



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

5.20.2

FEBRUARY 7, 2025

EFFECTIVE DATE

(02-07-2025)

PURPOSE

- (1) This transmits revised IRM 5.20.2, Abusive Tax Avoidance Transactions, Abusive Tax Avoidance Transactions Time Reporting.

MATERIAL CHANGES

- (1) IRM 5.20.2.1 updated to add internal controls in subsections 5.20.2.1.1 through 5.20.2.1.7.
- (2) IRM 5.20.2.3.1 updated to include new names and definitions for ATAT subcodes.
- (3) Editorial corrections made throughout IRM 5.20.2.
- (4) Changed title from FTA to FEA: Fraud Enforcement Advisor throughout IRM 5.20.2.

EFFECT ON OTHER DOCUMENTS

This transmits revised IRM 5.20.2, Abusive Tax Avoidance Transactions, Abusive Tax Avoidance Transactions Time Reporting., dated March 11, 2016.

AUDIENCE

The target audience is SB/SE Collection employees.

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Small Business/Self-Employed

5.20.2

Abusive Tax Avoidance Transactions Time Reporting

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5.20.2.1
(02-07-2025)
Program Scope and Objectives

- (1) **Purpose:** This IRM section contains information regarding the Collection Abusive Tax Avoidance Transactions (ATAT) program, guidance in identifying and assigning Collection ATAT cases, and the priorities of the various ATAT revenue officer case assignments.
- (2) **Audience:** These procedures apply to SBSE Collection employees responsible for the assignment and resolution of ATAT cases.
- (3) **Policy Owner:** SB/SE Director, Collection Policy.
- (4) **Program Owner:** SB/SE Collection Policy-Global Strategic Compliance (GSC) is the program owner of this IRM.
- (5) **Primary Stakeholders:** SB/SE Field Collection.
- (6) **Contact Information:** Email recommendations and suggested changes to this IRM to the Content Product Owner. The owner is indicated on the Product Catalog Information page which is found on the Forms/Pubs/Products IRM listing of the Media and Publications website.

5.20.2.1.1
(02-07-2025)
Background

- (1) Some taxpayers promote the use of abusive tax schemes, prepare tax returns that use abusive tax promotions, or have unpaid income tax or related penalty liabilities. This IRM provides guidance on collection issues that are unique to abusive tax schemes and the promotion and preparation of tax returns that use abusive tax schemes.

5.20.2.1.2
(02-07-2025)
Authority

- (1) The authority to collect a tax assessment is addressed in IRC 6502, Collection after Assessment. Collection principles are described in IRM 1.2.1.6, Policy Statements for the Collecting Process. This explains why enforcement is a necessary component to move the taxpayer towards compliance with the tax laws and to promote a system of voluntary compliance. Delegation orders for various collection activity are in IRM 1.2.2, Servicewide Delegations of Authority.
- (2) IRM 1.2.65.3, SB/SE Functional Delegation Orders - Collection, provides delegation orders that are specific to the Small Business/Self Employed Collection organization.

5.20.2.1.3
(02-07-2025)
Roles and Responsibilities

- (1) These procedures apply to Internal Revenue Service (IRS) Field Collection employees who are responsible for investigating and collecting liabilities arising from authorized IRC 6700/6701 promoter/preparer penalties, and tax and penalty liabilities from the use of abusive tax promotions described in IRS Notice 2010-33, Frivolous Positions, and other ATAT inventory. These procedures also apply to Civil Enforcement Advice and Support Operations (CEASO) employees that review certain revenue officer actions related to the collection of the liabilities.
- (2) Director, Field Collection, is the executive responsible for all Field Collection programs.
- (3) Director, Collection Policy, is the executive responsible for the policies and procedures followed by Field Collection employees.

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- (4) Field Collection Area Directors, Field Compliance Managers (FCM) / Territory Managers (TM) and Group Managers are responsible for ensuring Field Collection employees comply with these procedures.
- (5) Field Collection revenue officers are responsible for following the procedures in this IRM.
- (6) Field Collection CEASO employees and Counsel provide advice and may review some of the Field Collection revenue officer collection activity described in this IRM.

5.20.2.1.4
(02-07-2025)

Program Management and Review

- (1) IRM 1.4.50, Resource Guide for Managers, Collection Group Manager, Territory Manager and Area Director Operational Aid, addresses responsibilities of managers in Field Collection case work.
- (2) IRM 1.4.53, Resource Guide for Managers, Advisory and Property Appraisal and Liquidation Specialist Group Manager Operational Aid, addresses responsibilities for Civil Enforcement Advice and Support Operations (CEASO) group managers.
- (3) Operational and program reviews are conducted to ensure that program delivery and case actions are in accordance with administrative and compliance requirements. National quality and consistency reviews are conducted to ensure program consistency and effectiveness in case processing. See IRM 5.13.1, Embedded Quality Collection Field Organizations Administrative Guidelines.

5.20.2.1.5
(02-07-2025)

Program Controls

- (1) Collection managers verify program and procedural compliance through case consultations, case reviews, and performance reviews. Collection manager's internal controls are detailed in IRM 1.4.50, Resource Guide for Managers, Collection Group Manager, Territory Manager and Area Director Operational Aid.

5.20.2.1.6
(02-07-2025)

Terms and Acronyms

- (1) This table below lists commonly used acronyms and their definitions.

Acronym	Definition
ANMF	Automated Non-Master File
ATAT	Abusive Tax Avoidance Transaction
CDP	Collection Due Process
CIP	Compliance Initiative Program
CNC	Currently Not Collectible
DAT	Distressed Asset Trust
ERCS	Examination Returns Control System
FEA	Fraud Enforcement Advisor
FMS	Financial Management Service

Acronym	Definition
FPLP	Federal Payment Levy Program
ICS	Integrated Collection System
IQA	ICS Quality Analyst
LB&I	Large Business & International
OIC	Offer in Compromise
OVDI	Offshore Voluntary Disclosure Initiative
OVDP	Offshore Voluntary Disclosure Program
SCP	Special Compliance Program

(2) *Abusive Tax Avoidance Transactions Knowledge Base*

5.20.2.1.7
(02-07-2025)
Related Resources

- (1) IRM 5.1.2.6.6.2, Processing Offer in Compromise (OIC) Receipts
- (2) IRM 5.2.1.9, ICS and ENTITY Subcodes (Field Collection Areas only)
- (3) IRM 25.1.8.9, Aging of Collection Fraud Cases

5.20.2.2
(02-07-2025)
Introduction

- (1) This IRM provides guidance on the proper subcodes, timekeeping and maintenance of cases identified as an Abusive Tax Avoidance Transactions (ATAT) cases.

5.20.2.3
(03-11-2016)
Abusive Tax Avoidance Transactions Time Reporting

- (1) There are designated Integrated Collection System (ICS) subcodes and non-case direct time codes that are to be used to capture and report time spent on an ATAT case.
- (2) ATAT cases must be correctly subcoded to accurately capture ATAT time. Per IRM 5.2.1.9, ICS and ENTITY Subcodes (Field Collection Areas only), a subcode should be immediately assigned by the revenue officer or group manager before the end of the reporting period in which the case was assigned. Time spent on an assigned ATAT case will be charged to that case.

5.20.2.3.1
(02-07-2025)
Abusive Tax Avoidance Transactions Subcodes

- (1) The table below lists the subcodes available on ICS to identify ATAT cases:

Subcode and Title	Subcode use in ATAT
Subcode 309 – ATAT	Use this code with all Collection ATAT work not defined by codes 310 through 323.

Subcode and Title	Subcode use in ATAT
Subcode 310 – VDP - Voluntary Disclosure Practice	Use this code when working a VDP referral from Exam or any balance due resulting from a defaulted VDP installment agreement. Note: any offshore voluntary disclosures made after September 2018 are considered VDP, not OVDI/OVDP.
Subcode 311 – Offshore Voluntary Disclosure Initiative/Program (OVDI/OVDP)	Use this code with all collection work related to OVDI/OVDP referrals received from Exam, or post-assessment balance due cases. Note: OVDI/OVDP ended in September 2018, though OVDP assessments have been made subsequent to September 2018. A post-assessment OVDI/OVDP case may be identified with a civil penalty module for an OVDP/OVDP penalty; Penalty Reference Numbers: 594, 595, 596, 597, 598. applicants. Any other Offshore Voluntary Disclosure made after September 2018 (and without the penalty codes noted above) is considered a VDP case (Voluntary Disclosure Practice) and is sub code 310.
Subcode 312 – Intermediary Transactions	Use this code for the assignment of Large Business & International (LB&I) examination requests for collection assistance or audit assessments for taxpayer entities participating in an Intermediary Transaction Tax Shelter, including any transferee assessments resulting from audit assessments. This tax shelter is defined in Notice 2001-16 and 2008-111.
Subcode 313 – Promoter/Preparer	Use this code for all promoter/preparer investigations assigned as Bal Dues, Del Rets, or Compliance Initiative Program (CIP).

Subcode and Title	Subcode use in ATAT
Subcode 314 – Son of BOSS, Notice 2000-44	Use this code with all Collection ATAT work related to taxpayers identified under Notice 2000-44, Loss Deductions, Disallowance of: Artificial Losses: Abusive Tax Shelters: Partnerships: Basis. The type of transaction, or series of transactions, referred to as the Son of BOSS transaction is a listed transaction outlined in Notice 2000–44. It generally refers to certain transactions that are marketed to generate tax losses through the taxpayer’s purported creation of artificially high basis in partnership interests. The taxpayer then attempts to recognize deductible losses on the disposition of the partnership interest or assets coming out of the partnership, even though no economic loss is incurred. Several examination project codes are used to identify Son of BOSS examinations, which can be identified by tracking code 9767 on the Examination Returns Control System (ERCS).
Subcode 315 – Virtual Currency/Digital Assets	Use this code when working ATAT collection inventory resulting from audit assessments with Virtual Currency/Digital Asset Exam Special Project Codes, and for cases with complex digital asset/virtual currency issues with a non-virtual currency/digital asset Exam project code was used. Also use this code for Exam referrals requesting ATAT to make a collection determination for a virtual currency/digital asset-based examination.
Subcode 316 – Collection Strategy (Formerly ATAT FPLP Contract Vendor)	This subcode is reserved for future use and will be defined for a specific ATAT project or compliance initiative as it is identified. Do not use this subcode until directed by Headquarters.
Subcode 317 – Collection Strategy (Formerly High Dollar Currently Not Collectible (CNC) Project)	This subcode is reserved for future use and will be defined for a specific ATAT project or compliance initiative as it is identified. Do not use this subcode until directed by Headquarters.

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Subcode and Title	Subcode use in ATAT
Subcode 318 – Collection Strategy (Formerly Easement Settlement Offer)	This subcode is reserved for future use and will be defined for a specific ATAT project or compliance initiative as it is identified. Do not use this subcode until directed by Headquarters.
Subcode 319 – Frivolous Refund Schemes	Use this code on cases where the taxpayer claimed false withholding credits (W-2 and Form 1099-OID) or other refundable credits (for example, Form 4136, Credit for Federal Tax Paid on Fuels and Form 2439, Notice to Shareholders of Undistributed Long-Term Capital Gains) which resulted in a frivolous refund and any associated frivolous return penalties (MFT 55). Subcode 319 should only be used when a revenue officer is working in the recovery of a refund. If the refund and associated penalty modules are closed (e.g. due to actions such as a CI referral, suit, offer in compromise, or currently not collectible status) and no new refund scheme module is received (e.g. MFT 55 frivolous penalties) then subcode 309 for (general ATAT) work should be used.
Subcode 320 – Collection Strategy (Formerly LB&I Distressed Asset Trust (DAT))	This subcode is reserved for future use and will be defined for a specific ATAT project or compliance initiative as it is identified. Do not use this subcode until directed by Headquarters.
Subcode 321 – IRC 6707A Penalty Assessments	Use this code with all IRC 6707A penalty assessment cases. IRC 6707A penalty assessments can be identified by MFT code 55, Transaction Code (TC) 240 reference number 648 for individuals and MFT code 13, TC 240 reference number 648 for all other cases.

Subcode and Title	Subcode use in ATAT
Subcode 322 – Foreign Account Tax Compliance Act – (FATCA) Offshore Banking (Formerly United Bank of Switzerland (UBS))	Use this code when working collection inventory resulting from audit assessments with FATCA Exam Project Codes or in which FATCA data is used to identify cases with high collection potential. Foreign Account Tax Compliance Act information is reported by foreign financial institutions (FFIs) on Form 8966 and by taxpayers who file Form 8938.
Subcode 323 – ATAT Estate and Gift	Use this code on all ATAT Estate and Gift cases.
Subcode 324 – Abusive Micro Captive Insurance	Use this code for any Abusive Micro Captive Insurance settlement referral or balance due case assessed by Examination with an Abusive Captive Insurance Exam Project Code.
Subcodes 325 – 339 - Collection Strategy	These subcodes have been reserved for future use and will be defined for specific ATAT projects and compliance initiatives as they are identified. Do not use these subcodes until directed by Headquarters.

- (2) ATAT cases must reflect one of the ATAT subcodes to accurately measure ATAT case time.
- (3) Subcode 309 should be used as the default ATAT subcode when none of the other ATAT subcodes apply.
- (4) The creation of a CIP for ATAT Bal Due, ATAT Del Ret, or ATAT Combo cases is not necessary. It is necessary to create a CIP with one of the ATAT subcodes when there is no Bal Due and/or Del Ret available.
- (5) A case correctly subcoded as an ATAT case will retain its ATAT subcode throughout the life of the case.
 - a. Fraud Development cases. Per IRM 25.1.8.9 , Aging of Collection Fraud Cases, ATAT cases will not be updated to ICS subcode 910 when Fraud Enforcement Advisor (FEA) assistance is present. In these instances, the ATAT subcode will remain. The group manager or their designee will request upload of TC 971 AC 281 through ICS if it was not previously input. To initiate the TC 971 AC 281, the group manager should access the case in ICS, use the drop-down menu "Collection Activities" and select "Generate TC 971/972 AC 281" and input the TC 971 AC 281. With FEA approval documented on Form 11661-A, Fraud Development Recommendation - Collection, the revenue officer will input "FRD" for fraud in the location block on ICS. Under Entity Detail select "Name/ Address." Select the taxpayer's address and click on view/edit. Enter "FRD" in the location block and save. The TC 971 AC 281 will stop the cycle clock and prevent the taxpayer entity from being included in

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systemic IDRS/Entity case aging reports. It is important to enter **FRD** in the location block. This is the mechanism for including the case in the Area fraud report. If TC 971 AC 281 and **FRD** are not input, the case will not be counted in the Area fraud report. When the case is no longer in fraud development status or FEA involvement is withdrawn, the revenue officer will delete "FRD" from the location block.

- b. Offer in Compromise (OIC). The correct ICS subcode must be maintained on the case when an OIC is submitted. Per IRM 5.1.2.6.6.2, Processing Offer in Compromise (OIC) Receipts, when an offer is received on an assigned case by a field revenue officer, Form 657, Offer in Compromise Revenue Officer Report, must be completed and attached to the offer package. Form 657 should include any information known about the nature of the scheme and the taxpayer's income and assets. If return of the OIC is recommended, then the ATAT subcode will remain on the case. If an offer is submitted and collection will be suspended and the offer will be worked by the OIC Specialist, then the ICS subcode should be updated to 106, OIC. The time spent completing Form 657 and forwarding the offer to Centralized Offer In Compromise for processing should not be reported to time code 106. The subcode on ICS should only be updated to 106 by an offer group upon receipt of the offer file for investigation after the processability determination has been made.
- c. Collection Due Process (CDP). CDP cases will retain their ATAT subcode.

5.20.2.3.2 (03-11-2016) **Non-Case Direct Time Codes**

- (1) Time codes 309 through 339 are available on the ICS picklist to capture direct case time spent by collection employees on non-assigned ATAT work. For example, these codes should be used when assistance is given to another revenue officer working an ATAT case or a preliminary opinion is provided to Examination and a CIP is not required.

5.20.2.4 (10-01-2012) **Special Compliance Program Designation**

- (1) A revenue officer is designated on ICS as Position Type "Special Compliance Program" (SCP) when 65% or more of their monthly total direct time is charged to the ATAT time codes for two consecutive months. The designation should be removed for any employee not meeting the 65% direct time rule for two consecutive months. Managers of employees working ATAT cases should monitor time reporting to ensure revenue officers are properly designated as SCP. Requests to update the designation should be made to the ICS Quality Analyst (IQA). The IQA is responsible for inputting and removing the designation on the ICS employee tables.
- (2) A revenue officer designated as SCP is excluded from targeted inventory measures allowing adjustments to lower inventories.

5.20.2.5 (02-07-2025) **Aging of ATAT and Suit Development Cases**

- (1) In addition to potential fraud development cases, TC 971 AC 281 can be input on ATAT and suit development cases to suspend the overage calculation.
- (2) The following cases qualify for suspension of the overage calculation with group manager approval:
 - All cases with an ICS subcode of 309 through 339
 - Complex or fact-intensive cases where additional time is needed to analyze and gather the facts necessary for developing a suit recommendation

- (3) The TC 971 AC 281 is input by selecting “Generate TC 971/972 AC 281” from the Collection Activities menu to initiate the upload of TC 971 AC 281 or TC 972 AC 281. This option is only available to group managers, acting group managers, and IQAs. Group managers must document approval to input the TC 971 AC 281 in the ICS case history.
- (4) “Generate TC 971/972 AC 281” has two sub choices. The first will generate a TC 971 AC 281 to suspend the overage clock. The second will generate a TC 972 AC 281 which turns the overage clock back on. ICS cannot upload these transactions to IDRS unless there is open IDRS Bal Due or Del Ret module, therefore option “Generate TC 971/972 AC 281” is blocked unless an open IDRS Bal Due or Del Ret module is present. Prepare a manual Form 4844 if there are no open modules on ICS.
- (5) Fraud, ATAT, and suit development cases will be marked with a TC 971 AC 281 and distinguished as follows:
 - a. Fraud – Revenue officers will follow the guidance in IRM 25.1.8.9, Aging of Collection Fraud Cases. After approval of Form 11661-A by the FEA, the group manager or their designee will input ICS subcode 910 to the case. The ICS subcode 910 will automatically trigger input of IDRS TC 971 AC 281 on the entity.
 - b. ATAT – ATAT cases will retain the appropriate ICS subcode of 309 through 339. Once group manager approval is documented in the ICS case history, the group manager or their designee will request upload of TC 971 AC 281 through the ICS application “Generate TC 971/972 AC 281”. The TC 971 AC 281 can be input at the time of case assignment or at a later point in the case.
 - c. ATAT Fraud – ATAT cases in fraud development status will retain their ATAT ICS subcode. See IRM 5.20.2.3.1(5)(a) for guidance on inputting TC 971 AC 281 and notating “FRD” for fraud in the location block on ICS.
 - d. Suit Development – See IRM 25.3.2.6.1, Aging Suit Development Case Suspension, for information on suspending the overage calculation on general program suit development cases.
- (6) TC 972 AC 281 will be automatically generated when the last IDRS module is closed. There is no need to manually request input of TC 972 AC 281 when closing a case. If a case will remain open but the overage clock needs to be started, manually request input of TC 972 AC 281 through the ICS application “Generate TC 971/972 AC 281”. To check for an unreversed TC 971 AC 281 take the following steps:
 - From the case summary screen, select “Entity Detail Menu”
 - Select item “View Entity Transactions”
 - A listing of the Entity transactions on the case will appear; scroll through to check for any unreserved TC 971 AC 281

