Pulls in Screening

Exhibit 4.119.4-2 (11-16-2020)
Glossary

Accounting Method - Accrual Basis - A system of accounting based on the accrual principal, under which revenue is recognized (recorded) when earned not when payment is received, and expenses are recognized when incurred.

Accounting Method - Cash Basis - An accounting method in which income is recorded when cash is received, and expenses are recorded when cash is paid out.

Activity Code - Up to ten digits that identifies the status or action taken on a case on IDRS.

Agreed Cases - A response from the taxpayer with signature(s) agreeing to our changes with no disputing comments, OR full payment of tax and penalties received before the issuance of a Letter 3219-B, Statutory Notice of Deficiency, with no comments, OR a completed Installment Agreement with signature(s) and no comments.

Audit Information Management System (AIMS) - An IDRS control system used by Examination.

Appealed Case - A case in which the taxpayer requests an Appeals hearing.

Assessments - A change to the amount of tax on the taxpayer's account; generates a bill or a refund, a new DLN, and/or releases payment and/or freeze code.

AUR (Automated Underreporter) - Inventory control system used in IMF Underreporter.

Batch - A collection of returns, correspondence, or cases that have been grouped together.

Batch Number - A six-digit number used to describe/define the type of batch and the sequential number of the batch or the physical location of the batch.

Batch Type (BT) - The first three-digits of a Batch Number that describe the type of work within the batch.

Bipartisan Budget Act (BBA) - Allows the partnership to pay the tax, penalties and interest instead of flowing the ratable share of the adjustment to each partner for assessment and collection of any tax due.

BMF - Business Master File.

Business Underreporter (BUR) - Inventory control system used in BMF Underreporter.

BUR Received Date - The date the response is received in the BUR Campus.

Centralized Authorization File (CAF) - Houses Power of Attorneys (POA) and other authorized disclosure contacts for taxpayer accounts.

Category Code - Four character code that identifies the phase of a BUR case.

Command Code (CC) - Used to make changes to IDRS accounts.

Correspondence Imaging Inventory (CII) - A Scanning system maintained by Accounts Management Branch in Ogden Campus.

CSN - Case Sequence Number.

DCI - Data Collection Instrument.

Disagreed Case - A response from the taxpayer that does not agree to our proposed changes or has disputing comments attached. (Full payment received after issuance of the Stat Notice of Deficiency must be considered disagreed until signature(s) are obtained).

Exhibit 4.119.4-2 (Cont. 1) (11-16-2020)**Glossary**

Docket(ed) Cases - A tax case in the U. S. Tax Court assigned a docket number. When taxpayer files a petition with U. S. Tax Court, in response to a Notice of Deficiency, the court assigns a docket number, which is used to identify the court case.

Docket Information Management System (DIMS) - An automated program used to locate docketed administrative files. The program is maintained by Appeals and is a subsystem of the Appeals Centralized Database System (ACDS) system.

Document Locator Number (DLN) - The number assigned to all returns and documents input to the IRS computer system.

Default - Statutory Notice of Deficiency time frame has expired and an assessment is required.

Employer Identification Number (EIN) - Nine-digit number formatted xx-xxxxxxx used to identify taxpayer/taxpayers.

EFTPS - Electronic Federal Tax Payment System - Allows taxpayers to make electronic payments for federal taxes.

Federal Emergency Management Agency (FEMA) - The agency that helps with disaster relief.

Form 4251 **Return Charge Out** - The form generated from IDRS tape, used by Files/FRC to pull the requested returns.

Federal Records Center (FRC) - A place where tax returns are stored outside the campuses.

IMF - Individual Master File.

Integrated Automation Technologies (IAT) - IAT supplies automated tools to IRS employees that simplify research, reduce keystrokes, and increase the accuracy of regular work processes.

Internal process Code (IPC) - A numeric/alpha code used for tracking cases on the BUR system (does not upload to IDRS).

IRS Received Date - The date the IRS received the taxpayer's correspondence or notice in the campus. It can usually be found on the first page of the receipt and is a stamp containing the campus name and date the IRS received the correspondence in the campus.

Integrated Submission and Remittance Processing (ISRP) - The automated system that converts all paper documents to electronic form, including payments.

Letter 2030 - A notice sent to the taxpayer proposing an adjustment to an item of income, deductions, and/or credit that includes an explanation of the adjustment and a tax computation reflecting the adjustment. If the taxpayer fails to respond or if the response is insufficient, the Service sends a Letter 3219-B, Statutory Notice of Deficiency.

Letter 2531 - An initial notice sent to the taxpayer requesting an explanation to resolve a discrepancy between items reported by the taxpayer on the tax return and the information provided by third parties regarding those items. If the taxpayer fails to respond or if the response is insufficient, the Service sends a Letter 2030 notice proposing an adjustment.

Letter 3219-B - Statutory Notice of Deficiency (SNoD), is legal notification sent to taxpayers by Certified mail, which explains the taxpayer's right to file a petition with Tax Court and the IRS right to change tax without consent, if no timely petition is filed. A Statutory Notice of Deficiency includes a Letter 3219-B, Form 4089, Notice of Deficiency - Waiver, and reprint of the Letter 2030.

Exhibit 4.119.4-2 (Cont. 2) (11-16-2020)**Glossary**

Lost Case (LC) - A case that cannot be located where the system indicates it should be.

Lost Response (LR) - A case is assigned to a response batch, but the response is not physically in the batch or case file.

MeF - Modernized e - File indicates the return was filed electronically.

Non-Docketed Case - A case in which the taxpayer requests an Appeals hearing (without filing a petition with Tax Court).

Process Codes (PC) - Numbers used to identify the action taken on a case. PCs reside in BUR and are uploaded to IDRS.

Recomputed Notice (Recomp) - A notice in which the original Letter 2030 figures were changed

Reconsideration Cases (Recon) - Responses received after the case has been closed (assessment or no change) on the BUR program.

Referral - A case sent to another area for technical determination.

Refile Case (RF) - An IPC used to return a case to suspense batch before further assignment.

Research - Request for additional information needed to continue processing.

Response - All correspondence received from or on behalf of taxpayer's.

Review Sampling - Cases to be reviewed by Management or quality reviewers.

RPS - The Remittance Processing System within ISRP.

Screening - A technical review of information returns compared against the tax return. The Screening phase of the Underreporter Program is also referred to as Analysis.

Standard employee identifier (SEID) - A four digit alpha/number that identifies an IRS Employee.

Sequence Number - Order in which cases are key entered or scanned into BUR.

Transaction Code (TC) - A information marker generated through IDRS to describe actions taken.

Taxpayer Delinquent account (TDA) - A Collection Status.

Taxpayer Information File (TIF) - Individual Master File data from ECC containing tax account and tax transaction information.

Taxpayer Identification Number (TIN) - A nine digit number used to Identify tax payers accounts.

Undeliverable (UNDL) - Correspondence returned from the post office that the taxpayer did not receive.

Exhibit 4.119.4-3 (09-16-2019)**BUR Category Code/Subfile Sub Category Code Descriptions**

CODE	NAME	DESCRIPTION
04	Non-Employee Compensation	Gross Receipts is at least 50% of the discrepancy, and there is a Non-employee Compensation IR with no other IR Amounts related to Gross Receipts
10	Interest	Interest is at least 50% of the amount of the total case discrepancy
11	Dividends	Dividends is at least 50% of the amount of the total case discrepancy
12	Interest and Dividends	Interest and Dividends are at least 50% of the amount of the total case discrepancy
17	Fishing	Gross Receipts is at least 50% of the discrepancy, and there is a Fishing IR with no other IR Amounts related to Gross Receipts
18	Rents	Rents is at least 50% of the amount of the total case discrepancy
19	Royalties	Royalties is at least 50% of the amount of the total case discrepancy
20	Farming	Farming Income is at least 50% of the amount of the discrepancy
21	Medical Payments	Gross Receipts is at least 50% of the discrepancy and there is a Medical Payments IR with no other IR Amounts related to Gross Receipts
22	Positive Distributive Share Income	Positive Distributive Share Income is at least 50% of the amount of the discrepancy
27	Misc Other Income	Other Income is at least 50% of the discrepancy and Misc Other Income is the only IR for that line
31	Securities	Security Sales is the largest amount of the total case discrepancy
32	Withholding	Cases where withholding is the largest amount of the Total Case Discrepancy
34	Interest Combo	Cases where interest is discrepant along with other discrepancies and no one income type meets the 50% criteria on the case
40	Capital Gains	Capital Gains is the largest amount of the total case discrepancy
43	Bartering	Gross Receipts is at least 50% of the discrepancy, and there is a Bartering IR with no other IR Amounts related to Gross Receipts

Exhibit 4.119.4-3 (Cont. 1) (09-16-2019)
BUR Category Code/Subfile Sub Category Code Descriptions

CODE	NAME	DESCRIPTION
48	Payment Card Transactions	Payment Card Transactions is the only case discrepancy
57	Gross Receipts/Other Income Combo	Gross Receipts/Other Income types are at least 50% of the discrepancy, and there are more than one IR type present on the case for that issue
99	Other	Cases not assigned to the above categories

Subfile Key Descriptions Chart

SUBFILE	DEFINITION	DESCRIPTION
B	LB&I	Cases with BOD code indicating LB&I case
E	Exam	The tax form is 1120S or 1065 with over \$500K in Gross receipts and there is a mismatch of at least 50% of gross receipt OR there is a TC 420/424 on the tax module
X	Personal Service Corp Tax Verification	Tax 2017 and prior - NAICS codes: 541110, 541190, 541211 - 541219, 541310 - 541380, 541400, 541511 - 541990, 621111 - 621498, 711100 - 711510 and Form 1120, Sch J, line 2 is < 35% of Form 1120 line 30
U	Potential Unproductive Repeater	Multi-Year Repeater Unproductive in one of the three proceeding years
L	Low Dollar Yield	Unreported Income of less than \$3,000.
H	High Under Reporter	High Underreporter (\$100,000 or more)
Y	High Underreporter and Multi-year	High Underreporter and Multi-Year Repeater
R	Multi-Year Repeater	Multi-Year Repeater
S	Securities	Cases with a Securities discrepancy \$1,000 or more
M	Payment Card Transactions	Cases with a Payment Card Transactions discrepancy over \$1,000

BUR Category Code/Subfile Sub Category Code Descriptions

SUBFILE	DEFINITION	DESCRIPTION
K	K-1	Schedule K-1 discrepancy of \$1,000 or more
C	Schedule O	Tax Year 2017 and prior - Controlled Group (Sch O) is filed
W	Withholding	Withholding \$350 or more
O	Other	Other (no previous subfile applies)
N	NOL Recovery	NOL deduction claimed and a prior year BUR adjustment
P	Medical Payments	Medical payment discrepancy of \$1,000 or more

[illegible]

Exhibit 4.119.4-4 (09-02-2016)
No Change Reason Codes (NRC)

NRC	Description
1	Reported on another line.
2	Reported on another return - confirmed.
3	Reported on another return - unconfirmed.
4	Nominee.
5	Reporting Net.
6	Mixed Entity.
7	Payer reporting problem.
8	IR problems.
9	Tolerance.
10	Return amended no tax change.

Exhibit 4.119.4-5 (11-16-2020)
BUR Internal Process Codes (IPC)

Pre-Notice

41MR	Screening Miscellaneous Referral
41CR	CAT-A Exam Referral
41RR	Screening Research Request for Tax Return and/or Transcripts
41TR	Screening Technical/Manager Referral
41WP	Screening Wrong Pull
41LC	Lost Case

Letter 2531

43LT	Letter 2531 Correspondex Letter
43CR	Letter 2531 CAT-A Exam Referral
43MR	Letter 2531 Miscellaneous Referral
43PH	Letter 2531 Phone call (Out Call)
43RR	Letter 2531 Research Request for Tax Return
43TR	Letter 2531 Technical/Manager Referral
43LC	Lost Case
43RF	Letter 2531 Refile Case
43UD	Letter 2531 Undeliverable

Letter 2030

45CR	Letter 2030 CAT-A Exam Referral
45EX	Letter 2030 Extension Request
45LT	Letter 2030 Correspondex Letter
45MR	Letter 2030 Miscellaneous Referral
45PH	Letter 2030 Phone Call (Out Call)
45RR	Letter 2030 Research Request Tax Return and/or Transcripts
45TR	Letter 2030 Technical/Manager Referral
45LC	Lost Case
45LR	Lost Response

Exhibit 4.119.4-5 (Cont. 1) (11-16-2020)
BUR Internal Process Codes (IPC)

45RF	Letter 2030 Refile Case
45UD	Letter 2030 Undeliverable

Statutory Notice

47LT	Stat Notice Correspondex Letter
47CR	Stat Notice CAT-A Exam Referral
47MR	Stat Notice Miscellaneous Referral
47PH	Stat Notice Phone Call (Out Call)
47RR	Stat Notice Research Request for Tax Return and/or Transcripts
47TR	Stat Notice Technical/Manager Referral
47LC	Lost Case
47LR	Lost Response
47RF	Refile Case
47UD	Stat Notice Undeliverable

Reconsideration Closed Case

49LT	Reconsideration Payer Letter
49CR	Reconsideration CAT-A Exam Referral
49PH	Reconsideration Telephone
49RR	Reconsideration Research Request For Tax Return and/or Transcripts
49MR	Reconsideration Miscellaneous Referral
49TR	Reconsideration Technical/Manager Referral

Exhibit 4.119.4-6 (09-06-2017)**BUR Process Codes (PC)**

Case Selected	
----------------------	--

4030	BUR Selected Cases
4050	Reconsideration Received

Pre-Notice Transfer/Referral/Closure	
---	--

4100		#
4110	Closed to Field/Office Audit	
4130	Closed to Campus Examination	
4140	Fraud Transfer to Campus Examination	#
4150		
4160	Survey Excess Inventory	
4170	HQ Identified Program Problem - Closure	

Pre-Notice Closure	
---------------------------	--

4200	Reserved	#
4210	Discrepancy Accounted For	
4220		
4240	Payer Agent	
4260	Other Closure (e.g., Referral to Another Area)	#
4270		
4290	Return Cannot be Secured	

Letter 2531 - Transfer/Referral/Closure	
--	--

4300	Letter 2531
4305	Amended Letter 2531
4310	Letter 2531 or Amended Letter 2531 Generated But Not Mailed (PC 4300,4305)
4320	Letter 2030 Generated But Not Mailed After Letter 2531 (PC 4520)
4330	Reserved

Exhibit 4.119.4-6 (Cont. 1) (09-06-2017)
BUR Process Codes (PC)

4340		#
4350	Case Closed to Field/Office Audit	
4360	Reserved	
4370	Fraud - Transfer to Campus Examination	
4380	Case Closed to Campus Examination	
4390	Reserved	
4400	No Change to Original Tax Liability and All U/R Resolved	
4410	Reserved	
4420	No Change to Tax and Change to TXI (Partial Agree)	
4430	Reserved	
4440		#
4450	Reserved	
4460	Other Closure (e.g., Referral to Another Area)	
4470	Amended Return Closed Case	
4480	Reserved	
4490	Reserved	

Letter 2030 Transfer/Referral/Closure

4500	Letter 2030	
4505	Amended Letter 2030	
4510	Letter 2030 Generated But Not Mailed (PC 4500)	
4520	Letter 2030 After Letter 2531	
4525	Amended Letter 2030 After Letter 2531	
4530	Recomputed Letter 2030	
4535	Amended Recomputed Letter 2030	
4540	Amended or Recomputed Letter 2030 Generated But Not Mailed (PC's 4505, 4525, 4530 and 4535)	
4550		#
4560	Case Closed Field/Office Audit	
4570	Case Closed to Campus Examination	
4580	Fraud - Transferred to Campus Examination	

Exhibit 4.119.4-6 (Cont. 2) (09-06-2017)
BUR Process Codes (PC)

4590	Disagreed Appeals Request Service Center Examination
4600	No Change to Original Tax Liability and All U/R Resolved
4610	No Change to Tax and Change to TXI (Partial Agree)
4620	Reserved
4630	
4640	Reserved
4650	Reserved
4660	Other Closure (e.g., Referral to Another Area)
4670	Fully Agreed
4675	Agreed to Revised Tax (Partially Agreed)
4680	Adjustment to Prepayment Credits Only Closure
4690	Reserved

#

Statutory Notice - Transfer/Referral/Closure

4700	Statutory Notice
4705	Amended Statutory Notice
4710	Statutory Notice Generated but Not Mailed (PC 4700, 4705)
4720	Reserved
4730	Statutory Notice Rescinded
4740	Reserved
4750	Recomputed Letter 2030 After Statutory Notice
4755	Amended Recomputed Letter 2030 After Statutory Notice
4760	Recomputed or Amended Letter 2030 Generated But Not Mailed After Statutory Notice (4750, 4755)
4770	Fraud - Transferred to Campus Examination
4780	Case closed to Field/Office Audit
4790	Case Closed to Campus Examination
4800	Transfer Docketed Cases to Appeals
4810	No Change to Original Tax liability and All U/R Resolved
4820	No Change to Tax and Change to TXI (Partial Agree)
4830	

#

Exhibit 4.119.4-6 (Cont. 3) (09-06-2017)
BUR Process Codes (PC)

4840	Assessed by Default Revised Deficiency
4850	Assessed by Default
4860	
4870	Fully Agreed
4875	Agreed to Revised Tax (Partially Agreed)
4880	Adjustment to Prepayment Credits Only Closure
4890	Other Closure (e.g., Referral to Another Area)

#

Reconsideration

4900	Reconsideration: Full Abatement
4910	Reconsideration: Partial Abatement
4920	Reconsideration: No Change to Assessment
4930	Reconsideration: Information Request
4940	Reconsideration: Referral
4950	Reserved
4960	Reserved
4990	Reserved

Exhibit 4.119.4-7 (12-14-2023)
Activity Codes/Category Codes

The following list of Activity Codes will be used when updating IDRS control base.

Pre-Notice

Activity Code	Category Code	IPC/PC (for folder and DCI)	Description	Action Date
31XSCREEN (clerical use only)	MISC	N/A	Case control open. (X = 0 for 1120 and 1 for 1041)	-
31XNNNWUNN (clerical use only)	MISC	N/A	Batched cases. (X = 0 for 1120 and 1 for 1041 and N = batch number and work unit number)	-
34XNNNWUNN (clerical use only)	MISC	N/A	Priority Batched cases. (X = 0 for 1120 and 1 for 1041 and N = batch number and work unit number)	-
31XESTMMDD	MISC	41RR	Return ordered (X = 0 for 1120 and 1 for 1041)	6-weeks from the order date
31XRWKMMDD	MISC	N/A	Case returned to the tax examiner to be reworked (X = 0 for 1120 and 1 for 1041)	7-days from the control update
31XRBMMDD	MISC	N/A	Case returned to reviewer, disputing error. (X = 0 for 1120 and 1 for 1041)	7-days from the control update
31XWPMDD	MISC	N/A	Return has been received	7-days from the control update
41WPMDD	MISC	41WP	Wrong pull (Update control assignment to clerical)	60-days from the control update
41LCMMDD	MISC	41LC	Lost case	7-days from the control update
41MRXXMMDD	MISC	41MR	Referral for assistance without a response. XX = 2 digit Definer Code (see Definer Code chart)	-

Letter 2531

Exhibit 4.119.4-7 (Cont. 1) (12-14-2023)
Activity Codes/Category Codes

Activity Code	Category Code	IPC/PC (for folder and DCI)	Description	Purge Date
CP2531MMDD	BUR1	4300	Original Letter 2531	60-days from the notice date (90-days if foreign or APO/FPO address)
2CP31MMDD	BUR1	4305	Amended Letter 2531 because of new address	60-days from the notice date (90-days if foreign or APO/FPO address)
43LTMMDD	BUR1	43LT	Correspondex letter sent requesting more information from the taxpayer	60-days from the notice date
43PHMMDD	BUR1	43PH	Phone call to the taxpayer	60-days from the notice date
4BXRESP	BUR1	-	Response received on case in team/tax examiner suspense (4B= the batch type 43X, 44X and X = 0 for 1120 and 1 for 1041)	-
43LCMMDD	BUR1	43LC	Lost case	7-days from the control update
43LRMMDD	BUR1	43LR	Lost response	7-days from the control update
43MRXXMMDD	BUR1	43MR	Referral for assistance without a response. XX = 2 digit Definer Code (see Definer Code chart)	-
43TPCMMDD	BUR1	43LT	Letter 3404C Third Party Contact, issued	60 days from the control update
43TRXXMMDD	BUR1	43TR	Referral for assistance with a response. XX = 2 digit Definer Code (see Definer Code chart)	-
BURTASMMDD	BUR1	N/A	TAS Referral (MMDD OAR completion date)	-

Exhibit 4.119.4-7 (Cont. 2) (12-14-2023)**Activity Codes/Category Codes**

Activity Code	Category Code	IPC/PC (for folder and DCI)	Description	Purge Date
4BXRWKMMDD	BUR1	N/A	Case returned to the tax examiner to be reworked (4B = the batch type 43X, 44X, 49X and X = 0 for 1120 and 1 for 1041)	7-days from the control update
4BXRBTMMDD	BUR1	N/A	Case returned to reviewer, disputing error. (4B = the batch type 43X, 44X, 49X and X = 0 for 1120 and 1 for 1041)	7-days from the control update
4BXESTMMDD	BUR1	43RR	ESTAB done to request a return or other transaction. (4B = the batch type 43X, 44X, 49X and X = 0 for 1120 and 1 for 1041)	6-weeks from the order date
4BXNNNWUNN	BUR1	N/A	Batched Cases (4B = the batch type 43X, 44X, 49X, X = 0 for 1120 and 1 for 1041 and N = the batch and work unit numbers)	-

Letter 2030

Activity Code	Category Code	IPC/PC (for folder and DCI)	Description	Purge Date
CP2030MMDD	BUR0	4500	Original Letter 2030	60-days from the notice date (90-days if foreign or APO/FPO address)
CORR30MMDD	BUR0	4500	Original Letter 2030 has been mailed and a corrected Letter 2030 is needed	60-days from the notice date (90-days if foreign or APO/FPO address)
2CP30MMDD	BUR0	4505	Amended Letter 2030 because of new address prior to Stat Notice	60-days from the notice date (90-days if foreign or APO/FPO address)

Exhibit 4.119.4-7 (Cont. 3) (12-14-2023)
Activity Codes/Category Codes

Activity Code	Category Code	IPC/PC (for folder and DCI)	Description	Purge Date
FCP30MMDD	BUR0	4520	Letter 2030 follow up to Letter 2531	60-days from the notice date (90-days if foreign or APO/FPO address)
2CP30MMDD	BUR0	4525	Amended Letter 2030 follow up to Letter 2531 because of new address prior to Stat Notice	60-days from the notice date (90-days if foreign or APO/FPO address)
RECOMPMMDD	BUR0	4530	Recomputed notice, correspondence partial agree, etc.	60-days from the notice date (90-days if foreign or APO/FPO address)
2CP30MMDD	BUR0	4535	Amended recomputed Letter 2030 because of new address prior to Stat Notice	60-days from the notice date (90-days if foreign or APO/FPO address)
45LTMMDD	BUR0	45LT	Correspondex letter sent requesting more information from the taxpayer	60-days from the letter date
45EXMMDD	BUR0	45EX	Extension	30-days from original suspense date
45EXLTMMDD	BUR0	45LT	Extension request with Correspondex letter. (Extension requested in writing)	60-days from letter date
45PHMMDD	BUR0	45PH	Phone call to the taxpayer	60-days from the call date
45LCMMDD	BUR0	45LC	Lost case	7-days from the control update
45LRMMDD	BUR0	45LR	Lost response	7-days from the control update
45MRXXMMDD	BUR0	45MR	Referral for assistance without a response. XX = 2 digit Definer Code (see Definer Code chart)	-

Exhibit 4.119.4-7 (Cont. 4) (12-14-2023)**Activity Codes/Category Codes**

Activity Code	Category Code	IPC/PC (for folder and DCI)	Description	Purge Date
45TPCMMDD	BUR0	45LT	Letter 3404C, Third Party Contact, issued	60 days from the Control Update
45TRXXMMDD	BUR0	45TR	Referral for assistance with a response. XX = 2 digit Definer Code (see Definer Code chart)	-
BURTASMMDD	BUR0	N/A	TAS Referral (MMDD OAR completion date)	-
5BXRESP	BUR0	N/A	Response received on case in team/tax examiner suspense (5B = the batch type 51X, 53X, 54X and X = 0 for 1120 and 1 for 1041)	-
5BXRWKMMDD	BUR0	N/A	Case returned to the tax examiner to be reworked (5B = the batch type 51X, 53X, 54X, 59X and X = 0 for 1120 and 1 for 1041)	7-days
5BXRBTMMDD	BUR0	N/A	Case returned to reviewer, disputing error. (5B = the batch type 51X, 53X, 54X, 59X and X = 0 for 1120 and 1 for 1041)	7-days from the control update
5BXESTMMDD	BUR0	45RR	ESTAB done to request a return or other transaction. (5B = the batch type 51X, 53X, 54X, 59X and X = 0 for 1120 and 1 for 1041)	6-weeks from the ESTAB date
5BXNNNWUNN	BUR0	N/A	Batched Cases (5B = the batch type 51X, 53X, 54X, 59X, X = 0 for 1120 and 1 for 1041 and N = the batch and work unit numbers)	-

Statutory Notice

Exhibit 4.119.4-7 (Cont. 5) (12-14-2023)

Activity Codes/Category Codes

Activity Code	Category Code	IPC/PC (for folder and DCI)	Description	Purge Date
STATMMDD	BURS	4700	Original Stat Notice	105-days from notice date (165- days if foreign or APO/FPO address)
CORRSTMMDD	BURS	4700	Original Stat Notice has been mailed and a corrected Stat Notice is needed	105-days from notice date (165- days if foreign or APO/FPO address)
2STATMMDD	BURS	4705	Amended Statutory Notice because of new address	105-days from notice date (165- days if foreign or APO/FPO address)
RESTATMMDD	BURS	4750	Statutory Recomputed Notice	Original purge date
RESTATMMDD	BURS	4755	Amended Statutory Recom- puted Notice	Original purge date
47LTMMDD	BURS	47LT	Letter sent requesting more information from the taxpayer	Original purge date Exception: 60- days from Letter date for BT 79X only (X = 0 for 1120 and 1 for 1041).

Exhibit 4.119.4-7 (Cont. 6) (12-14-2023)

Activity Codes/Category Codes

Activity Code	Category Code	IPC/PC (for folder and DCI)	Description	Purge Date
47PHMMDD	BURS	47PH	Phone call to the taxpayer	Original purge date Exception: 60- days from the call date for BT 79X only (X = 0 for 1120 and 1 for 1041).
47LCMMDD	BURS	47LC	Lost case	7-days from the control update
47LRMMDD	BURS	47LR	Lost response	7-days from the control update
47MRXXMMDD	BURS	47MR	Referral for assistance without a response. XX = 2 digit Definer Code (see Definer Code chart)	-
47TPCMMDD	BURS	47LT	Letter 3404C, Third Party Contact, issued	Original purge date Exception: 60 days from Control Update for BT 79X only (X=0 for Form 1120 and 1 for Form 1041).
47TRXXMMDD	BURS	47TR	Referral for assistance with a response. XX = 2 digit Definer Code (see Definer Code chart)	-

Exhibit 4.119.4-7 (Cont. 7) (12-14-2023)

Activity Codes/Category Codes

Activity Code	Category Code	IPC/PC (for folder and DCI)	Description	Purge Date
BURTASMMDD	BURS	N/A	TAS Referral (MMDD OAR completion date)	-
7BXRESP	BURS	N/A	Response received on case in team/tax examiner suspense (7B= the batch type 71X, 73X, 74X and X = 0 for 1120 and 1 for 1041)	-
7BXRWKMMDD	BURS	N/A	Case returned to the tax examiner to be reworked (7B = the batch type 71X, 73X, 74X, 79X and X = 0 for 1120 and 1 for 1041)	7-days
7BXRBTMMDD	BURS	N/A	Case returned to reviewer, disputing error. (7B = the batch type 71X, 73X, 74X, 79X and X = 0 for 1120 and 1 for 1041)	7-days from the control update
7BXESTMMDD	BURS	47RR	ESTAB done to request a return or other transaction. (7B = the batch type 71X, 73X, 74X, 79X and X = 0 for 1120 and 1 for 1041)	6-weeks from the ESTAB date
7BXNNNWUNN	BURS	N/A	Batched Cases (7B = the batch type 71X, 73X, 74X, 79X, X = 0 for 1120 and 1 for 1041 and N = the batch and work unit numbers)	-

Reconsideration

Activity Code	Category Code	IPC/PC (for folder and DCI)	Description	Purge Date
94XRCNMMDD	BURC	N/A	The beginning of the reconsideration process, showing a true reconsideration case. Request case folder and DCI from Clerical.	7-days from the control update
94XESTMMDD	BURC	49RR	Return reordered (X = 0 for 1120 and 1 for 1041)	6-weeks from date of ESTAB

Exhibit 4.119.4-7 (Cont. 8) (12-14-2023)**Activity Codes/Category Codes**

Activity Code	Category Code	IPC/PC (for folder and DCI)	Description	Purge Date
49LTMMDD	BURC	49LT	Letter 4552C (Payer/ Nominee inquiry) or Letter 4550C (requesting addi- tional taxpayer information)	60-days from the Letter 4552C date or 45-days from the Letter 4550C date
49PHMMDD	BURC	49PH	Phone call to the taxpayer	45-days from the call date
49MRXXMMDD	BURC	49MR	Referral for assistance without a response. XX = 2 digit Definer Code (see Definer Code chart)	-
49TRXXMMDD	BURC	49TR	Referral for assistance with a response. XX = 2 digit Definer Code (see Definer Code chart)	-
BURTASMMDD	BURC	N/A	TAS Referral (MMDD OAR completion date)	-

Exhibit 4.119.4-8 (11-16-2020)

Definer Codes

Definer Code	Description	Purge
AD	ARDI referral	7-days from the control update
AP	Appeals referral	7-days from the control update
CL	Counsel referral	45-days from the control update
CR	CAT-A Exam Referral	28-days from the control update
DS	Disaster suspense	disaster purge date provided
EF	Erroneous Refund referral	4-6 weeks from the control update
EX	Exam referral	7-days from the control update
FD	Fraud referral	21-days from the control update
HQ	Head Quarters initiated suspense	purge date provided
LD	Lead referral	7-days from the control update
MI	Manual Interest referral	7-days from the control update
NL	NOL referral	7-days from the control update
PA	Payer Agent referral	7-days from the control update
PC	Pending Correspondence	14-days from the control update
PN	Pending Action	45-days from the control update
QP	Quick/Prompt Assessment referral	45-days from the control update
ST	Statute referral	7-days from the control update
TA	TAS referral	7-days from the control update
TE	Referral returned to tax examiner	7-days from the control update

Exhibit 4.119.4-9 (11-16-2020)**Batch Types****SCREENING**

BATCH TYPE	DEFINITION
31X	Complete Screening Cases (X = 0 for 1120 and 1 for 1041)
34X	Priority Screening (X = 0 for 1120 and 1 for 1041)

LETTER 2531

Batch Type	Definition
41X	Letter 2531 Remail/Recompute (X = 0 for 1120 and 1 for 1041)
43X	Letter 2531 Response (X = 0 for 1120 and 1 for 1041)
44X	Letter 2531 Priority Response (X = 0 for 1120 and 1 for 1041)
49X	Aged Letter 2531/Letter 2030 Preparation (X = 0 for 1120 and 1 for 1041)

LETTER 2030

Batch Type	Definition
51X	Letter 2030/Recomputed Agreed Response (X = 0 for 1120 and 1 for 1041)
53X	Letter 2030/Recomputed Disagreed Response (X = 0 for 1120 and 1 for 1041)
54X	Letter 2030/Recomputed Priority Response (X = 0 for 1120 and 1 for 1041)
59X	Aged Letter 2030/Recomp Stat Preparation (X = 0 for 1120 and 1 for 1041)

RESPONSE MISCELLANEOUS

Batch Type	Definition
62X	Re-mail Letter 2030/Recomputed (X = 0 for 1120 and 1 for 1041)
682	Letter 2030 Review

STAT NOTICE

Exhibit 4.119.4-9 (Cont. 1) (11-16-2020)

Batch Types

Batch Type	Definition
71X	Statutory Agreed Response (X = 0 for 1120 and 1 for 1041)
73X	Statutory Disagreed Response (X = 0 for 1120 and 1 for 1041)
74X	Statutory Priority Response (X = 0 for 1120 and 1 for 1041)
79X	Statutory Notice Defaults (X = 0 for 1120 and 1 for 1041)

STAT MISCELLANEOUS

Batch Type	Definition
82X	Re-mail Statutory Notice (X = 0 for 1120 and 1 for 1041)
831	Screening Disaster Suspense
833	Letter 2531 Disaster Suspense
834	Letter 2030 Disaster Suspense
838	Statutory Disaster Suspense

RECONSIDERATION

Batch Type	Definition
94X	Manual Reconsiderations (X = 0 for 1120 and 1 for 1041)
950	Reconsideration Unit Suspense
960	Reserved
970	Reconsideration Research Suspense
980	Closed Case First Read Closures
990	Closure Suspense After Reconsideration

Exhibit 4.119.4-10 (12-14-2023)**CP PARAGRAPHS**

1- PAYMENT CARD AND THIRD PARTY NETWORK TRANSACTIONS You received Form 1099-K, Payment Card and Third Party Network Transactions, because you accepted payment cards for purchased transactions or because you received payments through a third party network. The Form 1099-K payment card and third party network transactions show gross proceeds and haven't been adjusted for authorized returns or allowances. If applicable, send us an explanation of the items included in the gross receipts on your tax return.

4- DIVIDENDS According to our records, there's a discrepancy in the dividend income you reported. We've compared the dividend income reported to us to the amount on your tax return on Form 1120, Schedule C, **Total Dividends** line, column a. For any unreported dividends eligible for a special deduction, list the following by payer name:

- the dividends received
- the percentage of deduction, and
- the net reportable amount.

6- QUALIFIED DIVIDENDS Our records indicate you may be eligible for a lower tax rate since the Dividends reported to us contain Qualified Dividends. Let us know of any needed changes to the reported eligible Qualified Dividends.

8- CAPITAL GAINS LOSS (\$3,000) LIMITATION The capital gains or securities (sale of stock), or both, shown on this notice were treated as ordinary income because of the loss limitations on your Schedule D. If you want to apply the loss to this income and you have any unused losses on your original Schedule D, you must correct other affected tax years. Send us an amended Schedule D in response to this notice.

To correct other affected tax returns you've already filed, send amended tax returns to the appropriate IRS Center.

If you haven't yet filed the tax return for the affected year, send us a signed statement that you'll correct your records.

9- PAYMENTS FROM QUALIFIED EDUCATION PROGRAMS Generally, distributions (including earnings) from Qualified Tuition Programs (QTPs) are tax exempt if they are used to pay expenses for qualified higher education expenses, transferred between trustees, or rolled over to another qualified tuition program within 60 days. If you didn't use the distributions for the above purposes, you must include the earnings as income. See Publication 970, Tax Benefits for Education, for more information. If you believe that all or part of the QTP earnings qualify for tax exemption, send us a signed statement showing the qualified expenses or rollover documentation, or the computation that you used to determine the taxable portion.

12 - CAPITAL GAINS DISTRIBUTIONS You didn't include the amount of capital gain distributions shown on your Schedule D, Capital Gains and Losses, on page 1 of your tax return.

13 - COST BASIS OF SECURITIES SOLD When determining the amount of unreported securities transactions, we took into account any cost basis the broker provided as shown on Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, box 1e. If the broker didn't provide an amount in box 1e, we used a zero cost basis because we couldn't otherwise determine the cost or adjusted basis of the securities sold. For each Form 1099-B transaction, provide us the asset name, the date you acquired the asset, and the cost or adjusted basis of your asset(s) shown on the attached pages of this notice.

14 - AGGREGATE PROFIT OR LOSS ON CONTRACTS Our records show you had transaction(s) relating to regulated futures contracts, section 1256 option contracts, or foreign currency contracts. You must report the aggregate profit or loss on these transactions on your tax return for the year the transaction(s) occur. Refer to Publication 550, Investment Income and Expenses, for information regarding the correct forms or schedules you need to report the income. Complete the appropriate form(s) or schedule(s) and send them to us.

Exhibit 4.119.4-10 (Cont. 1) (12-14-2023)

CP PARAGRAPHS

18 - REAL ESTATE TRANSACTION Our records show you sold or transferred real estate. However, your tax return doesn't show this transaction. You must report the gain from real estate transactions, in excess of any applicable exclusion amount, on your tax return for the year the transaction(s) occur. Refer to Publication 523, Selling Your Home, or Publication 544, Sales and Other Dispositions of Assets, for information about applicable exclusions and correct forms or schedules you need to report the sale. Complete the appropriate form(s) or schedule(s) and send them to us along with:

- Verification of your cost or adjusted basis in the property,
- The date the asset was acquired for each Form 1099-S transaction shown on this notice, and
- A statement as to how you used each property.

20 - CROP INSURANCE Our records show you received crop insurance proceeds. We're unable to locate this amount on your tax return. If you elected to postpone reporting your crop insurance proceeds as income, please explain in a signed statement or send us a copy of the tax return where you reported the crop insurance as income.

24 - CANCELLATION OF DEBT If the canceled debt is excludable due to insolvency, please provide us with a breakdown of your total assets and liabilities immediately before the debt was discharged. You are insolvent to the extent that just prior to the debt cancellation your total liabilities exceeded your total assets (e.g., if your liabilities totaled \$15,000 and your assets totaled \$12,000, you are insolvent by \$3,000). A worksheet that you may use for calculating insolvency is included in Publication 4681, Canceled Debts, Foreclosures, Repossessions and Abandonments. Debt cancellation is excludable only up to the insolvent amount. You must include any canceled debt that exceeds the amount of your insolvency as income on your tax return, unless an exclusion applies.

25 - NOMINEE INCOME ADDITIONAL DOCUMENTATION REQUIRED We are unable to fully reconcile the amounts paid to you with the amounts you indicated were allocated to other recipients. Please provide us with copies of the Forms 1099 you issued to the recipients. If you cannot provide the Forms 1099 issued to the recipients, please send us the following:

- A list of recipient's names, taxpayer identification numbers and amounts paid.
- Copies of canceled checks (or other evidence of amounts paid) written to the recipient(s) AND
- Contracts and/or agreements between you and the recipient that the income was allocated and/or distributed to.

Generally, if you receive a Form 1099 for amounts that actually belong to another person (or business), you are considered a nominee recipient. You must file a Form 1099 with the IRS (the same type of Form 1099 you received) for each of the other owners showing the amounts allocable to each. You must also furnish a Form 1099 to each of the owners. See the General Instructions for Certain Information Returns (Form 1097, 1098, 1099, 3921, 3922, 6498, and W-2G) for more information.

30 - AMENDMENTS OR ADJUSTMENTS TO YOUR RETURN HAVE BEEN INCLUDED IN THIS NOTICE We considered previous changes to your original tax return in figuring the amounts shown in the explanation of changes section of this notice under the heading "Shown on Return". This may include any adjustments we made at the time you filed or changes you made at a later date by amending your return.

31 - WE CORRECTED YOUR TAXABLE INCOME During the processing of your tax return, we discovered a math error and made the necessary corrections for you. As a result, the taxable amount shown in the explanation of changes section differs from the amount you originally reported.

32 - POTENTIAL ADJUSTMENT OF NET OPERATING LOSS (NOL) Please review your tax return to determine if, based on our proposal, the changes will affect the Net Operating Loss (NOL) you reported. You may need to change the NOL amount or adjust the amount carried forward to a subsequent year. If you already

Exhibit 4.119.4-10 (Cont. 2) (12-14-2023)**CP PARAGRAPHS**

applied the NOL to another tax year, you must file an amended tax return for the other year with the appropriate IRS Center. If you haven't yet filed the tax return for the affected period, send us a signed statement that you've corrected your records.

33 - NET INVESTMENT INCOME TAX The Health Care and Education Reconciliation Act of 2010 added a Net Investment Income Tax (NIIT) for tax years beginning in 2013. The NIIT applies at a rate of 3.8% to the lesser of the estate or trust's undistributed net investment income or the amount by which the adjusted gross income exceeds the highest tax bracket for the taxable year. In general, net investment income includes interest, dividends, capital gains, rental and royalties income, and non-qualified annuities and income from businesses in which the taxpayer doesn't materially participate.

Changes to your investment income or AGI impact the amount of NIIT due. Send us a revised Form 8960, Net Investment Income Tax – Individuals, Estates, and Trusts using the underreported income as shown on this notice.

35 - QUALIFIED PERSONAL SERVICE CORPORATION According to the entries on Form 1120 Schedule J, line 2, you identified yourselves as a Qualified Personal Service Corporation; however, the tax paid per return doesn't correspond with the flat 35% tax applicable to Qualified Personal Service Corporations. In order to determine if the 35% flat tax should be asserted on the return, provide the following responses along with a signed statement:

- a. What is the Corporation's principal business activity?
- b. Are there any other business activities for this Corporation?
- c. Provide the percentage of each business activity.
- d. Provide a list of Owners and the ownership percentages. Also, indicate if the Owner works for the Corporation and the percentage of time spent doing so.
- e. If applicable, provide an explanation of why the Corporation is not a Qualified Personal Service Corporation.

If we don't receive this information, we'll apply the 35% tax rate.

36 - SCHEDULE O - CONTROLLED GROUP According to our records, you used Schedule O, Consent Plan and Apportionment Schedule for a Controlled Group, to determine your tax. Send us a revised Schedule O using the underreported income as shown on this notice. If we don't receive your revised Schedule O, we'll determine any additional tax due using a 35% allocation rate.

38- SECURITIES We recalculated your tax by including your capital gains and losses from the sale of your securities on Schedule D, Capital Gains and Losses.

40 - POTENTIAL ADJUSTMENT OF NON-REFUNDABLE CREDITS You may have unused non-refundable credits on your tax return. Please review your tax return to determine if, based on our proposal, the IRS needs to adjust any of these credits. In order to claim additional unused non-refundable credits, send us a signed statement showing the additional unused credits you want to use. If you've already applied the unused credits to another tax year, you need to file an amended tax return for the other year with the appropriate IRS Center. If you haven't yet filed the tax return for the affected period, send us a signed statement that you've corrected your records.

60 - OVERCLAIMED WITHHOLDING Our records show you're entitled to a lesser amount of withholding than the amount you claimed on your tax return. Send us a copy of Form(s) 1099, or other withholding documentation from the payer(s), or both, to verify the additional withholding claimed on your tax return.

61 - UNDERCLAIMED WITHHOLDING Our records show you may be entitled to a larger amount of withholding than the amount you claimed on your tax return. Compare the payer information provided in this letter with your records. If this payer information is incorrect, send us a statement so we can correct our records. If this payer information is correct, respond to this notice so we may make the necessary adjustments to your account.

Exhibit 4.119.4-10 (Cont. 3) (12-14-2023)**CP PARAGRAPHS**

70 - FAILURE-TO-FILE PENALTY - IRC SECTION 6651(a)(1) When you file your tax return after the due date, we charge a penalty of up to 5% of the unpaid tax per month for no more than 5 months or up to 25% of the unpaid amount.

If the return is more than 60 days late, we may charge the minimum of:

- \$135 or 100% of the unpaid tax, whichever is less, if the return due date is prior to 12/31/2015
- \$205 or 100% of the unpaid tax, whichever is less, if the return due date is after 12/31/2016
- \$210 or 100% of the unpaid tax, whichever is less, if the return due date is after 12/31/2018.
- \$435 or 100% of the unpaid tax whichever is less, if the return due date is after 12/31/2019
- \$450 or 100% of the unpaid tax whichever is less if the return due date is after 2022.

We count part of a month as a full month, (Internal Revenue Code section 6651).

If you believe we shouldn't impose this penalty, send us a signed statement explaining why you filed your tax return late. We'll review your explanation and determine if you had reasonable cause for filing late.

71 - FAILURE-TO-PAY PENALTY - IRC SECTION 6651(a)(2) and (3) When you pay your taxes after the due date, we charge a penalty of 0.5% of the unpaid amount due per month, up to 25% of the amount due. We count part of a month as a full month, (IRC Section 6651).

If this penalty applies, we'll bill you for this amount at a later date. Payments will be applied first to the oldest tax debt on your account to pay the tax you owe, then penalties, and then interest.

If you believe we shouldn't impose this penalty, send us a signed statement explaining why you didn't pay your tax. We'll review your explanation and determine if you had reasonable cause for not paying your tax on time.

75 - ACCURACY-RELATED PENALTY DUE TO NEGLIGENCE An accuracy-related penalty is charged if there is any underpayment of tax on your return due to negligence or disregard of rules or regulations. This penalty is 20% of the net tax increase on the portion due to negligence or disregard of rules or regulations. (Internal Revenue Code section 6662(c)).

If both the accuracy-related penalty due to negligence or disregard of rules or regulations and the accuracy-related penalty due to substantial understatement of tax apply, we will charge only the larger of the two penalties. (Internal Revenue Code Section 6662(a)).

If you think we shouldn't charge this penalty, please explain why, send any supporting documents, and request that we waive the penalty. We will review your request and determine if there is reasonable cause to waive the penalty.

76 - ACCURACY PENALTY FOR SUBSTANTIAL TAX UNDERSTATEMENT – IRC SECTION 6662(d) We're required by law to charge an accuracy-related penalty due to substantial understatement of tax if the amount of the understatement exceeds the greater of 10% of the tax required to be shown on your return or \$5000. In the case of a corporation (other than an S-Corporation or a personal holding company), an understatement of income tax is substantial when the understatement exceeds the lesser of 10% of tax required to be shown on the return (or, if greater, \$10,000) or \$10,000,000. We will impose a penalty equal to 20 percent of the underpayment of tax attributable to the understatement.

We may reduce or waive the penalty if you:

- Provide the substantial authority (such as, Internal Revenue Code, Regulations, Revenue Rulings, Revenue Procedures, etc.) you used to decide how to treat your income or deduction, or
- Tell us where on your return you clearly show the facts supporting your treatment of the income or deduction, or
- Submit a signed statement that provides a clear explanation supporting your treatment of the understated income.

Exhibit 4.119.4-10 (Cont. 4) (12-14-2023)**CP PARAGRAPHS**

78 - ACCURACY-RELATED PENALTY WAIVED We reviewed the information you provided and determined that your failure to properly report income or deductions was based on reasonable cause and that you acted in good faith. Accordingly, we won't impose an accuracy-related penalty, but, interest on the balance due will be charged, as required by law.

79 - ACCURACY-RELATED PENALTY NOT WAIVED We reviewed the information you provided and determined it didn't provide reasonable cause for the omission of income or overstatement of deductions. As a result, the accuracy-related penalty is appropriate.

102 - PAYMENT YOU MADE We received your payment and applied it to your account. Payments are first applied to reduce your tax, then to any penalties and interest owed.

103 - PAYER DOCUMENTS NOT RECEIVED The law requires you to report your income correctly. If your payers didn't send you a yearly income statement (Form 1099, etc.), you must use the information you have (monthly income statements, deposit slips, etc.) to estimate the total amount of income you received during the year.

105 - UNABLE TO CONTACT TAXPAYER SOONER We were unable to contact you sooner because of the time needed to compare information we received from your payers to the information on your tax return.

106 - REQUEST FOR INFORMATION DOCUMENT We're unable to provide a copy of the information document you requested because we received this information on magnetic tape. To get a copy, please contact the payer.

110 - YOUR AMENDED FORM DID NOT INCLUDE PENALTIES We received your amended form in response to our previous notice. The amended form did not include penalties which are included in this notice.

Exhibit 4.119.4-11 (02-28-2017)
BUR Reconsideration Issue Codes

RECON Issue Code	Text	PC Compatibility
1	Accuracy Related Penalty abatement	4900, 4910
2	Accuracy Related Penalty abatement denied	4910, 4920, 4930
3	Corrected Payer document received	4900, 4910, 4930
4	Income reported on another return - confirmed	4900, 4910, 4930
5	Cash Basis/Income reported in year received	4900, 4910, 4930
6	Additional Expenses Claimed Allowed	4900, 4910, 4930
7	Additional Expenses Claimed Denied	4910, 4920, 4940
8	Income belongs to someone else (Nominee)	4900, 4910, 4920, 4930
9	Income belongs to someone else (NON-Nominee)	4900, 4910, 4920, 4930
10	Incorrect BUR Processing (tax examiner error)	4900, 4910, 4940
11	Information request from taxpayer	4920, 4930
12	Information sent to taxpayer	4920, 4930, 4940
13	Interest abatement	4900, 4910, 4930, 4940
14	Interest abatement denied	4920, 4930, 4940
15	Other Penalty (non-Accuracy Related) abatement	4900, 4910, 4920, 4930
16	Other Penalty (non-Accuracy Related) abatement denied	4920, 4930
17	O/C W/H Verified	4900, 4910, 4930
18	U/C W/H Verified	4900, 4910, 4930
19	Released Freeze codes	4920
20	Income reported on Form 5500	4900, 4910, 4930
21	Tax Return filed was Part/Short year and/or Income reported on other BMF Tax return (filing requirement change)	4900, 4910, 4930

Exhibit 4.119.4-11 (Cont. 1) (02-28-2017)**BUR Reconsideration Issue Codes**

RECON Issue Code	Text	PC Compatibility
22	Form 8949 and Schedule D loss	4900, 4910, 4930
23	Form 8949 and Schedule D cost basis	4900, 4910, 4930
24	Income reported on another line	4900, 4910, 4930
25	Income reported on another return - unconfirmed	4900, 4910, 4930
26	Reporting Net	4900, 4910, 4930
27	Mixed Entity	4900
28	Payer Reporting Problem	4900, 4910, 4930
29	IR problem	4900, 4910, 4930
30	Tolerance	4900
99	Other	4900, 4910, 4920, 4930, 4940

Exhibit 4.119.4-12 (11-16-2020)
Notice Review Error Codes

Critical Errors

CODE	ERROR
1	Gross Receipts amount incorrect
2	Payment Card amount incorrect
3	Fishing income amount incorrect
4	Gross Medical Receipt amount incorrect
5	Nonemployee Compensation amount incorrect
6	Barter income amount incorrect
7	Dividend income amount incorrect
8	Capital Gain Distribution amount incorrect
9	Interest income amount incorrect
10	Rent income amount incorrect
11	Royalty income amount incorrect
12	Securities Sales income incorrect
13	Cost Basis incorrect
14	Cooperative Distribution amount incorrect
15	Patronage Dividend amount incorrect
16	Agricultural Payments amount incorrect
17	CCC Loan income amount incorrect
18	Crop Insurance amount incorrect
19	Cancellation of Debt amount incorrect
20	Taxable Grant amount incorrect
21	Other Income amount incorrect
22	Substitute Payment in Lieu of Dividend amount incorrect
23	Conduit income amount incorrect
24	Real Estate amount incorrect
25	Gambling income amount incorrect
25	Additional Tax amount incorrect
26	Alternative Minimum tax incorrect
27	Taxable Income per return amount incorrect
28	Tax per return amount incorrect

Exhibit 4.119.4-12 (Cont. 1) (11-16-2020)**Notice Review Error Codes**

CODE	ERROR
29	Nonrefundable credit amount incorrect
30	Foreign Tax credit incorrect
31	Miscellaneous credit incorrect
32	Other taxes amount incorrect
33	Withholding change amount incorrect
34	Estimated Tax Penalty amount incorrect
35	Letter 2531 generated erroneously – case should have been closed
36	Letter 2030 generated erroneously - case should have been closed
37	29X should have been ordered
38	Net Investment Income Tax incorrect
39	Letter 2030 generated erroneously - Letter 2531 should have been created
40	Letter 2531 generated erroneously - Letter 2030 should have been created
41	Qualified Education Program Payments amount incorrect
42	Incorrect tax rate computation
43	Entity information incorrect

Non-Critical Errors (No Change in tax)

CODE	ERROR
1N	Gross Receipts amount incorrect
2N	Payment Card amount incorrect
3N	Fishing income amount incorrect
4N	Gross Medical Receipt amount incorrect
5N	Nonemployee Compensation amount incorrect
6N	Barter income amount incorrect
7N	Dividend income amount incorrect
8N	Capital Gain Distribution amount incorrect
9N	Interest income amount incorrect
10N	Rent income amount incorrect
11N	Royalty income amount incorrect
12N	Securities Sales income incorrect
13N	Cost Basis incorrect

Exhibit 4.119.4-12 (Cont. 2) (11-16-2020)
Notice Review Error Codes

CODE	ERROR
14N	Cooperative Distribution amount incorrect
15N	Patronage Dividend amount incorrect
16N	Agricultural Payments amount incorrect
17N	CCC Loan income amount incorrect
18N	Crop Insurance amount incorrect
19N	Cancellation of Debt amount incorrect
20N	Taxable Grant amount incorrect
21N	Other Income amount incorrect
22N	Substitute Payment in Lieu of Dividend amount incorrect
23N	Conduit income amount incorrect
24N	Real Estate amount incorrect
25N	Gambling income amount incorrect
25N	Additional Tax amount incorrect
26N	Alternative Minimum tax incorrect
27N	Taxable Income per return amount incorrect
28N	Tax per return amount incorrect
29N	Nonrefundable credit amount incorrect
30N	Foreign Tax credit incorrect
31N	Miscellaneous credit incorrect
32N	Other taxes amount incorrect
33N	Withholding change amount incorrect
34N	Estimated Tax Penalty amount incorrect
35N	Letter 2531 generated erroneously – case should have been closed
36N	Letter 2030 generated erroneously - case should have been closed
37N	29X should have been ordered
38N	Net Investment Income Tax incorrect
39N	Letter 2030 generated erroneously - Letter 2531 should have been created
40N	Letter 2531 generated erroneously - Letter 2030 should have been created
41N	Information Return omitted or incorrect information selected
42N	Incorrect tax rate computation
43N	Qualified Education Program Payments amount incorrect

Exhibit 4.119.4-12 (Cont. 3) (11-16-2020)**Notice Review Error Codes**

CODE	ERROR
44N	Incorrect paragraph selected or omitted
45N	POA letter not generated
46N	Control Base not updated
47N	TC 925 PC not input on IDRS

Exhibit 4.119.4-13 (03-13-2015)
Notice Delay Actions (Reconsiderations)

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

Exhibit 4.119.4-13 (Cont. 1) (03-13-2015)
Notice Delay Actions (Reconsiderations)

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

Exhibit 4.119.4-14 (09-06-2017)
Process Code Consistency Chart

This BUR PC Consistency Chart shall be used to determine which Process Code can follow a particular Process Code for when updating the TC 925 Process Code string on IDRS.

Current PC	Current PC Description	Process Codes that can follow the current PC	
4030	BUR SELECTED CASES	4100, 4110, 4130, 4140, 4150, 4160, 4170, 4210, 4220, 4240, 4260, 4270, 4290, 4300, 4500	
4050	RECONSIDERATION RECEIVED	4900, 4910, 4920, 4930, 4940	
4100		N/A	#
4110	CLOSED TO FIELD/OFFICE AUDIT	N/A	
4130	CLOSED TO CAMPUS EXAMINATION	N/A	
4140	FRAUD - TRANSFERRED TO CAMPUS EXAMINATION	N/A	
4150		N/A	#
4160	SURVEY EXCESS INVENTORY	N/A	
4170	HQ IDENTIFIED PROGRAM PROBLEM - CLOSURE	N/A	
4210	DISCREPANCY ACCOUNTED FOR	N/A	
4220		N/A	# #
4240	PAYER AGENT	N/A	
4260	OTHER CLOSURE (e.g., REFERRAL TO ANOTHER AREA)	N/A	
4270		N/A	# #
4290	RETURN CANNOT BE SECURED	N/A	
4300	LETTER 2531	4300, 4305, 4310, 4340, 4350, 4370, 4380, 4400, 4420, 4440, 4460, 4470, 4520	
4305	AMENDED LETTER 2531	4300, 4305, 4310, 4340, 4350, 4370, 4380, 4400, 4420, 4440, 4460, 4470, 4520	
4310	LETTER 2531 OR AMENDED LETTER 2531 GENERATED BUT NOT MAILED (PC 4300, 4305)	4100, 4110, 4130, 4140, 4150, 4160, 4170, 4210, 4220, 4240, 4260, 4270, 4290, 4300, 4305, 4500	
4320	LETTER 2030 GENERATED BUT NOT MAILED AFTER LETTER 2531 (PC 4520)	4300, 4305, 4340, 4350, 4370, 4380, 4400, 4420, 4440, 4460, 4470, 4520	

Exhibit 4.119.4-14 (Cont. 1) (09-06-2017)
Process Code Consistency Chart

Current PC	Current PC Description	Process Codes that can follow the current PC
4340		4050
4350	CASE CLOSED FIELD/OFFICE AUDIT	N/A
4370	FRAUD - TRANSFER TO CAMPUS EXAMINATION	N/A
4380	CASE CLOSED TO CAMPUS EXAMINATION	N/A
4400	NO CHANGE TO ORIGINAL TAX LIABILITY AND ALL U/R RESOLVED	4050
4420	NO CHANGE TO TAX LIABILITY AND CHANGE TO TXI (PARTIAL AGREE)	4050
4440		4050
4460	OTHER CLOSURE (e.g., REFERRAL TO ANOTHER AREA)	4050
4470	AMENDED RETURN CLOSED CASE	4050
4500	LETTER 2030	4500, 4505, 4510, 4530, 4550, 4560, 4570, 4580, 4590, 4600, 4610, 4630, 4660, 4670, 4675, 4680, 4700
4505	AMENDED LETTER 2030	4500, 4505, 4530, 4540, 4550, 4560, 4570, 4580, 4590, 4600, 4610, 4630, 4660, 4670, 4675, 4680, 4700
4510	LETTER 2030 GENERATED BUT NOT MAILED (PC 4500)	4100, 4110, 4130, 4140, 4150, 4160, 4170, 4210, 4220, 4240, 4260, 4270, 4290, 4300, 4500
4520	LETTER 2030 AFTER LETTER 2531	4320, 4520, 4525, 4530, 4550, 4560, 4570, 4580, 4590, 4600, 4610, 4630, 4660, 4670, 4675, 4680, 4700
4525	AMENDED LETTER 2030 AFTER LETTER 2531	4520, 4525, 4530, 4540, 4550, 4560, 4570, 4580, 4590, 4600, 4610, 4630, 4660, 4670, 4675, 4680, 4700
4530	RECOMPUTED LETTER 2030	4530, 4535, 4540, 4550, 4560, 4570, 4580, 4590, 4600, 4610, 4630, 4660, 4670, 4675, 4680, 4700
4535	AMENDED RECOMPUTED LETTER 2030	4530, 4535, 4540, 4550, 4560, 4570, 4580, 4590, 4600, 4610, 4630, 4660, 4670, 4675, 4680, 4700
4540	AMENDED OR RECOMPUTED LETTER 2030 GENERATED BUT NOT MAILED (PC'S 4505, 4525, 4530 AND 4535)	4505, 4525, 4530, 4535, 4540, 4550, 4560, 4570, 4580, 4590, 4600, 4610, 4630, 4660, 4670, 4675, 4680, 4700

#

#

Exhibit 4.119.4-14 (Cont. 2) (09-06-2017)
Process Code Consistency Chart

Current PC	Current PC Description	Process Codes that can follow the current PC
4550		4050
4560	CASE CLOSED TO FIELD/OFFICE AUDIT	N/A
4570	CASE CLOSED TO CAMPUS EXAMINATION	N/A
4580	FRAUD - TRANSFERRED TO CAMPUS EXAMINATION	N/A
4590	DISAGREED - APPEALS REQUEST SERVICE CENTER EXAMINATION	4050
4600	NO CHANGE TO ORIGINAL TAX LIABILITY ALL U/R RESOLVED	4050
4610	NO CHANGE TO ORIGINAL TAX LIABILITY AND CHANGE TO TXI (PARTIAL AGREE)	4050
4630		4050
4660	OTHER CLOSURE (e.g., REFERRAL TO ANOTHER AREA)	4050
4670	FULLY AGREED	4050
4675	AGREED TO REVISED TAX (PARTIALLY AGREED)	4050
4680	ADJUSTMENT TO PREPAYMENT CREDITS ONLY CLOSURE	4050
4700	STATUTORY NOTICE	4700, 4705, 4710, 4720, 4730, 4750, 4770, 4780, 4790, 4800, 4810, 4820, 4830, 4840, 4850, 4860, 4870, 4875, 4880, 4890
4705	AMENDED STATUTORY NOTICE	4700, 4705, 4710, 4720, 4730, 4750, 4770, 4780, 4790, 4800, 4810, 4820, 4830, 4840, 4850, 4860, 4870, 4875, 4880, 4890
4710	STATUTORY NOTICE GENERATED BUT NOT MAILED (PC 4700, 4705)	4500, 4505, 4525, 4530, 4535, 4550, 4560, 4570, 4580, 4590, 4600, 4610, 4630, 4660, 4670, 4675, 4680, 4700, 4705
4730	STATUTORY NOTICE RESCINDED	4500, 4505, 4520, 4530, 4550, 4560, 4570, 4580, 4590, 4600, 4610, 4630, 4660, 4670, 4675, 4680
4750	RECOMPUTED LETTER 2030 AFTER STATUTORY NOTICE	4730, 4750, 4755, 4760, 4770, 4780, 4790, 4800, 4810, 4820, 4830, 4840, 4850, 4860, 4870, 4875, 4880, 4890

#

#

Exhibit 4.119.4-14 (Cont. 3) (09-06-2017)
Process Code Consistency Chart

Current PC	Current PC Description	Process Codes that can follow the current PC
4755	AMENDED RECOMPUTED LETTER 2030 AFTER STATUTORY NOTICE	4730, 4750, 4755, 4760, 4770, 4780, 4790, 4800, 4810, 4820, 4830, 4840, 4850, 4860, 4870, 4875, 4880, 4890
4760	RECOMPUTED OR AMENDED LETTER 2030 GENERATED BUT NOT MAILED AFTER STATUTORY NOTICE (PC 4750, 4755)	4730, 4750, 4755, 4770, 4780, 4790, 4800, 4810, 4820, 4830, 4840, 4850, 4860, 4870, 4875, 4880, 4890
4770	FRAUD - TRANSFERRED TO CAMPUS EXAMINATION	N/A
4780	CASE CLOSED TO FIELD/OFFICE AUDIT	N/A
4790	CASE CLOSED TO CAMPUS EXAMINATION	N/A
4800	TRANSFER DOCKETED CASE TO APPEALS	4050
4810	NO CHANGE TO ORIGINAL TAX LIABILITY ALL U/R RESOLVED	4050
4820	NO CHANGE TO ORIGINAL TAX LIABILITY AND CHANGE TO TXI (PARTIAL AGREE)	4050
4830		4050
4840	ASSESSED BY DEFAULT REVISED DEFICIENCY	4050
4850	ASSESSED BY DEFAULT	4050
4860		4050
4870	FULLY AGREED	4050
4875	AGREED TO REVISED TAX (PARTIALLY AGREED)	4050
4880	ADJUSTMENT TO PREPAYMENT CREDITS ONLY CLOSURE	4050
4890	OTHER CLOSURE (e.g., REFERRAL TO ANOTHER AREA)	4050
4900	RECONSIDERATION FULL ABATEMENT	N/A
4910	RECONSIDERATION: PARTIAL ABATEMENT	N/A
4920	RECONSIDERATION: NO CHANGE TO ASSESSMENT	N/A
4930	RECONSIDERATION: INFORMATION REQUEST	N/A
4940	RECONSIDERATION: REFERRAL	N/A

#

#