



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

5.1.12

NOVEMBER 15, 2023

EFFECTIVE DATE

(11-15-2023)

PURPOSE

- (1) This transmits revisions to IRM 5.1.12, *Field Collecting Procedures, Cases Requiring Special Handling*.

MATERIAL CHANGES

- (1) The manual incorporates new text, reissues existing information, and reflects editorial and/or numbering changes throughout the subsections. Web addresses, links and IRM references have been updated (where necessary).
- (2) See the table below for significant changes to this IRM:

IRM Reference	Description of Change
5.1.12.1.6	Added Independent Office of Appeals to the Terms list.
5.1.12.2 and subsections	Restructured and added subsections with procedures for Collection cases with -O and -S Freeze codes. Changed disaster location references from "ZIP Codes" to "IRS Designated Disaster Area".
5.1.12.3 and subsections	Reorganized subsections to add clarifying guidance regarding audio and video recording during a taxpayer interview.
5.1.12.11.2.1	Added reference to Letter 725-B to meet pre-scheduling requirements for taxpayer contact procedures in IRM 5.1.10, <i>Taxpayer Contacts</i> .
5.1.12.20.1.1(4)(b)	Corrected reference to TAS IRM 13.1.7.3.
5.1.12.20.1.2	Added -L Freeze for Audit.
5.1.12.20.1.5.1, 5.1.12.20.1.5.3, and Exhibit 5.1.12-2	Updated dollar amount for manual refunds to align with IRM 21.4.4, <i>Manual Refunds</i> .
5.1.12.20.1.5.2 and 5.1.12.20.1.5.3	Added reference to IRM 3.17.79.1.11.2, <i>Manual Refund Digital Signature Requirement</i> .
5.1.12.20.1.5.3	Removed requirement to open a control base in accordance with requirement removal from IRM 21.4.4.5, <i>Preparation of Manual Refund</i> .
5.1.12.20.1.6.1, 5.1.12.20.1.6.2, and 5.1.12.20.1.6.3	Added reference to IRM 3.17.79.3.5, <i>Employees Authorized to Sign Requests for Refunds</i> .
Exhibit 5.1.12-3 through Exhibit 5.1.12-7	Replaced exhibit graphics with tables to meet 508 compliance requirements.
Throughout IRM	Fixed broken web addresses and links. Updated references with gender-neutral language.

EFFECT ON OTHER DOCUMENTS

This IRM supersedes IRM 5.1.12 dated April 13, 2022.

AUDIENCE

Revenue officers and other collection caseworkers in SB/SE Collection

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Small Business/Self Employed

5.1.12

Cases Requiring Special Handling

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5.1.12.1

(11-15-2023)

Program Scope and Objectives — Cases Requiring Special Handling

- (1) While many topics are touched upon in this section, comprehensive guidance about all of them cannot be included here. Remain alert for references to other resources, such as related IRM sections and websites, and access that guidance as needed to ensure a thorough understanding of topics.
- (2) **Purpose.** This IRM provides instructions and guidelines for working cases which require special handling. Specifically, IRM 5.1.12 provides the appropriate procedures when you are working the types of cases shown below:

Case Type
Authorized IRS e-file Provider
Backup Withholding (BWH)
Child Support Obligation (CSO)
Criminal Probation
Disaster / Emergency Relief
False Refund Claim
Foreign Insurance Company
Household or Agricultural Employee
Income Tax Assessed Against a Child
Indian Tribal Governments
Innocent Spouse
Manual Refund
Math or Clerical Error
Mutual Collection Assistance Requests (MCARs)
Non-Petitioning Spouse
Non-Receipt of Refund Check
Political Activity
Private Debt Collection
Refund Offset
Taxpayer Exempt from Taxation for Religious Reasons
Taxpayer Request to Record an In-Person Interview
U.S. Tax Court Subpoena

Note: Refer to IRM 5.1.8.7, *Courtesy Investigations Requiring Special Handling*, for guidance on courtesy investigations which require special handling.

- (3) **Audience.** These procedures and guidance apply to Small Business/Self-Employed (SB/SE) Field Collection revenue officers, group managers, territory managers, and area directors; however, employees in other organizations and functions may also refer to these procedures as appropriate.

Note: GMs must direct any procedural questions or concerns to the appropriate area contact for possible referral to Headquarters.

- (4) **Policy Owner.** The Director of Collection Policy is the policy owner.
- (5) **Program Owner.** SB/SE Collection organization is the program owner of this IRM section.
- (6) **Primary Stakeholders.** The primary stakeholder is the SB/SE Collection.
- (7) **Program Goals.** This guidance is provided to communicate the responsibilities to SB/SE Field Collection employees regarding cases that require special handling. By following the processes and procedures provided in the IRM, Field Collection personnel will be able to correctly address a wide range of cases requiring special handling.
- (8) **Contact Information.** Recommendations and suggested changes to this IRM must be e-mailed to the Content Product Owner. The owner is indicated on the Product Catalog Information page which is found in the Form/Pubs/Products IRM listing of the Media and Publications web site.

5.1.12.1.1
(12-20-2017)
Background

- (1) This IRM section provides guidelines and procedures for working cases that require special handling.

5.1.12.1.2
(12-20-2017)
Authority

- (1) Congress has delegated to the IRS the responsibility of administering the tax laws, known as the Internal Revenue Code, found in Title 26 of the United States Code. Congress enacts these tax laws, and the IRS enforces them.

5.1.12.1.3
(12-20-2017)
Roles and Responsibilities

- (1) The Director, Collection Policy is the executive responsible for the policies and procedures to be employed by collection personnel.
- (2) Field Collection group managers, territory managers and area directors are responsible for ensuring compliance with the guidance and procedures described in this IRM.

5.1.12.1.4
(11-15-2023)
Program Management and Review

- (1) Program Reports:
 - a. Director, Field Collection Report - This monthly report encompasses all Field Collection including International and provides measures on the performance of Field Collection.
 - b. Case reviews are conducted by group managers to ensure compliance with procedural requirements.
 - c. Operational reviews are conducted by the territory manager and area director annually to evaluate program delivery and conformance to administrative and compliance requirements.
- (2) Program Effectiveness. The efficacy of Field Collection groups is measured by the program reports and reviews listed in IRM 5.1.12.1.4 (1), *Program Reports*.

5.1.12.1.5
(04-13-2022)
Program Controls

- (1) Managerial approval of certain case actions by group managers, territory managers and area directors ensure compliance with the procedural requirements.

- (2) Reports in the Entity case management system as well as the reports and notifications in Integrated Collection System (ICS) are utilized by group managers to monitor the programs which encompass cases that require special handling.

5.1.12.1.6
(11-15-2023)

- (1) Frequently used terms in this IRM along with their definition include:

Terms and Acronyms

Term	Definition
Appeals	The Independent Office of Appeals.
Campus	A centralized Internal Revenue Service processing site.
Claim	A formal claim is a request prepared by or for the taxpayer submitted on Form 1040-X, Form 843 or Form 1120X to reduce liabilities previously assessed. It can also be an amended return. An informal claim is a letter or other document, not on Form 843, but prepared and signed by the taxpayer, requesting changes to obtain a correct and accurate reflection of their tax liability.
Control base	In IDRS, this is a marker placed on the taxpayer's account to alert other IRS employees that the identified employee is taking action on the taxpayer's account. A control base facilitates communication and prevents account-related problems or errors.
Cycle	In IDRS, this refers to a time measurement equal to one week.
Digital Signature	A digital signature provides the digital identification of the signer and ensures an electronic document is authentic. For purposes of this IRM section, a digital signature is generally used in PDF files created by the Adobe Acrobat program.
Economic Hardship	For the purpose of manual refunds, this is defined as the taxpayer's inability to meet reasonable basic living expenses.
False Refund Claim	Returns with overstated federal income tax withholding or federal refundable credits.
Freeze	In Master File, a freeze places a taxpayer's account in a condition which requires additional action before the account can be settled.
Injunctive Relief	A legal remedy in a civil lawsuit for a court order for the defendant to stop a specified act or behavior.
Manual Refund	A refund on a taxpayer account that is not generated through normal Master File processing.
Master File	An electronic system containing all information regarding the taxpayer's filing of returns and related documents.
Representative	Except when this term is paired with an organizational name, this refers to a person who is authorized to represent a taxpayer before the IRS.
SEID	Standard Employee Identifier (SEID). A computer generated alpha numeric string that provides a unique identifier for each IRS employee.

Term	Definition
Undue Hardship	For purposes of processing Form 1127, <i>Application for Extension of Time for Payment of Tax Due to Financial Hardship</i> , this means more than an inconvenience to the taxpayer such as a substantial financial loss.

(2) This table lists commonly used acronyms and their definitions:

Acronym	Definition
AC	Action Code
ACA	Affordable Care Act
AD	Area Director
AGI	Adjusted Gross Income
Bal Due	Balance Due
BFS	Bureau of the Fiscal Service
BMF	Business Master File
BPI	Bypass Indicator related to Treasury Offset Program
BWH	Backup Withholding
CC	Condition Code or Computer Condition Code
CCP	Centralized Case Processing
CCS	Campus Compliance Services
CEASO	Civil Enforcement Advise & Support Operations
CFO	Chief Financial Officer
CFOL	Corporate Files On-Line
CI	Criminal Investigation
CIS	Collection Information Statement
CNC	Currently Not Collectible
CP	Computer Paragraph
CSCO	Compliance Services Collection Operations
CSED	Collection Statute Expiration Date
CSO	Child Support Obligation
Del Ret	Delinquent Return
DLN	Document Locator Number
EIN	Employer Identification Number
EPMF	Employee Plans Master File
FAST	Fixing America's Surface Transportation Act

Acronym	Definition
FC	Field Collection
FMSS	Facilities Management and Security Services
FTP	Failure to Pay Tax Penalty
GM	Group Manager
IAT	Integrated Automation Technologies
ICS	Integrated Collection System
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IRAF	Individual Retirement Account File
IRC	Internal Revenue Code
ITG	Indian Tribal Government
ITIN	Individual Taxpayer Identification Number
KCSC	Kansas City Campus, formerly Kansas City Service Center
LLC	Limited Liability Company
MCAR	Mutual Collection Assistance Request
MF	Master File
MFT	Master File Transaction
NC	Name Control
NFTL	Notice of Federal Tax Lien
NMF	Non-Master File
NMFL	Non-Master File Liability
OBR	Offset Bypass Refund
OCSE	Office of Child Support Enforcement
PCA	Private Collection Agency
PDC	Private Debt Collection
PSC	Philadelphia Campus, formerly Philadelphia Service Center
RO	Revenue Officer
SB/SE	Small Business / Self Employed
SEID	Standard Employee Identifier
SP	Submission Processing
SRP	Shared Responsibility Payment
SSA	Social Security Administration
SSN	Social Security Number

Acronym	Definition
TAS	Taxpayer Advocate Service
TC	Transaction Code
TDA	Tax Delinquent Account
TETR	Telephone Excise Tax Refund
TFRP	Trust Fund Recovery Penalty
TIN	Taxpayer Identification Number
TM	Territory Manager
TOP	Treasury Offset Program
USC	United States Code

5.1.12.1.7
(04-13-2022)

Related Resources

(1) Web resources:

- IRS.gov Affordable Care Act (ACA) Tax Provisions page at <https://www.irs.gov/affordable-care-act>

5.1.12.2
(11-15-2023)

Collection Relief for Taxpayers Impacted by a Disaster

(1) This subsection contains collection relief operating guidance for Field Collection (FC) employees.

- (2) Many taxpayers and tax professionals in a covered disaster area may be unable to meet filing deadlines or make timely federal tax payments that become due shortly after the event.
- (3) If the taxpayer is affected in some way by the disaster, document the case history with information provided by the taxpayer and determine if a taxpayer needs any of the following:
- Additional time to assess their impact of the disaster.
 - An opportunity to provide a new financial statement to update their ability to pay.
 - Information about filing a claim for a loss on their preceding year's income tax return.

(4) When collection activity is suspended because of a disaster:

- Do not initiate contact with taxpayers; however, taxpayers may wish to contact the IRS to resolve their accounts.
- If a taxpayer-initiated contact occurs at any time after a disaster, use IRM 5.1.12.2.2, *Soft Contact* procedures and ascertain the damage and hardship, if any, sustained by the taxpayer.
- If contacted by a taxpayer who states that they are not affected by the disaster, resume normal collection activity with managerial approval. Document the case history explaining the reason for the resumption of collection activity.
- Disaster CSED suspensions under IRC 7508A are discretionary per IRC 7508(a)(1)(K) where accounts affected in a disaster area are NOT suspended by the IRS unless the IRS has published guidance like an

Internal Revenue Bulletin (IRB) or IRS News Release specifying the CSED suspension period for a designated disaster area. See IRC 7508A, IRC 7508(a)(1)(K), and Rev. Proc. 2018-58.

- (5) At the end of the relief period, resume taxpayer contacts within the designated disaster area, using IRM 5.1.12.2.2, *Soft Contact* procedures.
- (6) When collection activity is not suspended during a disaster period:
 - a. Commence taxpayer contact by using Soft Contact procedures and assessing the impact of the disaster event upon the taxpayer.
 - b. Provide an opportunity, if appropriate, to defer action for a reasonable period of time.
 - c. Resume normal collection activities if the taxpayer was not impacted.
 - d. Review any outstanding letters/levies including those that were mailed immediately before the disaster since these are the most stressful to impacted taxpayers. Letters/levies issued just prior to the disaster may be rescinded immediately by the initiator to prevent any additional economic hardships to taxpayers unless it is known that the taxpayer has not been affected by the disaster event. Even when compliance activity has not been suspended, it may be appropriate to rescind certain letters or levies. Levies may be put on hold, as an interim measure, while determining whether to rescind or retain.

Example: RO secured a Collection Information Statement (CIS) that indicates the case is Currently Not Collectible (CNC) but the taxpayer did not send in the verification of income and expenses by the deadline set by the RO and a levy was sent a few days prior to the disaster event. In this instance, since the CIS indicates this case is probably a CNC, the levy may potentially cause an additional hardship to the taxpayer if not released.

- (7) Collection activities requiring action:
 - a. For taxpayers whose address is not within a designated disaster area (and not otherwise considered to be an affected taxpayer), but who self-identifies as being impacted and requests disaster relief, input a disaster freeze code -S using the disaster relief dates as published in the Disaster Relief Memorandum. (See IRM 21.5.6.4.37 for information regarding the -S Freeze code.) The -O freeze may be input by Compliance employees if suspension of collection activities is warranted in accordance with the Disaster Relief Memorandum. (See IRM 21.5.6.4.30 for information regarding the -O Freeze code.) See disaster freeze input procedures at IRM 25.16.1.7, *Disaster Systemic Account Indicators*.
- (8) Use IRM 5.1.12.2.2, *Soft Contact* procedures when the taxpayer resides outside the IRS Designated Disaster Area, and self-identifies as impacted by the disaster. To receive systemic disaster zone relief, the taxpayer must meet the definition of an “affected taxpayer” found in IRM 25.16.1.3, *Identification of Covered Disaster Area, Postponement Period and Affected Taxpayers*.
- (9) In addition to this IRM, guidance and resource information related to disasters can be found elsewhere, including:
 - IRM 1.4.50.10.6, *Disaster Issues and Replacement Inventory*.
 - IRM 25.16.1, *Disaster Assistance and Emergency Relief, Program Guidelines*.

- FEMA Disaster and Assistance - Search Your Location page at <https://www.fema.gov/locations>.
- Disaster Assistance and Emergency Relief Program page at <https://irssource.web.irs.gov/SBSE/lists/HumanCapitalOffice/DispltemForm.aspx?ID=39&https://irssource.web.irs.gov/SBSE/Lists/HumanCapitalOffice/AllItems.aspx&SectionName=Organizational%20Support%20&%20Continuity%20of%20Operations>.
- IRS Disaster Memos & Declarations by Calendar Year page at <http://www.tris.irs.gov/fema/>.

5.1.12.2.1
(11-15-2023)

**Field Collection
Management Guidelines
for Initial Response to
Disasters**

- (1) Immediately following a major disaster, but before receipt of a Disaster Relief Memorandum, the Field Collection (FC) territory manager (TM) has the following options involving taxpayers residing in the general disaster area:
 - a. Initiate Soft Contact Procedures per IRM 5.1.12.2.2, *Soft Contact*, with the taxpayer to determine impact status prior to resumption of collection activity.
 - b. Initiate an initial suspension of ALL collection activity (including soft contact) pending the initial determination of the exact IRS Designated Disaster Area and magnitude - no contact whatsoever.
- (2) Based on the Disaster Relief Memorandum, the TM may be required to suspend compliance actions in IRS Designated Disaster Area.

Note: An -O freeze may cause drops in revenue officer case loads due to lack of assigned work when freeze is maintained in excess of 4–6 weeks.

5.1.12.2.2
(11-15-2023)

Soft Contact

- (1) A soft contact entails approaching the taxpayer with caution and extreme sensitivity to their personal circumstances. Stress and fatigue are factors to consider even in instances where the taxpayer did not experience any personal, monetary, or physical damage from the disaster. Follow pre-scheduling requirements for taxpayer contact per IRM 5.1.10, *Taxpayer Contacts*.
- (2) For initial taxpayer contact, issue Letter 725-B, *Meeting with Taxpayer - Confirmation*, to schedule an IRS office or telephonic appointment in accordance with procedures found in IRM 5.1.10, *Taxpayer Contacts*.
- (3) Soft contact must be used when interviewing a taxpayer to determine whether collection activity is appropriate. Soft contact is required in the following situations:
 - a. Taxpayer is still affected by the disaster after the implementation of an -S freeze.
 - b. Taxpayer is situated in an area where a disaster event has occurred, but collection activity has not been suspended.
 - c. Taxpayer is situated in an area where collection activity was suspended, and the suspended end date has now passed.
 - d. As a follow-up to a prior soft contact where it was determined that the taxpayer was affected by the disaster event at that point in time.
 - e. Taxpayer initiated contact where the -O freeze is present.
 - f. Voluntary commitments have not been made upon conclusion of the freeze.

- (4) Any enforcement-related contact with a taxpayer in a covered disaster area must begin with an assessment of impact of the disaster on the taxpayer. The soft contact provides the opportunity to make that assessment on a case-by-case basis, enabling either:
 - a. Resumption/initiation of collection activity because the disaster-related impact upon the taxpayer is no longer applicable.
 - b. Postponement of collection activity to avert further hardship upon the taxpayer temporarily suffering the effects of a disaster event, or
 - c. Identification of long-term disaster-related hardship that may indicate a currently not collectible case closure.

5.1.12.2.3
(11-15-2023)
Disaster Freeze Codes

- (1) There are two types of disaster freeze codes, the –S freeze and the –O freeze. Both freezes are established systemically for a specific IRS Designated Disaster Area and for a specific period of time. Reference IRM 25.16.1.3, *Identification of Covered Disaster Area, Postponement Period, and Affected Taxpayers*.
 - a. The –S freeze provides systemic penalty and interest relief.
 - b. The –O freeze provides systemic penalty, interest and compliance relief, as well as stops most compliance notices
- (2) The existence of a -S freeze or -O freeze does not prohibit a V- freeze release, adjustment or other non-enforcement activities which are unrelated to the disaster event if they are otherwise warranted.

5.1.12.2.4
(11-15-2023)
-S Freeze Disaster Indicator

- (1) The -S freeze code provides filing and payment relief (interest and penalty relief) without systemically suspending collection activity.
- (2) The -S freeze applies to returns and payments that are due during the disaster relief window. The -S freeze is not applicable to late filing and payment situations established prior to the filing and payment relief period that occurred in the Disaster Relief Memorandum.

5.1.12.2.4.1
(11-15-2023)
Field Collection Cases with -S Freeze

- (1) Follow procedures in IRM 5.1.12.2.2, Soft Contact .

5.1.12.2.5
(11-15-2023)
-O Freeze Disaster Indicator

- (1) The -O freeze is a disaster indicator on the IRS Master File system used to assist in disaster processing. The use of an -O freeze allows the IRS to provide special processing related to any filing/payment/interest relief granted for a geographic area without the need for taxpayer self-identification.
- (2) The -O freeze prevents the issuance of some Master File and most Integrated Data Retrieval System (IDRS) notices and prevents most compliance actions. The -O freeze does not prevent the issuance of first notices and will not freeze a refund or release of a refund unless there is also a Taxpayer Delinquency Investigation (TDI) refund freeze in effect.
- (3) The -O freeze suspends interest, failure to file, and failure to pay penalties if the due date of the return falls within the window of the beginning and ending dates of the disaster relief.

- (4) Executive level approval is required to manually override the -O freeze in order to address exigent circumstances or to allow actions requested by the taxpayer.
- (5) The -O Freeze does not directly suspend the running of the Assessment Statute Expiration Date (ASED), Collection Statute Expiration Date (CSED), or the 24-month mandatory acceptance period for Offer-in-Compromise requests.
- (6) Cases remain in status 26 when the -O freeze is input. Group managers (GMs) may move cases out of revenue officer (RO) inventory into hold files pending the release of the -O freeze.
- (7) Taxpayer contact is restricted on all -O freeze cases during the specified freeze period unless exigent circumstances apply, e.g., jeopardy condition, statute expiration, etc. If the taxpayer initiates contact during the freeze period, interaction is permissible but agreements are voluntary and not enforceable for the period the -O freeze remains in effect.
- (8) The -O freeze on the Individual Master File (IMF) and Business Master File (BMF) systems applies to all Master File Taxes (MFTs) for systemic penalty and interest relief. The -O freeze will not show on the Non-Master File (NMF) entities.
- (9) For additional information, see:
 - IRM 25.16, *Disaster Assistance and Emergency Relief*.
 - IRM 25.16.1.7, *Disaster Systemic Account Indicators*.

5.1.12.2.5.1
(11-15-2023)

Case Inventory

- (1) Group managers will refer to IRM 1.4.50.10.6.2, *-O Freeze Inventory* for management of revenue officer's assigned and replacement inventory.

5.1.12.2.5.2
(11-15-2023)

**Field Collection Cases
with -O Freeze**

- (1) In general, **do not** contact or take collection actions towards taxpayers located in IRS Designated Disaster Areas who received an -O freeze during the compliance activity relief period.

Prohibited actions include, but are not limited to:
Initiating contact with the taxpayer
Filing a new Notice of Federal Tax Lien
Serving a Notice of Levy
Seizure or sale activity
Summons of a taxpayer or a third-party
Issuance of letters proposing the Trust Fund Recovery Penalty investigation or assessment
Issuance of letters proposing assessment under IRC 6020(b) or Substitute for Return (SFR)
Denial of penalty appeal
Enforcement of summons proceedings

Prohibited actions include, but are not limited to:
Suit proceedings (except for internal administrative actions that do not result in taxpayer notification or contact)
Issuance of Letter 1058 (and variations) or Letter 3174 (and variations)
Working Federal Tax Deposit (FTD) Alerts
Third-party contacts regarding actions listed above

- (2) Request area director approval for any collection activity potentially adverse to the taxpayer. Consider the existence of any exigent circumstances before requesting approval.
- (3) Request area director approval to continue any collection activity initiated prior to the relief period, including but not limited to any outstanding levies, seizures, and summonses.
- (4) If the contact with a taxpayer results in information indicating that the taxpayer is not affected by the disaster and an -O freeze was placed on the entity:
 - a. Resume normal collection activity with managerial approval. Do not remove the -O freeze as doing so will reinstate the penalty and interest that were previously waived.
 - b. Document the case history with the taxpayer's status regarding the disaster.
- (5) Conversely, the taxpayer may provide information indicating that they have been impacted by the disaster event. If so:
 - a. Retain the -O freeze, do not take collection actions until after the predetermined release date has passed.
 - b. After the release date, ensure that the impact is not continuing prior to further collection action.
 - c. Document the case history with the taxpayer's status regarding the disaster.
- (6) If an -O freeze is not present on the entity, but the taxpayer self-identifies as a disaster victim:
 - a. Establish a reasonable follow-up date with the taxpayer.
 - b. Submit Form 4844, *Request for Terminal Action*, to have a TC 971, Action Code 087 input on the tax account.
 - c. Document the case history with the taxpayer's status regarding the disaster.
- (7) In general, do not initiate enforcement action if the taxpayer missed a deadline established prior to the disaster. Casework will resume after the relief period with "soft contact", reference IRM 5.1.12.2.2, *Soft Contact* procedures to determine the impact of the disaster on the taxpayer and any changes in their ability to comply with pre-disaster requests.

5.1.12.2.5.3
(11-15-2023)

**Collection Actions
Which Do Not Require
Additional Managerial
Approval**

- (1) Current IRM provisions for the following case actions remain in effect on cases with a -O Freeze, and do not require additional managerial approval:
 - Postal tracers. However, do not issue a summons to obtain P.O. Box holder information during the relief period unless approval is secured.
 - Installment agreements (IAs) or Offer-in-Compromise
 - Credit report requests on balance due accounts, however follow-up on leads obtained from this information via summons or interviews is not allowed during the relief period
 - State Wage and Unemployment Compensation Records requests from state agencies
 - Department of Motor Vehicle (DMV) requests
 - Courthouse research or research through other government agencies for records to determine lien priority, business ownership, or property ownership
 - Adjustments reducing the tax liability such as Substitute for Return re-considerations and penalty abatements
 - Actions for which the taxpayer or third party does not need to be contacted, for example: determining if a case is currently not collectible

5.1.12.2.5.4
(11-15-2023)

Exigent Circumstances

- (1) An exigent circumstance involves the loss of opportunity for the government to collect taxes due, such as the expiration of the statute of limitations, assets being placed beyond the reach of the government, etc. Generally, the affected taxpayer's indication that they may file for bankruptcy is not an exigent circumstance.
- (2) To determine if exigent circumstances exist, managers and employees must exercise good judgment and consider all relevant factors including the amount of the liability, the time remaining on a statute of limitations, the taxpayer's individual circumstances, and all other relevant matters.
- (3) If exigent circumstances exist regarding an affected taxpayer during the period that the -O Freeze is in effect, compliance activity may be pursued with documented executive approval. If such approval is granted, the -O freeze will be terminated, and the respective enforcement action taken.

5.1.12.2.5.5
(11-15-2023)

Lien, Levy, and Seizure

- (1) Do not request the filing of a new Notice of Federal Tax Lien on a taxpayer qualifying for a -O freeze, regardless of the filing location.
- (2) Release all outstanding levies and annotate the history for follow-up action after the relief period.
- (3) In general, return of levy proceeds received before the start of the relief period is not required. Based on the taxpayer's situation, consideration is to be given whether returning levy proceeds would be appropriate. Levy proceeds received after the start of the relief period may be returned if criteria is met under IRM 5.11.2.3.1, *Legal Basis for Releasing Levies*.
- (4) Cancel any sales of seized property advertised and scheduled to take place in the disaster area during the relief period until after the relief period. Delay sales not yet advertised and reschedule to occur after the relief period.

- (5) Seizures in place during a disaster must be evaluated to ascertain possible seized property damage, security issues and, if applicable, disaster-related hardship conditions indicating that a release would be appropriate.

5.1.12.2.5.6
(11-15-2023)
Summons

- (1) Consult Counsel about enforcement of a third-party summons. Proceed with enforcement as necessary on summonses sent to a third-party where:
- The third-party record keeper did not comply, and
 - The record holder is located outside the designated disaster area, and
 - The time frame for the taxpayer to quash the summons (if applicable) expired prior to the start date of the relief period
- (2) If a summons was issued to the taxpayer prior to the start date of the relief period for appearance during the relief period:
- a. Do not contact the taxpayer if located within the -O freeze area, except to cancel or postpone a scheduled appearance date.
- Note:** In the case of designated summons under IRC 6503(j), the statute of limitations on assessments is suspended for the period beginning when a lawsuit is filed in a court of law to either enforce or quash the summons. Discuss the proper enforcement action with your manager, Counsel, or other appropriate personnel.
- b. Do not enforce the summons.
- c. If the taxpayer initiates contact to comply with the summons, this is acceptable.
- d. If the taxpayer initiates contact to express inability to comply with the summons, attempt to reach agreement on a new enforcement date that falls after the relief period. Reissue the summons after the relief period for the agreed upon date, allowing for normal time lapse between service date after the relief period ends and the summons appearance date. Confirm the taxpayer's future location for service of that summons.
- e. Once the relief period has ended, a summons that was not complied with (other than designated under IRC 6503(j)) must be reissued.
- (3) Summonses issued to the taxpayer or to third parties for appearance before the relief period began need not be reissued and may be enforced after the relief period ends.

5.1.12.2.5.7
(11-15-2023)
Suits

- (1) If a suit recommendation is already with the Department of Justice (DOJ) and a -O freeze impacts the taxpayer and/or their property, DOJ is responsible for any litigation decision. Ensure DOJ has the latest information regarding any damage to the taxpayer and/or their property.
- (2) If a suit recommendation is already with IRS Counsel and an -O freeze impacts the taxpayer and/or their property, Counsel has accepted responsibility for any litigation decisions. Ensure Counsel has the latest information regarding any damage to the taxpayer and/or their property.
- (3) If a suit is in process (recommendation, preparation and review, approval), an -O freeze impacts the taxpayer and/or their property, and the case involves a CSED due to expire before, during, or shortly after the disaster period ends:

5.1 Field Collecting Procedures

- a. If the suit recommendation meets the criteria in IRM 25.3.2.3, *Criteria for Bringing Suit*, then ask Counsel if they are in a position to accept the recommendation (if approved by the area director).
 - b. The area director will need to approve the recommendation.
 - c. Once approved by the area director, forward to Counsel.
- (4) If Counsel responds “Yes,” and property/foreclosure is involved, then continue processing the reduce claims to judgment portion and ascertain status of the property.
 - a. If there is no damage, or the damage is low or “acceptable,” then include the property foreclosure in the recommendation package and proceed.
 - b. The area director will need to approve the recommendation.
 - c. Once the area director has approved the recommendation package, forward the foreclosure, and reduce claim to judgment package recommendation to Counsel.
- (5) If damage to the property would make it difficult to sell, do not proceed with the foreclosure. If the taxpayer has other property that can be collected from in the future, continue with the reduce claims to judgment portion. The area director will need to approve the portion of the package moving forward to Counsel.
- (6) If Counsel responds that they will not accept the case, then do not continue with the recommendation, and inform your approval chain that the CSED will be allowed to lapse.
- (7) If the case does not meet the criteria in IRM 25.3.2.3, *Criteria for Bringing Suit*, then do not proceed with the recommendation and inform your approval chain that the CSED will lapse.
- (8) If a suit is in process, an -O freeze impacts the taxpayer and/or their property, and the case does not contain an imminent CSED, continue the processing, preparation, and review work.
 - a. Hold area director/territory manager approvals until after the Disaster Relief Period.
 - b. After the disaster relief period ends, conduct a review of the impact of the disaster on the taxpayer and their property and based on the factors of the case, continue to process the suit if appropriate.

5.1.12.2.5.8 (11-15-2023) Bankruptcy

- (1) Continue to take necessary steps regarding court-imposed deadlines on bankruptcy cases, including:
 - a. Filing and amending proofs of claim
 - b. Objecting to plans (when appropriate) and responding to objections to claims
 - c. Objections to discharge, and motions to determine dischargeability of tax debts
- (2) For discretionary activities, delay actions absent exigent circumstances which require managerial approval through the end date of the relief period, including:
 - a. Filing NFTLs on dismissed cases
 - b. Levies on exempt property
 - c. Referrals for conversion or dismissal

d. Secure delinquent returns

5.1.12.2.5.9
(11-15-2023)
**Trust Fund Recovery
Penalty**

- (1) The -O Freeze does not directly suspend the running of the Trust Fund Recovery Penalty (TFRP) ASED; however, the disaster relief does postpone the period (60 days, or 75 days for a taxpayer outside the U.S.) for a taxpayer to file a timely protest to a proposed TFRP determination.

5.1.12.2.5.9.1
(11-15-2023)
**Control Point Monitoring
(CPM) Actions**

- (1) Pending TFRP assessments on "-O Freeze" in CPM will be returned to Field Collection (FC) on Form 5942, *Advisory Reviewer's Report*, using "RO/GM requested return of case file" with the Automated Trust Fund Recovery (ATFR) history notation "[name of disaster] - O Freeze".

5.1.12.2.5.9.2
(11-15-2023)
**TFRP Related Revenue
Officer Actions**

- (1) For cases returned from CPM, the RO will:
 - a. Identify all imminent ASEDs expiring during the disaster relief period. Follow the quick assessment procedures found in IRM 5.7.6.13, *Quick and Prompt Assessment Actions*, if the ASED expires within 30 days.
 - b. Identify any ASEDs expiring on or before April 15th of the year following the start of the disaster relief period, and create a follow-up date to take quick assessment action prior to ASED expiration, as needed.
 - c. If there are no ASED issues, then return the case to CPM following the end of the disaster relief period.
- (2) For cases in inventory not submitted to CPM, the RO will:
 - a. For ASEDs that will expire prior to the end of the disaster relief period, secure group manager and territory manager approval and concurrence for executive approval to contact the taxpayer to secure a Form 2750, *Waiver Extending Statutory Period for Assessment of Trust Fund Recovery Penalty*, and if the potentially responsible person(s) will not sign a waiver, issue Letter 1153, *Proposed Trust Fund Recovery Penalty Notification*, to protect the ASED.
 - b. IRM 5.7.3.7.2, *Impact of Letter 1153 on Assessment Statute*, provides guidance that issuance of Letter 1153 prior to the expiration of the ASED will extend the ASED to the date 90 days after the date on which the Letter 1153 was mailed or delivered in person.
 - c. If Letter 1153 has been issued, and the ASED will expire on or before April 15th of the year following the start of the disaster relief period, the employee can submit the TFRP for assessment to CPM at the end of the disaster period. The employee must take quick assessment actions if the ASED will expire within 30 days.
- (3) The time for filing a protest on a designated -O freeze case because of the disaster is extended until the end of the disaster relief period. Therefore, if a Letter 1153 was issued within 60 days (75 days, if addressed to a taxpayer outside the U.S.) prior to the beginning of the -O freeze period, then a protest is considered timely if postmarked on or before the end of the disaster relief period. Due to restrictions on ex parte communications with the Independent Office of Appeals (Appeals) after receipt of a protest, any documentation secured and analyzed after the receipt of a protest will need to be shared with the taxpayer by the group manager before submitting to Appeals so the taxpayer has an opportunity to participate in the communication.

- (4) Create a follow-up date to return standard TFRP cases to CPM for processing at the end of the disaster relief period.
- (5) For all cases, if information becomes available that indicates the TFRP will no longer be collectible, prepare an amended Form 4183, *Recommendation re: Trust Fund Recovery Penalty Assessment*, and Form 9327, *Nonassertion Recommendation of Uncollectible Trust Fund Recovery Penalty or of Uncollectible Personal Liability for Excise Tax*, for managerial approval.
- (6) Non-ASED cases and Letter 1153 is not issued:
 - a. Monitor 'Pending Determination' reports weekly. Use the 'Determination Delay' feature on ATFR to delay the determination to pursue or not pursue the TFRP to a reasonable amount of time past the expiration of the -O freeze. This date must not exceed 120 days past the expiration of the -O freeze unless exigent circumstances exist.
 - b. Monitor the 'Pending Form 4183' report. In cases where the RO determines to pursue the TFRP but did not yet secure managerial approval of the Form 4183, do not take additional action to secure approval until the -O freeze expires. Document both the ICS and ATFR case history with reference to the disaster memorandum.
Note: These cases will continue to age on the 'Pending Form 4183' report.
 - c. Monitor the 'Pending Letter 1153' report. In cases where the Form 4183 was approved and the Letter 1153 has **not** been issued, do **not** issue the Letter 1153 until the -O freeze expires. Document both the ICS and ATFR case history with reference to the disaster memorandum.
Note: These cases will continue to age on the 'Pending Letter 1153' report.
- (7) Non-ASED cases and Letter 1153 issued:
 - a. Document both the ICS and ATFR case history with reference to the disaster and state the case will be submitted to CPM after the relief period has ended. These cases will continue to age on the 'Pending Form 2749 to CPM' report.

5.1.12.2.5.10
(11-15-2023)
Federal Payment Levy Program

- (1) A disaster zone freeze systemically blocks the taxpayer from the Federal Payment Levy Program (FPLP). Consider further blocking the FPLP for a reasonable period after the -O freeze to assess the impact of collection activities on the taxpayer.

5.1.12.2.5.11
(11-15-2023)
Probate Cases

- (1) In probate cases, Form 4490, *Proof of Claim for Internal Revenue Taxes*, and Letter 4653, *Proof of Claim (Form 4490) Cover Letter*, may be filed in probate proceedings as this is a protective action of the Government's interest, not an enforcement action. See IRM 5.5.4.6, *Proof of Claim Procedures*, and IRM 5.5.4.9, *Estimated Claims*, for guidance on filing proofs of claim in probate cases.
- (2) Form 10492, *Notice of Federal Taxes Due*, may be issued as it reflects the balance due on the account only. It does not demand payment or outline consequences if the payment is not made. New NFTLs must not be filed on any accounts in the disaster area unless exigent circumstances exist.

- 5.1.12.2.5.12
(11-15-2023)
Taxpayer Contact After the -O Freeze Relief Period Ends
- (1) Use soft contact procedures IRM 5.1.12.2.2 at the end of the relief period when contacting the taxpayer. This includes taking the taxpayer's personal circumstances into account and treating the taxpayer with sensitivity. Consider stress and fatigue factors, even in instances where taxpayers did not experience any personal, monetary, or physical damage from the disaster. Begin with an assessment of the impact of the disaster on the taxpayer. This provides an opportunity to defer action as needed for a reasonable period of time.
- 5.1.12.2.6
(11-15-2023)
Offer in Compromise Processing
- (1) See IRM 5.8.1.17, *Disaster Procedures (-O freeze and -S freeze)*, or separately issued disaster guidance for disaster related guidance.
- 5.1.12.2.7
(11-15-2023)
Campus Related Collection Activity
- (1) See IRM 5.19, *Liability Collection*, or separately issued disaster guidance for the following areas:
- Account Management (AM)
 - Automated Collection Systems (ACS)
 - Automated Collection Systems Support (ACSS)
 - Centralized Offer in Compromise (COIC)
 - Compliance Services Collection Operations (CSCO)
- 5.1.12.3
(11-15-2023)
Recording Taxpayer Interviews
- (1) Taxpayers have the right under IRC 7521, *Procedures Involving Taxpayer Interviews*, to record audio during an **in-person** interview.
- (2) Taxpayers do not have the right to record video during an interview under IRC 7521.
- 5.1.12.3.1
(11-15-2023)
Taxpayer Request to Record Audio during an Interview
- (1) Taxpayers have the right under IRC 7521, *Procedures Involving Taxpayer Interviews*, to record audio during an in-person interview. Under Notice 89-51, 1989-17 I.R.B. 21, ten calendar days advance written notice from the taxpayer is required.
- (2) The taxpayer must supply their own means to capture audio. The recording can be by electronic or manual means, including stenography, or other comparable technologies at the taxpayer's own expense.
- (3) The taxpayer or representative does not have the right to record a **telephone** interview, with or without the IRS's knowledge. If a taxpayer or representative begins to record a conversation during a telephone call and you are aware of it, ask the taxpayer or representative to stop recording, and advise them there's no provision under IRC 7521 for telephonic recording. If the recording is not stopped, politely terminate the call and document the case history accordingly.
- 5.1.12.3.2
(11-15-2023)
Review and Approval of a Request to Record Audio
- (1) Notify the group manager upon receipt of a request to record audio during a taxpayer interview. Verify the following:
- a. The request was received in writing, and
 - b. The request was received at least ten calendar days in advance of the interview, and
 - c. The interview is scheduled at an IRS location, and
 - d. Working audio recording equipment will be available for the IRS to use to record the interview

- (2) If recording equipment and/or a suitable IRS location are not available, postpone and reschedule the meeting until the necessary equipment and suitable location are available.
- (3) Notify the taxpayer of your agreement to the request to audio record the interview after receipt of the group manager's (GM) approval.

5.1.12.3.3
(11-15-2023)
**Audio Recording
Procedures**

- (1) Arrange for a GM to be present at all times when an audio recording is being made.
Exception: Arrange for another IRS compliance employee to be present if a GM is not available.

- (2) Only use Government owned / issued equipment to record the interview.
- (3) Identify yourself, the date, time, place, and purpose of the interview at the outset of the recording.
- (4) Ask each participant in the interview to do the following:
 - a. identify themselves
 - b. state their role in the proceeding
 - c. acknowledge and consent to the making of an audio recording.
- (5) Announce and identify additional participants when they arrive or when they leave during the interview.
- (6) Describe any written records presented during the interview in sufficient detail to make the verbatim recording a meaningful record when matched with the other documentation contained in the case file.
- (7) State the interview is complete and the recording is ending at the conclusion of the interview.
- (8) Stop the equipment from recording at the conclusion of the interview.
- (9) Attach a copy of the written request and the recording (electronic, or physical media such as an audio cassette) to the paper case file.

Note: Reference IRM 1.15, *Records and Information Management*.

5.1.12.3.4
(11-15-2023)
**Interruption of an Audio
Recording**

- (1) Compliance employees may stop the audio recording if the taxpayer's behavior is clearly disruptive of the normal collection process.
- (2) Attach a copy of the taxpayer's written request to make an audio recording of the interview to the case file.
- (3) Note in the case history that the compliance employee stopped the recording.

5.1.12.3.5
(11-15-2023)
**Transcript of an Audio
Recording**

- (1) Transcribe all or part of the recording when necessary to make the verbatim recording a meaningful record which can be matched with the documentation contained in the case file.

- (2) The taxpayer may obtain a duplicate of the recording or a copy of our transcript of the interview provided the taxpayer pays for the cost of the reproduction or transcript in advance.

5.1.12.3.6
(11-15-2023)
**Video Recording During
a Taxpayer Interview**

- (1) Photography within or on the grounds of IRS facilities and campuses is prohibited except when specifically authorized by the Facilities Management and Security Services (FMSS) Physical Security Section Chief per IRM 10.2.14.6, *Photography and Video Recordings Prohibition*. IRC 7521 further advises taxpayers do not have the right to record video during an interview.
- (2) Decline all requests to video record a taxpayer's interview. Record the declination of the request in the ICS case history. Include a copy of the taxpayer's written request (if one exists) to video record the interview in the case file.
- (3) If a revenue officer or other compliance employee has knowledge of, or suspects video recording (including still video, motion video, or comparable video capture/streaming technology) is occurring during a taxpayer interview, take the following actions:
 - a. If the recording is occurring at a taxpayer's location, politely terminate the interview providing an explanation to the taxpayer that IRC 7521 does not provide for video recording of a taxpayer's interview, and schedule a follow-up interview at an IRS office, or
 - b. If the taxpayer begins video recording at an IRS office, respectfully ask the taxpayer to stop recording. If the taxpayer declines, politely terminate the interview providing an explanation to the taxpayer that IRC 7521 does not provide for video recording of a taxpayer's interview. If needed, issue Form 9297, *Summary of Taxpayer Contact*, while in the office or by mail.

5.1.12.4
(05-20-2008)
**Authorized IRS e-file
Provider — Monitoring
and Suitability**

- (1) The IRS performs monitoring and suitability checks on Authorized IRS e-file Providers. Monitoring may include reviewing IRS e-file submissions, investigating complaints, scrutinizing advertising material, checking adherence to electronic filing signature requirements, examining files, observing office procedures, and conducting suitability checks. Suitability checks are performed continuously regarding compliance issues.
- (2) See IRM 3.42.10, *Authorized IRS e-file Providers*.
- (3) See IRM 4.21.1, *Monitoring the IRS e-file Program*.
- (4) Make a referral to the Andover Campus when you believe there are suitability issues regarding a Provider that need to be addressed:
 - a. Send a suitability referral via email to “*IRS E~Helpmail”.
 - b. Use secure email, as appropriate.
- (5) Make a referral when you believe an e-file Provider requires monitoring.
 - a. See IRM 4.21.1.4, *Referrals*.
 - b. Exhibit 4.21.1-15, *IRS e-File Monitoring Referral and Follow Up*, contains the referral form template.

5.1.12.5
(01-01-2015)
**Affordable Care Act
(ACA) Shared
Responsibility Payment
(SRP)**

- (1) SRP assessments are not subject to levy or the filing of Notices of Federal Tax Lien.
- (2) See IRM 5.12.2.3.1.1, *Affordable Care Act's (ACA) Shared Responsibility Payment (SRP) Exception*, for information regarding treatment of Notices of Federal Tax Lien (NFTL) where there are SRP assessments.
- (3) See IRM 5.11.1.4.14, *Affordable Care Act's (ACA) Shared Responsibility Payment (SRP)*, for information regarding treatment of Notices of Levy where there are SRP assessments.

5.1.12.6
(09-20-2012)
**Income Tax Assessed
Against a Child**

- (1) IRC 6201(c), *Compensation of Child*, permits IRS to treat certain income tax assessed against a child, to the extent of the amount attributable to income included in the gross income of the child solely by reason of IRC 73(a), *Treatment of amounts received*, if not paid by the child, as having also been properly assessed against the parent.
- (2) Refer to IRC 6201(c) and the related regulations for the authority to assess against a child and to treat such assessment as having been properly made against the parent.
- (3) Attempt to collect income tax assessed against a minor child from the minor child. Use good judgment when collecting from the income/assets of a minor child.
- (4) Attempt to collect income tax assessed against a minor child from the parent only if you are unable to directly collect it from the minor child.
- (5) Do not assess any amount of unpaid estimated tax required to be paid under IRC 6654, *Failure By Individual To Pay Estimated Income Tax*, or IRC 6655, *Failure By Corporation To Pay Estimated Income Tax*.

Note: Area directors and campus directors are not allowed to assess any amount of unpaid estimated tax required to be paid under IRC 6654 or IRC 6655.

- (6) Base any assessments on tax returns of the minor child rather than estimates.

5.1.12.7
(11-15-2023)
**Household or
Agricultural Employee**

- (1) Follow normal BAL DUE processing to collect tax on the wages of household or agricultural employees.
- (2) To help prevent future delinquencies, ensure that taxpayers know about voluntary withholding of income tax from the wages of household and agricultural employees.
- (3) Follow these procedures if taxpayers' employees want their employers to withhold tax from their wages:
 - a. assist the taxpayer in preparing Form W-4, *Employee's Withholding Certificate*, and
 - b. furnish the taxpayer with a copy of Pub 15, *(Circular E) Employer's Tax Guide*, for the taxpayer to deliver with Form W-4 to the employer.

- | | |
|---|--|
| <p>5.1.12.8
(03-09-2017)
Taxpayer in High Assault Risk Area</p> | <p>(1) The designation of a taxpayer in High Assault Risk Area is no longer in use. See IRM 5.1.3, <i>Safety, Security, and Control</i>, relating to employee safety, security and assault procedures.</p> |
| <p>5.1.12.9
(08-05-2014)
Innocent Spouse Cases</p> | <p>(1) IRM 25.15, <i>Relief from Joint and Several Liability</i>, contains procedures for innocent spouse cases.</p> <p>(2) Follow the procedures in IRM 25.15.8, <i>Revenue Officer Procedures for Working Innocent Spouse Relief Cases</i>, and in the other IRMs, as applicable, to resolve cases with requests for relief from joint and several liability.</p> |
| <p>5.1.12.10
(05-20-2008)
Non-Petitioning Spouse Cases</p> | <p>(1) When one spouse files a U.S. Tax Court petition on a joint return deficiency and the other spouse agrees to the deficiency or takes no appeal action, two separate IMF MFT 31 BAL DUE cases will be issued. When the campuses prepare separate accounts, the BAL DUE and DEL RET separate accounts will be annotated as follows:</p> <ul style="list-style-type: none"> a. One separate account will be annotated “Non-Petitioning Spouse” and the other separate account will be annotated “Petitioning Spouse”. b. Additionally, if two Areas are involved, both separate accounts will be annotated “two Areas”. |
| <p>5.1.12.10.1
(11-15-2023)
Non-Petitioning Spouse Procedures</p> | <p>(1) There is no legal basis to abate the liability under IRC 6404. Instead, the payment by one spouse must be cross-referenced to the other, just as TFRP payments made by one responsible person are cross-referenced to the other as provided in IRM 5.7.7.3, <i>Cross-Referencing of Payments Made on Employer Balance Due and TFRP Accounts</i>.</p> <p>(2) Contact any other Area involved to determine if any collections have been made on the other spouse when these types of cases are in your inventory.</p> |
| <p>5.1.12.10.2
(05-20-2008)
Abatement of a Petitioning or Non-Petitioning Spouse’s Liability</p> | <p>(1) Request a cross-reference of the payment to the other spouse’s account when you collect some or all of the liability from either spouse.</p> <p>(2) See IRM 5.7.7.3, <i>Cross-Referencing of Payments Made on Employer Balance Due and TFRP Accounts</i>.</p> |
| <p>5.1.12.10.3
(11-15-2023)
Additional Assessments to a Non-Petitioning Spouse’s Account</p> | <p>(1) Do not add additional assessments made as a result of a Tax Court decision to the non-petitioning spouse’s account.</p> <p>(2) Consult Counsel if you have questions regarding the correct amount you must attempt to collect if a split-payment situation occurs.</p> <p>(3) Prepare Form 3870, <i>Request for Adjustment</i>, to request any necessary adjustment.</p> <p>(4) Attach a copy of the Tax Court decision to Form 3870.</p> |
| <p>5.1.12.11
(07-02-2010)
Child Support Obligation</p> | <p>(1) IRC 6305, <i>Collection of Certain Liability</i>, provides for the assessment and collection of certified Child Support Obligations (CSO) in the same manner and with the same powers and limits (such as CSED) as if the amount was a tax imposed by Subtitle C (Employment Taxes). Certain exceptions apply.</p> |

- (2) To meet Code requirements, Cincinnati Submission Processing will hold an account in Notice Status for 60 days after issuing notice and demand in the case of a first assessment against an individual.
- (3) As new CSO certifications are received, but prior to assessing the liability, Cincinnati Submission Processing will send them to Campus Compliance Services (CCS) for review by a revenue officer.
- (4) After assessing the liability, CSO BAL DUE cases will be assigned directly to Field Collection (FC).
- (5) Upon issuance, CSO BAL DUE accounts are subject to immediate collection action by Field Collection (FC).
- (6) BAL DUE accounts under this program will:
 - a. reflect MFT 59, Tax Class 6
 - b. bear the legend CSO, and
 - c. include a copy of the certification sent to the revenue officer on a Form 3210, *Document Transmittal*, so that the pertinent information secured by the state agency will be available for revenue officer use.
- (7) Since the CSO liability has been determined by a state court, the IRS does not have abatement or compromise authority.
- (8) In cases where a FC employee determines that there is an obvious error in the CSO assessment or the taxpayer produces evidence they paid the respective state after the CSO assessment was made, any required changes to the amount of liability must be initiated by the state of jurisdiction. To modify or cancel a previous application, the state must submit a Form OCSE 20, Application for the Collection of Delinquent Support Payments by the Internal Revenue Service, to the Area Office of Child Support Enforcement (OCSE). In turn, the Area OCSE office will send the amended Form OCSE 20 to the Internal Revenue Service.

5.1.12.11.1
(07-02-2010)

**Field Collection Review
Prior to CSO
Assessment**

- (1) Review any new CSO certifications you receive from Cincinnati Submission Processing.
Reminder: Cincinnati Submission Processing may send new CSO certifications to Field Collection (FC) prior to assessing the liability as discussed above.
- (2) Take the following action, as applicable:

If	Then
The certification appears to be in order	Return it to Cincinnati Submission Processing for assessment. a. Attach a copy of this IRM sub-section (IRM 5.1.12.11).
The certification is not in order	Return it to the approving Area official of the Office of Child Support Enforcement (OCSE), Department of Health and Human Services: a. Attach a cover memorandum explaining the reason for rejection. b. Send copies of the memorandum to Cincinnati Submission Processing and to the Campus Disclosure Manager for information purposes.

5.1.12.11.2
(11-15-2023)

Child Support Obligation Procedures

- (1) Ensure the assignment of this type of case is appropriate for your grade level as these BAL DUE cases will not be generated with a predicted grade level.

Note: Group managers will review the cases for level of difficulty and will assign the cases accordingly.

- (2) Input TC 130, if it has not already been input, to put a freeze on any refund(s).
(3) Review all the state information forwarded with the certification.
(4) Follow normal field collection procedures in the collection of CSO BAL DUE cases subject to the following exceptions:

- a. Do not charge interest or penalties. See Treasury Regulation 301.6305-1(a). Normal and reasonable collection costs may be assessed and collected. See Treasury Regulation 301.6305-1(c)(1).

Exception: The penalty under IRC 6657, *Bad checks*, for bad checks and the penalty under IRC 6332(d)(2), *Penalty for violation*, for failure to surrender property subject to levy, may be imposed.

- b. Do not request waiver of a CSED. Instead, the child support agency must recertify the liability, which begins a new ten year period for collection.
c. Do not levy upon salary, wages or other income being withheld pursuant to a judgment for the support of minor children.
d. Do not apply IRC 6334(a), *Property Exempt from Levy*, with respect to unemployment benefits and certain annuity and pension payments to CSO liabilities.

Note: See IRM 5.11.1.3.3.11, *Issuing Notice of Intent to Levy for Child Support Obligation BAL DUEs*, for further guidance.

- e. Do not abate or compromise a CSO liability. However, you may agree to an installment agreement with the taxpayer.
(5) Become familiar with the guidance in this subsection prior to making taxpayer contact.

5.1.12.11.2.1
(11-15-2023)

**Contact with the
Taxpayer**

- (1) Make contact with the taxpayer. For initial contact, issue Letter 725-B to schedule an IRS office or telephonic appointment per taxpayer contact procedures in IRM 5.1.10, *Taxpayer Contacts*.
- (2) Request full payment.
- (3) Make a collection determination:
 - a. Determine the maximum collection potential, as states are only to certify cases with good collection potential, and
 - b. Contact the state in cases where there does not appear to be good collection potential.
- (4) Attempt to collect full payment.
- (5) Take the following action, as applicable, if you do not collect full payment:
 - a. Schedule a mandatory review when reporting a CSO BAL DUE currently not collectible for follow-up at intervals of no less than two years (unless the circumstances of a particular case indicate that such a review is unwarranted).
 - b. Handle the account as a NMF installment agreement if you establish an installment agreement for regular payments. See IRM 5.14, *Installment Agreements*.
- (6) Follow the procedures below if you need to make contact with the OCSE Area representative or the state representative listed on the certification.

5.1.12.11.2.2
(07-02-2010)

**Contact with the State
on a Child Support
Obligation**

- (1) Contact the OCSE Area representative whose name and telephone number are shown on the certification when it is necessary to discuss the case because:
 - a. a CSO case has been in your inventory for 90 days,
 - b. there is an obvious error in the assessment or the taxpayer produces evidence that they paid the respective state after the assessment was made,
 - c. the case does not appear to have good collection potential,
 - d. the state intervenes after the case has been certified to Collection (i.e., subsequent state court action, etc.), or
 - e. you need to transfer a CSO account.
- (2) Do not make inappropriate disclosures of taxpayer information.

5.1.12.11.2.2.1
(11-15-2023)

Appropriate Disclosure

- (1) Refer to IRM 11.3.29.11, *Furnishing Collection Records to Child Support Enforcement Agencies*, for guidance.
- (2) Exercise care so that you disclose nothing more than the necessary CSO information, i.e., restrict disclosure to information specific to the CSO case including phone numbers, addresses, levy sources, etc.
- (3) Disclose only activities relative to the collection of the CSO obligation to the state.
- (4) Do not disclose information relative to the taxpayer's other tax obligations.

Note: A good rule of thumb is, if in doubt about what information may be disclosed, forward the issue to the local Disclosure Office for review and approval prior

to making the disclosure. The key is that any information to be disclosed will be limited to information about the investigation and collection of the CSO.

Example: If the child support agency asked if the person owing the obligation owed any other federal taxes, that question would not relate to the CSO, so no information in that regard may be disclosed.

5.1.12.11.2.2.2
(04-13-2022)

Contacting the State

- (1) Contact the state child support agency by phone and/or mail to attempt to resolve a CSO issue.
- (2) Prepare a brief narrative report in memorandum format if a phone call and/or letter with the state child support agency does not resolve the issue:
 - a. outline the present status of the case, and
 - b. define any issues.
- (3) Route the memorandum as follows, via secure email:
 - a. original — to the state — through the Area Disclosure Managers for review and mailing, and
 - b. copy — to the area director's office — through your group manager and territory manager.

Note: Your Area office will retain a copy of this report for possible review by Headquarters.

- (4) Prepare Form 5482, *Record of Disclosure*, the first time you send a report to the state child support agency.

Note: You do not need to complete a record of disclosure every time you contact a state child support agency. See paragraph (5) of IRM 10.5.6.7.4, *Form 5482 Procedure*, to clarify when a record of disclosure might not be required.

- (5) See IRM 10.5.6.7.4, *Form 5482 Procedure*, for further guidance.

5.1.12.11.2.2.3
(09-20-2012)

CSO Case in Inventory over 90 Days

- (1) Prepare a brief narrative report in memorandum format outlining the present status of the case after a CSO case has been in your inventory for 90 days.
- (2) Follow the steps listed above in IRM 5.1.12.11.2.2.2 regarding preparing and routing your report and preparing Form 5482, *Record of Disclosure*, when you need to make a written report.

5.1.12.11.2.2.4
(09-20-2012)

Obvious Error in CSO Assessment or Paid CSO Assessment

- (1) Follow these procedures after you make contact with the taxpayer if you determine that there is an obvious error in the CSO assessment or the taxpayer produces evidence they paid the respective state after the CSO assessment was made:
 - a. cease further collection action
 - b. contact the Area OCSE representative whose name and telephone number are listed on the certification.
- (2) Contact the state representative whose name and telephone number also appear on the certification if you were not able to resolve the problem with the Area OCSE representative.

- (3) Follow the steps listed above in IRM 5.1.12.11.2.2.2 regarding preparing and routing your report and preparing Form 5482 when you need to make a written report.
- 5.1.12.11.2.2.5
(09-20-2012)
Case without Good Collection Potential
- (1) Follow these procedures after you make contact with the taxpayer if you determine that the case does not appear to have good collection potential:
- contact the Area OCSE representative whose name and telephone number are listed on the certification, and
 - determine if they can provide additional asset or income information.
- (2) Follow the steps listed above in IRM 5.1.12.11.2.2.2 regarding preparing and routing your report and preparing Form 5482 when you need to make a written report.
- 5.1.12.11.2.2.6
(09-20-2012)
State Intervention after CSO Certification
- (1) Follow these procedures if the state intervenes after the case has been certified to Collection (i.e., subsequent state court action, etc.):
- handle any request for state contact on a CSO BAL DUE assigned to you,
 - contact the Area OCSE representative whose name and telephone number are listed on the certification
 - determine what the issue is, and
 - try to resolve the problem.
- (2) Follow the steps listed above in IRM 5.1.12.11.2.2.2 regarding preparing and routing your report and preparing Form 5482 when you need to make a written report.
- 5.1.12.11.2.2.7
(09-20-2012)
Transferring a CSO Account
- (1) Follow these procedures to transfer a CSO account:
- follow procedures for the transfer of NMF cases, and
 - prepare a memorandum notifying the Area OCSE official of the transfer of the case.
- (2) Follow the steps listed in IRM 5.1.12.11.2.2.2 above regarding preparing and routing your report and preparing Form 5482 when you need to make a written report.
- 5.1.12.12
(09-20-2012)
Taxpayer Exempt from Taxation for Religious Reasons
- (1) Taxpayers can request exemption from social security and Medicare taxes for religious reasons. A taxpayer can request exemption from taxation by filing one of either of the two following forms:
- Form 4361, *Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners*, or
 - Form 4029, *Application for Exemption From Social Security and Medicare Taxes and Waiver of Benefits*.
- (2) Refer to IRM 4.19.6, *Minister and Religious Waiver Program*. Sections 3 and 4 provide the actions the IRS takes to process these requests for exemption.
- (3) Refer to Publication 517, *Social Security and Other Information for Members of the Clergy and Religious Workers*, for more detailed information about Form 4361, and Form 4029 exemptions.

- (4) See IRM 5.1.8.7.4, Exemption From Self-Employment Taxes, for procedures to follow when you receive a courtesy investigation on a religious exemption case.

5.1.12.12.1

(08-05-2014)

Form 4361 Exemption from Self-Employment Tax

- (1) Form 4361 is submitted to apply for an exemption from self-employment tax by the following:
- a duly ordained, commissioned, or licensed minister of a church
 - a member of a religious order (other than a member of a religious order who has taken a vow of poverty as a member of such order)
 - a Christian Science practitioner.
- (2) An applicant must certify that they, for reasons of either conscience or religious principles, are opposed to the acceptance (with respect to services performed in their capacity as a minister, member of a religious order not under a vow of poverty, or Christian Science practitioner) of any public insurance which makes payments in the event of death, disability, old age, or retirement, or makes payments toward the cost of, or provides services for, medical care (including the benefits of any insurance system established by the Social Security Act).

5.1.12.12.2

(09-20-2012)

Form 4029 Exemption from Social Security and Medicare Taxes

- (1) Form 4029 is submitted by members of recognized religious groups to apply for an exemption from Social Security and Medicare taxes. Form 4029 is first filed with the Social Security Administration (SSA), which determines whether the religious sect or division meets requirements for exemption. SSA then forwards Form 4029 to the Philadelphia Campus (the centralized Internal Revenue Service processing site for these forms) which is responsible for ensuring that:
- the taxpayer is a member of the sect or division, and
 - the taxpayer waived all benefits and other payments under Titles II and XVIII of the Social Security Act.

Note: While the IRS does keep track of whether a particular sect or a particular individual is exempt, it does not collect or maintain lists of members by religious sects or divisions.

Note: The exemption does not apply to federal income tax.

5.1.12.12.3

(08-05-2014)

IDRS Religious Exemption Indicators

- (1) Taxpayers are exempt from self-employment tax if the IRS approved their requests on Form 4361. These taxpayers are either:
- ministers,
 - members of a religious order, or
 - Christian Science practitioners.
- (2) Taxpayers are exempt from Social Security and Medicare taxes if they have an approved Form 4029 on file. These taxpayers are members of a sect or division that waived all benefits and other payments under Titles II and XVIII of the Social Security Act.
- (3) IDRS will reflect an indicator if the taxpayer applied for an exemption from the following:

- Social Security and Medicare taxes, or
 - self-employment tax.
- (4) The indicator will reflect if the application was approved or denied.
- (5) CC IMFOLE displays the “Ministerial SE Code”. The display will show whether or not the taxpayer has filed for an exemption. It shows the “output code” as the “MINISTER SE CD”. IMFOLE will display one of the following possible values:
- 1 = Form 4361 Approved
 - 2 = Form 4361 Denied
 - 3 = Form 2031 Processed
 - 4 = Form 4029 Approved
 - 8 = Form 4029 Denied

Note: The Form 2031, *Waiver Certificate For Use By Ministers, Certain Members of Religious Orders, and Christian Science*, indicator will remain on IDRS even though the form is now obsolete. This form will be reactivated for use if Congress passes a law to allow taxpayers to opt out of the exemption. Congress has done this twice. The Tax Relief Extension Act of 1999, Public Law 106–170 provided a limited period, during which ministers, certain members of religious orders, and Christian Science practitioners, who had an approved Form 4361 in place for tax year 1999, could file Form 2031. This was an irrevocable election back into Social Security coverage for their ministerial earnings. This opportunity did not apply to Form 4029 filers. Congress provided a similar limited time waiver for ministers as a part of the Tax Reform Act of 1986 for tax years 1986 and 1987. Form 2031 was also used for this period.

5.1.12.12.4
(08-05-2014)
**Religious Exemption
Procedures**

- (1) Check for an indicator on IDRS to confirm the taxpayer has received approval for exemption if a taxpayer states they are:
- a. exempt from Social Security and Medicare taxes, or
 - b. exempt from self-employment tax.
- (2) Find the “Ministerial SE Code” using CC IMFOLE to determine whether or not the taxpayer has filed for an exemption. It shows the “output code” as the “MINISTER SE CD.” Check the value displayed on IMFOLE:
- 1 = Form 4361 Approved
 - 2 = Form 4361 Denied
 - 4 = Form 4029 Approved
 - 8 = Form 4029 Denied

Reminder: The Form 2031 indicator will remain on IDRS even though the form is now obsolete.

5.1.12.12.4.1
(05-20-2008)
Indicator is on IDRS

- (1) Remember the following if an indicator is present:
- An approved exemption only applies to earnings received for qualified services; it does not apply to any other income.
 - The exemption does not apply to federal income tax.

- (2) Proceed with collection if the taxpayer owes federal taxes or federal tax returns for which they are not exempt.

5.1.12.12.4.2
(09-20-2012)

Indicator is not on IDRS

- (1) Check IDRS for an indicator.
- (2) Request that taxpayer provide an approved copy of their application if the indicator is not present or the taxpayer claims they received an exemption. Taxpayers must keep an approved copy of Form 4361 and 4029 in their permanent records.
- (3) Request the taxpayer to prepare either Form 4361 or Form 4029 to request the appropriate exemption if the taxpayer does not provide an approved copy of their application.
- (4) Obtain a completed Form 4361 or Form 4029, as applicable. Obtain the appropriate form in triplicate (an original and two copies).

5.1.12.12.4.2.1
(05-20-2008)

Form 4361

- (1) Send the original and two copies of Form 4361 to the Philadelphia Campus Minister Waiver Unit. Philadelphia Campus P.O. Box 16325 Philadelphia, PA 19114-0425 Attn: BLN 4-G08-151 Minister Waiver Processing.
- (2) Inform the taxpayer that after the IRS has reviewed Form 4361 and has made a determination, the IRS will return a copy of the Form 4361 to the taxpayer to inform them whether or not their exemption has been approved.
- (3) If the copy of Form 4361 was not approved, the taxpayer is not exempt and is liable for all applicable taxes.

Note: If the application was denied due to the lack of specific information, consider allowing the taxpayer to resubmit Form 4361. Be sure the taxpayer includes all required information that was lacking from the original submission.

- (4) Proceed with collection if the taxpayer is not exempt.

5.1.12.12.4.2.2
(09-20-2012)

Form 4029

- (1) See Exhibit 5.1.12-1 for suggested text to use for taxpayers seeking this exemption.
- (2) Send Form 4029, the original and two copies, by mail to the SSA address in the Form 4029 instructions.
- (3) Inform the taxpayer that before they will be notified by the IRS whether or not exempt status has been accepted:
 - SSA has to process Form 4029, and
 - IRS has to review Form 4029.
- (4) The Commissioner of Social Security must determine that:
 - the sect or division has established teachings meeting exemption requirements,
 - it is the practice, and has been for a substantial period of time, for members of the sect or division to provide for their dependent members in a manner that is reasonable in view of the members' general level of living, and
 - the sect or division has existed at all times since December 31, 1950.

- (5) If the copy of Form 4029 was not approved, the taxpayer is not exempt and is liable for all applicable taxes.

Note: If the application was denied due to the lack of specific information, consider allowing the taxpayer to resubmit Form 4029. Be sure the taxpayer includes all required information that was lacking from the original submission.

- (6) Proceed with collection if the taxpayer is not exempt.

5.1.12.12.5
(05-20-2008)
**Enforced Collection
Action in Religious
Exemption Cases**

- (1) Attempt to secure voluntary payment if the taxpayer:
- does not have an approved form, and/or
 - does not file the appropriate form with you when requested to do so.
- (2) Take any necessary enforced collection action within the limitations of IRM 5.11, *Notice of Levy*, if you do not secure voluntary payment.

5.1.12.13
(11-15-2023)
**Foreign Insurance
Company**

- (1) In accordance with Rev. Proc. 2003-78, 2003-2 C.B. 1029, Notice 89-79, 1989-2 C.B. 392 and Rev. Proc. 2003-45, 2003-2 C.B. 11, the Internal Revenue Service occasionally enters into agreements with foreign insurance companies (also known as captive insurance companies). One of the conditions of these agreements is that the insurance company provide a clean, irrevocable letter of credit to be held by the area director.
- (2) Determine if a letter of credit is being held when you receive a BAL DUE on Form 720, *Quarterly Federal Excise Tax Return*, for a foreign insurance company with abstract number 30.
- (3) Contact an advisor in CEASO regarding a Foreign Insurance Company to help you make the determination and assist in the resolution of any BAL DUE/DEL RET issues.
- Advisors in Foreign Insurance Company CEASO are located in the Plantation, FL, post of duty.
 - Access a list of Civil Enforcement Advice & Support (CEASO) advisors from the link at the Knowledge Management Collection floor.

5.1.12.14
(09-20-2012)
Political Organizations

- (1) IRC 527 discusses political organizations. Public Law 93-625 established filing requirements for political organizations, such as committees, parties, associations, or funds, for tax years beginning after December 31, 1974.
- (2) A political organization, whether or not it is tax-exempt, must file Form 1120-POL, *U.S. Income Tax Return for Certain Political Organizations*, if it has any political organization taxable income.

Note: An exempt organization that is not a political organization must file Form 1120-POL if it is treated as having political organization taxable income under IRC 527(f)(1).

- (3) IRC 527(c) defines political organization taxable income as the excess of the following:
- gross income for the tax year (excluding exempt function income, defined below) over

- b. deductions directly connected with the earning of gross income (excluding exempt function income).

(4) Taxable income is figured with the following adjustments:

- 1. A specific deduction of \$100 is allowed (but not for newsletter funds),
- 2. The net operating loss deduction is not allowed, and
- 3. The dividends-received deduction and other special deductions for corporations are not allowed.

(5) Frequently, political organizations establish temporary entities during political campaigns. MFT 02 with a filing requirement 09 and a Computer Condition Code "G" identifies entities that are political organizations.

5.1.12.14.1
(09-20-2012)

**Procedures for "G"
Coded Political Activity
Taxpayers**

- (1) Conduct a full compliance check on all "G" coded taxpayers.
- (2) Recognize a "G" coded BMF taxpayer by TC 976.

Note: The "G" code is placed on a return (by a campus employee during return processing) to indicate that the return is an amended, corrected, supplemental, tentative, or revised return. TC 976 is generated to replace a "G" coded TC 150 on the BMF. The "G" code applies to all BMF returns except setting of a freeze on Form 1065. The "G" code also applies to EPMF and IRAF. See Doc 6209 for more information.

- (3) Review "G" coded accounts carefully for transferee situations, and pay particular attention to any periods not reflected on the "G" coded account.
- (4) Process "G" coded accounts routinely in the absence of transferee situations.

5.1.12.15
(07-02-2010)

Criminal Probation

- (1) Following conviction for a criminal tax violation, the taxpayer will be sentenced. The sentence may include probation with specific conditions to be met by the taxpayer during a specified time period.
- (2) For procedures relating to probation cases, see IRM 5.1.5, *Balancing Civil and Criminal Cases*.

5.1.12.16
(05-20-2008)

Math or Clerical Error

- (1) Returns filed with math or clerical errors are usually corrected at the campus before notice and BAL DUE issuance, but sometimes a BAL DUE is issued before the error is resolved.
- (2) The campus will input Freeze Code "G", on returns filed with math or clerical errors.
- (3) Freeze Code "G":
 - allows first notice issuance, and
 - suspends the account for 12 cycles.
- (4) The 12-cycle suspense period is known as the "appeal period".
- (5) The campus will issue notices and a BAL DUE after the appeal period if:
 - the taxpayer responds within the appeal period and agrees with the assessment, or

- the taxpayer does not respond within the appeal period.

(6) The campus will input TC 470 CC 94 "Claim Pending" if the taxpayer responds within the appeal period and does not agree with the assessment.

Note: TC 470 CC 94 extends the appeal period with Freeze Code "J".

(7) The campus will input TC 470 CC 94 "Claim Pending" if the taxpayer responds after the appeal period and does not agree with the assessment.

(8) The campus will abate the tax with TC 291:

- if the taxpayer's claim is justified, the campus will issue a notice(s) and a BAL DUE(s) for that(those) module(s).
- if the taxpayer's claim is not justified, the campus will refer the case to Examination.

(9) The campus will freeze any existing credit while Examination works the case.

Exception: Exempt organization returns are an exception, so any existing credit is not frozen.

Note: The campus will issue notices and a BAL DUE for any module not affected by the claim.

(10) Refer to IRM 5.1.15, Abatements, Reconsiderations and Adjustments.

(11) TC 470 CC 90 is used for abatements, adjustments, and complicated payment tracers. TC 470 CC 90:

- prevents the automatic offset of a credit balance on one module to a BAL DUE on another module,
- changes a module to Status 53 on IDRS, and
- is reversed by TC 472.

(12) The campus will input TC 470 CC 90 to restrict offset-in.

Note: A credit may offset-in to a BAL DUE module when a credit or payment posts to a BAL DUE module that is full paid and the taxpayer has another open BAL DUE module(s); the computer offset process will offset the credit into the other BAL DUE(s). Offset-in happens when a taxpayer is due a refund on a module but has not paid another module(s). All or part of a refund may be used to pay all or part of a past-due amount. This includes past-due federal income tax, other federal debts (such as student loans), state income tax, and child and spousal support payments. The taxpayer will be notified if the refund they claimed is used to offset against a debt(s). See IRM 21.4.6, Refund Offset.

(13) Unless reversed sooner by TC 472, a module that was previously in:

- Bal Due status will stay in Status 53 until resolved.
- Notice status will remain in Status 53 until resolved, even after the restriction on offset-in expires.

(14) The restriction on offset-in caused by TC 470 CC 90 automatically expires after 26 cycles (weeks) for modules in notice status.

- (15) There is no automatic reversal of the offset-in restriction for modules in BAL DUE status.
- 5.1.12.16.1
(05-20-2008)
Math or Clerical Error Procedures
- (1) As noted above, the campus will input TC 470 CC 94 when they process a taxpayer response after the appeal period.
 - (2) Suspend collection action when you receive ICS notification TC 470 CC 94 input on a BAL DUE account.
 - (3) Do not take collection action against the portion of the liability affected by the math or clerical error.
 - (4) Contact the campus unit identified by the TC 470 CC 94 control base on IDRS if immediate collection action is necessary.
 - (5) Determine the amount affected by the claim and its status.
 - (6) Pursue collection only on the portion of the BAL DUE not affected by the claim.
 - (7) Do not pursue collection on the portion of the BAL DUE affected by the claim.
- 5.1.12.17
(05-20-2008)
Non-Receipt of Refund Check
- (1) Instruct a taxpayer to do the following if the taxpayer claims not to have received a refund shown as transaction code (TC) 840 or 846 on the account:
 - a. Prepare Form 3911, Taxpayer Statement Regarding Refund, or
 - b. Call the IRS toll-free line 1-800-829-1040 and request a refund trace.
 - (2) Advise the taxpayer regarding the various ways to obtain Form 3911:
 - Call the toll-free number 1-800-829-1040.
 - Call 1-800-TAX-FORM (1-800-829-3676) to request the Form 3911 by mail.
 - Access the Form 3911 at <https://www.irs.gov/>.
 - (3) Refer to the procedures in IRM 21.4.2, *Refund Trace and Limited Payability*, for further guidance. See IRM 21.4.2.3, *Refund Trace Process*, and IRM 21.4.2.4.4, *Responding to Taxpayers' Subsequent Inquiries*.
- 5.1.12.18
(11-15-2023)
Private Debt Collection Accounts
- (1) The Fixing America's Surface Transportation (FAST) Act, signed into law December 4, 2015, established IRC 6306(c)(1) which states, "Notwithstanding any other provision of law, the Secretary shall enter into one or more qualified tax collection contracts for the collection of all outstanding inactive tax receivables." This subsection provides guidance for accounts or modules assigned to the private debt collection (PDC) program.
- 5.1.12.18.1
(11-15-2023)
Qualified Tax Collection Contracts
- (1) Per IRC 6306(c)(2)(A), the IRS shall enter into qualified tax collection contracts on inactive tax receivables meeting the following criteria:
 - At any time after assessment, the Internal Revenue Service removes such receivable from the active inventory for lack of resources or inability to locate the taxpayer, or
 - More than 2 years has passed since assessment and such receivable has not been assigned for collection to any employee of the Internal Revenue Service, or

- In the case of a receivable which has been assigned for collection, more than 365 days have passed without interaction with the taxpayer or a third party for purposes of furthering the collection of such receivable.

5.1.12.18.2
(04-13-2022)

**Statutory Exclusions to
Private Debt Collection
Criteria**

- (1) Provisions of the FAST act excluded certain liabilities from assignment to a private collection agency (PCA). The applicable exclusions were subsequently expanded under requirements of the Taxpayer First Act. Cases meeting one or more of the exclusion criteria are systemically blocked from assignment to a PCA. If one of the exclusion criteria arises after assignment to a PCA, the account or module may be recalled by the IRS.
- (2) Exclude modules that are:
 - Subject to a pending or active offer-in-compromise
 - Subject to a pending or active installment agreement
 - Subject to a right of appeal
 - Currently under examination, litigation, criminal investigation, or levy
 - Classified as innocent spouse claims
- (3) Exclude taxpayers that are:
 - Deceased
 - Under the age of 18
 - In designated combat zones
 - Victims of a tax-related identity theft
 - Recipients of a supplemental security income (SSI) or social security disability insurance (SSDI)
 - Individuals with adjusted gross income for the most recent taxable year below 200% of the poverty level
 - In Bankruptcy

Note: Taxpayers located in a presidentially declared disaster area may request relief from immediate collection measures by a private collection agency (PCA), and return of the account to the IRS.

5.1.12.18.3
(04-13-2022)

**Private Collection
Agencies**

- (1) The IRS has entered into qualified collection contracts with PCAs to assist the IRS in the collection of certain past due modules that are currently considered inactive tax receivables as defined by IRC 6306(c).
- (2) Taxpayers can confirm the names and contact information of authorized PCAs on the Private Debt Collection site at <https://www.irs.gov/businesses/small-businesses-self-employed/private-debt-collection>
- (3) The IRS will send Notice CP40 (IMF), Overdue Account Sent to Private Collection Agency or Notice CP140 (BMF) Overdue Account Sent to Private Collection Agency and Pub 4518, *What You Can Expect When the IRS Assigns Your Account to a Private Collection Agency*. These notify the taxpayer their overdue tax account has been assigned to a private collection agency
- (4) The private collection agency will send an initial contact letter of their own. The letter has information on how to resolve the taxpayer's overdue taxes. The PCA will attempt to call the taxpayer to resolve the liability after sending letters.

- (5) Letters from both the IRS and PCA contain a Taxpayer Authentication Number used to confirm the taxpayer's identity and verify that the PCA caller is legitimate.
- (6) IRS field collection employees may not contact the PCA directly. Questions about an account assigned to a PCA may be sent via email to the PDC mailbox *SBSE PDC Questions. Do not include any personally identifiable information (PII) regarding the taxpayer in the email subject line.

5.1.12.18.4
(04-13-2022)
**Related Entities, PDC
Account Identification
and Research**

- (1) If a revenue officer finds an entity related (for example, separate liabilities of a spouse or the IMF/BMF liabilities of a sole-proprietorship or partnership) to a taxpayer in their assigned collection inventory has been assigned to a PCA, the revenue officer must determine if the entity's liabilities must be cross-referenced for resolution of the case.

Note: The decision to request the recall and assignment of an IMF liability for an officer of a corporate or LLC investigation must be made on a case-by-case basis. Do not routinely request return and assignment of a corporate officer/owner of an LLC's IMF liabilities unless the assignment is necessary for the resolution of the BMF liability.

Note: For In Business Trust Fund Installment Agreement (IBTFIA) cases with related TFRP assessments, the IMF TFRP liabilities should generally be recalled from a PCA in resolving the BMF liability unless a payment arrangement with the PCA is in place.

- (2) Conduct IDRS research (including TXMODA, SUMRY and ENMOD) to determine if the related entity has been assigned to a PCA.
 - TC 971 AC 054 (without a reversing 972 AC 054) - Account is assigned to PCA.

Note: Modules assigned to a PCA will remain in Status 53. These are inactive IRS accounts not CNC hardships.
 - The PCA may not be actively working the taxpayer's account. The revenue officer must attempt to confirm with the taxpayer that they are actively working with the PCA to resolve the related liability. Document the taxpayer's response in the ICS history.

Note: TC 530 AC 37/38 and TC 598 AC 86 are used to identify accounts eligible as potential inventory for the PDC program.

- (3) Determine if a payment arrangement has been established with the PCA
 - TC971 AC 054 followed by TC 971 AC 063 – Indicates PCA assignment and payment arrangement established between the taxpayer and the PCA.

Note: A PCA payment arrangement is not an installment agreement under IRC 6159. The taxpayer's account will not be in Status 60; it will remain in Status 53.

- (4) The following transactions indicate if a liability has been recalled or returned to the IRS.

- TC 972 AC 054 – Account recalled by the IRS
- TC 971 AC 459 – Account returned to the IRS by the PCA

Note: The receipt of a processable offer in compromise application (TC 480) will result in the PCA assigned account being returned back to IRS assignment.

5.1.12.18.5
(04-13-2022)

Taxpayer Request to Cease Working with the PCA

- (1) At any time, taxpayers may request their account be returned to the IRS after assignment to a PCA.
- (2) The taxpayer must submit their request to their assigned PCA.
- (3) Revenue officers should not solicit a taxpayer to submit a written “cease contact” request to stop working with the PCA.

Note: The Fair Debt Collection Practices Act (15 USC 1692c Section 805 c) requires the taxpayer send their cease contact request in writing directly to the debt collector.

- (4) If the revenue officer receives a copy of the “cease contact” request from the taxpayer to the PCA, send it to the PDC mailbox **SBSE PDC Questions* and follow up with assignment of the liabilities.

5.1.12.18.6
(04-13-2022)

Revenue Officer Request to Recall Account from the PCA

- (1) If IDRS research indicates the related entity is assigned to a PCA and the taxpayer is not actively working with the PCA or the revenue officer is unable to resolve their assigned account without the related account assigned to the PCA, then the revenue officer may request a recall of the related account.
- (2) Email the following information to the collection group manager (GM) for approval:
 - Assigned taxpayer name and TIN
 - Related taxpayer’s name and TIN (requesting to be recalled), and relationship to assigned taxpayer on ICS.
 - A brief narrative stating the reason for the recall request and confirmation that IDRS research shows TC 971 AC 054 is not followed by TC 971 AC 063.
- (3) Upon GM approval, email this information to the PDC mailbox **SBSE PDC Questions*. Do not include personally identifiable information (PII) regarding the taxpayer in the email subject line.
- (4) A liability returned by the PCA can be identified by the presence of TC 971 AC 459, followed by TC 972 AC 054. The revenue officer should monitor for posting of TC 972 AC 054, then request STAUP to ST26 and TSign by using Form 4844, Request for Terminal Action or follow local procedures. Normal processing time for posting of TC 972 AC 054 is two cycles.

5.1.12.18.7
(04-13-2022)

Case Resolution with Related Entity Assigned to a PCA

- (1) The revenue officer may resolve their case with the related entity still assigned to a PCA.
- (2) Work the collection issues on the primary assigned case only. If facts of the case indicate otherwise, email the PDC mailbox **SBSE PDC Questions* for assistance.

- (3) If an installment agreement is the appropriate case resolution for the assigned case only, follow IRM 5.14.9.5, *Manually Monitored Installment Agreement (MMIA)*.
- (4) If there is a situation that requires the revenue officer to include a PCA assigned module in the resolution of their assigned case, submit a brief summary explaining the circumstances to your GM. Upon GM approval, forward the email to the *SBSE PDC Questions mailbox. PDC will reply with their determination.

5.1.12.19
(11-15-2023)
False Refund Claim

- (1) A return with a “false refund claim” occurs when taxpayers overstate their federal income tax withholding or federal refundable credits.
 - Returns with false federal income tax withholding such as W-2, Wage and Tax Statement, and 1099-OID, Original Issue Discount, are assessed under IRC 6201(a). See IRM 21.4.5.5.3, Category B Erroneous Refunds.
 - Returns with false refundable credits such as Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, are assessed under IRC 6213 (b).
 - Returns with other false refundable credits such as Form 4136, Credit for Federal Tax Paid on Fuels, are subject to statutory notice of deficiency procedures.
- (2) False refund claim cases:
 - Are assigned to Field Collection for refund recovery. In certain cases jeopardy levy procedures may apply.
 - May lead to criminal prosecution. Contact the local fraud enforcement advisor (FEA) for guidance regarding potential for fraud development, if warranted.

5.1.12.19.1
(05-20-2008)
False Refund Claim Procedures

- (1) Identify false refund claim cases by the following BAL DUE issuance codes:
 - N — False refund claim BAL DUE
 - TRSF–N — False refund claim BAL DUE transferred from another office
 - 914–N — False refund claim BAL DUE where Criminal Investigation is involved with another module in the account.

- (2) Handle false refund claim cases on a priority basis. They are a priority because of the potential impact on compliance.

Note: False refund claim cases are exempt from the normal BAL DUE tolerances.

- (3) Attempt immediate personal contact with the taxpayer.

Exception: Do not attempt immediate personal contact on 914–N coded cases. See further guidance below.

- (4) Take appropriate enforcement action to collect the assessment plus accruals if the taxpayer does not voluntarily resolve their balance due account.

5.1.12.19.1.1
(05-20-2008)

Code 914–N Procedures

- (1) Contact Criminal Investigation (CI) before attempting contact with the taxpayer on all cases coded 914-N. You may contact Advisory to determine whether the taxpayer has filed other false claims.
- (2) Arrange for a CI Special Agent to accompany you when attempting contact with the taxpayer if the case involves a potentially dangerous taxpayer (PDT).
- (3) See IRM 5.1.3.3, *Taxpayer in the Employee Protection System Database*, for guidance on potentially dangerous taxpayers.
- (4) See IRM 5.1.3.5, *Armed Escort to Contact a Taxpayer*, for guidance on securing armed escorts.

5.1.12.20
(04-13-2022)

Manual Refund

- (1) A manual refund is a refund that is not generated through normal Master File processing. IRM 21.4.4.3, *Why Would A Manual Refund Be Needed?*, discusses various reasons for issuing a manual refund, including hardship.
- (2) A taxpayer may request a manual refund upon the filing of a tax return under certain circumstances. Some of the most common reasons for manual refunds are as follows:
 - the taxpayer has a hardship situation that necessitates a quicker refund than normal systemic processing can provide,
 - systemic constraints are preventing a normal computer-generated refund, e.g., the taxpayer's account has a bankruptcy freeze, or
 - the taxpayer is affected by a federally declared disaster.
- (3) A taxpayer may obtain a manual refund upon the filing of a tax return when hardship exists under the following circumstances:
 - no tax liability exists and the taxpayer owes no debt under certain agreements for either past-due Child Support Obligation debts or debts owed to other federal agencies as provided under IRC 6402(c) or IRC 6402(d).

Note: IRC 6402(c), (d), and (e) require the Service to offset a debt for past-due support, a debt owed to a federal agency under certain agreements, or a state income tax obligation. The Code requires that excess credits be applied to tax debt first, then to the past-due support obligation, federal agency debt, or state income tax obligation. Any amount of the excess credit may be refunded to the taxpayer after all tax and non-tax debts (Debtor Master File accounts) have been paid.
- (4) Hardship for purposes of requesting a manual refund is economic hardship. Economic hardship is defined as the taxpayer's inability to meet reasonable basic living expenses. Hardship is not based on the amount of the refund or the taxpayer's desire to avoid further interest payments.
- (5) In rare instances when economic hardship exists, a manual refund may be issued upon the filing of a tax return and prior to assessment of that return without first satisfying any outstanding tax liability. This type of refund is called an Offset Bypass Refund (OBR). See IRM 5.1.12.20.2.
- (6) Otherwise, follow the procedures below in IRM 5.1.12.20.1 to prepare requests for manual refunds.

5.1.12.20.1
(11-15-2023)
**Manual Refund
Procedures**

- (1) This IRM subsection provides general manual refund procedures.
- (2) Follow these procedures to process a manual refund when the taxpayer does not owe a federal tax liability.

Exception: The IRS has levied and has made a determination under IRC 6343(d) that a manual refund must be issued to return the funds even if the taxpayer owes a federal tax liability.

- (3) Refer to IRM 5.1.12.20.2, *Offset Bypass Refund Procedures*, which provides specific procedures for an Offset Bypass Refund (OBR) when the taxpayer owes a federal tax liability.

Exception: The manual refund process must be used instead of the offset bypass refund process when the taxpayer owes a federal tax liability if a determination is made by the IRS to return levy proceeds for economic hardship.

- (4) Determine if a manual refund is appropriate.
- (5) Do not do either of the following:
 - a. bypass a Treasury Offset Program (TOP) obligation, and/or
 - b. refund credits holding on an account to the extent that they will satisfy a TOP obligation.
- (6) Refer to the following for additional guidance:
 - IRM 3.13.222.15.1, *Offset Bypass Refund (OBR)*.
 - IRM 3.17.79.6.4.2, *Certifying ACH/Direct Deposit Hardship Refunds*.
 - IRM 21.4.4.3, *Why Would A Manual Refund Be Needed?*.
 - IRM 13, *Taxpayer Advocate Service*.
 - IRM 21.6.4.4.20, *Individual Shared Responsibility Provision*.

5.1.12.20.1.1
(11-15-2023)
**Make an Economic
Hardship Determination**

- (1) To determine economic hardship, consider any information provided by the taxpayer as outlined in Treasury Regulation 301.6343-1(b)(4)(ii), including the following:
 - The taxpayer's age, employment status, employment history, ability to earn, number of dependents, and status as someone else's dependent
 - The amount reasonably necessary for food, clothing, housing, medical expenses, transportation, current tax payments, alimony, child support or other court ordered payments, and expenses necessary to the taxpayer's production of income
 - The cost of living in the taxpayer's geographic area
 - The amount of property exempt from levy and available to pay the taxpayer's expenses
 - Extraordinary circumstances, such as special education needs, medical catastrophe, or natural disaster.
 - Other factors that show an economic hardship.
- (2) Evaluate the financial statement, i.e., Form 433-A and Form 433-B, as applicable.
- (3) Refer to IRM 5.11.2.4, *Returning Levied Property to the Taxpayer - Erroneous Levies*, for additional guidance in cases where the IRS took a levy action.

- (4) Make the hardship determination yourself unless it is for a direct deposit manual refund:
 - a. All manual refund requests except **hardship direct deposit manual refunds** can go directly to Submission Processing (SP), where they will receive expedited processing regardless of the originating office. For hardship direct deposit manual refunds, the Taxpayer Advocate Service (TAS) must process the manual refund. Thus, all hardship manual refund direct deposit cases must be referred to TAS.
 - b. Refer a non-direct deposit hardship determination to the TAS only when the case meets TAS referral criteria (see IRM 13.1.7.6, *Same Day Resolution by Operations*), and you cannot resolve the taxpayer's issue the same day. The definition of "same day" is within 24 hours. "Same day" cases include cases you can completely resolve in 24 hours, as well as cases in which you have taken steps within 24 hours to *begin* resolving the taxpayer's issues. Do not refer "same day" cases to TAS unless the taxpayer asks to be transferred to TAS and the case meets TAS referral criteria. Refer to IRM 13.1.7.3, *TAS Case Criteria*.
 - c. When you refer cases to TAS, use Form 911, *Request for Taxpayer Advocate Service Assistance (and Application for Taxpayer Assistance Order)*.
- (5) Refer a hardship determination to TAS only if:
 - a. You cannot take steps to begin resolving the taxpayer's issue within 24 hours, or
 - b. The taxpayer asks to be referred to TAS.

5.1.12.20.1.2
(11-15-2023)
Freeze Codes

- (1) Do not issue a manual refund without following these procedures if certain freeze codes exist on an account.
- (2) Check with the controlling function if any of the following freeze codes or case conditions exist:
 - a. "-Z" or "Z-" freeze, (Criminal Investigation function).
 - b. "V" freeze, (Bankruptcy—Insolvency function).
 - c. "-U" freeze (Erroneous Refund—TC 844).
 - d. "-Q" freeze (Unallowable Hold—TC 574, do not include the TC 576 amount in the refund).
 - e. "-L" freeze (Audit—TC 420/424)
 - f. The statute for refund has expired.
 - g. Invalid Social Security Number (SSN) condition.
- (3) Determine if you can bypass the freeze code.
 - a. Proceed processing the manual refund if you get approval from the controlling function to bypass the freeze code.
 - b. Cease processing the manual refund if you do not get approval from the controlling function to bypass the freeze code.

5.1.12.20.1.3
(05-20-2008)
Review the Return

- (1) Ensure the return is complete by checking that all line entries appear to be completed and the return includes all of the appropriate following items:
 - signatures,
 - schedules,

- documents which verify the taxable income and credits claimed, e.g., Form W-2 and Form 1099, and
- necessary calculations.

(2) Research IDRS and/or MFTRA as appropriate.

(3) Verify the following are correct:

- income and deduction items (whenever possible),
- calculations of AGI, taxable income, tax, and credits
- the estimated tax credits, and/or
- the carry-over credits claimed by the taxpayer.

5.1.12.20.1.4
(08-05-2014)

**Make Your
Recommendation**

- (1) Use extreme care in recommending the issuance of a manual refund pursuant to a request from a taxpayer.
- (2) Attempt to determine if economic hardship exists.
- (3) Look for indication that income, assets, or other resources may be available to avoid the hardship.
- (4) When the taxpayer has an open bal due, use the following table to make your recommendation carefully by taking the appropriate action:

If	Then
Assigned to you...	Make a determination based on the available information.
Assigned to another revenue officer or other employee...	Contact the individual or unit the BAL DUE is assigned to for: <ul style="list-style-type: none"> • information, and • a recommendation of the appropriate action you need to take.

5.1.12.20.1.5
(04-13-2022)

**Prepare a Manual
Refund Request
Package**

- (1) After consultation with the group manager (GM) to confirm manual refunding is appropriate, prepare a manual refund request package for approval.

5.1.12.20.1.5.1
(11-15-2023)

Prepare a Memorandum

- (1) Prepare a memorandum to your GM for approval of a manual refund. Include the following:
- Name of Taxpayer - As shown on Master File
 - Taxpayer Identification Number - SSN, ITIN, or EIN
 - MFT and Tax period - Enter as "XX-YYYYMM"
 - Amount of overpayment or erroneous payment - Amount to be refunded, without consideration of additional interest to be calculated
 - Reason for manual refund - Specify the hardship condition or processing error warranting expedite processing.
 - Payee name and address - Include payee name and address only if the payee is someone other than the taxpayer

- Attach PDF copies of only those case documents to the memo which substantiate manual refunding (ICS histories, taxpayer correspondence, etc.).

- (2) Most manual refunds require preparation of Form 5792, *Request for IDRS Generated Refund*. However, if the refund is \$100 million or more, a direct deposit is necessary, or the module(s) is(are) not on IDRS, prepare Form 3753, *Manual Refund Posting Voucher*, instead of Form 5792. See IRM 5.1.12.20.1.5.3 for preparation of Form 3753.

5.1.12.20.1.5.2
(04-13-2022)

Prepare Form 5792

- (1) Complete Form 5792, *Request for IDRS Generated Refund*, using the Manual Refund tool on the Integrated Automation Technologies (IAT) application. If necessary, consult with your area SB/SE Collection Field Area Campus Liaison found at <http://serp.enterprise.irs.gov/databases/who-where.dr/collection-field-area-campus-liaisons.html> to assist in the preparation and perfection of this form. See Exhibit 5.1.12-2, *Field Collection Processing of Form 5792*.

Note: Even though instructions for completing Form 5792 are located in IRM 21.4.4, those IRM instructions do not clearly specify which employee is responsible for completing which fields. This exhibit contains specific instructions for Field Collection (FC) processing of Form 5792 .

- (2) Save Form 5792 as a PDF file. Follow naming convention per IRM 21.4.4.5(8), *Preparation of Manual Refund Forms*.
- (3) Digital signatures are required on Form 5792. See IRM 3.17.79.1.11.2, *Manual Refund Digital Signature Requirement*.

5.1.12.20.1.5.3
(11-15-2023)

Prepare Form 3753

- (1) If the refund is \$100 million or more, a direct deposit is necessary, or the module(s) is(are) not on IDRS, complete Form 3753, *Manual Refund Posting Voucher*, using the Manual Refund tool on the Integrated Automation Technologies (IAT) application.
- (2) Save Form 3753 as a PDF file. Follow naming convention per IRM 21.4.4.5(8), *Preparation of Manual Refund Forms*.
- (3) Digital signatures are required on Form 3753. See IRM 3.17.79.1.11.2, *Manual Refund Digital Signature Requirement*.

5.1.12.20.1.6
(04-13-2022)

Manual Refund Approval

- (1) Prepare a secure email message for approval of the manual refund request.
- (2) Type "Request for Approval of Manual Refund" in the subject line of the message.
- (3) Attach the following to the secure email message:
 - a. PDF Report Memorandum.
 - b. PDF Form 5792.
 - c. PDF Form 3753, if applicable.

5.1.12.20.1.6.1
(11-15-2023)

Group Manager Approval

- (1) Send the secure email to your GM.

Note: Requests for manual refund must be sent by email unless it is not practical (e.g., the Report Memorandum attachment is too large or a scanner is not available to scan the relevant documentation).

Note: The GM is responsible for ensuring good judgment in manual refund processing and following the applicable procedures in the table below.

Note: Approval of Form 5792 and Form 3753 may be alternatively delegated by the AD to another by use of Form 14031, *Manual Refund Signature Form*. The routing for approval of the refund package after the GM will be determined by the level of the delegated approving official designated on Form 14031. The digital signature format used must include the "SEID and name" of the approving official on the active Form 14031 Section II on file. Form 14031 is subject to validation and periodic renewal requirements per IRM 3.17.79.3.5.2, *Quarterly Head of Office Validation*. For additional information on persons authorized to sign manual refunds, see IRM 3.17.79.3.5, *Employees Authorized to Sign Requests for Refunds*.

Step	GM Processing
(1)	Review the message from the RO. Prepare a "Forward" message.
(2)	Indicate approval or disapproval in the body of the message. a. If approved, go to Step 3. b. If disapproved, indicate disapproval by returning the PDF form(s) back to the RO and include the reason for disapproval in the body of the message. Do not continue with Steps 3 and 4.
(3)	Attach the following to the message: a. Approved Form 5792 b. Approved Form 3753, if applicable. c. Report Memorandum
(4)	Forward the message (and the attachments) to the TM or the delegated approving official via secure email with a copy to the RO.

5.1.12.20.1.6.2

(11-15-2023)

**Territory Manager
Approval**

(1) The manager will forward the secure email to the territory manager.

Note: For additional information on persons authorized to sign manual refunds, see IRM 3.17.79.3.5, *Employees Authorized to Sign Requests for Refunds*.

Step	Territory Manager Processing
(1)	Review the message from the GM. Prepare a "Forward" message.
(2)	Indicate approval or disapproval in the body of the message: a. If approved, go to Step 3. b. Indicate disapproval by returning the PDF form(s) back to the GM (with a copy to the RO). Include the reason for disapproval in the body of the message. Do not continue with Steps 3 and 4.

Step	Territory Manager Processing
(3)	Attach the following to the message: <ol style="list-style-type: none"> Approved Form 5792 Approved Form 3753, if applicable. Report Memorandum
(4)	Forward the message (and the attachments) to the AD or the delegated approving official via secure email with a copy to the RO and the GM.

5.1.12.20.1.6.3
(11-15-2023)

**Area Director or
Delegated Approving
Official**

(1) The territory manager will forward the secure email to the area director.

Note: For additional information on persons authorized to sign manual refunds, see IRM 3.17.79.3.5, *Employees Authorized to Sign Requests for Refunds*.

Step	Area Director Processing
(1)	Review the message from the preceding approver. Prepare a "Forward" message.
(2)	Indicate approval or disapproval in the body of the message: <ol style="list-style-type: none"> Indicate approval by digitally signing Form 5792 and, if applicable, Form 3753. <p>Note: In order to assure the integrity of the digital signature, the digital signature must include digitally signed by "SEID and name."</p> <p>Note: The digital signature format used must include the "SEID and name" of the approving official on the active Form 14031- Section II on file.</p> <p>Note: The Approving Official's digital signature certifies to the Accounting Function that the form was reviewed for accuracy and completeness and is correct.</p> Disapproval — Indicate disapproval by returning the unsigned PDF form(s) back to the TM (with a copy to the GM and the RO). Include the reason for disapproval in the body of the message. Do not continue with Steps 3 and 4.
(3)	Attach the following to the message: <ol style="list-style-type: none"> Approved Form 5792 Approved Form 3753, if applicable. Report Memorandum
(4)	Forward the message (and the attachments) to the prior approver via secure email with a copy to the RO and the GM.

5.1.12.20.1.7
(04-13-2022)

**Forward Request for
Manual Refund**

(1) Once approval is received from the GM, and the TM, AD or delegated approving official, forward the refund request to one of the following locations for processing:

- Refund requests with Form 5792: Send to **SBSE PSC CSCO Man Ref*, via secure email, or
- Refund requests with Form 3753 to **W&I SP Manual Refunds Ogden*, via secure email.

Note: The campus only requires the approved form(s). The campus does not require the Report Memorandum.

5.1.12.20.2
(04-13-2022)
**Offset Bypass Refund
Procedures**

- (1) This IRM subsection provides specific procedures for processing an Offset Bypass Refund (OBR). As discussed above, an OBR may be processed in cases of economic hardship even if the taxpayer owes a tax liability.
 - a. Any IRS employee may request the issuance of the OBR. Refer to IRM 21.4.6.5.11.1, *Offset Bypass Refund*.
 - b. An OBR cannot be issued, when there is past-due child support (as defined in Section 464 of the Social Security Act), a federal agency non-tax debt, or a state income tax obligation to be collected.

Note: Section 464 of the Social Security Act defines past due support as the amount of a delinquency for support and maintenance of a child and the parent with whom the child is living as determined by a court order or other state administrative procedure.
 - c. The IRS may issue a manual refund of excess credits without first satisfying (offsetting) outstanding federal tax liabilities and, instead, refund the overpayment to the taxpayer.
- (2) Follow these Offset Bypass Refund (OBR) procedures when the taxpayer owes a federal tax liability but requires a manual refund to be issued upon the filing of a tax return prior to assessment of the return.

Note: Follow the general manual refund procedures in the preceding subsection to process a manual refund when the taxpayer does not owe a federal tax liability. The manual refund procedures must also be followed when the taxpayer owes a federal tax liability and the IRS has levied if a determination has been made to return the levy proceeds under IRC 6343(d).
- (3) Determine if an OBR is appropriate.
- (4) Refer to IRM 3.13.222.15.1, *Offset Bypass Refund (OBR)*, and IRM 21.4.6, *Refund Offset*, for guidance on OBR processing.
- (5) Do not do the following:
 - a. bypass a Treasury Offset Program (TOP) obligation, and/or
 - b. refund credits holding on an account to the extent that they will satisfy a TOP obligation.
- (6) Prepare a report to your manager in memorandum format to request approval of an OBR once you have determined that an OBR is appropriate.
- (7) Include all of the information listed in IRM 5.1.12.20.1.5, *Prepare a Manual Refund Request Package*.
- (8) Attach the following to your report:
 - a. Copy of the portion of the case file justifying OBR processing, (e.g., history sheet, taxpayer correspondence),
 - b. Copy of the return,
 - c. Copy of any IDRS or CFOL research confirming credits claimed on the return,

- d. Copy of Form 433-A and Form 433-B completed by the taxpayer, if available,
- e. Copy of any documentation of the condition causing economic hardship,
- f. Request for terminal input of TC 971 (CC FRM77) Action Code (AC) 36, IRS Offset Bypass Refund.

(9) Forward the request to your manager for approval.

Reminder: Immediately request input of TC 972 AC 36 to reverse the identification of the type of manual refund if the request for refund is rejected.

5.1.12.21
(11-15-2023)
Refund Offset

- (1) When a taxpayer owes a liability and an overpayment is available, the Master File generally recognizes this and prevents a refund from being issued. The refund is applied to the outstanding liability. These refund offsets usually happen automatically; however, Collection employees must recognize cases when the offset will not happen automatically. In those cases, input of a TC 130 must be requested to stop a refund from being issued to a taxpayer with a liability.
- (2) Several conditions exist which may cause the same refund to be offset. The priority in deciding where to apply the money is:
 - Automatic offset within the Master File
 - Automatic offset across the Master Files
 - Offset requested using TC 130 to pay outstanding taxes which are not offset automatically
 - Offset requested by Bureau of the Fiscal Service (BFS) to pay debts other than taxes, e.g., child support and student loans
- (3) Be alert for case situations when the offset will not happen automatically.
- (4) Request input of TC 130 to stop a refund from being issued to a taxpayer with a liability according to the following procedures.

5.1.12.21.1
(07-02-2010)
Types of Refund Offset

- (1) There are four types of refund offset:
 - IMF Automatic Refund Offset
 - Offset into a BMF Module
 - Offset out of a BMF Module
 - Offset across both IMF and BMF.
- (2) Each type of offset is discussed below.
- (3) Follow the applicable procedures for each type of offset.

5.1.12.21.1.1
(07-02-2010)
**Individual Master File
Automatic Refund Offset**

- (1) When an IMF taxpayer files a refund return:
 - the Master File automatically recognizes whether the taxpayer owes for another module within the IMF,
 - the refund is offset to pay the amount owed on the other module, and
 - the campus will send an automated notice to the taxpayer which shows where the refund was applied.

- (2) A refund on an IMF return will be offset without a TC 130 in certain situations. The following example explains those situations. In all of the following situations, TC 130 input is not required for IMF refund offset. The offset will happen automatically.

Example: Richard and Mary Brown owe a joint IMF liability and then subsequently:

- Richard and Mary Brown file a joint return.
- Richard and Mary file a joint return as Mary and Richard Brown (primary and secondary switch positions on the return).
- Richard Brown files a refund return separately from Mary.
- Richard Brown files a joint return as the primary taxpayer with a new secondary taxpayer.
- Mary Brown files a refund return separately from Richard.

5.1.12.21.1.2
(11-15-2023)

**Offset into a Business
Master File Module**

- (1) When a balance due return is filed on the BMF and the credits claimed agree with the credits posted, the module will allow offsets into it.
- (2) When a balance due return is filed on the BMF and the credits claimed do not agree with the credits posted, the campus will send an automated notice to the taxpayer which shows the total amount of credits posted to the module.

Note: If this notice is sent, offsets are not allowed into the module until the taxpayer has a chance to respond.

- (3) Once the notice is sent, offsets will be allowed into the module if:
- the taxpayer does not respond to the notice within 10 cycles, or
 - the taxpayer acknowledges that the amount is owed.
- (4) Handle a BAL DUE like any other payment tracer or adjustment case when the taxpayer says the amount is not owed.
- (5) Request input of TC 130 when the BMF Name Control does not match the IMF Name Control.

Reminder: When the LLC is a disregarded entity, the single member owner remains liable for tax periods ended before January 1, 2009 for any outstanding employment tax liabilities. For tax periods beginning on or after January 1, 2009, the LLC is the liable taxpayer. Since the individual is not liable, TC 130 must not be requested. See IRM 5.1.21, *Collecting from Limited Liability Companies*, to identify the liable taxpayer.

5.1.12.21.1.3
(11-15-2023)

**Offset Out of a Business
Master File Module**

- (1) If there is an overpayment on a BMF module and the credits claimed on the return filed agree with the credits posted, the taxpayer can request the overpayment be transferred to another module with a balance due. Any remaining overpayment will be applied to other balance due modules. If there are no other balance due modules, the overpayment will be refunded.
- (2) If there is an overpayment on a BMF module and the payments claimed on the return filed do not agree with the amounts credited, the campus will send an automated notice to the taxpayer which shows the amount of credits posted to the module. The notice will,

- list all credits posted (if there is enough room), or
- show only the total credit (if there is not enough room to list all credits posted), and
- ask where they prefer the overpayment be applied.

Note: If this notice is sent, offsets are not allowed out of the module until the taxpayer has a chance to respond.

- (3) Once the notice is sent, offsets will be allowed out of the module if:
 - the taxpayer does not respond to the notice within 10 cycles, or
 - the taxpayer acknowledges there is an amount owed on another module.
- (4) Apply the overpayment as requested by the taxpayer if the taxpayer made such request.
- (5) Refund the overpayment if the taxpayer asks for a refund and there are no BAL DUE modules.
- (6) Request input of TC 130 when the BMF Name Control does not match the IMF Name Control.

Reminder: For an LLC, request input of TC 130 only when an individual owner is identified as the liable taxpayer for liabilities assessed in the name and EIN of the LLC. For excise tax periods beginning on or after January 1, 2008 and for employment tax periods beginning on or after January 1, 2009, the LLC is the liable taxpayer, so TC 130 may not be requested. See IRM 5.1.21, *Collecting from Limited Liability Companies*.

5.1.12.21.1.4
(07-02-2010)

**Offset Across the
Individual and Business
Master Files**

- (1) When an IMF refund return is filed and it includes an Employer Identification Number (EIN) on a Schedule C or F, this EIN is automatically checked for any amounts owed for BMF taxes. If there are BMF taxes owed, the IMF refund will generally be offset to the BMF to pay the BMF taxes. However, no automated notice will be sent by the campus.
- (2) If the IMF refund is not automatically offset to the BMF to pay the BMF taxes, it is never “too late” to input TC 130. You can request input of TC 130 any time within the applicable period of limitations. However, if the existence of a relationship of liability has not been previously established, offset(s) is (are) not allowed into a module until the taxpayer has had a chance to confirm or deny the existence of a relationship of liability. Offsets will be allowed into a module when a taxpayer acknowledges that the BAL DUE(s) is (are) owed.
- (3) Request input of TC 130 only if:
 - a. either the IMF or BMF return(s) reflect(s) a cross-referenced TIN,
 - b. review of INOLES confirms matching name and address information, or
 - c. you make personal contact with either the IMF or BMF taxpayer to confirm the existence of a relationship of liability.

Example: Several years ago, a taxpayer filed a final Schedule C for their business along with their Form 1040. The business still had a balance due. The IMF refund was not offset for several years. Then the revenue officer (RO) working the BMF BAL DUE realized TC 130 needed to be input on the IMF because they obtained a copy of the Form 1040 and Schedule

C that reflected the BMF TIN. The RO ensured the BMF BAL DUE(s) was (were) the result of voluntarily filed returns, and the notice of the assessments was sent to the current IMF address on INOLES. The RO requested TC 130 input and the taxpayer's refund was offset the subsequent year and full paid the BMF BAL DUE.

Note: If the taxpayer's Form 1040 return has multiple Schedules C or F attached, only the EIN from the first one will be input for offset.

- (4) Request current BMF address information and explain the impact on the taxpayer regarding the cross-referencing of IMF and BMF entities prior to requesting input of TC 130 when:
 - a. the IMF and BMF addresses on INOLES do not match, and
 - b. the BMF assessment(s) is (are) not the result of voluntarily filed returns.
- (5) Request input of TC 130 only if you confirm the existence of a relationship of liability.

5.1.12.21.1.4.1
(08-05-2014)
**Limited Liability
Company Offset**

- (1) The widespread adoption of limited liability companies (LLCs) has caused frequent failure of IMF refunds to automatically offset to BMF liabilities, when appropriate.
- (2) When the owner of an LLC is the liable taxpayer and reports employment taxes in the owner's name, the BMF Name Control (NC) will match the IMF NC. If there are BMF taxes owed, the IMF refund will generally be offset to the BMF to pay the BMF taxes.
- (3) When the liability of an individual owner of an LLC is reported in the name of the LLC, the BMF NC is different from the IMF NC and the system will not perform the offset. Input of TC 130 may only be requested for those tax periods where an individual owner is identified as the liable taxpayer for liabilities assessed in the name and EIN of the LLC.

Reminder: When the LLC is a disregarded entity, the single member owner remains liable for tax periods ended before January 1, 2009 for any outstanding employment tax liabilities. For tax periods beginning on or after, the LLC is the liable taxpayer. Since the individual is not liable, TC 130 may not be requested. See IRM 5.1.21, *Collecting from Limited Liability Companies*.

- (4) For excise tax periods beginning on or after January 1, 2008 or employment tax periods beginning on or after January 1, 2009, the LLC is the liable taxpayer. TC 130 may not be requested, except before the assessment of a Trust Fund Recovery Penalty, as described below.

5.1.12.21.2
(07-02-2010)
**Determine if TC 130
Input is Necessary**

- (1) Screen your assigned BAL DUEs periodically to determine if it is necessary to request input of TC 130.

Note: When a new inter-Area transfer-in BAL DUE is issued, it will already have TC 130 input by the Campus Compliance Services (CCS).

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- (3) Request input of TC 130 if an overpayment can reasonably be expected as a credit to the outstanding liability before the expiration of the collection statute.

Note: Do not request input of TC 130 if less than six months remain on the collection statute.

- (4) Request input of TC 130, if applicable, when you:
- report a BAL DUE(s) currently not collectible, or
 - enter into an installment agreement for longer than six months.
- (5) Be alert to situations where a taxpayer submits a refund return and the refund would normally be offset within the Master File without a TC 130, but because of the timing, the refund may be issued.

Example: Taxpayer submits a refund and a balance due return at the same time. The refund return may post before the balance due return. To prevent the refund from being issued, input TC 130 so the refund will be held until the balance due return posts.

Example: Taxpayer files a refund return and the refund has not been issued yet. Then the taxpayer files a balance due return. To prevent the refund from being issued, request input of TC 130.

- (6) Request input of TC 130 when a refund:
- a. may be issued before the assessment of a Trust Fund Recovery Penalty. See IRM 5.7.4.7, *Notification of Proposed Assessment*.
 - b. will be issued because a taxpayer with an outstanding liability files a refund return with you.
- (7) Close a BAL DUE by requesting input of TC 470 CC 93 if the taxpayer files a refund due return with you and:
- the return appears to be prepared correctly, and
 - the refund will full pay the BAL DUE.

5.1.12.21.3
(07-02-2010)

**Request Refund Offset
with TC 130**

- (1) Follow the appropriate procedures below to request input of TC 130 to offset a refund.

5.1.12.21.3.1
(07-02-2010)

TIN Not on MF

- (1) Sometimes a taxpayer's Taxpayer Identification Number (TIN) is not established on the Master File.
- (2) Follow these procedures to request input of TC 130 on a taxpayer whose Taxpayer Identification Number (TIN) is not established on the Master File:
- (3) Request input of TC 130 and:
- a. request input of TC 000 with a mail filing requirement of 3, and

- b. include the taxpayer's last known address on the TC 000 request.

5.1.12.21.3.2

(11-15-2023)

Offset an IMF Refund

- (1) Request input of TC 130 to offset an IMF refund in the situations displayed in the following table. Otherwise, any overpayment will be refunded without TC 130 present on the account.

Example: Jay and Blake Blue owe a joint liability. Jay dies and Blake marries Reese Green. Unless a TC 130 is input on Reese Green's TIN, any overpayment on a Reese and Blake Green return (Blake as secondary taxpayer) will be refunded.

Example: Jay Yellow owes a single liability. They marry Blake Red. Unless a TC 130 is input on Blake Red's TIN, any overpayment on a Blake and Jay Red return (Jay is the secondary taxpayer) will be refunded.

Example: Jay and Blake Orange owe a joint liability. They divorce and Blake marries Reese Purple and they file a joint return as Blake (primary) and Reese (secondary) Purple. Unless a TC 130 is input on Blake's TIN, the refund will be issued.

Note: Even though certain IMF refunds are automatically offset against BMF liabilities as discussed above, there are exceptions.

Example: Jay Black is the single member owner of an LLC, and is identified as the liable taxpayer for unpaid employment taxes. Unless a TC 130 is input on Jay Black's TIN, any overpayment on a Jay and Blake Black income tax return will be refunded.

- (2) Follow the table below to input a TC 130 under the primary TIN when the secondary taxpayer owes either under a single liability or jointly with another primary taxpayer.

Step	If	Then
(1)	A taxpayer owes outstanding joint IMF liabilities and then the taxpayer filed as a secondary taxpayer with someone not liable for the amount due.	Request input of TC 130 on the primary individual's TIN so any overpayments will be applied to the outstanding joint IMF liabilities.
(2)	A taxpayer owes outstanding joint IMF liabilities, and the secondary taxpayer filed as a primary taxpayer on a joint return with someone other than the spouse who was liable for the tax.	Request input of TC 130 on the primary individual's TIN so any overpayments will be applied to the outstanding joint IMF liabilities.
(3)	A taxpayer owes Non-Master File (NMF) liabilities.	Request input of TC 130 on the individual's TIN so any overpayments will be applied to the outstanding NMF liabilities.

Step	If	Then
(4)	A taxpayer is a partner in a partnership and owes partnership liabilities.	Request input of TC 130 on the general partner's TIN so the refund will offset to the outstanding partnership liability when outstanding partnership liabilities exist and the general partner files a personal refund return.
(5)	A taxpayer is a sole proprietor and owes sole proprietor liabilities.	Request input of TC 130 on the sole proprietor's TIN so the refund will offset to the outstanding liability when outstanding sole proprietor liabilities exist and the proprietor files a personal refund return without a Schedule C or F.
(6)	A taxpayer is the single member owner of an LLC, and the owner is liable for its employment taxes.	Request input of TC 130 on the owner's TIN so the refund will offset to the outstanding liability assessed in the name and EIN of the LLC when the owner is identified as the liable taxpayer for employment taxes and files a personal refund return. Reminder: For tax periods ended prior to January 1, 2009, the single member owner would still be liable for any outstanding employment tax liabilities. After that time, if the LLC is identified as the liable taxpayer, the individual is not liable and TC 130 will not be requested. See IRM 5.1.21, <i>Collecting from Limited Liability Companies</i> .

5.1.12.21.3.3
(07-02-2010)

Offset a BMF Refund

- (1) Request input of TC 130 to offset a BMF refund in the situations displayed in the following table, otherwise, any overpayment will be refunded without TC 130 present on the account.

Step	If	Then
(1)	A taxpayer owes IMF liabilities and also has an active sole proprietorship.	Request input of TC 130 on the individual's Employer Identification Number (EIN) so any overpayments on the BMF will be applied to the IMF liabilities.
(2)	A taxpayer owes Individual Retirement Account File (IRAF) liabilities and also has an active sole proprietorship	Request input of TC 130 on the individual's EIN so any overpayments on the BMF will be applied to the IRAF liabilities.
(3)	A taxpayer owes Non-Master File (NMF) liabilities and also has an active sole proprietorship	Request input of TC 130 on the employer identification number so any overpayments will be applied to the NMF liabilities.
(4)	A taxpayer owes BMF liabilities under more than one Employer Identification Number (EIN).	Request input of TC 130 on the other EIN(s) so any overpayments will be applied to any outstanding liabilities.
(5)	A taxpayer owes IMF liabilities and is identified as the liable taxpayer on the BMF as the single member owner of an LLC	Request input of TC 130 on the EIN of the LLC where the individual is identified as the liable taxpayer so any overpayments on the BMF will be applied to the IMF liabilities. Reminder: Overpayments from BMF tax periods where the LLC is identified as the liable taxpayer must not be applied to IMF liabilities.

5.1.12.21.4
(08-05-2014)

**Document Preparation
to Request TC 130**

- (1) Use Form 3177, *Notice of Action for Entry on Master File*, for all other requests for input of TC 130.

Exception: The following procedure applies for reporting a BAL DUE account Currently Not Collectible (CNC).

- (2) Use Form 53, *Report of Currently Not Collectible Taxes*, to request input of TC 130 when you are reporting a BAL DUE account CNC.

Note: ICS will electronically submit Form 3177 to CCP.

- (3) See IRM 5.1.12.21.3.1 for guidance on requesting input of TC 130 on a taxpayer whose Taxpayer Identification Number (TIN) is not established on the Master File.

- (4) Include the following on all documents requesting input of TC 130:

- Form number, tax period, and Taxpayer Identification Number of the cross-referenced liabilities, and
- Social Security Number and name of each taxpayer responsible for any joint liability.

Note: Always request input of the TC 130 on the primary number if a joint return is filed.

- (5) Do not request any other type of input on the same document.

- (6) If you prepare a manual Form 53 (not on ICS), send Form 3177 by secure email to Centralized Case Processing (CCP).

5.1.12.21.5
(07-02-2010)

**Use TC 131 to Release a
TC 130 Freeze**

- (1) Request release of the TC 130 freeze when:
 - a. the liability is paid or the assessment is abated in full before receipt of CP 44, 188, or NMFL transcript, or
 - b. the liability is closed by an adjustment (TC 470 CC 90).
- (2) Use Form 3177 with a TC 131 in the "Other" block to release the TC 130 freeze.
- (3) Request input of TC 131 if a TC 130 was input in anticipation of assessing a Trust Fund Recovery Penalty (TFRP) pursuant to IRM 5.7.4.7, *Notification of Proposed Assessment*, and IRM 5.1.12.20.2, *Offset Bypass Refund Procedures*, and:
 - a. the recommendation to assess the TFRP is rejected,
 - b. the penalty is not assessed within two weeks after Campus Compliance Services (CCS) contacts the revenue officer about a refund that has been frozen, or
 - c. the TFRP is assessed, unless it is assessed against a person who files as a secondary taxpayer, and the spouse is not assessed, then overpayments will be refunded if a TC 130 is not present.
- (4) Include an explanation about why you are requesting TC 131 on the Form 3177.
- (5) Record the date and reason in the case history.
- (6) Send Form 3177 requesting input of TC 131 by secure email to Centralized Case Processing (CCP).

5.1.12.21.6
(07-02-2010)

**Procedures upon
Receipt of CP 44 or CP
188**

- (1) After offset within the Master File, Master File entities containing a TC 130 are frozen from refunding. A notice is generated when a frozen credit is available:
 - Notice CP 44 is generated for IMF cases, and
 - Notice CP 188 is generated for BMF cases.
- (2) Non Master File Liability (NMFL) transcripts are generated when a second credit posts to a module after a CP 44 or a CP 188 is issued and the frozen credit condition is unreversed. A TC 740 causes a transcript to be generated, but a CP 44 or a CP 188 is not issued.
- (3) Campus Compliance Services (CCS) processes all CP 44 and CP 188 notices and NMFL transcripts.
- (4) The CP 44 and CP 188 notices and NMFL transcripts:
 - indicate that a refund credit is available for offset against a "130 case", and
 - serve as a turnaround document informing CCS where to apply the overpayment.
- (5) Use Part 2 of the CP 44/188 or the NMFL transcript to:
 - request transfer of the credit,

- notify CCS to release the frozen credit, or
- request input of TC 131.

(6) Send Parts 2 and 3 of the CP 44/188 and/or the NMFL transcript to Advisory via Form 3210, *Document Transmittal*.

Note: You can send these to Advisory on a daily basis, or you can accumulate them and send them on a weekly basis. Advisory will send Parts 2 and 3 of the CP 44/188 and/or NMFL transcripts to CCS via Form 3210, *Document Transmittal*.

5.1.12.22
(11-15-2023)
**U.S. Tax Court
Subpoena**

- (1) At the request of a Chief Counsel attorney, Internal Revenue Service employees may be called upon to serve a subpoena issued by the United States Tax Court.
 - a. Subpoenas are available to Chief Counsel attorneys through the office of the Clerk of the Court and also may be downloaded directly from the Tax Court web site. A Chief Counsel attorney will forward the subpoena to the Field territory manager for the vicinity in which the witness resides.
 - b. The letter or memorandum to the Field territory manager transmitting the subpoena for service will contain any special instructions that Area Counsel wishes communicated to the official serving the subpoenas, or to the witness.
 - c. The Field territory manager must promptly assign Tax Court subpoenas using Form 2209, *Courtesy Investigation*.
- (2) See IRM 5.1.8, *Courtesy Investigations*.

5.1.12.22.1
(05-20-2008)
**U.S. Tax Court
Subpoena Procedures**

- (1) Accomplish service by personally showing the witness the original subpoena and delivering a copy of the subpoena to the witness.
- (2) Mark "Return on Service" on the original subpoena.
- (3) Acknowledge such return before an IRS official authorized to administer oaths.
- (4) Forward the original to the Chief Counsel attorney after you have properly served a copy of the subpoena.

5.1.12.23
(08-05-2014)
**Backup Withholding —
Overview**

- (1) Financial Institutions (including banks) and other businesses that make certain kinds of payments must file an information return with the IRS. Generally, these payments are not subject to withholding; however they may be subject to "backup withholding (BWH)".
- (2) The IRS has two separate Backup Withholding (BWH) programs that require payers to withhold at the BWH rate from certain reportable payments. They are:
 - BWH "B" -- Notice Incorrect/Missing TIN process, and
 - BWH "C" -- Notice Underreporter/Nonfiler process.

5.1.12.23.1
(11-15-2023)
“B” Backup Withholding Program

- (1) The “B” BWH program provides notices to payers (a financial institution, business or person) who file information returns (the 1099 forms listed below) with incorrect or missing Taxpayer Identification Numbers (TINs). Payers are required to send notices pursuant to Treasury Regulation 31.3406(d)-5(d) or 5(g).
- (2) Notices CP 2100 and CP 2100A advise payers that BWH could become necessary if a payee (the recipient of a Form 1099) fails to certify their TIN.
- (3) The “B” BWH program includes the following information returns:
 - Form 1099-B,
 - Form 1099-DIV,
 - Form 1099-G
 - Form 1099-INT,
 - Form 1099-MISC,
 - Form 1099-OID,
 - Form 1099-PATR, and
 - Form 1099-K.
- (4) Refer to the BWH “B” procedures contained in IRM 5.19.3.5.1, *TIN-Related BWH- B Notices (CP2100 and CP2100A)*, when you have a BWH “B” BAL DUE assigned to you.
- (5) Find more detailed information on the BWH B rules and procedures for payers in Publication 1281, *Backup Withholding for Missing and Incorrect Name/ TIN(s)*.

5.1.12.23.2
(04-13-2022)
“C” Backup Withholding Program

- (1) The “C” BWH program provides notices to payees (recipients of the 1099 forms listed below) who have underreported their interest or dividend income or failed to file a tax return reporting such income when required. Pursuant to Treasury Regulation 31.3406 (c)-1, payers are required to send notices.
- (2) These notices inform payees that they are subject to BWH, and what payees can do to prevent BWH.
- (3) The “C” BWH program includes the following information returns:
 - Form 1099-DIV,
 - Form 1099-INT,
 - Form 1099-OID, and
 - Form 1099-PATR.
- (4) Refer to the BWH “C” procedures contained in IRM 5.19.3.5.2, *Underreporter/ Nonfiler BWH C Notices*, when you have a case involving BWH, “C” assigned to you.
- (5) Find additional information for payers who need to start BWH “C” in Publication 1335, *Underreporter Backup Withholding Questions and Answers*.

5.1.12.23.3
(11-15-2023)
“C” Program Backup Withholding Procedures

- (1) When a taxpayer requests to have BWH discontinued, and you have determined that one of the satisfying transactions listed in IRM 5.19.3.5.2.11, *BWH “C” Satisfying Transactions*, has posted to the taxpayer’s account, prepare Form 4442, *Inquiry Referral*.

- (2) Forward the completed Form 4442 to the Compliance Services Collection Operations (CSCO) operations in KCSC or PSC. See IRM 5.19.3.5.2.2, *BWH "C" Procedures*.
- (3) Advise the taxpayer they may file (or ask you to complete on their behalf) Form 911, *Request for Taxpayer Advocate Service Assistance (And Application for a Taxpayer Assistance Order)*. Explain that TAS only takes cases that meet its case criteria as explained in IRM 13.1.7, *Taxpayer Advocate Service (TAS) Case Criteria*. Situations where TAS case handling is appropriate include those where:
 - a. the taxpayer is experiencing or may experience economic harm because they have limited income which is needed to meet necessary living expenses,
 - b. BWH at the applicable rate will cause significant over-withholding, or
 - c. the IRS office will not grant the relief requested or will not grant the relief in time to avoid the economic harm.

Example: A taxpayer on a fixed income dealing with a catastrophic illness (and the related costly unreimbursed medical expenses) may want to file Form 911.

5.1.12.24
(08-05-2014)
Indian Tribal Governments

- (1) IRC 7871, *Indian Tribal Governments Treated as States for Certain Purposes*, creates a unique relationship between Indian tribal governments and the United States government.
- (2) The Indian Tribal Governments/Tax Exempt Bonds (ITG/TEB) office in the Tax Exempt and Government Entities (TE/GE) Operating Division was established to assist Indian tribes with federal tax issues. The ITG/TEB office coordinates all aspects of tax administration as it impacts Indian tribes including direct assistance, indirect assistance, compliance checks, and examination of returns. The ITG/TEB office:
 - is responsible for ensuring that the IRS is in compliance with the various Executive Orders outlining the relationships and protocols required in working with Indian tribes,
 - provides primary front-line service by five field groups which are aligned respective to tribal affiliations wherever possible, and
 - serves as the central point for all IRS contacts with federally recognized Indian tribes.
- (3) Refer to the following IRM sections for additional information:
 - IRM 4.86.1, *Indian Tribal Governments Administration and Policy*, and
 - IRM 4.88.1, *Examination Issues Pertaining to ITG Cases*.

5.1.12.24.1
(04-13-2022)
The Role of the ITG Specialist

- (1) Indian tribal governmental accounts can be complex and involve an array of legal issues. The Indian Tribal Governments (ITG) personnel (i.e., ITG specialists) are specially trained in the unique areas of tax law and protocol that apply to Indian tribes.
- (2) The ITG specialist will:

- act as a liaison and central point of contact between the Indian tribal officials and the revenue officer (RO) assigned to the case and will advise the officials in advance of a visit from the RO.
 - assist the RO with case-related technical issues specific to Indian tribes.
- (3) Tribal constitutions or tribal resolutions may designate a specific person to address tax matters. Land ownership legalities are outlined by treaty to ensure that legal rights are not violated. Technical issues specific to Indian tribes are listed below. This list is not all-inclusive.

Issue
Determining appropriate contacts within a tribe
Determining land ownership legalities unique to Indian tribes
Filing requirements
Conducting full compliance checks
Identifying leviable and non-leviable assets
Regulations
Treaties
Court decisions
Statutes
Tax law
Disclosure issues

- (4) Special rules apply to Indian tribes for some tax returns. See IRM 4.88.1.8.3, *Filing Requirements*.

5.1.12.24.2
(04-13-2022)

**Indian Tribal
Government Procedures**

- (1) Identify Indian tribal government entities on IDRS by the business operating division (BOD) code "TE" and the employment code "I".
- (2) Refer to IRM 4.88.1.2, *Federal Tax Status of Indian Tribal Governments*, for information on federal taxation issues involving Indian tribal governments.
- (3) Access the Specialist Referral System (SRS) at <https://srs.web.irs.gov/default.aspx> and create a referral request for the assistance of an ITG group manager and assignment of an Indian Tribal Government (ITG) specialist.

Note: The ITG Manager will assign an ITG specialist to work with you.

- (4) Contact the assigned ITG specialist when you:
- Need to visit a tribe, tribal entity or individual tribal member on tribal land to work an account
 - Have questions about specific filing requirements
 - You are contemplating taking any enforcement action
- (5) Do not assume that the CFO, Treasurer, or Tribal Administrator is the designated tribal contact.

- (6) Work closely with the ITG specialist to determine the appropriate contacts within the tribes because the specific person to address tax matters with may be designated in a tribal constitution or through a tribal resolution.
- (7) Coordinate with the ITG specialist as your central point of contact with the tribal officials. The ITG specialist will advise the officials of your planned visit.
- (8) Keep the ITG specialist involved in material interactions between you, as the representative of the IRS, and the tribal government.
- (9) Maintain contact with the ITG specialist regarding:
 - Updated plans of action
 - General case developments such as receipt of a new BAL DUE or DEL RET.
- (10) Have the ITG specialist assist you in conducting a full compliance check.
- (11) Inform the ITG specialist about any new ITG case issuances that are not properly identified as Indian tribal government accounts.

5.1.12.24.2.1
(04-13-2022)

**Enforcement Action on
ITG Cases**

- (1) The Service must comply with Presidential Executive Orders. See IRM 4.86.1.10, *Tribal Sovereignty Overview*.
- (2) Special care must be taken to avoid violating Indian tribal legal rights because there are tribal sovereignty and land ownership legalities unique to Indian tribes which are outlined by treaty.
- (3) Work closely with the assigned ITG specialist before you take any enforcement action on an ITG account, including
 - filing a Notice of Federal Tax Lien
 - serving a levy
 - serving a summons
 - considering a seizure
 - assessing a Trust Fund Recovery Penalty (TFRP)
- (4) Ensure that you secure approval of the ITG Director before serving a summons, including summonses on tribal government or a third party for information concerning a tribal government.

5.1.12.25
(04-13-2022)

**Mutual Collection
Assistance Requests**

- (1) The United States maintains bilateral tax treaties which contain provisions for mutual tax collection. A Mutual Collection Assistance Request (MCAR) is used between treaty partners for collecting tax debts. Refer to IRM 5.21.7.4, *Mutual Collection Assistance Requests (MCAR)*, for guidance on Inbound and Outbound MCARs.

5.1.12.26
(09-20-2012)

**Form 1127, Application
for Extension to Pay
Due to Financial
Hardship**

- (1) IRC 6161(a)(1) provides that the IRS may extend the time for payment of the amount of the tax shown, or required to be shown, on any return for a reasonable period not to exceed 6 months from the date payment is due. Such extension may exceed 6 months in the case of a taxpayer who is abroad.
- (2) IRC 6161(b)(1) provides generally that the IRS may extend the time for the payment of an amount determined as a deficiency of a tax for a period not to

exceed 18 months from the date payment of the deficiency is due. In exceptional cases, this time period may be extended for a further period not to exceed 12 months.

Note: If the deficiency is due to negligence, intentional disregard of rules and regulations, or to fraud with intent to evade tax, no extension shall be granted. IRC 6161(b)(3).

- (3) An application for an extension of time to pay certain tax liabilities under IRC 6161 is made by timely filing Form 1127, *Application for Extension of Time for Payment of Tax Due to Undue Hardship*. The types of taxes for which an extension to pay may be requested on Form 1127 are listed in the instructions to the form. These include income taxes, gift taxes, and certain excise taxes.

Note: While IRC 6161 also provides for extensions of time to pay estate tax, such extensions must be requested on Form 4768, *Application for Extension of Time to File a Return and/or Pay U.S. Estate (and Generation-Skipping Transfer) Taxes*. See IRM 5.5.5, *Processing Estate and Gift Tax Extensions*.

- (4) Treasury Regulation 1.6161-1(b) provides that an extension to pay shall be granted only upon a satisfactory showing that payment on the due date will result in an undue hardship. The extension will not be granted upon a general statement of hardship.
 - a. The term “undue hardship” means more than an inconvenience to the taxpayer.
 - b. It must appear that substantial financial loss, for example, loss due to the sale of property at a sacrifice price, will result to the taxpayer from making payment on the due date.
 - c. If a market exists, the sale of property at the current market price is not ordinarily considered as resulting in an undue hardship.

5.1.12.26.1
(11-15-2023)
**Processing Form 1127
Applications**

- (1) With the exception of applications for an extension of time to pay a gift tax, all Form 1127 applications must be filed with the Advisory Group for the area where the taxpayer maintains their legal residence or principal place of business. See Pub 4235, *Collection Advisory Group Numbers and Addresses*.
- (2) Form 1127 applications for an extension to pay a gift tax reportable on Form 709 must be filed with the Estate and Gift Tax Unit in the Cincinnati campus.
- (3) If a Form 1127 application is received in the wrong office, the receiving office will promptly forward the application to the correct office for processing.
- (4) Treasury Regulation 1.6161-1(c) provides that Form 1127 applications will be examined, and within 30 days, if possible, will be denied, granted, or tentatively granted subject to certain conditions of which the taxpayer will be notified. The appropriate box at the bottom of Form 1127 must be checked to indicate whether the application has been approved, denied, or returned. A summary of the reason(s) for this determination must be included on the form and more specifically explained in a cover letter sent to the taxpayer.

5.1.12.26.2
(12-20-2017)

Returning Form 1127 as Nonprocessable

- (1) The Form 1127 application must clearly be a request under IRC 6161 for an extension of time to pay due to undue hardship. These applications are often used incorrectly by taxpayers and their representatives. For example, Form 1127 may not be used to request an extension of time to file a return.
- (2) Examples of possible incorrect uses of Form 1127 are listed in the Determination Chart on page three of the form. The chart also lists the correct forms to use, or actions to take, in order to obtain the relief incorrectly being sought by the taxpayer on Form 1127.
- (3) There are strict time requirements for when a Form 1127 application must be filed with the IRS. If the form is not timely filed, it will be returned as nonprocessable. Use the postmark date of the application to determine whether it was timely filed.

If	Then
the taxpayer is requesting an extension of time to pay a tax due on an upcoming return,	the Form 1127, with supporting documents, must be filed on or before the due date of that return, not including extensions.
the taxpayer is requesting an extension of time to pay an amount determined as a deficiency,	the Form 1127, with supporting documents, must be filed on or before the due date for payment indicated in the tax bill.

- (4) In addition to timely filing, there are a number of requirements for the Form 1127 application to be processable. The Form 1127 application must include the following information:
 - Taxpayer's name, address, and Tax Identification Number (TIN).

Note: If the application is for a tax shown on a joint return or a joint liability for a deficiency, then both spouse's names must be included on the form in the order in which the names appear or will appear on the tax return, with the TIN of the spouse whose name appears first.
 - Whether the extension is being requested for a tax shown or required to be shown on a return, or for an amount determined as a deficiency.
 - The due date of the return or the due date for paying the deficiency.
 - The extension date proposed by the taxpayer.

Note: An extension of more than six months to pay the tax shown on a return will generally not be granted. However, except for taxes due under IRC 4981, IRC 4982, and IRC 5881, an extension for more than six months may be granted if the taxpayer is out of the country. An extension to pay a deficiency is generally limited to 18 months. However, in exceptional circumstances, an additional 12 months may be granted.
 - The amount of the tax liability for which an extension to pay is being requested.
 - The form number relating to the tax.
 - The calendar year or fiscal year of the tax.
 - An explanation of the undue hardship that will result to the taxpayer if the extension is denied.

- (5) The following supporting documents must be filed with the Form 1127 in order for the application to be processable:
 - A statement of the taxpayer's assets and liabilities.
 - An itemized list of the taxpayer's income and expenses for each of the three months prior to the due date of the tax.
- (6) The application must be signed by the taxpayer(s) or the taxpayer(s)' representative under penalties of perjury and dated.
- (7) If the Form 1127 application does not meet the requirements listed above, it will be returned to the taxpayer(s) as nonprocessable. Check the "Returned" box at the bottom of the form and provide the reason(s) why the application is being returned.
- (8) Applications that are nonprocessable may be signed by the Advisory group manager and returned to the taxpayer by form letter under the signature of the Advisory group manager. See Exhibit 5.1.12-3, Sample Letter Returning Form 1127 Application as Nonprocessable.
- (9) Record the actions taken in the ICS history.

5.1.12.26.3
(12-20-2017)

**Approving or Denying
Form 1127 Applications**

- (1) If the Form 1127 application is processable, Advisory will determine whether the taxpayer has made a satisfactory showing of "undue hardship", See IRM 5.1.12.26, above.

If	Then
Advisory determines that a taxpayer has made a satisfactory showing of undue hardship,	the advisor or tax examiner will prepare a recommendation that the application be approved and forward the recommendation and the application through the Advisory group manager to the Advisory territory manager for final approval and signature. The advisor or tax examiner will also prepare a cover letter to the taxpayer for the signature of the Advisory territory manager.
Advisory determines that the taxpayer has not made a satisfactory showing of undue hardship,	the advisor or tax examiner will make a recommendation that the application be denied and obtain the concurrence and signature of the Advisory group manager. The advisor or tax examiner will also prepare a cover letter for the signature of the Advisory group manager explaining to the taxpayer the reason(s) why the application is being denied.

- (2) The recommendation prepared by the advisor or tax examiner as to whether a taxpayer's application should be approved or denied must be in writing, but the format of the recommendation and the manner in which it is forwarded for review and approval may be established at the local level.
- (3) Once a determination is made, the Form 1127 will be completed (marked "Approved" or "Denied" with a brief explanation) and signed by the appropriate IRS official. The advisor or tax examiner will prepare a cover letter for the

signature of the Advisory group manager or the Advisory territory manager, as appropriate, informing the taxpayer whether the application has been approved or denied. The cover letter will be forwarded to the taxpayer along with a copy of the completed Form 1127. See Exhibit 5.1.12-4, *Sample Letter Denying Form 1127 Application*, and Exhibit 5.1.12-5, *Sample Letter Approving Form 1127 Application for Extension of Time for Payment of Tax*.

- (4) Document the ICS history with the actions taken. Retain a copy of the letter sent to the taxpayer and the Form 1127 with supporting documents in conformance with existing document retention guidelines.

5.1.12.26.4
(11-15-2023)

**Processing Approved
Form 1127 Applications**

- (1) If a Form 1127 application for an extension to pay for six months is approved, Advisory will prepare two Forms 4844, Request for Terminal Action. The first Form 4844 will request that a Transaction Code (TC) 470, no closing code, be input to the module and an Integrated Data Retrieval System (IDRS) control base opened. The IDRS control base will be assigned to the 10-digit IDRS number of the advisor or tax examiner requesting input of the TC 470, along with a request for input of the literal activity code "F1127EXT." In addition, the Form 4844 will include a request for input of history bases with the following information: F1127EXT PAYMTDUE MMDDYYYY. The history base(s) will document the extended due date granted in case the taxpayer fails to submit payment when due. See Exhibit 5.1.12-6, *Form 4844 First Request - Required Fields for Terminal Action for Approved Form 1127 Extension*.

- (2) Ensure that the account is in status 20, 21, 54, 56 or 58 at input so that the status changes to status 47 as needed to keep the account in suspense. The TC 470 will delay issuance of the Taxpayer Delinquent Account (TDA). Request input of a second TC 470 after 11 weeks to ensure that the account remains suspended in status 47 as required. This will delay the TDA for a total of 26 weeks.

Note: Without the control base, the TC 470 would release in only nine weeks, and three TC 470s would be needed.

- (3) If an extension for a longer period of time is approved, request input of a TC 470 as needed to delay issuance of the TDA for the period of the extension.

Note: Approval of the extension does not relieve the taxpayer from liability for interest that accrues during the period of the extension, but does provide relief from the failure to pay (FTP) tax penalty to the extended due date, even if the taxpayer fails to submit full payment by that date.

- (4) To keep the FTP tax penalty from accruing, Advisory will prepare a second Form 4844 requesting input of TC 270, with \$0.00 as the amount. See Exhibit 5.1.12-7, *Form 4844 Second Request - Required Fields for Terminal Action for Approved Form 1127 Extension*. If the taxpayer fails to submit full payment of the tax due by the Form 1127 extension date, manual computations of the FTP tax penalty will be required thereafter. The FTP tax penalty starts accruing after the extension date. The IDRS command code COMPAF is used to complete manual computations of FTP tax penalties. See IRM 20.1.2, *Penalty Handbook, Failure to File/Failure to Pay Penalties*, for more information regarding the computation of the FTP tax penalty.
- (5) Advisory is responsible for requesting input of the appropriate case controls, and manually monitoring the case to ensure the case controls reflect the

extension. Advisory will request the abatement of the FTP tax penalty if erroneously assessed for the period the extension was granted. Additionally, Advisory will document the ICS history with the actions taken.

Exhibit 5.1.12-1 (11-15-2023)**Suggested Text for Letter to Taxpayer to Apply for Exemption for Religious Reasons**

1. Use Area Office letterhead paper to prepare a letter to notify the taxpayer to apply for exemption.
2. The following table displays suggested content for this letter.

Suggested Text for Letter to Taxpayer to Apply for Exemption Letter Content
Name and address of taxpayer
[Insert appropriate salutation]
Federal tax law exempts members of certain religious sects or divisions from paying social security and Medicare tax if they file an application that is approved on Form 4029, Application for Exemption from Social Security and Medicare Taxes and Waiver of Benefits.
We understand you may be eligible for exemption, but we have no record of receiving a Form 4029 from you. If you want to apply for exemption from social security and Medicare tax, please complete the enclosed Form 4029 and return it, with a copy of this letter, by the date shown below. An addressed envelope is enclosed for your convenience.
If we do not receive your application by the date shown, we will have to collect the social security and Medicare tax.
If you have any questions, please contact me at the telephone number shown above.
Thank you for your cooperation.
Sincerely yours,
[Space for signature]
Revenue Officer
Enclosures: Form 4029 Copy of this letter Envelope
Last day for filing Form 4029:

Exhibit 5.1.12-2 (11-15-2023)**Field Collection Processing of Form 5792**

1. Use Form 5792 to request an IDRS manual refund. In Field Collection (FC), the form initiator (i.e., the revenue officer) requesting the manual refund will not complete the entire form because the form initiator will not be the form processor (i.e., the employee inputting CC RFUND). Additionally, Advisory personnel may need to complete certain information on the form.
2. Use Form 3753 instead of Form 5792 if:
 - the refund is \$100 million or more, or
 - a direct deposit is necessary, or
 - the module(s) is(are) not on IDRS.

Form 5792 Preparation
<p>Prepare Form 5792.</p> <ul style="list-style-type: none">• Complete each block on Form 5792 carefully and ensure all of the entries are legible. <p>Note: Accounting will reject Form 5792 if the document contains any alterations such as white out, strike through or correction tape. See IRM 21.4.4.6.1, <i>Monitoring Manual Refunds</i>, for controlling and monitoring requirements.</p>
Section I — Account Information

Exhibit 5.1.12-2 (Cont. 1) (11-15-2023)

Field Collection Processing of Form 5792

Form 5792 Preparation
<p>Block 1: Enter the Taxpayer Identification Number (TIN) and File Source of the account from which the refund will be issued.</p> <p>Block 2: Enter the Master File Tax Code (MFT).</p> <p>Block 3: Enter the tax period as YYYYMM. Exception: period ending for MFT 52 is always "000000".</p> <p>Block 4: Enter the plan/report number, applicable for MFTs 46,74 and 76.</p> <p>Block 5: Enter the name control.</p> <p>Block 6: Leave blank. Campus personnel will enter the TC 840 amount (overpayment, plus allowable interest).</p> <p>Block 7: Leave blank. Campus personnel will enter the TC 770 amount (allowable interest). If no interest is being computed, campus personnel will enter "0" or ".00."</p> <p>Block 8: Enter the overpayment amount, (i.e., the amount being refunded, less allowable interest).</p> <p>Block 9: Enter the appropriate line number; follow these steps to determine the line number:</p> <ul style="list-style-type: none"> • See Exhibit 12 in IRM 2.4.20, <i>Command Codes RFUND and REFAP</i>. • Locate the MFT code for the applicable form number (i.e., Form 1040, 941, etc.) that corresponds to the MFT code from Block 2. • Locate the row that describes the reason for the refund in the columns entitled: <ul style="list-style-type: none"> • "Type of Refund". • "Description and Transaction Codes". • Use "Type of Refund" = "Other" when requesting a manual refund of levy proceeds. <p>Block 10: Interest indicator must be entered.</p> <ul style="list-style-type: none"> • Use an "N" for normal interest when interest is payable. • Use a "0" (zero) for no interest. • Use an "R" for restricted interest. <p>Note: When requesting a manual refund of levy proceeds there is no interest paid.</p> <p>Note: If interest will be paid, you must also enter an interest "from" date in Section III. See IRM 20.2, <i>Interest</i>, for interest computations.</p> <p>Note: If any portion of the overpayment in Block 7 is attributable to a Telephone Excise Tax Refund (TETR), see IRM 20.2.10.4.4, <i>Telephone Excise Tax Refund (TETR) Claims</i>, for information on TETR interest computations.</p> <p>Block 11: Leave blank. The form processor (i.e., the person who inputs the RFUND command code to IDRS) will complete this block.</p> <p>Block 12: Leave blank. The form processor (i.e., the person who inputs the RFUND command code to IDRS) will complete the sequence number.</p> <p>Block 13: Enter the block series, if needed. Use block series = "3, 4, 6, or 9" to identify why the refund is being issued. The fourth exhibit in IRM 2.4.20, Input Format, CC RFUND, defines some of the block series indicators.</p> <p>Note: Use block series "9" if the refund is to be issued in an injured spouse case. In most other cases, you will probably not need to complete this item. Enter a Bypass Indicator (BPI) code of "1, 2, 5, or 6" in Block 11, Section II, if you use block series = "9". See IRM 21.4.6.4.2.1, <i>TOP Offset Bypass Indicator (BPI)</i>.</p> <p>Blocks 14 -19: Enter the name and address of the payee:</p> <ul style="list-style-type: none"> • Print using capital, block letters. • Use the ENMOD or INOLES information unless there is a name change, different address, or the refund is being issued to an injured spouse or third party. Ensure the address on Form 5792 (or Form 3753, if applicable) matches the address on Master File. Provide an explanation in the Remarks Section, Block 20, when the address does not match.

Exhibit 5.1.12-2 (Cont. 2) (11-15-2023)**Field Collection Processing of Form 5792**

Form 5792 Preparation	
<ul style="list-style-type: none"> If the refund is going to a party other than the taxpayer, input TC 971 AC 037 with the cross-reference TIN or address. Do not address the first name line to a deceased taxpayer. Use the name and title, if appropriate, of the person claiming the refund as the payee for refunds issued on decedent accounts. See the next table of examples: 	

Example:

Person Claiming Refund	1st Name Line	2nd Name Line
Surviving spouse	Ellis Doe	Sage Decd and Ellis Doe
Executor or Executrix	Remi Jones, Executor	Fin Jones, Decd
Administrator	Ash Johnson, Admin	Blake Smith, Decd
Court appointed or personal representative	Remi Long	Fin Sterling, Decd
Claimant	Ellis Smith	Sage Black, Decd

Section I - Accounting Information (continued)
<p>Block 20: Annotate the specific reason for the refund in the remarks field. Include all pertinent information (80 characters max). Accounting will need to verify the interest dates are correct and the credit is available for refund.</p> <p>Block 21: Enter the initiating Business Operating Division (BOD).</p> <p>Block 22: Enter the document locator number (DLN) of the return. or the credit. If the only DLN available is that of an electronically filed return, leave the field blank.</p> <p>Block 23: Check if the account has a bankruptcy indicator.</p> <p>Block 24: Check if the account contains a TC 130.</p>

Section II — Manual Refund Authority
<p>Enter the IRM reference in Block 1c and complete all of the other applicable items. Seek Advisory assistance, if necessary:</p> <p>Note: Do not use “IRM 21.4.4” as a reference in Block 1c.</p> <p>Refer a large dollar manual refund, i.e., \$1 million or more, that contains credit interest to Advisory for the interest computation and/or review and approval. See paragraph (6) of IRM 21.4.4.5, <i>Preparation of Manual Refund Forms</i>.</p> <p>Follow these steps when requesting manual refund of levy proceeds:</p> <ul style="list-style-type: none"> Enter “IRM 5.11.2.4.4” in block 1c if applicable, otherwise enter the actual IRM reference for the type of case being worked. Check all other applicable boxes. Do not request Advisory review/approval if the refund is under \$1 million.

Exhibit 5.1.12-2 (Cont. 3) (11-15-2023)

Field Collection Processing of Form 5792

Section III — Interest Computation

Leave blank unless interest will be paid. Follow these steps if interest will be paid:

- Enter the interest “From” date. See IRM 20.2, *Interest*, for interest computations.
- Copy and paste the COMPA calculation into the “Remarks” block of Form 5792 (i.e., Block 20, Section I).
- Campus personnel will compute the interest for the TC 770 amount and enter it in Block 7, Section I.
- If the COMPA information will not fit in Block 20, paste it into the body of the transmittal email message.
- Refer a large dollar manual refund (i.e., \$1 million or more) that contains credit interest to Advisory for the interest computation and/or review and approval.
- See IRM 21.4.4.5, *Preparation of Manual Refund Forms*.
- Do not request Advisory review/approval when requesting a manual refund of levy proceeds if the refund is under \$1 million.

Note: No interest is paid on a manual refund of levy proceeds.

Section IV — Manual Refund Approval

Block 1: Leave blank. The form processor (the employee inputting CC RFUND) will enter their IDRS number.

Block 2-3: Enter your name, employee IDRS number or badge number, and phone number.

Blocks 4, 4a, and 5: Leave blank. The area director (AD) will digitally sign in block 4., Campus personnel will ensure the Approving Official who signs the refund is on the Authorized Signature List maintained by the Manual Refund Unit in the Campus Accounting Function.

3. Review Form 5792 (or Form 3753, if applicable) to verify you completed any necessary IDRS research and completed the form accurately and legibly.
4. Forward the form to Advisory, if applicable, via secure email.
5. Secure approval from the group manager (GM), the territory manager (TM), and the area director (AD).

Note: Form 5792 is used with CC RFUND to request an IDRS refund. This form cannot be used to issue refunds of \$100 Million or more. Use the latest revision of Form 5792. As of January 1, 2016, digital signatures are required on Form 5792. The Approving Official's (i.e., the AD) signature certifies to the Accounting Function that the form was reviewed for accuracy and completeness. Campus personnel will ensure the Approving Official who signs the refund is on the Authorized Signature List maintained by the Manual Refund Unit in the Campus Accounting Function.

6. Forward Form 5792 (or Form 3753, if applicable), to the Manual Refund Function for processing via secure email.

Note: Accounting will validate the CC RFUND input with CC REFAP. If the data inputs for both CC RFUND and CC REFAP do not match, the TC 840 will unpost. See IRM 3.17.79.4.2, *RFUND/REFAP Mismatch*.

Exhibit 5.1.12-2 (Cont. 4) (11-15-2023)**Field Collection Processing of Form 5792**

Instructions for Advisory Personnel	
Section I	<ul style="list-style-type: none"> Ensure the form initiator made all the necessary entries on Form 5792 (or Form 3753, if applicable) appropriately and correctly; make corrections to the form(s), if necessary.
Section II	<ul style="list-style-type: none"> Ensure all applicable boxes are checked, including the IRM reference in Block 1c; make corrections to the form(s), if necessary.
Section III	<ul style="list-style-type: none"> Confirm the form initiator entered the correct “From” date, if applicable. Campus personnel will compute all the interest for the TC 770 amount, if applicable, and will enter the TC 770 amount (allowable interest) in Block 6, Section 1.
Section IV	<ul style="list-style-type: none"> Ensure the form initiator appropriately completed their name, employee IDRS number or badge number, and phone number in Block 2-3; make corrections to the form(s), if necessary. Review Form 5792 (or Form 3753, if applicable) to verify that: <ul style="list-style-type: none"> the manual refund is appropriate, proper IDRS research was completed, and the form(s) was(were) completed accurately and legibly. Forward Form 5792 (or Form 3753, if applicable), to the revenue officer, via secure email, to secure approval from the GM, the TM, and the AD.
Instructions for Form Processor	
The form processor will follow the applicable campus procedures.	

Exhibit 5.1.12-3 (11-15-2023)**Sample Letter Returning Form 1127 Application as Nonprocessable**

1. Use Area Office letterhead paper to prepare a letter to notify the taxpayer to apply for exemption.
2. The following table displays suggested content for this letter.

Exhibit 5.1.12-3 (Cont. 1) (11-15-2023)**Sample Letter Returning Form 1127 Application as Nonprocessable**

Suggested Text for Letter Returning Form 1127 Application as Nonprocessable Form 1127 - Application of Extension of time for Payment of Tax
Name and address of taxpayer
[Insert appropriate salutation]
We have reviewed the Form 1127, Application of Extension of time for Payment of Tax Due to Undue Hardship, which you recently submitted to the Internal Revenue Service.
[insert applicable paragraph(s) and information explaining why application is being return as nonprocessable]
[Application untimely]
Please refer to the General Instructions, When To File, on page 3 of the Form 1127. Because you are requesting an extension to pay [select either the amount of tax shown or required to be shown on a tax return or an amount determined as a deficiency on Form ____], the Form 1127 and supporting documentation must have been received by the IRS on or before the [select either due date of that return, not including extensions or due date for payment of the deficiency]. Because your Form 1127 was not received by this due date, it is being returned to you as nonprocessable.
[Inadequate or no supporting documentation]
<p>Please refer to the specific instructions on page 4 for completing Form 1127. An extension of time to pay tax will be considered if it can be established that undue hardship would result if you pay the tax on or before the due date. The request must be accompanied by a statement of your assets and liabilities, and an itemized list of your income and expenses for each of the three months prior to the due date of the tax. This information is needed to determine whether you have met the conditions of undue hardship.</p> <p>Your Form 1127 application is being returned to you as nonprocessable because you did not include with your application:</p> <p>_____ a statement of your assets and liabilities</p> <p>_____ an itemized list of your income and expenses for each of the three months prior to the due date of the tax.</p> <p>Because you have not submitted the required supporting documentation with your application, we cannot determine whether you have met the conditions of undue hardship.</p>
[Improper use of Form 1127]
Please refer to the Determination Chart on page 3 of the Form 1127. This form is used to request an extension of time under Internal Revenue Code 6161 (26 U.S.C. Section 6161) for payment of a tax shown or required to be shown on a return, or payment of an amount determined as a deficiency, due to an undue hardship. Form 1127 is not the correct form to file if you are seeking [state the type of relief incorrectly being requested by taxpayer on Form 1127, e.g. an extension of time to file a tax return]. Accordingly, the Form 1127 is being returned to you as nonprocessable.
[Extension period requested for payment of a tax shown or to be shown on a return exceeds that allowable by statute]

Exhibit 5.1.12-3 (Cont. 2) (11-15-2023)**Sample Letter Returning Form 1127 Application as Nonprocessable**

Suggested Text for Letter Returning Form 1127 Application as Nonprocessable Form 1127 - Application of Extension of time for Payment of Tax
Please refer to the General Instructions, Extension Period, on page 3 of the Form 1127. An extension of time to pay the amount of a tax shown or required to be shown on a return may not exceed six months unless you are out of the country. Because the extension date you requested on your application is greater than six months, and there is no indication in your application that you are currently out of the country, your application is being return to you as nonprocessable.
[Extension period requested for payment of a deficiency exceeds that allowable by statute]
Please refer to the General Instructions, Extension Period, on page 3 of the Form 1127. An initial extension of time to pay an amount determined as a deficiency is limited to 18 months. Because the extension date you requested on your application is greater than 18 months, your application is being return to you as non processable.
[Standard paragraphs for all nonprocessable letters]
A copy of your Form 1127 is attached for your reference. We have also enclosed Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for your review. If, upon receipt of a first notice to pay the balance due, you are unable to pay the liability in full, you may contact the Internal Revenue Service at the telephone number shown on the notice in order to make the necessary arrangements to pay. If you have any questions regarding this letter, please contact the person whose name and telephone number are shown above.
Sincerely yours,
[Space for signature]
Enclosures: Copy of Form 1127 Application - Returned as Nonprocessable Publication 1, Your Rights as a Taxpayer Publication 594, The IRS Collection Process

Exhibit 5.1.12-4 (11-15-2023)**Sample Letter Denying Form 1127 Application**

1. Use Area Office letterhead paper to prepare a letter to notify the taxpayer to apply for exemption.
2. The following table displays suggested content for this letter.

Suggested Text for Letter Denying Form 1127 Application Form 1127 - Application of Extension of time for Payment of Tax
Name and address of taxpayer
[Insert appropriate salutation]
<p>We have reviewed the Form 1127, Application for Extension of Time for Payment of Tax Due to Undue Hardship, which you recently submitted to the Internal Revenue Service. Your application has been denied because you have not made a satisfactory showing that payment on the due date will result in an undue hardship.</p> <p>Please see the general instructions on Page 3 of Form 1127. An extension of time to pay a tax liability under Internal Revenue Code 6161 (26 U.S.C. Section 6161) will be granted only upon a satisfactory showing that payment on the due date will cause an undue hardship. The term “undue hardship” means more than an inconvenience. You must show you will have a substantial financial loss (such as selling property at a sacrifice price) if you pay your tax on the date it is due.</p> <p>We have determined that payment on the due date will not cause undue hardship because [explain reason for rejecting application].</p> <p>A copy of your Form 1127 is attached for your reference. We have also enclosed Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for your review.</p> <p>If, upon receipt of a first notice to pay the balance due, you are unable to pay the liability in full, you may contact the Internal Revenue Service at the telephone number shown on the notice in order to make the necessary arrangements to pay.</p> <p>If you have any questions regarding this letter, please contact the person whose name and telephone number are shown above.</p>
Sincerely yours,
[Space for signature]
Enclosures: Copy of Form 1127 Application Publication 1, Your Rights as a Taxpayer Publication 594, The IRS Collection Process

Exhibit 5.1.12-5 (11-15-2023)**Sample Letter Approving Form 1127 Application for Extension of Time for Payment of Tax**

1. Use Area Office letterhead paper to prepare a letter to notify the taxpayer to apply for exemption.
2. The following table displays suggested content for this letter.

Suggested Text for Letter Approving Form 1127 Application for Extension of Time for Payment of Tax Form 1127 - Application of Extension of time for Payment of Tax
Name and address of taxpayer
[Insert appropriate salutation]
<p>Your application for an Extension of Time for Payment of Tax Due to Undue Hardship, Form 1127, has been approved.</p> <p>Payment of the tax liability for [list the type of tax and period for which the extension has been granted] is now due on [provide the extension date]. Please note that while the due date for payment of this tax has been extended, interest will continue to accrue during the extension period based on the provisions of Internal Revenue Code 6621(a)(2) (26 U.S.C. Section 6621(a)(2)). We have enclosed Publication 1, Your Rights as a Taxpayer, and Publication 594, The IRS Collection Process, for your information.</p> <p>If you receive any notices requesting payment prior to the extension date, or you want to know the pay off balance, please contact the person whose name and telephone number are shown above. You may also contact this person if you have any other questions regarding this matter.</p>
Sincerely yours,
[Space for signature]
Enclosures: Copy of Form 1127 Application Publication 1, Your Rights as a Taxpayer Publication 594, The IRS Collection Process

Exhibit 5.1.12-6 (11-15-2023)**Form 4844 First Request - Required Fields for Terminal Action for Approved Form 1127 Extension**

1. Complete the following fields of Form 4844 for the **first** request for terminal action for approved Form 1127 extension:

Field Name	Sample / Required Entry
EIN or SSN	111-22-3333
Name Control	TAXP
MFT Code	30
Periods	YYYYMM
Name of Taxpayer	BLAKE Q. TAXPAYER
Address of Taxpayer	123 ANY STREET, ANYTOWN, XX 12345
Transaction Code	"470"
Control Base Data Request: ACTON	Check mark
Control Base Data Request: Activity Code	"F1127EXT"
Control Base Data Request: Status Code	"A"
Remarks	<p>"Assign open control base to the IDRS number of the employee as shown below with activity code F1127EXT.</p> <p>Also, input history bases as follows: F1127EXT PAYMTDUE MMDDYYYY"</p>
Employee IDRS Number	1122334455
Name of Requester	A. Advisor
Telephone No	(111) 222-3333
Badge Number	1000000000
Request Approved: Yes	Check mark

Exhibit 5.1.12-7 (11-15-2023)**Form 4844 Second Request - Required Fields for Terminal Action for Approved Form 1127 Extension**

1. Complete the following fields of Form 4844 for the **second** request for terminal action for approved Form 1127 extension:

Field Name	Sample / Required Entry
EIN or SSN	111-22-3333
Name Control	TAXP
MFT Code	30
Periods	YYYYMM
Name of Taxpayer	BLAKE Q. TAXPAYER
Address of Taxpayer	123 ANY STREET, ANYTOWN, XX 12345
Transaction Code	"270"
Amount	"\$0.00"
Remarks	"FTP penalty restriction required in conjunction with F1127 Extension of time to pay; Extension granted to MMDDYYYY"
Employee IDRS Number	1122334455
Name of Requester	A. Advisor
Telephone No	(111) 222-3333
Badge Number	1000000000

