



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

8.6.5

OCTOBER 25, 2016

## EFFECTIVE DATE

(10-25-2016)

## PURPOSE

- (1) This transmits revised IRM 8.6.5, *Conference and Settlement Practices, Identity Theft Procedures*.

## MATERIAL CHANGES

- (1) Made editorial changes throughout.
- (2) Significant updates were made to this IRM to implement a process where Appeals will not be the first finder of fact when Identity Theft is raised by the taxpayer when the case is under Appeals' consideration.
- (3) This IRM section was revised as follows:

IRM Section	Description
8.6.5.1	Added an overview of identity theft including the types, when it arises in Appeals, and references to other IRM sections.
8.6.5.1.1 (old)	Deleted.
8.6.5.1.1 (new)	Renumbered from old 8.6.5.1.2. Updated definitions of key terms.
8.6.5.1.2	Renumbered from old 8.6.5.1.3. Updated references. Added useful internal records.
8.6.5.1.3 (new)	Added new section to describe what actions a taxpayer may take if they believe they are a victim of identity theft.
8.6.5.2 (old)	Deleted.
8.6.5.2 (new)	Added section on general documentation requirements for identity theft.
8.6.5.2.1	Deleted.
8.6.5.2.2	Deleted.
8.6.5.3 (old)	Deleted.
8.6.5.3 (new)	Added information regarding unproven identity theft complaints and Appeals' role.
8.6.5.3.1	Moved to 8.6.5.9.1.
8.6.5.3.2	Moved to 8.6.5.9.2.
8.6.5.3.2.1	Deleted.
8.6.5.3.2.2	Deleted.
8.6.5.3.3	Moved to 8.6.5.9.3. Added 2 new reason codes.
8.6.5.4 (old)	Deleted.

<b>IRM Section</b>	<b>Description</b>
8.6.5.4 (new)	Added procedures for working non docketed cases where identity theft is raised as a new issue or new information is provided.
8.6.5.4.1	Deleted.
8.6.5.4.2	Deleted.
8.6.5.5 (old)	Moved to 8.6.5.10.
8.6.5.5 (new)	Added procedures for working field and campus sourced docketed cases where identity theft is raised as a new issue or new information is provided.
8.6.5.5.1	Moved to 8.6.5.10.1
8.6.5.5.2	Moved to 8.6.5.10.2
8.6.5.5.3	Moved to 8.6.5.10.3
8.6.5.5.4	Moved to 8.6.5.10.4
8.6.5.6 (old)	Deleted.
8.6.5.6 (new)	Added procedures for working CDP cases where identity theft is raised as a new issue.
8.6.5.6.1	Deleted.
8.6.5.6.2	Deleted.
8.6.5.6.3	Deleted.
8.6.5.6.4	Deleted.
8.6.5.7 (new)	Added procedures for working other types of cases where identity theft is raised as a new issue.
8.6.5.8 (new)	Added section that describes the types of relief offered to victims of identity theft.
8.6.5.9 (new)	Added section that describes actions an ATE must consider before closing a case of an identity theft victim.

**EFFECT ON OTHER DOCUMENTS**

IRM 8.6.5, dated January 5, 2015, is superseded.

**AUDIENCE**

Appeals technical employees

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8.6.5

Identity Theft Procedures

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## 8.6.5.1 (10-25-2016) ID Theft Overview

- (1) This IRM provides information and instruction to Appeals Technical Employees (ATE) working Identity (ID) theft claims.
- (2) Identity theft occurs when someone uses an individual's personal information or business's identifying information, such as name, Social Security Number (SSN), or other identifying information without permission, to commit or attempt fraud.
- (3) Taxpayers may notify the IRS when they believe they have experienced an identity theft incident. In these instances, taxpayers must provide documentation to establish that they are identity theft victims.
- (4) Appeals will generally see two types of identity theft
  - **Employment or Income Related** - This occurs when the identity thief uses the victim's SSN to obtain employment, resulting in what may appear as unreported income under the victim's account
  - **Refund Related** - This occurs when the identity thief uses the victim's SSN to file a false federal income tax return to obtain a refund. If the thief files before the victim, the victim may not receive his or her refund within a reasonable time frame.
- (5) ID theft arises as an issue in Appeals when:
  - Identity Theft Victim Assistance (IDTVA), Accounts Management, or Compliance receives a taxpayer's ID theft affidavit with an open Appeals case and makes a determination that the identity theft complaint is invalid or that the taxpayer is confirmed a victim.
  - The taxpayer raises the issue to the ATE while the case is under Appeals' consideration.
- (6) Refer to IRM 25.23, *Identity Protection and Victim Assistance*, for servicewide guidance on identity theft.
- (7) Refer to IRM 25.23.2, *Identity Protection and Victim Assistance - General Case Processing*, for information and guidance regarding required documentation and actions for processing identity theft claims.
- (8) Refer to IRM 25.23.10, *Compliance Identity Theft Case Processing*, for procedures specific to cases involving Compliance issues.

## 8.6.5.1.1 (10-25-2016) Definitions and Explanations of Key Terms

- (1) **IDENTITY THEFT:** A fraud that is committed or attempted using a person's or business's identifying information without authority.
- (2) Refer to IRM 25.23.1.9, *Key Definitions*, for examples of IMF and BMF identity theft.
- (3) ID theft affects tax administration in two primary ways:

Type of ID Theft	Affect on Tax Administration
<b>Employment or Income-Related</b>	<ul style="list-style-type: none"> <li>• ID thief uses the victim's SSN to obtain employment</li> <li>• Results in what appears to be unreported income under the victim's SSN</li> <li>• Often doesn't come to the victim's attention until they receive IRS correspondence regarding unreported income</li> </ul>

Type of ID Theft	Affect on Tax Administration
Refund-Related	<ul style="list-style-type: none"> <li>ID thief uses the victim's SSN to file a false federal income tax return to obtain a fraudulent refund</li> <li>ID thief generally files early via e-file</li> <li>Often doesn't come to the victim's attention until they try to file their return and it's rejected as a duplicate</li> <li>Unaware of the fraud, the IRS may propose and assess a liability against the innocent victim as a result of reversing the fraudulent credits and withholding claimed on the return</li> </ul>

- (4) **RETURN PREPARER MISCONDUCT:** Return preparer misconduct (RPM) generally involves the orchestrated preparation and filing of false income tax returns by unscrupulous preparers who may claim:

- Inflated personal or business expenses;
- False deductions;
- Unallowable credits;
- Excessive exemptions; or
- Fraudulent tax credits such as the Earned Income Tax Credit (EITC)

The preparer's clients may or may not have knowledge of the false expenses, deductions, exemptions and/or credits shown on their tax returns. Refer to IRM 8.7.18, *Return Preparer Misconduct Cases*.

- (5) RPM may also involve a return preparer who misdirects the refund to the return preparer's account.
- (6) Below are two examples to help distinguish ID theft from Return Preparer Misconduct:
- Return Preparer Misconduct:** A taxpayer used a preparer in 2015 to complete and file Form 1040. The preparer changed the return without the taxpayer's knowledge by increasing the withholding tax claimed and diverted the resulting refund into the preparer's personal account.
  - ID Theft:** In 2016, the taxpayer filed his own return and did not use a preparer. Without the taxpayer's knowledge or authority, a preparer he had used in 2015 filed a return using the victim's SSN without his permission. In 2016, the taxpayer was an ID theft victim.
- (7) **NULLITY:** Designation assigned to an invalid return filed by a wrongful actor.
- (8) **APPEALS TECHNICAL EMPLOYEE (ATE):** The Appeals Officer or Settlement Officer conducting the Appeals hearing.
- (9) **APPEALS ID THEFT SPECIALIZED UNIT:** The Appeals Account & Processing Support (APS) unit is responsible for inputting Appeals' ID theft tax adjustments. Due to the complexity of these adjustments, this function was centralized. The address for the specialized unit is found on a document titled "Routing ID theft Tax Adjustments" on the Appeals ID theft web page [http://appeals.web.irs.gov/tech\\_services/id-theft/default.htm](http://appeals.web.irs.gov/tech_services/id-theft/default.htm).
- (10) **IDENTITY PROTECTION SPECIALIZED UNIT (IPSU):** Unit within Wage & Investment Accounts Management that:
- Assists taxpayers who are or may become ID theft victims

- Refers cases to other IRS functions when an ID theft taxpayer has contacted the IPSU
- Monitors taxpayer accounts that are open in more than one IRS function and follows up with the functions to make sure the ID theft issues are resolved

## 8.6.5.1.2 (10-25-2016) Resources

- (1) Resources for working ID theft claims in Appeals can be found at:
  - The Appeals ID theft web page has links and resources [http://appeals.web.irs.gov/tech\\_services/id-theft/default.htm](http://appeals.web.irs.gov/tech_services/id-theft/default.htm)
  - The MySB/SE Identity Theft - Assistance to Victims site, which includes forms, publications and resources <http://mysbse.web.irs.gov/examination/tip/idtheftassistance/default.aspx>
  - IRM 25.23, *Identity Protection and Victim Assistance*
- (2) If a taxpayer asks the ATE for transcripts while the case is under Appeals' jurisdiction, see IRM 21.2.3.5.8, *Transcripts and Identity Theft*, for instructions on securing transcripts for taxpayers who were ID theft victims.
- (3) If a taxpayer asks for a copy of a fraudulent return, make a referral to IDTVA-IPSU unit.
- (4) Internal records and the facts of the case are often sufficient to make an ID theft determination. Internal resources that might be useful in verifying an IMF ID theft determination include:
  - IRPTR: Displays payee/payor information
  - ENMOD: Displays name, address, and other entity information including ID theft tracking indicators
  - IMFOL: Displays a summary of taxpayer's filing history
  - RTVUE/TRDBV: Displays tax return information
  - NAMES: To research the National Name Search Facility for a taxpayer's SSN
  - INOLE: Display account information
  - DUPOL: Display duplicate SSN data for research purposes
  - REINF: To request individual refund information
  - MFTRA-U: Displays who the SSN is assigned to, whether other names are listed for the SSN
  - DDBKD: Displays information regarding the use of the taxpayer's SSN

**Note:** See the *IDRS Command Codes Job Aid* for additional information on these and other IDRS command codes.

  - Accounts Management Services (AMS) provides a consolidated and synchronized view of taxpayer data and contact information from various IRS systems.
  - RGS: Report Generation Software
  - CEAS: Correspondence Examination Automation Support

## 8.6.5.1.3 (10-25-2016) Actions Taxpayers may take Regarding ID Theft

- (1) You can advise taxpayers who believe they are victims of identity theft to:
  - Contact the Federal Trade Commission (FTC) Identity Theft Hotline
  - Contact the Social Security Administration (SSA)
  - File a report with their local or state police
  - Contact their state Attorney General's office

- Contact one of the three major credit bureaus: **Equifax**, **Experian**, or **TransUnion**
- File Form 14039, *Identity Theft Affidavit*, with the IRS
- Review Pub 5027, *Identity Theft Information for Taxpayers*
- Review the IRS website for resources and telephone numbers.
- Call the IRS toll-free number 800–908–4490, which was established specifically to receive identity theft related calls and to provide taxpayer access to automated messages and assistants. The hours of operation are 7:00 a.m. to 7:00 p.m. (taxpayer's local time) except that taxpayers calling from Alaska and Hawaii may call between 7:00 a.m. to 7:00 p.m. Pacific time.

(2) Refer to IRM 25.23.3.2, *Identity Theft Telephone Overview and General Guidance* for more details.

8.6.5.2  
(10-25-2016)  
**Identity Theft General  
Documentation  
Requirements**

- (1) When taxpayers believe they are victims of identity theft, they are required to provide documentation to prove the identity theft.
- (2) Taxpayers are not required to provide substantiation if there is an unreversed TC 971 AC 501, AC 506, or AC 522, with a Tax Administration Source Code INCOME, MULTFL, INCMUL, NOFR or OTHER on the account in the prior 3 years. Before requesting substantiation documentation from an IMF taxpayer, check ENMOD/IMFOLE for:
  - TC 971 AC 501 to see if the IMF taxpayer suffered a substantiated ID theft incident in the prior 3 years.
  - TC 971 AC 506 to see if the IMF taxpayer suffered an ID theft incident in the prior 3 years.
  - TC 971 AC 522 with the applicable Tax Administration Source Code to see if any other IRS business unit substantiated the IMF ID theft incident.
- (3) Substantiation documentation is valid for three years from the date received and processed by the IRS. If the taxpayer experiences a new ID theft incident after the three-year time frame, the taxpayer will need to submit new documents.
- (4) When taxpayers make an identity theft complaint, the account will be marked with TC 971 AC 522 reflecting receipt of documentation using the appropriate Tax Administration Source Code (INCOME, MULTFL, INCMUL, OTHER, or NOFR). Refer to Exhibit 8.6.5-1.

**Note:** See the *IDRS Command Codes Job Aid* for additional information on these and other IDRS command codes.

- (5) Refer to IRM 25.23.2.18, *Identity Theft Support Documentation - Overview* for documentation requirements. If there's no record of a prior substantiated ID theft incident, request that the taxpayer provide the following substantiation documentation within 30 days for Individual Master File (IMF) Cases:
  - a. **Authentication of Identity:** A copy of a valid U.S. federal or state government issued form of identification (examples include a driver's license, state identification card, social security card, or passport).



**Note:** IRS no longer accepts Puerto Rican birth certificates issued before July 1, 2010. Taxpayers with birth certificates issued before this date must get new documentation from the Puerto Rico Vital Statistics Record Office.

- b. **Support for ID theft:** Form 14039 (IMF) / Form 14039-B (BMF) in certain situations (refer to IRM 25.23.9.7, *Form 14039-B, BMF Identity Theft Affidavit*), or a copy of a police report indicating ID theft as the issue.

**Note:** The IRS affidavit for IMF taxpayers is also available in Spanish as Form 14039(SP).

- (6) If a taxpayer is required to provide substantiation documentation but fails to do so within a 30-day deadline, proceed with case resolution assuming the taxpayer is not an ID theft victim.
- (7) For Business Master File Cases (BMF), requests for information are only be made when an identity theft determination cannot be made based solely on internal research by Compliance. Accordingly, when the taxpayer raises identity theft in a BMF case, follow the guidance for making a referral in accordance with the type of case in the proceeding sections.

**Note:** The Form 14039-B is an internal form sent to the taxpayer by Compliance to gather information that is vital to making an identity theft determination. If you have a BMF taxpayer claiming that they are a victim of identity theft, refer to IRM 25.23.9.7, *Form 14039-B, BMF Identity Theft Affidavit*, for more information.

- (8) Identity theft tracking indicators are used to mark both tax-related and non-tax related identity theft incidents and help identify open and closed cases. Some action codes are used to track the progression of inventory, while others provide taxpayer protections once the tax related identity theft issue is resolved.
- (9) ID theft tracking indicators are:
- Input on IDRS as a Transaction Code (TC) with an Action Code (AC)
  - Displayed on IDRS via command codes ENMOD or IMFOLE for Individual Master File (IMF) accounts, and on the TXMOD for the specific Master File Tax (MFT) and periods for Business Master File (BMF) accounts.
- (10) Refer to IRM 25.23.2.16, *Tracking and Reporting Identity Theft Cases - Identity Theft Indicators*, for tracking and reporting codes.
- (11) Refer to IRM 25.23.2.8, *When to Update the Victim's Address*, for considerations on updating the taxpayer's address.

8.6.5.3  
(10-25-2016)  
**Unproven Identity Theft Complaints**

- (1) When identity theft claims are determined to be invalid, taxpayers are issued appeal rights through the normal compliance process as appropriate. Appeals will consider any underlying tax issues.
- (2) Refer to IRM 25.23.10.10, *Invalid Identity Theft Determination*.
- (3) ATEs are not the first finders of fact. Appeals will consider ID theft issues after they have been investigated by Compliance.

8.6.5.4  
(10-25-2016)  
**Identity Theft Raised in  
Non-Docketed Cases**

- (1) If a taxpayer raises identity theft as an issue in a non-docketed case in Appeals that has not previously been considered by the Service, follow the procedures in IRM 8.6.1.6.4, *Taxpayer Raises New Issue*. Place Feature Code "ID" on Appeals Centralized Database System (ACDS).
- (2) If a taxpayer provides new information with respect to an unproved Identity Theft complaint that was never previously provided to Compliance, then follow the procedures in IRM 8.6.1.6.5, *Taxpayer Provides New Information*. Place Feature Code "ID" on ACDS.

**Note:** If the exception in IRM 8.6.1.6.5 (2) applies, then use the referral procedures in IRM 8.6.5.6 and retain jurisdiction of the case. Place Feature Code "ID" on ACDS and indicate this is a non-docketed case on Form 10467, *Appeals Division Feedback Report and Transmittal Memorandum*.

8.6.5.5  
(10-25-2016)  
**Identity Theft Raised in  
Docketed Cases**

- (1) When a taxpayer raises potential ID theft in a **field sourced** case or a Business Master File (BMF) case that has not been previously considered or provides new information with regard to the ID theft claim in a docketed case, the ATE will follow the Docketed Exam Assistance procedures in IRM 8.4.4, *Appeals Docketed Cases, Examination Assistance Requests*. Place Feature Code "ID" on ACDS.
- (2) When a taxpayer raises potential ID theft in an Individual Master File (IMF) **campus sourced** case that has not been previously considered or provides new information with regard to the ID theft claim in a docketed case, the ATE will refer it to IDTVA-C for review and determination. Place Feature Code "ID" on ACDS.
- (3) The ATE will prepare Form 3177, "Notice of Action for Entry on Master File", instructing APS to input TC 971 AC 522 with Tax Administration Source Code "PNDCLM" for each year ID theft is claimed.
- (4) The ATE will immediately notify the Counsel Attorney assigned to the case (or the Associate Area Counsel if an attorney has not been assigned) when it is learned that the petitioner is claiming to be an identity theft victim.
- (5) The ATE will prepare a package to refer to the IDTVA-C mailbox.
- (6) The package will include:
  - a. Form 10467, *Appeals Division Feedback Report and Transmittal Memorandum*, indicating that this is part of a docketed case.
  - b. Form 14039, *Identity Theft Affidavit*, or police report submitted by the taxpayer.
  - c. Government issued identification of the taxpayer. Refer to IRM 25.23.2.18, *Identity Theft Supporting Documentation - Overview*, for details.
  - d. All supporting documentation submitted by the taxpayer.
  - e. For BMF taxpayers, refer to IRM 25.23.9.5, *Identity Theft Case Building-BMF*.
- (7) The ATE will forward the package by secure email for review to the Compliance IDT Liaison at "\*\*SBSE CCS BSC EXAM IDT" with read receipt.
- (8) IDTVA-C will mark these requests as priority and will make every attempt to make a determination within 45 days. A follow up email should be sent if no response is received in 45 days.

- (9) If the complaint for identity theft is determined invalid by IDTVA-C, they will provide the decision to the ATE by secure email.
- (10) If the complaint for identity theft is determined to be valid by IDTVA-C, they will provide the ATE with a detailed description of the relief granted by secure email.
- (11) Depending on the category and type of adjustments needed, the ATE will prepare:
  - a. Form 3870, *Request for Adjustment*, identifying the account adjustments and to post the TC 501 Reason Code 139. Refer to IRM 25.23.10.10.12, *Account Adjustments*.
  - b. Form 3177, *Notice of Action for Entry on Master File*, to post the TC 501 or TC 506 with the applicable Tax Administration Source Code, see IRM 25.23.2-2, *IMF Only TC 971 AC 501 — Taxpayer Initiated Identity Theft Case Closure (Tax-Related) - TC 971 AC 501*.
  - c. Form 2363, *Master File Entity Change*, to update the Name, Address, or Filing Status.
  - d. If necessary, Form 9409, *IRS/SSA Wages Worksheet*, to report any corrections to Social Security wages, see IRM 25.23.10.9.6, *Form 9409*, for more information.
- (12) When tax computations are necessary, the ATE will have a Tax Computation Specialist (TCS) prepare the Form 5278 and Form 5403 Instructions.
- (13) See IRM 25.23.4, *Account Paper Process*, for necessary actions when performing account adjustments.
- (14) The ATE will resolve the remainder of the case as appropriate using existing procedures.
- (15) If you determine your taxpayer was a victim of ID theft and adjustments are necessary (interim adjustments or adjustments made at closing), send the necessary documents via encrypted email to “AP-COS-APS-East-HOL ACDS Update Request” or to:  
Brookhaven APS  
IRS Appeals  
1040 Waverly Avenue, Stop 906  
Holtsville, NY 11742-1129

8.6.5.6  
(10-25-2016)  
**Identity Theft Raised in  
Collection Due Process  
(CDP) Cases**

- (1) When a taxpayer raises potential ID theft that has not been previously considered or provides new information with regards to the ID theft claim in a CDP case, the ATE will refer it to IDTVA-C for review and determination. Place Feature Code “ID” on ACDS.
- (2) The ATE will prepare Form 3177, *Notice of Action for Entry on Master File*, instructing APS to input TC 971 AC 522 with Tax Administration Code *PNDCLM* for each year ID theft is claimed.
- (3) The ATE will prepare a package to refer to the IDTVA-C mailbox.
- (4) The package will include:
  - a. Form 10467, *Appeals Division Feedback Report and Transmittal Memorandum*, indicating that this is part of a CDP case.

- b. Form 14039, *Identity Theft Affidavit*, or police report submitted by the taxpayer.
  - c. Government issued identification of the taxpayer. Refer to IRM 25.23.2.18, *Identity Theft Supporting Documentation - Overview*, for details.
  - d. All supporting documentation submitted by the taxpayer.
  - e. For BMF taxpayers, refer to IRM 25.23.9.5, *Identity Theft Case Building-BMF* and IRM 8.6.5.2, *Identity Theft General Documentation Requirements*.
- (5) The ATE will forward the package by secure email for review to the Compliance IDT Liaison at “\*\*SBSE CCS BSC EXAM IDT” with read receipt.
  - (6) IDTVA-C will mark these requests as priority and will make every attempt to make a determination within 45 days. A follow up email should be sent if no response is received in 45 days.
  - (7) If the complaint for identity theft is determined invalid by IDTVA-C, they will prepare a reply to notify the taxpayer of the decision and send a copy to the ATE by secure email.
  - (8) If the complaint for identity theft is determined to be valid by IDTVA-C, they will make the necessary account adjustments and provide the ATE with a detailed description of the relief granted by secure email.
  - (9) The ATE will resolve the remainder of the case as appropriate using existing procedures.

8.6.5.7  
(10-25-2016)  
**Identity Theft Raised on  
Other Types of Cases**

- (1) Follow the procedures in IRM 8.6.5.6 and identify the type of case on Form 10467, *Appeals Division Feedback Report and Transmittal Memorandum*, and place Feature Code “ID” on ACDS.

8.6.5.8  
(10-25-2016)  
**Identity Theft Relief**

- (1) When it is determined that the taxpayer was a victim of identity theft, the Service may:
  - Nullify a return not filed by the taxpayer
  - Concede adjustments for income items not belonging to the taxpayer
  - Provide audit reconsideration
  - Move a posted return, not filed by the owner of the SSN, to an IRSN if the return is not deemed a nullity
- (2) Refer to IRM 25.23.2.6.2, *Nullifying Returns*.
- (3) Refer to IRM 25.23.4, *Accounts Paper Process*, for account actions to be taken for valid ID theft claims.

8.6.5.9  
(01-06-2015)  
**Valid ID Theft Closing  
Actions for Appeals  
Technical Employees**

- (1) Before closing a valid ID theft case, the ATE must (if applicable):
  - a. Make sure the correct address for the ID theft victim is on file. Refer to IRM 8.6.5.9.1.
  - b. Input or update ID theft tracking indicators. Refer to IRM 8.6.5.9.2.
  - c. Update the ID theft tracking indicators. Refer to IRM 8.6.5.9.3.

8.6.5.9.1  
(01-06-2015)  
**Updating ID Theft  
Victim's Address**

- (1) Ensure IDRS reflects the correct taxpayer address to prevent correspondence or refund issuance to the wrong address. If the address on ENMOD/IMFOLE is not the taxpayer's correct address, initiate an update after you have:
  - a. Verified the taxpayer is an ID theft victim, and
  - b. Confirmed the taxpayer is the SSN or Employer Identification Number (EIN) owner.

Resolve incorrect address issues as early as possible.

- (2) The Form 14039, *IRS Identity Theft Affidavit*, (for IMF cases) or Form 14039-B, *Identity Theft Affidavit - Business*, are not, by themselves, proof of ID theft. Do not initiate an address change based solely upon the Form 14039 or Form 14039-B.

8.6.5.9.2  
(10-25-2016)  
**Inputting or Updating ID  
Theft Tracking Indicators**

- (1) ID theft tracking indicators are input and updated via Form 4844, *Request for Terminal Action* or Form 3177, *Notice of Action for Entry on Master File*. Prepare and submit the form to APS with the following information:

- Taxpayer Identification Number (TIN) and name control
- Tax year or Master File Tax (MFT) period affected by the ID theft incident, using format MMDDYYYY
- The appropriate TC and AC code as shown in the tables in the below IRM sections

Note the following in the Miscellaneous field:

- BOD/Function code: AP
- Program Name: AP
- Tax Administration Source Code: See the tables in the below IRM sections

- (2) Do not request a TC 971 AC 501 input until **after** the ID theft tax adjustment is complete. The input of this tracking indicator closes the ID theft claim.
- (3) Prior to requesting the TC 971 AC 501, verify and update the taxpayer's address as an incorrect address may result in subsequent ID theft issues.
- (4) If a taxpayer is disputing a proposed assessment related to ID theft and the appeals officer agrees to a "no change" because the proposed liability was the result of ID theft, request a TC 971 AC 501 through local APS to protect the taxpayer and close the ID theft claim. Refer to 25.23.2.16, **Tracking and Reporting Identity Theft Cases - Identity Theft Indicators**.

8.6.5.9.3  
(10-25-2016)  
**Reversing IMF and BMF  
ID Theft Tracking  
Indicators**

- (1) A TC 971 AC 501 closes out an IMF ID theft claim. The following table reflects instances in IMF cases in which it may be necessary to manually reverse the TC 971 AC 501:

REASON CODE ABBREVIATION	REASON FOR REVERSAL
NOIDT	The employee determined that no identity theft occurred.

REASON CODE ABBREVIATION	REASON FOR REVERSAL
NORPLY	The taxpayer failed to provide the requested supporting documentation within the time specified by the employee.
TPRQ	Taxpayer requests reversal of the TC 971. Taxpayer may feel issue is resolved or is no longer needed, and it is negatively affecting them
IRSERR	TC 971 is due to a typographical mistake or another internal mistake
IRSADM	TC 971 is causing a negative impact on another internal process or system
FALSE	Original ID theft incident claim was determined to be fraudulent
OTHER	Reason for the reversing TC 971 does not meet any of the reasons above

- (2) If one of the above conditions exists, update the account by completing Form 4844 or Form 3177 and requesting input of a TC 972 AC 501. Submit via secure email to APS. The form must contain the following information:
  - Taxpayer's SSN and name control
  - Tax year affected by the ID theft incident in MMDDYYYY format
  - BOD/Function code: AP
  - Program Name: AP
  - Reason Code for reversal from the above table
- (3) See IRM 25.23.2.19.2, *Manually Reversing TC 971 AC 501*, and IRM Exhibit 25.23.2-3, *IMF Only TC 972 AC 501 - Reversal of TC 971 AC 501*, for more information on reversing TC 971 AC 501 in IMF cases.
- (4) For ID theft cases involving a BMF entity, see IRM 25.23.9.6.4, *Reversing BMF Identity Theft Indicators*, and IRM Exhibit 25.23.9-5, *Reversing BMF Identity Theft Indicators - TC 972 AC 522*.

8.6.5.10  
(10-25-2016)  
**Adjusting ID Theft liabilities**

- (1) There may be instances where Appeals confirms that the taxpayer is a victim of identity theft and will need to instruct APS to make account adjustments.
- (2) Refer to IRM 25.23.4, *Account Paper Process*, for necessary actions when performing account adjustments.
- (3) The ATE **must** ensure the taxpayer's address in IDRS is correct. Failure to verify and update IDRS to the taxpayer's correct address may result in the ID thief getting the taxpayer's mail from the IRS, including the Identity Protection Personal Identification Number needed to file in future years.
- (4) The use of tax computations by Appeals is dependent on the complexity of the adjustment. Tax computations are generally not necessary when Form 3870, *Request for Adjustment*, is sufficient to adjust a taxpayer's account.



- (5) **ALL** adjustments attributable to ID theft must be routed to and performed by Appeals' ID Theft Specialized Unit in Brookhaven APS. The mailing and email addresses of the specialized unit are found on the *Appeals ID theft website*
- (6) The ATE will work with APS to rectify problems with account adjustments when needed.

8.6.5.10.1  
(10-25-2016)  
**Income Related  
Adjustment**

- (1) When it is necessary for Appeals to make account adjustments when it is confirmed that an ID thief used the taxpayer's SSN to earn income, the ATE must instruct APS to adjust the liability to ensure the taxpayer is not held liable for the tax liability associated with the income earned by the thief.

Step	Process
1	Prepare Form 3870 and write "ID theft adjustment" at the top. Identify the wrongful transaction(s) that must come off of the account. <b>Example:</b> "Reverse the TC 290/300 assessed including interest and penalties. "
2	Prepare Form 4844 for APS to input TC 971 AC 501 <b>after</b> the account is adjusted. IRM 8.6.5.9.2
3	Close the case to your ATM.
4	The ATM will ACAP the case and request the servicing APS unit transfer the file (including Form 3870 and Form 4844) on PEAS to the Appeals ID theft Specialized Unit. The address of the specialized unit is found on a document titled "Routing ID theft Tax Adjustments" on the <i>Appeals ID theft website</i> .

8.6.5.10.2  
(10-25-2016)  
**Return Related  
Adjustment-Taxpayer  
Didn't File**

- (1) When it is confirmed that an ID thief used the taxpayer's SSN to file a fraudulent return AND the taxpayer had no filing requirement, the ATE must instruct APS to adjust the liability to ensure the taxpayer is not held liable for the fraudulent return filed by the thief.

Step	Process
1	Prepare Form 3870 and write "ID theft adjustment" at the top. Identify the wrongful transaction(s) that must come off of the account. Address any refunds, prepayment credits or payments on the account. <b>Example:</b> The wrongful actor received a fraudulent refund or the fraudulent refund is frozen on the account or was offset to another year for which the taxpayer owes. In all those instances, direct APS to reverse the fraudulent refund. <b>Example:</b> The taxpayer had refunds or payments applied to the liability. Those credits must be returned. Direct APS whether and where to move the taxpayer's credits
2	Prepare Form 4844 for APS to input TC 971 AC 501 <b>after</b> the account is fully adjusted. IRM 8.6.5.9.2

Step	Process
3	The ATM will ACAP the case and request the servicing APS unit transfer the file (including Form 3870 and 4844) on PEAS to the Appeals ID theft Specialized Unit. The address of the specialized unit is found on a document titled "Routing ID theft Tax Adjustments" on the Appeals ID theft website linked <i>here</i> .

8.6.5.10.3  
(10-25-2016)

**Return Related  
Adjustment-Multiple  
Returns Filed**

- (1) When it is confirmed that an ID thief used the taxpayer's SSN to file a fraudulent return and the taxpayer also filed, the ATE must instruct APS to adjust the liability to ensure the taxpayer is not held liable for the fraudulent return filed by the thief.

Step	Process
1	<p>Prepare Form 3870 and write "ID theft adjustment" at the top. Identify the wrongful transaction(s) that must come off of the account. Address any refunds, prepayment credits or payments on the account.</p> <p><b>Example:</b> The wrongful actor received a fraudulent refund or the fraudulent refund is frozen on the account or was offset to another year for which the taxpayer owes. In all those instances, direct APS to reverse the fraudulent refund.</p> <p><b>Example:</b> The taxpayer had refunds or payments applied to the liability. Those credits must be returned. Direct APS whether and where to move the taxpayer's credits</p>
2	Prepare Form 4844 for APS to input TC 971 AC 501 <b>after</b> the account is fully abated/adjusted. IRM 8.6.5.9.2
3	Attach a copy of the taxpayer's "duplicate" TC 976 return (paper only) or the taxpayer's original return if not posted as a "duplicate" TC 976 return. A copy of the return can be secured via ESTAB, CIS image, TRDBV, or TRPRT.
4	The ATM will ACAP the case and request the servicing APS unit transfer the file (including Form 3870 and 4844) on PEAS to the centralized APS location for making ID theft tax adjustments. That location is listed on the document "Routing ID theft Tax Adjustments" on the ID theft web page linked <i>here</i> .

8.6.5.10.4  
(01-06-2015)

**Interim Adjustment**

- (1) Docketed cases generally require adjustments to be input as an interim adjustment and not at closing. See the table below for making an interim adjustment on income or return related ID theft tax liabilities:

Step	Process
1	<p>Prepare the following documents In APGolf and save them to your desktop:</p> <ul style="list-style-type: none"> <li>• Form 3870: Look at the Table above for your case type and see step 1.</li> <li>• Form 4844: See Step 2 in the applicable Table above.</li> <li>• <i>ACDS Update Request</i> form: Change the caption from <i>ACDS Update Request</i> to <i>Interim Adjustment Request-ID Theft</i>.</li> </ul>



Step	Process
2	Attach the documents to a secure email with a subject line <b>Interim Adjustment-ID Theft</b> and forward it to your ATM for approval.
3	The ATM will note the interim adjustment is approved and forward the secure email with attachments to *AP-COS-APS-East-HOL ACDS Update Request
4	APS will inform the requesting employee when the interim adjustment has been processed.

**Note:** If APS alerts the ATE that an adjustment cannot be made due to a -L freeze, the ATE will advise APS to reverse the TC 420 and then request it be reinput after the adjustment posts.

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## Exhibit 8.6.5-1 (10-19-2012)

### ID Theft Indicator Acronyms and Definitions

The following tables describe the terms and acronyms used for the TC 971 AC 501, 504, and 506 identity theft indicator codes. The three tables are: 1) BOD/Function, 2) Program Name, and 3) Tax Administration Source. Not all Tax Administration Source Codes are available to all BOD/Functions.

#### 1. BOD/Function

Term/Acronym	Description
AP	Appeals
CI	Criminal Investigation
LBI	Large Business & International
IT	Information Technology
OS	Operations Support
PPDS	Identity Protection Strategy & Oversight formerly Privacy, Governmental Liaison & Disclosure
SBSE	Small Business / Self-Employed
TAS	Taxpayer Advocate Service
WI	Wage & Investment

#### 2. Program Name

Term/Acronym	Description
ACS	Automated Collection System
AM	Accounts Management (IRS-identified identity theft)
AMADJ	Accounts Management (TP-identified identity theft)
AP	Appeals
ASFR	Automated Substitute for Return
AUR	Automated Underreporter
CA	TAS Case Advocate
CFBALDUE	SB/SE: Field Collection - Taxpayer Delinquency Accounts
CFDELRET	SB/SE: Field Collection - Taxpayer Delinquency Investigations
CONGINQ	Congressional Inquiry
CORR	SB/SE Correspondence Exam
CSCO	Compliance Services Collection Operations
CSIRC	Computer Security Incident Response Center

**Exhibit 8.6.5-1 (Cont. 1) (10-19-2012)****ID Theft Indicator Acronyms and Definitions**

<b>Term/Acronym</b>	<b>Description</b>
EXAM	W&I Correspondence Exam
FA	Field Assistance
FLDEXAM	Field Exam
IVO	Integrity & Verification Operations formerly Accounts Management Taxpayer Assurance Program (AMTAP)
LBI	Large Business & International
OPIP	Office of Privacy & Information Protection
PHSH	Phishing
PREREF	Pre-Refund Program
RC	Refund Crime
RFND	Refund Scheme
RICS	Return Integrity & Compliance Services
SP	Submission Processing
TDI	Tax Delinquency Investigation
WHC	Withholding Compliance

**3. Tax Administration Source**

<b>Term/Acronym</b>	<b>Description</b>
DECD	Taxpayer is deceased.
INCOME	Identity theft identified and substantiated due to an underreporting of income
MULTFL	Identity theft identified and substantiated due to two or more tax returns filed for one taxpayer
INCMUL	Identity theft identified and substantiated due to both underreporting of income and multiple filings
NOFR	Substantiated identity theft incidents where the victim does not have a filing requirement
OTHER	Identity theft which cannot be identified as related to any existing Tax Administration Source types
RFND	Identity theft identified by the filing of a false return in order to obtain a refund
PRISNR	Taxpayer is incarcerated.