



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

8.17.2

OCTOBER 19, 2023

EFFECTIVE DATE

(10-19-2023)

PURPOSE

- (1) This transmits revised IRM 8.17.2, Settlement Computations and Statutory Notices of Deficiency, General Settlement and Rule 155 Computations.

MATERIAL CHANGES

- (1) Updated obsolete IRM references and links to SharePoint.
- (2) Updated IRM 8.17.2.1.1 Background, to:
 - add the mission statement of the IRS Independent Office of Appeals (Appeals),
 - add Employment Tax cases to those which must be worked on Issue Management System (IMS).
- (3) Added IRM 8.17.2.1.4 Program Reports, as required by IRM 1.11.2, Internal Revenue Manual (IRM) Process.
- (4) Updated Taxpayer Bill of Rights (TBOR) content based on guidance from the Division Counsel/Associate Chief Counsel (National Taxpayer Advocate Program) and Branch 3 of the Associate Chief Counsel (Procedure and Administration). See IRM 8.17.2.1.6 , Related Resources.
- (5) Added content related to IRM 25.30.2.3, Statement of Commitment, Service Level Agreement (SLA) between Appeals and Taxpayer Advocate Service (TAS).

EFFECT ON OTHER DOCUMENTS

Supersedes IRM 8.17.2 dated February 8 2023.

AUDIENCE

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8.17.2

General Settlement and Rule 155 Computations

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8.17.2.1
(10-19-2023)
Program Scope and Objectives

- (1) This IRM section provides procedures for Appeals Tax Computation Specialists (TCSs) for preparing settlement computations (also known as audit statements) on cases worked in Appeals.
- (2) Purpose: The purpose of this IRM section is to provide guidance to Appeals TCSs for the accurate and efficient preparation of settlement computations on cases worked in Appeals.
- (3) Audience: The primary users of the IRM section are Appeals TCSs and Appeals Technical Employees (ATEs).
- (4) Policy Owner: Policy, Planning, Quality and Analysis (PPQ&A) is under the Director, Case and Operations Support.
- (5) Program Owner: Appeals Policy is the program office responsible for providing technical and procedural guidance to the Appeals organization and is under the Director of PPQ&A.
- (6) Contact Information: Appeals employees should follow established procedures on *How to Contact an Analyst*. Other employees should contact the Product Content Owner shown on the Product Catalog Information page for this IRM.

8.17.2.1.1
(10-19-2023)
Background

- (1) This section covers procedures for preparing settlement computations (also known as audit statements) on cases worked in Appeals. Many procedures are the same on every case, regardless of the type of tax involved.
- (2) As stated in IRC 7803(e)(3), the IRS Independent Office of Appeals (Appeals) mission is to resolve Federal tax controversies without litigation on a basis that is fair and impartial to both the Government and the taxpayer, promotes a consistent application and interpretation of, and voluntary compliance with, the Federal tax laws, and enhances public confidence in the integrity and efficiency of the IRS.
- (3) Use of IMS is mandatory for working cases from Large Business & International (LB&I), Field Small Business/Self-Employed (SB/SE) Excise, Field SB/SE Estate & Gift, and Employment Tax.
- (4) An IMS Team Member role can be assigned to anyone who provides support in the resolution of a case. Team Members can be assigned to an LB&I, Excise, Estate and Gift, or Employment Tax case. A Team Member can be a TCS, ATE or Technical Specialist. The key responsibilities of the Team Member in IMS include:
 - Viewing and downloading case documents.
 - Collaborating with the Team Leader and other Team Members.
 - Uploading Appeals documents, when authorized by the Team Leader.

Note: The *Appeals BSP Website* has additional IMS instructions and resources.

- (5) Some cases also require special procedures unique to the type of tax or case involved. These special procedures are covered in separate sections. The following is a list of the IRM subsections where the special procedures are located:
 - IRM 8.7.1.2, Personal Holding Company Tax Alleviated by Deficiency Dividend;

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- IRM 8.7.1.3, Accumulated Earnings Tax IRC Notification;
- IRM 8.7.1.4, Credit for Increasing Research Activities, IRC 41;
- IRM 8.7.4, Appeals Estate and Gift Tax Cases;
- IRM 8.7.5, Transferee and Transferor Liabilities;
- IRM 8.7.6, Appeals Bankruptcy Cases;
- IRM 8.7.7, Claim and Overassessment Cases;
- IRM 8.7.8, Tax Exempt and Government Entities (TE/GE) Cases;
- IRM 8.7.9, Joint Committee (JC) Cases;
- IRM 8.7.10, Excise Tax Cases and IRA Adjustments;
- IRM 8.7.11, Working Appeals Team Cases;
- IRM 8.7.12, Appeals Innocent Spouse Case Procedures;
- IRM 8.7.16, Appeals Employment Tax Procedures;
- IRM 8.7.20, Appeals Cases Involving Shared Responsibility Payment (SRP) Under IRC 5000A;
- IRM 8.7.21, Employer Shared Responsibility Payment (ESRP) Under IRC 4980H;
- IRM 8.17.5, Special Computation Formats, Forms and Worksheets;
- IRM 8.17.6, Interest Issues in Settlement Computations;
- IRM 8.17.7, Penalties/Additions to Tax in Computations;
- IRM 8.19.6, Partner Cases.

- (6) References to an ATE within this IRM Section include both an Appeals Officer (AO) and an Appeals Team Case Leader (ATCL). However, due to the complete termination of the Appeals Officer Tax Computation Initiative for Field ATEs in 2015, only Campus ATEs (specifically Campus AOs) should prepare computations.

8.17.2.1.2
(04-15-2019)

Authority

- (1) IRM 8.17, Settlement Computations and Statutory Notices of Deficiency, establishes the TCS policy framework for Appeals.

8.17.2.1.3
(04-15-2019)

Responsibilities

- (1) The Appeals TCS is responsible for the accurate preparation of tax computations, including all applicable computation schedules.
- (2) The Appeals TCS Program Analyst is responsible for:
- a. Updating the applicable IRM sections as needed
 - b. Reviewing training modules
 - c. Responding to inquiries

8.17.2.1.4
(10-19-2023)

Program Reports

- (1) The Director of PPQ&A provides trend and data analyses and detailed summary reports for Appeals.

8.17.2.1.5
(04-15-2019)

Acronyms

- (1) See the table below for the most common acronyms in this IRM section:

Acronym	Definition
ACDS	Appeals Centralized Database System
AO	Appeals Officer

Acronym	Definition
ATCL	Appeals Team Case Leader
ATCTM	Appeals Tax Computation Team Manager
ATE	Appeals Technical Employee
CCDM	Chief Counsel Directives Manual
CIC	Coordinated Industry Case
IC	Industry Case
IDRS	Integrated Data Retrieval System
IMS	Issue Management System
LB&I	Large Business and International
LIN	LB&I Image Network
RAR	Revenue Agent Report
RGS	Report Generation Software
SB/SE	Small Business/Self-Employed
TCS	Tax Computation Specialist

8.17.2.1.6
(10-19-2023)
Related Resources

- (1) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For additional information about the TBOR, see <https://www.irs.gov/taxpayer-bill-of-rights>.
- (2) In accordance with IRM 25.30.2.3, Statement of Commitment, Appeals will work collaboratively with the Taxpayer Advocate Service (TAS) to enhance the taxpayer experience. For more information, see IRM 25.30.2, Service Level Agreement between the IRS Independent Office of Appeals and the Taxpayer Advocate Service.

8.17.2.2
(09-25-2013)
What is a Settlement Computation

- (1) Settlement computations may contain the following four parts:
 - Face or summary sheet;
 - Adjustment schedule;
 - Computation of tax schedule (generally the lower part of adjustment schedule); and
 - Explanation of adjustments schedules (including supplemental schedules and exhibits).
- (2) A settlement computation is an important part of Appeals' determination and disposition of a case. It must be mathematically and technically accurate, and include clear explanations and schedules for the following reasons:

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- a. It is a source document for tax amounts on agreement forms, Form 5402, Appeals Transmittal and Case Memo, and Form 5403, Appeals Closing Record;
 - b. It informs the taxpayer of adjustments resulting from Appeals' disposition of the case; and
 - c. It serves as a guide for subsequent years' adjustments.
- (3) "Audit Statement" is a term that is sometimes used to describe the settlement computation.

8.17.2.3 (04-15-2019) Settlement Computations - When Not Required

- (1) A settlement computation is not required in the following situations unless needed for other computational purposes:
- a. The findings of Compliance are completely reversed by Appeals.
 - b. The findings of Compliance are sustained in full by Appeals.
 - c. A statutory notice of deficiency is issued which adequately covers all adjustments.
 - d. The determination in the notice of deficiency is agreed in full either during the 90-day period or after filing a petition.
 - e. Generally, unagreed docketed cases.
- Note:** However, an information statement or a settlement computation might be necessary or desired in an unagreed docketed case. An example of this would be if the ATE concedes an issue.
- f. Cases where the only issues involve exempt status, private foundation classification, or employee plan qualification questions.
 - g. Cases involving Appeals Specific Dollar Settlements.
- (2) Counsel's IRM is called the Chief Counsel Directives Manual, or CCDM. *CCDM 35.5.2.9, Settlement Procedures in S Cases*, allows Counsel attorneys to settle small cases on the basis of a specific dollar amount agreed upon by both parties without preparing any computations.

8.17.2.4 (09-25-2013) Separate Settlement Computations Required in Certain Cases

- (1) Generally, taxes reportable on the same tax form number by the same taxpayer may be included in one settlement computation.
- (2) However, to determine when separate settlement computations are needed, follow these guidelines:
- a. Generally, if the cases involve similar type returns, prepare one settlement computation to cover all cases. For example, if a taxpayer files a Form 1040EZ, Income Tax Return for Single and Joint Filers With No Dependents one year, a Form 1040A, U.S. Individual Income Tax Return the next year, and a Form 1040, U.S. Individual Income Tax Return the third year, all three years may be included on one settlement computation.
 - b. If there are years involving both joint and separate returns, prepare one settlement computation for joint return years and another settlement computation for separate return years. ("Separate" can mean filing single, head of household or married filing separate.)
 - c. If there are years involving both consolidated corporate and non-consolidated corporate return years, the facts and circumstances of each case will determine if one settlement computation may be prepared, or if

separate settlement computations (one for the consolidated corporate return years and another for the non-consolidated corporate return years) will be needed.

- (3) Additionally, apply the following restrictions when determining if separate settlement computations are required:
- a. Do not combine fiduciary returns, Form 1041, U.S. Income Tax Return for Estates and Trusts, with individual returns, Form 1040, U.S. Individual Income Tax Return, in the settlement computation.
 - b. Do not combine Form 1120, U.S. Corporation Income Tax Return years with the taxpayer's Form 1120-S, U.S. Small Business Corporation Income Tax Return, unless the Form 1120-S is being converted to Form 1120.
 - c. Treat Forms 1120-S as cases only when additional tax is due (IRC 1378) or an overassessment is determined.

8.17.2.5
(04-15-2019)
**Preliminary Review
Before Preparing
Settlement
Computations**

- (1) Prior to preparing the settlement computation, a preliminary review of the case file is needed. Listed below are recommended checks.
- Preliminary Review

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Items to Review	Look for:
a. Returns and claims	Check for returns and claims for refund, if any, for the protested years. If the TCS does not have the return, a copy of the return, or IDRS return information (RTVUE, BRTVU, TRDBV, etc), the TCS should obtain a RTVUE (for individual returns), BRTVU (for corporate returns), LB&I Image Network (LIN) return (for LIN imaged corporate returns) or TRDBV.
b. Statutory period of limitations and claims filed date	Note statutory period of limitations and claims filed date.
c. Power of attorney	Check for power of attorney in non-docketed case. The power of attorney is the ATE's responsibility and generally, it is not necessary for the TCS to analyze in detail the power of attorney when a settlement computation is prepared.
d. Change of name, marital status	Note change of name, marital status, etc.
e. Credit verification	Check for verification of State Death Tax Credit (estate tax) or other credits, if necessary.
f. Prior assessments (overassessments)	Inspect returns and review current transcripts to check for evidence of prior adjustments to tax liability, such as mathematical corrections, tentative allowances, or audit adjustments. See IRM 8.20.2.1, Integrated Data Retrieval System (IDRS) Transcripts of Account.
g. Return filed dates	Check filing dates of returns. If timely filed, a received date generally will not be shown on the face of the return. If delinquent, the date received should be stamped on the face of the return. Also, if the TCS has the original return, check the postmark date on the mailing envelope attached to the back of the delinquent return.
h. Advance payments	If the TCS has the original return or a copy of the return, check for advance payments, usually indicated by Part 2 of Form 3244-A, Payment Posting Voucher, attached to face of return.

Items to Review	Look for:
i. Transcript of Account	Secure current transcript of account. See IRM 8.20.2.1, Integrated Data Retrieval System (IDRS) Transcripts of Account.
j. Protest or Petition	If available, check protest or petition for information or clarification. Issues protested or petitioned are the ATE's responsibility and generally, it is not necessary for the TCS to analyze in detail the protest or petition.

- (2) A current transcript must be secured from Master File and/or Non-Master File.
 - a. A current transcript is generally determined to be one in which no more than two weeks have elapsed since it was secured.
 - b. If there are indications that transactions may have occurred since the date of the last transcript, request an updated transcript, regardless of how many weeks have elapsed.
 - c. See IRM 8.20.2.1, Integrated Data Retrieval System (IDRS) Transcripts of Account, for further information.
- (3) The TCS must read the Request for Audit Work (generally Form 3608, Request for TCS Service) carefully and note the items checked.
 - a. If instructions are unclear or are incomplete, make a note of the questionable items.
 - b. If an answer is not found during examination of case file, ask the requester to complete or clarify the request.
 - c. Consider the effect of proposed adjustments on other items (so-called automatic adjustments).
- (4) If providing technical assistance on prior findings is warranted, it generally can be incorporated in the technical work requested by the ATE, rather than being performed as a separate step. A technique for proving prior findings and revised findings is to prove the deficiency by computing tax at effective rates on income adjustments, taking into account changes in credits.
- (5) Bring adjustments improperly handled or omitted in the examination report or notice of deficiency, including those that are automatic or mathematical in nature, to the attention of the ATE when warranted. See IRM 1.2.1.9, Policy Statement for the Appeals Process and IRM 8.6.1.7, New Issues and Reopening Closed Issues.

8.17.2.6
(04-08-2009)
**Suspending Work on
Settlement
Computations**

- (1) Suspense reason codes are used and input into the Appeals Centralized Database System (ACDS) when the TCS cannot work on an assigned case due to specific circumstances beyond their control, such as waiting for information needed to complete the case. When the TCS places a case in suspense, it:
 - Stops additional TCS lapse time from accumulating on that case until the suspense reason code is removed; and
 - Removes the case from active inventory counts.

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- (2) The TCS will remove the suspense reason code once the case is either returned to active inventory or closed as a premature submission.

8.17.2.6.1
(04-15-2019)

Suspense Reason Code Dictionary

- (1) The following is the TCS Suspense Reason Code Dictionary:

<u>Code</u>	<u>Description</u>
S1	Waiting on ATE for information/response
S2	Waiting on Counsel attorney for information/response
S3	Waiting on Compliance for information/response
S4	Waiting on taxpayer to provide information/response
S5	Other

8.17.2.6.2
(04-08-2009)

Deciding When to Suspend

- (1) When deciding whether to place a case in suspense due to missing information, the TCS needs to consider how long they are asked to wait until the missing information will be received, and the estimated cost to return a case to a requester.
- (2) The volume of files contained in a Coordinated Industry Case (CIC) or Industry Case (IC) could cause returning the case to be very costly and time consuming, so the TCS must use judgment to decide whether it is better to allow more time for the requester to submit the information, or return the case to the requester as a premature submission.
- (3) Very few situations warrant placing a non-CIC case in suspense, since these cases normally contain few files.
- (4) The TCS must use their best judgment when considering which case to place in suspense and when to place it in suspense. The same judgment must be used for deciding when to take a case out of suspense and return it to the requester as a premature submission.
- (5) A case must never be placed in suspense solely because the TCS is on leave, or the TCS has other priority assignments. Instead, consider the following factors to decide whether to suspend the case.
 - a. When will the information be available to the TCS?
 - b. Can other case-related duties be performed on the case without the missing information?
 - c. How much time will it take for the TCS to get the case files ready to return to the requester, and how much will it cost?
 - d. Will the requester have the missing information to the TCS by the time the case could be returned to the requester?
 - e. Is the requester cooperating in getting the information to the TCS in a timely manner?
 - f. If the requester is unavailable, when will the requester be available?
 - g. Will the case be in suspense for only a few days? If so, is it better to leave the case in active inventory?

8.17.2.6.3
(04-15-2019)
Suspense Criteria

- (1) The following criteria must be met before placing a case in suspense.
- Case must be assigned to the TCS.
 - The TCS must have physical possession of the case and/or have access to the case in IMS.
 - The TCS must be actively working on and charged time to the case.
 - The TCS can no longer work on the case without receiving additional instructions, information, or documentation from an ATE, Counsel attorney, taxpayer or another IRS function.
 - The requester cannot get the information to the TCS within 10 business days (CIC) or within five business days (Non-CIC) from the date of the request.

8.17.2.6.4
(04-08-2009)
**Reference Table for
Deciding Suspense
Action**

- (1) For CIC cases, use the following table to help determine what action to take:

IF	THEN
TCS believes the information will be received shortly after 10 business days from the date of the request (for example two days late),	TCS should consider keeping the case in active inventory.
TCS believes the information will be received within 12 to 20 business days from the date of the request,	TCS should consider suspending the case.
If the case has several files and the TCS is unsure if the information will be received within 20 business days, or if the information is not received within 20 business days from the date of the request,	TCS should consider the cost of returning the case versus the benefits of leaving the case in suspense.

Note: Prior to returning a CIC case, the TCS will discuss returning the case with both the Appeals tax computation team manager (ATCTM) and the ATCL assigned to the case.

- (2) For Non-CIC cases, use the following table to help determine what action to take:

IF	THEN
TCS expects to receive the information shortly after five business days from the date of the request (for example two days late),	TCS should consider keeping the case in active inventory.

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IF	THEN
TCS expects to receive the information later than the seventh business day after requesting the information and the case has few files,	TCS should consider returning the case as a premature submission.
There is missing information in a case with many files, such as in an IC case,	TCS should use judgment and consider the cost of returning the case before deciding whether to return the case instead of putting the case into suspense.

8.17.2.6.5
(04-08-2009)

Removing a Case from Suspense

- (1) The following provides guidance on when the TCS should remove their case from suspense:
 - If the missing information will not be provided in an acceptable time frame, remove the case from suspense and return it to the requester as a premature submission.
 - If the missing information is received, immediately remove the case from suspense and return it to active inventory regardless of whether workload permits resuming work on the case.
 - If the missing information is received while on leave, remove the case from suspense and return it to active inventory as soon as possible upon return to the office.

8.17.2.7
(09-25-2013)

General Rules for Preparing Settlement Computations

- (1) The Internal Revenue Code, treasury regulations, revenue rulings, tax rate tables and the tax return forms are excellent guides when applying the law in effect for tax credits, tax rates and other computations affecting tax liability. Often it is necessary to modify tax computation forms or create schedules to support tax computations. Following are general rules for computing all taxes.
 - a. Compute tax at rates in effect for the taxable year, period, etc.
 - b. Recompute, if necessary, other taxes and credits.
- (2) Interest provisions - The settlement computation requires a special notation if certain interest provisions apply. When the following interest provisions apply, include a statement on Form 3610, Audit Statement, (if prepared) or tax computation form such as Form 5278, Statement - Income Tax Changes, Form 4549, Report of Income Tax Examination Changes, etc. See below:
 - Restricted interest - When Form 2285, Concurrent Determinations of Deficiencies, has been prepared and restricted interest applies, see IRM 8.17.6.4.4, Annotating the Settlement Computation When Form 2285 Prepared, for suggested language to use for the statement.
 - IRC 6404(g) - If IRC 6404(g) applies, see IRM 8.17.6.9.7, IRC 6404(g) in Settlement Computations, for suggested language to use for the statement.

- IRC 6621(c) - If IRC 6621(c) applies, see IRM 8.17.6.6.2, Annotating the Settlement Computation for Large Corporate Underpayment Rate, for suggested language to use for the statement.

8.17.2.8

(11-09-2007)

Forms Commonly Used in Settlement Computations

- (1) Many of the forms used in preparing settlement computations are available in different formats including computer generated or fillable Adobe Acrobat, Word, and Excel. They can be generated through the Report Generation Software (RGS) or BNA software, and accessed on the Appeals TCS web site and on the Electronic Publishing web site.
- (2) The following forms are commonly used in settlement computations:
 - Form 5278, Statement - Income Tax Changes
 - Form 4549, Report of Income Tax Examination Changes
 - Form 4549-A, Report of Income Tax Examination Changes (Without Taxpayer Signature)
- (3) See Exhibit 8.17.2-1 for other forms used in preparing settlement computations.

8.17.2.8.1

(11-09-2007)

Forms Used in Individual Income Tax Computations

- (1) The following table describes the available forms, sources and formats for preparing settlement computations on individual income tax cases:

	Form 5278	Form 4549	Form 4549-A (see note)
RGS software - (Adobe Acrobat)	X	X	X
BNA software - (Adobe Acrobat)	X	X	X
ACDS APGolf - (Word)	X		
TCS web site - (Excel)	X		
Publishing web site - (Fillable Adobe Acrobat)	X	X	X

Note: Form 4549-A is labeled “Report of Income Tax Examination Changes (Without Taxpayer Signature)” in the RGS and BNA software.

- (2) Complete one of these forms each time an individual income tax computation is prepared. However, if Appeals sustains Compliance’s findings or determines there is no change to the return, these forms are not required.
- (3) Adapt these forms for fiduciary income tax computations where applicable.

8.17.2.8.2

(04-15-2019)

Forms Used in Corporate Income Tax Computations

- (1) Form 5278, Statement - Income Tax Changes, Form 4549, Report of Income Tax Examination Changes, or Form 4549-A, Report of Income Tax Examination Changes (Without Taxpayer Signature), is used when computing corporate income tax. The table in IRM 8.17.2.8.1 shows information pertaining to these three forms.

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8.17.2.9 (04-15-2019) Preparing the Face or Summary Sheet - Form 3610

- (2) Complete one of these forms each time a corporate income tax computation is prepared. However, if Appeals sustains Compliance's findings or determines there is no change to the return, these forms are not required.
- (1) Form 3610, Audit Statement, may be used as the face or summary sheet in the settlement computation package when needed. Most of the items to be completed are self-explanatory.
 - (2) The settlement computation may omit Form 3610, Audit Statement, provided all needed information is clearly and adequately presented in other parts of the settlement computation.
 - a. For more information about Form 3610, Audit Statement, requirements for specific types of cases, click on the *TCS Website* and then see the TS Audit Statement Notations and Form 3610 folder.
 - b. Form 3610, Audit Statement, is **not** prepared for Rule 155 cases. See IRM 8.17.2.12.1 for information about the Summary Page (Face Sheet) that is required instead for Rule 155 computations.
 - (3) If Form 3610, Audit Statement, is prepared, see below for instructions:
 - a. In the first column of Form 3610, Audit Statement, list the tax years or periods covered by the Appeals or Counsel determination in the case. If the year is less than 12 months, or a 52–53 week year, include the beginning and ending dates. Additional columns are provided for listing deficiencies or overassessments in tax, additions to tax, and penalties. If necessary, alter columns to fit the circumstances but make sure they are properly identified.
 - b. Enter the tax deficiency or overassessment amount in a column to the right of the tax year or period listed.
 - c. Specify applicable penalties or additions to tax by IRC section in the column headers and enter any amounts in the columns to the right of the tax deficiency or overassessment column for the particular tax year.
 - (4) Form 3610, Audit Statement, and penalties/additions to tax:
 - a. Form 3610, Audit Statement, does not need to be prepared just to show penalty/addition to tax information.
 - b. If Form 3610, Audit Statement is prepared, no penalty or addition to tax information is required to be included on the Form 3610, Audit Statement for penalties/additions to tax no longer asserted in the settlement computation (they are conceded in full or no longer applicable). Information such as the penalty code sections, and zeroes or "None" for amounts is not required.
 - (5) If Form 3610, Audit Statement is prepared, the space at the bottom of Form 3610, Audit Statement may be used for additional explanation. If this space is not sufficient, a continuation sheet may be used. The following are some examples of additional explanation that may be added:
 - a. Unassessed advance payments: When there are multiple years, multiple payments, or payments that have been separated by the taxpayer into

categories, i.e. tax, penalty and interest, it is recommended that an explanation similar to the example shown below be provided on Form 3610, Audit Statement.

The deficiency shown above has been paid to the following extent:

<u>Date Paid</u>	<u>Year</u>	<u>Tax</u>	<u>Penalty</u>	<u>Interest</u>
4/15/2003	2001	\$2,000	\$1,000	\$150
4/15/2003	2002	<u>\$3,000</u>	<u>\$ 500</u>	<u>\$50</u>
Total paid		\$5,000	\$1,500	\$200

Note: The term “unassessed advance payments” refers to advance payments which have been posted to the taxpayer’s account, but not applied to pay an assessment of tax, penalty or interest since the liabilities are unassessed.

Note: If Form 3610, Audit Statement is not prepared, then it is recommended that the information be shown elsewhere in the settlement computation - on Form 5278, Statement - Income Tax Changes, Form 4549, Report of Income Tax Examination Changes, Form 3623, Statement of Account or an attachment. The payment explanation is not needed if an interest computation including the payments is prepared to send to the taxpayer.

- b. Unassessed advance payments in docketed cases: A notation in the settlement computation stating the date and amount of an unassessed advance payment is recommended in docketed cases. Sample language is shown below:

The deficiency shown above for ____ (enter tax year) does not take into account a payment of \$ ____ made on ____ (enter date of payment).

- c. Recomputation not necessary for one or more years: If a tax computation is not necessary for one or more years and a Form 3610, Audit Statement is prepared, the following optional statements may be added at the discretion of the TCS or an ATE: “No change to prior determination”; “No change to determination in statutory notice of deficiency”; “Prior determination reversed in full”; or “Determination in statutory notice reversed in full”.
- d. Number of pages or schedules: In lengthy settlement computations where it would be useful to the taxpayer or helpful in assembling copies, the total number of pages or schedules in the settlement computation may be noted. (This is optional and at the discretion of the TCS or an ATE.)

8.17.2.10
(09-25-2013)
**Completing the
Adjustment and Tax
Computation Schedule**

- (1) Form 5278, Statement - Income Tax Changes, Form 4549, Report of Income Tax Examination Changes or Form 4549-A, Report of Income Tax Examination Changes (Without Taxpayer Signature), is used as the adjustment and tax computation schedule in settlement computations for income tax cases.
- (2) The starting point for settlement computations may be the return, assessed amended return, assessed partial agreement, other prior assessment report, or

8.17 Settlement Computations and Statutory Notices of Deficiency

the latest prior determination report issued to the taxpayer. Any practical and logical presentation of the results of Appeals' determination is generally acceptable.

- (3) Label each adjustment with a letter of the alphabet. List the title of each adjustment in the Adjustments to Income column. Extend the amount of adjustment to the applicable column. Depending on the computer software used, enter the adjustments per requirements of the software.
- (4) Additional requirements for the tax computation schedule:
 - a. The tax computation forms have lines designated for the entry of additions to tax and/or penalties. Enter any additions to tax or penalties that still apply based on the settlement. When annotating the information on the tax computation form, a format similar to the following should be used to show the code sections and amounts:

Additions to tax/penalties:

Section 6651(a)(1)	\$ 500.00
Section 6662	2,000.00

Note: The additions to tax or penalties on the RGS tax computation schedules include the name of the addition to tax or penalty. This is also an acceptable format.

- b. If an addition to tax or penalty previously asserted in the Revenue Agent Report (RAR) or statutory notice is not being asserted in the settlement computation (it is being conceded or is no longer applicable), then it is not necessary to enter any addition to tax or penalty information on the tax computation form prepared for the settlement computation.
- (5) Tax liability per the return was adjusted:
 - a. If the tax liability per the return was adjusted, a computation of "Tax as previously adjusted" similar to the following may be included in the settlement computation. This can be shown at the bottom of the tax computation form or on an attachment.

Return as filed	\$40,000.00
Additional assessment (Date)	2,000.00
Overassessment (Date)	(1,000.00)
Tentative allowance carryback from <u>(Year)</u> (Date)	<u>(5,000.00)</u>
Tax as previously adjusted	\$36,000.00
	=====

Note: This computation is recommended if the "Total tax shown on return or as previously adjusted" amount is different in the Appeals or Counsel computation than the amount shown in the RAR or statutory notice of deficiency.

8.17.2.11
(09-25-2013)
**Creating Schedules or
Exhibits that Explain
Adjustments**

- (1) The purpose of an explanation of adjustment is to clarify and explain. Most adjustments will require no explanation; others, a short explanation or reference to a schedule or exhibit will suffice. The explanation may be listed on a separate explanation of adjustments page or noted on the tax computation form.
- (2) Determine what is needed in the way of explanations or supporting schedules and exhibits on a case-by-case basis. To decide whether an explanation is needed, ask these questions, or consult with the requestor if you are unsure:
 - a. Does the taxpayer need an explanation to understand the adjustment or to adjust their books?
 - b. Would an explanation help the ATE or Counsel?
 - c. Is an explanation needed to adjust other years?

8.17.2.12
(04-15-2019)
**The Rule 155
Computation Statement**

- (1) Generally, when a decision in a Tax Court case is neither entirely for the petitioner (taxpayer) nor entirely for the respondent (IRS), Rule 155 of the Tax Court Rules requires computations to be submitted by the parties, showing the amount of deficiency or overpayment to be entered as the decision pursuant to the court's determination of the issue. These computations are often submitted jointly; however, if the parties cannot agree then each party must submit separate computations.
 - a. This discussion of Rule 155 computations uses the word "deficiency". Employment tax determination cases under IRC 7436 do not involve a deficiency (as defined in IRC 6211). The discussion in this IRM section however, applies to IRC 7436 cases as if the IRC 7436 notice of determination were a notice of deficiency.
 - b. In addition, Rule 155 computations in certain post assessment proceedings such as interest abatement, spousal relief, and collection due process cases do not determine "deficiencies". Often, such cases determine "liabilities", or determine periods of interest abatement or other forms of relief.
 - c. The Rule 155 computations may be modified, as appropriate, to fit these types of cases.
- (2) TCSs prepare Rule 155 computation statements.
 - a. Counsel will submit the Rule 155 computation request through the Appeals Support SharePoint site using Form 3608, Request for TCS Service. All documents needed to complete the computation should be attached to the request in SharePoint. The TCS manager assigns the Rule 155 computation to a TCS. Counsel delivery of the documents/ administrative file needed to complete the computation will vary by the location of the Counsel office and the TCS office.

Note: The "Counsel Resources" section of the *TCS Website* has useful information to assist Counsel when requesting computations from TCS. (Counsel should see the "Information for TCS Requests" file for how to determine the correct TCS manager, how to complete Form 3608, Request for TCS Service, and what information the TCS needs in order to prepare the computation.)
 - b. Be alert for automatic adjustments not included in the Counsel request. Handle any other issues in accordance with the notice of deficiency or pre-session settlement. Rely upon the Counsel request and administra-

8.17 Settlement Computations and Statutory Notices of Deficiency

tive file (if available) and not the legal file or decision for information. When ambiguities exist seek clarification from Counsel.

- c. Counsel should receive computations from TCS within 45 days of the opinion. When necessary, give priority to these computations. Unless otherwise directed by the court, Counsel must file Rule 155 computations promptly with the court within 90 days from the date of the court's opinion. However, the CCDM provides that Rule 155 computations should be filed within 60 days.

Note: For Counsel to receive computations from TCS within 45 days of the opinion, Counsel must forward the Rule 155 request to TCS immediately upon receipt of the opinion and include all necessary information so that the case can be expedited.

- (3) Per Counsel's CCDM, the attorney must determine the specific adjustments to the statutory notice that are at issue before the court requiring adjustment for an accurate computation. (See *CCDM 35.8.6.3.1.2, Computation by Appeals*). Accordingly, the Counsel request for a Rule 155 computation must advise TCS of the following:

- All issues before the court, including issues settled or conceded and issues raised by Counsel or the petitioner.
- The interpretation to be followed in the computation if the opinion requires interpretation because of ambiguity or is susceptible to more than one interpretation.

- (4) A Rule 155 computation statement generally consists of three parts - a summary page (face sheet), the computation of tax schedules, and a statement of account.

Note: A separate Rule 155 computation statement must be prepared for each docket number.

- (5) When the "short format" is appropriately used for Rule 155 computations, the tax computation and statement of account may be omitted. See IRM 8.17.2.12.2 and IRM 8.17.2.12.3 for more information.
- (6) It is recommended that all pages of the Rule 155 computation statement be numbered, including the statement of account.

8.17.2.12.1 (04-15-2019) Summary Page (Face Sheet)

- (1) The summary page (face sheet) is the first part of the computation statement. Do not use Form 3610, Audit Statement. Instead, use a Word or Excel schedule for the summary page (or face sheet) and include Counsel's symbols, name and address of petitioner, docket number of case, and summary of tax liability.
 - a. Generally, the petitioner's name on the face sheet is the name of the petitioner as it appears in the latest answer to the petition or motion filed with the Tax Court. The Tax Court web site can be checked to verify the petitioner's name. The web site address is www.ustaxcourt.gov.
 - b. Separately state each tax and each addition to tax and/or penalty for each year over which the court has jurisdiction.
 - c. Make sure to correctly label applicable additions to tax or penalties as prescribed in the Code.

- d. Use the correct Code section(s) specifying the additions to tax or penalties determined by the court.
- (2) However, in many cases the computation for the court's decision is different from the computation necessary for administrative use.
- a. In a Tax Court case we are, in effect, dealing with "two bookkeeping systems". The Service keeps its books on the basis of assessments and overassessments, while the Tax Court enters its decision on the basis of a "statutory deficiency" or an "overpayment".
 - b. The deficiency determined by the court may or may not be in the same amount as that assessed pursuant to the decision.
 - c. Also, the overpayment determined by the court may or may not be the same amount as the overassessment to be scheduled.
- (3) There are many different formats that may be used when preparing the face sheet. Examples of the face sheet are included as exhibits. These are suggested formats and may be modified to fit the facts and circumstances of the case. The following lists what each exhibit illustrates:
- a. Exhibit 8.17.2-2: A joint return of a husband and wife where separate petitions were filed. If the cases of a husband and wife are consolidated for trial in the Tax Court, there will be a separate docket number for each taxpayer. Prepare a computation statement for each docket number. Exhibit 8.17.2-2 shows an example of a face sheet prepared for the husband in such a case. A similar face sheet is needed for the wife.
 - b. Exhibit 8.17.2-3: A straight deficiency and penalty case.
 - c. Exhibit 8.17.2-4: A no-change from the statutory notice situation or "short-form" computation.
 - d. Exhibit 8.17.2-5: An overpayment.
 - e. Exhibit 8.17.2-6: A deficiency year and an overpayment year.
 - f. Exhibit 8.17.2-7: Withholding credits - Deficiency and overpayment for same year. Two formats are shown in the exhibit - either one can be used for the Rule 155 face sheet.
 - g. Exhibit 8.17.2-8: Interim payment - Deficiency and overpayment for same year.
 - h. Exhibit 8.17.2-9: Interim payment - Deficiency and unpaid deficiency for same year.
 - i. Exhibit 8.17.2-10: Frozen refund - Deficiency and overpayment for same year.
 - j. Exhibit 8.17.2-11: Frozen refund - Deficiency and unpaid deficiency for same year.
 - k. Exhibit 8.17.2-12: Interim assessment.
 - l. Exhibit 8.17.2-13: Prior unpaid assessments.
 - m. Exhibit 8.17.2-14: A net operating loss carryback issue. Both a deficiency year and a carryback year are shown. This format may be adopted for other restricted interest cases.
 - n. Exhibit 8.17.2-15: Jeopardy assessment - An overpayment of tax and penalty under a jeopardy assessment situation.
 - o. Exhibit 8.17.2-16: Jeopardy assessment - A deficiency in tax and penalty under a jeopardy assessment situation.
 - p. Exhibit 8.17.2-17: An estate tax liability where the Tax Court opinion provided for a decision under Rule 155 without proof of State inheritance tax payment.
 - q. Exhibit 8.17.2-18: A transferee case.

8.17 Settlement Computations and Statutory Notices of Deficiency

- r. Exhibit 8.17.2-19: A barred overpayment.
 - s. Exhibit 8.17.2-20: An earned income credit case with an overpayment.
 - t. Exhibit 8.17.2-21: A TEFRA partnership case.
- (4) Examples of the Rule 155 computation statements prepared by Counsel are found in Counsel's *CCDM 35.11.1*, Litigation Exhibits. See *CCDM Exhibits 35.11.1-197* through *35.11.1-206*. These exhibits can be used for guidance when preparing the Rule 155 face sheet.
- (5) The following are additional Counsel exhibits:
- a. Paragraph 3(a) of Counsel's *CCDM 35.8.6.3.1.3*, Face Sheet, Computation Statement, and Proposed Decision, states in the discussion of the Rule 155 computation statement summary page that "In many respects this part of the statement resembles a settlement stipulation. In overpayment cases, for example, the computation of the overpayment and statutory facts supporting it must be shown in the same manner as in settlement stipulations".
 - b. Therefore, the various settlement stipulation exhibits in *CCDM 35.11.1*, Litigation Exhibits, may be used for additional guidance in preparing the Rule 155 face sheet.

8.17.2.12.2
(09-25-2013)

Computation of Tax in Rule 155 Computations

- (1) The second part of the computation statement contains the complete recomputation of the tax liability. This part contains not only the basic computation upon which the summary of the facts and figures in the first part is based, but also it contains details necessary for administrative closing of the case under the court's decision.
- (2) Use regular settlement computation forms, together with supporting schedules (if necessary), for this part of the Rule 155 computation.
- (3) The notice of deficiency (if applicable) may be used as the starting point for adjustments. Or, depending on the local Counsel office, the computation can start from the return (or assessed amended return, partial agreement, etc.) instead.
- (4) The type and format for explanations of adjustment, if prepared, are the same as those prepared in settlement computations. Most adjustments will require no explanation; others, a short explanation or reference to a schedule or exhibit will suffice. The explanation may be listed on a separate explanation of adjustments page (such as Form 886-A, Explanation of Items) or noted on the tax computation form.
- (5) Short format for Rule 155 computation:
- a. The "short format" for Rule 155 computations may be used only in cases in which the deficiency to be determined by the Tax Court is the same amount as determined in the notice of deficiency.
 - b. When the short format is appropriately used for Rule 155 computations, the tax computation may be omitted.
 - c. Instead, the face sheet has a paragraph that explains that the deficiencies shown on the face sheet are the same as set forth in the notice of deficiency. See Exhibit 8.17.2-4 for an example of the short format face sheet.

- d. The short format can't be used in cases involving any of the following factors:
 - 1. An overpayment;
 - 2. An adjustment in the Rule 155 Computation Statement which results in a lesser deficiency "to be assessed" or "to be paid";
 - 3. Restricted interest computations; or
 - 4. Any case in which there are any special or additional computations necessary which are not included in the notice of deficiency.

8.17.2.12.3
(09-25-2013)
Statement of Account

- (1) The third part of the computation statement is the statement of account, Form 3623, Statement of Account. When properly completed, it contains all necessary information for Rule 155 computations.
- (2) The statement of account is part of each Rule 155 computation, except when a "short format" Rule 155 computation is prepared.
 - a. When the "short format" is appropriately used for Rule 155 computations, the statement of account may be omitted.
 - b. See IRM 8.17.2.12.2 for more information about the Rule 155 short format.
- (3) See IRM 8.17.3, Preparing a Statement of Account, for additional information on the completion of a statement of account.
- (4) If the Rule 155 computation is numbered, the statement of account is usually consecutively numbered as part of the Rule 155 computation.

8.17.2.13
(02-08-2023)
**Electronic Storage
Procedures for Form
5278 and Final Tax
Computations**

- (1) ATEs, TCSs and Tax Specialists (TS) who prepare final tax computations will upload Form 5278, Statement - Income Tax Changes and all related schedules, forms, exhibits, letters, penalty and interest computations prepared by these employees into the ACDS for all cases.
- (2) ATEs, TCSs and TSs who work cases in other systems, for example, RGS and IMS, will also upload their final tax computations in ACDS.
- (3) If the completed Form 5278, Statement - Income Tax Changes, or required schedule, form, exhibit, or tax computational letter is a revision or correction of prior work, then all prior versions must be deleted from ACDS, and the final revision or correction uploaded to ACDS.

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Exhibit 8.17.2-1 (09-25-2013)**Forms Commonly Used in Settlement Computations**

FORM No.	Kind of tax	Title
Form 886-A	All	Explanation of Items
Form 3610	All	Audit Statement
Form 4549	Income	Report of Income Tax Examination Changes
Form 4549-A	Income	Report of Income Tax Examination Changes (Without Taxpayer Signature)
Form 4549-B	Income	Report of Income Tax Examination Changes
Form 5278	Income	Statement-Income Tax Changes

Other forms are available and may be used to make computations or to support computations. The following is a partial list of such forms. These forms are available on the Electronic Publishing Catalog web site (all but Form 886-S, Partners' Share of Income, Deduction and Credits are fillable Adobe Acrobat forms). Some of these forms are available in the TCS spreadsheets section located on the Technical Support SharePoint site. (The Technical Support SharePoint site is reached by the "Spreadsheets SharePoint" link on the *TCS Website*.)

FORM No.	Title
Form 886-S	Partners' Share of Income, Deduction and Credits
Form 886-W	Distribution of Beneficiaries' Shares of Income and Credits
Form 886-X	Shareholders' Shares of Income, Deductions, and Credits
Form 1914	Computation of Allowable MACRS/ACRS/Depreciation Deduction
Form 3621	Net Operating Loss Computation — Individuals, Corporations, and Estates and Trusts
Form 3621-A	Computation of Net Operating Loss Deduction for Intervening Years Modifications
Form 4605-A	Examination Changes — Partnerships, Fiduciaries, S Corporations, and Interest Charge Domestic International Sales Corporations

The following is a partial list of forms that may be used in the computation of life insurance cases:

FORM No.	Title
Form 8816	Special Loss Discount Account and Special Estimated Tax Payments for Insurance Companies

Make sure that the schedule or exhibit used in a settlement computation is technically applicable and that the law in effect for the tax year in issue is correctly applied.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-2 (09-25-2013)**Computation Statement (Rule 155), Husband and Wife File Separate Petitions, Income Tax and Penalty (Tabular Format)**

CC:XXX:JDoe

In re: John Jupiter
(Petitioner's Address)

Docket No. _____

Deficiency

Year	Income Tax	Penalty Sec. 6663(a)
2005	\$15,899.51	-
2006	\$13,746.89	-
2007	\$12,091.68	None
2008	\$14,176.66	\$10,632.50

The aforesaid deficiencies in income taxes and penalties are duplications of the deficiencies and penalties set forth in the case of Mary Jupiter, Docket No. 2XXX-12, in which a computation pursuant to the Court's opinion dated March 5, 2013 is concurrently being filed with the United States Tax Court. The petitioners in Docket Nos. 2XXX-12 and 2XXX-12 are jointly and severally liable for said deficiencies and penalties, plus statutory interest, and the payment of the entire amount of said deficiencies and penalties, plus interest, by either petitioner, or by the petitioners jointly, will discharge the instant petitioner from liability.

The details supporting the above computations are set forth on attached pages 2 to 6, inclusive.

Exhibit 8.17.2-3 (09-25-2013)**Computation Statement (Rule 155), Deficiency and Penalty**

CC:XXX:JDoe

In re: (Name of Case)
(Petitioner's Address)

Docket No. _____

Income Tax
2007

Deficiency

None

2008

Deficiency

\$5,680.00

Penalty under IRC 6663(a)

\$4,260.00

The details supporting the above computations are set forth on attached pages _____ to _____, inclusive.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-4 (09-25-2013)

Computation Statement (Rule 155), Income Tax Short Format No Change in Deficiency from Notice of Deficiency

CC:XXX:JDoe

In re: (Name of Case)

(Petitioner's Address)

Docket No. _____

Income Tax

Year	Deficiency
2006	\$ 6,275.00
2007	3,155.60
2008	10,783.25

The deficiencies in income taxes due from the petitioner as shown above are as set forth in the notice of deficiency dated December 15, 2010, a copy of which is attached to the petition in the above-entitled case.

Note to TCS: The short format may be used only in cases in which the deficiency to be determined by the Court is in the same amount as determined in the notice of deficiency. However, it may not be used in cases involving any of the following factors: an overpayment; an adjustment in the Computation Statement which results in a lesser deficiency **to be assessed** or **to be paid**; restricted interest computations; or in any case in which there are any special or additional computations necessary which are not shown in the supporting statement to the notice of deficiency. When the short format is appropriately used, parts two (tax computation) and three (statement of account) of the Computation Statement may be omitted.

Exhibit 8.17.2-5 (09-25-2013)**Computation Statement (Rule 155), Overpayment**

CC:XXX:JDoe

In re: (Name of Case)
(Petitioner's Address)

Docket No. _____

Income Tax
2005

Tax Assessed and Paid**\$5,300.00**

Payments:

April 15, 2006	\$2,400.00
April 15, 2006	1,700.00
September 15, 2006	1,200.00

Total Payments	\$5,300.00	
Tax Liability		4,300.00
Overpayment		\$1,000.00 =====
Sections 6512(b)(3)(C) and 6511(b)(2) Return filed, April 15, 2006 Claim filed, October 1, 2006 No agreements executed Deficiency notice mailed, April 1, 2007		

- The details supporting the above computations are set forth on attached pages _____ to _____, inclusive.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-6 (09-25-2013)**Computation Statement (Rule 155), Deficiency Year and Overpayment Year**

CC:XXX:JDoe

In re: (Name of Case)
(Petitioner's Address)

Docket No. _____

Income Tax

Deficiency	2005	\$2,614.00
Deficiency	2006	None
Tax Assessed and paid Payments:	2007	14,900.00

April 15, 2008	3,200.00	
May 20, 2008	5,576.00	
June 17, 2008	10,000.00	
Total payments	18,776.00	

Less: Allowance, June 30, 2008	3,876.00	
--------------------------------	-----------------	--

Net Payment	14,900.00	
-------------	-----------	--

Tax Liability	11,210.00
Overpayment	\$3,690.00 =====

Sections 6512(b)(3)(B) and 6511(c)
Return filed, April 15, 2008
No claim filed
Agreement executed November 9, 2010 extending statutory period indefinitely
Deficiency notice mailed October 24, 2011

Exhibit 8.17.2-6 (Cont. 1) (09-25-2013)**Computation Statement (Rule 155), Deficiency Year and Overpayment Year**

The details supporting the above computations are set forth on attached pages _____ to _____, inclusive.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-7 (09-25-2013)
Computation Statement (Rule 155), Withholding Credits: Deficiency and Overpayment for Same Year; Two Formats

CC:XXX:JDoe

In re: (Name of Case)
(Petitioner's Address)

Docket No. _____

Income Tax
2007 Year - Format 1

Tax liability	5,347.00
Tax liability reported on return	4,839.00
Deficiency	508.00
Payment April 15, 2008:	6,877.00
Tax liability	5,347.00
Tax assessed and paid April 15, 2008	4,839.00
Overpayment	\$1,530.00 =====

2007 Year - Format 2

Tax liability		5,347.00
Tax assessed and paid April 15, 2008		4,839.00
Deficiency		508.00
Correct withholding credits	6,877.00	
Withholding credits per return	4,839.00	
Increase in withholding credits		2,038.00
Overpayment		\$1,530.00 =====

Exhibit 8.17.2-7 (Cont. 1) (09-25-2013)**Computation Statement (Rule 155), Withholding Credits: Deficiency and Overpayment for Same Year;
Two Formats**

Sections 6512(b)(3)(B) and 6511(c)

Return filed, April 15, 2008

No claim filed

Agreement executed November 9, 2010 extending statutory period indefinitely

Deficiency notice mailed October 24, 2011

The details supporting the above computations are set forth on attached pages _____ to _____, inclusive.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-8 (09-25-2013)

Computation Statement (Rule 155), Interim Payment: Deficiency and Overpayment for Same Year

CC:XXX:JDoe

In re: Name of Case
Petitioner's Address

Docket No. _____

Income Tax
2008

Tax liability	\$ 145,000.00
Tax assessed and paid April 15, 2009	100,000.00
Deficiency to be assessed:	\$ 45,000.00
Tax paid May 10, 2012 (Paid after mailing of statutory notice, but not assessed)	50,000.00
Overpayment	\$5,000.00 =====
Sections 6512(b)(3)(A) Return filed April 15, 2009 No claim filed No agreements executed Deficiency notice mailed July 26, 2011	

The details supporting the above computations are set forth on attached pages _____ to _____, inclusive.

Note to TCS - The format in this exhibit may also be used for any unassessed payments made before the statutory notice is issued with the following changes:

- 1) Just change the wording from **Paid after mailing of statutory notice** to **Paid before mailing of statutory notice**.
- 2) If an overpayment results, IRC 6512(b)(3)(A) must be changed to IRC 6512(b)(3)(B), and one of the IRC 6511 code sections added.

Exhibit 8.17.2-9 (09-25-2013)**Computation Statement (Rule 155), Interim Payment: Deficiency and Unpaid Deficiency for Same Year**

CC:XXX:JDoe

In re: Name of Case

Petitioner's Address

Docket No. _____

Income Tax**2006**

Tax liability	\$ 11,450.00
Tax assessed and paid	7,450.00
Deficiency to be assessed:	\$ 4,000.00
Tax paid June 21, 2010 (Paid after mailing of statutory notice, but not assessed)	4,000.00
Unpaid deficiency	None =====

2007

Tax liability	\$4,600.00
Tax assessed and paid	1,000.00
Deficiency to be assessed:	\$3,600.00
Tax paid October 10, 2011 (Paid after mailing of statutory notice, but not assessed)	2,000.00
Unpaid deficiency	\$1,600.00 =====

The details supporting the above computations are set forth on attached pages _____ to _____, inclusive.

Note to TCS - The format in this exhibit may also be used if the payment is made before the statutory notice is issued. Just change the wording from **Paid after mailing of statutory notice** to **Paid before mailing of statutory notice**

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-10 (09-25-2013)**Computation Statement (Rule 155), Frozen Refund: Deficiency and Overpayment for Same Year**

CC:XXX:JDoe

In re: Name of Case
Petitioner's Address

Docket No. _____

Income Tax
2008

Tax liability**\$ 4,500.00**

Tax assessed and paid April 15, 2009

1,000.00

Deficiency to be assessed:

\$ 3,500.00

Overpayment claimed and not refunded (Frozen Refund)

5,000.00

Overpayment

\$1,500.00

=====

Sections 6512(b)(3)(C) and 6511(b)(2)

Return filed April 15, 2009

Claim in Return

No agreements executed

Deficiency notice mailed July 26, 2011

The details supporting the above computations are set forth on attached pages _____ to _____, inclusive.

Exhibit 8.17.2-11 (09-25-2013)

Computation Statement (Rule 155), Frozen Refund: Deficiency and Unpaid Deficiency for Same Year

CC:XXX:JDoe

In re: Name of Case

Petitioner's Address

Docket No. _____

Income Tax**2009****Tax liability****\$ 4,500.00**

Tax assessed and paid

1,000.00

Deficiency to be assessed:

\$ 3,500.00

Overpayment claimed and not refunded (Frozen Refund)

2,750.00

Unpaid Deficiency

\$750.00

=====

The details supporting the above computations are set forth on attached pages _____ to _____, inclusive.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-12 (09-25-2013)**Computation Statement (Rule 155), Interim Assessment**

CC:XXX:JDoe

In re: (Name of Case)
(Petitioner's Address)

Docket No. _____

Income Tax
2007

Deficiency in tax, without taking into consideration the assessment subsequent to the mailing of the deficiency notice on April 1, 2010	\$10,450.00
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Assessment, November 12, 2010:	Paid	\$5,000.00	
	Not Paid	3,750.00	\$ 8,750.00
Deficiency (to be assessed)			\$ 1,700.00 =====

2008

Deficiency, without taking into consideration the assessment subsequent to the mailing of the deficiency notice on July 13, 2011:	\$3,450.00
Assessment on December 17, 2011 (Paid December 30, 2011)	3,450.00
Deficiency (to be assessed)	None =====

The details supporting the above computations are set forth on attached pages _____ to _____, inclusive.

Exhibit 8.17.2-13 (09-25-2013)**Computation Statement (Rule 155), Prior Unpaid Assessments**

CC:XXX:JDoe

In Re: Name of Case

Petitioner's Address

Docket No. _____

Income Tax**2006**

Tax Liability			\$40,000.00
Tax Assessed	Paid	10,000.00	
	Unpaid	20,000.00	30,000.00

Deficiency to be assessed:

\$10,000.00

=====

The details supporting the above computations are set forth on attached pages _____ to _____, inclusive.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-14 (09-25-2013)**Computation Statement (Rule 155), Carryback Loss, Overpayment**

CC:XXX:JDoe

In re: (Name of Case)
(Petitioner's Address)

Docket No. _____

Income Tax
2001

Tax liability, computed without allowance for net operating loss carryback from 2004 to 2001	\$ 300,000
Tax assessed and paid	200,000
Deficiency, without allowance for net operating loss carryback	\$ 100,000
Reduction in liability due to net operating loss carryback	75,000
Deficiency, after allowance for net operating loss carryback	\$ 25,000 =====
No net operating loss carryback claim filed	

2002

Tax liability, computed without allowance for net operating loss carryback from 2004 to 2002.	\$ 100,000
Tax assessed and paid	75,000
Deficiency, without allowance for net operating loss carryback	\$ 25,000 =====
Tax paid	\$ 75,000
Payments:	

March 15, 2003	\$ 20,000
June 14, 2003	20,000
September 15, 2003	20,000
December 15, 2003	15,000
Total payments	\$ 75,000

Exhibit 8.17.2-14 (Cont. 1) (09-25-2013)**Computation Statement (Rule 155), Carryback Loss, Overpayment**

Tax liability, after allowance for net operating loss carryback	\$ 60,000
Overpayment	\$ 15,000 =====

Sections 6512(b)(3)(C) and 6511(d) Return filed, March 15, 2003 Claim for net operating loss carryback filed, December 15, 2005 Agreement executed, February 15, 2006 (extending statutory period to June 30, 2007) Deficiency notice mailed, May 15, 2006
--

The details supporting the above computations are set forth on attached pages _____ to _____ , inclusive.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-15 (09-25-2013)**Computation Statement (Rule 155), Jeopardy Assessment, Overpayment in Tax and Penalty**

CC:XXX:JDoe

In re: (Name of Case)
(Petitioner's Address)
Docket No. _____

Income Tax
2001

Net tax assessed and paid	\$ 7,500
Payments:	

	April 15, 2002 (statutory date)	\$ 150	
	April 15, 2002	400	
	December 13, 2004	6,250	
	May 20, 2006 (jeopardy assessment)	750	
	Total payments	\$ 7,550	
Less:	Allowance, June 10, 2002	50	
	Net Payment	\$ 7,500	

Tax Liability	\$ 6,500
Overpayment in Tax	\$ 1,000 =====

	Sections 6512(b)(3)(A), 6512(b)(3)(B) and 6511(c) Return filed, April 15, 2002 No claim filed Agreement executed, March 1, 2005 (extending statutory period to June 30, 2006) Deficiency notice mailed, February 10, 2006
--	---

Penalty under IRC 6663(a), paid May 20, 2006 (jeopardy assessment)	\$ 3,500
Liability for penalty	3,000
Overpayment in penalty	\$ 500 =====

Exhibit 8.17.2-15 (Cont. 1) (09-25-2013)**Computation Statement (Rule 155), Jeopardy Assessment, Overpayment in Tax and Penalty**

	Sections 6512(b)(3)(A) Return filed, April 15, 2002 No claim filed. Agreement executed, March 1, 2005 (extending statutory period to June 30, 2006) Deficiency notice mailed, February 10, 2006.
--	--

The details supporting the above computations are set forth on attached pages _____ to _____ , inclusive.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-16 (09-25-2013)**Computation Statement (Rule 155), Jeopardy Assessment, Deficiency in Tax and Penalty**

CC:XXX:JDoe

In re: (Name of Case)
(Petitioner's Address)

Docket No. _____

Income Tax**2007**

Deficiency in tax, without taking into consideration the jeopardy assessment made prior to the mailing of the deficiency notice on April 1, 2009	\$10,000.00
--	-------------

Assessment (Jeopardy) March 12, 2009:	Paid	\$5,000.00	
	Not Paid	4,000.00	\$ 9,000.00
Deficiency in tax (to be assessed)			\$ 1,000.00 =====

Deficiency in penalty under IRC 6663(a), without taking into consideration the jeopardy assessment made prior to the mailing of the deficiency notice on April 1, 2009	\$7,500.00
Assessment (Jeopardy), March 12, 2009 (not paid)	\$6,750.00
Deficiency in penalty (to be assessed)	\$750.00 =====

The details supporting the above computations are set forth on attached pages ____ to ____, inclusive.

Exhibit 8.17.2-17 (09-25-2013)**Computation Statement (Rule 155), Estate Tax**

CC:XXX:JDoe

In re: (Name of Case)

Petitioner's Address

Docket No. _____

Date of Death: March 15, 2002

Estate Tax

Deficiency

\$59,031.42

The petitioner may claim credit for State estate, inheritance, legacy or succession taxes and may present to the Internal Revenue Service proof of such payment within the statutory period.

The details supporting the above computations are set forth on attached pages _____ to _____, inclusive.

Notes for Tax Computation Specialist:**Date of Death Before 01/01/2005:**

Normally the gross deficiency in estate tax is provided for in the Tax Court's decision, and the petitioner may within the statutory period submit to the Service support for any claim for State estate taxes. However, if the petitioner submits proof of partial payment of State estate taxes and a partial credit is allowed in part two (tax computation) of the Computation Statement, the credit paragraph as illustrated in this form should be modified to set forth both the partial credit allowed and the maximum credit for which claim may be made. In this instance, however, the decision of the Tax Court should be for the gross deficiencies. If proof of the entire credit is submitted and allowed in part two of the Computation Statement, the deficiency set forth in part one (face sheet) of the Computation Statement and in the Tax Court's decision would be for the net deficiency. In the latter instance, the word **net** should be added before the word **deficiency** and the credit paragraph should be omitted from part one of the Computation Statement.

Date of Death After 12/31/2004:

A state death tax deduction is allowable instead of a state death tax credit. The gross and net deficiency format is not applicable.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-18 (09-25-2013)
Computation Statement (Rule 155), Transferee

CC:XXX:JDoe

In re: (Name of case) Transferee of Assets of (Name of Transferor)

Petitioner's address

Docket No. _____

(Name of transferor), Transferor

(Transferor's address)

*Income Tax***2008**

Liability

\$52,683.31

=====

plus interest on the above liability as provided by law from (date) to the date of payment.

The aforesaid liability of the above-named petitioner, plus interest as provided by law, is a duplication of the deficiency set forth in the case of (name of transferor), transferor, Docket No. _____, and of the liability set forth in the case of (name of other transferee before the Court), transferee, Docket No. _____, in which cases computations of liability pursuant to the Court's opinion dated _____ are concurrently being filed with the United States Tax Court. The payment of the entire amount of the liability of the transferor, plus interest as provided by law, by any one or a combination of the petitioners liable therefore, will discharge the instant petitioner from liability.

The details supporting the above computations are set forth on attached pages _____ to _____, inclusive.

Note to TCS: The duplication paragraph as illustrated above should be modified if the transferor case is not before the Tax Court, and should refer only to those transferees whose cases are docketed in the Tax Court and covered by the opinion involved. The Computation Statement for the transferor should be in the regular format used in any deficiency case.

Exhibit 8.17.2-19 (09-25-2013)**Computation Statement (Rule 155), Portion of Overpayment Barred (Notice sent under six year period of IRC 6501(e))**

CC:XXX:JDoe

In re: (Name of case)
(Petitioner's address)
Docket No. _____
Income Tax
2006

Tax Assessed and paid		\$15,000.00
Payments:		
April 15, 2007	\$10,000.00	
January 22, 2011	5,000.00	
Total Payments	\$15,000.00	
 Tax Liability		9,000.00
Overpayment		\$6,000.00
Overpayment Barred by Statute		1,000.00
Net Overpayment Allowable		\$5,000.00 =====
Section 6512(b)(3)(A)		
Return filed, April 15, 2007		
No claim filed		
No agreements executed		
Deficiency notice mailed January 8, 2011		

The details supporting the above computations are set forth on attached pages ____ to _____, inclusive.

Note to TCS: Where there is a stipulated decision involving a barred overpayment, the amount of the total overpayment should be decreased by the amount of the barred overpayment so that the stated allowable overpayment will be the amount which can be refunded or credited

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-20 (09-25-2013)
Computation Statement (Rule 155), Overpayment with Allowance of Additional EIC

CC:XXX:JDoe

In re: (Name of case)
(Petitioner's address)

Docket No. _____

Income Tax
2005

Tax shown on return	\$0.00	
Less: EIC shown on return	1,515.00	
Tax on return		(\$1,515.00)
 Correct tax	 \$200.00	
Less: Correct EIC	1,948.00	
Tax Imposed		(1,748.00)
 Tax Imposed	 (1,748.00)	
Less: Tax on Return	(1,515.00)	
Deficiency		None =====
Tax Imposed		(1,748.00)
Payments:		
April 15, 2006 (Statutory date)	305.00	
Less Allowance May 12, 2006	1,820.00	
Net Payments		(1,515.00)
Overpayment		(233.00) =====
 Sections 6512(b)(3)(B) and 6511(b)(2)		
Return filed April 15, 2006		

Exhibit 8.17.2-20 (Cont. 1) (09-25-2013)**Computation Statement (Rule 155), Overpayment with Allowance of Additional EIC**

Tax shown on return	\$0.00	
Deficiency notice mailed November 1, 2006		

The details supporting the above computations are set forth on attached pages ____ to _____, inclusive.

Note to TCS: The earned income credit of \$1,515.00 claimed on the return is not included in the payments section shown above since it is included in the **Tax on Return** figure. The payments section includes withholding credits of \$305.00. The taxpayer received a refund of \$1,820.00. This is the total of the earned income credit of \$1,515.00 claimed on the return and the withholding credits of \$305.00.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.2-21 (02-28-2014)

Computation Statement (Rule 155), TEFRA Partnership

CC:XXX:JDoe

In re: (Name of Partnership)
(Name of Tax Matters Partner)
TAX MATTERS PARTNER

Docket No. _____

Income Tax
2009

Partnership Item	As Reported	As Determined
Gross Receipts	\$100,000	\$560,000
Depreciation expense	\$120,000	\$70,000
Charitable contribution (Value of contributed property)	\$2,500,000	\$500,000
Net income from rental real estate activities	\$1,000,000	\$575,000
Net gain under section 1231	\$2,500,000	\$500,000

The details supporting the above computations are set forth on attached pages _____ to _____, inclusive