



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

20.2.14

FEBRUARY 1, 2017

## EFFECTIVE DATE

(02-01-2017)

## PURPOSE

- (1) This transmits revised IRM 20.2.14, *Interest, Netting of Overpayment and Underpayment Interest*.

## BACKGROUND

- (1) This section provides the procedures used for netting of overpayment and underpayment interest.

## MATERIAL CHANGES

- (1) Minor editorial changes have been made throughout this IRM. Forms, letters, and IRM references were reviewed and updated as necessary. Significant changes to this IRM are reflected in the table below.

Subsection	Change
IRM 20.2.14	Changed the word “claim(s)” to “request(s)” throughout the IRM.
IRM 20.2.14.1	The title was revised to <b>Interest Netting</b> and provides background information regarding establishment of net rate and within module interest netting.
IRM 20.2.14.2	Revised procedures to include reference to <b>within module</b> netting which is governed by Rev. Proc. 94-60.
IRM 20.2.14.3	Moved and incorporated text from deleted IRM 20.2.14.3.1 regarding use of the Automated Computation Tool (ACT/DMI) which is the required software for performing interest netting adjustments.
IRM 20.2.14.3.1	Former text was deleted and moved to IRM 20.2.14.3. Former text at IRM 20.2.14.3.2 was re-numbered and titled <b>Determining the Overlapping Periods</b> .
IRM 20.2.14.3.2	Text was renumbered and titled <b>Determine the Overlapping Amount</b> and tax year for the example was also revised to a more current year. The title of Figure 20.2.14-1 was revised and the tax year in the example was changed to a more current tax year.

Subsection	Change
IRM 20.2.14.3.3	Text was renumbered and titled <b>Determine the Interest Rate during the Overlapping Period</b> . The title of Figure 20.2.14-2 was revised and the tax period changed to a more current year.
IRM 20.2.14.3.4	Text was renumbered and titled <b>Compute Netted Interest</b> and the example in the text was revised to a more current year.
IRM 20.2.14.3.5	Text was renumbered and titled <b>Compute Underpayment and Overpayment Interest on Remaining Amounts</b> and the example in the text was revised to a more current year.
IRM 20.2.14.3.6	Text was renumbered and titled <b>Using the Automated Computation Tool (ACT/DMI)</b> . The title of Figure 20.2.14-3 was revised to <b>Single Module Screen</b> , the example updated to reflect a more current tax period and the ACT/DMI screen shots revised accordingly. Figure 20.2.14-4 title was revised to "ACT/DMI Single Module Screen", updated the tax year and ACT/DMI screen shots. Figure 20.2.14-5 title was revised to <b>ACT/DMI 490 Activity Summary</b> , updated the tax year and ACT/DMI screen shots.
IRM 20.2.14.4	Revised to add that. Interest allowed under IRC 6603(d) on a deposit returned to the taxpayer at the federal short-term rate cannot be used for within module interest netting.
IRM 20.2.14.4.1	A caution statement was added to state "If overpayment interest was manually computed and input with TC 770, then the within module netting adjustment must also be manually computed".
IRM 20.2.14.4.2	Clarified the module conditions for which Master File is limited when a within module netting adjustment is applicable.
IRM 20.2.14.4.2(3)	Added statement that within module netting on offsets must be manually computed.
IRM 20.2.14.4.3	Revised to update the example shown in the text with the corresponding update to Figure 20.2.14-7 and Figure 20.2.14-8.
IRM 20.2.14.4.4	Revised procedures to clarify how netted interest is computed and reflected when processing quick and prompt assessments on Form 2859 , <b>Request for Quick or Prompt Assessment</b> .

Subsection	Change
IRM 20.2.14.4.5	Revised to update the explanation for using the ACT/DMI “Advanced” option when processing tax motivated transactions with the corresponding update to Figure 20.2.14-9.
IRM 20.2.14.5	Title revised to <b>Erroneously Computed Overpayment Interest</b> and clarifies netting procedures when interest was originally erroneously computed on a refund or offset.
IRM 20.2.14.6	Clarified that references to the <b>net rate of interest shall be zero</b> means that interest will be charged and interest rates are equalized through netting procedures.
IRM 20.2.14.6.2	Clarified the text relating to the period of limitations for purposes of applying the net rate.
IRM 20.2.14.6.3	The subsection title was revised to “Guidelines for Filing Net Rate Requests” and provides the rules for filing net rate requests. Added a note regarding taxpayers submitting portable media for net rate interest computations and the requirement for security scanning for viewing on IRS computers.
IRM 20.2.14.6.3.1	New subsection added to incorporate IGM SBSE-20-1111-053 and defines the meaning of “Resolved” and “Unresolved” tax periods for purposes of processing net rate requests.
IRM 20.2.14.6.3.2	New subsection added to incorporate IGM SBSE-20-1111-053 and provides instructions on handling net rate requests containing resolved tax periods.
IRM 20.2.14.6.3.3	New subsection added to incorporate IGM SBSE-20-1111-053 and provides instructions on handling net rate requests containing both resolved and unresolved tax periods.
IRM 20.2.14.6.3.4	New subsection added to incorporate IGM SBSE-20-1111-053 and provides instructions on handling net rate requests received by Field Examination.
IRM 20.2.14.6.4.5	Revised to state that netting on overpayment year(s) occurs if the ACT/DMI status for the underpayment period is “ <b>use</b> ” and changed the taxpayer name in subsection example.
IRM 20.2.14.6.5	Title revised to <b>Unnetted Interest Computation Period(s)</b> . Revised the text to clarify the definition of <b>unnetted</b> period and removed references to the term <b>unused</b> period.

Subsection	Change
IRM 20.2.14.6.6	Revised Figure 20.2.14-15 to update the screen shot for the ACT/DMI "Edit Selected Module" screen.
IRM 20.2.14.6.6.1	Revised procedures to clarify when to use post-enactment procedures found in IRM 20.2.14.6.6.1.1 and when to use pre-enactment procedures found in IRM 20.2.14.6.6.1.2 to determine the ACT/DMI net rate status.
IRM 20.2.14.6.6.1.1	New subsection added and titled " <b>Determine the Netting Status of Underpayment Interest - Post-enactment (Interest Accruing on or After October 1, 1998)</b> " with instructions on determining the ACT/DMI "Netting Status" for post-enactment underpayment interest.
IRM 20.2.14.6.6.1.2	Added new subsection titled <b>Determine the "Netting Status" for Underpayment Interest – Pre-enactment (Interest Accruing Before October 1, 1998)</b> and provides instructions on determining the ACT/DMI "Netting Status" for pre-enactment underpayment interest.
IRM 20.2.14.6.6.2	Revised procedures on determining the ACT/DMI "Netting Status" for credit or refund of overpayment interest.
IRM 20.2.14.6.6.3	Revised to clarify text regarding unsettled ACT/DMI netting status.
IRM 20.2.14.6.7	Clarified example as IRS-initiated overpayment.
IRM 20.2.14.6.8	Revised the title to <b>Offset Methodology</b> .
IRM 20.2.14.6.9	Revised to state that reference to the term " <b>unused</b> " is changed to " <b>unnetted</b> " to describe any portion of an interest computation period that is <b>not</b> used for interest netting.
IRM 20.2.14.6.10	Revised to add instructions for the input of TC 971 with Action Code 660 to identify the interest abatement resulting from a net rate adjustment.
IRM 20.2.14.6.11.1	Added new subsection titled <b>TETR (Telephone Excise Tax Refund) Overpayment Interest</b> , to provide instructions for netting of TETR overpayment interest.
IRM 20.2.14.6.11.1.1	Added new subsection titled <b>Net Rate Netting of TETR Overpayment Interest</b> , and provides instructions for input of TETR line item descriptions for Form 8913 , <b>Credit for Federal Telephone Excise Tax Paid</b> .

Subsection	Change
IRM 20.2.14.6.11.1.1.1	Added new subsection and text titled <b>Entering Form 8913 Module Information into ACT/DMI.</b>
IRM 20.2.14.6.11.1.1.2	Added new subsection for entering non-TETR netting information and titled <b>Enter Non-TETR Data for Tax Year 2006.</b>
IRM 20.2.14.6.11.1.1.3	Added new subsection and text titled <b>Netting TETR and Non-TETR Modules.</b>
Exhibit 20.2.14-3	Revised to clarify information contained in Example 1.
Exhibit 20.2.14-9	Exhibit title revised to “ <b>Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount.</b> ”
Exhibit 20.2.14-13	Clarified pre-enactment and post-enactment examples for determining timely filing of net rate requests.

**EFFECT ON OTHER DOCUMENTS**

This IRM supersedes IRM 20.2.14 dated June 21, 2011.

**AUDIENCE**

This IRM is intended for Servicewide use by all employees who handle tax adjustments involving the computation of interest.

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Small Business/Self-Employed



20.2.14

Netting of Overpayment and Underpayment Interest

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20.2.14.1  
(02-01-2017)  
**Interest Netting**

- (1) Section 6611 of the Internal Revenue Code (IRC) requires the Internal Revenue Service (IRS) to pay interest on any tax overpayment when the requirements of IRC 6611 are met. IRC 6601 requires taxpayers to pay interest on any tax underpayment. Interest is computed at the rates established under IRC 6621(a)(1) for overpayments and IRC 6621(a)(2) for underpayments.
- (2) Prior to December 31, 1986, the IRS charged underpayment interest at the same rate that it paid overpayment interest. In the Tax Reform Act of 1986, Congress established different compound interest rates under IRC 6621 for underpayments and overpayments. Thus, on January 1, 1987, dual interest rates were legislated. As a result of the rate differential caused by the dual interest rates, it is possible that a taxpayer may be charged interest on an underpayment at a higher rate during a period of time in which the taxpayer was entitled to overpayment interest at a lower rate. Although dual interest rates were established, in a conference report that accompanied the Tax Reform Act of 1986, Congress suggested that the IRS implement comprehensive procedures to eliminate the interest rate differential. When a taxpayer is charged interest on an underpayment during the same period of time interest is allowed on an overpayment, the procedure used by IRS to **equalize** the interest rate differential is called **interest netting**. Interest netting is authorized by IRC 6621(d) , which was added to the Internal Revenue Code on July 22, 1998
- (3) While IRC 6621(d) provides that the “net rate of interest shall be zero” for overlapping interest periods on equivalent tax overpayments and underpayments, this reference does not mean the IRS will not allow or pay interest. It means that the interest rates on an overpayment and an underpayment during any overlapping period(s) will be equalized so that the rate *differential* will “net” to zero. It is the interest *rates* that are equalized. “Overlapping” interest periods occur when a taxpayer owes interest on an underpayment, while during the same period of time, interest is allowed on an overpayment at a lower rate.
- (4) The IRS uses an interest computation method referred to as “**interest netting**” to “equalize” the interest rates and “eliminate” the interest rate differential **within** a single module or **between two or more** tax periods. To accomplish net rate interest netting, the IRS “equalizes” the interest rates by charging underpayment interest at the lower overpayment interest rate or allows overpayment interest at the higher underpayment rate.
- (5) Interest netting can be applied to a single tax module or between one or more tax modules. During **overlapping** interest periods within a “**single**” tax module, equalization of the different interest rates is called **within module netting** or **annual netting**. See IRM 20.2.14.4. The equalization of the interest rates between overpayments and underpayments for “**two or more**” tax modules for the same taxpayer during overlapping periods, is called **net rate** interest netting. See IRM 20.2.14.6.
- (6) Underpayment and overpayment interest rates are the same for non-corporate taxpayers for interest charged or allowed on or after January 1, 1999. Therefore, **within module** or **net rate interest netting** is not needed for interest with respect to non-corporate taxpayers after this date. Non-corporate taxpayers are entitled to within module and net rate interest netting consideration with respect to interest accruing **before** this date, including underpayment interest imposed at the higher 120 percent rate on tax motivated transactions under former IRC 6621(c) .

- (7) IRC 6621(d) applies to interest on all types of tax. Therefore, taxpayers may request net rate interest netting for one type of tax that was charged underpayment interest against an overpayment allowed with interest for a different type of tax. For example, a taxpayer may request that the IRS net an overpayment on a Form 941, **Employer's Quarterly Federal Tax Return**, against an underpayment on Form 1120, **U.S. Corporation Income Tax Return**. Net rate interest netting can only be applied to overpayments and underpayments for the **same** taxpayer.
- (8) The net rate cannot be applied during periods of time in which overpayment interest is not legally allowable or when underpayment interest is not legally payable, (e.g., overpayment interest is not allowable due to the 45 or 180-day interest-free rule, overpayment interest is not allowable because the IRS did not pay it for the appropriate back-off periods before a refund was issued, or underpayment interest is not payable due to the principles described in Revenue Ruling 99-40 ).

**Note:** If the IRS failed to apply a back-off period when the refund was issued and paid interest up to the date of the refund, then overpayment interest is legally allowable up to the date of the refund under IRC 6611(b)(2).

20.2.14.2  
(02-01-2017)  
**Applicable Revenue  
Procedures**

- (1) Guidance that addresses within module and net rate interest netting includes:
- Rev. Proc. 94-60, which provides procedures to equalize the interest rate differential between underpayment and overpayment rates during “overlapping” periods **within** the same tax module.
  - Rev. Proc. 99-19 and Rev. Proc. 99-43, which provide guidance for net rate interest netting between two or more tax modules for interest accruing **prior** to October 1, 1998.
  - Rev. Proc. 2000-26, which provides guidance for interest netting between two or more tax modules, for interest accruing on or **after** October 1, 1998.

20.2.14.3  
(02-01-2017)  
**General Netting  
Computation Information**

- (1) The IRS performs Interest netting computations by using the commercial off-the-shelf (COTS) software program, InterestNet, by Decision Modeling, Inc., commonly referred to as the Automated Computation Tool (ACT/DMI). Using ACT/DMI, tax module transactions are **imported** from IDRS into the software program. The ACT/DMI program analyzes the tax account underpayments and overpayments to determine the underpayment(s) and overpayment(s) available for netting.

**Caution:** The ACT/DMI program has the ability to import account data from IRS computer systems. While the import feature will capture taxpayer account data and establish initial interest positions (e.g. Adj/End date and some suspension periods), this functionality is **not** an “import” and “process” product. The interest technician is still responsible for analyzing the taxpayer’s account, applying the correct interest laws, setting interest effective dates/positions prior to the calculation and the final interest adjustment determination.

- (2) Although there are some differences in the way netting is performed for a single module (within module netting, see IRM 20.2.14.1(3)) versus multiple modules (net rate interest netting, see IRM 20.2.14.1(4)), the general computation method is the same. The information below reflects the very basic steps

used to determine the netted interest amount(s). Since the ACT/DMI program provides an intricate computer based analysis to arrive at the net rate adjustment, these basic steps cannot include all of the analysis performed by ACT/DMI.

- a. Determine the overlapping interest computation period(s).

**Note:** It may be helpful to prepare a time-line to visually reflect the underpayment and overpayment interest computation period(s) to determine where the overlapping period(s) occur.

- b. Determine the overlapping amount.
- c. Determine the overlapping interest rates.
- d. Compute netted interest (underpayment interest computed at the overpayment interest rate or overpayment interest computed at the underpayment interest rate).
- e. Compute underpayment or overpayment interest on any remaining amounts on which netting does not apply.
- f. Determine the amount(s) and period(s) still available for netting. The ACT/DMI program uses the 530 report to reflect this information.

- (3) The ACT/DMI software computes the **net rate** by doing a day-by-day comparison and applying the net rate where the interest rate spread is the greatest. It is not administratively feasible to do this kind of comparison or interest computation with CC COMPA. Therefore, the ACT/DMI software must **always** be used for net rate interest computations. **It is necessary to know how interest netting is basically accomplished before using the ACT/DMI program.** Therefore, using the following example which illustrates within-module netting, each step of the process is discussed.

**Example:** On March 15, 2013, Marin Corporation filed Form 1120 for the tax period ending December 31, 2012, showing an overpayment of \$1,654,900.00, which was refunded with a 23C date of October 22, 2013. Overpayment interest of \$4,900.72 was computed to October 13, 2013, (9-Day back-off) at the “regular” rate on the first \$10,000.00 (see IRM 20.2.4.9, *Special Credit Interest Rules for Corporations*) and at the lower GATT rate on the remainder. It is later determined that Marin Corporation owes additional tax in the amount of \$595,890.00 for the same tax return, and the taxpayer is not subject to large corporate underpayment (LCU) interest. The taxpayer sent a payment of \$631,351.04 on August 21, 2015 to pay the tax and interest on the module. There are no suspension periods of underpayment interest (e.g., there is no “credit elect” issue from the previous year). On September 12, 2015, the IRS issued a notice and demand for payment of the underpayment interest and Marin Corporation paid the amount due within 21 calendar days. Underpayment interest will be computed to September 12, 2015, the date the notice was issued.

## 20.2.14.3.1 (02-01-2017) Determining the Overlapping Period(s)

- (1) A running module balance is computed on the tax module to verify the original underpayment and overpayment interest amounts.
- (2) When unable to determine how the interest was originally computed, the original interest computations can often be found with the adjustment source document.

- (3) If a source document is unavailable and information on an adjustment is needed to accurately recreate the interest computation, all avenues must be used to locate the required documentation, such as:
  - a. Order all applicable source documents from the Files function.
  - b. Call the offices or employees that may have had the case in the past to determine if an "office file" is available.
  - c. Contact the taxpayer or power-of-attorney (POA) to obtain copies of any documents they may have (e.g., ACT/DMI reports, Form(s) 2285, *Concurrent Determinations of Deficiencies (Increases in Tax) and Overassessments (Decreases in Tax) in Cases Involving Restricted Interest Provisions of the Internal Revenue Code*, etc.). Or, if applicable, contact the examining official to request that they contact the taxpayer or POA directly.
- (4) Prepare a time line to determine where the overlapping period(s) occur.
  - a. Begin the time line with the earliest tax event (usually the return due date of the oldest tax period).
  - b. Continue building the time line with each event that impacts interest such as payments, refunds, penalty assessment, waiver periods, etc., for the entire tax module.
  - c. For each period, indicate whether the period of limitations for overpayments or underpayments was open at the time the taxpayer filed the request to ensure that the IRC 7502 timely mailing/timely filing rule is applied.
  - d. Indicate relevant information, such as GATT/LCU/TMT interest rates, along the time line.
  - e. Superimpose a similar time line for the overlapping period over the first time line.
  - f. Create and superimpose additional time lines as needed to cover all the overlapping periods.
  - g. Indicate overlapping periods on the time line.
  - h. Identify the amount of underpayment and overpayment that overlap for each overlapping period.
  - i. Identify unnetted amounts and unnetted periods so this information is available for any possible future net rate requests.

**Note:** The time line may be prepared by hand or through the use of the drawing feature in a word processing program. See Figure 20.2.14-1 for an example of a time line based on the Marin Corporation example described in IRM 20.2.14.3(3) above.

- (5) In the Marin Corporation example, the overlapping period is from March 15, 2013, the return due date, to October 13, 2013, the last day overpayment interest was paid. Do not include periods when no overpayment interest was paid or payable.

20.2.14.3.2  
(02-01-2017)  
**Determine the  
Overlapping Amount**

- (1) The overlapping amount is the lesser of the running module balance for either the underpayment or overpayment, including interest.
- (2) In the Marin Corporation example, the interest start date for both the overpayment and the underpayment are the same: March 15, 2013. Overpayment interest was allowed on \$1,654,900.00. Underpayment interest was charged on \$595,890.00.

- (3) In this example, the underpayment is the lesser amount, so the overlapping amount on which netting is applicable is \$595,890.00 as of March 15, 2013.

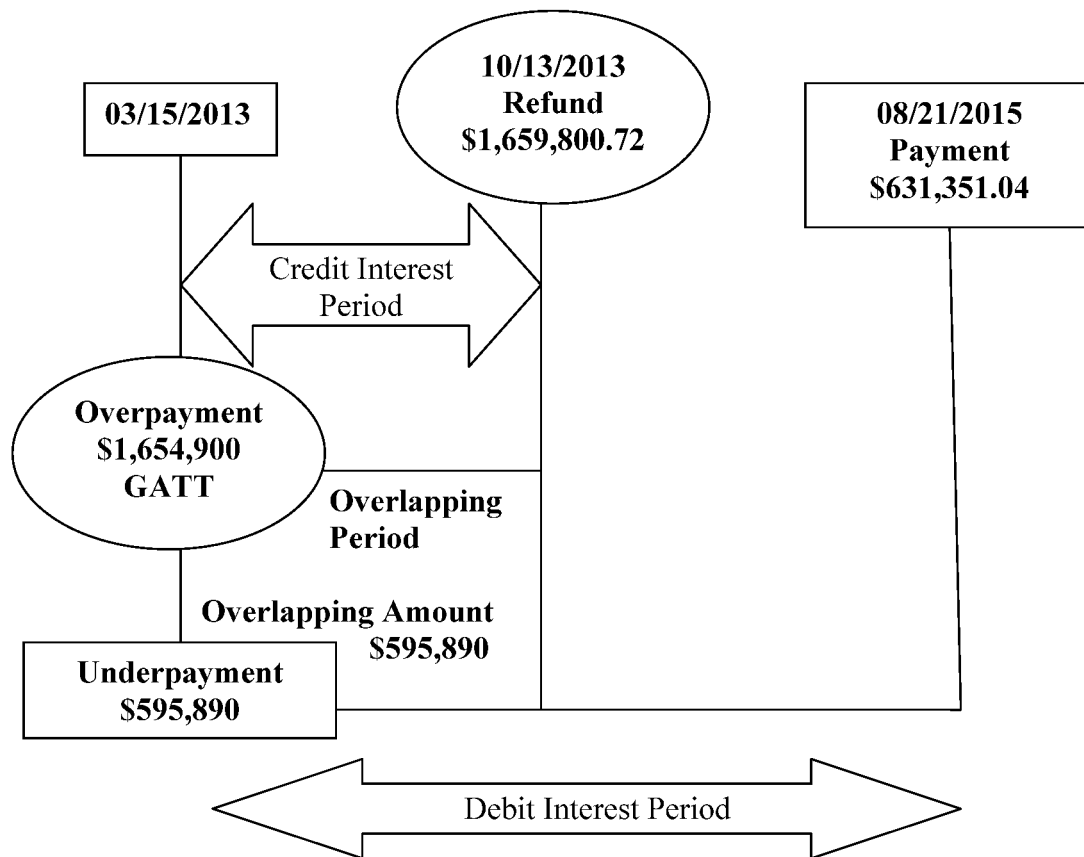
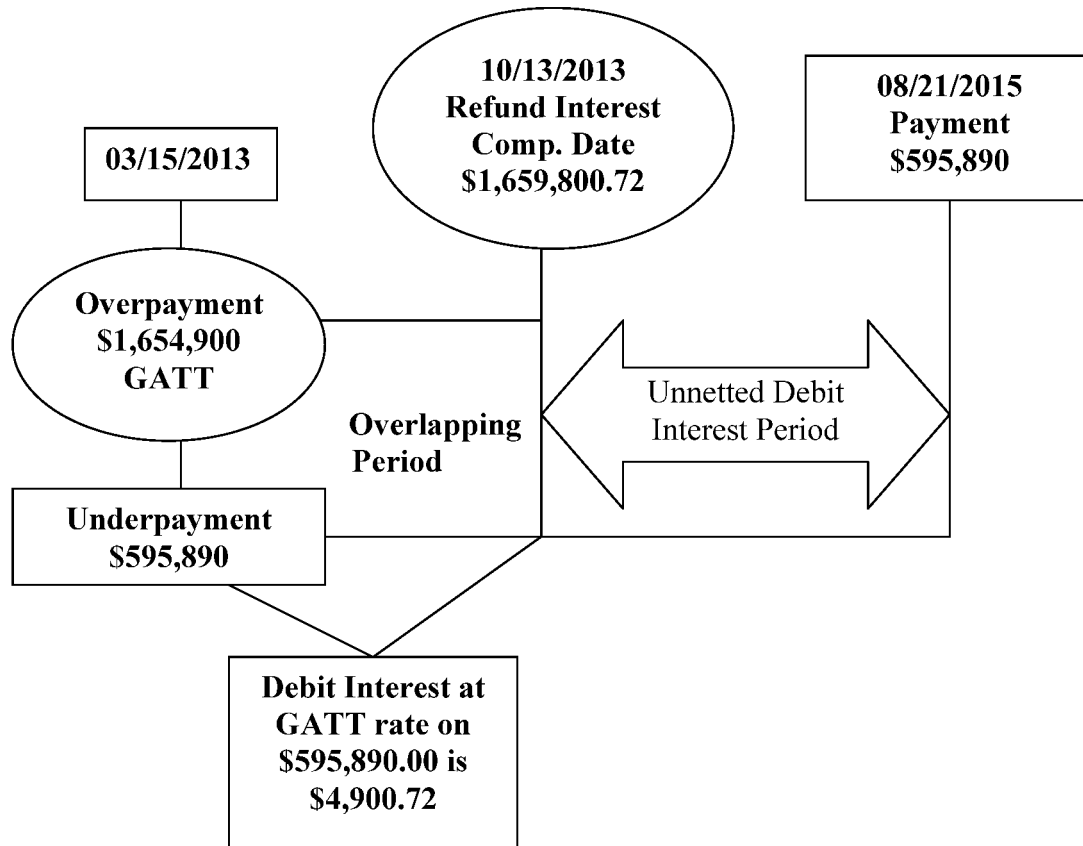


Figure 20.2.14-1 Marin Corporation Overlapping Period Time Line

## 20.2.14.3.3 (02-01-2017) Determine the Interest Rate during the Overlapping Period

- (1) The net rate adjustment is generally accomplished by computing underpayment interest at the overpayment rate during the overlapping interest period(s).
- (2) Because the IRS calculated GATT overpayment interest differently prior to January 1, 1999, **always compute overpayment interest in the same manner as originally allowed.**
- (3) To allow the taxpayer the best benefit of netting, if the entire overpayment is not used, use the GATT rate first, then the higher rate for "within module netting" and "net rate interest netting" purposes. See IRM 20.2.4.9.3, *GATT Rate*, for instructions on computing interest at the "GATT" rate.
- (4) In the Marin Corporation example, the amount of the overpayment subject to the GATT rate exceeds the underpayment amount, so the entire net rate adjustment will be computed at the GATT rate.



**Figure 20.2.14-2 Marin Corporation Overlapping Period Time Line**

20.2.14.3.4  
(02-01-2017)

**Compute Netted Interest**

- (1) Using the overlapping period, amount, and rate determined for the Marin Corporation, compute underpayment interest at the lower overpayment rate.
- (2) In the Marin Corporation example which illustrates within module netting, GATT interest is computed on \$595,890.00 from March 15, 2013, to October 13, 2013, for a total of \$1,733.03. This is the netted interest amount (underpayment interest computed at the overpayment interest rate) and will be input with a TC 772 or computer generated with a TC 777.

20.2.14.3.5  
(02-01-2017)

**Compute Underpayment and Overpayment Interest on Remaining Amounts**

- (1) At the end of the netting period, underpayment interest continues on the running module balance at the underpayment rate.
- (2) In the Marin Corporation example, the module balance at the end of the netting period is the principal of \$595,890.00, plus the netted interest of \$1,733.03. Because normal overpayment interest processing on the originally issued "taxpayer initiated" overpayment allows an interest-free (9-Day back-off) period on this module from October 14 to October 22, no underpayment interest can be charged during this period up to the amount of the overpayment. Thus, underpayment interest on the \$597,623.03 begins on October 23, 2013.



20.2.14.3.6  
(02-01-2017)  
**Using the Automated  
Computation Tool  
(ACT/DMI)**

- (1) The ACT/DMI software is programmed to complete all of the above steps to correctly compute both within module and net rate interest netting when the correct tax module information is input.

**Note:** While the ACT/DMI software can perform interest netting computations, it is vital that the module information be correctly analyzed and entered into the program.

- (2) First, enter the tax module information into the program to verify the previous overpayment interest to the refund date of October 22, 2013, as shown in Figure 20.2.14-3.

**Selected Module: Federal 99-999999 1120 2012/12** Included & Interest ▼

Ref ▲	Code	Description	Date	Amount	Start	Adj/End	Balance	Add	Excl	SOL
10	150	Return Filed & Assessed Tax Liability	10/22/2013	2,500,100.00		03/15/2013	2,500,100.00	<input checked="" type="checkbox"/>		
20	660	Estimated Tax	04/15/2012	(1,500,000.00)		03/15/2013	1,000,100.00	<input checked="" type="checkbox"/>		
30	660	Estimated Tax	06/15/2012	(1,500,000.00)		03/15/2013	(499,900.00)	<input checked="" type="checkbox"/>		
40	716	Generated Overpay Credit Applied from Prior	04/15/2012	(1,155,000.00)		03/15/2013	(1,654,900.00)	<input checked="" type="checkbox"/>		
50	776	Generated Interest Due on Overpayment	10/22/2013	(4,900.72)			(1,659,800.72)	<input checked="" type="checkbox"/>	0	
60	1004	Refund Interest High	10/22/2013	4,900.72	10/13/2013	10/22/2013	(1,654,900.00)	<input checked="" type="checkbox"/>		
70	846	Refund of Overpayment	10/22/2013	1,654,900.00	10/13/2013	10/22/2013	0.00	<input checked="" type="checkbox"/>		

Run To:

Run Method	Deficiency	Computed Interest	Transcript Interest	Interest Adjustment	Principal	Total
<input type="button" value="Process"/> <input style="border: none; border-bottom: 1px solid black;" type="text" value="IRS Default"/>	Overpayment	0.00	0.00	0.00	(0.00)	0.00
		(4,900.72)	(4,900.72)	0.00		

**Figure 20.2.14-3 ACT/DMI Single Module Screen**

- (3) Next, the tax assessment and subsequent payment amounts are entered on the **Single Module** screen, as shown in Figure 20.2.14-4, with interest computed using a running module balance until the date of the notice. For this example, a notice date of September 12, 2015 was used.

Selected Module: Federal 99-9999999 1120 2012/12 with corrected pymt Show All

Ref	Code	Description	Date	Amount	Susp Start	Adj/End	Balance	Add	Excl	SOL
10	150	Return Filed & Ass	03/15/2013	100,000.00			100,000.00	<input checked="" type="checkbox"/>		
20	660	Estimated Tax	03/15/2013	(1,754,900.00)			(1,654,900.00)	<input checked="" type="checkbox"/>		
30	770	Credit Interest Due	10/22/2013	(4,900.72)			(1,659,800.72)	<input checked="" type="checkbox"/>	O	
40	1004	Refund Interest Hig	10/22/2013	4,900.72	10/13/2013	10/22/2013	(1,654,900.00)	<input checked="" type="checkbox"/>		
50	846	Refund of Overpay	10/22/2013	1,654,900.00	10/13/2013	10/22/2013	0.00	<input checked="" type="checkbox"/>		
60	290	Additional Tax Ass	03/15/2013	595,890.00			595,890.00	<input checked="" type="checkbox"/>		
70	670	Subsequent Paym	08/21/2015	(631,351.04)			(35,461.04)	<input checked="" type="checkbox"/>		

Run To: 08/21/2015

Run Method	Deficiency	Overpayment	Computed Interest	Transcript Interest	Interest Adjustment	Principal	Total
Process			33,728.01	0.00	33,728.01		
IRS Default			(3,167.69)	(4,900.72)	1,733.03	(35,461.04)	0.00

**Figure 20.2.14-4 ACT/DMI Marin Corporation Single Module Screen**

- (4) The ACT/DMI program will compute the netted and underpayment interest and provide a 490 Activity Summary report (See Figure 20.2.14-5) which is sent to the taxpayer showing the restricted interest computation. The report must also be used as documentation for the interest adjustment and be attached to the file source documents. Since this computation format and content cannot be retained on IDRS, it is highly recommended that copies of the report (paper or electronic) be maintained in addition to source documents sent to the Files function.
- IRC 6631 requires that an explanation of interest computations be sent to an individual (IMF) taxpayer "with each notice which includes an amount to be paid." The requirements of IRC 6631 also apply to employment and excise tax liabilities of sole proprietors. Master File programming will systematically include an explanation of the interest calculation with notices sent to taxpayers. However, if interest is manually computed or restricted, an interest computation must be mailed to the taxpayer. See IRM 20.2.1.3.2, *Notice Requirements*.
  - IRC 6631 **does not** apply to statutory notices of deficiency (i.e., 90-Day letters), or refunds. IRC 6631 applies to notices that "include an amount to be paid."

**Note:** While there is no statutory "requirement" to provide an explanation on Business (BMF) modules, it is recommended that an explanation be provided to the taxpayer when the interest is manually computed.

## 490 Activity Summary - MARIN CORPORATION

FED - \*\*.\*9999 Marin Corporation 1120 Tax Period: 2012/12

Run Method: IRS Default	Module Status: Open (Open)
Interest To: 08/21/2015	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
10/22/2013		03/15/2013	150 Return Filed & Assessed Tax Liability		2,500,100.00	2,500,100.00
Various		03/15/2013	660 Estimated Tax		(3,000,000.00)	(499,900.00)
04/15/2012		03/15/2013	716 Generated Overpay Credit Applied from P		(1,155,000.00)	(1,654,900.00)
08/21/2015		03/15/2013	300 Additional Tax Assessment By Examinatio		595,890.00	(1,059,010.00)
10/22/2013	10/13/2013	10/22/2013	1004 Refund Interest High	(4,900.72)	4,900.72	(1,054,109.28)
10/22/2013	10/13/2013	10/22/2013	846 Refund of Overpayment	(1,654,900.00)	1,654,900.00	600,790.72
08/21/2015			670 Subsequent Payment		(631,351.04)	(30,560.32)

Date	Description	Amount	Factor	Interest	Balance
03/15/2013	150 Return Filed & Assessed Tax Liability	2,500,100.00			
	300 Additional Tax Assessment By Examinat	595,890.00			
	660 Estimated Tax	(3,000,000.00)			
	716 Generated Overpay Credit Applied from	(1,155,000.00)			(1,059,010.00)
03/16/2013	10/13/2013 Overpay	(10,000.00)	0.011683849	(116.84)	
	Overpay GATT	(1,049,010.00)	0.002908311	(3,050.85)	(1,062,177.69)
10/14/2013	10/22/2013 Overpay Suspended	(1,062,177.69)			(1,062,177.69)
10/22/2013	846 Refund of Overpayment	1,654,900.00			
	1004 Refund Interest High	4,900.72			597,623.03
10/23/2013	08/21/2015 Underpay	597,623.03	0.056436924	33,728.01	631,351.04
08/21/2015	670 Subsequent Payment	(631,351.04)			0.00

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest	33,728.01		33,728.01
Overpayment Interest	(3,167.69)	(4,900.72)	1,733.03
Principal Balance			(35,461.04)
	30,560.32	(4,900.72)	0.00

**Figure 20.2.14-5 ACT/DMI Marin Corporation 490 Activity Summary**

(5) The 490 Activity Summary report in Figure 20.2.14-5 shows the following interest adjustments that must be made to the module:

- Underpayment interest (TC 340) in the amount of \$33,728.01, and,
- Netted interest (TC 772) in the amount of \$1,733.03.

The two amounts shown above equal the total interest being assessed on the module, \$35,461.04.

20.2.14.4  
(02-01-2017)

**Within Module Interest  
Netting under Revenue  
Procedure 94-60**

- (1) Rev. Proc. 94-60 describes procedures for the IRS to use to calculate interest on an underpayment when the taxpayer has previously received a refund of an overpayment with interest for the same tax period and time frame (overlapping period). The process of equalizing interest rates based on Rev. Proc. 94-60 is called within module or annual interest netting.

**Note:** Interest allowed under IRC 6603(d) on a deposit returned to the taxpayer at the federal short-term rate cannot be used for within module interest netting.

- (2) During the period interest was payable on an overpayment, interest will be charged at the same rate on the portion of the underpayment (including accrued interest) that does not exceed the refund or offset principal.
- (3) Overlapping periods occur when a taxpayer owes interest on an underpayment for the same period of time that interest was previously paid on an overpayment. In most cases, the overlapping period occurs between the overpayment availability date and the refund date less the applicable back-off period.

**Caution:** Master File does not perform within module netting during the period that interest was paid on an offset. If netting is applicable, interest must be manually computed and restricted using TC 772 (netted interest) and TC 340.

- (4) The IRS applies the rules of Rev. Rul. 99-40 (regarding the treatment of “credit elect” payments) before computing within module netting. If an interest-free overpayment period exists at the same time as an overpayment that accrued interest, within module netting will only apply to the extent a subsequent underpayment exceeds the interest free amount. Careful analysis is needed to determine if this situation exists.

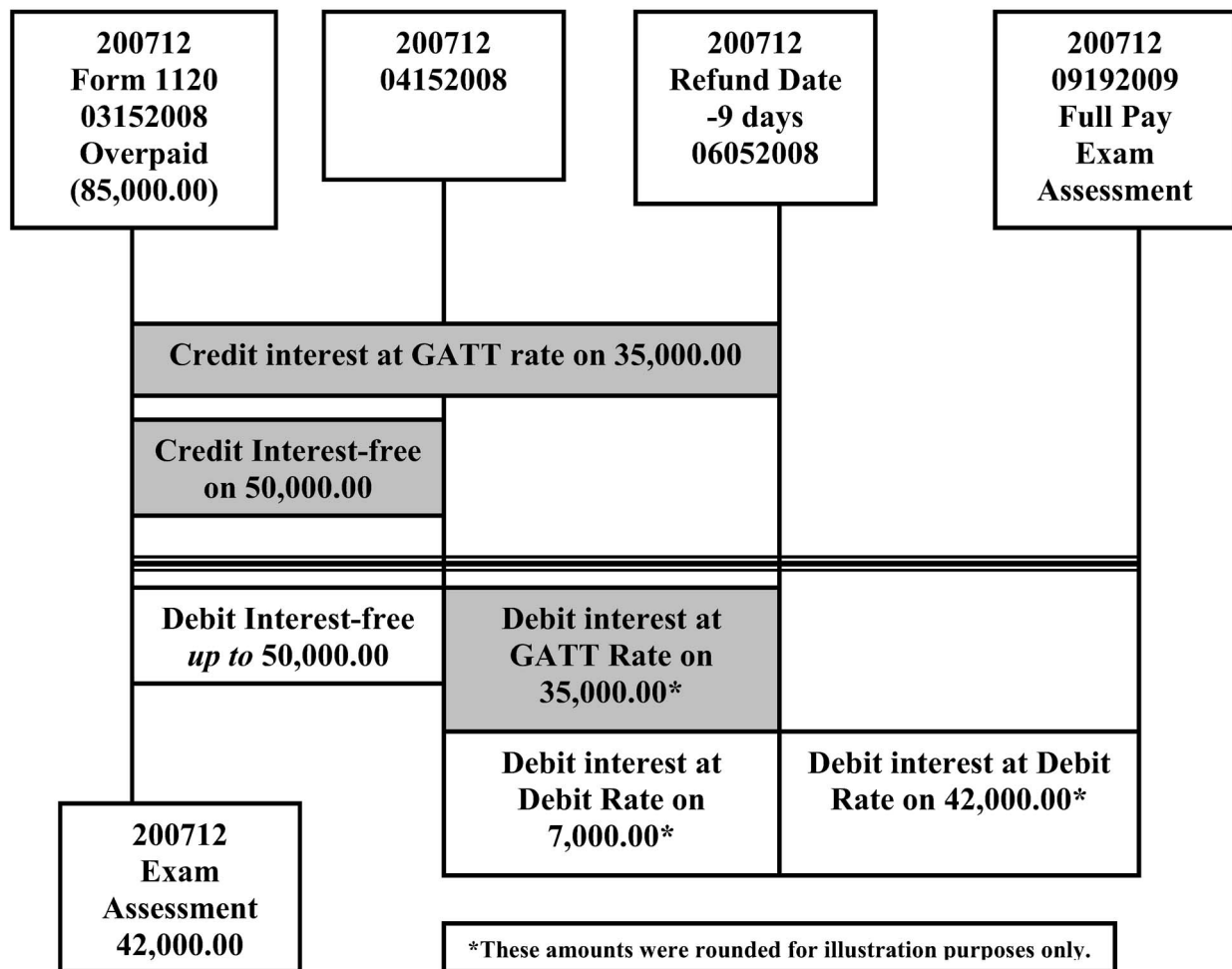
**Example:** Sanpete Sand and Gravel Corporation timely paid the tax shown on Form 1120 for the 200712 tax year and has an overpayment of \$85,000.00. A credit elect of \$50,000.00 is applied to the 200812 tax year and a refund of \$35,290.94 is issued (overpayment interest is allowed because the 45-day period was not met). Later, Exam makes a general tax assessment of \$42,000.00. The tax module information is shown below.

**200712 Tax Account for Sanpete Sand and Gravel Corporation Example**

Tax Account Information		
TC 150	03152008	120,000.00
TC 650	03152008	205,000.00
TC 836	04152008	50,000.00
TC 776	06142008	290.94
TC 846	06142008	35,290.94
TC 300	08092009	42,000.00

When the tax module information is input to ACT/DMI, the TC 300 must be entered with a due date of April 15, 2008. Otherwise, ACT/DMI will apply within module

netting for the period from March 15th to April 15th. Based on Rev. Rul. 99-40, underpayment interest is not due on the Exam assessment until April 15, 2008. Therefore, within module interest netting cannot be applied during this period because underpayment interest is not being charged.



**Figure 20.2.14-6 Time Line Applying Rev. Rul. 99-40 before “Within Module Netting”**

- (5) If the net rate benefit was previously allowed during an overpayment period, the benefit of within module netting for the same overpayment period and amount will not be allowed. Thus, the same overpayment cannot be used for both within module and net rate interest netting.
- (6) Interest netting (within module or net rate) is unnecessary for interest periods prior to January 1, 1987, as underpayment and overpayment interest rates for corporate and non-corporate taxpayers were equal prior to that date. Additionally, interest netting does not apply to non-corporate taxpayers for interest periods beginning on or after January 1, 1999, as interest rates became the same as of that date.

**Exception:** The 120 percent interest rate applicable to tax motivated transactions (TMT) is subject to netting procedures.

20.2.14.4.1  
(02-01-2017)

**Master File Computation  
of Within Module Netting**

- (1) Effective January 1993, Master File programming was updated to accomplish netting within a single module. When refunds are issued **with** interest, Master File posts the netted interest amount with a TC 777, which carries the 23C date of the prior related refund and a “999” in the Julian Date field of the DLN as shown in the following partial TXMOD example.

**Computer Generated Within-Module Netting**

T/C	POSTED	TRANS-AMOUNT	CYC	DLN
150	05262008	2,500,000.00	200822	00311-302-00002-8
660	06152007	5,000,000.00-	200726	00397-101-00000-7
776	05262008	16,231.85-	200822	00311-302-00002-8
846	05262008	2,516,231.85	200822	00311-302-00002-8
420	09192009	0.00	200944	00977-000-00000-9
	PBC>000	SBC>00000	EGC>00	
300	12072009	729,890.00	200950	00347-532-00000-9
336	12072009	55,806.10	200950	00347-532-00000-9
777	05262008	4,731.39	200950	00311-“999”-00002-8
			Julian Date “999” denotes netted interest	

- (2) If multiple refunds are involved, Master File separately calculates and posts netted interest amounts attributable to each refund. Each netted interest amount posts with the 23C date of the related refund, beginning with the earliest refund. Master File also calculates the netted interest and the underpayment interest amounts on quick and prompt assessments (Form 2859, *Request for Quick or Prompt Assessment*) on modules where interest is not restricted. See IRM 20.2.14.4.4, *Within Module Netting for Quick and Prompt Assessments*, for processing instructions.

**Caution:** If overpayment interest was manually computed and input with TC 770, then the within module netting adjustment must also be manually computed.

- (3) Master File calculates the netted interest amount by finding the difference between the amounts of the interest paid on the refunded overpayment and the recomputed overpayment interest on the corrected refund amount.
- (4) Underpayment interest (TC 336, TC 196) is computed on:
- The amount of the subsequent assessment, in excess of the refunded overpayment, **FROM** the due date of the liability to the appropriate interest **TO** date, and
  - The netted underpayment amount plus the netted interest **FROM** the 23C date of the refund to the appropriate interest **TO** date.

20.2.14.4.2  
(02-01-2017)

**Master File Limitations  
in Computing Within  
Module Interest Netting**

- (1) The process of applying **within module netting** results in an underpayment interest amount. Master File may not be able to correctly compute within module netting in modules containing an underpayment or overpayment interest-free period associated with a refund, offset or assessment when the interest-free period(s) overlaps the underpayment or overpayment interest period(s) to be netted. Master File may also not be able to compute netted interest in modules containing more than one underpayment interest-free period, even when there's no overlap with the underpayment or overpayment period(s) to be netted. Examples include, but are not limited to:
- Two or more refunds (one issued without interest and one or more issued with interest) and the underpayment interest period on the subsequent assessment overlaps both types of refunds. See IRM 20.2.4 , **Overpayment Interest**.
  - An underpayment interest-free period created by a credit elect and the underpayment or overpayment interest period to be netted overlaps the interest-free period.
  - More than one underpayment interest-free period due to IRC 6601(c) waiver periods for agreements when the tax liability is not assessed within 30 days (one type of waiver is Form 870, *Waiver of Restrictions on Assessment and Collection of Deficiency in Tax and Acceptance of Overassessment*). See IRM 20.2.5, *Interest on Underpayments*.
  - An underpayment interest-free period due to IRC 7508(A) (i.e., presidentially declared disaster) and another due to IRC 6601(c). See IRM 20.2.7, *Abatement and Suspension of Interest*.
  - Interest input with TC 190 for quick or prompt assessments. TC 190 does not restrict Master File from computing underpayment interest but it does restrict Master File from performing within module netting.

If Master File's ability to accurately compute within module netting is in question, manually compute and restrict the module or monitor and verify Master File's systemic computation after posting of the adjustment.

**Reminder:** If overpayment interest was manually computed and input with TC 770, then the within module netting adjustment must also be manually computed.

- (2) Master file does not perform "within module netting" on a MFT 31 tax module that is not established through *mirroring* of its corresponding MFT 30 tax module. See IRM 21.6.8.5, *Mirrored Account Overview*. Those tax modules that are **not mirrored** require all interest to be manually computed and input with TC 34X. See IRM 20.2.14.4.3 (7).
- (3) Underpayment interest periods that are "interest-free" by law are also interest-free for netted interest computations. If, during an overlapping period, an interest-free period for an underpayment exists, suspend netting computations during that interest-free period to the extent the underpayment is subject to the interest-free period.



20.2.14.4.3  
(02-01-2017)  
**Manually Computing  
Within Module Interest  
Netting**

- (1) Master File is currently programmed to compute within module netting on tax modules that are not previously restricted. **Do not restrict** a tax module for within module netting unless there is another reason the module must be restricted, or it is determined that Master File cannot correctly compute interest netting on that module. See IRM 20.2.5.6.1, *Reasons to Manually Compute Interest*, for some of the reasons a module may need to be restricted.
- (2) The following example illustrates an overlapping underpayment and overpayment interest period that requires within module netting:

**Example:** On March 15, 2013, James Corporation filed a Form 1120 for the tax period ending December 31, 2012, reporting an overpayment in the amount of \$60,000.00, which was refunded with \$142.04 of interest on July 17, 2013. On February 22, 2015, the taxpayer files a Form 1120X, *Amended U.S. Corporation Income Tax Return*, increasing the 2005 tax liability by \$80,000.00. On April 2, 2015, the IRS issues a notice and demand relating to the \$80,000.00 tax increase, and James Corporation pays the amount stated on the notice and demand within 21 calendar days.

- (3) Shown below in Figure 20.2.14-7 is the ACT/DMI “Single Module” screen for the information in the James Corporation example above with interest computed to April 2, 2015. The ACT/DMI software is programmed to compute “within module” interest netting.



Selected Module: Federal 99-9999999 1120 2012/12

Included & Interest ▼

Ref ▲	Code	Description	Date	Amount	Start	Adj/End	Balance	Add	Excl	SOL
10	150	Return Filed & Assessed Tax Liability	07/17/2013	300,000.00		03/15/2013	300,000.00	<input checked="" type="checkbox"/>		
20	660	Estimated Tax	04/15/2012	(360,000.00)		03/15/2013	(60,000.00)	<input checked="" type="checkbox"/>		
30	776	Generated Interest Due on Overpayment	07/17/2013	(142.04)			(60,142.04)	<input checked="" type="checkbox"/>	O	
40	846	Refund of Overpayment	07/17/2013	60,000.00	07/08/2013	07/17/2013	(142.04)	<input checked="" type="checkbox"/>		
50	1004	Refund Interest High	07/17/2013	142.04	07/08/2013	07/17/2013	0.00	<input checked="" type="checkbox"/>		
60	290	Additional Tax Assessment	04/02/2015	80,000.00		03/15/2013	80,000.00	<input checked="" type="checkbox"/>		

Run To 04/02/2015  
 Run Method  
 Process IRS Default ▼

	Computed Interest	Transcript Interest	Interest Adjustment		
Deficiency	4,433.00	0.00	4,433.00	Principal	Total
Overpayment	0.00	(142.04)	142.04	80,000.00	84,575.04

**Figure 20.2.14-7 ACT/DMI Single Module Screen for James Corporation**

- (4) The 490 Activity Summary below shows the underpayment interest adjustment in the amount of \$4,433.00 and netted interest adjustment in the amount of \$142.04 that would be posted to Master File for the tax assessment. See Figure 20.2.14-8 for the 490 Activity Summary report.

## 490 Activity Summary - JAMES CORP

FED - \*\*.\*9999 James Corp. 1120 Tax Period: 2012/12

Run Method: IRS Default	Module Status: Open (Open)
Interest To: 04/02/2015	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
07/17/2013		03/15/2013	150 Return Filed & Assessed Tax Liability		300,000.00	300,000.00
04/15/2012		03/15/2013	660 Estimated Tax		(360,000.00)	(60,000.00)
04/02/2015		03/15/2013	290 Additional Tax Assessment		80,000.00	20,000.00
07/17/2013	07/08/2013	07/17/2013	846 Refund of Overpayment	(60,000.00)	60,000.00	80,000.00
07/17/2013	07/08/2013	07/17/2013	1004 Refund Interest High	(142.04)	142.04	80,142.04

Date	Description	Amount	Factor	Interest	Balance
03/15/2013	150 Return Filed & Assessed Tax Liability	300,000.00			
	290 Additional Tax Assessment	80,000.00			
	660 Estimated Tax	(360,000.00)			20,000.00
03/16/2013 07/08/2013	Underpay	20,000.00	0.009496474	189.93	20,189.93
07/09/2013 07/17/2013	Underpay	20,189.93	0.000739969	14.94	20,204.87
07/17/2013	846 Refund of Overpayment	60,000.00			
	1004 Refund Interest High	142.04			80,346.91
07/18/2013 04/02/2015	Underpay	80,346.91	0.052623441	4,228.13	84,575.04

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest	4,433.00		4,433.00
Overpayment Interest		(142.04)	142.04
Principal Balance			80,000.00
	4,433.00	(142.04)	84,575.04

TC 196/340

TC 777/772

Figure 20.2.14-8 ACT/DMI 490 Activity Summary

- (5) If the ACT/DMI program **is not** used, take the following steps (as defined in IRM 20.2.14.3, *General Netting Computation Information*), to determine the overlapping interest periods for within module interest netting for the James Corporation:
- Determine the underpayment interest computation period(s).** Underpayment interest is charged from March 15, 2013 (RDD), to April 2, 2015 (23C date of the \$80,000.00 tax increase).
  - Determine the overpayment interest computation period on the refund.** Overpayment interest on the refund was computed from March 15, 2013, to July 8, 2013 (refund date less 9 days).
  - Prepare a time line** reflecting the underpayment and overpayment interest computation periods to determine where the overlapping period(s) occur. When preparing a time line, the ending date for the overpayment interest computation period must be the date to which the overpayment interest was actually computed (i.e., the overpayment interest back-off date). The overlapping underpayment/overpayment interest period is from March 15, 2013, to July 8, 2013. This is the time frame during which both underpayment and overpayment interest accrued.
  - Determine the overlapping amount subject to netting and compute the netted interest** (underpayment interest computed at the lower overpayment interest rate) on the amount of underpayment equal to the overpayment during the overlapping period. Netted interest is computed

on \$60,000.00 of the \$80,000.00 underpayment during the overlapping interest period from March 15, 2013, to July 8, 2013. Netted interest on the \$60,000.00 totals \$142.04.

- e. **Continue the underpayment interest computation** on the netted underpayment amount of \$60,000.00, plus the netted interest of \$142.04, from the July 17, 2013 refund date of the overpayment to the assessment date of April 2, 2015, for an interest computation of \$3,164.89.

**Note:** No “within module netting” takes place during the back-off period for computation of overpayment interest on a generated refund. See IRM 20.2.4, *Overpayment Interest*. However, underpayment interest is charged through that period on any portion of the tax assessment that exceeds the principal amount of the refund.

- f. Compute interest on the amount of underpayment that exceeds the overpayment principal from the applicable interest start date to the interest computation ending date. In this example, interest on the underpayment of \$20,000.00 is computed from March 15, 2013 to April 2, 2015 and totals \$1,268.11. When this amount is added to the interest computation of \$3,164.89 (from the prior step) and the netted interest of \$142.04, it results in a total underpayment interest amount of \$4,575.04.

**Note:** When comparing separate interest computations with a single running module computation, the result may vary by a few cents due to rounding.

- g. Manually calculated within module netted interest should mirror Master File computations.
- h. Begin the netting calculation with the earliest refund and continue through the latest refund when processing subsequent assessments with multiple refunds.

- (6) When adjustments are processed via CC AMCLS or CC ADJ54, input a TC 772 for the interest amount for the underpayment that was netted, or if one interest adjustment involves multiple overpayments that were netted, combine the netted amounts for a single TC 772 adjustment. See IRM 20.2.14.4.4 for within module netting when processing quick and prompt assessments.

**Exception:** When processing erroneous refunds with TC 844 (on a module where interest is not restricted), do not input TC 772. Master File programming will generate a TC 777 for the netted interest amount.

- (7) If the module is restricted (or needs to be), input the underpayment interest amount with a TC 340. **DO NOT** include the netted interest amounts with the TC 340 amount. The netted interest amount(s) are input as a separate TC 77X.

**Exception:** Because TC 772 will not post to an MFT 31 tax module that was not established through mirroring of its corresponding MFT 30 tax module, any netted interest amount(s) must be included with the TC 340 amount.

20.2.14.4.4  
(02-01-2017)  
**Within Module Netting  
for Quick and Prompt  
Assessments**

- (1) Special procedures apply for netted interest amounts related to quick and prompt assessments made using Form 2859, *Request for Quick or Prompt Assessment*.
- (2) If interest is restricted, enter on Form 2859 a separate TC 772 for each netted interest amount using the transaction date of the TC 770 or TC 776 being netted and TC 340 for the underpayment interest.
- (3) If interest is **not** restricted and does not need to be restricted, take the following steps:
  - a. Calculate the netted interest as shown in IRM 20.2.14.4.3, *Manually Computing Within Module Interest Netting*.
  - b. Enter as TC 190 the sum of the netted interest plus the underpayment interest.
  - c. Indicate in the **Remarks** area of Form 2859 the separate components of the interest.
  - d. When the adjustment posts, Master File will split the TC 190 into its respective netted interest (TC 777) and underpayment interest (TC 196 or TC 197) charges, generating each systemically.

**Caution:** It is recommended the assessment be monitored to ensure the netting adjustment(s) posts properly.

20.2.14.4.5  
(02-01-2017)  
**Within Module Interest  
Netting on Subsequent  
Assessments Involving  
Tax Motivated  
Transactions (TMT)**

- (1) When making a within module interest netting adjustment due to a subsequent assessment involving TMT interest:
  - a. During the overlapping period, underpayment interest on the tax motivated transaction is charged at the same interest rate that was allowed on the overpayment.
  - b. The amount of tax subject to the within module netting adjustment is limited to the amount of overpayment on which interest was allowed.
  - c. Prior refunds must be shown as "tax motivated" to ensure interest is calculated at the TMT rate within the ACT/DMI program. To accomplish this, select the TC 846 or TC 840 in the "Single Module" screen, then click on the "Advanced" link located in the bottom area of the screen which opens the "Advanced" window. In the "Transaction Type" drop down menu, choose "Motivated" and click the "Save" icon at the top of the "Single Module" screen. This action must also be completed for the accompanying TC 1003 or TC 1004.

30	776	Generated Interest Due on Overpayment	07/17/2013	(142.04)			(60,142.04)	<input checked="" type="checkbox"/>	0
40	846	Refund of Overpayment	07/17/2013	60,000.00	07/08/2013	07/17/2013	(142.04)	<input checked="" type="checkbox"/>	
50	1004	Refund Interest High	07/17/2013	142.04	07/08/2013	07/17/2013	0.00	<input checked="" type="checkbox"/>	
60	290	Additional Tax Assessment	04/02/2015	80,000.00		03/15/2013	80,000.00	<input checked="" type="checkbox"/>	

Run To: 06/15/2014

Computed Interest: \_\_\_\_\_ Transcript Interest: \_\_\_\_\_ Interest Adjustment: \_\_\_\_\_

Run Method: Deficiency: \_\_\_\_\_ Principal: \_\_\_\_\_ Total: \_\_\_\_\_

Process: IRS Default Overpayment: \_\_\_\_\_

**Click Advanced**

Module Options: Add Module, Copy Module, Module SOL, Edit Module, Delete Module, Processing Info

Transaction Options: Comments, Cross References, Advanced, Exclude, Transaction SOL, Processing Info

Other Options: Day Counter, Quick Factor, Processing Codes, Reports, Quick Calcs, Account Analysis

**Click Motivated**

Ref # 40

Transaction Type: Standard

Suspension Code: Standard, Standard High

Reduce GATT Threshold: Motivated, Negligent, Motivated Negligent, Fraudulent, Motivated Fraudulent, Interest, Interest High, Penalty

Module Options: Add Module, Copy Module, Edit Module, Delete Module

Other Options: Day Counter, Quick Factor, Processing Codes, Reports, Quick Calcs, Account Analysis

**Click Save**

Save transaction changes

Selected Module: Federal S

Re	Description
10	150 Return Filed & Assessed Tax Liability
20	660 Estimated Tax
30	770 Credit Interest Due Taxpayer
40	1004 Refund Interest High

**Figure 20.2.14-9 Changing Transaction Type with the Advanced Link Option**

- (2) When the total assessment is comprised of both non-TMT and TMT tax, apply netting against the portion of the overpayment that is equal to the non-TMT tax **first**. If any unnetted overpayment remains, compute interest at the overpayment rate on the portion of TMT tax equal to the remaining unnetted overpayment.

20.2.14.5  
(02-01-2017)

**Erroneously Computed  
Overpayment Interest**

- (1) When there is a subsequent assessment and it is determined that overpayment interest was originally overpaid or underpaid, the following procedures apply:

If overpayment interest was originally	and the period of limitations for	then
OVERPAID	recovery is OPEN,	implement Category D Erroneous Refund procedures. See IRM 21.4.5.4.5, <i>Overview of Category D Erroneous Refunds</i> .
OVERPAID	recovery is CLOSED,	<p>DO NOT implement erroneous refund procedures.</p> <ul style="list-style-type: none"> <li>The excess may need to be <i>written off</i> with TC 534 or TC 608 on ACT/DMI. It may also be necessary to contact the Accounting/Erroneous Refund function to have a (<i>false</i>) credit applied for an amount equal to any expired balance. See IRM 21.4.5.4.5, <i>Overview of Category D Erroneous Refunds</i>.</li> </ul> <p><b>Note:</b> The exception is the common-law right-of-offset which may apply if a new overpayment is to be issued from the module.</p> <p>IRM 20.2.4.11.2(3), <i>Recovery of Excessive Interest Paid</i>, contains instructions regarding the common-law right-of-offset.</p>
UNDERPAID	requesting additional overpayment interest is OPEN,	allow the applicable overpayment interest. Reduce the underpayment interest and or increase the overpayment interest accordingly.

If overpayment interest was originally	and the period of limitations for	then
UNDERPAID	requesting additional overpayment interest is CLOSED,	<p>DO NOT allow the underpaid overpayment interest and DO NOT reduce the underpayment interest by the underpaid amount.</p> <ul style="list-style-type: none"> <li>Using ACT/DMI, suspend the amount of overpayment interest that cannot be allowed. The suspension can be accomplished by using TC 1011 or input of an interest suspension on the applicable refund, offset and related interest transaction line(s). This will force ACT/DMI to compute the same amount of overpayment interest originally allowed on the refund or offset.</li> </ul>

- (2) For additional information regarding erroneously computed overpayment interest, see IRM 20.2.4.11, *Erroneous Interest Computations*.

20.2.14.6  
(02-01-2017)  
**Net Rate Interest Netting**

- (1) **Net Rate Interest Netting** is authorized by IRC 6621(d) as follows: “Elimination of the interest rate differential on overlapping periods of tax overpayments and underpayments. To the extent that, for any period, interest is payable under subchapter A and allowable under subchapter B on equivalent underpayments and overpayments by the same taxpayer of tax imposed by this title, the net rate of interest under this section on such amounts shall be zero for such period.”
- (2) While IRC 6621(d) provides that the net rate of interest shall be zero for overlapping interest periods on tax overpayments and underpayments, this reference does not mean that the interest rate itself is zero. It means that interest allowable on an overpayment and interest payable on an underpayment during any overlapping interest period(s) will be equalized so that the rate **differential** will **net** to zero.

20.2.14.6.1  
(02-01-2017)  
**Net Rate Interest Netting  
Post-Enactment Interest**

- (1) IRC 6621(d) provides for a *net interest rate of zero* to the extent of overlapping tax underpayments and tax overpayments **for the same taxpayer**. While generally applying to interest accruing on or after October 1, 1998, IRC 6621(d) may apply to interest before that date if some conditions are satisfied. See IRM 20.2.14.6.1.2, *Pre-Enactment Date Interest Periods*.
- (2) Section 2.05 of Rev. Proc. 2005-18 specifies that interest allowable under IRC 6603(d) on a deposit returned to the taxpayer at the federal short-term rate cannot be used for net rate interest netting during an overlapping period.



20.2.14.6.1.1  
(02-01-2017)  
**Post-Enactment Date  
Interest Periods**

- (1) Post-Enactment periods as defined by Rev. Proc. 2000-26 are interest periods beginning on or after July 22, 1998, (i.e., interest during calendar quarters **October 1, 1998, and later**). There is no statutory requirement that the taxpayer request the IRS to apply IRC 6621(d). However, the IRS does not have the ability to automatically apply the net rate. The IRS will recalculate the interest amounts applying the net rate upon the taxpayer's request in accordance with IRC 6621(d) and Rev. Proc. 2000-26.
- (2) Rev. Proc. 2000-26 instructs taxpayers to file Form 843, *Claim for Refund and Request for Abatement*, to ensure they receive the benefit of interest netting for post-enactment interest periods.

**Note:** Requests for application of the net rate may be received through correspondence under limited circumstances. Information regarding the overlapping periods of time should be included. See IRM 20.2.14.6.1.1 (5).

- (3) Requests for the net rate are to be filed and processed at the Ogden Campus. Net rate requests are sent to the following address:  
Internal Revenue Service  
1973 N. Rulon White Blvd  
Mail Stop 6800  
Ogden, UT 84404

**Exception: DO NOT FORWARD** to the Ogden Campus net rate requests that involve tax periods that are currently under consideration by any function of the IRS (including Examination, Appeals, or a case before a federal court that requires a computation of interest by any function of the IRS). See IRM 20.2.14.6.3.3.

- (4) Post-enactment interest netting requests must be filed on or before the date on which the last applicable period of limitations closes (either the underpayment or overpayment period of limitations). See IRM 20.2.14.6.2 (3), Exhibit 20.2.14-13, and Rev. Proc. 2000-26, section 4.01.
- (5) Form 843 is not required in connection with a return(s) under consideration by any function of the IRS (including Examination, Appeals, or a case before a federal court that requires a computation of interest by any function of the IRS). Rather than filing a Form 843, the taxpayer may provide the contact representative of such function a letter or written statement that:
  - a. States that the taxpayer is requesting net rate interest netting or the net interest rate of zero under IRC 6621(d).
  - b. Indicates the type of tax and type of return that affects the interest computation for the taxable period under consideration.
  - c. States when and for what period(s) the refund or payment that affects the interest computation for the taxable period under consideration was made, and
  - d. States that, to the extent of equivalent amounts of overpayment or underpayment, net rate interest netting has not previously been applied to obtain an interest adjustment under IRC 6621(d).
- (6) When the taxpayer files a request and the underpayment period of limitations is closed, but the overpayment period is open, make the net rate adjustment to the overpayment period by equalizing the overpayment interest rate to the underpayment interest rate.



20.2.14.6.1.2  
(02-01-2017)  
**Pre-Enactment Date  
Interest Periods**

- (1) Following the enactment of the Restructuring and Reform Act 1998, Rev. Proc. 99-19 was issued to provide guidance regarding the application of IRC 6621(d) with respect to interest. Rev. Proc. 99-19 was later modified and superseded by Rev. Proc. 99-43.
- (2) Special rules apply to interest periods beginning before July 22, 1998, (i.e., interest accruing **before October 1, 1998**). The taxpayer must still request the IRS to apply IRC 6621(d) and reasonably identify the periods and amounts of underpayments and overpayments for which the net rate applies.
- (3) For requests involving interest periods **prior to** October 1, 1998, follow these guidelines to determine if a request is timely filed under IRC 6621(d):
  - a. **Both the underpayment period of limitations and the six-year overpayment period of limitations must be open on July 22, 1998**, authorizing the IRS to allow additional overpayment interest **and** credit or refund underpayment interest for the tax periods involved with the net rate request. Refer to IRM 20.2.14.6.2, and Exhibit 20.2.14-13, for procedures on determining the applicable period of limitations for the underpayment and overpayment.
  - b. The taxpayer's request must be filed on or before December 31, 1999, if **both** the underpayment and overpayment periods of limitations expired **on or before December 31, 1999**.
  - c. If both applicable periods of limitations were open on July 22, 1998, and at **least one** of the applicable periods of limitations will be **open after** December 31, 1999, the request must be filed on or before the date on which the last applicable period of limitations closes.

**Note:** A Form 843 is not required when a computation of interest is requested by a taxpayer in connection with a return of the taxpayer under consideration by any function of the IRS including Examination, Appeals, or a case before a federal court that requires a computation of interest. Rather than filing a Form 843, the taxpayer may furnish a letter or written statement to such function. See IRM 20.2.14.6.1.1(5).

20.2.14.6.2  
(02-01-2017)  
**Applicable Periods of  
Limitation for  
Post-Enactment Periods**

- (1) IRC 6511(a) provides general period of limitation stating that claims for credit or refund of underpayment interest must be filed by the later of the following dates. Contact Chief Counsel if there are questions about whether an alternate period of limitation applies under IRC 6511(d), IRC 6511(f) , IRC 6511(g), or IRC 6511(h). See IRC 6511 for details.
  - a. Three years from the time the return is filed; or
  - b. Two years from the time the tax (including interest) was paid, whichever period expires later. See Exhibit 20.2.14-13.
  - c. If an agreement is made between the taxpayer and the IRS to extend the period of time for assessment (i.e., Form 872, **Consent to Extend the Time to Assess Tax**), the request must be filed within 6 months of the extended Assessment Statute Expiration Date (ASED). The amount of credit or refund may not exceed the portion of the tax paid after the execution of the agreement and before the filing of the request. It is also limited to the portion of the tax that would have been open under the two or three year period of limitations described above, if a request had been filed on the date the agreement was executed.

**Note:** If no return is filed by the taxpayer, the claim must be filed within two years from the time the tax was paid.

- (2) If the request is timely, determine the amount of tax that may be credited or refunded under IRC 6511(b).
  - a. If a request is filed during the 3-year period, the amount of credit or refund shall not exceed the portion of the tax paid within the period immediately preceding the filing of the request, equal to 3 years, plus the period of any extension of time for filing the return.
  - b. If the request is not filed within the 3-year period, the amount of the credit or refund shall not exceed the portion of the tax paid during the 2 years immediately preceding the filing of the request. For credit OFFSETS, add 2 years to the cycle date of the offset to determine the applicable 2-year period.

**Exception:** If the offset is a misapplied payment, use the date of the payment to determine the applicable 2-year period.

- c. If a Form 872 was signed by the taxpayer, the amount of credit or refund may not exceed the portion of the tax paid after the execution of the agreement and before the filing of the net rate request **plus** the portion of the tax that would have been open under the two or three year period of limitations described above, if a request had been filed on the date the agreement was executed.

**Note:** See IRC 6511 and IRM 25.6.1, *Statute of Limitations Processes and Procedures*, for further details.

- (3) The 3 or 2-year period of limitations is determined based on the underpayment that is to be netted.
- (4) The Internal Revenue Code does not provide a period of limitations for the allowance and payment of interest on an overpayment of tax. However, 28 U.S.C. section 2401 and 28 U.S.C. section 2501 provide a six-year period within which a suit must be filed for the allowance of additional interest on an overpayment.
  - a. The schedule date of the overpayment is the starting event for the six-year period.
  - b. The schedule date is shown on Form 2188 , Voucher and Schedule of Overpayment and Overassessments. If a Form 2188 is not available, for administrative purposes, the 23C date of the refund or cycle date of the offset will be considered the schedule date of the overpayment.
- (5) An adjustment of interest allowable on an overpayment may be allowed and paid within the six-year period of limitations beginning on the 23C date of the refund or the cycle date of an offset overpayment. Although Form 843 can be used to request additional overpayment interest, filing Form 843 will not stop the running of the six-year period (see Rev. Proc. 2000-26). If the request is received within the six-year period of limitations, the IRS may allow and pay additional overpayment interest **after** the six-year period has expired. However, the IRS should caution the taxpayer that filing a request does not protect the six-year period for filing suit. The only manner in which a taxpayer can fully protect the right of a judicial review of the IRS determination is to file suit within the six-year period.

**Note:** The six-year period of limitation also applies to the allowance of additional interest on an overpayment when the IRS discovers the error, whether or not the error was made by the IRS.

- (6) Generally, the net rate adjustment is made to the underpayment period. However, when the underpayment period of limitations for interest accruing on or after October 1, 1998 is closed, but the overpayment period is open, the net rate adjustment is made to the overpayment period by designating the status of the underpayment period as "USE." See IRM 20.2.14.6.6 and its subsections for details.

20.2.14.6.3  
(02-01-2017)  
**Guidelines for Filing Net Rate Requests**

- (1) Rev. Proc. 2000-26 provides the following guidelines for filing a net rate request.
  - a. The request should be filed on Form 843, **Claim for Refund and Request for Abatement**.
  - Exception:** See IRM 20.2.14.6.1.1(5).
  - b. The taxable periods for which the taxpayer overpaid and underpaid its tax liability must be identified.
  - c. The request must state when the taxpayer paid the tax if the underpayment is no longer outstanding.
  - d. The request must state when the taxpayer received a refund of tax if the overpayment is no longer outstanding.
  - e. The request must identify and establish the periods for which the taxpayer's overpayment and underpayment overlapped and the overlapping amount.
  - f. The request must state that, to the extent of equivalent amounts of underpayment and overpayment for the identified period(s), the period(s) has (have) been used only once to obtain the net rate under IRC 6621(d). However, if the full amount of the overpayment or underpayment is not used in a netting calculation, the remaining portion may be used in another netting calculation.
  - g. The request must provide a computation, to the extent possible, of the amount of interest to be credited, refunded, or abated to provide a net interest rate of zero for the period(s) of overlap.

**Note:** Due to the length of some of the computations, the taxpayer may submit their netting computations on a compact disc (CD), digital video disc (DVD), or flash drive. It is the responsibility of the tax examiner working the request to scan the portable media for any viruses. Instructions for scanning can be found on the IRWeb at the

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20.2.14.6.3.1  
(02-01-2017)  
**Resolved and Unresolved Tax Periods**

- (1) Interest netting under IRC 6621(d) is only available when there exists overlapping periods of overpayment and underpayment upon which interest is both payable and allowable. Prior to the time an overpayment or underpayment is determined for a tax period there is no principal upon which interest can be computed.
- (2) In addition to interest being payable or allowable when processing a net rate request, consideration must also be given to whether the underpayment or overpayment is **resolved** or **unresolved**. Underpayments or overpayments are

**resolved** if, at the time the net rate request is filed, the overlapping underpayment and overpayment amounts have been identified, determined, and no longer subject to controversy in Exam, Appeals, or a court. Conversely, underpayments and overpayments are **unresolved** if, at the time the net rate request is filed, the overlapping underpayment and overpayment amounts have not been determined because they are in Exam, Appeals or the taxpayer is pursuing litigation.

20.2.14.6.3.2  
(02-01-2017)

**Requests with Resolved  
Tax Periods**

- (1) Net rate netting (NRN) requests where all periods are resolved will be processed at the Ogden Campus by the Accounts Management (AM), Complex Interest Team at the following address:  
Internal Revenue Service  
1973 N. Rulon White Blvd  
Mail Stop 6800  
Ogden, UT 84404
- (2) Net rate requests that include resolved and unresolved periods will be sent to the Ogden Campus, Centralized Case Processing (CCP) Team. See IRM 20.2.14.6.3.3.
- (3) If there is no "L" Freeze and or no Examination or Appeals involvement on any of the tax periods included in the NRN request, the AM Complex Interest Team will ensure the NRN request contains all required information. The request must properly identify the taxpayer, the taxpayer identification number (TIN), the overlapping underpayment and overpayment amount(s) and date(s), the tax years and type(s) of overpayment and underpayment taxes involved. The request should also state that the overlapping periods and amounts have not previously been used to obtain a net interest adjustment. If all required information is included, the AM Complex Interest Team will process the request.
  - a. If the required information is not included in the request, the AM Complex Interest Team will notify the taxpayer in writing that the information is not complete and the NRN request cannot be processed. The notification will specify what information is missing, and will advise the taxpayer that 30 days are given to perfect the information.
  - b. If the required information is not received within the 30 days, the AM Complex Interest Team will cross out the received date stamp and return the request to the taxpayer with a letter explaining the reason(s) the NRN request is being returned.
- (4) **If there is an "L" Freeze** on any of the tax periods included in the NRN request, the AM Complex Interest Team will access the AIMS database for each tax period that has an "L" Freeze to determine its status code.
  - a. If the AIMS status code is **08 or less** for **any** of the NRN request tax periods and all tax periods are resolved for the NRN request, the AM Complex Interest Team will process the NRN request as usual. If, prior to closing the NRN request, **any** of the NRN request's tax period status codes change to 09 or above and less than 80, the AM Complex Interest Team will send the NRN request to CCP at the Ogden Campus using Form 3210, **Document Transmittal**. The AM Complex Interest Team will issue a letter of transfer to the taxpayer.
  - b. If the AIMS status code is **09 through 79** for **any** of the NRN request tax periods, AM Complex Interest Team will forward the entire NRN request to

the CCP function at the Ogden Campus using Form 3210. The AM Complex Interest Team will issue a letter of transfer to the taxpayer.

- c. If the AIMS status code is **80 through 89** for **any** of the NRN request tax periods, the AM Complex Interest Team will contact the Appeals Senior Program Analyst, Tax Policy and Procedure, to coordinate processing.

20.2.14.6.3.3  
(02-01-2017)

**Requests with Resolved and Unresolved Tax Periods**

- (1) NRN requests that include resolved and unresolved periods are forwarded internally to the Ogden Campus, Centralized Case Processing (CCP) team. Upon receipt, that function will review the NRN request to determine if it can be processed. Requests that are to be worked by CCP, should be forwarded to the following address:  
Internal Revenue Service - Exam  
1973 N Rulon White Blvd  
Mail Stop 4020  
Ogden, UT 84404
- (2) If all periods involved are resolved, CCP will ensure the NRN properly identifies the taxpayer, the taxpayer identification number (TIN), the overlapping underpayment and overpayment amount(s) and date(s), and the tax years and type(s) of overpayment and underpayment taxes involved, and will process the request.
- (3) If all periods are resolved, but the required information is not present, CCP will notify the taxpayer and or representative in writing that the information is not complete and NRN request cannot be processed. The notification will specify what information is missing, and will advise the taxpayer and or representative that 30 days are given to perfect the information. If the required information is not received within 30 days, CCP will cross out the received date stamp and return the request to the taxpayer and or representative with a letter explaining the reason(s) the NRN request is being returned.
- (4) If a request involves both unresolved and resolved periods, CCP will contact the taxpayer and or representative in writing to notify that the request has one or more unresolved period(s) and any resolved periods will be processed, and the information for any unresolved periods will be retained.
- (5) CCP will contact the Field Examination team when an open exam exists and that resolved periods will be processed. CCP will forward a copy of the unresolved periods in the NRN request to Field Exam, if necessary. Field Exam will follow procedures in IRM 4.10.26 , **Examination of Returns, Net Rate Netting Procedures for LB&I Cases** for the unresolved periods.
- (6) CCP will advise the taxpayer and or representative to notify CCP when the unresolved periods are resolved and update and perfect the information upon resolution of the unresolved periods or submit a new NRN request. The received date will be the date CCP receives the updated or perfected information.
- (7) The original received date stamp does not apply to unresolved tax periods.

20.2.14.6.3.4  
(02-01-2017)

**Requests Received by Field Examination**

- (1) When an NRN request or Form 843 is received by Field Examination or Appeals, the function will review the NRN request to determine if the request can be processed, or whether it has unresolved tax periods.

- a. If all periods involved are resolved, Field Examination will ensure the NRN request properly identifies the taxpayer, the taxpayer identification number (TIN), the overlapping underpayment and overpayment amount(s) and date(s), and the tax years and type(s) of overpayment and underpayment taxes involved in order for the NRN request to be processed.

**Note:** If a NRN request is not received on Form 843 because a return(s) is under consideration by a function of the IRS, that function will instruct the taxpayer and or representative to provide them with a letter or written statement with the following information:

- (1) Statement that the taxpayer is requesting the net rate under IRC 6621(d);
- (2) Type of tax and type of return that affects the interest computation for the taxable period(s) under consideration;
- (3) When and for what period(s) the refund or payment (that affects the interest computation for the taxable period(s) under consideration) was made; and
- (4) Statement that equivalent amounts of overpayment or underpayment, for the period(s) in the request, have not previously been applied to obtain a net rate adjustment under IRC 6621(d).

- b. **Field Examination** will transfer a NRN request in which all periods are resolved on a Form 3210 to the Ogden Campus CCP team for processing. See IRM 20.2.14.6.3.3.

- (2) When **Field Examination** receives a NRN request which contains both resolved and unresolved tax periods, they will contact the taxpayer and or his representative to notify them that the NRN request contains one or more unresolved period(s) and explain the NRN request will be transferred to CCP and the resolved periods processed with information for the unresolved periods retained. Field Examination will transfer the entire NRN request on a Form 3210 to CCP. See IRM 20.2.14.6.3.3.

**Exception:** Field Examination will hold the NRN request if the unresolved period will be **agreed upon and closed to CCP within 90 days**. The NRN request should be included in the administrative file when the case closes and the Form 3198 should indicate the NRN request is included. CCP will work these NRN requests in conjunction with the closure of the examination.

20.2.14.6.4  
(02-01-2017)

#### Net Rate Interest Netting Steps to Computation

- (1) The following steps must be taken in order to determine the net rate interest adjustment.
  - a. Determine the overlapping interest computation period(s).
  - b. Determine the amount subject to the net rate during the overlapping period(s).
  - c. Determine the applicable interest rate during the overlapping period(s).
  - d. Determine the adjustment amount to the underpayment interest.
  - e. Determine the adjustment amount to overpayment interest.



20.2.14.6.4.1  
(02-01-2017)  
**Determine the  
Overlapping Interest  
Computation Period(s)**

- (1) The net rate can only be applied based on interest legally allowed or allowable on an overpayment and legally paid or payable on an underpayment. The net rate cannot be applied based on an overpayment for the period during which interest is not legally allowed (e.g., 45-day interest-free period, refund back-off period), nor on an underpayment for the period during which interest is or was not legally charged (e.g., Revenue Ruling 99-40).

**Caution:** Section 2.05 of Rev. Proc. 2005-18 specifically prohibits the use of interest allowed on an IRC 6603 deposit at the federal short-term rate to make a net rate interest adjustment for the same period.

- (2) To apply the net rate during an overlapping period where underpayment and overpayment interest was or will be paid and allowed:
- Determine the overpayment and underpayment interest computation periods for the tax years where interest has already been or will be paid or allowed.
  - Compare the interest computation periods to each other to determine **when** the overlapping interest period(s) occurs. It can be helpful to prepare a time line or ACT/DMI Report 530, Adjustment/Positions, to “visually” determine when the overlapping interest period(s) occur. See Exhibit 20.2.14-18 for specific information related to preparing a time line.

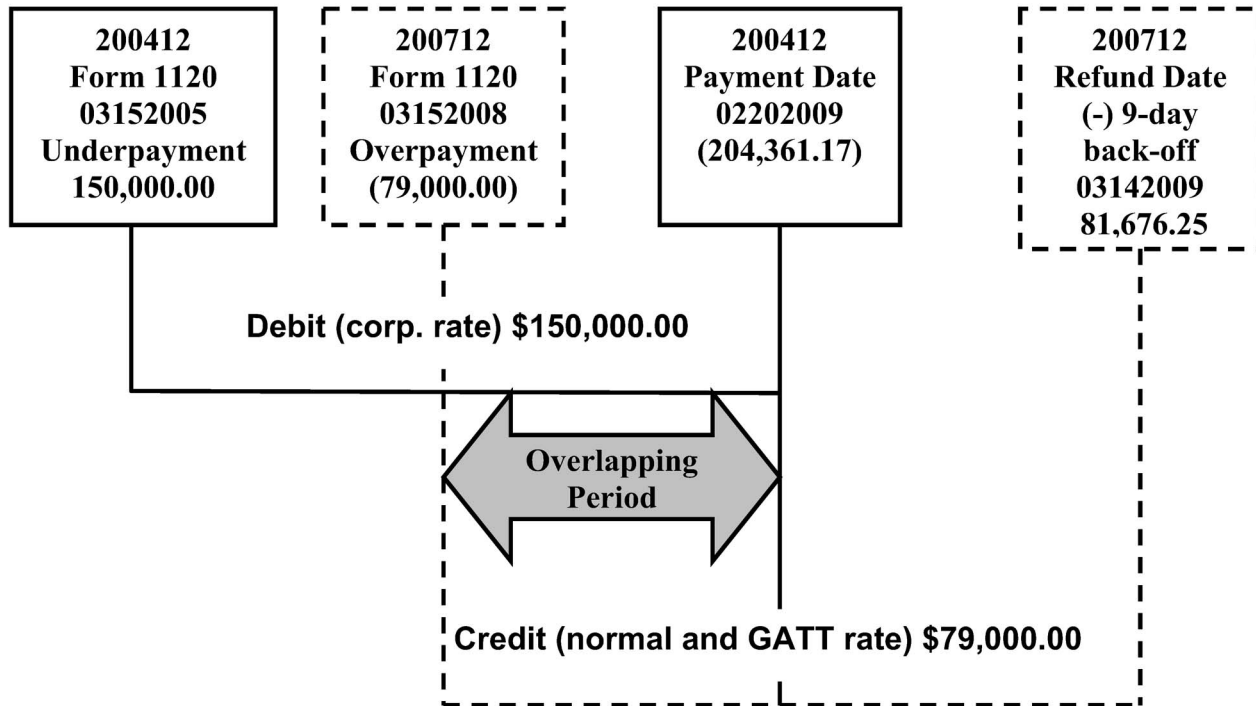
**Example:** The Athens Corporation is a calendar year taxpayer and agrees to a 200412 Form 1120 tax underpayment of \$150,000.00. The taxpayer paid the tax plus interest on February 20, 2009. On March 23, 2009, a \$79,000.00 refund with interest was issued from the taxpayer’s 200712 Form 1120 return. On August 1, 2009, Athens Corporation filed a request asking that the net rate be applied to the underpayment interest paid for the 200412 Form 1120 based on the 200712 overpayment that was issued with interest. The overlapping period is from March 15, 2008 to February 20, 2009.

**DETERMINE THE OVERPAYMENT AND UNDERPAYMENT INTEREST COMPUTATION PERIODS.**

- Interest on the 200412 Form 1120 tax underpayment of \$150,000.00 was charged as follows:
  1. From: 03152005 (return due date)
  2. To: 02202009 (payment date)
- Overpayment interest on the tax year 200712 Form 1120 overpayment of \$79,000.00 was allowed as follows:
  1. From: 03152008 (return due date and the return was timely filed)
  2. To: 03142009 (refund schedule date, less 9-Day back-off period)
- The net rate adjustment for this example will be made to the underpayment period.
- The overlapping period is from 03152008 to 02202009.

**Note:** When determining the overlapping period, **always** use the overpayment interest back-off date as the **ending** date for the overpayment interest computation period. Using the back-off date provides the actual time frame during which interest was allowed on the overpayment.

A time line or ACT/DMI Report 530 can be used to visually compare and determine when the interest computation periods “overlap.”



**Figure 20.2.14-10 Athens Corporation Overlapping Period Time Line**

- (3) If the benefit of within module netting under Rev. Proc. 94-60 was previously allowed during an overpayment period, a net rate benefit for the same overpayment period and amount cannot be allowed. The same overpayment cannot be used for both within module and net rate interest netting.

**20.2.14.6.4.2**  
(02-01-2017)

**Determine the Amount Subject to the Net Rate during the Overlapping Period(s)**

- (1) The amount of the overpayment or underpayment subject to the net rate interest computation is determined as follows:

<b>If</b>	<b>then, during the overlapping period</b>
The underpayment interest is adjusted,	interest is “charged at the overpayment rate” on the underpayment amount that is “equal” to the overpayment amount.



If	then, during the overlapping period
The overpayment interest is adjusted,	interest is “allowed at the underpayment rate” on the overpayment amount “equal” to the underpayment amount.

20.2.14.6.4.3  
(02-01-2017)

**Determine the  
Applicable Interest Rate  
during the Overlapping  
Period(s)**

- (1) After determining the overlapping periods, the interest rate to be “charged” or “allowed” during the overlapping “net rate” period must also be determined.
- (2) The interest rate originally payable on the underpayment and allowable on the overpayment can be determined from reviewing the original interest computation.
- (3) If the documentation to support previously computed underpayment or overpayment interest is not readily available (attached to the return or in the administrative file), all avenues must be used to locate the required documentation, such as:
  - Order the applicable document(s) from the Files function.
  - Call the offices or employees who may have had the case in the past, to determine if an “office file” (e.g., audit reports Form 4549, *Income Tax Examination Changes*, Form 2285, *Concurrent Determinations of Deficiencies (Increases in Tax) and Overassessments (Decreases in Tax) in Cases Involving Restricted Interest Provisions of the Internal Revenue Code*, ACT/DMI reports, etc.) is available.
  - Contact the taxpayer or power-of-attorney (POA) to obtain copies of any documents they may have (e.g., ACT/DMI reports, Form(s) 2285, etc.) Or, if applicable, contact the examining official to request that they contact the taxpayer or POA directly.

If the tax examiner is still unable to locate the documentation and cannot “back into” the previous interest amount, make the adjustment using all available information and **thoroughly document** in the case file all actions taken and attach it to the interest adjustment. Accounts Management Services (AMS), can also be used to document all actions taken.

- (4) If the original calculation of interest for the underpayment or overpayment period(s) was not correct, make the net rate adjustment based on the correct interest the taxpayer should have paid or been allowed.

If	then
making the net rate adjustment to the underpayment interest and the overpayment interest was overpaid and is recoverable based on the period of limitations,	compute the correct overpayment interest and follow erroneous refund procedures to recover the overpaid interest. Perform the net rate adjustment using the corrected overpayment interest calculation.

<b>If</b>	<b>then</b>
making the net rate adjustment to the underpayment interest and the overpayment interest was overpaid and is <b>not</b> recoverable,	compute the correct overpayment interest; <b>do not</b> follow erroneous refund procedures. Perform the net rate adjustment using the corrected overpayment interest calculation. Do not adjust the overpayment interest.
making the net rate adjustment to the underpayment interest and the overpayment interest was underpaid and the period of limitations is <b>not</b> open to allow additional overpayment interest,	restrict the ACT/DMI program from allowing the additional overpayment interest by using an interest suspension.
making the net rate adjustment to the underpayment interest and the overpayment interest was underpaid and the period of limitations is open to allow additional overpayment interest,	perform the net rate adjustment based on the correct amount of overpayment interest.
making the net rate adjustment on the overpayment and the underpayment interest is not correct.	perform the net rate adjustment based on the correct amount of underpayment interest.

- (5) GATT interest computations made prior to January 1, 1999, are to be recomputed in the same manner as originally allowed. However, if an error was made in the overpayment interest originally allowed, make the net rate adjustment based on the interest that should have been allowed (using the same GATT computation methodology).

**Example:** First Technology Inc. was issued an overpayment of \$23,710.00 on July 25, 1998. Overpayment interest was allowed using the original GATT processing procedures that provided that all interest accruals through December 31, 1994, would continue to accrue at the prevailing higher overpayment interest rate. That is, the interest on the overpayment accrued interest at the federal short term rate plus 2% rather than the lower corporate GATT rate. However, an error was made in the interest computation. The overpayment interest must be recomputed, correcting the error (using the original procedures), to ensure the taxpayer is allowed the net rate based on the interest that should have been allowed on the overpayment.

- (6) When preparing the time line, in addition to the computation period dates, also enter the date for which interest begins at a different rate or effective date (i.e., large corporate interest applicable date or GATT rate effective date).
- (7) “Charge” or “allow” interest during the overlapping period(s) as follows:

If	then, during the overlapping period
the net rate is applied to the underpayment period,	charge interest on the underpayment at the same rate as allowed on the overpayment (up to the amount of overpayment available for netting).
the net rate is applied to the overpayment period,	allow interest on the overpayment at the same rate as charged on the underpayment (up to the amount of underpayment available for netting).

- (8) When a net rate adjustment is made to an underpayment period, interest is “charged” at the lower overpayment rate during the overlapping period.
- For underpayment interest that has been paid, the abated interest that will be refunded or offset is allowed overpayment interest (if applicable). Interest (as appropriate) is allowed on the abated underpayment interest amount from the credit availability date to the refund schedule date or liability due date (if offset). This overpayment interest period “creates” a new overpayment interest period that may later be used to apply the net rate against another underpayment period that overlaps this interest computation time frame.
- (9) For underpayment interest that has yet to be assessed:
- a. Compute the interest to be assessed **without** considering the net rate adjustment. Retain a copy of the pre-netting computations for the case file. After arriving at the interest due, then apply the net rate.
  - b. If the ASER is imminent (within 60 days), it may be necessary to post a TC 34X for the pre-netting interest amount with the tax assessment.
  - c. Input a TC 34X for the net rate interest adjustment to reflect the increase or decrease to the interest previously posted. Adjust overpayment interest as appropriate with a TC 77X.
  - d. Monitor the adjustments to ensure correct posting to Master File.
- (10) When a net rate adjustment is made against an overpayment, interest is allowed at the same rate that was charged on the underpayment during the overlapping period. The interest allowed on the resulting overpayment (that is created by the net rate adjustment) would also create a new overpayment interest period that may later be used to apply the net rate against another underpayment period.
- (11) The net rate may be allowed on TMT interest. When making a net rate adjustment due to an assessment involving 120 percent (TMT) interest:
- a. During the overlapping period, interest on the tax motivated transaction is charged at the same rate that was allowed on the refunded or offset overpayment.
  - b. For net rate purposes, apply the net rate to interest on any **non-TMT** tax before applying the procedure to TMT tax.

## 20.2.14.6.4.4

(02-01-2017)

**Determine the Net Rate Adjustment Amount to Underpayment Interest**

(1) To accurately determine the net rate underpayment interest adjustment:

- Determine the overpayment amount that is equal to the underpayment amount as of the beginning of the overlapping period.

(2) The following example illustrates how to apply the net rate when the underpayment interest starts **before** interest begins to accrue on the overpayment.

**Example:** Hunter Corporation filed a 200612 Form 1120X and fully paid the underpayment of \$53,000.00 plus interest of \$6,706.66 on December 3, 2008. On June 2, 2008, Hunter Corp. filed a Form 1120X claiming an overpayment of \$32,000.00 from its 200712 tax return, which was refunded with interest on September 17, 2008.

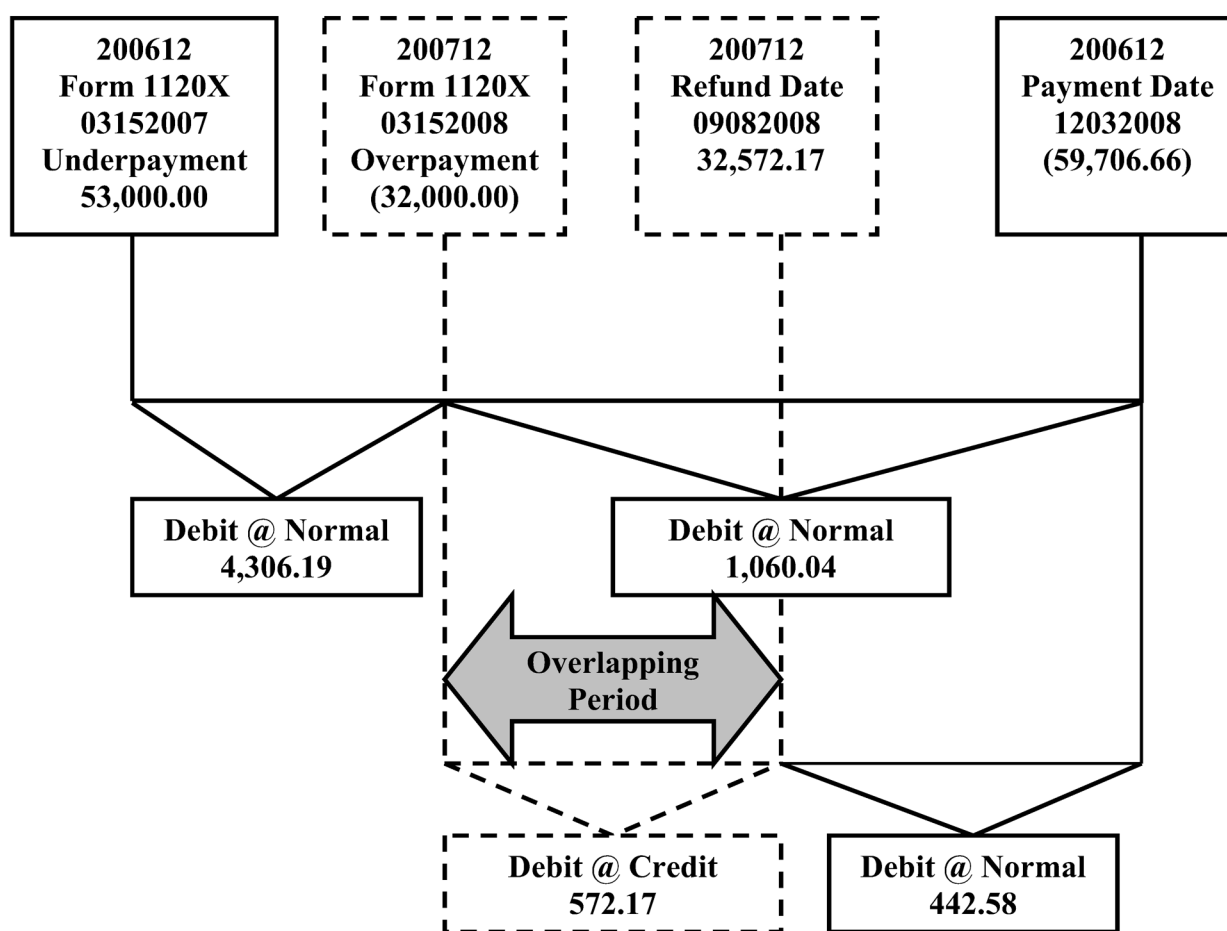


Figure 20.2.14-11 Figure 20.2.14-11 Hunter Corporation Overlapping Period Time Line

- Underpayment interest begins on 03152007, which is **prior** to the date interest begins on the overpayment **and** the beginning of the overlapping period of 03152008.
- Since interest has not yet accrued on the overpayment amount as of the **beginning of the overlapping period**, the amount of the underpayment subject to the net rate (at the **beginning of the overlapping period**) equals only the principal overpayment amount of \$32,000.

(3) Interest on the underpayment is computed as follows:

- a. Underpayment interest at the normal rate is computed from 03152007 to 03152008 to determine the balance due as of the beginning of the overlapping period.
- b. When the underpayment amount is greater than the overpayment amount (as of the beginning of the overlapping period), separate the amount of underpayment subject to the net rate from the underpayment amount charged interest at the prevailing rate.

**Note:** The separation is performed automatically by the ACT/DMI software.

Interest Computation Breakdown	
\$53,000.00	03152007 to 03152008 (normal underpayment rate) = 4,306.19
<u>4,306.19</u>	Add accrued interest at the normal underpayment rate.**
57,306.19	Underpayment balance on 03152008
<u>(32,000.00)</u>	Subtract the amount of underpayment equal to the available overpayment on 03152008 (beginning of the overlapping period) which will accrue underpayment interest at the net (overpayment) rate from 03152008 to 09082008 (refund schedule date of 09172008, less the 9-Day back-off period).
25,306.19	Equals the underpayment amount that will continue to accrue interest at the underpayment rate from 03152008 to 12032008.
<u>1,060.04</u>	Add accrued interest at the normal underpayment rate**
\$26,366.23	Balance due on 12032008

Net Rate Interest Computation	
\$32,000.00	03152008 to 09082008 (net rate period)
<u>572.17</u>	Add accrued underpayment interest at the overpayment rate**
32,572.17	Balance due on 09082008
<u>442.58</u>	Add accrued interest at the normal underpayment rate from 09082008 to 12032008**
\$33,014.75	Balance due on 12032008
Interest previously assessed	\$6,706.66

Net Rate Interest Computation	
**Add all interest amounts above (**) to equal the total interest after netting	<u>6,380.98</u>
Net Rate Adjustment or Netting Benefit (TC 341)	(325.68)

**Reminder:** Allow statutory overpayment interest (as appropriate) on the net rate adjustment amount that will be refunded or offset.

- (4) The next example illustrates how to apply the net rate when the underpayment interest computation and the beginning of the overlapping period start **after** interest begins to accrue on the overpayment. In addition, the example illustrates how the underpayment interest computation is made factoring in the net rate to arrive at the interest due on the unprocessed underpayment.

**Example:** Stetson Corporation received a refund of an overpayment in the amount of \$9,200.00 plus \$1,537.99 in interest on August 18, 2008, from its 200512 Form 1120. On November 21, 2008, Stetson Corporation also signed an agreement for a 200612 Form 1120 tax underpayment of \$27,000.00. The underpayment has not been processed and the corporation requests a net rate adjustment on the 200612 return based on the 200512 overpayment.

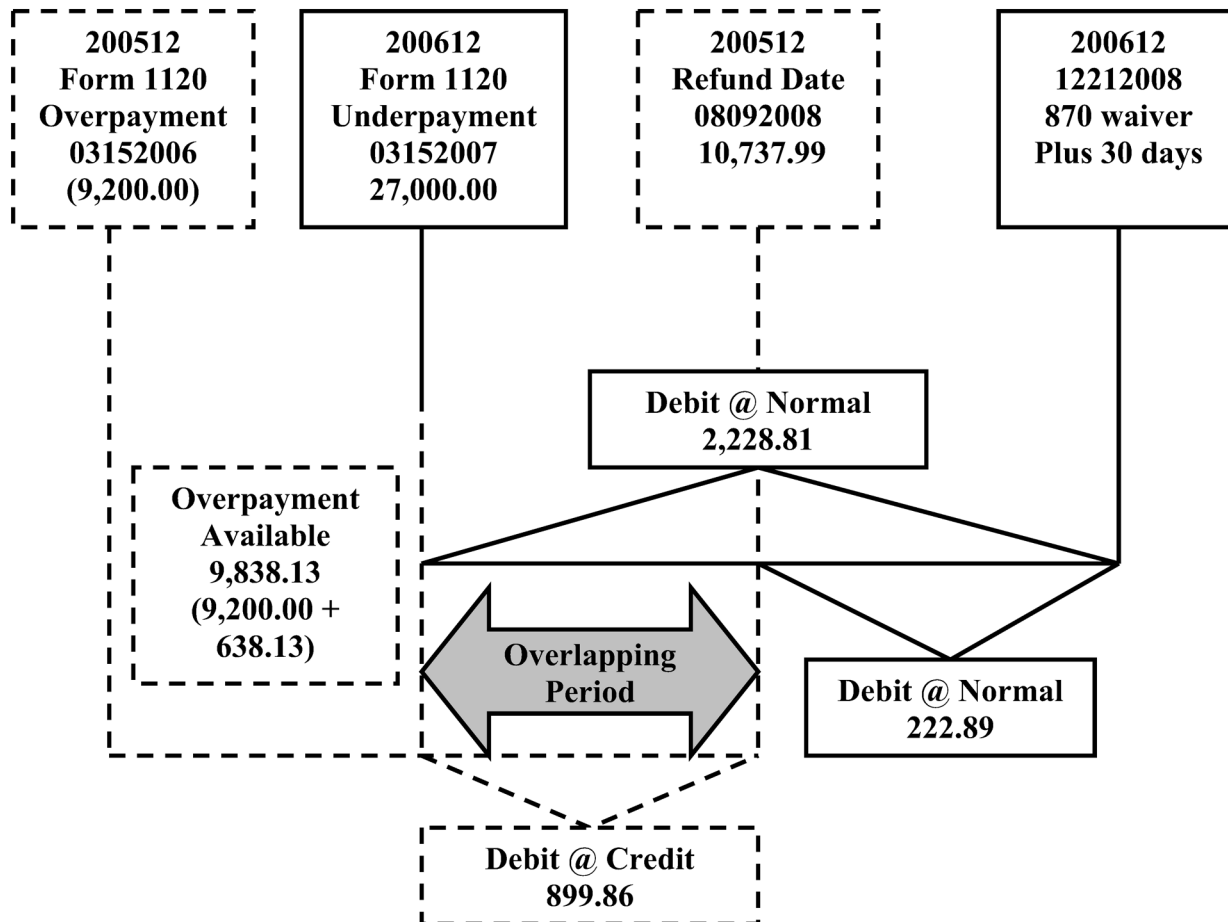


Figure 20.2.14-12 Figure 20.2.14-12 Stetson Corporation Overlapping Period Time Line

- Overpayment interest begins on 03152006, which is prior to the date interest begins on the underpayment and the beginning of the overlapping period of 03152007.
- Since overpayment interest begins prior to the date interest starts on the underpayment, the amount of underpayment subject to the net rate equals the **available overpayment amount** of \$9,200.00 **plus** the overpayment interest of \$638.13 that has accrued to 03152007 (the beginning of the overlapping period).

Interest Computation Breakdown Prior to the Overlapping Period	
\$9,200.00	03152006 to 03152007 (overpayment) = 638.13
638.13	Add accrued interest at the overpayment rate
9,838.13	Available overpayment amount that is equal to the underpayment that will be charged interest at the net (overpayment) rate as of the beginning of the overlapping period.

- (5) Interest on the underpayment is computed as follows:

<b>Interest Computation Breakdown on the Unnetted Portion</b>	
\$27,000.00	Underpayment due 03152007
<u>9,838.13</u>	Subtract the amount of underpayment equal to the available overpayment on 03152007 (beginning of the overlapping period) which will accrue underpayment interest at the net (overpayment) rate from 03152007 to 08092008 (refund schedule date of 08182008, less 9-Day back-off).
17,161.87	Equals the underpayment amount that will accrue interest at the prevailing rate from 03152007 to 12212008.
<u>2,228.81</u>	Add accrued interest at the prevailing underpayment rate**
19,390.68	Balance due on unnetted portion to 12212008 (IRC 6601(c) suspension)

<b>Net Rate Interest Computation</b>	
\$9,838.13	03152007 to 08092008 (net rate period)
<u>899.86</u>	Add accrued underpayment interest at the overpayment rate**
10,737.99	Balance due that continues to accrue underpayment interest at the prevailing rate from 08092008 to the 12212008 interest ending date.
<u>222.89</u>	Add accrued underpayment interest at the prevailing rate**
\$10,960.88	Balance due on the netted portion to 12212008 (870 waiver + 30 days)
**Total Interest Due (**) with Netting	\$3,351.56 (2,228.81 + 899.86 + 222.89)
Interest Previously Assessed	<u>.00</u>
Net Rate Adjustment (TC 340)	\$3,351.56

- (6) When a net rate adjustment is made to an underpayment year (for which payments or credits had previously been made), applying the net rate causes the balance due to decrease. Since the former balance due is decreased, this results in a lesser amount of the previous payments or credits being needed to pay the revised balance due. Any "excess" payments or credits are an over-



payment available for refunding or offset to another year's tax liability. The resulting overpayment may be available to use for a future net rate adjustment.

20.2.14.6.4.5

(02-01-2017)

**Determine the Net Rate Adjustment Amount to Overpayment Interest**

- (1) Net rate adjustments are generally made to the underpayment period. When the taxpayer files a request and the underpayment period of limitations is expired, the net rate adjustment is made to the overpayment period. However, the six-year period for refunding of overpayment interest must be open at the time the request is filed. See IRM 20.2.14.6.6 and subsections for additional information.
- (2) Applying the net rate to an overpayment period follows the same methodology as applicable to an underpayment period. The net rate is applied by allowing overpayment interest on the amount of the overpayment that is equal to the underpayment (plus accrued interest, as applicable) as of the beginning of the overlapping period.
- (3) The example below illustrates how to apply the net rate to the overpayment period when the underpayment period status is USE but the overpayment period is open.

**Example:** The Henry Corporation filed a 200612 Form 1120X and fully paid the underpayment of \$53,000.00 plus interest of \$5,617.29 on August 3, 2008. On June 2, 2008, Henry Corporation filed a Form 1120X claiming an overpayment of \$32,000.00 from its 200712 tax return, which was refunded with interest on September 17, 2008. The taxpayer filed a net rate request on December 31, 2010.

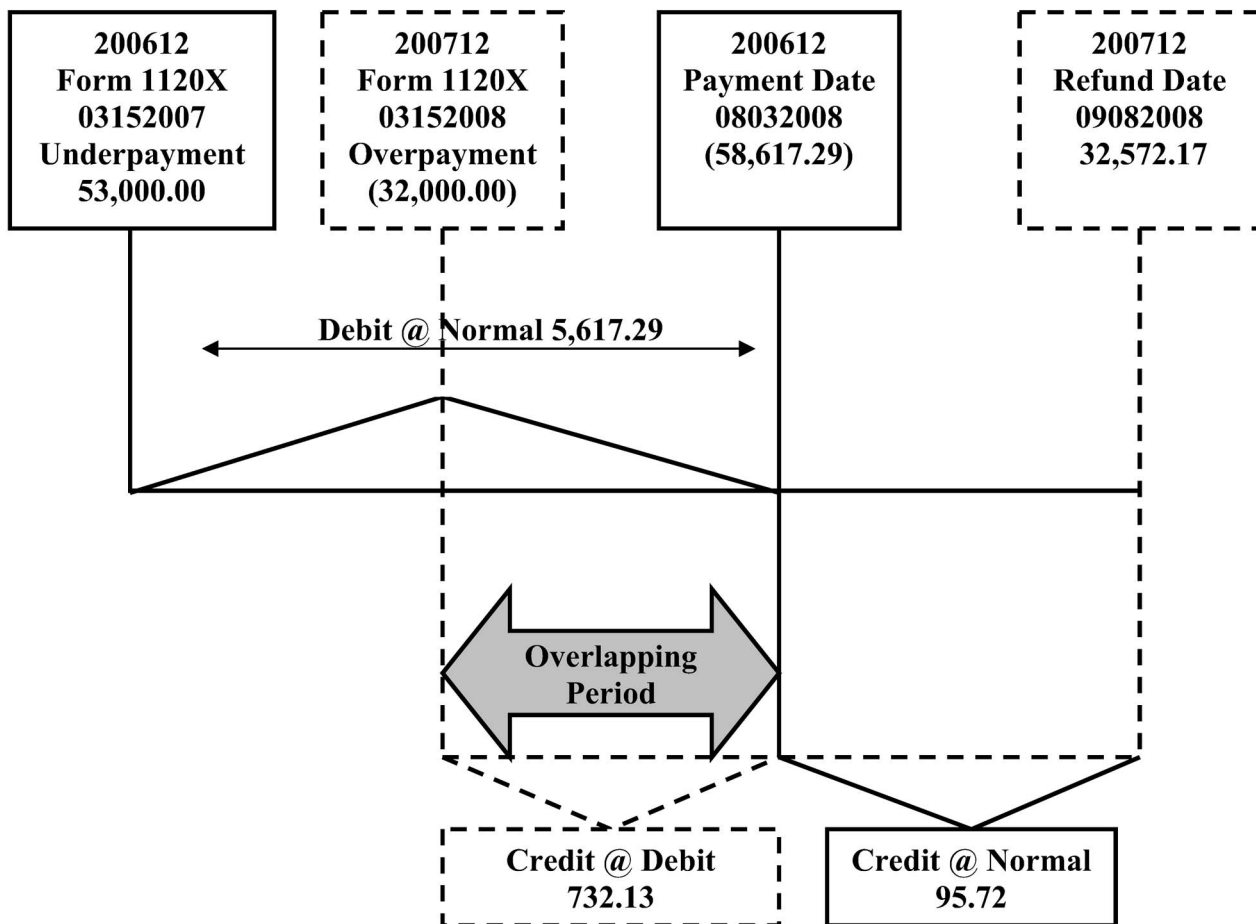


Figure 20.2.14-13 Figure 20.2.14-13 Henry Corporation Overlapping Period Time Line

- (4) Interest on the overpayment is computed as follows:

Since the period of limitations on the underpayment period has expired, overpayment interest will be computed at the underpayment interest rate during the overlapping period. Any overpayment that was created as a result of applying the net rate during the overlapping period will be allowed overpayment interest at the prevailing rate to the refund schedule (23C) date, less the 9-Day back-off period. See IRM 20.2.4.7.1.1, **Systemic Refund Dates for IMF and BMF**, for an explanation of the refund back-off period.

Net Rate Interest Computation	
\$32,000.00	03152008 to 08032008 (net rate period)
<u>732.13</u>	Add overpayment interest at the underpayment interest rate
32,732.13	Available credit on 08032008
95.72	Add accrued overpayment interest at the prevailing rate to 09082008

Net Rate Interest Computation	
32,572.17	Amount refunded on 09172008 with 9-Day back-off to 09082008
255.68	Available credit at 09082008
.16	Add accrued overpayment interest at the prevailing rate from 09082008 to 09172008.
255.84	Overpayment available for refund or offset as of 09172008.
TC 770 is \$255.84	Plus overpayment interest at the prevailing rate to the current 23C minus the appropriate back-off period.

**Reminder:** Ensure overpayment interest (as appropriate) is allowed on the net rate adjustment amount that will be refunded or offset from the available overpayment date.

20.2.14.6.5  
(02-01-2017)  
**Unnetted Interest  
Computation Period(s)**

- (1) When a net rate computation is made during an overlapping period, the amount of overpayment or underpayment (that is allowing the net rate adjustment to be made) may not be completely used for that period. The part of an interest computation period and the amount of overpayment or underpayment that is not used to make a net rate adjustment on a tax year is considered the “**unnetted**” portion. An unnetted period or amount can also occur outside of the overlapping interest computation period (i.e., when an underpayment or overpayment accrues interest before the overlapping period, netting does not occur during that time frame, so an unnetted period and amount also exists).
  - If another tax year’s interest computation period overlaps with a remaining “**unnetted**” period and amount, a net rate adjustment may be made to the underpayment and or overpayment interest based on that remaining unnetted period and amount.

**Reminder:** Consideration must still be given to whether the period of limitation remains open for the unnetted period and amount to allow another net rate adjustment.

- (2) When the net rate is applied to underpayment interest that has been paid, interest is allowed on the overpayment of underpayment interest as appropriate from the date of the overpayment to the refund schedule date or liability due date (if offset). This interest period creates an overpayment period that may later be used to apply the net rate against another underpayment period.
- (3) The time line in Figure 20.2.14-14, illustrates that the overpayment interest period (from 03152007 to 01012008) was not completely used. Only part of the computation period was used for the net rate adjustment, from 03152007 to 07072007. The part of the overpayment computation period **not used** for the net rate adjustment runs from 07072007 to 01012008. The period from 03152006 to 03152007 is also not used for the net rate adjustment. These time frames are both **unnetted** computation periods.

- If a subsequent adjustment occurs for another tax year and the underpayment interest computation period overlaps with any remaining unnetted computation period(s), a net rate adjustment may be made during these unnetted time frames.
- In addition to reflecting the unnetted computation period(s), the amount of overpayment or underpayment available for use for another net rate adjustment must also be determined. This amount is shown in the interest computation source documents.

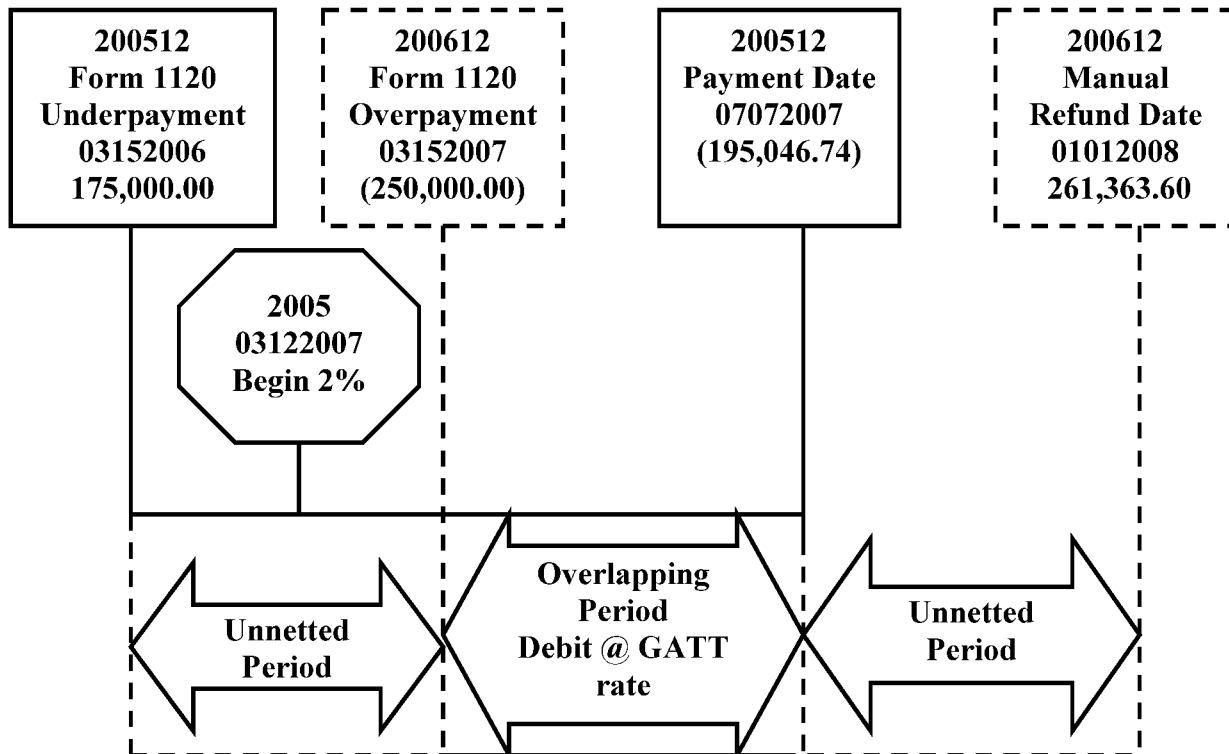


Figure 20.2.14-14 Figure 20.2.14-14 Time Line Illustrating Unnetted Periods and Amounts

- (4) To determine the unnetted amount that is available for use for a future net rate adjustment, identify the amount of overpayment or underpayment at the beginning of the unnetted period that was not used for the net rate adjustment as follows:
- As of the end of the overlapping period (which is the beginning of the unnetted period when an unnetted amount and period exists), determine the **total** overpayment or underpayment amount **plus** accrued interest that is available for netting during the overlapping period.
  - Subtract from this amount, the overpayment or underpayment **plus** accrued interest that **was used** for the net rate adjustment.
  - The difference represents the balance of overpayment or underpayment **plus** accrued interest that **was not used** for the net rate adjustment. This is the amount of unnetted overpayment or underpayment **plus** accrued interest that is available for another net rate adjustment.
  - When an underpayment or overpayment accrues interest **before** the overlapping period, the amount of overpayment or underpayment as of

the **beginning** of that computation period is the unnetted amount available for another net rate adjustment.

- (5) The time line illustrates that the net rate was not applied on the underpayment from 03152006 to 03152007. Therefore, 03152006 to 03152007 also represents the unnetted underpayment period. The unnetted amount represents the underpayment of \$175,000 as of the beginning of this unnetted period. If another overpayment overlaps this unnetted period, and a timely request is filed, the net rate can be applied to the \$175,000 from 03152006 to 03152007.
- (6) Refer to the following exhibits for additional information:
  - Exhibit 20.2.14-6, *Special Net Rate Interest Computations – More than One Overpayment Period.*
  - Exhibit 20.2.14-7, *Special Net Rate Interest Computations – Overlapping Amount Completely Used.*
  - Exhibit 20.2.14-9, *Net Rate Interest Computation – Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount.*

20.2.14.6.6  
(02-01-2017)  
**ACT/DMI “Netting Status” (Open, Closed, Use, Unsettled)**

- (1) In order for the ACT/DMI software to accurately apply the statute rules to net rate computations, the appropriate “Netting Status” must be determined and entered for the underpayment interest (“Underpay”) and the overpayment interest (“Overpay”) on each tax module involved in the computation. The available “Netting Status” designations for “Underpay” (underpayment interest decrease), and “Overpay” (overpayment interest increase) are: “**OPEN**,” “**CLOSED**,” “**USE**,” and “**UNSETTLED**.”
- (2) See IRM 20.2.14.6.6.1 and IRM 20.2.14.6.6.2 which provide information on determining the ACT/DMI netting statuses for pre-enactment and post-enactment interest. The information is presented in a question and answer format to promote ease in making the status determinations.

The screenshot shows the 'Edit Selected Module' screen in the ACT/DMI software. The 'Netting Status/Other' tab is selected, displaying fields for 'Underpay' and 'Overpay'. Both dropdown menus are currently set to 'Open'. To the right of these fields are checkboxes for 'All Dates' and 'OL Control'. Two callout boxes with arrows point to the dropdown menus: one says 'Select netting status here.' and the other says 'Then click save.' The screen also features a header bar with the title 'Edit Selected Module' and a 'Comments Only' checkbox, and a bottom section with tabs for 'Module Summary', 'Netting Status/Other', and 'GATT/LCU'.

Figure 20.2.14-15 ACT/DMI Edit Selected Module Screen with “Netting Status”

20.2.14.6.6.1  
(02-01-2017)  
**Determine the “Netting Status” for Credit or Refund of Underpayment Interest**

- (1) This section provides information on how to determine the ACT/DMI netting status based on pre-enactment and post-enactment interest periods. The information is provided in a question and answer format to allow a determination on the applicable ACT/DMI netting status.
- (2) Does the request involve netting **ANY** underpayment interest that accrued before October 1, 1998 (Pre-enactment interest)?
  - If NO, see IRM 20.2.14.6.6.1.1, *Determine the “Netting Status” for Underpayment Interest — Post-enactment (Interest Accruing On or After October 1, 1998)*, to determine whether the status is OPEN or USE for the **entire** tax period.
  - If YES, see IRM 20.2.14.6.6.1.2, *Determine the “Netting Status” for Underpayment Interest — Pre-enactment (Interest Accruing Before October 1, 1998)*, to determine whether the tax period must be split into separate modules, and determine whether the status is OPEN, USE or CLOSED for each module.

20.2.14.6.6.1.1  
(02-01-2017)  
**Determine the “Netting Status” of Underpayment Interest — Post-enactment (Interest Accruing On or After October 1, 1998)**

- (1) When the request does **not** involve pre-enactment interest:
  - (A) Was the request filed within 3 years from the filing date of the original tax return?
    - **YES** — The underpayment netting status for the entire tax year or module is “**OPEN.**”. However, the amount of credit or refund may not exceed the portion of the tax paid within the period immediately preceding the filing of the request equal to three years **plus** the period of any extension of time for filing the return. See IRC 6511 (b)(2)(A).  
  
**Note:** Pre-payment credits are considered paid on the return due date for this purpose.
    - **NO** — See Paragraph (B) below.
  - (B) Are there any payments or credits on the module dated within two years immediately preceding the filing of the request (i.e., two years from the **payment date** of a TC 610, TC 650, TC 670 etc., two years from the **cycle date** of a TC 700, TC 706, TC 730, TC 736, or if a 6603 deposit or cash bond, two years from the date the deposit or bond is converted to a payment of tax)?  
  
**Note:** Carryback credits (TC 295, TC 299, TC 305, TC 309) are not considered when making this determination. A carryback credit is not a payment for purposes of the 2-year look back period under IRC 6511(b)(2)(B).
    - **YES** — The underpayment netting status for the entire tax year or module is “**OPEN.**” However, the amount of refund or credit may not exceed the portion of the tax that was paid within the two year period immediately preceding the filing of the request. See IRC 6511(b)(2)(B).
    - **NO** — See Paragraph (C) below.
  - (C) Was an agreement made between the taxpayer and the IRS to extend the period of time for assessment (i.e., Form 872, *Consent to Extend the Time to Assess Tax*), and has the taxpayer filed the request within 6 months of the expiration of the extended ASED?

- **YES** — The underpayment netting status for the entire tax year or module is **“OPEN”**. However, the amount of credit or refund may not exceed the portion of the tax paid after the execution of the agreement and before the filing of the request, plus the portion of the tax that would have been open under the two or three year period of limitations as described in Paragraphs (A) and (B) above, if a request had been filed on the date the agreement was executed. See IRC 6511(c)(2).
- **NO** — See Paragraph (D) below.

(D) If you answered **NO** to questions (A), (B), and (C) above, the underpayment netting status of the entire tax year or module is **“USE.”**

**Caution:** A refund or credit of underpayment interest cannot be made. However, the underpayment period may be used to equalize any **“OPEN”** overpayment.

20.2.14.6.6.1.2  
(02-01-2017)

**Determine the “Netting Status” for Underpayment Interest – Pre-enactment (Interest Before October 1, 1998)**

- (1) Examine each payment or credit on the module and ask - Was the underpayment period of limitations **“OPEN”** as of July 22, 1998 (the date of enactment)? The term “open” includes periods of limitations that have not expired or started running as of July 22, 1998.
  - a. YES, because the original tax return was filed on or after **July 22, 1995** (IRC 6511(b)(2)(A)). Go to paragraph (b) below.
  - b. YES, because the only payments or credits were made on or after July 22, 1996. If it is an offset credit (TC 700, TC 706, TC 730, etc.), the 2-year rule is based on the cycle. Cycle 9630 or later (IRC 6511(b)(2)(B)). Go to Question B below.
  - c. YES, because an agreement to extend the time for assessment expired on January 23, 1998, or (IRC 6511(c)(2)). Go to Question B below.
  - d. NO, because (1) the return was filed before July 22, 1995; (2) all payments or credits were made before July 22, 1996; and (3) any agreements to extend the time for assessment expired before January 23, 1998. The underpayment netting status of the **entire** tax period or module is **CLOSED**. Adjust ACT/DMI accordingly to prevent netting of statute barred underpayment interest.
  - e. **UNCLEAR**, because payments or credits were made both before July 22, 1996 and after July 22, 1996. In this type of case, split the underpayment year into two separate modules if the later payment(s) was made after July 22, 1998. If the year is split, the separate module containing the payment(s) or credit(s) made prior to July 22, 1996 will be **CLOSED**. The status of the separate module containing the remaining payment(s) or credit(s) will be evaluated under Question B below.

**Example:** (Split Modules Required) - The tax year is 1992 and the return was filed on March 15, 1993. There is an underpayment in the amount of \$1,000,000.00 as of March 15, 1993. The taxpayer made a \$ 500,000.00 payment on February 1, 1996. The taxpayer made a second payment of \$500,000.00 on February 1, 2000. The taxpayer filed an interest netting request on January 15, 2002. As of July 22, 1998, the period of limitations for claiming a refund had expired, because the February 1, 1996 payment had been made more than two years before that date. The 1992 tax year must be split into two separate



modules. Module 1 will run from March 15, 1993 to February 1, 1996 and include the \$500,000.00 liability that was satisfied by the 1996 payment. Module 1 is CLOSED and cannot be netted. Module 2 will run from March 15, 1993, and include only the \$500,000.00 liability that was satisfied by the February 1, 2000 payment. To determine the netting status of Module 2, go to Question B below.

**Example:** (Split Modules Not Required) The underpayment tax period is 1993 and the return was filed March 15, 1994. The tax reported on the return was satisfied with payments dated April 25, 1994 and August 1, 1996. The request for pre-enactment interest netting was filed December 14, 1999. The underpayment does not need to be split into two separate modules. As of July 22, 1998, the period of limitations for claiming a refund had not expired, due to the payment made on August 1, 1996, which is less than two years prior to July 22, 1998. To determine the netting status of the 1993 underpayment year, go to Question B below.

- (2) QUESTION B - Designate either the entire tax year or the separate module as OPEN, CLOSED OR USE.
- (3) Was the request filed by December 31, 1999?
  - a. If YES, then the underpayment netting status is **"OPEN"**.
  - b. If NO, was the refund period of limitations open for the year when the netting request was filed?
- (4) If YES, then the netting status of the underpayment year or the separate module is **"OPEN."**
- (5) If NO, then the netting status of the underpayment year or the separate module is **"USE."** A refund or credit of underpayment interest cannot be made. However, the underpayment period may be used to equalize an **"OPEN"** overpayment on another tax module. See Rev. Proc. 99-43, section 4.04(2) and Rev. Proc. 2000-26, section 4.03(2).

**Caution:** When an underpayment period or module is designated OPEN, the amount of credit or refund may not exceed the portion of the tax paid:

- If NO, then the netting status of the underpayment year or the separate module is **"USE."** A refund or credit of underpayment interest cannot be made. However, the underpayment period may be used to equalize an **"OPEN"** overpayment on another tax module. See Rev. Proc. 99-43, section 4.04(2) and Rev. Proc. 2000-26, section 4.03(2).
- (6) When an underpayment period or module is designated OPEN, the amount of credit or refund may not exceed the portion of tax paid:
    - a. Within the period immediately preceding the filing of the request equal to 3 years plus the period of any extension of time for filing the return (IRC 6511(b)(2)(A)); or
    - b. Within the two-year period immediately preceding the filing of the request IRC 6511(b)(2)(B)); or



- c. After the execution of an agreement to extend the time for assessment and before the filing of the request for netting, plus the portion of the tax that would have been open under the two or three year period of limitations as described in IRC 6511(b)(2)(A) or IRC 6511(b)(2)(B), if a request had been filed on the date the agreement was executed.

**Example:** 1 - The underpayment year is 1993 and the return was filed March 15, 1994. Therefore, the 3-year limitations period expired March 15, 1997. The taxpayer made a payment on January 1, 1996 (2-year limitations expired January 1, 1998). The taxpayer made a subsequent payment on January 1, 2000 (2-year limitations period expired January 1, 2002). The request for pre- and post-enactment interest netting was filed on December 1, 2011. For net rate purposes, the 1993 tax year must be split into two modules. The module containing the January 1, 1996 payment and the liability satisfied by that payment, is "CLOSED". The module containing the January 1, 2000 payment, and the liability satisfied by that payment, is "USE".

**Example:** 2 - The facts are the same as in Example 1, except there is no payment dated January 1, 2000; the payment dated January 1, 1996 is dated August 1, 1996; and the netting request was filed by December 31, 1999. Because all payments were made on or after July 22, 1996 (July 22, 1998 minus the 2-year look-back period), tax year 1993 is OPEN for purposes of applying the net rate.

**Example:** 3 - The underpayment year is 2005 and the return was filed March 15, 2006 (3-year limitations period expired March 15, 2009). The taxpayer made a payment of \$500.00 on May 1, 2009 (2-year limitations expired May 1, 2011). The taxpayer made a subsequent payment of \$100.00 on August 1, 2012. A request for post-enactment interest netting was filed on July 1, 2013. For net rate purposes, tax year 2005 is OPEN. The amount of the refund is limited to the amount of the August 1, 2012 payment. If the amount of the netting benefit exceeds \$100.00 and the status of the overpayment is OPEN, then the full adjustment is made on the overpayment side as additional overpayment interest. This is accomplished by designating the underpayment year or module as USE. If the netting benefit exceeds \$100.00 and the status of the overpayment side is USE, then the adjustment is made on the underpayment side as a refund of \$100.00 in underpayment interest. The status designation of the underpayment year or module is maintained as OPEN.

20.2.14.6.6.2  
(02-01-2017)

**Determine the "Netting Status" for Credit or Refund of Overpayment Interest**

- (1) Each overpayment within a tax module or period must be evaluated separately to determine if it is "OPEN", "USE" or "CLOSED" under the 6-year period of limitations. If the tax year or module contains no overpayment interest, the ACT/DMI status does not matter. Any status may be input as there is no overpayment interest to net. The questions in the following paragraphs must be answered to determine the netting status for credit or refund of overpayment interest.
- (2) Was the request received within six-years from the date of scheduling of the overpayment? (This is generally the 23C date of the TC 840 or TC 846, and the cycle date of TC 820 or TC 826).

- **YES** — The overpayment netting status is “**OPEN**.” Additional interest may be allowed on the overpayment in which the period of limitations is open. See Title 28 U.S.C. *sections 2401 and 2501*, and IRC 6407.
  - **NO** — Go to Paragraph (3).
- (3) If the status of the overpayment cannot be designated as “**OPEN**” based on the criteria in Paragraph (2) above, does the request involve overpayment interest that accrued before October 1, 1998 (pre-enactment interest)?
- **NO** — The status of any overpayment where interest accrued solely on or after October 1, 1998 is “**USE**”. A refund or credit of interest attributable to the overpayment may not be made. However, an overpayment with **USE** status may be used to equalize an **OPEN** underpayment period or module.
  - **YES** — Go to Paragraph (4)
- (4) Was the 6-year period of limitations “**OPEN**” for the specific overpayment as of July 22, 1998?

**Note:** The term “open” includes periods of limitations that have not expired or have not started running as of July 22, 1998. For a refund (TC 840, TC 846), the scheduling date of the refund must be **July 22, 1992 or later**. For an offset (TC 820, TC 826), the 6-year rule is based on the cycle (**Cycle 9230 or later**.) See Title 28 U.S.C. *sections 2401 and 2501*, and IRC 6407.

(a) **NO** — The netting status of the specific overpayment is “**CLOSED**” for pre-enactment interest netting. Adjust ACT/DML accordingly to prevent the calculation of any statute barred overpayment interest.

(b) **YES** — **Was the request filed by December 31, 1999?**

- (i) If **YES** — The netting status of the specific overpayment is “**OPEN**”. Allow additional overpayment interest. See Rev. Proc. 99-43, section 4.02(3).
- (ii) If **NO** — The netting status of the specific overpayment is “**USE**”. No refund or credit of overpayment interest can be made. However, the overpayment may be used to equalize an “**OPEN**” underpayment period or module. See Rev. Proc. 99-43, sections 4.04(1) and (2) and Rev. Proc. 2000-26, sections 4.03(1) and (2).

**Example:** 1 - The tax period is 1991. Overpayments were scheduled on March 1, 1992 and March 1, 1999. The underpayment period to be netted was open as of July 22, 1998. A request for pre- and post-enactment interest netting was filed on September 2, 2000. For net rate purposes, interest attributable to the March 1, 1992 overpayment is **CLOSED**. Interest attributable to the March 1, 1999 overpayment is **OPEN**. The overpayment year must be split into two modules to reflect these separate statuses.

**Example:** 2 - The facts are the same as in Example 1, except the overpayment scheduled on March 1, 1992 was scheduled August 1, 1992. For net rate purposes, interest attributable to the August 1, 1992 overpayment is **Use**. Interest attributable to the March 1, 1999 overpayment is **OPEN**. If the netting request had been filed by December 31, 1999, interest attrib-

utable to the August 1, 1992 overpayment would also be **Open** and there would be no need to split the overpayment year into two separate modules.

**Example:** 3 - The tax period is 2004. Overpayments were scheduled on May 1, 2005 and May 1, 2007. A request for post-enactment interest netting was filed on June 1, 2011. For net rate purposes, interest attributable to the May 1, 2005 overpayment is **USE**. Interest attributable to the March 1, 2007 overpayment is **OPEN**. The 2004 overpayment year must be split into two modules to reflect the separate statuses.

20.2.14.6.6.3  
(02-01-2017)  
**Determine “Unsettled”  
Netting Status**

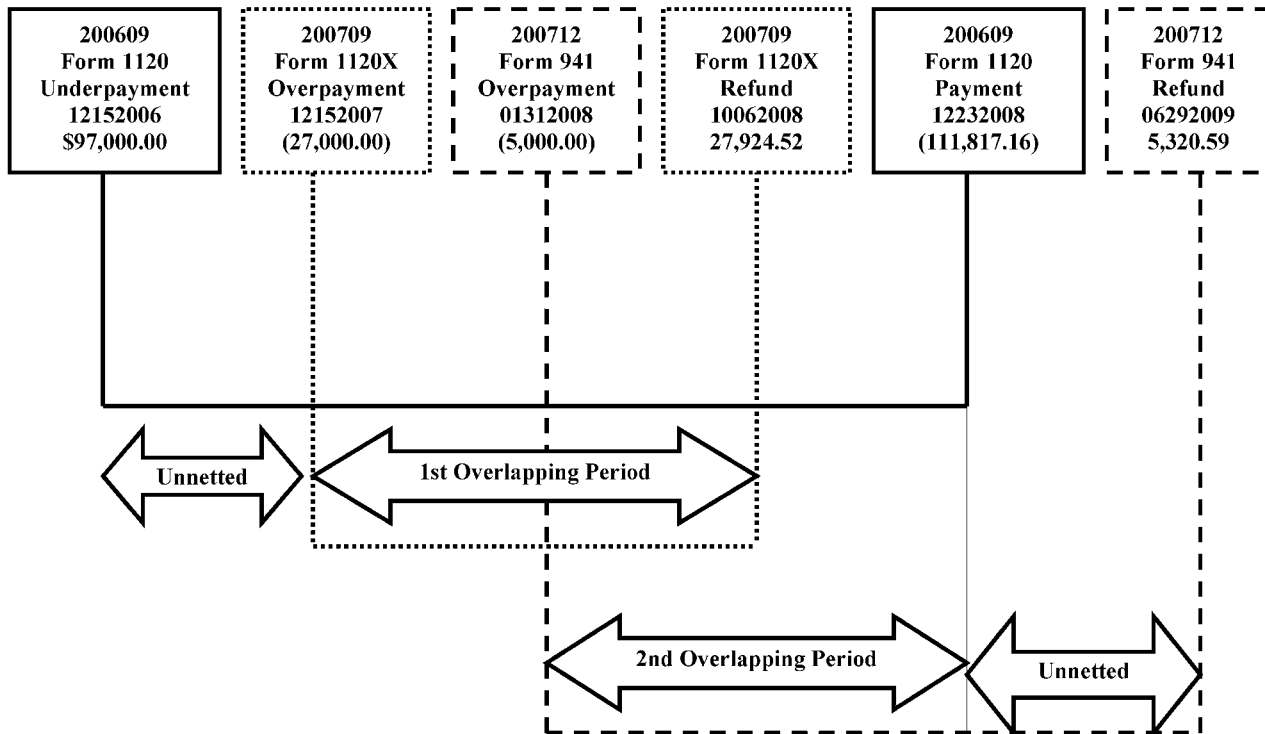
- (1) The **“UNSETTLED”** status is intended to be selected when there are module balances, either underpayments or overpayments. ACT/DMI will automatically offset overpayments to any outstanding underpayments provided there is a benefit to the taxpayer from offsetting. These offsets are shown on the ACT/DMI reports to suggest how the offsets or credit transfers should be done. *The ACT/DMI software does not perform the actual offsets or credit transfers on IDRS or Master File. See IRM 20.2.14.6.8, for information on offsets.*

20.2.14.6.7  
(02-01-2017)  
**Net Rate Adjustments  
Involving More Than  
Two Tax Periods**

- (1) There will be occasions where multiple tax periods are involved in a net rate adjustment that can result in more than one overlapping or net rate period.
- (2) There can be multiple overlapping periods that cannot be used in making a net rate interest adjustment.

**Note:** An overlapping period may not be used to the extent it involves an overpayment that was issued **without** interest.

**Example:** On September 30, 2009, Garfield Incorporated filed a request to have the net rate applied to Form 1120 for tax year 200609. On December 23, 2008, Garfield Inc. agreed to, and fully paid, an underpayment of \$97,000.00 for its 200609 Form 1120. A \$27,000.00 overpayment was allowed for Garfield Inc.’s Form 1120 for 200709, based on an amended return. A refund with interest was issued on October 15, 2008. On April 3, 2009, an audit of the taxpayer’s Form 941 for the fourth quarter of 2007 determined an IRS-initiated overpayment of \$5,000.00, which was refunded with interest on August 22, 2009. See Figure 20.2.14-16, Garfield Incorporated Overlapping Period Time Line.



**Figure 20.2.14-16 Garfield Incorporated Overlapping Period Time Line**

- 200609 Form 1120 underpayment period is from 12152006 to 12232008 (normal corporate rate).
- 200709 Form 1120X overpayment period is from 12152007 to 10062008 (normal and GATT rate).
- 200712 Form 941 overpayment period is 01312008 to 06292009 (Refund date minus 54-Day back-off period at the corporate overpayment rate).
- First overlapping period is 12152007 to 10062008.
- Second overlapping period is 01312008 to 12232008.
- Unnetted overpayment period remains from 12232008 to 06292009 based on the 200712 Form 941 overpayment.
- Unnetted underpayment period remains from 12152006 to 12152007 based on the 200609 Form 1120 underpayment.

**20.2.14.6.8**  
(02-01-2017)  
**Offset Methodology**

- (1) Whenever possible [except as stated in IRM 20.2.14.6.8 (3), offset a credit against a liability. When an underpayment and an overpayment are processed concurrently, offsets will take place systemically if no restrictions exist on the modules involved with the offset. If Master File restrictions do not allow systemic offset, the offset must be made manually.
- (2) See Exhibit 20.2.14-3, *Offset Methodology Examples*, to illustrate the impact of the offset process on the net rate provision.
- (3) To the extent that an underpayment has been partially or fully paid, the liability is not considered to be "outstanding" for purposes of offsetting an overpayment with an earlier availability date.

**Example:** A TC 640 is posted to a 200612 Form 1120 underpayment module on 08262009 (the payment could also be posted with other transaction codes such as TC 670, TC 680, TC 706, etc.), but does not full pay the liability. An overpayment from 200812 later becomes available, and is for an amount greater than the remaining balance due on 200612. Only offset an amount from 200812 to 200612 to fully satisfy the “outstanding” portion of the 200612 liability. Do not offset excess credit on 03152009 that will cause a refund of all or part of the TC 640 dated 08262009. The remaining 200812 overpayment will then be refunded with interest from the 200812 credit availability date.

**Note:** The limitation on the amount offset creates an overlapping period between 03152009 and 08262009. There is no authority to increase the offset amount to avoid the interest rate differential.

20.2.14.6.9  
(02-01-2017)  
**Identifying Modules  
Involved in Net Rate  
Adjustments**

- (1) The following information is available on IDRS to identify a module affected by net rate interest adjustments:

- A TC 34X with a correspondence date of 07221998 (IRC 6621(d) enactment date). This date will appear only if the adjustment was input using IDRS Command Code (CC) ADJ54. It is not input with CC AMCLS.
- A control base closed with the activity code “netrate” and or Control Category INTC.
- Transaction Code 971, Action Code 355 (BMF modules only).
- Accounts Management Services (AMS) [previously Desktop Integration (DI)] can be used to determine if netting occurred and identify the tax periods involved.

**Caution:** The above information may not be present on all affected modules. Regardless of the information that appears on IDRS, the net rate source document(s) must be secured before proceeding with a subsequent adjustment.

- (2) The complexity of net rate adjustments requires extensive documentation of the facts used to make the computation. In addition, all interest computations described in IRM 20.2.14.6.10 must be included with the work papers for **each** tax period involved with the net rate request. The relevant ACT/DMI computation reports and the information they contain that is specific to net rate interest adjustments are described as follows:

- a. **ACT/DMI Report 020 - Principal and Interest Adj. Summary** -The “Computed Individual Modules” section of the ACT/DMI Report 020 summarizes the results of all modules **without net rate interest netting**, while “Computed Modules with Netting”, shows the modules **after netting** has taken place. The “Deficiency Interest,” “Overpayment Interest,” and “Principal” columns correspond to the “Adjustment” columns in the final sections of the **pre-** and **post-**netting Reports 490. The “Netting Benefit” that appears in the lower right hand corner of the ACT/DMI Report 020 is the difference between the “Total” columns in the top and bottom sections of the report.
- b. **ACT/DMI Report 490 Activity Summary** - This report header does not differ from the non-netting report. However, the module’s underpay or overpay status (open, use, or closed) in the upper right hand corner is sig-

nificant for net rate purposes. When Report 490 is created based on the net rate, it will differ from a single module report because of the transactions added as a result of the netting adjustment(s). The netting transactions, numbered in the 1500 and 1600 series, are unique numbers to the ACT/DMI program and do not correspond to any actual transaction codes found on IDRS transcripts. The first section of the report will show all the transaction numbers with their descriptions, while the second section of the report will show how the transactions were used in the net rate computation. The transaction numbers themselves will not be displayed in the second section, but their effect upon the computation will appear with the letters "NR" for net rate (e.g., NR underpay @ GATT, NR overpay @ underpay, etc.), and correspond to the overlapping periods and amounts on the Report 530. The third and final section on this report shows the total overpayment and underpayment interest with "Adjustment" column figures that correspond to the amounts of the second section of the Report 020.

- c. **ACT/DMI Report 530 Adjustments/Positions** - This report is used to show the net rate information (see Exhibit 20.2.14-6, and Exhibit 20.2.14-7). The Report 530 shows:
- **"N-Amt/Net Rate Amount"** – provides the amount of overpayment or underpayment that the net rate was applied to. The same "N-Amt" information is shown for **each year** involved with the net rate adjustment.
  - **"N-Beg/Beginning Overlapping Period"** - provides the beginning date of the overlapping interest period used in the net rate computation. The same "N-Beg" information is shown on the year that caused the net rate adjustment to be made (usually the overpayment year) and the year on which the net rate adjustment was made (usually the underpayment year).
  - **"N-End/Ending Overlapping Period"** - provides the ending date of the overlapping interest period used in the net rate computation. The same "N-End" information is shown on the year that caused the net rate adjustment to be made (usually the overpayment year) and the year on which the net rate adjustment was made (usually the underpayment year).
  - **"N-MFT/Net Rate MFT"** – provides the Master File Tax Class Code for the return to which the net rate was applied **and** the return that caused the net rate adjustment. On the return to which the net rate adjustment was made, the MFT Code is the return that caused the net rate adjustment to be made. On the return that caused the net rate adjustment, the MFT Code is the return to which the net rate adjustment was made.
  - **"N-Per/Net Rate Tax Period"** - provides the tax period for the return to which the net rate adjustment was made **and** the tax period of the return that caused the net rate adjustment. For the return to which the net rate adjustment was made, the "N-Per" is the return that caused the net rate adjustment to be made. For the return that caused the net rate adjustment to be made, the "N-Per" is the return to which the net rate was applied.
  - **Unnetted** - Provides the tax period(s) and amount(s) that are unnetted. Any portion of the interest computation period **not** used for netting is deemed **unnetted**.

**Note:** Attaching the ACT/DMI Report 530 to net rate adjustment documents replaced the need for the "N-Information" fields on CC ADJ54, so those fields were removed.



20.2.14.6.10  
(02-01-2017)

**Processing Actions for  
Posting Net Rate  
Interest Adjustments**

- (1) Specific actions must be taken to post the required adjustment(s) to **all** tax modules involved with the net rate request.
- (2) When processing a net rate request for abatement or refund and no current tax adjustment activity exists, post the adjustment as follows:

**CC REQ54**

- **Blocking Series (BLK)** – Use BLK 00 if the original return or controlling DLN is included with the adjustment document. If the original or controlling DLN is **NOT** included but needs to be pulled and added to the adjustment, use BLK 18. If the module has an open AIMS base and the documents do not need to be retained, use BLK 05 for IMF cases or BLK 15 for BMF cases.
- **TC 34X** – underpayment Interest Adjustment (TC 340 for “zero” is required if no decrease or increase is applicable). See note below
- **Debit-Int-To-DT** – Input the date underpayment interest is computed to (RDD is used if no underpayment interest exists on that year).
- **TC 770** – Overpayment Interest Adjustment (input is not accepted if interest adjustment amount is zero or is a TC 772). TC 772 can be input as long as the module will be in a balance due status after posting. If the module will be overpaid after the TC 772 posts, consider IRM 20.2.14.6.10(4).
- **Credit-Int-To-DT** – The date overpayment interest is computed to (input is not needed if amount is zero or if TC 772 is input).
- **Correspondence DT** – 07221998 (IRC 6621(d) enactment date).
- **AMD-CLMS-DT** – Received date of the request.
- **Activity CD** – netrate.
- **Hold CD** – 3 (Do not allow a generated notice to be issued to the taxpayer. Send the taxpayer the appropriate letter).
- Attach all appropriate documentation to the adjustment. See IRM 20.2.14.6.10(6).
- **TC 971 Action Code 660** - To identify the module as interest abatement resulting from a net rate adjustment.

**Note:** Even when the net rate adjustment is made to the underpayment year, it is necessary to input a TC 340 with a “zero” amount on all overpayment years involved with the net rate adjustment(s). This action is required to identify all overpayment periods included in the current net rate adjustment so that used overlapping periods may not be used again in a subsequent netting adjustment. If a year contained in the net rate request is unnetted because of no overlapping periods, input a TC 290 for “zero” with Blocking Series 18 to properly identify that the module was not used for a net rate adjustment.

- (3) For tax periods in which current tax adjustment activity exists, there are two types of input formats to consider. Enter the adjustments based on the input format your area uses. A two-step process is required to allow for a notice of adjustment to be issued that does not contain a correspondence date of July 22, 1998.

- a. For **non-Examination** or **non-Appeals** related tax adjustments:

**Step 1:** Input the following information using CC REQ54:

- **BLK** - Use BLK 00 if the original return or controlling DLN is included with the adjustment document. If the original return or controlling DLN is **NOT** included but needs to be pulled and added to the adjustment, use BLK 18. If the module has an open AIMS base and the documents do not need to be retained, use BLK 05 for IMF cases or BLK 15 for BMF cases.
  - **TC 29X** - Tax Adjustment.
  - **TC 34X** – Underpayment Interest Adjustment (TC 340 for “zero” is required if no interest decrease or increase is applicable. See note below).
  - **Debit-Int-To-DT** – Input the date underpayment interest is computed to (RDD if no underpayment interest exists on that year).
  - **TC 770** – Overpayment Interest Adjustment (input is not accepted if interest adjustment amount is zero). A TC 772 can be input if the module will be in a balance due status after posting. If the module will be overpaid after the TC 772 posts, follow procedures in IRM 20.2.14.6.10(4).
  - **Credit-Int-To-DT** – The date overpayment interest is computed to (input is not required if the amount is zero or if TC 772 is input).
  - **Correspondence DT** – Date of the correspondence.
  - **AMD-CLMS-DT** – Received date of the net rate request.
  - If the tax adjustment is an increase of \$100,000 or more, **do not** use a hold code to suppress the adjustment notice.
- Note:** A notice may need to be issued for purposes of triggering the large corporate underpayment (LCU) interest rate.
- Attach all appropriate documentation to the adjustment. See IRM 20.2.14.6.10(6).

**Step 2:** Use CC REQ54 and post delay one cycle the following information:

- **BLK** – 05 or 15.
- **TC 340** - enter “zero”.
- **Debit-Int-To-DT** – Input the same underpayment interest date used in Step 1 above (RDD is used if no underpayment interest is due on that year).
- **Correspondence DT** – 07221998 (IRC 6621(d) enactment date).
- **AMD-CLMS-DT** – request received date.
- **Activity CD** – netrate.
- **Hold CD** – 3.
- **PSTNG-DLAY-CD** – 1.
- Notate in “Remarks” that the “interest computations are attached to the previous interest adjustment made one cycle earlier.”

**Note:** Even when the net rate adjustment is made to the underpayment year, it is necessary to input a TC 340 with a “zero” amount on all overpayment years involved with the net rate adjustment(s). This action is required to identify all overpayment periods included in the current net rate adjustment so that used overlapping periods may not be used again in a subsequent net rate adjustment. If a requested net rate year is unnetted because of no overlapping periods, input a TC 290 for “zero” with Blocking Series 18, to properly identify that the module was not used for netting.

- b. For **Examination or Appeals** related adjustments, a two-step process is required.



**Step 1:** Input the following information on the appropriate adjustment, Form 5344, *Examination Closing Record* or Form 5403, *Appeals Closing Record*, and submit for processing:

- **TC 30X** – Tax Adjustment.
- **TC 34X** – Underpayment Interest Adjustment (TC 340 for “zero” is required if no interest decrease/increase is applicable. See note below).
- **Debit-Int-To-DT** – Input the date underpayment interest is computed to (RDD is used if no underpayment interest exists on that year).
- **TC 770** – Overpayment Interest Adjustment (input is not required if interest adjustment amount is zero). A TC 772 can be input if the module will be in a balance due status after posting. If the module will be overpaid after the TC 772 posts, consider IRM 20.2.14.6.10(4).
- **Credit-Int-To-DT** – The date overpayment interest is computed to (input will not be accepted if the interest adjustment amount is zero or if TC 772 is input).
- If the tax adjustment is an increase of \$100,000 or more, **do not** use a hold code to suppress the adjustment notice.

**Note:** A notice may need to be issued for purposes of triggering the LCU interest rate.

- Any and all other pertinent or required entries per IRM 4.4.1, *AIMS/Processing Handbook, Introduction* and IRM 2.8.7, *Audit Information Management System (AIMS), AIMS Command Code AMCLS*, etc.
- Attach all appropriate documentation to the adjustment. See IRM 20.2.14.6.10(6).

**Step 2:** Use CC REQ54 and post delay one cycle the following information:

- **BLK** – 05 for IMF or 15 for BMF.
- **TC 340** enter “zero”.
- **Debit-Int-To-DT** – Input the same underpayment interest date used in Step 1 above (RDD is used if no underpayment interest is due on that year).
- **Correspondence DT** – 07221998 (IRC 6621(d) enactment date).
- **AMD-CLMS-DT** – request received date, if applicable.
- **Activity CD** – netrate.
- **Hold CD** – 3.
- **PSTNG-DLAY-CD** – 1.
- Notate in “Remarks” that the “interest computations are attached to the previous interest adjustment entered one cycle earlier.”

**Note:** Even when the net rate adjustment is made to the underpayment year, it is necessary to input a TC 340 with a “zero” amount on all overpayment years involved with the net rate adjustment(s). This action is required to identify all overpayment periods included in the current net rate adjustment so that used overlapping periods may not be used again in a subsequent net rate adjustment. If a year requested in the request is unnetted because of no overlapping periods, input a TC 290 for “zero” with Blocking Series 18, to properly identify that the module was not used.

- (4) Master File does not recognize a TC 772 as a total consideration of all overpayment interest (i.e., an overpayment interest combination adjustment which may include netted or additional overpayment interest etc.). As a result, if the

tax period has an overpayment at the time of posting, it will calculate overpayment interest again, post an erroneous TC 776 amount, and issue a refund with too much interest. To avoid this, it is necessary to cycle the adjustment into two parts. The first part will be to calculate your interest to the 23C date of the following cycle, post the necessary adjustments including the TC 772 to the current cycle, using a hold code to prevent Master File from posting a TC 776 and releasing the credit. The second part is to cycle delay one week (to match the interest to date) and input a TC 340 for "zero" and TC 770 for "zero" to release the credit for refund. Be sure to use a hold code that only holds the notice.

**Note:** Unlike a TC 772, Master File recognizes a TC 770 as the current total computation of overpayment interest and generally will not post a TC 776.

- (5) Transaction Code (TC) 971 Action Code 355 is used to readily identify BMF modules affected by net rate interest computations. Master File programming does not allow input of this information for IMF modules. If a tax period included with the request is unnetted due to no overlapping period(s), input of TC 971 AC 355 is not necessary. The latest adjusted tax period is cross-referenced by the input of TC 971 AC 355 using CC REQ77 on all other modules (see exception below for cases involving multiple TINs). Referencing the latest adjusted tax period will identify where the complete copy of the case file is located.

The following information is required for input on all but the tax period where the case file is to be located:

- **TC - 971.**
- **TRANS-DT** - The received date of the request.
- **TC 971/151-CD - 355.**
- **XREF-TIN** - The EIN where the case file is to be located.
- **XREF-TX-PRD** - The tax period where the case file is to be located.
- **XREF-MFT** - The MFT where the case file is to be located.
- The literal "NET-RATE" is automatically moved into the "MISC" field.

On the tax period where the complete copy of the case file is to be located, input separate Transaction Codes 971 AC 355 to cross-reference each module for every tax period involved in the request.

**Exception:** When multiple TINs are involved, the case file should be associated with the latest adjusted tax period for the parent corporation or surviving entity.

- (6) In addition to the actions described above, ensure the following information is part of the source documents filed with all but the last tax year involved with the net rate adjustment. See Exhibit 20.2.14-17, *Net Rate Request Processing*, which provides additional documentation requirements.

(a) The latest adjusted tax period should be cross-referenced with TC 971 AC 355. See the TC 971 AC 355 procedures above in IRM 20.2.14.6.10(5) including the exception for multiple TIN cases.

- A copy of the written request or claim Form 843. The original is to be attached to the last year of adjustment

- **ACT/DMI Report 490** (post-netting). Only for the tax year in which the adjustment pertains.
- A copy of the appropriate Power-of-Attorney form.
- A copy of the current allow or partial allowance letter from the IRS. The taxpayer's copy of the letter must include copies of the **ACT/DMI Reports 020, 490, and 530** for all tax periods involved.
- Any re-file documents that you have in your possession.

(b) In addition to the attachments described above, the last year of adjustment must have the following information attached:

- **ACT/DMI Report 490** (pre and post-netting) and **ACT/DMI Report 530** (post-netting), as well as all interest computations made by the taxpayer, for all tax periods involved.
- **ACT/DMI Report 020.**
- Any pertinent correspondence and information from the taxpayer or the representative.
- Any personal notes or observations pertaining to the request that would be helpful to the next tax examiner who may have to update the interest or process a subsequent adjustment on the account.

**Note:** These source documents are in addition to any normal attachments required in the work process, regardless of the area working the account.

**Exception:** If a request includes adjustments to two types of tax, for example, both Form 941 and Form 1120 accounts, the attachments for the last year of the adjustment should be associated with the most recent tax year Form 1120 account. This is because the retention period for Form 1120 is much longer than for Form 941 (e.g., a net rate request is filed that results in adjustments to Form 1120 accounts for tax periods ending December 31, 2003, through December 31, 2006, and a Form 941 account for the period that ends March 31, 2009. Although the Form 941 is the last year of adjustment, the attachments will be associated with the Form 1120 account for the tax period ending December 31, 2006).

20.2.14.6.11  
(02-01-2017)  
**Special Net Rate Interest Computations**

- (1) When a net rate adjustment has previously been made and only part of the overpayment or underpayment period was used, you must be aware of the overpayment or underpayment amount available during the unnetted overpayment or underpayment period(s). If a subsequent underpayment or overpayment occurs that overlaps any of the unnetted period(s), a determination of the available overpayment or underpayment amount that can be used during the subsequent or new overlapping period(s) must be made. This information will reflect how much of an underpayment or overpayment that can be netted during this time frame. See Exhibit 20.2.14-5 for examples illustrating the special computations required in this situation.
- (2) See Exhibit 20.2.14-6 for net rate computations involving more than one overpayment period. The exhibit provides the interest computation using ACT/DMI and explains how to determine whether the net rate computation was accurately computed. When using ACT/DMI, special information is provided that must be considered when verifying the accuracy of a net rate adjustment.
- (3) See Exhibit 20.2.14-8 for non-corporate computations before and after the 01/01/1999 rate equalization provided by section 3302 of the Restructuring and

Reform ACT (RRA) of 1998. The exhibit also explains how to verify unnetted amounts and the accuracy of a net rate computation.

- (4) See Exhibit 20.2.14-10 for applying the net rate to a settled underpayment year when currently working on an overpayment year that creates an overlapping period. This example also explains verifying the accuracy of the net rate computation using ACT/DML.
- (5) See Exhibit 20.2.14-11 for net rate computations when Form 2285 is used reflecting the tax liability adjustments.
- (6) See Exhibit 20.2.14-12 for net rate computations involving a subsequent interest adjustment after the net rate was applied. The exhibit provides a two-part example to illustrate that a taxpayer can only receive a one-time benefit of a net rate interest period that is used to the extent of equivalent amounts of overpayment and underpayment.

20.2.14.6.11.1  
(02-01-2017)

**TETR (Telephone Excise  
Tax Refund)  
Overpayment Interest**

- (1) In May of 2006, the IRS agreed that amounts paid by taxpayers for the one time-only telephone service as defined in IRC 4252(b)(1) are not subject to the tax imposed by IRC 4251. Taxpayers may be entitled to request credit or refund of the excise taxes paid for the services and time frames covered in Notice IRB 2006-50. Notice IRB 2006-50 states that for taxes billed after February 28, 2003, a Form 8913, **Credit for Federal Excise Tax Paid**, must be filed with the tax return for 2006. This covers tax periods 200612 through 200711.
- (2) Form 8913 instructs taxpayers to enter the amount of refundable tax paid in column (d). Interest is computed by the taxpayer on the amount in column (d) and entered in column (e). Interest is computed **from** the dates indicated in the chart shown in Figure 20.2.14-17 **to** 45 days beyond the due date or the filing date, whichever is later.

**Example:** Antelope Communications had an extension to file their Form 1120 for 200612 to 09152007. They filed the return on 09152007 and computed interest for each line of Form 8913 to 10302007, which is 45 days beyond the date they filed their return. This example will be used throughout this section.

Line from Form 8913	Interest Begins to Accrue on
Line 01	August 1, 2003
Line 02	November 1, 2003
Line 03	February 1, 2004
Line 04	May 1, 2004
Line 05	August 1, 2004
Line 06	November 1, 2004
Line 07	February 1, 2005
Line 08	May 1, 2005

Line from Form 8913	Interest Begins to Accrue on
Line 09	August 1, 2005
Line 10	November 1, 2005
Line 11	February 1, 2006
Line 12	May 1, 2006
Line 13	August 1, 2006
Line 14	November 1, 2006

**Figure 20.2.14-17 Figure 20.2.14-17 Interest Start Dates for Form 8913**

- (3) Form 8913 was developed to incorporate all 14 periods covered by Notice IRB 2006-50 into the 2006 tax return instead of requiring the taxpayer to file tax returns for each individual period. Each line represents a 3-month period with the exception of line 14 which represents 2 months. When applying the GATT rate, each of the 14 periods are entitled to the first \$10,000 dollars of the overpayment interest at the high rate.
- (4) Instructions for computing overpayment interest on Form 8913 can be found in IRM 20.2.10.3.4, **Telephone Excise Tax Refund (TETR) Claims**, and adjustment procedures can be found in IRM 21.7.4.4.23, **Telephone Excise Tax Refund (TETR)**, revision 09/06/2013.

20.2.14.6.11.1.1  
(02-01-2017)  
**Net Rate Netting of TETR Overpayment Interest**

- (1) Each line of Form 8913 (lines 1-14) must be set up in ACT/DMI as a separate module. Master File information for tax year 2006 cannot be automatically imported into ACT/DMI because of the special handling required for the Form 8913 information.
- (2) The tax year is 2006 for all 14 lines from Form 8913, so a description must be entered in the **Desc** column of ACT/DMI for each line to distinguish the line number. Figure 20.2.14-18 provides the top portion of the ACT/DMI screen for lines 01 through 03 of Form 8913.

SEL	Jurisdiction	TIN	Tax Type	Tax Period	Additional Description	Status	GATT	LCU
Box Checked	Federal	99-9999999	1120	200612	Line 01-Form 8913	Open/Open	GATT ON	LCU OFF
Box Checked	Federal	99-9999999	1120	200612	Line 02-Form 8913	Open/Open	GATT ON	LCU OFF
Box Checked	Federal	99-9999999	1120	200612	Line 03-Form 8913	Open/Open	GATT ON	LCU OFF

**Figure 20.2.14-18 Figure 20.2.14-18 ACT/DMI Input of Description for Form 8913**

20.2.14.6.11.1.1.1  
(02-01-2017)

**Entering Form 8913  
Module Information into  
ACT/DMI**

- (1) ACT/DMI and CC COMPA begin charging interest 1 day after the date entered as the start date. Therefore, the start date entered in ACT/DMI must be 1 day prior to the dates shown in the chart in Figure 20.2.14-17.

**Example:** Line 01 of the chart in Figure 20.2.14-17 shows a start date of August 1, 2003. The date entered into ACT/DMI for line 01 is July 31, 2003.

- (2) Using the amounts from the mock-up of Form 8913 shown in the Figure 20.2.14-19 table for Antelope Communications, enter the amount of tax credit shown in column (d) as a TC 766 and a date of 07/31/2003. This date is used for the Line 01 module only.

(a) Bills dated during:		(b) Long distance service	(c) Bundled service	(d) Tax credit or refund (add columns (b) and (c))	(e) Interest (see Instructions)
01	March, April and May 2003			\$30,330.00	\$5,987.69
02	June, July and August 2003			30,330.00	5,743.35
03	September, October and November 2003			30,330.00	5,560.87
04	December 2003: January and February 2004			28,675.00	5,096.24
05	March, April and May 2004			28,675.00	4,867.53
06	June, July and August 2004			28,675.00	4,667.79
07	September, October and November 2004			28,675.00	4,413.93
08	December 2004: January and February 2005			26,750.00	3,893.73
09	March, April and May 2005			26,750.00	3,580.74
10	June, July and August 2005			26,750.00	3,245.56
11	September, October and November 2005			26,750.00	2,864.66
12	December 2005: January and February 2006			24,500.00	2,311.29
13	March, April and May 2006			24,500.00	1,945.08

(a) Bills dated during:		(b) Long distance service	(c) Bundled service	(d) Tax credit or refund (add columns (b) and (c))	(e) Interest (see Instructions)
14	June and July 2006			18,900.00	1,224.71

**Figure 20.2.14-19 Figure 20.2.14-19 Lines 1-14 of Form 8913 for Antelope Communications**

- (3) Enter the amount shown on column (e) of the mock-up Form 8913 into ACT/DMI as a TC 776 with the date the interest was computed **TO**.

**Example:** Using Figure 20.2.14-19, the TC 776 amount would be \$5,987.69 for Line 01 (Module 01) with a date of October 30, 2007.

- (4) In the example, overpayment interest has been computed to 10/30/2007 and given to the taxpayer as of the due date of the return (03/15/2007). Therefore, the entire amount of the credit allowed (TC 766 plus TC 776) must be removed from the module as of the date interest was computed to; 10/30/2007. Use TC 1112 (Miscellaneous Debit) with the date interest was computed **TO**. See Figure 20.2.14-20.

Ref	Code	Description	Date	Amount	Start	Adj/End	Balance	Add	Excl	SOL
10	766	Generated Refundable Credit Allowance	07312003	(30,330.00)			(30,330.00)	Box Checked		
20	776	Generated Interest due on Overpayment	10302007	(5,987.69)			(36,317.69)	Box Checked	O	
30	1112	Miscellaneous Debit	10302007	36,317.69			.00	Box Checked		

**Figure 20.2.14-20 Figure 20.2.14-20 Entry of Form 8913 Data into ACT/DMI**

- (5) The above information must be input for each line 01 through 14 of Form 8913 in a separate ACT/DMI module for each line item.

20.2.14.6.11.1.1.2  
(02-01-2017)

**Enter Non-TETR Data for Tax Year 2006**

- (1) If the tax period for 2006 contains any periods of overpayment or underpayment other than the TETR refund, it must also be entered into ACT/DMI as a separate module. Enter "Main Module" in the description line when creating this module.
- (2) Remove the "O" in the "Excl" column of ACT/DMI for the TC 776 that represents the total interest computed on Form 8913. This amount of overpayment interest is for the periods represented on Form 8913 and should not be included in the total amount of overpayment interest computed for tax period 2006.



- (3) Master file posts the TETR TC 766 and TC 776 with the due date of the return. However, the interest is computed to 45 days beyond the due date or filing date, whichever is later. Therefore, the total amount of the TC 766 and TC 776 that represents the TETR refund must have any additional overpayment interest suspended from the due date of the return to the date the interest was computed **to** on Form 8913.

**Example:** Antelope Communications has a TC 766 and TC 776 which totals \$435,993.17. This amount will be entered into ACT/DMI with a TC 1011, *Suspend Overpayment interest*, and suspension dates from 03152007 to 10302007.

- (4) All other information for tax year 2006 will be entered normally. Because of the special handling required for this module, the automatic import feature of ACT/DMI is **NOT** recommended.

20.2.14.6.11.1.1.3  
(02-01-2017)  
**Netting TETR and  
Non-TETR Modules**

- (1) Once the modules for Form 8913 and tax year 2006 have been entered into ACT/DMI, all other years included on the net rate request will be entered as they are for any normal net rate request. Netting will be performed using the modules for each line of Form 8913, the 2006 non-TETR data module and all other years in the net rate request.

**Example:** Antelope Communications filed a net rate request on February 15, 2010, for tax years ending December 31, 2003, December 31, 2004 and December 31, 2006. The 200612 tax year contains overpayment interest paid on Form 8913. After the information for Form 8913 and tax year 200612 have been entered, enter all information into ACT/DMI for tax years December 31, 2003, and December 31, 2004. The automatic import feature can be used on these tax years.

- (2) Follow normal net rate procedures as found in IRM 20.2.14.6.

20.2.14.6.12  
(02-01-2017)  
**Coordination with IRM  
4.10.26**

- (1) IRM 4.10.26, *Examination of Returns, Net Rate Netting Procedures for LB&I Cases*, provides background information on net rate procedures to process taxpayer requests. The procedures therein apply to campus processing tax examiners and other similar technicians.
- (2) The procedures in IRM 4.10.26, *Examination of Returns, Net Rate Netting Procedures for LB&I Cases* apply only to examination personnel in LB&I and revenue agents who receive a taxpayer's net rate request before the case is closed. To the extent that inconsistencies are found, follow IRM 20.2.14.

20.2.14.6.13  
(02-01-2017)  
**Request for Abatement  
vs. Claim for Refund**

- (1) A request for abatement is a request for abatement of **unpaid** tax, penalty or interest. See IRC 6404(b).
- (2) A claim for refund is a request for abatement and refund of tax, penalty or interest that has been **paid**.
- (3) One of the exceptions to IRC 6404(b) is the application of the net rate during overlapping underpayment and overpayment periods under Rev. Proc. 2000-26, 2000-1 C.B. 1257, and IRC 6621(d), which allows for submission of a net rate request without the "tax" being paid. For more information, see IRM 25.6.1.10.1, *Requests for Abatement*.

- (4) Claims for refund must be filed before the last applicable period of limitations expires.
- (5) Refer to Exhibit 20.2.14-15 and Exhibit 20.2.14-16 for specific request processing procedures.

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**Exhibit 20.2.14-1 (06-21-2011)**
**Computer Generated Within Module (Annual) Netting**
**IRM Reference 20.2.14.4.1**

TC	POSTED	TRANS-AMOUNT	CYC	DLN
150	05262008	2,500,000.00	200822	00311-302-00002-8
660	06152007	5,000,000.00-	200726	00397-101-00000-7
776	"05262008"	16,231.85-	200822	00311-302-00002-8
846	05262008	2,516,231.85	200822	00311-302-00002-8
420	09192009	0.00	200944	00977-000-00000-9
	PBC>000	SBC>00000	EGC>00	
300	12072009	729,890.00	200950	00347-532-00000-9
336	12072009	55,806.10	200950	00347-532-00000-9
777	"05262008"	4,731.39	200950	00311-"999"-00002-8
TC 776 and 777 contain the same date			Julian Date "999" denotes netted interest	

**Exhibit 20.2.14-2 (02-01-2017)****Manually Computed Within Module (Annual) Netting****IRM Reference 20.2.14.4.3**

<b>TC</b>	<b>POSTED</b>	<b>TRANS-AMOUNT</b>	<b>CYC</b>	<b>DLN</b>
150	05262008	2,500,000.00	200822	00311-302-00002-8
660	06152007	5,000,000.00-	200726	00397-101-00000-7
776	"05262008"	16,231.85-	200822	00311-302-00002-8
846	05262008	2,516,231.85	200822	00311-302-00002-8
420	09192009	0.00	200944	00977-000-00000-9
	PBC>000	SBC>00000	EGC>00	
<b>300</b>	<b>12072009</b>	<b>729,890.00</b>	<b>200950</b>	<b>00351-532-00000-9</b>
<b>772</b>	<b>"05262008"</b>	<b>4,731.39</b>	<b>200950</b>	<b>00351-532-00000-9</b>
<b>340</b>	<b>12072009</b>	<b>55,806.10</b>	<b>200950</b>	<b>00351-532-00000-9</b>
TC 772 is input with the same date as the TC 776				

**Exhibit 20.2.14-3 (02-01-2017)**  
**Offset Methodology Examples**  
**IRM Reference 20.2.14.6.8**

**Example: 1.** Chase Manufacturing's 2004 and 2005 corporate income tax returns are examined and an overpayment of \$50,000.00 is determined on its 2004 return. The 2004 \$50,000.00 overpayment was comprised of prepayment credits and was processible and timely filed. Chase agreed to an underpayment of \$30,000.00 on its 2005 tax return. There are no restrictions on either module. The appropriate closing documents are completed and input to Master File in the same cycle. Overpayment interest on the amount offset to year 2005 is computed from the due date of the 2004 return to the due date of the 2005 underpayment. Interest on the portion of the overpayment not offset accrues from the due date of the 2004 return to the refund schedule date. No underpayment interest is charged on the 2005 liability because it was paid in full by an overpayment that has an earlier availability date. No overlapping period of underpayment and overpayment interest exists because the offset process avoids creation of an overlapping period.

**Example: 2.**  
 In 2008, Dunn Dental agrees to an underpayment of \$33,000.00 on its 200612 Form 1120 and files a Form 1120X claiming an overpayment of \$65,000.00 on the 200712 return. The Form 1120X is reviewed, allowed, and processed at the same time as the 2006 underpayment. There are no restrictions on either module. The appropriate closing documents are completed and input to Master File in the same cycle. The underpayment interest is charged from the due date of the 2006 return to the availability date of the 2007 overpayment. The amount of overpayment needed to pay the tax and interest liability is offset, and the remaining overpayment has interest allowed to the refund schedule date. Even though both underpayment and overpayment interest were computed, no overlapping interest period exists because the offset process avoids creation of an overlapping period.

**Example: 3.**  
 Greene Corporation previously agreed to, but did not pay, an underpayment of \$45,000.00 determined on its 200508 corporate return. The tax is assessed and underpayment interest is computed to the waiver date plus 30 days. There are no restrictions on the module, and when the subsequent notices are issued, Master File updates the underpayment interest accordingly. Greene Corporation timely files a Form 1120X claiming an overpayment of taxes in the amount of \$24,000.00 on its 200608 return. The Form 1120X is accepted and processed. When the overpayment is posted, it will offset to the 200508 module. Since an overpayment is being used to reduce an earlier liability, no interest is allowed on the overpayment, and the underpayment interest assessed on the 200508 module is reduced. No overlapping period of underpayment and overpayment interest exists.

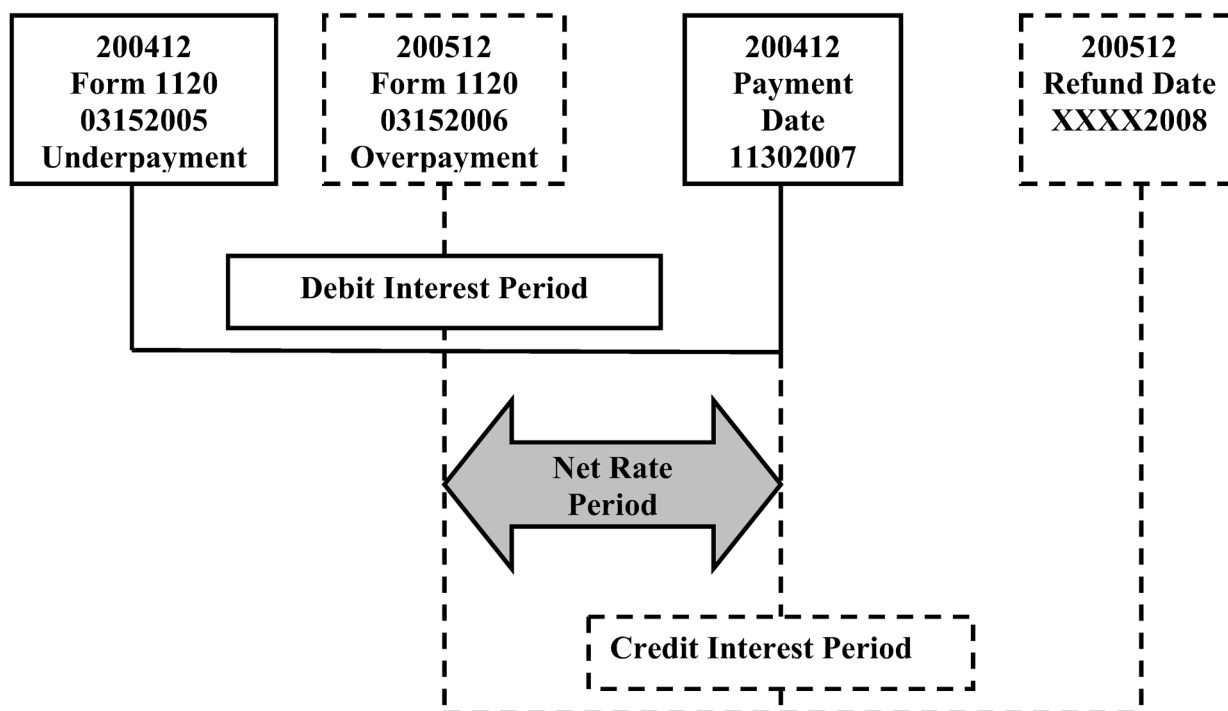
**Note:** When a previously assessed, but unpaid, underpayment exists, any subsequently determined overpayment from another module is offset to the underpayment, preventing creation of an overlapping period. If computer restrictions prohibit a systemic offset, a manual offset must be made.

**Example: 4.**  
 On September 19, 2008, an overpayment of \$527,000.00 is determined for Morgan Corporation's 2005 Form 1120. A tax increase of \$200,000.00 on Morgan Corporation's 2003 Form 1120 is also determined. The 2005 overpayment is offset to pay the \$200,000.00 tax increase. An overlapping interest period does not occur (between 2003 and 2005) because, as a result of the offset, interest on the overpayment and underpayment does not accrue during the same time period. The remainder of the 2005 overpayment is refunded with interest. Before Morgan Corporation's offset is made, the taxpayer advises the examining officer of the previously paid \$50,000.00 tax underpayment on its 2004 Form 1120 on November 30, 2007. Morgan Corporation requests that the net rate be applied to the 2004 underpayment based on the overlapping interest period caused by the 2005 overpayment that refunded after offsetting the \$200,000.00 to 2003.

## Exhibit 20.2.14-3 (Cont. 1) (02-01-2017)

## Offset Methodology Examples

IRM Reference 20.2.14.6.8



The time line determines that an overlapping interest period exists from March 15, 2006, (the availability date of the 2005 overpayment), to November 30, 2007 (the date the 2004 underpayment was paid). The previously paid underpayment interest that was due during the overlapping period will be partially abated after applying the net rate to the underpayment period. The amount abated represents the interest differential paid by the taxpayer.

**Note:** To the extent that an overpayment is offset against an underpayment, an overlapping period does not occur “between” the modules involved with the offset. However, either the overpayment or underpayment involved in the offset can have an overlapping interest period caused by another module in which an overpayment was refunded or offset with interest or an underpayment was determined or previously paid with interest.



**Exhibit 20.2.14-4 (02-01-2017)**

**Net Rate Computations - More than One Taxpayer Identification Number**

1. The examiner must review the net rate request to determine whether it includes more than one taxpayer identification number (TIN). A net rate adjustment cannot be made between different taxpayers. If the request involves more than one TIN, a determination must be made as to whether the different TINs can be treated as the “same taxpayer” for purposes of making a net rate interest adjustment.

**Caution:** If making the determination is unclear, contact the revenue agent or Chief Counsel for advice.

2. The examiner **must** ascertain the facts surrounding the relationships between TIN holders and analyze the facts in terms of applicable law.

**Note:** Pursuant to IRC 1504(b)(3), a foreign corporation is excepted from being included in an affiliated group with its related domestic corporation. Accordingly, net rate adjustments between such entities is not allowed because they are not considered to be the “same taxpayer.”

3. If it is determined that the multiple TINs are **not** the “same taxpayer”, the IRS will disallow the request. A formal disallowance letter that indicates the reason for the denial of the netting between TINs must be sent to the taxpayer if the request is a claim for refund. See IRM 21.5.3.4.6.1, *Disallowance and Partial Disallowance Procedures*. LB&I and revenue agents should follow instructions found in IRM 4.10.26.8.3, *Specific Instructions for Letter 4128, Net Rate Netting Request Involving More than One TIN*.

**Note:** Netting may be applicable under each TIN separately even though the IRS cannot allow cross-TIN netting.

4. The following example may assist in making determinations in the taxpayer relationship:

**Example:**

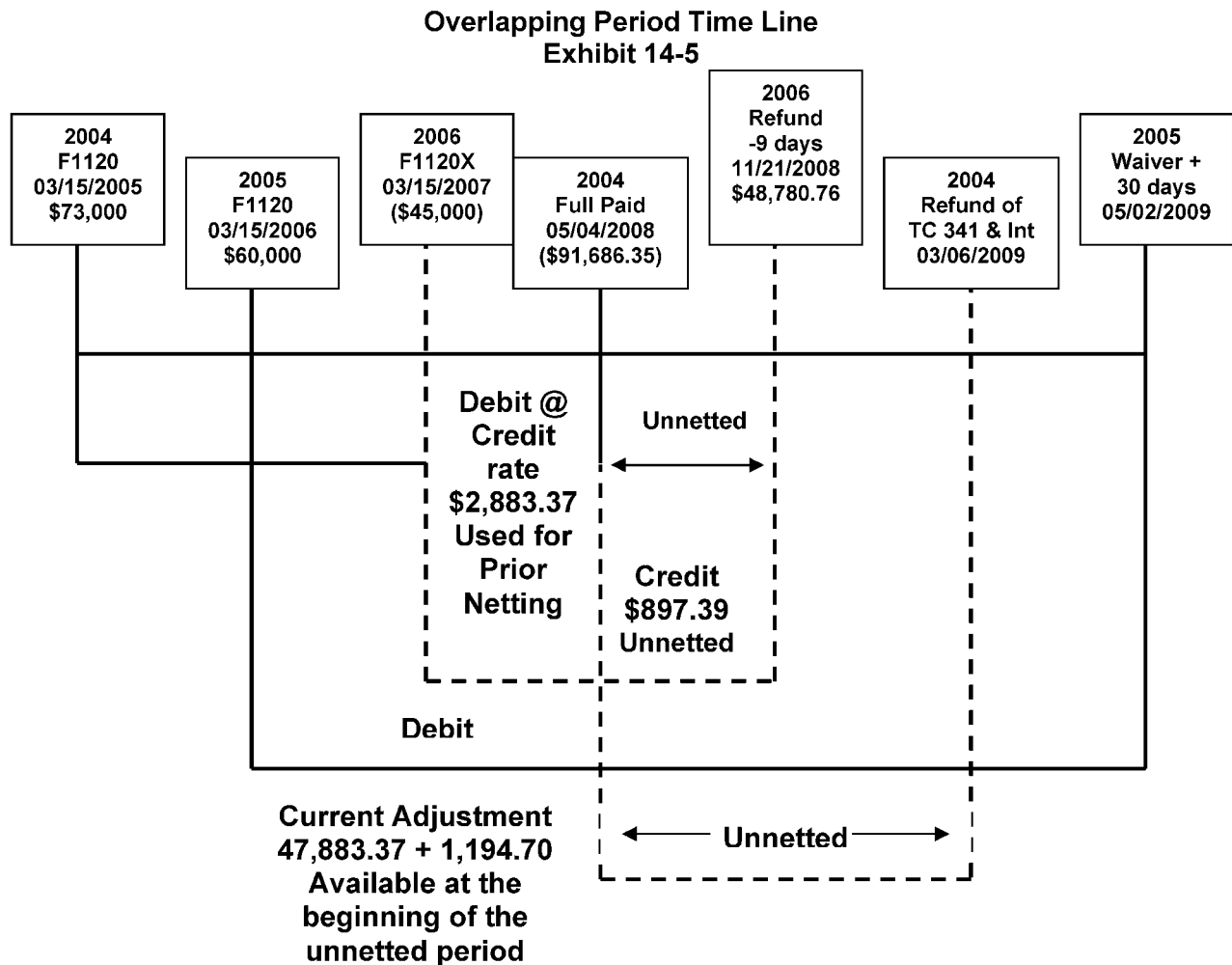
Parent Corporation A files a net rate request for overlapping periods of underpayment and overpayment interest involving Corporation A and its subsidiaries B and C. These three entities have separate TINs. The IRS determines that Corporation A is **not** the same taxpayer as Corporations B and C for purposes of interest netting because Corporation A's underpayment was incurred before Corporations B and C became members of a consolidated group with Corporation A as the parent. Therefore, Corporations B and C are not jointly liable with Corporation A for the income tax underpayment. However, if the IRS determines that Corporation A can file a net rate request for its own underpayment and its own overpayment, IRS will advise Parent Corporation A (the entity that filed the net rate request) that its request will not be approved, but that Corporation A must refile its request using only its own overlapping periods.

**Exhibit 20.2.14-5 (02-01-2017)****Special Net Rate Interest Computations**

When a net rate adjustment has previously been made and only part of the overpayment or underpayment period was used, a determination must be made of the available overpayment or underpayment amount that remains for use for another netting adjustment(s). If a subsequent overpayment or underpayment occurs that overlaps any of the unnetted underpayment or overpayment periods(s), a determination must be made of the available underpayment or overpayment amount that can be netted during the subsequent or new overlapping period(s).

**Example:** On May 4, 2008, Norlem's Notions paid a previously agreed to underpayment of tax for \$73,000.00 and interest of \$18,686.35 on its 200412 Form 1120. On August 25, 2008, the taxpayer filed a Form 1120X on its 200612 Form 1120. A refund was issued on November 30, 2008, for \$45,000.00 plus overpayment interest of \$3,780.76 (computed to the refund date, less the 9-Day back-off period). On January 6, 2009, the taxpayer filed a Form 843 and requested a net rate adjustment based on the overlapping period on the 200612 overpayment and the 200412 underpayment interest. The IRS complied and issued the taxpayer a refund of overpaid underpayment interest on March 15, 2009. A TC 341 was input for the amount of interest to be refunded to the taxpayer. Overpayment interest was allowed on this amount from the availability date of the released credit(s) to March 6, 2009 (the refund date, less the 9-Day back-off period). Subsequently, on April 2, 2009, the taxpayer signed an agreement for an underpayment of \$60,000.00 on its 200512 return. The taxpayer has requested that the net rate be applied based on the 200612 unnetted overpayment period (05042008 to 11212008) and the 200412 overpayment period that resulted from the previous net rate adjustment TC 341 (05042008 to 03062009).

**Exhibit 20.2.14-5 (Cont. 1) (02-01-2017)**  
**Special Net Rate Interest Computations**



In reviewing the time line, the entire overpayment interest computation period that caused the original net rate adjustment, runs from 03152007 to 11212008. However, only part of the overpayment period was used to make the original net rate adjustment: from 03152007 to 05042008. The unnetted part of the overpayment period runs from 05042008 to 11212008.

Because only part of an overpayment period was used, the date that the original net rate computation ended (05042008), becomes the beginning date of the overpayment period for any future net rate adjustment (if a subsequent underpayment “overlaps” this unnetted period). In this situation, the overpayment **plus** accrued interest as of the end of the previously netted period, becomes the overpayment amount available as of 05042008, now the beginning of the subsequent or new overpayment period.

In this example, the overlapping period for the current adjustment runs from 05042008 to 11212008. This former unnetted overpayment period is now being “used” to apply the net rate to the current adjustment. When computing underpayment interest on the current adjustment, compute underpayment interest from the 03152006 start date to the beginning of the current overlapping period (05042008). At the beginning of the overlapping period, the amount of underpayment equal to the overpayment on 05042008 will accrue underpayment interest at the overpayment rate to the end of the “overlapping” period (11212008). To determine the amount of underpayment subject to the net rate, the available overpayment amount as of 05042008 (the beginning of the

**Exhibit 20.2.14-5 (Cont. 2) (02-01-2017)**  
**Special Net Rate Interest Computations**

overlapping period) must be computed. This amount can be determined by looking at the work papers for the previous net rate computation, or run a computation on the overpayment amount from the beginning of the overpayment period (03152007) to the beginning of the new or subsequent overlapping period (05042008).

In the previous underpayment interest computation (200412), underpayment interest at the overpayment rate was computed from 03152007 to 05042008 on the amount of underpayment **equal** to the overpayment on 03152007 (\$45,000.00), resulting in netted interest of \$2,883.37. The overpayment principal amount (\$45,000.00) added to the accrued interest (\$2,883.37) to 05042008 (the end of the overlapping period) now becomes the overpayment available (\$47,883.37) as of 05042008 (the beginning of the new overlapping period). The accrued interest during the unnetted part of the overpayment period from 05042008 to 11212008 is \$897.39. The netted and accrued interest amounts (\$2,883.37 + \$897.39) total \$3,780.76, which is the amount of interest that was originally allowed on the \$45,000.00 overpayment.

Therefore, underpayment interest computed at the overpayment rate on the current adjustment would run from 05042008 to 11212008 (the end of the current overlapping period) on \$47,883.37 (the amount of underpayment equal to the overpayment on 05042008), for a netted interest amount of \$897.39. The entire 200612 overpayment period has now been completely used.

In addition to the original overpayment used for netting purposes, there is also an overpayment created by the first netting benefit refund. So there is now an additional overlapping period from 05042008 to 03062009 available for netting. The amount available at the beginning of the overlapping period is the amount of the TC 341 (\$1,194.70) entered on tax period 200412. Interest will be charged at the overpayment rate from 05042008 to 11212008 on \$47,883.37 and from 05042008 to 03062009 on \$1,194.70. The netting periods and amounts on the 200412 and 200612 tax periods are now completely "used."

**Note:** Whenever interest is computed, a complete module recomputation is required. However, with the intent on brevity for this IRM, these examples are shown using additional tax adjustments only.

Exhibit 20.2.14-5 (Cont. 3) (02-01-2017)  
Special Net Rate Interest Computations

**Act/DMI Report 490 (1<sup>st</sup> Net Rate Tax Period 200412) Activity Summary**

**490 Activity Summary**

FED - \*\*.\*\*\*9999 Norlem's Notions 1120 Tax Period: 2004/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 03/15/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
05/04/2008		03/15/2005	300 Additional Tax Assessment By Examination		73,000.00	73,000.00
05/04/2008			670 Subsequent Payment		(91,686.35)	(18,686.35)
03/06/2009	03/15/2007	05/04/2008	1545 Equalize to GATT	35,000.00		(18,686.35)
			XREF: 99-9999999 1120 200612			
03/06/2009	03/15/2007	05/04/2008	1555 Equalize to Overpay	10,000.00		(18,686.35)
			XREF: 99-9999999 1120 200612			

Date	Description	Amount	Factor	Interest	Balance
03/15/2005	300 Additional Tax Assessment By Examination	73,000.00			73,000.00
03/16/2005	03/15/2007 Underpay	73,000.00	0.151613778	11,067.81	84,067.81
03/16/2007	05/04/2008 NR Underpay @ GATT	35,000.00	0.060017120	2,100.60	
	NR Underpay @ Over	10,000.00	0.078276755	782.77	
	Underpay	39,067.81	0.090623831	3,540.47	90,491.65
05/04/2008	670 Subsequent Payment	(91,686.35)			(1,194.70)
05/05/2008	03/15/2009 Overpay	(1,194.70)	0.039268439	(46.91)	(1,241.62)

**Account Summary:**

	As Computed	Per Transcript	Adjustment
Deficiency Interest	17,491.65	18,686.35	(1,194.70)
Overpayment Interest	(46.91)		(46.91)
Principal Balance			(0.01)
	17,444.74	18,686.35	(1,241.62)

**Exhibit 20.2.14-5 (Cont. 4) (02-01-2017)**  
**Special Net Rate Interest Computations**

**Act/DMI Report 490 (1st Net Rate Tax Period 200612) Activity Summary**

**490 Activity Summary**

FED - \*\*.\*\*\*9999 Norlem's Notions 1120 Tax Period: 2006/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 03/15/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
08/25/2008		03/15/2007	291 Abatement Prior Tax Assessment		(45,000.00)	(45,000.00)
03/06/2009	03/15/2007	05/04/2008	1540 Use Prin GATT to Equal	(35,000.00)		(45,000.00)
			XREF: 99-9999999 1120 200412			
03/06/2009	03/15/2007	05/04/2008	1550 Use Prin Over to Equal	(10,000.00)		(45,000.00)
			XREF: 99-9999999 1120 200412			
11/30/2008	11/21/2008	11/30/2008	846 Refund of Overpayment	(45,000.00)	45,000.00	
11/30/2008	11/21/2008	11/30/2008	1004 Refund Interest High	(3,780.76)	3,780.76	3,780.76

Date	Description	Amount	Factor	Interest	Balance
03/15/2007	291 Abatement Prior Tax Assessment	(45,000.00)			(45,000.00)
03/16/2007	05/04/2008 Overpay	(10,000.00)	0.078276755	(782.77)	
	Overpay GATT	(35,000.00)	0.060017120	(2,100.60)	(47,883.37)
05/05/2008	11/21/2008 Overpay	(10,782.77)	0.025257488	(272.35)	
	Overpay GATT	(37,100.60)	0.016847279	(625.04)	(48,780.76)
11/22/2008	11/30/2008 Overpay Suspended	(48,780.76)			(48,780.76)
11/30/2008	846 Refund of Overpayment	45,000.00			
	1004 Refund Interest High	3,780.76			

**Account Summary:**

Deficiency Interest

Overpayment Interest

Principal Balance

As Computed	Per Transcript	Adjustment
(3,780.76)	(3,780.76)	
(3,780.76)	(3,780.76)	0.00

**Exhibit 20.2.14-5 (Cont. 5) (02-01-2017)**  
**Special Net Rate Interest Computations**

**Act/DMI Report 490 (2nd Net Rate Tax Period 200412) Activity Summary**

**490 Activity Summary**

FED - \*\*.\*\*\*9999 Norlem's Notions 1120 Tax Period: 2004/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 05/02/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
05/04/2008		03/15/2005	300 Additional Tax Assessment By Examination		73,000.00	73,000.00
05/04/2008			670 Subsequent Payment		(91,686.35)	(18,686.35)
03/06/2009	03/15/2007	05/04/2008	1545 Equalize to GATT	35,000.00		(18,686.35)
			XREF: **.***9999 1120 200612			
03/06/2009	03/15/2007	05/04/2008	1555 Equalize to Overpay	10,000.00		(18,686.35)
			XREF: **.***9999 1120 200612			
N/A	05/04/2008	11/21/2008	1550 Use Prin Over to Equal	(1,194.70)		(18,686.35)
			XREF: **.***9999 1120 200512			
N/A	11/21/2008	11/30/2008	1550 Use Prin Over to Equal	(1,194.70)		(18,686.35)
			XREF: **.***9999 1120 200512			
N/A	11/21/2008	11/30/2008	1551 Use Int Over to Equal	(30.18)		(18,686.35)
			XREF: **.***9999 1120 200512			
N/A	11/30/2008	03/06/2009	1550 Use Prin Over to Equal	(1,194.70)		(18,686.35)
			XREF: **.***9999 1120 200512			
N/A	11/30/2008	03/06/2009	1551 Use Int Over to Equal	(31.68)		(18,686.35)
			XREF: **.***9999 1120 200512			
03/15/2009	03/06/2009	03/15/2009	846 Refund of Overpayment	(1,194.70)	1,194.70	(17,491.65)
03/15/2009	03/06/2009	03/15/2009	1004 Refund Interest High	(45.69)	45.69	(17,445.96)

Date	Description	Amount	Factor	Interest	Balance
03/15/2005	300 Additional Tax Assessment By Examination	73,000.00			73,000.00
03/16/2005	03/15/2007 Underpay	73,000.00	0.151613778	11,067.81	84,067.81
03/16/2007	05/04/2008 NR Underpay @ GATT	35,000.00	0.060017120	2,100.60	
	NR Underpay @ Over	10,000.00	0.078276755	782.77	
	Underpay	39,067.81	0.090623831	3,540.47	90,491.65
05/04/2008	670 Subsequent Payment	(91,686.35)			(1,194.70)
05/05/2008	11/21/2008 Overpay	(1,194.70)	0.025257488	(30.18)	(1,224.88)
11/22/2008	11/30/2008 Overpay	(1,224.88)	0.001230180	(1.51)	(1,226.39)
12/01/2008	03/06/2009 Overpay	(1,226.39)	0.011422323	(14.01)	(1,240.39)
03/07/2009	03/15/2009 Overpay Suspended	(1,240.39)			(1,240.39)
03/15/2009	846 Refund of Overpayment	1,194.70			
	1004 Refund Interest High	45.69			

**Account Summary:**

Deficiency Interest  
Overpayment Interest  
Principal Balance

As Computed	Per Transcript	Adjustment
17,491.65	17,491.65	
(45.69)	(45.69)	
17,445.96	17,445.96	0.00



**Exhibit 20.2.14-5 (Cont. 6) (02-01-2017)**  
**Special Net Rate Interest Computations**

**Act/DMI Report 490 (2nd Net Rate Tax Period 200612) Activity Summary**

**490 Activity Summary**

FED - \*\*.\*\*\*9999 Norlem's Notions 1120 Tax Period: 2006/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 05/02/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
08/25/2008		03/15/2007	291 Abatement Prior Tax Assessment		(45,000.00)	(45,000.00)
03/06/2009	03/15/2007	05/04/2008	1540 Use Prin GATT to Equal	(35,000.00)		(45,000.00)
			XREF: 99-9999999 1120 200412			
03/06/2009	03/15/2007	05/04/2008	1550 Use Prin Over to Equal	(10,000.00)		(45,000.00)
			XREF: 99-9999999 1120 200412			
N/A	05/04/2008	11/21/2008	1540 Use Prin GATT to Equal	(35,000.00)		(45,000.00)
			XREF: 99-9999999 1120 200512			
N/A	05/04/2008	11/21/2008	1541 Use Int GATT to Equal	(2,100.60)		(45,000.00)
			XREF: 99-9999999 1120 200512			
N/A	05/04/2008	11/21/2008	1550 Use Prin Over to Equal	(10,000.00)		(45,000.00)
			XREF: 99-9999999 1120 200512			
N/A	05/04/2008	11/21/2008	1551 Use Int Over to Equal	(782.77)		(45,000.00)
			XREF: 99-9999999 1120 200512			
11/30/2008	11/21/2008	11/30/2008	846 Refund of Overpayment	(45,000.00)	45,000.00	
11/30/2008	11/21/2008	11/30/2008	1004 Refund Interest High	(3,780.76)	3,780.76	3,780.76

Date	Description	Amount	Factor	Interest	Balance
03/15/2007	291 Abatement Prior Tax Assessment	(45,000.00)			(45,000.00)
03/16/2007	05/04/2008 Overpay	(10,000.00)	0.078276755	(782.77)	
	Overpay GATT	(35,000.00)	0.060017120	(2,100.60)	(47,883.37)
05/05/2008	11/21/2008 Overpay	(10,782.77)	0.025257488	(272.35)	
	Overpay GATT	(37,100.60)	0.016847279	(625.04)	(48,780.76)
11/22/2008	11/30/2008 Overpay Suspended	(48,780.76)			(48,780.76)
11/30/2008	846 Refund of Overpayment	45,000.00			
	1004 Refund Interest High	3,780.76			

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest			
Overpayment Interest	(3,780.76)	(3,780.76)	
Principal Balance			
	(3,780.76)	(3,780.76)	0.00

**Exhibit 20.2.14-5 (Cont. 7) (02-01-2017)**  
**Special Net Rate Interest Computations**

**Act/DMI Report 490 (2nd Net Rate Tax Period 200512) Activity Summary**  
**490 Activity Summary**

FED - \*\*.\*\*\*9999 Norlem's Notions 1120 Tax Period: 2005/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 05/02/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
04/02/2009		03/15/2006	300 Additional Tax Assessment By Examination		60,000.00	60,000.00
N/A	05/04/2008	11/21/2008	1545 Equalize to GATT XREF: **.***9999 1120 200612	35,000.00		60,000.00
N/A	05/04/2008	11/21/2008	1545 Equalize to GATT XREF: **.***9999 1120 200612	2,100.60		60,000.00
N/A	05/04/2008	11/21/2008	1555 Equalize to Overpay XREF: **.***9999 1120 200412	1,194.70		60,000.00
N/A	05/04/2008	11/21/2008	1555 Equalize to Overpay XREF: **.***9999 1120 200612	10,000.00		60,000.00
N/A	05/04/2008	11/21/2008	1555 Equalize to Overpay XREF: **.***9999 1120 200612	782.77		60,000.00
N/A	11/21/2008	11/30/2008	1555 Equalize to Overpay XREF: **.***9999 1120 200412	30.18		60,000.00
N/A	11/21/2008	11/30/2008	1555 Equalize to Overpay XREF: **.***9999 1120 200412	1,194.70		60,000.00
N/A	11/30/2008	03/06/2009	1555 Equalize to Overpay XREF: **.***9999 1120 200412	31.68		60,000.00
N/A	11/30/2008	03/06/2009	1555 Equalize to Overpay XREF: **.***9999 1120 200412	1,194.70		60,000.00

Date	Description	Amount	Factor	Interest	Balance
03/15/2006	300 Additional Tax Assessment By Examination	60,000.00			60,000.00
03/16/2006	05/04/2008 Underpay	60,000.00	0.177990692	10,679.44	70,679.44
05/05/2008	11/21/2008 NR Underpay @ GATT	37,100.60	0.016847279	625.04	
	NR Underpay @ Over	11,977.47	0.025257488	302.52	
	Underpay	21,601.37	0.030902710	667.54	72,274.55
11/22/2008	11/30/2008 NR Underpay @ Over	1,224.88	0.001230180	1.51	
	Underpay	71,049.67	0.001476378	104.90	72,380.95
12/01/2008	03/06/2009 NR Underpay @ Over	1,226.39	0.011422323	14.01	
	Underpay	71,154.57	0.014083299	1,002.09	73,397.05
03/07/2009	05/02/2009 Underpay	73,397.05	0.006955156	510.49	73,907.54

**Account Summary:**

	As Computed	Per Transcript	Adjustment
Deficiency Interest	13,907.54		13,907.54
Overpayment Interest			
Principal Balance			60,000.00
	13,907.54		73,907.54

**Exhibit 20.2.14-6 (02-01-2017)****Special Net Rate Interest Computations - More than One Overpayment Period****IRM Reference 20.2.14.6.11**

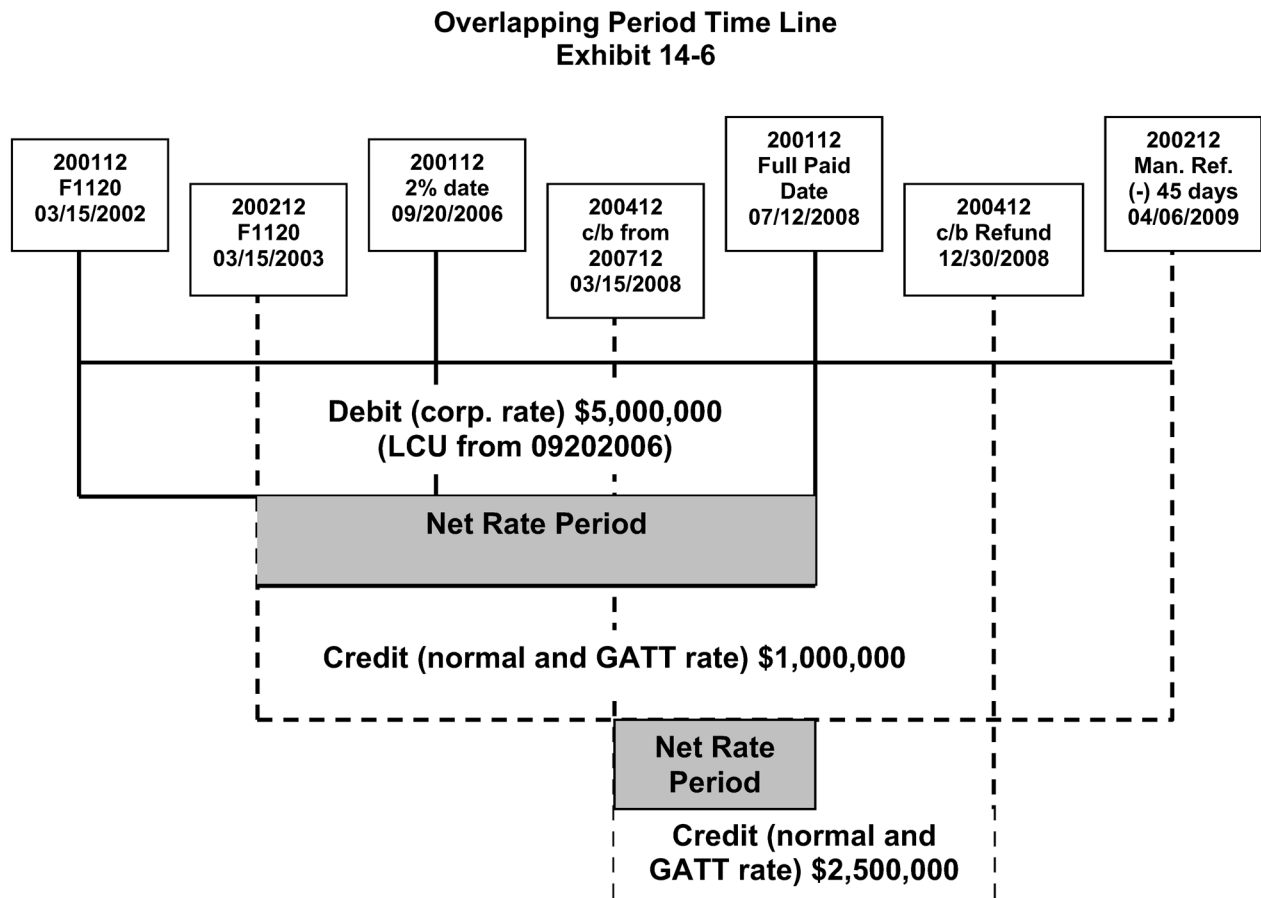
The following example illustrates a situation where more than one overpayment period is involved.

The examination of Siena Corporation's 200112 Form 1120 results in a tax assessment of \$5,000,000.00 (plus interest), to which the corporation agrees and fully pays on July 12, 2008. A 30-Day letter is issued on August 21, 2006 (LCU applicable date is September 20, 2006). The Siena Corporation filed a 200712 carryback claim for \$2,500,000.00 to be applied to its 200412 tax year, which is allowed and a manual refund issued with interest on December 30, 2008. In addition, an examination of its 200212 Form 1120 return results in a \$1,000,000.00 manual refund, which is issued with interest on May 21, 2009. Siena Corporation now files a Form 843 to request that the interest computed on the underpayment be recomputed using the net rate. The period of limitation for all of the years involved are open, so the interest previously assessed and paid must be recomputed. The refund is scheduled to be issued on September 30, 2009.

<b>Interest Computations Prior to Application of the Net Rate</b>			
<b>Year</b>	<b>Form</b>	<b>Amount</b>	<b>Comments</b>
200112	1120	\$5,000,000.00	Large Corp. Underpayment (LCU) rate applicable date is 09202006.
		\$2,651,930.25	Interest 03152002 to 07122008 (full paid date).
200212	1120	(\$1,000,000.00)	Overpayment refund with interest 05212009.
		(\$245,863.81)	Interest 03152003 to 04062009 (manual refund/IRS initiated).
200412	1120	(\$2,500,000.00)	Overpayment refunded with interest 12302008.
		(\$65,088.86)	Interest 03152008 to 12302008 (manual refund/TP initiated).

**Exhibit 20.2.14-6 (Cont. 1) (02-01-2017)**
**Special Net Rate Interest Computations - More than One Overpayment Period**

IRM Reference 20.2.14.6.11


**Application of the Net Rate to the Previously Paid Underpayment**

**Note:** The net rate is computed at normal rates until the effective or applicable date for GATT or Large Corporate (LCU) interest has been reached.

Underpayment Interest Computation	
Amount	Comments
\$5,000,000.00	03152002 to 03152003 (normal corp. rate) = 298,405.31 (computed at the normal rate since LCU applicable date has not yet been reached)
<u>298,405.31</u>	<b>Add accrued interest</b>
5,298,405.31	Balance due 03152003

## Exhibit 20.2.14-6 (Cont. 2) (02-01-2017)

## Special Net Rate Interest Computations - More than One Overpayment Period

IRM Reference 20.2.14.6.11

Underpayment Interest Computation	
Amount	Comments
<u>(1,000,000.00)</u>	<b>Subtract</b> underpayment amount equal to the overpayment amount on 03152003
4,298,405.31	03152003 to 09202006 (normal corp. rate) and 09202006 to 03152006 (LCU rate) = 1,749,299.32
<u>1,749,299.32</u>	<b>Add accrued interest</b>
6,047,704.63	Balance due 03152008
<u>(2,500,000.00)</u>	<b>Subtract</b> underpayment amount equal to the overpayment amount on 03152008
3,547,704.63	03152008 to 07122008 (LCU rate) = 93,877.19
<u>93,877.19</u>	<b>Add accrued interest</b>
3,641,581.82	Balance due 07122008

Net Rate Interest Computation	
Amount	Comments
\$1,000,000.00	03152003 to 07122008 (normal and GATT rate) = 220,227.18
<u>220,227.18</u>	<b>Add accrued interest</b>
1,220,227.18	Balance due 07122008
2,500,000.00	03152008 to 07122008 (normal and GATT rate) = 28,936.33
<u>28,936.33</u>	<b>Add accrued interest</b>
\$2,528,936.33	Balance due 07122008

Application of Net Rate to Previously Paid Underpayment	
Amount	Comments
\$298,405.31 1,749,299.32 93,877.19 220,227.18 <u>28,936.33</u> \$2,390,745.33	<b>Total Revised Interest</b>
\$2,651,930.25	<b>Posted Interest</b>
<u>\$2,390,745.33</u>	<b>Revised Interest</b>
(261,184.92)	<b>Netting Benefit/Interest to be abated (TC 341)</b>

**Exhibit 20.2.14-6 (Cont. 3) (02-01-2017)**
**Special Net Rate Interest Computations - More than One Overpayment Period**
**IRM Reference 20.2.14.6.11**

<b>Application of Net Rate to Previously Paid Underpayment</b>	
<b>Amount</b>	<b>Comments</b>
<b>(7,591.66)</b>	<b>Add: Accrued interest at the prevailing rate to 09302009</b>
<b>\$268,776.58</b>	<b>Total Refund</b> (manual refund/TP initiated)

**Note:** Ensure statutory overpayment interest is computed on the amount of abatement that will refund or offset.

Input the following transaction information using the appropriate adjustment document and include as part of the workpapers.

<b>Adjustment Document Transaction Information</b>	
<b><u>2001</u></b>	<b><u>2002 and 2004</u></b>
TC 341 - (\$261,184.92)	TC 340 - (.00) to indicate that the net rate has been applied
Db-Int-To-Dt - 07122008	Db-Int-To-Dt - Applicable date
Correspondence Dt - 07221998	Correspondence Dt - 07221998
Activity Code - netrate	Activity Code - netrate
Amd-Clms-Dt - Claim Received Date	Amd-Clms-Dt - Claim Received Date

Always include the ACT/DML 530 Report with the following information as part of the workpapers.

<b>IDRS "N" Information</b>	
<b>200112:</b>	
N-AMT - 1,000,000.00	
N-BEG = 03152003	N-END = 07122008
N-PER = 200212	N-MFT = 02
<b>200112:</b>	
N-AMT - 2,500,000.00	
N-BEG = 03152008	N-END = 07122008
N-PER = 200412	N-MFT = 02
<b>200212:</b>	
N-AMT - 1,000,000.00	
N-BEG = 03152003	N-END = 07122008
N-PER = 200112	N-MFT = 02
<b>200412:</b>	
N-AMT - 1,000,000.00	
N-BEG = 03152008	N-END = 07122008
N-PER = 200212	N-MFT = 02

Refer to the time line in Exhibit 20.2.14-6.

**Exhibit 20.2.14-6 (Cont. 4) (02-01-2017)****Special Net Rate Interest Computations - More than One Overpayment Period****IRM Reference 20.2.14.6.11**

Always include the unnetted periods in your workpapers. The ACT/DMI 530 Report must be used for this purpose.

For 200212, there is an unnetted overpayment interest period from 07132008 to 04062009. The amount of overpayment on 07122008 is \$1,220,227.18 (overpayment plus interest accrued through 07122008).

For 200412, there is an unnetted overpayment interest period from 07132008 to 12302008. The amount of overpayment on 07122008 is \$2,528,936.33 (overpayment plus interest accrued through 07122008).

**Reminder:** When using a time line, the following verification process should be used to determine whether the net rate adjustment was correctly computed:

Add the net rate interest amount that was used to the interest amount that accrues during the unnetted overpayment period. If the total **does not** equal the overpayment interest amount originally allowed, an error has been made in the interest computation.

Unnetted underpayment interest periods exist from 03152002 to 03152003, from 03152003 to 03152008, and from 03152008 to 07122008.

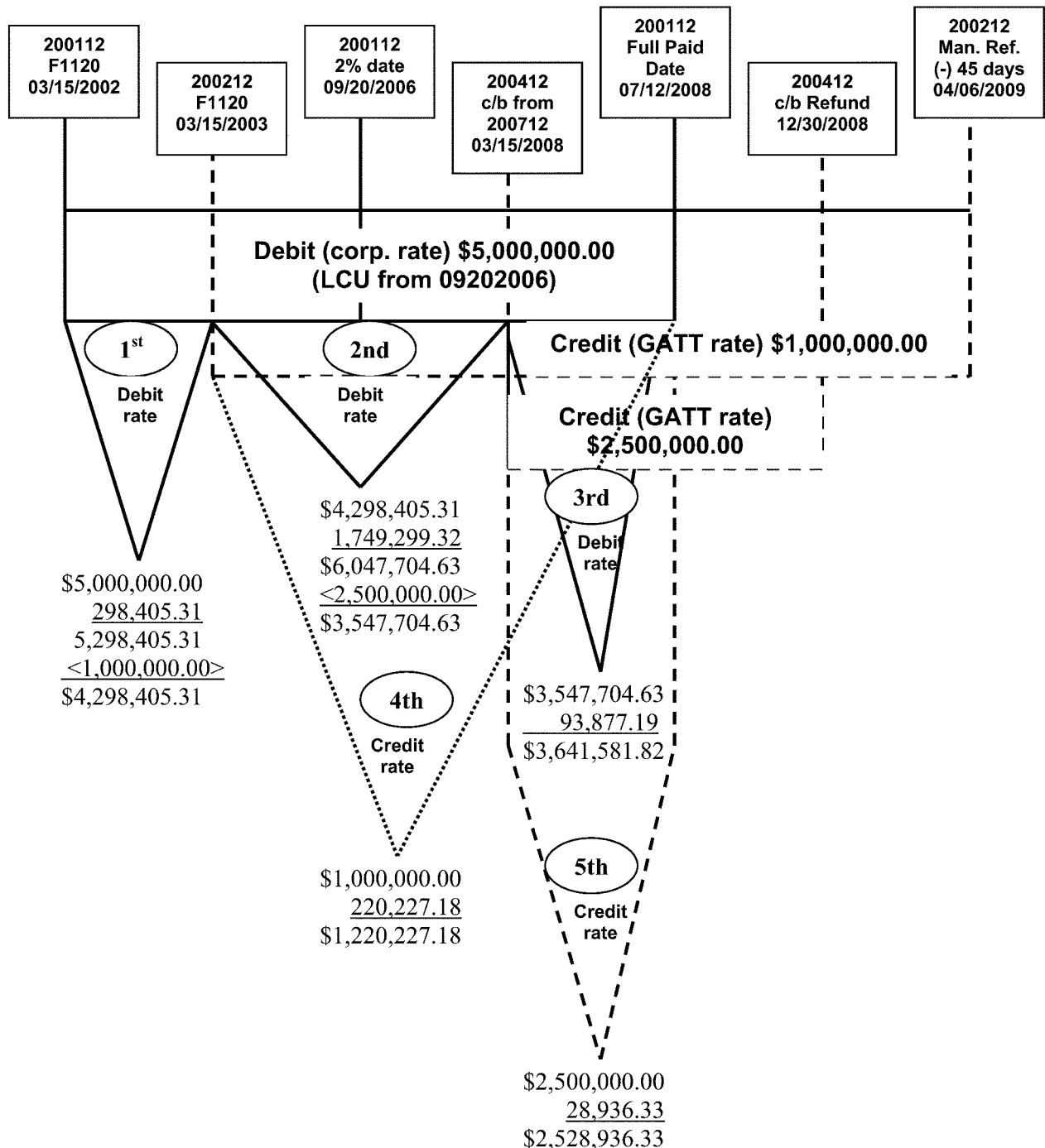


Exhibit 20.2.14-6 (Cont. 5) (02-01-2017)

Special Net Rate Interest Computations - More than One Overpayment Period

IRM Reference 20.2.14.6.11

Overlapping Period Time Line  
Exhibit 14-6



**Exhibit 20.2.14-6 (Cont. 6) (02-01-2017)****Special Net Rate Interest Computations - More than One Overpayment Period****IRM Reference 20.2.14.6.11**

Amount of unnetted overpayment at the beginning of the unnetted overpayment period 07122008 to 04062009 is \$1,220,227.18.

Amount of unnetted overpayment at the beginning of the unnetted overpayment period 07122008 to 12302008 is \$2,528,936.33.

Unnetted underpayment periods still exist from 03152002 to 03152003; from 03152003 to 03152008; and from 03152008 to 07122008.

**Backing into Underpayment Interest Previously Assessed (200112)  
ACT/DMI Report 490 Activity Summary – Exhibit 14-6**

**490 Activity Summary - 20.2.14-6 Siena**

FED - \*\*\_\*\*\*9999 Siena 1120 Tax Period: 2001/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 07/12/2008	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: 09/20/2006 Amount: \$100,000
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2002			150 Return Filed & Assessed Tax Liability		10,000,000.00	10,000,000.00
03/15/2002			610 Remittance with Return		(10,000,000.00)	
07/12/2008		03/15/2002	300 Additional Tax Assessment By Examination		5,000,000.00	5,000,000.00
07/12/2008			670 Subsequent Payment		(7,651,930.25)	(2,651,930.25)

Date	Description	Amount	Factor	Interest	Balance
03/15/2002	150 Return Filed & Assessed Tax Liability	10,000,000.00			
	300 Additional Tax Assessment By Examination	5,000,000.00			
	610 Remittance with Return	(10,000,000.00)			5,000,000.00
03/16/2002	09/20/2006 Underpay	5,000,000.00	0.287927895	1,439,639.47	6,439,639.47
09/21/2006	07/12/2008 Underpay LCU	6,439,639.47	0.188254448	1,212,290.77	7,651,930.25
07/12/2008	670 Subsequent Payment	(7,651,930.25)			

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest	2,651,930.25	2,651,930.25	
Overpayment Interest			
Principal Balance			
	2,651,930.25	2,651,930.25	0.00

Exhibit 20.2.14-6 (Cont. 7) (02-01-2017)

Special Net Rate Interest Computations - More than One Overpayment Period

IRM Reference 20.2.14.6.11

**Backing into Overpayment Interest Previously Allowed (200212)  
ACT/DMI Report 490 Activity Summary – Exhibit 14-6**

490 Activity Summary - 20.2.14-6 Siena

FED - \*\*.\*\*\*9999 Siena 1120 Tax Period: 2002/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 05/21/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2003			150 Return Filed & Assessed Tax Liability		5,000,000.00	5,000,000.00
03/15/2003			610 Remittance with Return		(5,000,000.00)	
05/21/2009		03/15/2003	301 Abatement of Tax By Examination Division		(1,000,000.00)	(1,000,000.00)
05/21/2009	04/06/2009	05/21/2009	840 Manual Refund	(1,000,000.00)	1,000,000.00	
05/21/2009	04/06/2009	05/21/2009	1004 Refund Interest High	(245,863.81)	245,863.81	245,863.81

Date	Description	Amount	Factor	Interest	Balance
03/15/2003	150 Return Filed & Assessed Tax Liability	5,000,000.00			
	301 Abatement of Tax By Examination Division	(1,000,000.00)			
	610 Remittance with Return	(5,000,000.00)			(1,000,000.00)
03/16/2003	04/06/2009 Overpay	(10,000.00)	0.363113337	(3,631.13)	
	Overpay GATT	(990,000.00)	0.244679474	(242,232.68)	(1,245,863.81)
04/07/2009	05/21/2009 Overpay Suspended	(1,245,863.81)			(1,245,863.81)
05/21/2009	840 Manual Refund	1,000,000.00			
	1004 Refund Interest High	245,863.81			

Account Summary:

Deficiency Interest  
Overpayment Interest  
Principal Balance

As Computed	Per Transcript	Adjustment
(245,863.81)	(245,863.81)	
(245,863.81)	(245,863.81)	0.00

**Exhibit 20.2.14-6 (Cont. 8) (02-01-2017)****Special Net Rate Interest Computations - More than One Overpayment Period**

IRM Reference 20.2.14.6.11

**Backing into Overpayment Interest Previously Allowed (200412)**  
**ACT/DMI Report 490 Activity Summary – Exhibit 14-6**

## 490 Activity Summary - 20.2.14-6 Siena

FED - \*\*.\*\*\*9999 Siena 1120 Tax Period: 2004/12

Run Method: IRS Default	Module Status: Open(Open)
Interest To: 12/30/2008	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2005			150 Return Filed & Assessed Tax Liability		3,000,000.00	3,000,000.00
03/15/2005			610 Remittance with Return		(3,000,000.00)	
03/15/2008			299 Abatement of Prior Tax Interest Computat		(2,500,000.00)	(2,500,000.00)
12/30/2008			840 Manual Refund		2,500,000.00	
12/30/2008			1004 Refund Interest High		65,088.86	65,088.86

Date		Description	Amount	Factor	Interest	Balance
03/15/2005		150 Return Filed & Assessed Tax Liability	3,000,000.00			
		610 Remittance with Return	(3,000,000.00)			
03/15/2008		299 Abatement of Prior Tax Interest Computat	(2,500,000.00)			(2,500,000.00)
03/16/2008	12/30/2008	Overpay	(10,000.00)	0.038251991	(382.52)	
		Overpay GATT	(2,490,000.00)	0.025986481	(64,706.34)	(2,565,088.86)
12/30/2008		840 Manual Refund	2,500,000.00			
		1004 Refund Interest High	65,088.86			

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest			
Overpayment Interest	(65,088.86)	(65,088.86)	
Principal Balance			
	(65,088.86)	(65,088.86)	0.00

Exhibit 20.2.14-6 (Cont. 9) (02-01-2017)

Special Net Rate Interest Computations - More than One Overpayment Period

IRM Reference 20.2.14.6.11

ACT/DMI Netting Interest Computation Analysis Screen

Exhibit 14-6

Jurisdiction: Federal View All

TIN	Tax Type	Tax Period	Additional Description	Status	GATT/LCU
<div>Select</div> <div>Selected Modules: 3</div>					

Selected Modules without Netting (double-click to view module settings)

TIN	Tax Type	Tax Period	Deficiency Interest	Overpayment Interest	Principal	Net Due/(Refund)
99-9999999	1120	2001/12	0.00	0.00	0.00	0.00
99-9999999	1120	2002/12	0.00	0.00	0.00	0.00
99-9999999	1120	2004/12	0.00	0.00	0.00	0.00
Totals:			0.00	0.00	0.00	0.00

Clear Module Clear All

Selected Modules with Netting

TIN	Tax Type	Tax Period	Deficiency Interest	Overpayment Interest	Principal	Net Due/(Refund)
99-9999999	1120	2001/12	(261,184.92)	(7,591.66)	0.00	(268,776.58)
99-9999999	1120	2002/12	0.00	0.00	0.00	0.00
99-9999999	1120	2004/12	0.00	0.00	0.00	0.00
Totals:			(261,184.92)	(7,591.66)	0.00	(268,776.58)

Run To Date: 09/30/2009 Post Remove Netting Benefit: (268,776.58)

Process ☒ Netting On Run Method: IRS Default Reports Module Restrictions

## Exhibit 20.2.14-6 (Cont. 10) (02-01-2017)

## Special Net Rate Interest Computations - More than One Overpayment Period

IRM Reference 20.2.14.6.11

## Principal and Interest Adj. Summary ACT/DMI Report 020 – Exhibit 14-6

## 020 Principal and Interest Adj Summary - 20.2.14-6 Siena

Jurisdiction: Federal	Run Method: IRS Default	Interest To: 09/30/2009
-----------------------	-------------------------	-------------------------

Tax ID	Taxpayer	Year/Month	Tax Type	Deficiency Interest	Overpayment Interest	Principal	Total
<u>Computed Individual Modules</u>							
**--***9999	Siena	2001/12	1120	0.00	0.00	0.00	0.00
**--***9999	Siena	2002/12	1120	0.00	0.00	0.00	0.00
**--***9999	Siena	2004/12	1120	0.00	0.00	0.00	0.00
Subtotal 1120				0.00	0.00	0.00	0.00
Total				0.00	0.00	0.00	0.00

Computed Modules With Netting

**--***9999	Siena	2001/12	1120	(261,184.92)	(7,591.66)	0.00	(268,776.58)
**--***9999	Siena	2002/12	1120	0.00	0.00	0.00	0.00
**--***9999	Siena	2004/12	1120	0.00	0.00	0.00	0.00
Subtotal 1120				(261,184.92)	(7,591.66)	0.00	(268,776.58)
Total				(261,184.92)	(7,591.66)	0.00	(268,776.58)

Netting Benefit: (268,776.58)

Exhibit 20.2.14-6 (Cont. 11) (02-01-2017)

Special Net Rate Interest Computations - More than One Overpayment Period

IRM Reference 20.2.14.6.11

Post Netting Underpayment Period (200112) ACT/DMI Report 490

Exhibit 14-6

490 Activity Summary - 20.2.14-6 Siena

FED - \*\*.\*9999 Siena 1120 Tax Period: 2001/12

Run Method: IRS Default	Module Status: Open(Open)
Interest To: 09/30/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: 09/20/2006 Amount: \$100,000
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2002			150 Return Filed & Assessed Tax Liability		10,000,000.00	10,000,000.00
03/15/2002			610 Remittance with Return		(10,000,000.00)	
07/12/2008		03/15/2002	300 Additional Tax Assessment By Examination		5,000,000.00	5,000,000.00
N/A	03/15/2003	03/15/2005	1545 Equalize to GATT	990,000.00		5,000,000.00
			XREF: 99-9999999 1120 200212			
N/A	03/15/2003	03/15/2005	1555 Equalize to Overpay	10,000.00		5,000,000.00
			XREF: 99-9999999 1120 200212			
N/A	03/15/2005	09/20/2006	1545 Equalize to GATT	990,000.00		5,000,000.00
			XREF: 99-9999999 1120 200212			
N/A	03/15/2005	09/20/2006	1545 Equalize to GATT	42,959.33		5,000,000.00
			XREF: 99-9999999 1120 200212			
N/A	03/15/2005	09/20/2006	1555 Equalize to Overpay	10,000.00		5,000,000.00
			XREF: 99-9999999 1120 200212			
N/A	03/15/2005	09/20/2006	1555 Equalize to Overpay	751.67		5,000,000.00
			XREF: 99-9999999 1120 200212			
N/A	09/20/2006	03/15/2008	1545 Equalize to GATT	990,000.00		5,000,000.00
			XREF: 99-9999999 1120 200212			
N/A	09/20/2006	03/15/2008	1545 Equalize to GATT	111,950.14		5,000,000.00
			XREF: 99-9999999 1120 200212			
N/A	09/20/2006	03/15/2008	1555 Equalize to Overpay	1,733.86		5,000,000.00
			XREF: 99-9999999 1120 200212			
N/A	09/20/2006	03/15/2008	1555 Equalize to Overpay	10,000.00		5,000,000.00
			XREF: 99-9999999 1120 200212			
07/12/2008			670 Subsequent Payment		(7,651,930.25)	(2,651,930.25)
N/A	03/15/2008	07/12/2008	1545 Equalize to GATT	990,000.00		(2,651,930.25)
			XREF: 99-9999999 1120 200212			
N/A	03/15/2008	07/12/2008	1545 Equalize to GATT	203,233.41		(2,651,930.25)
			XREF: 99-9999999 1120 200212			
N/A	03/15/2008	07/12/2008	1545 Equalize to GATT	2,490,000.00		(2,651,930.25)
			XREF: 99-9999999 1120 200412			
N/A	03/15/2008	07/12/2008	1555 Equalize to Overpay	10,000.00		(2,651,930.25)
			XREF: 99-9999999 1120 200212			
N/A	03/15/2008	07/12/2008	1555 Equalize to Overpay	2,991.89		(2,651,930.25)
			XREF: 99-9999999 1120 200212			
N/A	03/15/2008	07/12/2008	1555 Equalize to Overpay	10,000.00		(2,651,930.25)
			XREF: 99-9999999 1120 200412			

Date	Description	Amount	Factor	Interest	Balance
03/15/2002	150 Return Filed & Assessed Tax Liability	10,000,000.00			
	300 Additional Tax Assessment By Examination	5,000,000.00			
	610 Remittance with Return	(10,000,000.00)			5,000,000.00
03/16/2002	03/15/2003 Underpay	5,000,000.00	0.059681061	298,405.31	5,298,405.31
03/16/2003	03/15/2005 NR Underpay @ GATT	990,000.00	0.043393262	42,959.33	
	NR Underpay @ Over	10,000.00	0.075166781	751.67	



**Exhibit 20.2.14-6 (Cont. 12) (02-01-2017)****Special Net Rate Interest Computations - More than One Overpayment Period**

IRM Reference 20.2.14.6.11

**Post Netting Underpayment Period (200112) ACT/DMI Report 490 (cont.)**  
**Exhibit 14-6**

**490 Activity Summary - 20.2.14-6 Siena**

FED - \*\*.\*\*\*9999 Siena 1120 Tax Period: 2001/12

Date	Description	Amount	Factor	Interest	Balance
03/16/2003 03/15/2005	Underpay	4,298,405.31	0.096884116	416,447.20	5,758,563.50
03/16/2005 09/20/2006	NR Underpay @ GATT	1,032,959.33	0.066789478	68,990.81	
	NR Underpay @ Over	10,751.67	0.091352386	982.19	
	Underpay	4,714,852.50	0.108040487	509,394.96	6,337,931.46
09/21/2006 03/15/2008	NR Underpay @ GATT	1,101,950.14	0.082837929	91,283.27	
	NR Underpay @ Over	11,733.86	0.107214200	1,258.04	
	Underpay LCU	5,224,247.46	0.157622158	823,457.16	7,253,929.93
03/16/2008 07/12/2008	NR Underpay @ GATT	3,683,233.41	0.011554752	42,558.85	
	NR Underpay @ Over	22,991.89	0.016499624	379.36	
	Underpay LCU	3,547,704.62	0.026461388	93,877.19	7,390,745.33
07/12/2008	670 Subsequent Payment	(7,651,930.25)			(261,184.92)
07/13/2008 09/30/2009	Overpay	(10,000.00)	0.047297556	(472.98)	
	Overpay GATT	(251,184.92)	0.028340413	(7,118.68)	(268,776.58)

**Account Summary:**

	<b>As Computed</b>	<b>Per Transcript</b>	<b>Adjustment</b>
Deficiency Interest	2,390,745.33	2,651,930.25	(261,184.92)
Overpayment Interest	(7,591.66)		(7,591.66)
Principal Balance			
	2,383,153.67	2,651,930.25	(268,776.58)

**Exhibit 20.2.14-6 (Cont. 13) (02-01-2017)**
**Special Net Rate Interest Computations - More than One Overpayment Period**
**IRM Reference 20.2.14.6.11**
**ACT/DMI Report 530 (200112) - Exhibit 14-6**

530 Adjustments / Positions - 20.2.14-6 Siena  
FED - \*\*.\*\*\*9999 Siena 1120 Tax Period: 2001/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 09/30/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: 09/20/2006 Amount: \$100,000
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

**COMPUTED OFFSET/EQUALIZATIONS**
Equalizations that affect 99-9999999 2001/12 1120 Tax Module

<b>Change: **.***9999</b>	<b>200112</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200212</b>	<b>1120</b>
N-Amt 990,000.00	Equalize to GATT		N-Amt 990,000.00	Use Prin GATT to Equal	
N-Beg 03/15/03	N-End 03/15/05		N-Beg 03/15/03	N-End 03/15/05	
N-XRef **.***9999	200212 1120		N-XRef **.***9999	200112 1120	
<b>Change: **.***9999</b>	<b>200112</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200212</b>	<b>1120</b>
N-Amt 10,000.00	Equalize to Overpay		N-Amt 10,000.00	Use Prin Over to Equal	
N-Beg 03/15/03	N-End 03/15/05		N-Beg 03/15/03	N-End 03/15/05	
N-XRef **.***9999	200212 1120		N-XRef **.***9999	200112 1120	
<b>Change: **.***9999</b>	<b>200112</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200212</b>	<b>1120</b>
N-Amt 990,000.00	Equalize to GATT		N-Amt 990,000.00	Use Prin GATT to Equal	
N-Beg 03/15/05	N-End 09/20/06		N-Beg 03/15/05	N-End 09/20/06	
N-XRef **.***9999	200212 1120		N-XRef **.***9999	200112 1120	
<b>Change: **.***9999</b>	<b>200112</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200212</b>	<b>1120</b>
N-Amt 42,959.33	Equalize to GATT		N-Amt 42,959.33	Use Int GATT to Equal	
N-Beg 03/15/05	N-End 09/20/06		N-Beg 03/15/05	N-End 09/20/06	
N-XRef **.***9999	200212 1120		N-XRef **.***9999	200112 1120	
<b>Change: **.***9999</b>	<b>200112</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200212</b>	<b>1120</b>
N-Amt 10,000.00	Equalize to Overpay		N-Amt 10,000.00	Use Prin Over to Equal	
N-Beg 03/15/05	N-End 09/20/06		N-Beg 03/15/05	N-End 09/20/06	
N-XRef **.***9999	200212 1120		N-XRef **.***9999	200112 1120	
<b>Change: **.***9999</b>	<b>200112</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200212</b>	<b>1120</b>
N-Amt 751.67	Equalize to Overpay		N-Amt 751.67	Use Int Over to Equal	
N-Beg 03/15/05	N-End 09/20/06		N-Beg 03/15/05	N-End 09/20/06	
N-XRef **.***9999	200212 1120		N-XRef **.***9999	200112 1120	
<b>Change: **.***9999</b>	<b>200112</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200212</b>	<b>1120</b>
N-Amt 990,000.00	Equalize to GATT		N-Amt 990,000.00	Use Prin GATT to Equal	
N-Beg 09/20/06	N-End 03/15/08		N-Beg 09/20/06	N-End 03/15/08	
N-XRef **.***9999	200212 1120		N-XRef **.***9999	200112 1120	
<b>Change: **.***9999</b>	<b>200112</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200212</b>	<b>1120</b>
N-Amt 111,950.14	Equalize to GATT		N-Amt 111,950.14	Use Int GATT to Equal	
N-Beg 09/20/06	N-End 03/15/08		N-Beg 09/20/06	N-End 03/15/08	
N-XRef **.***9999	200212 1120		N-XRef **.***9999	200112 1120	
<b>Change: **.***9999</b>	<b>200112</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200212</b>	<b>1120</b>
N-Amt 10,000.00	Equalize to Overpay		N-Amt 10,000.00	Use Prin Over to Equal	
N-Beg 09/20/06	N-End 03/15/08		N-Beg 09/20/06	N-End 03/15/08	
N-XRef **.***9999	200212 1120		N-XRef **.***9999	200112 1120	
<b>Change: **.***9999</b>	<b>200112</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200212</b>	<b>1120</b>

**Exhibit 20.2.14-6 (Cont. 14) (02-01-2017)****Special Net Rate Interest Computations - More than One Overpayment Period**

IRM Reference 20.2.14.6.11

**ACT/DMI Report 530 (200112 continued) - Exhibit 14-6**

530 Adjustments / Positions - 20.2.14-6 Siena

FED - \*\*.\*\*\*9999 Siena 1120 Tax Period: 2001/12

**Equalizations that affect 99-9999999 2001/12 1120 Tax Module**

N-Amt	1,733.86	Equalize to Overpay	N-Amt	1,733.86	Use Int Over to Equal		
N-Beg	09/20/06	N-End	03/15/08	N-Beg	09/20/06	N-End	03/15/08
N-XRef	**.***9999	200212	1120	N-XRef	**.***9999	200112	1120
Change:	**.***9999	200112	1120	Change:	**.***9999	200212	1120
N-Amt	990,000.00	Equalize to GATT	N-Amt	990,000.00	Use Prin GATT to Equal		
N-Beg	03/15/08	N-End	07/12/08	N-Beg	03/15/08	N-End	07/12/08
N-XRef	**.***9999	200212	1120	N-XRef	**.***9999	200112	1120
Change:	**.***9999	200112	1120	Change:	**.***9999	200212	1120
N-Amt	203,233.41	Equalize to GATT	N-Amt	203,233.41	Use Int GATT to Equal		
N-Beg	03/15/08	N-End	07/12/08	N-Beg	03/15/08	N-End	07/12/08
N-XRef	**.***9999	200212	1120	N-XRef	**.***9999	200112	1120
Change:	**.***9999	200112	1120	Change:	**.***9999	200412	1120
N-Amt	2,490,000.00	Equalize to GATT	N-Amt	2,490,000.00	Use Prin GATT to Equal		
N-Beg	03/15/08	N-End	07/12/08	N-Beg	03/15/08	N-End	07/12/08
N-XRef	**.***9999	200412	1120	N-XRef	**.***9999	200112	1120
Change:	**.***9999	200112	1120	Change:	**.***9999	200412	1120
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal		
N-Beg	03/15/08	N-End	07/12/08	N-Beg	03/15/08	N-End	07/12/08
N-XRef	**.***9999	200412	1120	N-XRef	**.***9999	200112	1120
Change:	**.***9999	200112	1120	Change:	**.***9999	200212	1120
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal		
N-Beg	03/15/08	N-End	07/12/08	N-Beg	03/15/08	N-End	07/12/08
N-XRef	**.***9999	200212	1120	N-XRef	**.***9999	200112	1120
Change:	**.***9999	200112	1120	Change:	**.***9999	200212	1120
N-Amt	2,991.89	Equalize to Overpay	N-Amt	2,991.89	Use Int Over to Equal		
N-Beg	03/15/08	N-End	07/12/08	N-Beg	03/15/08	N-End	07/12/08
N-XRef	**.***9999	200212	1120	N-XRef	**.***9999	200112	1120

**Balances in selected module that are still available for potential netting**

1. Available Underpayment @ Underpay Rate	5,000,000.00	From 03/16/02 To 03/15/03
2. Available Underpayment @ Underpay Rate	4,298,405.31	From 03/16/03 To 03/15/05
3. Available Underpayment @ Underpay Rate	4,714,852.50	From 03/16/05 To 09/20/06
4. Available Underpayment @ LCU Rate	5,224,247.46	From 09/21/06 To 03/15/08
5. Available Underpayment @ LCU Rate	3,547,704.62	From 03/16/08 To 07/12/08
6. Available Overpayment @ GATT Rate	(251,184.92)	From 07/13/08 To 09/30/09
7. Available Overpayment @ Overpay Rate	(10,000.00)	From 07/13/08 To 09/30/09

Exhibit 20.2.14-6 (Cont. 15) (02-01-2017)

Special Net Rate Interest Computations - More than One Overpayment Period

IRM Reference 20.2.14.6.11

Post Netting Overpayment Period (200212) ACT/DMI Report 490

Exhibit 14-6

490 Activity Summary - 20.2.14-6 Siena

FED - \*\*.\*\*\*9999 Siena 1120 Tax Period: 2002/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 09/30/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2003			150 Return Filed & Assessed Tax Liability		5,000,000.00	5,000,000.00
03/15/2003			610 Remittance with Return		(5,000,000.00)	
05/21/2009		03/15/2003	301 Abatement of Tax By Examination Division		(1,000,000.00)	(1,000,000.00)
N/A	03/15/2003	03/15/2005	1540 Use Prin GATT to Equal	(990,000.00)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	03/15/2003	03/15/2005	1550 Use Prin Over to Equal	(10,000.00)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	03/15/2005	09/20/2006	1540 Use Prin GATT to Equal	(990,000.00)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	03/15/2005	09/20/2006	1541 Use Int GATT to Equal	(42,959.33)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	03/15/2005	09/20/2006	1550 Use Prin Over to Equal	(10,000.00)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	03/15/2005	09/20/2006	1551 Use Int Over to Equal	(751.67)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	09/20/2006	03/15/2008	1540 Use Prin GATT to Equal	(990,000.00)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	09/20/2006	03/15/2008	1541 Use Int GATT to Equal	(111,950.14)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	09/20/2006	03/15/2008	1550 Use Prin Over to Equal	(10,000.00)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	09/20/2006	03/15/2008	1551 Use Int Over to Equal	(1,733.86)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	03/15/2008	07/12/2008	1540 Use Prin GATT to Equal	(990,000.00)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	03/15/2008	07/12/2008	1541 Use Int GATT to Equal	(203,233.41)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	03/15/2008	07/12/2008	1550 Use Prin Over to Equal	(10,000.00)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
N/A	03/15/2008	07/12/2008	1551 Use Int Over to Equal	(2,991.89)		(1,000,000.00)
			XREF: **.***9999 1120 200112			
05/21/2009	04/06/2009	05/21/2009	840 Manual Refund	(1,000,000.00)	1,000,000.00	
05/21/2009	04/06/2009	05/21/2009	1004 Refund Interest High	(245,863.81)	245,863.81	245,863.81

Date	Description	Amount	Factor	Interest	Balance
03/15/2003	150 Return Filed & Assessed Tax Liability	5,000,000.00			
	301 Abatement of Tax By Examination Division	(1,000,000.00)			
	610 Remittance with Return	(5,000,000.00)			(1,000,000.00)
03/16/2003	03/15/2005 Overpay	(10,000.00)	0.075166781	(751.67)	
	Overpay GATT	(990,000.00)	0.043393262	(42,959.33)	(1,043,711.00)
03/16/2005	09/20/2006 Overpay	(10,751.67)	0.091352386	(982.19)	
	Overpay GATT	(1,032,959.33)	0.066789478	(68,990.81)	(1,113,684.00)
09/21/2006	03/15/2008 Overpay	(11,733.86)	0.107214200	(1,258.04)	
	Overpay GATT	(1,101,950.14)	0.082837929	(91,283.27)	(1,206,225.31)

**Exhibit 20.2.14-6 (Cont. 16) (02-01-2017)****Special Net Rate Interest Computations - More than One Overpayment Period****IRM Reference 20.2.14.6.11**

**Post Netting Overpayment Period (200212-continued) ACT/DMI Report 490**  
**Exhibit 14-6**

**490 Activity Summary - 20.2.14-6 Siena**

FED - \*\*.\*\*\*9999 Siena 1120 Tax Period: 2002/12

Date	Description	Amount	Factor	Interest	Balance
03/16/2008	07/12/2008 Overpay	(12,991.89)	0.016499624	(214.36)	
	Overpay GATT	(1,193,233.41)	0.011554752	(13,787.52)	(1,220,227.18)
07/13/2008	04/06/2009 Overpay	(13,206.26)	0.032172437	(424.88)	
	Overpay GATT	(1,207,020.93)	0.020887585	(25,211.75)	(1,245,863.81)
04/07/2009	05/21/2009 Overpay Suspended	(1,245,863.81)			(1,245,863.81)
05/21/2009	840 Manual Refund	1,000,000.00			
	1004 Refund Interest High	245,863.81			

**Account Summary:**

Deficiency Interest

Overpayment Interest

Principal Balance

As Computed	Per Transcript	Adjustment
(245,863.81)	(245,863.81)	
(245,863.81)	(245,863.81)	0.00

Exhibit 20.2.14-6 (Cont. 17) (02-01-2017)

Special Net Rate Interest Computations - More than One Overpayment Period

IRM Reference 20.2.14.6.11

ACT/DMI Report 530 (200212) - Exhibit 14-6

530 Adjustments / Positions - 20.2.14-6 Siena  
FED - \*\*.\*9999 Siena 1120 Tax Period: 2002/12

Run Method: IRS Default	Module Status: Open(Open)
Interest To: 09/30/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

COMPUTED OFFSET/EQUALIZATIONS

Equalizations that affect 99-9999999 2002/12 1120 Tax Module

Change: **.***9999	200112	1120	Change: **.***9999	200212	1120
N-Amt	990,000.00	Equalize to GATT	N-Amt	990,000.00	Use Prin GATT to Equal
N-Beg	03/15/03	N-End 03/15/05	N-Beg	03/15/03	N-End 03/15/05
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
Change: **.***9999	200112	1120	Change: **.***9999	200212	1120
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal
N-Beg	03/15/03	N-End 03/15/05	N-Beg	03/15/03	N-End 03/15/05
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
Change: **.***9999	200112	1120	Change: **.***9999	200212	1120
N-Amt	990,000.00	Equalize to GATT	N-Amt	990,000.00	Use Prin GATT to Equal
N-Beg	03/15/05	N-End 09/20/06	N-Beg	03/15/05	N-End 09/20/06
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
Change: **.***9999	200112	1120	Change: **.***9999	200212	1120
N-Amt	42,959.33	Equalize to GATT	N-Amt	42,959.33	Use Int GATT to Equal
N-Beg	03/15/05	N-End 09/20/06	N-Beg	03/15/05	N-End 09/20/06
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
Change: **.***9999	200112	1120	Change: **.***9999	200212	1120
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal
N-Beg	03/15/05	N-End 09/20/06	N-Beg	03/15/05	N-End 09/20/06
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
Change: **.***9999	200112	1120	Change: **.***9999	200212	1120
N-Amt	751.67	Equalize to Overpay	N-Amt	751.67	Use Int Over to Equal
N-Beg	03/15/05	N-End 09/20/06	N-Beg	03/15/05	N-End 09/20/06
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
Change: **.***9999	200112	1120	Change: **.***9999	200212	1120
N-Amt	990,000.00	Equalize to GATT	N-Amt	990,000.00	Use Prin GATT to Equal
N-Beg	09/20/06	N-End 03/15/08	N-Beg	09/20/06	N-End 03/15/08
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
Change: **.***9999	200112	1120	Change: **.***9999	200212	1120
N-Amt	111,950.14	Equalize to GATT	N-Amt	111,950.14	Use Int GATT to Equal
N-Beg	09/20/06	N-End 03/15/08	N-Beg	09/20/06	N-End 03/15/08
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
Change: **.***9999	200112	1120	Change: **.***9999	200212	1120
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal
N-Beg	09/20/06	N-End 03/15/08	N-Beg	09/20/06	N-End 03/15/08
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
Change: **.***9999	200112	1120	Change: **.***9999	200212	1120

**Exhibit 20.2.14-6 (Cont. 18) (02-01-2017)****Special Net Rate Interest Computations - More than One Overpayment Period**

IRM Reference 20.2.14.6.11

**ACT/DMI Report 530 (200212 continued) - Exhibit 14-6****530 Adjustments / Positions - 20.2.14-6 Siena**

FED - \*\*.\*\*\*9999 Siena 1120 Tax Period: 2002/12

**Equalizations that affect 99-9999999 2002/12 1120 Tax Module**

N-Amt	1,733.86	Equalize to Overpay	N-Amt	1,733.86	Use Int Over to Equal
N-Beg	09/20/06	N-End 03/15/08	N-Beg	09/20/06	N-End 03/15/08
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
<b>Change:</b>	<b>**.***9999</b>	<b>200112 1120</b>	<b>Change:</b>	<b>**.***9999</b>	<b>200212 1120</b>
N-Amt	990,000.00	Equalize to GATT	N-Amt	990,000.00	Use Prin GATT to Equal
N-Beg	03/15/08	N-End 07/12/08	N-Beg	03/15/08	N-End 07/12/08
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
<b>Change:</b>	<b>**.***9999</b>	<b>200112 1120</b>	<b>Change:</b>	<b>**.***9999</b>	<b>200212 1120</b>
N-Amt	203,233.41	Equalize to GATT	N-Amt	203,233.41	Use Int GATT to Equal
N-Beg	03/15/08	N-End 07/12/08	N-Beg	03/15/08	N-End 07/12/08
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
<b>Change:</b>	<b>**.***9999</b>	<b>200112 1120</b>	<b>Change:</b>	<b>**.***9999</b>	<b>200212 1120</b>
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal
N-Beg	03/15/08	N-End 07/12/08	N-Beg	03/15/08	N-End 07/12/08
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120
<b>Change:</b>	<b>**.***9999</b>	<b>200112 1120</b>	<b>Change:</b>	<b>**.***9999</b>	<b>200212 1120</b>
N-Amt	2,991.89	Equalize to Overpay	N-Amt	2,991.89	Use Int Over to Equal
N-Beg	03/15/08	N-End 07/12/08	N-Beg	03/15/08	N-End 07/12/08
N-XRef	**.***9999	200212 1120	N-XRef	**.***9999	200112 1120

**Balances in selected module that are still available for potential netting**

1. Available Overpayment @ GATT Rate	(1,207,020.93)	From 07/13/08 To 04/06/09
2. Available Overpayment @ Overpay Rate	(13,206.26)	From 07/13/08 To 04/06/09
3. Available Suspended Overpay	(1,245,863.81)	From 04/07/09 To 05/21/09



Exhibit 20.2.14-6 (Cont. 19) (02-01-2017)

Special Net Rate Interest Computations - More than One Overpayment Period

IRM Reference 20.2.14.6.11

**Post Netting Overpayment Period (200412) ACT/DMI Report 490  
Exhibit 14-6**

490 Activity Summary - 20.2.14-6 Siena

FED - \*\*.\*\*\*9999 Siena 1120 Tax Period: 2004/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 09/30/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2005			150 Return Filed & Assessed Tax Liability		3,000,000.00	3,000,000.00
03/15/2005			610 Remittance with Return		(3,000,000.00)	
03/15/2008			299 Abatement of Prior Tax Interest Computat		(2,500,000.00)	(2,500,000.00)
N/A	03/15/2008	07/12/2008	1540 Use Prin GATT to Equal	(2,490,000.00)		(2,500,000.00)
			XREF: 99-9999999 1120 200112			
N/A	03/15/2008	07/12/2008	1550 Use Prin Over to Equal	(10,000.00)		(2,500,000.00)
			XREF: 99-9999999 1120 200112			
12/30/2008			840 Manual Refund		2,500,000.00	
12/30/2008			1004 Refund Interest High		65,088.86	65,088.86

Date	Description	Amount	Factor	Interest	Balance
03/15/2005	150 Return Filed & Assessed Tax Liability	3,000,000.00			
	610 Remittance with Return	(3,000,000.00)			
03/15/2008	299 Abatement of Prior Tax Interest Computat	(2,500,000.00)			(2,500,000.00)
03/16/2008	07/12/2008 Overpay	(10,000.00)	0.016499624	(165.00)	
	Overpay GATT	(2,490,000.00)	0.011554752	(28,771.33)	(2,528,936.33)
07/13/2008	12/30/2008 Overpay	(10,165.00)	0.021399286	(217.52)	
	Overpay GATT	(2,518,771.33)	0.014266878	(35,935.00)	(2,565,088.86)
12/30/2008	840 Manual Refund	2,500,000.00			
	1004 Refund Interest High	65,088.86			

Account Summary:

Deficiency Interest  
Overpayment Interest  
Principal Balance

As Computed	Per Transcript	Adjustment
(65,088.86)	(65,088.86)	
(65,088.86)	(65,088.86)	0.00

**Exhibit 20.2.14-6 (Cont. 20) (02-01-2017)****Special Net Rate Interest Computations - More than One Overpayment Period**

IRM Reference 20.2.14.6.11

**ACT/DMI Report 530 (200412) - Exhibit 14-6****530 Adjustments / Positions - 20.2.14-6 Siena**

FED - \*\*.\*\*\*9999 Siena 1120 Tax Period: 2004/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 09/30/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

**COMPUTED OFFSET/EQUALIZATIONS****Equalizations that affect 99-9999999 2004/12 1120 Tax Module**

<b>Change: **.***9999</b>	<b>200112</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200412</b>	<b>1120</b>
N-Amt	2,490,000.00	Equalize to GATT	N-Amt	2,490,000.00	Use Prin GATT to Equal
N-Beg	03/15/08	N-End 07/12/08	N-Beg	03/15/08	N-End 07/12/08
N-XRef	**.***9999	200412 1120	N-XRef	**.***9999	200112 1120
<b>Change: **.***9999</b>	<b>200112</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200412</b>	<b>1120</b>
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal
N-Beg	03/15/08	N-End 07/12/08	N-Beg	03/15/08	N-End 07/12/08
N-XRef	**.***9999	200412 1120	N-XRef	**.***9999	200112 1120

**Balances in selected module that are still available for potential netting**

1. Available Overpayment @ GATT Rate	(2,518,771.33)	From 07/13/08 To 12/30/08
2. Available Overpayment @ Overpay Rate	(10,165.00)	From 07/13/08 To 12/30/08

**Verification of the Net Rate Computation**

To verify accrued interest during the unnetted overpayment period, it is necessary to determine what the non-GATT and GATT overpayment balances are as of the end of the overlapping period in the net rate computation. This information is then used to compute interest during the unnetted overpayment period. When you add the net rate interest amount with the interest accrued during the unnetted overpayment period, the total interest amount determined **must equal** the interest originally allowed on the overpayment. If these amounts **do not equal**, an error has been made in either the net rate computation or when verifying the accrued interest.

**Note:** This procedure may be used to verify the accuracy of a net rate computation made on ACT/DMI. However, it is not required because the verification process is automated within the program.

**Exhibit 20.2.14-7 (02-01-2017)**

**Special Net Rate Interest Computations - Overlapping Amount Completely Used**

**IRM Reference 20.2.14.6.5**

The following example illustrates the situation where the overlapping period is completely used in the net rate computation.

Orleans Corporation receives a manual refund of \$117,858.64 on August 29, 2008 due to a tax decrease of \$100,000.00 based on a Form 1120X for its 200412 tax year that was filed on March 10, 2008. Interest in the amount of \$17,858.64 is paid for the period from March 15, 2005 (return due date) to August 29, 2008. Due to an examination of the 2003 Form 1120, the amount of \$350,000.00 is assessed and a notice is issued. The taxpayer pays the balance of \$507,024.14 on February 15, 2009. The balance includes interest of \$157,024.14, from March 15, 2004 (return due date) to February 15, 2009. The large corporate interest rate (LCU) is charged on the underpayment based on a 30-Day letter dated June 2, 2006 (applicable date of July 02, 2006).

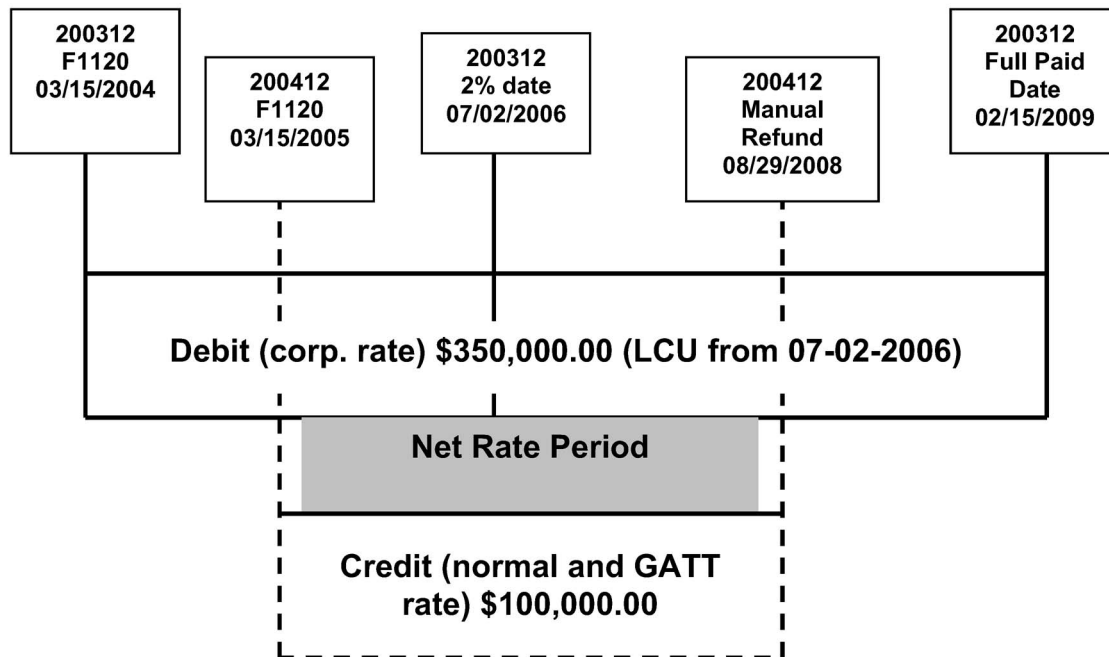
On July 30, 2009, the Orleans Corporation files a request to ask that the net rate be applied to its 2003 Form 1120, based on the 2004 overpayment that was manually refunded on August 29, 2008. Interest on the underpayment must be recomputed to allow the net rate adjustment.

Interest Computations Prior to Application of the Net Rate			
Year	Form	Amount	Comments
200312	1120	\$350,000.00	LCU rate applicable date is 07022006
		157,024.14	Interest from 03152004 to 02152009 (full paid date)
200412	1120	(\$100,000.00)	Overpayment refunded with interest on 08292008
		(17,858.64)	Interest from 03152005 to 08292008 (manual refund/taxpayer initiated)

**Exhibit 20.2.14-7 (Cont. 1) (02-01-2017)****Special Net Rate Interest Computations - Overlapping Amount Completely Used**

IRM Reference 20.2.14.6.5

**Overlapping Period Time Line  
Exhibit 14-7**

**Application of the Net Rate to the Previously Paid Underpayment**

**Note:** The net rate interest is computed at normal rates until the effective or applicable date for GATT or LCU interest has been reached.

Underpayment Interest Computation	
\$ 350,000.00	03152004 to 03152005 (normal Corp. rate) = \$16,819.67
<u>16,819.67</u>	<b>Add accrued interest</b>
366,819.67	Balance due 03152005
(100,000.00)	<b>Subtract</b> the underpayment amount equal to the overpayment amount on 03152005
266,819.67	03152005 to 07022006 (normal corp. rate) 07022006 02152009 (LCU rate ) = \$101,982.83
<u>101,982.83</u>	<b>Add accrued interest</b>

**Exhibit 20.2.14-7 (Cont. 2) (02-01-2017)**
**Special Net Rate Interest Computations - Overlapping Amount Completely Used**
**IRM Reference 20.2.14.6.5**

<b>Underpayment Interest Computation</b>	
\$368,802.50	Balance due 02152009
<b>Net Rate Interest Computation</b>	
\$100,000.00	03152005 to 08292008 (normal and GATT rate) = 17,858.64
<u>17,858.64</u>	<b>Add accrued interest</b>
117,858.64	08292008 to 02152009 (LCU rate) = 4,203.92
<u>4,203.92</u>	<b>Add accrued interest</b>
\$122,062.56	Balance due 02152009
\$16,819.67 101,982.83 17,858.64 <u>4,203.92</u> \$140,865.06	<b>Total Revised Interest</b>
\$157,024.14	<b>Posted Interest</b>
<u>\$140,865.06</u>	<b>Revised Interest</b>
(\$16,159.08)	<b>Netting Benefit/Interest to be abated (TC 341)</b>

**Note:** Compute statutory overpayment interest accordingly on the amount of abatement that will refund/offset.

Input the following transaction information using the appropriate adjustment document and include as part of the workpapers:

<b>Adjustment Document Transaction Information</b>	
<u><b>2003</b></u>	<u><b>2004</b></u>
TC 341 – (\$16,159.08)	TC 340 – (\$.00) to indicate that the net rate has been applied
Db-Int-To-Dt – 02152009	Db-Int-To-Dt – 03152005
Correspondence Dt – 07221998	Correspondence Dt - 07221998
Activity Code – netrate	Activity Code – netrate
Amd-Clms-Dt – 07/30/2009	AMD-CLMS-DT – 07/30/2009

Always include the ACT/DMI 530 Report with the following information as part of the work papers.

**Exhibit 20.2.14-7 (Cont. 3) (02-01-2017)****Special Net Rate Interest Computations - Overlapping Amount Completely Used****IRM Reference 20.2.14.6.5**

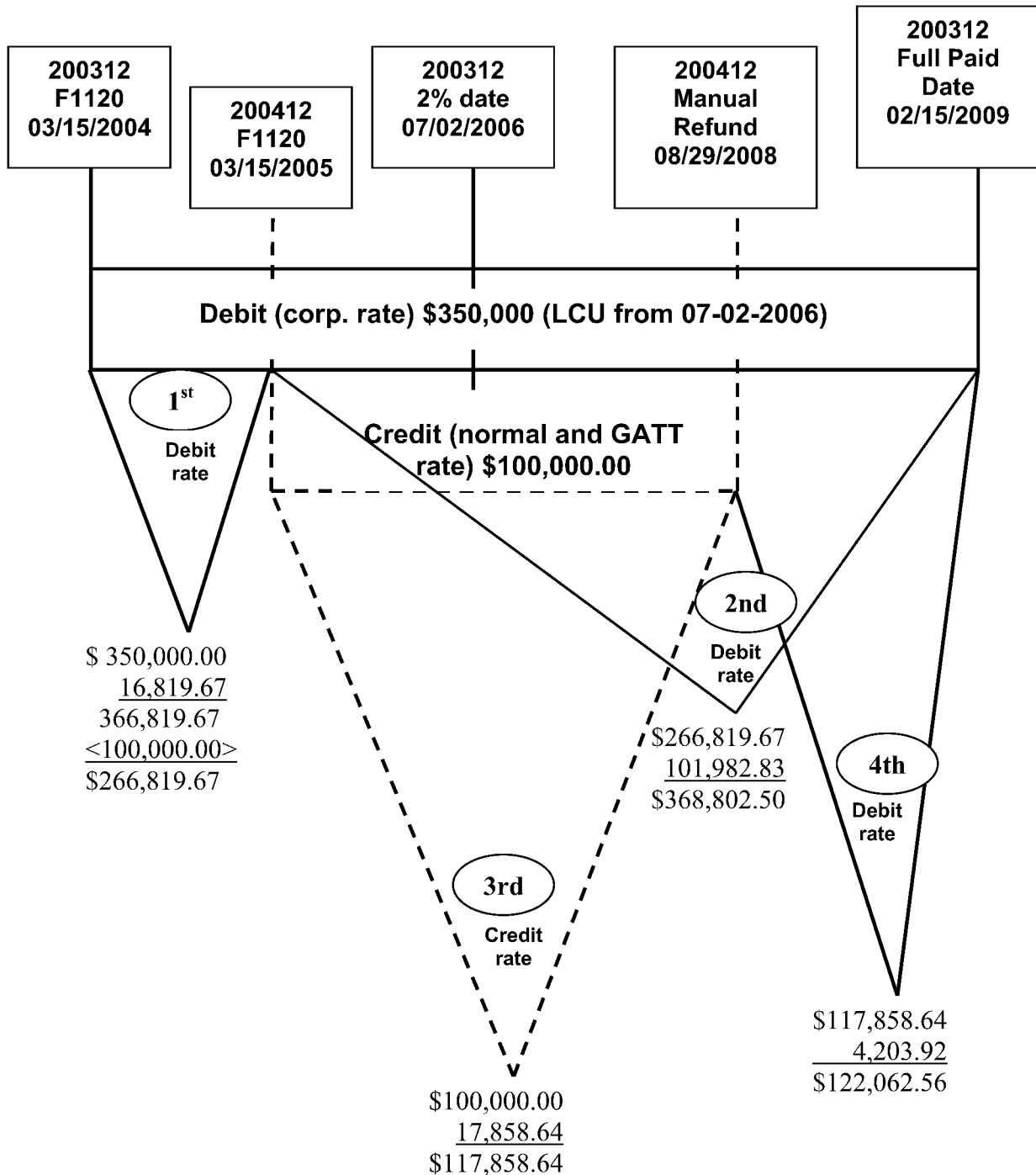
<b>IDRS "N" Information</b>	
<b>200312:</b>	
N-AMT = 100,000.00 N-BEG = 03152005 N-PER = 200412	N-END = 08292008 N-MFT = 02
<b>200412:</b>	
N-AMT = 100,000.00 N-BEG = 03152005 N-PER = 200312	N-END = 08292008 N-MFT = 02

Exhibit 20.2.14-7 (Cont. 4) (02-01-2017)

Special Net Rate Interest Computations - Overlapping Amount Completely Used

IRM Reference 20.2.14.6.5

Overlapping Period Time Line  
Exhibit 14-7



No unnetted overpayment period or unnetted amount remains.

**Exhibit 20.2.14-7 (Cont. 5) (02-01-2017)****Special Net Rate Interest Computations - Overlapping Amount Completely Used****IRM Reference 20.2.14.6.5**

An unnetted underpayment period exists from 03152004 to 03152005 on \$350,000.00, from 03152005 to 08292008 on \$266,819.67, and from 08292008 to 02152009 on \$117,858.64.

**Backing into Underpayment Interest Previously Assessed (200312)  
ACT/DMI Report 490 Activity Summary – Exhibit 14-7**

**490 Activity Summary - 20.2.14-7 Orleans**

FED - \*\*.\*\*\*9999 Orleans 1120 Tax Period: 2003/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 02/15/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: 07/02/2006 Amount: \$100,000
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2004			150 Return Filed & Assessed Tax Liability		250,000.00	250,000.00
03/15/2004			610 Remittance with Return		(250,000.00)	
02/15/2009		03/15/2004	300 Additional Tax Assessment By Examination		350,000.00	350,000.00
02/15/2009			670 Subsequent Payment		(507,024.14)	(157,024.14)

Date		Description	Amount	Factor	Interest	Balance
03/15/2004		150 Return Filed & Assessed Tax Liability	250,000.00			
		300 Additional Tax Assessment By Examination	350,000.00			
		610 Remittance with Return	(250,000.00)			350,000.00
03/16/2004	07/02/2006	Underpay	350,000.00	0.141106061	49,387.12	399,387.12
07/03/2006	02/15/2009	Underpay LCU	399,387.12	0.269505473	107,637.02	507,024.14
02/15/2009		670 Subsequent Payment	(507,024.14)			

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest	157,024.14	157,024.14	
Overpayment Interest			
Principal Balance			
	157,024.14	157,024.14	0.00



Exhibit 20.2.14-7 (Cont. 6) (02-01-2017)

Special Net Rate Interest Computations - Overlapping Amount Completely Used

IRM Reference 20.2.14.6.5

**Backing into Overpayment Interest Previously Allowed (200412)  
ACT/DMI Report 490 Activity Summary – Exhibit 14-7**

490 Activity Summary - 20.2.14-7 Orleans

FED - \*\*.\*\*\*9999 Orleans 1120 Tax Period: 2004/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 08/29/2008	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2005			150 Return Filed & Assessed Tax Liability		150,000.00	150,000.00
03/15/2005			610 Remittance with Return		(150,000.00)	
03/10/2008		03/15/2005	291 Abatement Prior Tax Assessment		(100,000.00)	(100,000.00)
			Per Form 1120X from TP			
08/29/2008			1004 Refund Interest High		17,858.64	(82,141.36)
08/29/2008			840 Manual Refund		100,000.00	17,858.64
			Manual Refund			

Date	Description	Amount	Factor	Interest	Balance
03/15/2005	150 Return Filed & Assessed Tax Liability	150,000.00			
	291 Abatement Prior Tax Assessment	(100,000.00)			
	610 Remittance with Return	(150,000.00)			(100,000.00)
03/16/2005	08/29/2008 Overpay	(10,000.00)	0.234758469	(2,347.58)	
	Overpay GATT	(90,000.00)	0.172345026	(15,511.05)	(117,858.64)
08/29/2008	840 Manual Refund	100,000.00			
	1004 Refund Interest High	17,858.64			

Account Summary:

Deficiency Interest

Overpayment Interest

Principal Balance

As Computed	Per Transcript	Adjustment
(17,858.64)	(17,858.64)	
(17,858.64)	(17,858.64)	0.00

**Exhibit 20.2.14-7 (Cont. 7) (02-01-2017)****Special Net Rate Interest Computations - Overlapping Amount Completely Used****IRM Reference 20.2.14.6.5**

**ACT/DMI Netting Interest Computation Analysis Screen**  
**Exhibit 14-7**

Jurisdiction: Federal View All

TIN	Tax Type	Tax Period	Additional Description	Status	GATT/LCU

Select Selected Modules: 2

Selected Modules without Netting (double-click to view module settings)

TIN	Tax Type	Tax Period	Deficiency Interest	Overpayment Interest	Principal	Net Due/(Refund)
99-9999999	1120	2003/12	0.00	0.00	0.00	0.00
99-9999999	1120	2004/12	0.00	0.00	0.00	0.00
Totals:			0.00	0.00	0.00	0.00

Clear Module Clear All

Selected Modules with Netting

TIN	Tax Type	Tax Period	Deficiency Interest	Overpayment Interest	Principal	Net Due/(Refund)
99-9999999	1120	2003/12	(16,159.07)	0.00	0.00	(16,159.07)
99-9999999	1120	2004/12	0.00	0.00	0.00	0.00
Totals:			(16,159.07)	0.00	0.00	(16,159.07)

Run To Date 02/15/2009 Run Method IRS Default Post Remove Netting Benefit: (16,159.07)

Process ☒ Netting On Reports Module Restrictions

**Exhibit 20.2.14-7 (Cont. 8) (02-01-2017)**
**Special Net Rate Interest Computations - Overlapping Amount Completely Used**
**IRM Reference 20.2.14.6.5**
**Principal and Interest Adj. Summary ACT/DMI Report 020 – Exhibit 14-7**
**020 Principal and Interest Adj Summary - 20.2.14-7 Orleans**

Jurisdiction: Federal		Run Method: IRS Default		Interest To: 02/15/2009			
Tax ID	Taxpayer	Year/Month	Tax Type	Deficiency Interest	Overpayment Interest	Principal	Total
<b><u>Computed Individual Modules</u></b>							
**-.***9999	Orleans	2003/12	1120	0.00	0.00	0.00	0.00
**-.***9999	Orleans	2004/12	1120	0.00	0.00	0.00	0.00
Subtotal 1120				0.00	0.00	0.00	0.00
Total				0.00	0.00	0.00	0.00
<b><u>Computed Modules With Netting</u></b>							
**-.***9999	Orleans	2003/12	1120	(16,159.07)	0.00	0.00	(16,159.07)
**-.***9999	Orleans	2004/12	1120	0.00	0.00	0.00	0.00
Subtotal 1120				(16,159.07)	0.00	0.00	(16,159.07)
Total				(16,159.07)	0.00	0.00	(16,159.07)
Netting Benefit:							(16,159.07)

**Exhibit 20.2.14-7 (Cont. 9) (02-01-2017)****Special Net Rate Interest Computations - Overlapping Amount Completely Used**

IRM Reference 20.2.14.6.5

**Post Netting Underpayment Period (200312) ACT/DMI Report 490**  
**Exhibit 14-7**

## 490 Activity Summary - 20.2.14-7 Orleans

FED - \*\*.\*\*\*9999 Orleans 1120 Tax Period: 2003/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 02/15/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: 07/02/2006 Amount: \$100,000
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2004			150 Return Filed & Assessed Tax Liability		250,000.00	250,000.00
03/15/2004			610 Remittance with Return		(250,000.00)	
02/15/2009		03/15/2004	300 Additional Tax Assessment By Examination		350,000.00	350,000.00
N/A	03/15/2005	07/02/2006	1545 Equalize to GATT XREF: 99-9999999 1120 200412	90,000.00		350,000.00
N/A	03/15/2005	07/02/2006	1555 Equalize to Overpay XREF: 99-9999999 1120 200412	10,000.00		350,000.00
N/A	07/02/2006	08/29/2008	1545 Equalize to GATT XREF: 99-9999999 1120 200412	4,860.69		350,000.00
N/A	07/02/2006	08/29/2008	1545 Equalize to GATT XREF: 99-9999999 1120 200412	90,000.00		350,000.00
N/A	07/02/2006	08/29/2008	1555 Equalize to Overpay XREF: 99-9999999 1120 200412	747.38		350,000.00
N/A	07/02/2006	08/29/2008	1555 Equalize to Overpay XREF: 99-9999999 1120 200412	10,000.00		350,000.00
02/15/2009			670 Subsequent Payment		(507,024.14)	(157,024.14)

Date	Description	Amount	Factor	Interest	Balance
03/15/2004	150 Return Filed & Assessed Tax Liability	250,000.00			
	300 Additional Tax Assessment By Examination	350,000.00			
	610 Remittance with Return	(250,000.00)			350,000.00
03/16/2004	03/15/2005 Underpay	350,000.00	0.048056208	16,819.67	366,819.67
03/16/2005	07/02/2006 NR Underpay @ GATT	90,000.00	0.054007708	4,860.69	
	NR Underpay @ Over	10,000.00	0.074737724	747.38	
	Underpay	266,819.67	0.088783266	23,689.12	396,116.87
07/03/2006	08/29/2008 NR Underpay @ GATT	94,860.69	0.112273674	10,650.36	
	NR Underpay @ Over	10,747.38	0.148892834	1,600.21	
	Underpay LCU	290,508.79	0.225782770	65,591.88	473,959.31
08/30/2008	02/15/2009 Underpay LCU	473,959.31	0.035669210	16,905.75	490,865.07
02/15/2009	670 Subsequent Payment	(507,024.14)			(16,159.07)

**Account Summary:**

	As Computed	Per Transcript	Adjustment
Deficiency Interest	140,865.07	157,024.14	(16,159.07)
Overpayment Interest			
Principal Balance			
	140,865.07	157,024.14	(16,159.07)

**Exhibit 20.2.14-7 (Cont. 10) (02-01-2017)**
**Special Net Rate Interest Computations - Overlapping Amount Completely Used**
**IRM Reference 20.2.14.6.5**
**ACT/DMI Report 530 (200312) - Exhibit 14-7**

**530 Adjustments / Positions - 20.2.14-7 Orleans**  
FED - \*\*.\*\*\*9999 Orleans 1120 Tax Period: 2003/12

Run Method: IRS Default	Module Status: Open(Open)
Interest To: 02/15/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: 07/02/2006 Amount: \$100,000
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

**COMPUTED OFFSET/EQUALIZATIONS**
**Equalizations that affect 99-9999999 2003/12 1120 Tax Module**

<b>Change: **.***9999</b>	<b>200312</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200412</b>	<b>1120</b>
N-Amt	90,000.00	Equalize to GATT	N-Amt	90,000.00	Use Prin GATT to Equal
N-Beg 03/15/05		N-End 07/02/06	N-Beg 03/15/05		N-End 07/02/06
N-XRef **.***9999	200412	1120	N-XRef **.***9999	200312	1120
<b>Change: **.***9999</b>	<b>200312</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200412</b>	<b>1120</b>
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal
N-Beg 03/15/05		N-End 07/02/06	N-Beg 03/15/05		N-End 07/02/06
N-XRef **.***9999	200412	1120	N-XRef **.***9999	200312	1120
<b>Change: **.***9999</b>	<b>200312</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200412</b>	<b>1120</b>
N-Amt	90,000.00	Equalize to GATT	N-Amt	90,000.00	Use Prin GATT to Equal
N-Beg 07/02/06		N-End 08/29/08	N-Beg 07/02/06		N-End 08/29/08
N-XRef **.***9999	200412	1120	N-XRef **.***9999	200312	1120
<b>Change: **.***9999</b>	<b>200312</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200412</b>	<b>1120</b>
N-Amt	4,860.69	Equalize to GATT	N-Amt	4,860.69	Use Int GATT to Equal
N-Beg 07/02/06		N-End 08/29/08	N-Beg 07/02/06		N-End 08/29/08
N-XRef **.***9999	200412	1120	N-XRef **.***9999	200312	1120
<b>Change: **.***9999</b>	<b>200312</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200412</b>	<b>1120</b>
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal
N-Beg 07/02/06		N-End 08/29/08	N-Beg 07/02/06		N-End 08/29/08
N-XRef **.***9999	200412	1120	N-XRef **.***9999	200312	1120
<b>Change: **.***9999</b>	<b>200312</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200412</b>	<b>1120</b>
N-Amt	747.38	Equalize to Overpay	N-Amt	747.38	Use Int Over to Equal
N-Beg 07/02/06		N-End 08/29/08	N-Beg 07/02/06		N-End 08/29/08
N-XRef **.***9999	200412	1120	N-XRef **.***9999	200312	1120

**Balances in selected module that are still available for potential netting**

1. Available Underpayment @ Underpay Rate	350,000.00	From 03/16/04 To 03/15/05
2. Available Underpayment @ Underpay Rate	266,819.67	From 03/16/05 To 07/02/06
3. Available Underpayment @ LCU Rate	290,508.79	From 07/03/06 To 08/29/08
4. Available Underpayment @ LCU Rate	473,959.31	From 08/30/08 To 02/15/09

**Exhibit 20.2.14-7 (Cont. 11) (02-01-2017)****Special Net Rate Interest Computations - Overlapping Amount Completely Used**

IRM Reference 20.2.14.6.5

**Post Netting Overpayment Period (200412) ACT/DMI Report 490**  
**Exhibit 14-7**

490 Activity Summary - 20.2.14-7 Orleans

FED - \*\*.\*\*\*9999 Orleans 1120 Tax Period: 2004/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 02/15/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2005			150 Return Filed & Assessed Tax Liability		150,000.00	150,000.00
03/15/2005			610 Remittance with Return		(150,000.00)	
03/10/2008		03/15/2005	291 Abatement Prior Tax Assessment		(100,000.00)	(100,000.00)
			Per Form 1120X from TP			
N/A	03/15/2005	07/02/2006	1540 Use Prin GATT to Equal	(90,000.00)		(100,000.00)
			XREF: **.***9999 1120 200312			
N/A	03/15/2005	07/02/2006	1550 Use Prin Over to Equal	(10,000.00)		(100,000.00)
			XREF: **.***9999 1120 200312			
08/29/2008			1004 Refund Interest High		17,858.64	(82,141.36)
08/29/2008			840 Manual Refund		100,000.00	17,858.64
			Manual Refund			
N/A	07/02/2006	08/29/2008	1540 Use Prin GATT to Equal	(90,000.00)		17,858.64
			XREF: **.***9999 1120 200312			
N/A	07/02/2006	08/29/2008	1541 Use Int GATT to Equal	(4,860.69)		17,858.64
			XREF: **.***9999 1120 200312			
N/A	07/02/2006	08/29/2008	1550 Use Prin Over to Equal	(10,000.00)		17,858.64
			XREF: **.***9999 1120 200312			
N/A	07/02/2006	08/29/2008	1551 Use Int Over to Equal	(747.38)		17,858.64
			XREF: **.***9999 1120 200312			

Date	Description	Amount	Factor	Interest	Balance
03/15/2005	150 Return Filed & Assessed Tax Liability	150,000.00			
	291 Abatement Prior Tax Assessment	(100,000.00)			
	610 Remittance with Return	(150,000.00)			(100,000.00)
03/16/2005	07/02/2006 Overpay	(10,000.00)	0.074737724	(747.38)	
	Overpay GATT	(90,000.00)	0.054007708	(4,860.69)	(105,608.07)
07/03/2006	08/29/2008 Overpay	(10,747.38)	0.148892834	(1,600.21)	
	Overpay GATT	(94,860.69)	0.112273674	(10,650.36)	(117,858.64)
08/29/2008	840 Manual Refund	100,000.00			
	1004 Refund Interest High	17,858.64			

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest			
Overpayment Interest	(17,858.64)	(17,858.64)	
Principal Balance			
	(17,858.64)	(17,858.64)	0.00

**Exhibit 20.2.14-7 (Cont. 12) (02-01-2017)**
**Special Net Rate Interest Computations - Overlapping Amount Completely Used**
**IRM Reference 20.2.14.6.5**

**Post Netting Overpayment Period (200412) ACT/DMI Report 530  
Exhibit 14-7**

530 Adjustments / Positions - 20.2.14-7 Orleans  
FED - \*\*.\*\*\*9999 Orleans 1120 Tax Period: 2004/12

Run Method: IRS Default	Module Status: Open/Open
Interest To: 02/15/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

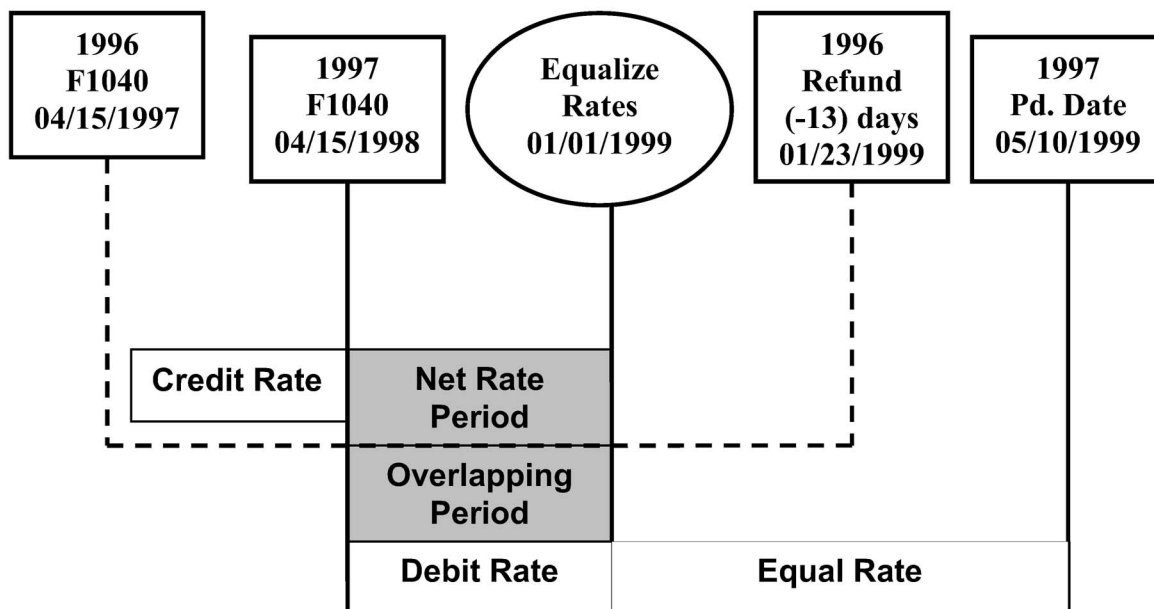
**COMPUTED OFFSET/EQUALIZATIONS**
Equalizations that affect 99-9999999 2004/12 1120 Tax Module

Change: **.***9999	200312	1120	Change: **.***9999	200412	1120
N-Amt	90,000.00	Equalize to GATT	N-Amt	90,000.00	Use Prin GATT to Equal
N-Beg	03/15/05	N-End 07/02/06	N-Beg	03/15/05	N-End 07/02/06
N-XRef	**.***9999	200412 1120	N-XRef	**.***9999	200312 1120
Change: **.***9999	200312	1120	Change: **.***9999	200412	1120
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal
N-Beg	03/15/05	N-End 07/02/06	N-Beg	03/15/05	N-End 07/02/06
N-XRef	**.***9999	200412 1120	N-XRef	**.***9999	200312 1120
Change: **.***9999	200312	1120	Change: **.***9999	200412	1120
N-Amt	90,000.00	Equalize to GATT	N-Amt	90,000.00	Use Prin GATT to Equal
N-Beg	07/02/06	N-End 08/29/08	N-Beg	07/02/06	N-End 08/29/08
N-XRef	**.***9999	200412 1120	N-XRef	**.***9999	200312 1120
Change: **.***9999	200312	1120	Change: **.***9999	200412	1120
N-Amt	4,860.69	Equalize to GATT	N-Amt	4,860.69	Use Int GATT to Equal
N-Beg	07/02/06	N-End 08/29/08	N-Beg	07/02/06	N-End 08/29/08
N-XRef	**.***9999	200412 1120	N-XRef	**.***9999	200312 1120
Change: **.***9999	200312	1120	Change: **.***9999	200412	1120
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal
N-Beg	07/02/06	N-End 08/29/08	N-Beg	07/02/06	N-End 08/29/08
N-XRef	**.***9999	200412 1120	N-XRef	**.***9999	200312 1120
Change: **.***9999	200312	1120	Change: **.***9999	200412	1120
N-Amt	747.38	Equalize to Overpay	N-Amt	747.38	Use Int Over to Equal
N-Beg	07/02/06	N-End 08/29/08	N-Beg	07/02/06	N-End 08/29/08
N-XRef	**.***9999	200412 1120	N-XRef	**.***9999	200312 1120

**Exhibit 20.2.14-8 (02-01-2017)****Special Net Rate Interest Computations - Non-Corporate Computations before 01/01/1999 Rate Equalization****IRM Reference 20.2.14.6.11**

This example illustrates that, given the equalized rates effective January 1, 1999, a net rate adjustment may be allowed on “non-corporate” returns for interest periods prior to January 1, 1999.

A \$2,000.00 tax overpayment was refunded with \$286.44 interest on February 5, 1999, on Pete and Petunia Flower’s 1996 Form 1040, *U.S. Individual Income Tax Return*. On May 10, 1999, a \$5,000.00 tax underpayment and \$432.74 in interest was paid on their 1997 Form 1040 return. The time line illustrated below reflects the overlapping period during which the net rate can be allowed.

**Overlapping Period Time Line**

An overlapping period exists from 04151998 to 01231999. However, the taxpayer is only entitled to a net rate adjustment from 04151998 to 01011999. This is because no interest rate differential exists after January 1, 1999 for non-corporate taxpayers.

Interest Computations Prior to Application of Net Rate Interest Netting			
Year	Form	Amount	Comments
199612	1040	(\$2,000.00)	Overpayment refunded with interest on 02051999
		(286.44)	Interest from 04151997 to 01231999 (13-Day back-off)



**Exhibit 20.2.14-8 (Cont. 1) (02-01-2017)**
**Special Net Rate Interest Computations - Non-Corporate Computations before 01/01/1999 Rate Equalization  
IRM Reference 20.2.14.6.11**

Interest Computations Prior to Application of Net Rate Interest Netting			
Year	Form	Amount	Comments
199712	1040	\$5,000.00	Underpayment as of 04151998
		432.74	Interest from 04151998 to 05101999 (full pay date)

**Application of the Net Rate to the Previously Paid Underpayment**

**Note:** The net rate is applied on the underpayment up to January 1, 1999, at which time non-corporate interest rates were equalized.

Overpayment Interest Computation	
(\$2,000.00)	04151997 to 04151998 (non-corporate overpayment rate) = \$165.67
<u>(2,165.67)</u>	<b>Add accrued interest</b>
Underpayment Interest Computation	
5,000.00	Balance due 04151998
(2,165.67)	<b>Subtract</b> the underpayment amount equal to the overpayment amount on 04151998
2,834.33	04151998 to 12311998 (normal non-corp. underpayment rate) = \$166.19
<u>166.19</u>	<b>Add accrued interest</b>
\$3,000.52	Balance due 12311998
Net Rate Interest Computation	
\$2,165.67	04151998 to 12311998 (overpayment interest rate) = 110.71
<u>110.71</u>	<b>Add accrued interest</b>
2,276.38	Balance due 12311998
<u>3,000.52</u>	<b>Add Underpayment rate total</b>
\$5,276.90	<b>TOTAL Balance due 12311998</b>
139.14	<b>Regular Non-Corporate Interest Rate</b> from 12311998 to 05101999
110.71	
<u>166.19</u>	
\$ 416.04	

**Exhibit 20.2.14-8 (Cont. 2) (02-01-2017)****Special Net Rate Interest Computations - Non-Corporate Computations before 01/01/1999 Rate Equalization  
IRM Reference 20.2.14.6.11**

Overpayment Interest Computation	
\$ 432.74	<b>Posted Interest</b>
<u>\$416.04</u>	<b>Revised Interest</b>
(\$16.70)	<b>Netting Benefit/Interest to be abated (TC 341)</b>

**Note:** Ensure statutory overpayment interest is computed on the amount of abatement from 05101999 to refund 23C date minus any applicable back-off days.

**Exhibit 20.2.14-9 (02-01-2017)**
**Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount**  
**IRM Reference 20.2.14.6.5**

**This example illustrates a net rate request for a previously assessed and paid tax liability.**

A 30-Day letter was issued on March 10, 2008, to Athens Corporation which agreed to a 200412 Form 1120 tax increase of \$150,000.00. The tax, plus interest computed from March 15, 2005 to February 20, 2009, was paid in full on February 20, 2009. A claim was filed on January 22, 2009, and a manual refund of \$79,000.00, plus interest, was allowed March 23, 2009, on the 200712 Form 1120. Interest on the refunded overpayment consisted of normal and GATT rates allowed on the overpayment. On August 1, 2009, Athens Corporation filed a request to ask that the net rate be applied on the 200412 underpayment as a result of the 200712 overpayment. Underpayment interest must be recomputed to apply the net rate. On the new request filed, a manual refund for \$3,406.12 (\$3,348.94 plus \$57.18) was issued on September 1, 2009. During the overlapping period(s), interest on the underpayment is computed at the normal and GATT rate because interest on the 200712 overpayment was allowed at the normal and GATT rates. The recomputation of underpayment interest results in a decrease to the interest assessed and a refund of underpayment interest.

The overpayment period is not adjusted. The interest rate differential is eliminated by recomputing underpayment interest at the overpayment rate during the overlapping interest period(s).

<b>Interest Computations Prior to Application of the Net Rate</b>			
<b>Year</b>	<b>Form</b>	<b>Amount</b>	<b>Comments</b>
200412	1120	\$150,000.00	Large Corporate Underpayment (LCU) rate applicable date is 04-09-2007.
		<u>54,361.17</u>	Interest from 03152005-02202009 payment date
		204,361.17	Payment
200712	1120	(\$79,000.00)	Overpayment manual refund dated 03232009
		\$2,676.25)	Interest 03152005 to 03232009
		(\$81,676.25)	Taxpayer initiated Manual

**Exhibit 20.2.14-9 (Cont. 1) (02-01-2017)****Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount**

IRM Reference 20.2.14.6.5

**Backing into Underpayment Interest Previously Assessed (200412)**  
**ACT/DMI Report 490 Activity Summary – Exhibit 14-9**

## 490 Activity Summary - 20.2.14-9 Athens

FED - \*\*.\*\*\*9999 Athens 1120 Tax Period: 2004/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 02/20/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: 04/09/2007 Amount: \$100,000
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2005			150 Return Filed & Assessed Tax Liability		275,000.00	275,000.00
03/15/2005			610 Remittance with Return		(275,000.00)	
02/20/2009		03/15/2005	300 Additional Tax Assessment By Examination		150,000.00	150,000.00
02/20/2009			670 Subsequent Payment		(204,361.17)	(54,361.17)

Date	Description	Amount	Factor	Interest	Balance
03/15/2005	150 Return Filed & Assessed Tax Liability	275,000.00			
	300 Additional Tax Assessment By Examination	150,000.00			
	610 Remittance with Return	(275,000.00)			150,000.00
03/16/2005	04/09/2007 Underpay	150,000.00	0.157940615	23,691.09	173,691.09
04/10/2007	02/20/2009 Underpay LCU	173,691.09	0.176578310	30,670.08	204,361.17
02/20/2009	670 Subsequent Payment	(204,361.17)			

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest	54,361.17	54,361.17	
Overpayment Interest			
Principal Balance			
	54,361.17	54,361.17	0.00

Exhibit 20.2.14-9 (Cont. 2) (02-01-2017)

Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount  
IRM Reference 20.2.14.6.5

**Backing into Overpayment Interest Previously Allowed (200712)  
ACT/DMI Report 490 Activity Summary – Exhibit 14-9**

490 Activity Summary - 20.2.14-9 Athens

FED - \*\*.\*\*\*9999 Athens 1120 Tax Period: 2007/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 03/23/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2008			150 Return Filed & Assessed Tax Liability		325,000.00	325,000.00
03/15/2008			610 Remittance with Return		(325,000.00)	
01/22/2009		03/15/2008	291 Abatement Prior Tax Assessment		(79,000.00)	(79,000.00)
03/23/2009			840 Manual Refund		79,000.00	
03/23/2009			1004 Refund Interest High		2,676.25	2,676.25

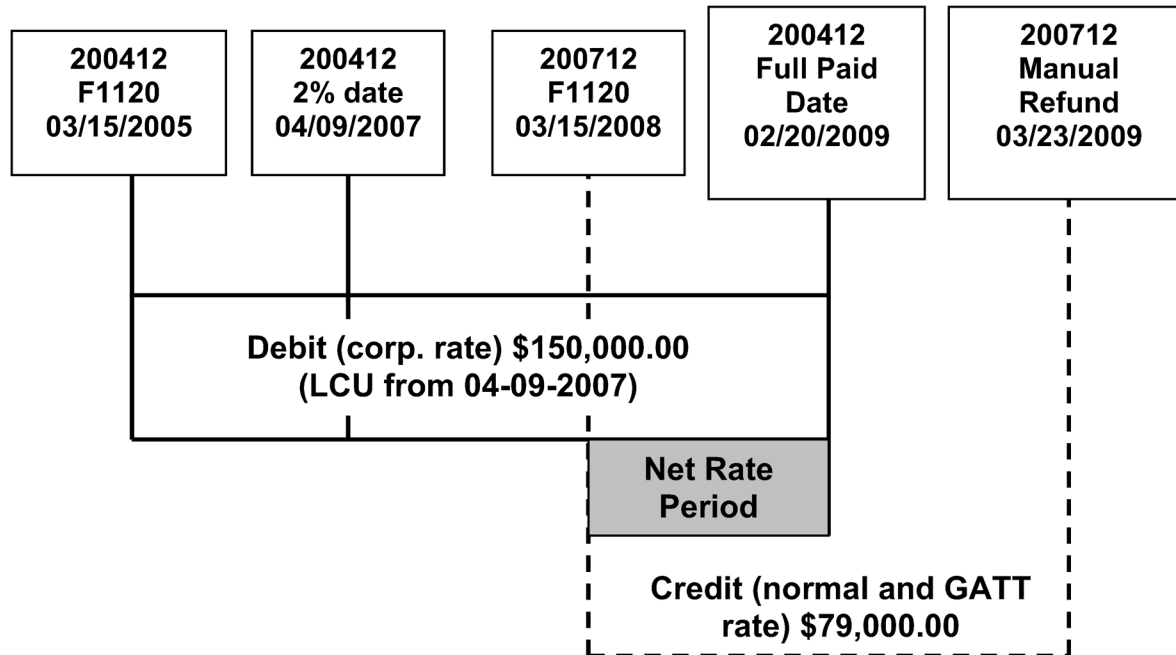
Date	Description	Amount	Factor	Interest	Balance
03/15/2008	150 Return Filed & Assessed Tax Liability	325,000.00			
	291 Abatement Prior Tax Assessment	(79,000.00)			
	610 Remittance with Return	(325,000.00)			(79,000.00)
03/16/2008	03/23/2009 Overpay	(10,000.00)	0.047766685	(477.67)	
	Overpay GATT	(69,000.00)	0.031863551	(2,198.59)	(81,676.25)
03/23/2009	840 Manual Refund	79,000.00			
	1004 Refund Interest High	2,676.25			

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest			
Overpayment Interest	(2,676.25)	(2,676.25)	
Principal Balance			
	(2,676.25)	(2,676.25)	0.00

**Exhibit 20.2.14-9 (Cont. 3) (02-01-2017)**

**Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount**  
**IRM Reference 20.2.14.6.5**

**Overlapping Period Time Line  
Exhibit 14-9**



***Application of the Net Rate to the Previously Paid Underpayment***

<b>Underpayment Interest Computation</b>	
\$150,000.00	03152005 to 04092007 = 23,691.09 04092007 to 03152008 (LCU) = 16,605.81
<u>40,296.90</u>	<b>Add accrued interest</b>
190,296.90	Balance due 03152008
<u>(79,000.00)</u>	<b>Subtract</b> the underpayment amount equal to the overpayment amount on 03152008
111,296.90	03152008 to 02202009 (LCU rate) = 8,225.62
<u>8,225.62</u>	<b>Add accrued interest</b>
119,522.52	Balance due 02202009
<b>Net Rate Interest Computation</b>	
\$79,000.00	03152008 to 02202009 (normal and GATT rate) = 2,489.71
<u>2,489.71</u>	<b>Add accrued interest</b>

**Exhibit 20.2.14-9 (Cont. 4) (02-01-2017)**
**Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount**
**IRM Reference 20.2.14.6.5**

<b>Underpayment Interest Computation</b>	
81,489.71	Balance due 02202009
<b>Underpayment Interest Computation continued</b>	
\$40,296.90	<b>Total Revised Interest</b>
8,225.62	
2,489.71	
\$51,012.23	
\$54,361.17	<b>Posted Interest</b>
51,012.23	<b>Revised Interest</b>
(3,348.94)	<b>Netting Benefit/Interest to be abated (TC 341)</b>

Input the following transaction information using the appropriate adjustment document and include as part of the workpapers.

<b>Adjustment Document Transaction Information</b>	
<b><u>200412</u></b>	<b><u>200712</u></b>
TC 341 – (3,348.94)	TC 340 – To indicate that the net rate has been applied.
Db-Int-To-Dt – 02202009	Db-Int-To-Dt = Applicable date
Correspondence Dt – 07221998	Correspondence Dt – 07221998
Activity Code – netrate	Activity Code – netrate
Amd-Clms-Dt – request received date 08012009	Amd-Clms-Dt – request received date 08012009

Always include the ACT/DML 530 Report with the following information as part of the workpapers.

<b>IDRS “N” Information</b>	
<b>200412:</b>	
N-AMT – 79,000.00	
N-BEG = 03152008	N-END = 02202009
N-PER = 200712	N-MFT = 02
<b>200712:</b>	
N-AMT – 79,000.00	
N-BEG = 03152008	N-END = 02202009
N-PER = 200412	N-MFT = 02

**Exhibit 20.2.14-9 (Cont. 5) (02-01-2017)****Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount**  
**IRM Reference 20.2.14.6.5**

The \$3,348.94 creates a potential new overpayment period for another net rate adjustment. For 200712, there is an unnetted overpayment interest period that exists from 02212009 to 03232009 for the \$79,000.00, plus accrued interest of \$2,489.71 as of the end of the current overlapping period. For 200412, an unnetted underpayment period exists from 03152005 to 03152008.

**Important Note:** During the overlapping period, to correctly compute interest at the GATT rate on a subsequent assessment with an interest period that overlaps a previously unnetted period, the amount of interest accruing at the "HIGH" (non-GATT) rate as of the end of the previous overlapping period must be determined. Interest at the "HIGH" rate must continue to accrue on the original \$10,000.00, plus accruals, to the end of the current overlapping period. Therefore, to correctly determine the amount of overpayment available at the beginning of the "new/subsequent" overlapping period, the GATT threshold amount will be the \$10,000.00, plus the accrued interest.\*

\*The GATT threshold can be obtained from the overpayment interest computation that is used to make the net rate adjustment. Use the "High Rate"/non-GATT amount that consists of the \$10,000.00 threshold plus accrued interest as of the date that was used as of the beginning of the "new/subsequent" overlapping period.

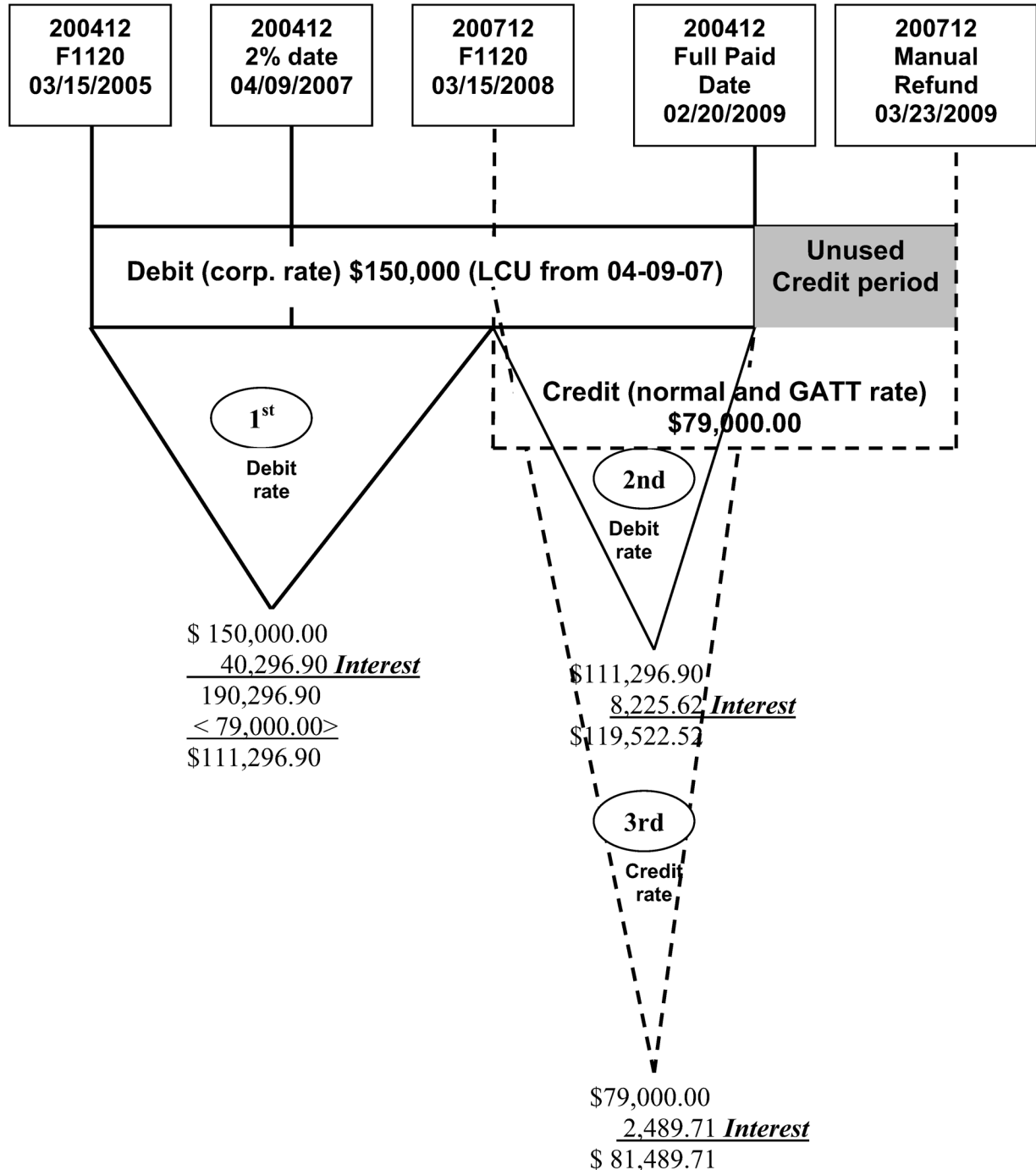
**Note:** If a credit interest freeze (I-) exists on the module on which you are abating the previously paid interest, manually compute the overpayment interest on the abatement amount to the appropriate interest ending date.



Exhibit 20.2.14-9 (Cont. 6) (02-01-2017)

Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount  
IRM Reference 20.2.14.6.5

Overlapping Period Time Line  
Exhibit 14-9



**Exhibit 20.2.14-9 (Cont. 7) (02-01-2017)****Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount****IRM Reference 20.2.14.6.5**

Amount unnetted at the beginning of the unnetted overpayment period 02202009 to 03232009 is \$81,489.71. Unnetted underpayment interest period exists from 03152005 to 03152008. A net rate adjustment can be made if another overpayment period overlaps this time frame.

### ACT/DMI Netting Interest Computation Analysis Screen Exhibit 14-9

Jurisdiction: Federal
☒ View All

TIN	Tax Type	Tax Period	Additional Description	Status	GATT/LCU

Select
Selected Modules: 2

**Selected Modules without Netting (double-click to view module settings)**

TIN	Tax Type	Tax Period	Deficiency Interest	Overpayment Interest	Principal	Net Due/(Refund)
99-9999999	1120	2004/12	0.00	0.00	0.00	0.00
99-9999999	1120	2007/12	0.00	0.00	0.00	0.00
<b>Totals:</b>			0.00	0.00	0.00	0.00

Clear Module
Clear All

**Selected Modules with Netting**

TIN	Tax Type	Tax Period	Deficiency Interest	Overpayment Interest	Principal	Net Due/(Refund)
99-9999999	1120	2004/12	(3,348.94)	(57.18)	0.00	(3,406.12)
99-9999999	1120	2007/12	0.00	0.00	0.00	0.00
<b>Totals:</b>			(3,348.94)	(57.18)	0.00	(3,406.12)

Run To Date: 09/01/2009  
 Run Method: IRS Default

Post
Remove

Netting Benefit: (3,406.13)

Process
☒ Netting On
Reports
Module Restrictions

**Exhibit 20.2.14-9 (Cont. 8) (02-01-2017)**

**Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount**  
**IRM Reference 20.2.14.6.5**

**Principal and Interest Adj. Summary ACT/DMI Report 020 – Exhibit 14-9**

020 Principal and Interest Adj Summary - 20.2.14-9 Athens							
Jurisdiction: Federal		Run Method: IRS Default			Interest To: 09/01/2009		
Tax ID	Taxpayer	Year/Month	Tax Type	Deficiency Interest	Overpayment Interest	Principal	Total
<b><u>Computed Individual Modules</u></b>							
**--***9999	Athens	2004/12	1120	0.00	0.00	0.00	0.00
**--***9999	Athens	2007/12	1120	0.00	0.00	0.00	0.00
Subtotal 1120				0.00	0.00	0.00	0.00
Total				0.00	0.00	0.00	0.00
<b><u>Computed Modules With Netting</u></b>							
**--***9999	Athens	2004/12	1120	(3,348.94)	(57.18)	0.00	(3,406.12)
**--***9999	Athens	2007/12	1120	0.00	0.00	0.00	0.00
Subtotal 1120				(3,348.94)	(57.18)	0.00	(3,406.12)
Total				(3,348.94)	(57.18)	0.00	(3,406.12)
Netting Benefit:							(3,406.12)

**Exhibit 20.2.14-9 (Cont. 9) (02-01-2017)****Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount**

IRM Reference 20.2.14.6.5

**Post Netting Underpayment Period (200412) ACT/DMI Report 490  
Exhibit 14-9****490 Activity Summary - 20.2.14-9 Athens**

FED - \*\*.\*\*\*9999 Athens 1120 Tax Period: 2004/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 09/01/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: 04/09/2007 Amount: \$100,000
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2005			150 Return Filed & Assessed Tax Liability		275,000.00	275,000.00
03/15/2005			610 Remittance with Return		(275,000.00)	
02/20/2009		03/15/2005	300 Additional Tax Assessment By Examination		150,000.00	150,000.00
02/20/2009			670 Subsequent Payment		(204,361.17)	(54,361.17)
N/A	03/15/2008	02/20/2009	1545 Equalize to GATT	69,000.00		(54,361.17)
			XREF: 99-9999999 1120 200712			
N/A	03/15/2008	02/20/2009	1555 Equalize to Overpay	10,000.00		(54,361.17)
			XREF: 99-9999999 1120 200712			

Date	Description	Amount	Factor	Interest	Balance
03/15/2005	150 Return Filed & Assessed Tax Liability	275,000.00			
	300 Additional Tax Assessment By Examination	150,000.00			
	610 Remittance with Return	(275,000.00)			150,000.00
03/16/2005	04/09/2007 Underpay	150,000.00	0.157940615	23,691.09	173,691.09
04/10/2007	03/15/2008 Underpay LCU	173,691.09	0.095605400	16,605.81	190,296.90
03/16/2008	02/20/2009 NR Underpay @ GATT	69,000.00	0.029675007	2,047.58	
	NR Underpay @ Over	10,000.00	0.044213383	442.13	
	Underpay LCU	111,296.90	0.073907002	8,225.62	201,012.23
02/20/2009	670 Subsequent Payment	(204,361.17)			(3,348.94)
02/21/2009	09/01/2009 Overpay	(3,348.94)	0.017074890	(57.18)	(3,406.12)

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest	51,012.23	54,361.17	(3,348.94)
Overpayment Interest	(57.18)		(57.18)
Principal Balance			
	50,955.05	54,361.17	(3,406.12)

**Exhibit 20.2.14-9 (Cont. 10) (02-01-2017)**
**Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount**
**IRM Reference 20.2.14.6.5**
**Post Netting Overpayment Period (200712) ACT/DMI Report 490  
Exhibit 14-9**
**490 Activity Summary - 20.2.14-9 Athens**

FED - \*\*.\*\*\*9999 Athens 1120 Tax Period: 2007/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 09/01/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2008			150 Return Filed & Assessed Tax Liability		325,000.00	325,000.00
03/15/2008			610 Remittance with Return		(325,000.00)	
01/22/2009		03/15/2008	291 Abatement Prior Tax Assessment		(79,000.00)	(79,000.00)
N/A	03/15/2008	02/20/2009	1540 Use Prin GATT to Equal	(69,000.00)		(79,000.00)
			XREF: **.***9999 1120 200412			
N/A	03/15/2008	02/20/2009	1550 Use Prin Over to Equal	(10,000.00)		(79,000.00)
			XREF: **.***9999 1120 200412			
03/23/2009			840 Manual Refund		79,000.00	
03/23/2009			1004 Refund Interest High		2,676.25	2,676.25

Date	Description	Amount	Factor	Interest	Balance
03/15/2008	150 Return Filed & Assessed Tax Liability	325,000.00			
	291 Abatement Prior Tax Assessment	(79,000.00)			
	610 Remittance with Return	(325,000.00)			(79,000.00)
03/16/2008	02/20/2009 Overpay	(10,000.00)	0.044213383	(442.13)	
	Overpay GATT	(69,000.00)	0.029675007	(2,047.58)	(81,489.71)
02/21/2009	03/23/2009 Overpay	(10,442.13)	0.003402851	(35.53)	
	Overpay GATT	(71,047.58)	0.002125471	(151.01)	(81,676.25)
03/23/2009	840 Manual Refund	79,000.00			
	1004 Refund Interest High	2,676.25			

**Account Summary:**

Deficiency Interest  
Overpayment Interest  
Principal Balance

As Computed	Per Transcript	Adjustment
(2,676.25)	(2,676.25)	
(2,676.25)	(2,676.25)	0.00

**Exhibit 20.2.14-9 (Cont. 11) (02-01-2017)****Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount****IRM Reference 20.2.14.6.5****ACT/DMI Report 530 (200412) - Exhibit 14-9****530 Adjustments / Positions - 20.2.14-9 Athens**

FED - \*\*\_\*\*\*9999 Athens 1120 Tax Period: 2004/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 09/01/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: 04/09/2007 Amount: \$100,000
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

**COMPUTED OFFSET/EQUALIZATIONS****Equalizations that affect 99-9999999 2004/12 1120 Tax Module**

Change: **_***9999	200412	1120	Change: **_***9999	200712	1120
N-Amt	69,000.00	Equalize to GATT	N-Amt	69,000.00	Use Prin GATT to Equal
N-Beg	03/15/08	N-End 02/20/09	N-Beg	03/15/08	N-End 02/20/09
N-XRef	**_***9999	200712 1120	N-XRef	**_***9999	200412 1120
Change: **_***9999	200412	1120	Change: **_***9999	200712	1120
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal
N-Beg	03/15/08	N-End 02/20/09	N-Beg	03/15/08	N-End 02/20/09
N-XRef	**_***9999	200712 1120	N-XRef	**_***9999	200412 1120

**Balances in selected module that are still available for potential netting**

1. Available Underpayment @ Underpay Rate	150,000.00	From 03/16/05 To 04/09/07
2. Available Underpayment @ LCU Rate	173,691.09	From 04/10/07 To 03/15/08
3. Available Underpayment @ LCU Rate	111,296.90	From 03/16/08 To 02/20/09
4. Available Overpayment @ Overpay Rate	(3,348.94)	From 02/21/09 To 09/01/09

**Exhibit 20.2.14-9 (Cont. 12) (02-01-2017)**
**Special Net Rate Interest Computations - Later Underpayment Interest Period Overlaps a Previously Unnetted Overpayment Amount**
**IRM Reference 20.2.14.6.5**

**Post Netting Overpayment Period (200712) ACT/DMI Report 530  
Exhibit 14-9**

**530 Adjustments / Positions - 20.2.14-9 Athens**

FED - \*\*.\*\*\*9999 Athens 1120 Tax Period: 2007/12

Run Method: IRS Default	Module Status: Open/Open
Interest To: 09/01/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

**COMPUTED OFFSET/EQUALIZATIONS**
**Equalizations that affect 99-9999999 2007/12 1120 Tax Module**

<b>Change: **.***9999</b>	<b>200412</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200712</b>	<b>1120</b>
N-Amt	69,000.00	Equalize to GATT	N-Amt	69,000.00	Use Prin GATT to Equal
N-Beg	03/15/08	N-End 02/20/09	N-Beg	03/15/08	N-End 02/20/09
N-XRef	**.***9999	200712 1120	N-XRef	**.***9999	200412 1120
<b>Change: **.***9999</b>	<b>200412</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200712</b>	<b>1120</b>
N-Amt	10,000.00	Equalize to Overpay	N-Amt	10,000.00	Use Prin Over to Equal
N-Beg	03/15/08	N-End 02/20/09	N-Beg	03/15/08	N-End 02/20/09
N-XRef	**.***9999	200712 1120	N-XRef	**.***9999	200412 1120

**Balances in selected module that are still available for potential netting**

- |   |             |                           |
|---|-------------|---------------------------|
| 1. Available Overpayment @ GATT Rate    | (71,047.58) | From 02/21/09 To 03/23/09 |
| 2. Available Overpayment @ Overpay Rate | (10,442.13) | From 02/21/09 To 03/23/09 |

**Exhibit 20.2.14-10 (02-01-2017)****Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year****IRM Reference 20.2.14.6.11**

This example illustrates applying the net rate to a “settled” underpayment module when currently processing an overpayment on a separate tax year. This will result in an overlapping period available for netting on the settled underpayment year.

The Harmon Corporation had a prior examination on its 200512 Form 1120 return, which resulted in a tax assessment of \$200,000.00. A 30-Day letter was issued on August 8, 2007 (applicable LCU date is September 7, 2007). The taxpayer paid both the tax and interest on December 17, 2008. The current examination of the 200712 Form 1120 has resulted in a tax decrease of \$725,000.00. A manual refund for the overpayment, plus interest, is scheduled to be refunded on October 25, 2009. (Because this is an IRS initiated adjustment and issued as a manual refund, there is a 45-Day back-off period).

In this situation, compute interest on the overpayment first, then recompute interest on the underpayment period applying the net rate.

<b>Overpayment interest currently being allowed</b>			
200712	1120	(725,000.00)	Tax decrease
		28,776.43	Interest from 03152008 to 09102009 (refund schedule date of 10252009 less the 45-day back-off period)

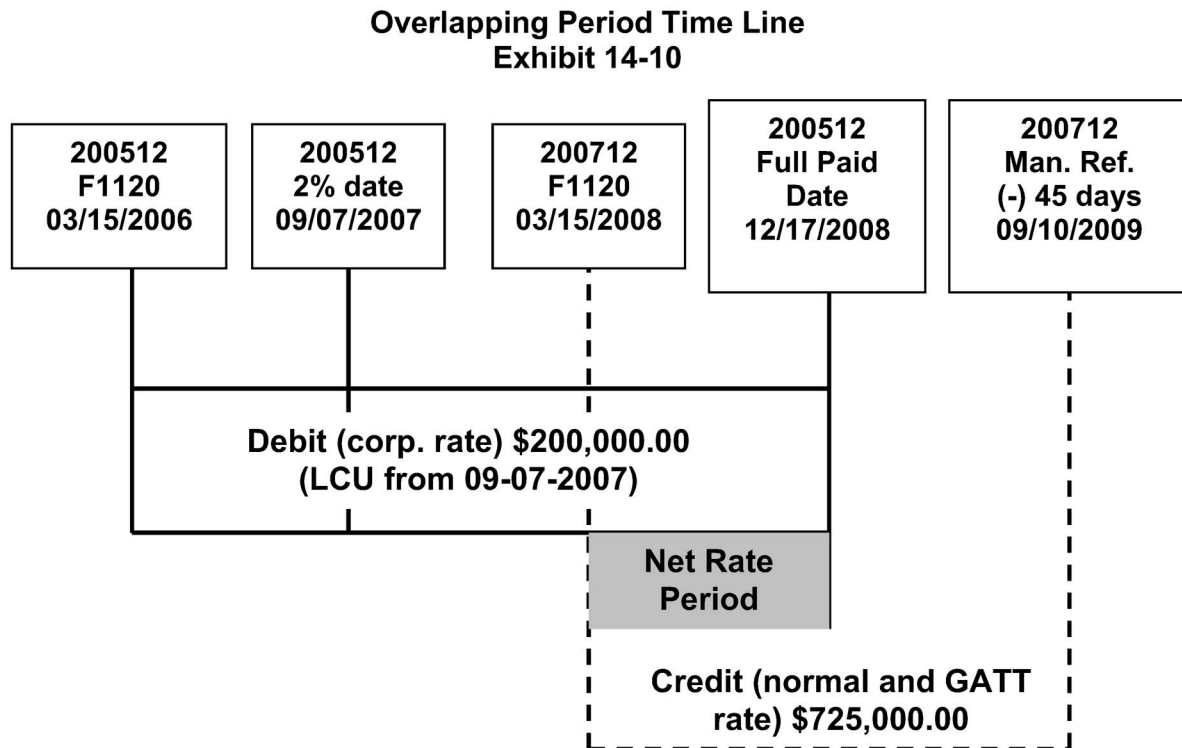
<b>Underpayment interest computed prior to application of the net rate</b>			
200512	1120	\$200,000.00	Tax increase
		50,223.73	Interest from 03152006 (LCU rate applicable date is 09072007) to 12172008 (full paid date)

Since the 200712 overpayment is greater than the 200512 underpayment (plus accrued interest), the entire underpayment balance that is due during the net rate period is “charged” interest at the GATT rate.



**Exhibit 20.2.14-10 (Cont. 1) (02-01-2017)**

**Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year**  
**IRM Reference 20.2.14.6.11**


**Application of the Net Rate to the Previously Paid Underpayment**

**Note:** Interest at the net rate is computed at normal rates until the effective or applicable date for GATT or Large Corporate (LCU) interest has been reached.

Underpayment Interest Computation	
\$200,000.00	03152006 to 09072007 (normal corp. rate) and 09072007 to 03152008 (LCU) rate = 36,014.13
<u>36,014.13</u>	<b>Add accrued interest</b>
\$236,014.13	Balance due 03152008
Net Rate Interest Computation	
\$236,014.13	03152008 to 12172009 (GATT rate) = 5,832.35
<u>5,832.35</u>	<b>Add accrued interest</b>
\$241,846.48	Balance due 12172009

**Exhibit 20.2.14-10 (Cont. 2) (02-01-2017)****Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year****IRM Reference 20.2.14.6.11**

<b>Underpayment Interest Computation</b>	
<b>Underpayment Interest Computation continued</b>	
\$36,014.13	Total Revised Interest
<u>5,832.35</u>	
\$41,846.48	
<b>\$50,223.73</b>	<b>Posted Interest</b>
<u><b>41,846.48</b></u>	<b>Revised Interest</b>
<b>(8,377.25)</b>	<b>Netting Benefit/Interest to be abated (TC 341)</b>
<u><b>(213.55)</b></u>	<b>Add: Accrued interest at the prevailing rate to 09102009</b>
<b>\$8,590.79</b>	<b>Manual refund to 23C date 10252009 minus the 54-Day back-off period (Total is \$.01 off due to rounding)</b>

**Note:** Compute statutory overpayment interest accordingly on the amount of abatement that will refund or offset.

Input the following transaction information using the appropriate adjustment documents.

**Adjustment Document Transaction Information****200512**

TC 341 – (\$8,377.25)  
 Db-Int-To-Dt – 12172008  
 Correspondence date - 07221998  
 Activity Code - netrate

**200712 (A two-step process is required)****Step 1: (CC AMCLS)**

TC 301 – \$725,000.00 (Hold Code 1 to issue notice and hold credit for manual refund)  
 TC 340 – (.00) to indicate that the net rate has been applied  
 Db-Int-To-Dt – 03152008

**Step 2: (CC ADJ54)**

TC 340 - \$.00 (Hold Code 4, Posting Delay Code 1)  
 Db-Int-To-Dt - 03152008  
 Correspondence date - 07221998  
 Activity Code - netrate

**Reminder:** Remember to input TC 971 AC 355 on both tax modules using CC REQ77. See IRM 20.2.14.6.10(5).

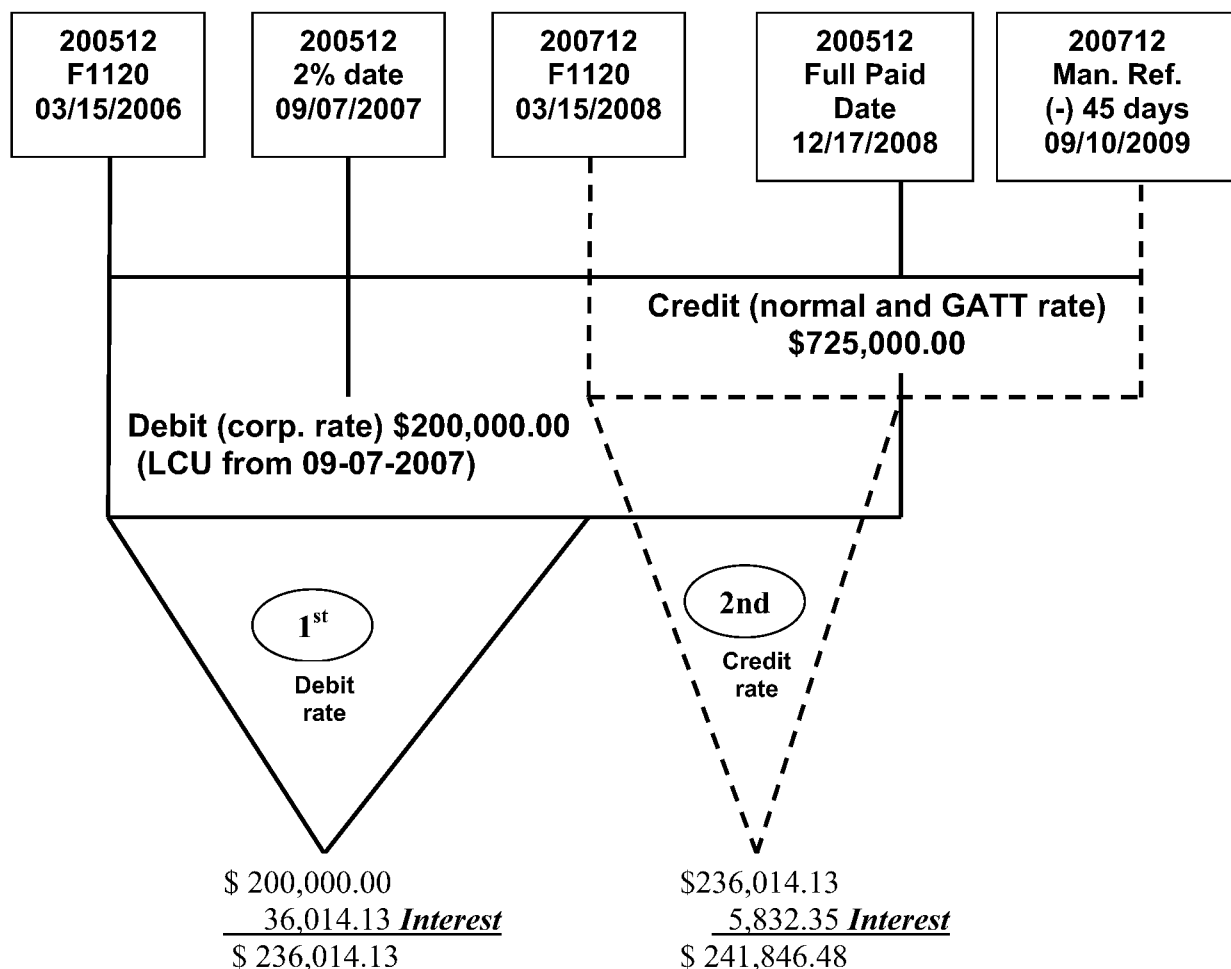
Always include the ACT/DMI 530 Report with the following information as part of the work papers.

Exhibit 20.2.14-10 (Cont. 3) (02-01-2017)

Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year  
IRM Reference 20.2.14.6.11

IDRS "N" Information	
<b>200512:</b>	
N-AMT = 236,014.13 N-BEG = 03152008 N-PER = 200712	N-END = 12172008 N-MFT = 02
<b>200712:</b>	
N-AMT = 236,014.13 N-BEG = 03152008 N-PER = 200512	N-END = 12172008 N-MFT = 02

Overlapping Period Time Line  
Exhibit 14-10



**Exhibit 20.2.14-10 (Cont. 4) (02-01-2017)****Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year****IRM Reference 20.2.14.6.11**

**Backing into Underpayment Interest Previously Assessed (200512)  
ACT/DMI Report 490 Activity Summary – Exhibit 14-10**

**490 Activity Summary - EXHIBIT 20.2.14-10 HARMON CORPORATION**

FED - \*\*.\*\*\*9999 Harmon Corporation 1120 Tax Period: 2005/12

Run Method: IRS Default	Module Status: Open (Open)
Interest To: 12/17/2008	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: 09/07/2007 Amount: \$100,000
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2006			150 Return Filed & Assessed Tax Liability		300,000.00	300,000.00
04/15/2005		03/15/2006	660 Estimated Tax		(300,000.00)	
09/15/2006		03/15/2006	300 Additional Tax Assessment By Examination		200,000.00	200,000.00
12/17/2008			670 Subsequent Payment		(250,223.73)	(50,223.73)

Date	Description	Amount	Factor	Interest	Balance
03/15/2006	150 Return Filed & Assessed Tax Liability	300,000.00			
	300 Additional Tax Assessment By Examination	200,000.00			
	660 Estimated Tax	(300,000.00)			200,000.00
03/16/2006 09/07/2007	Underpay	200,000.00	0.122582063	24,516.41	224,516.41
09/08/2007 12/17/2008	Underpay LCU	224,516.41	0.114500846	25,707.32	250,223.73
12/17/2008	670 Subsequent Payment	(250,223.73)			0.00

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest	50,223.73	50,223.73	0.00
Overpayment Interest			
Principal Balance			0.00
	50,223.73	50,223.73	0.00

**Exhibit 20.2.14-10 (Cont. 5) (02-01-2017)**

**Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year**  
**IRM Reference 20.2.14.6.11**

**Overpayment Interest Calculated to Manual Refund back off date (200712)**  
**ACT/DMI Report 490 Activity Summary – Exhibit 14-10**

**490 Activity Summary - EXHIBIT 20.2.14-10 HARMON CORPORATION**

FED - \*\*.\*9999 Harmon Corporation 1120 Tax Period: 2007/12

Run Method: IRS Default	Module Status: Open (Open)
Interest To: 09/10/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2008			150 Return Filed & Assessed Tax Liability		1,000,000.00	1,000,000.00
06/15/2007		03/15/2008	660 Estimated Tax		(1,000,000.00)	
10/25/2009		03/15/2008	301 Abatement of Tax By Examination Divisio		(725,000.00)	(725,000.00)

Date	Description	Amount	Factor	Interest	Balance
03/15/2008	150 Return Filed & Assessed Tax Liability	1,000,000.00			
	301 Abatement of Tax By Examination Divis	(725,000.00)			
	660 Estimated Tax	(1,000,000.00)			(725,000.00)
03/16/2008 09/10/2009	Overpay	(10,000.00)	0.062829091	(628.29)	
	Overpay GATT	(715,000.00)	0.039368024	(28,148.14)	(753,776.43)

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest			
Overpayment Interest	(28,776.43)		(28,776.43)
Principal Balance			(725,000.00)
	(28,776.43)		(753,776.43)

**Exhibit 20.2.14-10 (Cont. 6) (02-01-2017)****Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year**

IRM Reference 20.2.14.6.11

**ACT/DMI Netting Interest Computation Analysis Screen**  
**Exhibit 14-10**

Jurisdiction: Federal View All

TIN	Tax Type	Tax Period	Additional Description	Status	GATT/LCU

Select Selected Modules: 2

Selected Modules without Netting (double-click to view module settings)

TIN	Tax Type	Tax Period	Deficiency Interest	Overpayment Interest	Principal	Net Due/(Refund)
99-9999999	1120	2005/12	0.00	0.00	0.00	0.00
99-9999999	1120	2007/12	0.00	(28,776.43)	(725,000.00)	(753,776.43)
Totals:			0.00	(28,776.43)	(725,000.00)	(753,776.43)

Clear Module Clear All

Selected Modules with Netting

TIN	Tax Type	Tax Period	Deficiency Interest	Overpayment Interest	Principal	Net Due/(Refund)
99-9999999	1120	2005/12	(8,377.25)	(213.55)	0.01	(8,590.79)
99-9999999	1120	2007/12	0.00	(28,776.43)	(725,000.00)	(753,776.43)
Totals:			(8,377.25)	(28,989.98)	(724,999.99)	(762,367.22)

Run To Date: 09/10/2009 Run Method: IRS Default Post Remove Netting Benefit: (8,590.79)

Process Netting On Reports Module Restrictions

**Exhibit 20.2.14-10 (Cont. 7) (02-01-2017)**
**Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year**  
**IRM Reference 20.2.14.6.11**
**Principal and Interest Adj. Summary ACT/DMI Report 020 – Exhibit 14-10**
**020 Principal and Interest Adj Summary - EXHIBIT 20.2.14-10 HARMON CORPORATION**

Jurisdiction: Federal	Run Method: IRS Default	Interest To: 09-10-2009
-----------------------	-------------------------	-------------------------

Tax ID	Taxpayer	Period	Tax Type	Status	Deficiency Interest	Overpayment Interest	Principal	Total
<b><u>Computed Individual Modules</u></b>								
**--***9999	Harmon Corporation	2005/12	1120	O/(O)	0.00	0.00	0.00	0.00
**--***9999	Harmon Corporation	2007/12	1120	O/(O)	0.00	(28,776.43)	(725,000.00)	(753,776.43)
Subtotal 1120					0.00	(28,776.43)	(725,000.00)	(753,776.43)
Total					0.00	(28,776.43)	(725,000.00)	(753,776.43)
<b><u>Computed Modules With Netting</u></b>								
**--***9999	Harmon Corporation	2005/12	1120	O/(O)	(8,377.25)	(213.55)	0.00	(8,590.79)
**--***9999	Harmon Corporation	2007/12	1120	O/(O)	0.00	(28,776.43)	(725,000.00)	(753,776.43)
Subtotal 1120					(8,377.25)	(28,989.97)	(725,000.00)	(762,367.22)
Total					(8,377.25)	(28,989.97)	(725,000.00)	(762,367.22)
Netting Benefit:								(8,590.79)

**Exhibit 20.2.14-10 (Cont. 8) (02-01-2017)****Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year**

IRM Reference 20.2.14.6.11

**Post Netting Underpayment Period (200512) ACT/DMI Report 490  
Exhibit 14-10**

**490 Activity Summary - EXHIBIT 20.2.14-10 HARMON CORPORATION**

FED - \*\*.\*9999 Harmon Corporation 1120 Tax Period: 2005/12

Run Method: IRS Default	Module Status: Open (Open)
Interest To: 09/10/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: 09/07/2007 Amount: \$100,000
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2006			150 Return Filed & Assessed Tax Liability		300,000.00	300,000.00
04/15/2005		03/15/2006	660 Estimated Tax		(300,000.00)	
09/15/2006		03/15/2006	300 Additional Tax Assessment By Examination		200,000.00	200,000.00
12/17/2008			670 Subsequent Payment		(250,223.73)	(50,223.73)
N/A	03/15/2008	12/17/2008	1545 Equalize to GATT	236,014.14		(50,223.73)
XREF: **.*9999 1120 200712						

Date	Description	Amount	Factor	Interest	Balance
03/15/2006	150 Return Filed & Assessed Tax Liability	300,000.00			
	300 Additional Tax Assessment By Examination	200,000.00			
	660 Estimated Tax	(300,000.00)			200,000.00
03/16/2006 09/07/2007	Underpay	200,000.00	0.122582063	24,516.41	224,516.41
09/08/2007 03/15/2008	Underpay LCU	224,516.41	0.051211060	11,497.72	236,014.14
03/16/2008 12/17/2008	NR Underpay @ GATT	236,014.14	0.024711859	5,832.35	241,846.48
12/17/2008	670 Subsequent Payment	(250,223.73)			(8,377.25)
12/18/2008 09/10/2009	Overpay	(8,377.25)	0.025491101	(213.55)	(8,590.79)

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest	41,846.48	50,223.73	(8,377.25)
Overpayment Interest	(213.55)		(213.55)
Principal Balance			0.00
	41,632.94	50,223.73	(8,590.79)



**Exhibit 20.2.14-10 (Cont. 9) (02-01-2017)**
**Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year**  
**IRM Reference 20.2.14.6.11**
**ACT/DMI Report 530 (200512) - Exhibit 14-10**
**530 Adjustments / Positions - EXHIBIT 20.2.14-10 HARMON CORPORATION**

FED - \*\*.\*\*\*9999 Harmon Corporation 1120 Tax Period: 2005/12

Run Method: IRS Default	Module Status: Open (Open)
Interest To: 09/10/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: 09/07/2007 Amount: \$100,000
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

**COMPUTED OFFSET/EQUALIZATIONS**
**Equalization that affect 99-9999999 2005/12 1120 Tax Module**

<b>Change: 99-9999999</b>	<b>200512</b>	<b>1120</b>	<b>Change: 99-9999999</b>	<b>200712</b>	<b>1120</b>
N-Amt	236,014.14	Equalize to GATT	N-Amt	236,014.14	Use Prin GATT to Equal
N-Beg	03/15/08	N-End 12/17/08	N-Beg	03/15/08	N-End 12/17/08
N-XRef	99-9999999	200712 1120	N-XRef	99-9999999	200512 1120

**Balances in selected module that are still available for potential netting**

1. Available Underpayment @ Underpay Rate	200,000.00	From 03/16/06 To 09/07/07
2. Available Underpayment @ LCU Rate	224,516.41	From 09/08/07 To 03/15/08
3. Available Overpayment @ Overpay Rate	(8,377.25)	From 12/18/08 To 09/10/09

**Exhibit 20.2.14-10 (Cont. 10) (02-01-2017)****Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year**

IRM Reference 20.2.14.6.11

**Post Netting Overpayment Period (200712) ACT/DMI Report 490**  
**Exhibit 14-10**

**490 Activity Summary - EXHIBIT 20.2.14-10 HARMON CORPORATION**

FED - \*\*.\*\*\*9999 Harmon Corporation 1120 Tax Period: 2007/12

Run Method: IRS Default	Module Status: Open (Open)
Interest To: 09/10/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
03/15/2008			150 Return Filed & Assessed Tax Liability		1,000,000.00	1,000,000.00
06/15/2007		03/15/2008	660 Estimated Tax		(1,000,000.00)	
10/25/2009		03/15/2008	301 Abatement of Tax By Examination Divisio		(725,000.00)	(725,000.00)
N/A	03/15/2008	12/17/2008	1540 Use Prin GATT to Equal	(236,014.14)		(725,000.00)
XREF: **.***9999 1120 200512						

Date	Description	Amount	Factor	Interest	Balance
03/15/2008	150 Return Filed & Assessed Tax Liability	1,000,000.00			
	301 Abatement of Tax By Examination Divis	(725,000.00)			
	660 Estimated Tax	(1,000,000.00)			(725,000.00)
03/16/2008 12/17/2008	Overpay	(10,000.00)	0.036409863	(364.10)	
	Overpay GATT	(715,000.00)	0.024711859	(17,668.98)	(743,033.08)
12/18/2008 09/10/2009	Overpay	(10,364.10)	0.025491101	(264.19)	
	Overpay GATT	(732,668.98)	0.014302718	(10,479.16)	(753,776.43)

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest			
Overpayment Interest	(28,776.43)		(28,776.43)
Principal Balance			(725,000.00)
	(28,776.43)		(753,776.43)

**Exhibit 20.2.14-10 (Cont. 11) (02-01-2017)**

**Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year**  
**IRM Reference 20.2.14.6.11**

**Post Netting Overpayment Period (200712) ACT/DMI Report 530**  
**Exhibit 14-10**

**530 Adjustments / Positions - EXHIBIT 20.2.14-10 HARMON CORPORATION**

FED - \*\*\_\*\*\*9999 Harmon Corporation 1120 Tax Period: 200712

Run Method: IRS Default	Module Status: Open (Open)
Interest To: 09/10/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

***COMPUTED OFFSET/EQUALIZATIONS***

**Equalization that affect 99-9999999 2007/12 1120 Tax Module**

Change: 99-9999999	200512	1120	Change: 99-9999999	200712	1120
N-Amt	236,014.14	Equalize to GATT	N-Amt	236,014.14	Use Prin GATT to Equal
N-Beg	03/15/08	N-End	12/17/08	N-Beg	03/15/08
N-XRef	99-9999999	200712	1120	N-XRef	99-9999999
				200512	1120

**Balances in selected module that are still available for potential netting**

- |   |              |                           |
|---|--------------|---------------------------|
| 1. Available Overpayment @ GATT Rate    | (478,985.86) | From 03/16/08 To 12/17/08 |
| 2. Available Overpayment @ Overpay Rate | (10,000.00)  | From 03/16/08 To 12/17/08 |
| 3. Available Overpayment @ GATT Rate    | (732,668.98) | From 12/18/08 To 09/10/09 |
| 4. Available Overpayment @ Overpay Rate | (10,364.10)  | From 12/18/08 To 09/10/09 |

Always include the unnetted periods in your workpapers. (The ACT/DMI 530 Report must be used for this purpose).

**Computation to Verify Unnetted Amounts and Determine the Accuracy of Net Rate Computation**

Refer to the time line in Exhibit 20.2.14-10.

**Exhibit 20.2.14-10 (Cont. 12) (02-01-2017)****Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year**  
**IRM Reference 20.2.14.6.11**

There is an unnetted overpayment period in 200712 from 03152008 to 12172008. The overpayment amount on 03162008 is \$488,985.87. The amount of credit available at the beginning of the unnetted overpayment period from 12172008 to 09102009 is \$742,916.10. There is an unnetted underpayment period from 03152006 to 03152008 on the \$200,000.00 underpayment.

**Verification of Accuracy and Unnetted Amount**

03152008	The unnetted overpayment amount at the beginning of the overlapping period is \$488,985.87 (original \$725,000.00 overpayment minus \$236,014.13; the amount to which the net rate was applied).
12172008	The amount of the available overpayment at the beginning of the unnetted overpayment period from 12172008 to 09102009 is \$743,033.08. This amount is obtained by taking the principal of \$725,000.00 and adding the accrued overpayment interest from 03152008 to 12172008 of \$18,033.08.  These are the amounts on which underpayment interest at the overpayment rate may be computed should a subsequent net rate adjustment be requested.

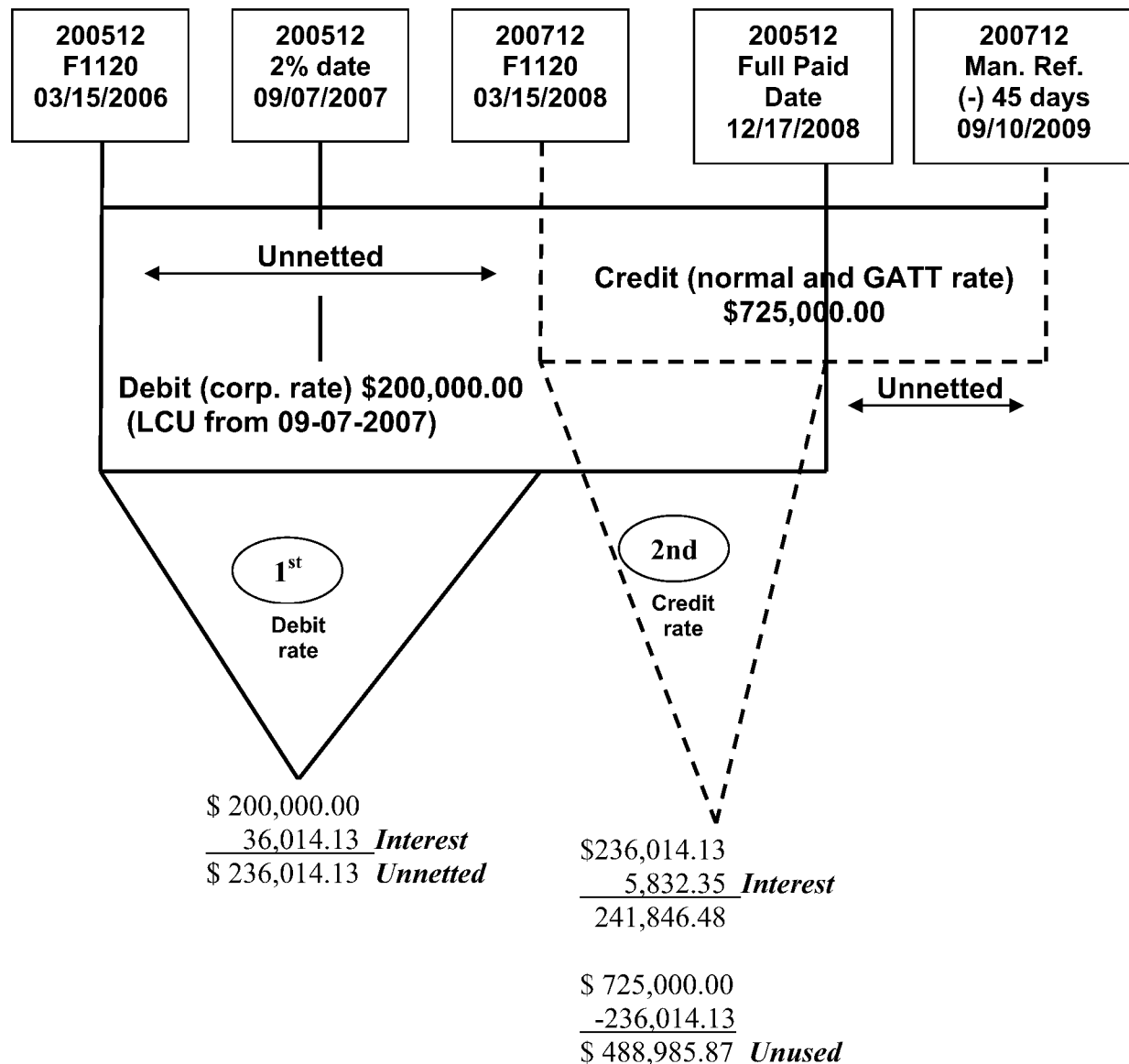
**Reminder:** When using a time line, the following verification process should be used to determine whether the net rate adjustment was correctly computed:

Add the net rate interest amount that was used to the interest amount that accrues during the unnetted overpayment period. If the total **does not** equal the overpayment interest amount originally allowed, an error has been made in the interest computation.

Exhibit 20.2.14-10 (Cont. 13) (02-01-2017)

Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year  
IRM Reference 20.2.14.6.11

Overlapping Period Time Line  
Exhibit 14-10



Amount of unnetted overpayment at the beginning of the overlapping period (03152008) is \$488,985.87.

Amount of available overpayment at the beginning of the unnetted overpayment period from 12172008 to 09102009 is \$743,033.08.

**Exhibit 20.2.14-10 (Cont. 14) (02-01-2017)****Net Rate Interest Computation - Settled Underpayment Year and Current Overpayment Year****IRM Reference 20.2.14.6.11**

An unnetted underpayment period still exists from 03152006 to 03152008.

The amount of underpayment that the net rate can still be applied to at the beginning of the unnetted underpayment period from 03152006 to 03152008, is \$200,000.00.

**Exhibit 20.2.14-11 (06-21-2011)**
**Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used**  
**IRM Reference 20.2.14.6.11**

On December 31, 2009, Freemont Foundations filed a Form 843 requesting the application of the net rate on its 200612 Form 1120. An overpayment from its 200712 Form 1120 creates an overlapping interest period. The 2006 and 2007 adjustments were a combination of a general adjustment and a carryback adjustment. The account transaction information for the 2006 and 2007 tax periods are shown below.

**Interest Computations Prior to Application of the Net Rate**

200612:	General Adjustment Underpayment	\$35,000.00
	200812 Partial Carryback Recapture	\$27,000.00

The taxpayer previously received a refund on 06082009 of \$37,000.00 without interest, based on a carryback to 200612 from its 200812 loss year return. The taxpayer paid the balance due of \$68,709.05, which includes interest of \$6,709.05 on 12132009.

200712:	General Adjustment Overpayment	(\$58,000.00) Original return was timely filed and paid.
	200812 Carryback Recapture	\$16,000.00

The taxpayer previously received a refund on 06082009 of \$16,000.00 without interest, based on a carryback applied to 200712 from its 200812 loss year return.

On 11302009, an IRS initiated refund is issued for \$44,368.08, which included interest of \$2,368.08 based on the general adjustment overpayment and its 200812 carryback recapture.

**Freemont Foundations Tax Account Transaction Information**

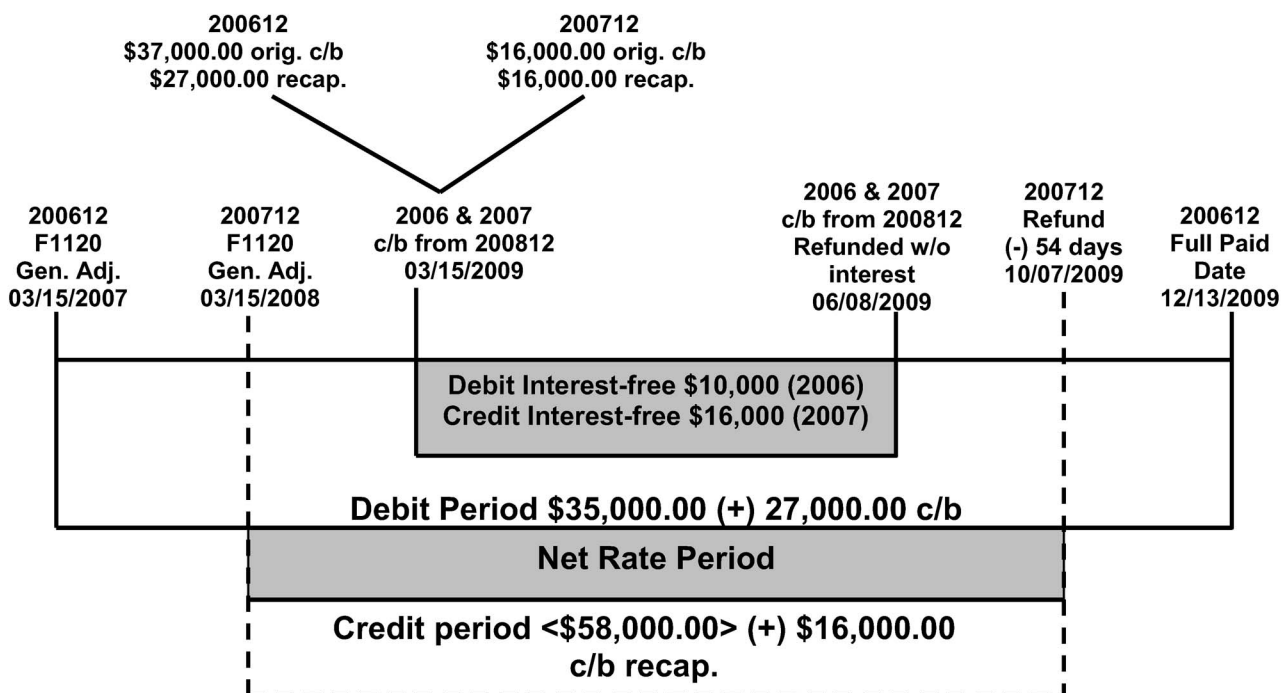
200612 Module Information		
TC 150	50,000.00	
TC 806	50,000.00-	
TC 309	37,000.00-	200812 carryback allowed
TC 846	37,000.00	Refunded 06082009
TC 300	35,000.00	General adjustment
TC 308	27,000.00	200812 carryback recapture
TC 190/340	21,712.26	
TC 670	83,712.26	Payment received
200712 Module Information		
TC 150	60,000.00	
TC 660	60,000.00-	
TC 309	16,000.00-	200812 Carryback allowed
TC 846	16,000.00	C/B Refunded 06082009

**Exhibit 20.2.14-11 (Cont. 1) (06-21-2011)****Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used**

IRM Reference 20.2.14.6.11

200612 Module Information		
TC 301	58,000.00-	General Adjustment
TC 308	16,000.00	200812 Carryback recapture
TC 776	2,368.08	23C 11302009 (54-day back-off to 10072009)
TC 846	44,368.08	23C 11302009

**Overlapping Period Time Line  
Exhibit 14-11**

**Application of the Net Rate to the General and Carryback Adjustment (200612)**

Underpayment Interest Computation	
\$35,000.00	03152007 to 03152008 (underpayment rate) = 2,843.71
<u>2,843.71</u>	Add accrued interest
37,843.71	<b>Balance due 03152008</b> 03152008 to 03152009 (overpayment rate) = 1,184.44



**Exhibit 20.2.14-11 (Cont. 2) (06-21-2011)**
**Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used**  
**IRM Reference 20.2.14.6.11**

<b>Underpayment Interest Computation</b>	
<u>1,184.44</u>	Add accrued interest
39,028.15	<b>Balance Due 03152009</b>
<u>(10,000.00)</u>	Subtract carryback amount not subject to recapture 03152009 (Use of money)
29,028.15	03152009 to 06082009 (credit rate) = 114.35
114.35	Add accrued interest
10,000.00	Add carryback previously used for the interest-free period on the refund date 06082009
<u>27,000.00</u>	Add the carryback recapture underpayment
66,142.50	<b>Balance Due 06082009</b>
<u>(44,145.66)</u>	Subtract the amount on 06082009 that is subject to the net rate (see (Cont. 5) section of Exhibit 20.2.14-11 for the Time Line Breakdown)
21,996.84	06082009 to 12132009 (underpayment rate) = 457.87
<u>457.87</u>	Add accrued interest
\$22,454.71	<b>Balance due 12132009</b>
<b>Net Rate Interest Computation</b>	
\$ 44,145.66	06082009 to 10072009 (overpayment rate) = 222.43
<u>222.43</u>	Add accrued interest
44,368.09	10072009 to 12132009 (underpayment rate) = 326.95
<u>326.95</u>	Add accrued interest
\$ 44,695.04	<b>Balance due 12132009</b>
\$ 2,843.71 1,184.44 114.35 457.87 222.43 <u>326.95</u> \$20,447.11	<b>Total Revised Interest</b>
<b>\$6,709.05</b>	<b>Posted Interest</b>
<u><b>5,149.75</b></u>	<b>Revised Interest</b>
<b>(1,559.30)</b>	<b>Netting Benefit/Interest to be abated (TC 341)</b>

**Note:** Compute statutory overpayment interest accordingly on the amount of abatement that will refund or offset.

**Exhibit 20.2.14-11 (Cont. 3) (06-21-2011)****Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used****IRM Reference 20.2.14.6.11**

Input the following transaction information using the appropriate adjustment documents.

<b>Adjustment Document Transaction Information</b>	
<b>200612</b>	<b>200712</b>
TC 341 - (\$1,559.30)	TC 340 - (\$.00) to indicate that the net rate has been applied
Db-Int-To-Dt – 12132009	Db-Int-To-Dt – 03152008
Correspondence Dt – 07221998	Correspondence Dt – 07221998
Activity Code – netrate	Activity Code – netrate
Amd-Clms-Dt – 12312009	Amd-Clms-Dt – 12312009

Always include the ACT/DMI 530 Report with the following information as part of the workpapers.

<b>IDRS “N” Information</b>	
<b>200612:</b>	
N-AMT = 37,843.71	N-END = 10072009
N-BEG = 03152008	N-MFT = 02
N-PER = 200712	
<b>200712:</b>	
N-AMT = 37,843.71	N-END = 10072009
N-BEG = 03152008	N-MFT = 02
N-PER = 200612	

Always include the unnetted periods in the workpapers. The ACT/DMI 530 Report must be used for this purpose.

The time line in Exhibit 20.2.14-11 reflects the unnetted periods and amounts.

**Reminder:** When using the time line, the following verification process should be used to determine whether the net rate adjustment was correctly computed:

Add the net rate interest amount that was used to the interest amount that accrues during the unnetted overpayment period. If the total **does not** equal the overpayment interest amount originally allowed, an error has been made in the interest computation.

<b>Verification of Unnetted Amount(s), Unnetted Period(s) and Net Rate Adjustment</b>	
<b>Unnetted Overpayment Period 1</b>	
Overpayment Available 03152008	03152008-03152009 20,156.29 (58,000.00 overpayment less the 37,843.71 net rate amount)

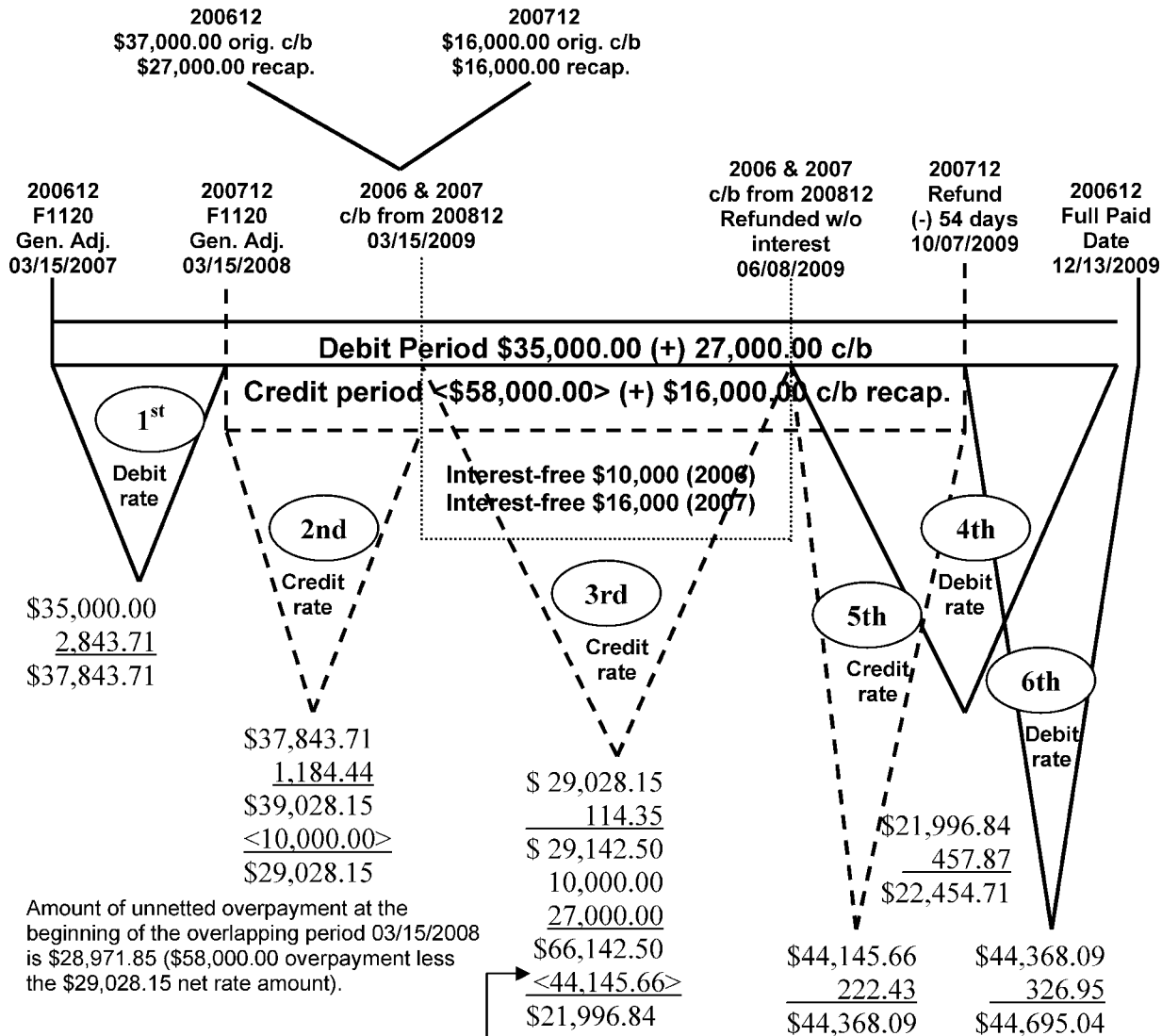
**Exhibit 20.2.14-11 (Cont. 4) (06-21-2011)**
**Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used**
**IRM Reference 20.2.14.6.11**

<b>Verification of Unnetted Amount(s), Unnetted Period(s) and Net Rate Adjustment</b>	
<b>Unnetted Overpayment Period 2</b> Overpayment Available 03152009	03152009-06082009 14,942.66 (58,000.00 overpayment plus 1,970.81 interest accrued from 03152008 to 03152009 (59,970.81) less the 29,028.15 that the net rate was applied to as of 03152009, and less the overpayment interest suspension of 16,000.00)
<b>Unnetted Underpayment Interest Periods:</b> 1. 03152007 to 03152008 on \$35,000.00 2. 06082009 to 10072009 on \$21,996.84 3. 10072009 to 12132009 on \$66,658.54	

## Exhibit 20.2.14-11 (Cont. 5) (06-21-2011)

## Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used

IRM Reference 20.2.14.6.11

Overlapping Period Time Line  
Exhibit 14-11

Amount of unnetted overpayment at the beginning of the overlapping period 03/15/2008 is \$28,971.85 (\$58,000.00 overpayment less the \$29,028.15 net rate amount).

Amount of unnetted overpayment as of 03/15/2009 is \$14,942.66. This equals the \$58,000.00 overpayment plus \$1,970.81 credit interest accrued from 03/15/2008 to 03/15/2009 (\$59,970.81) LESS the \$29,028.15 that the net rate was applied to as of 03/15/2009 and LESS the overpayment interest suspension of \$16,000.00. (\$58,000 + \$1,970.81 - \$29,028.15 - \$16,000)

<\$58,000.00>  
<2,145.66>  
16,000.00  
\$44,145.66

General Adj. overassessment plus interest accruals on \$58,000.00 (03/15/2008 to 06/08/2009) including an overpayment interest suspension of \$16,000.00 from 03/15/2009 to 06/08/2009, less the 2007 C/B recap. from 2008 equals the amount available as of 06/08/2009 subject to net rate.

**Exhibit 20.2.14-11 (Cont. 6) (06-21-2011)**
**Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used**
**IRM Reference 20.2.14.6.11**
**Backing into Underpayment Interest Previously Assessed on the General Adjustment and Carryback Recapture (200612) – Exhibit 14-11**

Sel	Jurisdiction	TIN	Tax Type	Tax Period	Additional Description	Status	GATT	LCU
<input checked="" type="checkbox"/>	Federal	99-9999999	1120	2006/12		Open/(Open)	GATT ON	LCU OFF
<input checked="" type="checkbox"/>	Federal	99-9999999	1120	2007/12		Open/(Open)	GATT ON	LCU OFF

Selected Module: Federal 99-9999999 1120 2006/12

Included & Interest ▼

Ref	Code	Description	Date	Amount	Start	Adj/End	Balance	Add	Excl	SOL
10	150	Return Filed & Assessed Tax Liability	06/01/2007	50,000.00		03/15/2007	50,000.00	<input checked="" type="checkbox"/>		
20	660	Estimated Tax	03/15/2007	(50,000.00)			0.00	<input checked="" type="checkbox"/>		
30	309	Abatement of Prior Tax Assessment by Exam	06/08/2009	(37,000.00)		03/15/2009	(37,000.00)	<input checked="" type="checkbox"/>		
40	846	Refund of Overpayment	06/08/2009	37,000.00	03/15/2009	06/08/2009	0.00	<input checked="" type="checkbox"/>		
50	300	Additional Tax Assessment By Examination	12/13/2009	35,000.00		03/15/2007	35,000.00	<input checked="" type="checkbox"/>		
60	308	Additional Tax Assessment with Interest Date	12/13/2009	27,000.00		03/15/2009	62,000.00	<input checked="" type="checkbox"/>		
70	340	Restricted Interest Assessment	12/13/2009	6,709.05			68,709.05	<input checked="" type="checkbox"/>	D	
80	670	Subsequent Payment	12/13/2009	(68,709.05)			0.00	<input checked="" type="checkbox"/>		

Run To

12/13/2009

Run Method

IRS Default ▼

Deficiency

6,709.05

Overpayment

0.00

Computed Interest

6,709.05

Transcript Interest

0.00

Interest Adjustment

(0.00)

Principal

0.00

Total

0.00

Process

**Exhibit 20.2.14-11 (Cont. 7) (06-21-2011)****Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used**

IRM Reference 20.2.14.6.11

**Backing into Underpayment Interest Previously Assessed (200612)**  
**ACT/DMI Report 490 Activity Summary – Exhibit 14-11**

**490 Activity Summary - 20.2.14-11 Freemont**

FED - \*\*.\*\*\*9999 Freemont 20.2.14-11 1120 Tax Period: 2006/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 12/13/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
06/01/2007		03/15/2007	150 Return Filed & Assessed Tax Liability		50,000.00	50,000.00
03/15/2007			610 Remittance with Return		(50,000.00)	
12/13/2009		03/15/2007	300 Additional Tax Assessment By Examination		35,000.00	35,000.00
06/08/2009		03/15/2009	309 Abatement of Prior Tax Assessment by Exa		(37,000.00)	(2,000.00)
12/13/2009		03/15/2009	308 Additional Tax Assessment with Interest		27,000.00	25,000.00
06/08/2009	03/15/2009	06/08/2009	846 Refund of Overpayment	(37,000.00)	37,000.00	62,000.00
12/13/2009			670 Subsequent Payment		(68,709.05)	(6,709.05)

Date	Description	Amount	Factor	Interest	Balance
03/15/2007	150 Return Filed & Assessed Tax Liability	50,000.00			
	300 Additional Tax Assessment By Examination	35,000.00			
	610 Remittance with Return	(50,000.00)			35,000.00
03/16/2007	03/15/2009 Underpay	35,000.00	0.143253130	5,013.86	40,013.86
03/15/2009	308 Additional Tax Assessment with Interest	27,000.00			
	309 Abatement of Prior Tax Assessment by Exa	(37,000.00)			30,013.86
03/16/2009	06/08/2009 Underpay	30,013.86	0.009800574	294.15	30,308.01
06/08/2009	846 Refund of Overpayment	37,000.00			67,308.01
06/09/2009	12/13/2009 Underpay	67,308.01	0.020815289	1,401.04	68,709.05
12/13/2009	670 Subsequent Payment	(68,709.05)			

Account Summary:	As Computed	Per Transcript	Adjustment
Deficiency Interest	6,709.05	6,709.05	
Overpayment Interest			
Principal Balance			
	6,709.05	6,709.05	0.00

**Exhibit 20.2.14-11 (Cont. 8) (06-21-2011)**

**Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used**  
**IRM Reference 20.2.14.6.11**

**Backing into Interest Previously Allowed on the General Adjustment Overpayment and  
Carryback Recapture (200712) – Exhibit 14-11**

Sel		Jurisdiction	TIN	Tax Type	Tax Period	Additional Description	Status	GATT	LCU
<input checked="" type="checkbox"/>		Federal	99-9999999	1120	2006/12		Open/(Open)	GATT ON	LCU OFF
<input checked="" type="checkbox"/>		Federal	99-9999999	1120	2007/12		Open/(Open)	GATT ON	LCU OFF

Ref	Code	Description	Date	Amount	Start	Adj/End	Balance	Add	Excl	SOL
10	150	Return Filed & Assessed Tax Liability	03/15/2008	60,000.00			60,000.00	<input checked="" type="checkbox"/>		
20	610	Remittance with Return	03/15/2008	(60,000.00)			0.00	<input checked="" type="checkbox"/>		
30	309	Abatement of Prior Tax Assessment by Exam	06/08/2009	(16,000.00)		03/15/2009	(16,000.00)	<input checked="" type="checkbox"/>		
40	846	Refund of Overpayment	06/08/2009	16,000.00	03/15/2009	06/08/2009	0.00	<input checked="" type="checkbox"/>		
50	301	Abatement of Tax By Examination Division	11/30/2009	(58,000.00)		03/15/2008	(58,000.00)	<input checked="" type="checkbox"/>		
60	308	Additional Tax Assessment with Interest Date	11/30/2009	16,000.00		03/15/2009	(42,000.00)	<input checked="" type="checkbox"/>		
70	776	Generated Interest Due on Overpayment	11/30/2009	(2,368.08)			(44,368.08)	<input checked="" type="checkbox"/>	0	
80	846	Refund of Overpayment	11/30/2009	42,000.00	10/07/2009	11/30/2009	(2,368.08)	<input checked="" type="checkbox"/>		
90	1004	Refund Interest High	11/30/2009	2,368.08	10/07/2009	11/30/2009	0.00	<input checked="" type="checkbox"/>		

Run To	Run Method	Deficiency	Computed Interest	Transcript Interest	Interest Adjustment	Principal	Total
11/30/2009	IRS Default	Overpayment	(2,368.08)	(2,368.08)	(0.00)	0.00	(0.00)

**Exhibit 20.2.14-11 (Cont. 9) (06-21-2011)****Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used**

IRM Reference 20.2.14.6.11

**Backing into Overpayment Interest Previously Allowed (200712)**  
**ACT/DMI Report 490 Activity Summary – Exhibit 14-11**

**490 Activity Summary - 20.2.14-11 Freemont**

FED - \*\*.\*\*\*9999 Freemont 20.2.14-11 1120 Tax Period: 2007/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 11/30/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
06/02/2008		03/15/2008	150 Return Filed & Assessed Tax Liability		60,000.00	60,000.00
03/15/2008			610 Remittance with Return		(60,000.00)	
11/30/2009		03/15/2008	301 Abatement of Tax By Examination Division		(58,000.00)	(58,000.00)
06/08/2009		03/15/2009	309 Abatement of Prior Tax Assessment by Exa		(16,000.00)	(74,000.00)
11/30/2009		03/15/2009	308 Additional Tax Assessment with Interest		16,000.00	(58,000.00)
06/08/2009	03/15/2009	06/08/2009	846 Refund of Overpayment	(16,000.00)	16,000.00	(42,000.00)
11/30/2009	10/07/2009	11/30/2009	846 Refund of Overpayment	(42,000.00)	42,000.00	
11/30/2009	10/07/2009	11/30/2009	1003 Refund Interest	(2,368.08)	2,368.08	2,368.08

Date	Description	Amount	Factor	Interest	Balance
03/15/2008	150 Return Filed & Assessed Tax Liability	60,000.00			
	301 Abatement of Tax By Examination Division	(58,000.00)			
	610 Remittance with Return	(60,000.00)			(58,000.00)
03/16/2008	03/15/2009 Overpay	(10,000.00)	0.046848548	(468.49)	
	Overpay GATT	(48,000.00)	0.031298320	(1,502.32)	(59,970.80)
03/15/2009	308 Additional Tax Assessment with Interest	16,000.00			
	309 Abatement of Prior Tax Assessment by Exa	(16,000.00)			(59,970.80)
03/16/2009	06/08/2009 Overpay	(468.49)	0.007451957	(3.49)	
	Overpay GATT	(43,502.32)	0.003939149	(171.36)	
	Overpay Suspended	(16,000.00)			(60,145.66)
06/08/2009	846 Refund of Overpayment	16,000.00			(44,145.66)
06/09/2009	10/07/2009 Overpay	(471.98)	0.009994411	(4.72)	
	Overpay GATT	(43,673.68)	0.004984884	(217.71)	(44,368.08)
10/08/2009	11/30/2009 Overpay Suspended	(44,368.08)			(44,368.08)
11/30/2009	846 Refund of Overpayment	42,000.00			
	1003 Refund Interest	2,368.08			

**Account Summary:**

Deficiency Interest

Overpayment Interest

Principal Balance

**As Computed****Per Transcript****Adjustment**

(2,368.08)

(2,368.08)

(2,368.08)

(2,368.08)

0.00



**Exhibit 20.2.14-11 (Cont. 10) (06-21-2011)**

**Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used**  
**IRM Reference 20.2.14.6.11**

**ACT/DMI Netting Interest Computation Analysis Screen**  
**Exhibit 14-11**

Jurisdiction: <span>Federal</span>		<input checked="" type="checkbox"/> View All				
TIN	Tax Type	Tax Period	Additional Description	Status	GATT/LCU	
<div> <input type="button" value="Select"/> Selected Modules: <span>2</span> </div>						
Selected Modules without Netting (double-click to view module settings)						
TIN	Tax Type	Tax Period	Deficiency Interest	Overpayment Interest	Principal	Net Due/(Refund)
99-9999999	1120	2006/12	0.00	0.00	0.00	0.00
99-9999999	1120	2007/12	0.00	0.00	0.00	0.00
Totals:			0.00	0.00	0.00	0.00
<input type="button" value="Clear Module"/> <input type="button" value="Clear All"/>						
Selected Modules with Netting						
TIN	Tax Type	Tax Period	Deficiency Interest	Overpayment Interest	Principal	Net Due/(Refund)
99-9999999	1120	2006/12	(1,559.30)	0.00	0.00	(1,559.30)
99-9999999	1120	2007/12	0.00	0.00	0.00	0.00
Totals:			(1,559.30)	0.00	0.00	(1,559.30)
Run To Date: <span>12/13/2009</span>		Run Method: <span>IRS Default</span>		<input type="button" value="Post"/> <input type="button" value="Remove"/>	Netting Benefit: <span>(1,559.30)</span>	
<input type="button" value="Process"/> <input checked="" type="checkbox"/> Netting On		<input type="button" value="Reports"/> <input type="button" value="Module Restrictions"/>				

**Exhibit 20.2.14-11 (Cont. 11) (06-21-2011)****Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used  
IRM Reference 20.2.14.6.11****Post Netting Underpayment Period (200612) ACT/DMI Report 490  
Exhibit 14-11****490 Activity Summary - 20.2.14-11 Freemont**

FED - \*\*.\*9999 Freemont 20.2.14-11 1120 Tax Period: 2006/12

Run Method: IRS Default	Module Status: Open(Open)
Interest To: 12/13/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
06/01/2007		03/15/2007	150 Return Filed & Assessed Tax Liability		50,000.00	50,000.00
03/15/2007			610 Remittance with Return		(50,000.00)	
12/13/2009		03/15/2007	300 Additional Tax Assessment By Examination		35,000.00	35,000.00
06/08/2009		03/15/2009	309 Abatement of Prior Tax Assessment by Exa		(37,000.00)	(2,000.00)
12/13/2009		03/15/2009	308 Additional Tax Assessment with Interest		27,000.00	25,000.00
N/A	03/15/2008	03/15/2009	1545 Equalize to GATT	37,843.71		25,000.00
			XREF: **.****9999 1120 200712			
06/08/2009	03/15/2009	06/08/2009	846 Refund of Overpayment	(37,000.00)	37,000.00	62,000.00
N/A	03/15/2009	06/08/2009	1545 Equalize to GATT	29,028.15		62,000.00
			XREF: **.****9999 1120 200712			
N/A	06/08/2009	10/07/2009	1545 Equalize to GATT	1,673.68		62,000.00
			XREF: **.****9999 1120 200712			
N/A	06/08/2009	10/07/2009	1545 Equalize to GATT	42,000.00		62,000.00
			XREF: **.****9999 1120 200712			
N/A	06/08/2009	10/07/2009	1555 Equalize to Overpay	471.98		62,000.00
			XREF: **.****9999 1120 200712			
12/13/2009			670 Subsequent Payment		(68,709.05)	(6,709.05)

Date	Description	Amount	Factor	Interest	Balance
03/15/2007	150 Return Filed & Assessed Tax Liability	50,000.00			
	300 Additional Tax Assessment By Examination	35,000.00			
	610 Remittance with Return	(50,000.00)			35,000.00
03/16/2007	03/15/2008 Underpay	35,000.00	0.081248859	2,843.71	37,843.71
03/16/2008	03/15/2009 NR Underpay @ GATT	37,843.71	0.031298320	1,184.44	39,028.15
03/15/2009	308 Additional Tax Assessment with Interest	27,000.00			
	309 Abatement of Prior Tax Assessment by Exa	(37,000.00)			29,028.15
03/16/2009	06/08/2009 NR Underpay @ GATT	29,028.15	0.003939149	114.35	29,142.50
06/08/2009	846 Refund of Overpayment	37,000.00			66,142.50
06/09/2009	10/07/2009 NR Underpay @ GATT	43,673.68	0.004984884	217.71	
	NR Underpay @ Over	471.98	0.009994411	4.72	
	Underpay	21,996.84	0.013347845	293.61	66,658.54
10/08/2009	12/13/2009 Underpay	66,658.54	0.007369082	491.21	67,149.75
12/13/2009	670 Subsequent Payment	(68,709.05)			(1,559.30)

**Account Summary:**

	As Computed	Per Transcript	Adjustment
Deficiency Interest	5,149.75	6,709.05	(1,559.30)
Overpayment Interest			
Principal Balance			
	5,149.75	6,709.05	(1,559.30)

**Exhibit 20.2.14-11 (Cont. 12) (06-21-2011)**
**Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used**  
**IRM Reference 20.2.14.6.11**
**ACT/DMI Report 530 (200612) - Exhibit 14-11**
**530 Adjustments / Positions - 20.2.14-11 Freemont**

FED - \*\*.\*\*\*9999 Freemont 20.2.14-11 1120 Tax Period: 2006/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 12/13/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

**COMPUTED OFFSET/EQUALIZATIONS**
Equalizations that affect 99-9999999 2006/12 1120 Tax Module

<b>Change: **.***9999</b>	<b>200612</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200712</b>	<b>1120</b>
N-Amt	37,843.71	Equalize to GATT	N-Amt	37,843.71	Use Prin GATT to Equal
N-Beg	03/15/08	N-End 03/15/09	N-Beg	03/15/08	N-End 03/15/09
N-XRef	**.***9999	200712 1120	N-XRef	**.***9999	200612 1120
<b>Change: **.***9999</b>	<b>200612</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200712</b>	<b>1120</b>
N-Amt	29,028.15	Equalize to GATT	N-Amt	29,028.15	Use Prin GATT to Equal
N-Beg	03/15/09	N-End 06/08/09	N-Beg	03/15/09	N-End 06/08/09
N-XRef	**.***9999	200712 1120	N-XRef	**.***9999	200612 1120
<b>Change: **.***9999</b>	<b>200612</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200712</b>	<b>1120</b>
N-Amt	42,000.00	Equalize to GATT	N-Amt	42,000.00	Use Prin GATT to Equal
N-Beg	06/08/09	N-End 10/07/09	N-Beg	06/08/09	N-End 10/07/09
N-XRef	**.***9999	200712 1120	N-XRef	**.***9999	200612 1120
<b>Change: **.***9999</b>	<b>200612</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200712</b>	<b>1120</b>
N-Amt	1,673.68	Equalize to GATT	N-Amt	1,673.68	Use Int GATT to Equal
N-Beg	06/08/09	N-End 10/07/09	N-Beg	06/08/09	N-End 10/07/09
N-XRef	**.***9999	200712 1120	N-XRef	**.***9999	200612 1120
<b>Change: **.***9999</b>	<b>200612</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200712</b>	<b>1120</b>
N-Amt	471.98	Equalize to Overpay	N-Amt	471.98	Use Int Over to Equal
N-Beg	06/08/09	N-End 10/07/09	N-Beg	06/08/09	N-End 10/07/09
N-XRef	**.***9999	200712 1120	N-XRef	**.***9999	200612 1120

Balances in selected module that are still available for potential netting

1. Available Underpayment @ Underpay Rate	35,000.00	From 03/16/07 To 03/15/08
2. Available Underpayment @ Underpay Rate	21,996.84	From 06/09/09 To 10/07/09
3. Available Underpayment @ Underpay Rate	66,658.54	From 10/08/09 To 12/13/09

**Exhibit 20.2.14-11 (Cont. 13) (06-21-2011)****Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used**  
**IRM Reference 20.2.14.6.11****Post Netting Overpayment Period (200712) ACT/DMI Report 490**  
**Exhibit 14-11****490 Activity Summary - 20.2.14-11 Freemont**

FED - \*\*-\*9999 Freemont 20.2.14-11 1120 Tax Period: 2007/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 12/13/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

Date Transcript	Date Start	Date Adj / End	Description	Susp/Equal	Principal	Balance
06/02/2008		03/15/2008	150 Return Filed & Assessed Tax Liability		60,000.00	60,000.00
03/15/2008			610 Remittance with Return		(60,000.00)	
11/30/2009		03/15/2008	301 Abatement of Tax By Examination Division		(58,000.00)	(58,000.00)
06/08/2009		03/15/2009	309 Abatement of Prior Tax Assessment by Exa		(16,000.00)	(74,000.00)
11/30/2009		03/15/2009	308 Additional Tax Assessment with Interest		16,000.00	(58,000.00)
N/A	03/15/2008	03/15/2009	1540 Use Prin GATT to Equal	(37,843.71)		(58,000.00)
			XREF: **-*9999 1120 200612			
06/08/2009	03/15/2009	06/08/2009	846 Refund of Overpayment	(16,000.00)	16,000.00	(42,000.00)
N/A	03/15/2009	06/08/2009	1540 Use Prin GATT to Equal	(29,028.15)		(42,000.00)
			XREF: **-*9999 1120 200612			
N/A	06/08/2009	10/07/2009	1540 Use Prin GATT to Equal	(42,000.00)		(42,000.00)
			XREF: **-*9999 1120 200612			
N/A	06/08/2009	10/07/2009	1541 Use Int GATT to Equal	(1,673.68)		(42,000.00)
			XREF: **-*9999 1120 200612			
N/A	06/08/2009	10/07/2009	1551 Use Int Over to Equal	(471.98)		(42,000.00)
			XREF: **-*9999 1120 200612			
11/30/2009	10/07/2009	11/30/2009	846 Refund of Overpayment	(42,000.00)	42,000.00	
11/30/2009	10/07/2009	11/30/2009	1003 Refund Interest	(2,368.08)	2,368.08	2,368.08

Date	Description	Amount	Factor	Interest	Balance
03/15/2008	150 Return Filed & Assessed Tax Liability	60,000.00			
	301 Abatement of Tax By Examination Division	(58,000.00)			
	610 Remittance with Return	(60,000.00)			(58,000.00)
03/16/2008	03/15/2009 Overpay	(10,000.00)	0.046848548	(468.49)	
	Overpay GATT	(48,000.00)	0.031298320	(1,502.32)	(59,970.80)
03/15/2009	308 Additional Tax Assessment with Interest	16,000.00			
	309 Abatement of Prior Tax Assessment by Exa	(16,000.00)			(59,970.80)
03/16/2009	06/08/2009 Overpay	(468.49)	0.007451957	(3.49)	
	Overpay GATT	(43,502.32)	0.003939149	(171.36)	
	Overpay Suspended	(16,000.00)			(60,145.66)
06/08/2009	846 Refund of Overpayment	16,000.00			(44,145.66)
06/09/2009	10/07/2009 Overpay	(471.98)	0.009994411	(4.72)	
	Overpay GATT	(43,673.68)	0.004984884	(217.71)	(44,368.08)
10/08/2009	11/30/2009 Overpay Suspended	(44,368.08)			(44,368.08)
11/30/2009	846 Refund of Overpayment	42,000.00			
	1003 Refund Interest	2,368.08			

**Account Summary:**

Deficiency Interest

Overpayment Interest

Principal Balance

As Computed	Per Transcript	Adjustment
(2,368.08)	(2,368.08)	
(2,368.08)	(2,368.08)	0.00

**Exhibit 20.2.14-11 (Cont. 14) (06-21-2011)**

**Special Net Rate Interest Computations - Net Rate Computation when a Form 2285 is Used**  
**IRM Reference 20.2.14.6.11**

**Post Netting Overpayment Period (200712) ACT/DMI Report 530**  
**Exhibit 14-11**

**530 Adjustments / Positions - 20.2.14-11 Freemont**

FED - \*\*.\*\*\*9999 Freemont 20.2.14-11 1120 Tax Period: 2007/12

Run Method: IRS Default	Module Status: Open/(Open)
Interest To: 12/13/2009	
GATT Method: Retain Character (New)	GATT Date: 01/01/1995 Amount: \$10,000
LCU Method: Default IRS	LCU Interest Date: LCU Interest is OFF
Underpay Net Start: All Dates Included	Overpay Net Start: All Dates Included

**COMPUTED OFFSET/EQUALIZATIONS**

**Equalizations that affect 99-9999999 2007/12 1120 Tax Module**

<b>Change: **.***9999</b>	<b>200612</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200712</b>	<b>1120</b>
N-Amt	37,843.71	Equalize to GATT	N-Amt	37,843.71	Use Prin GATT to Equal
N-Beg	03/15/08	N-End 03/15/09	N-Beg	03/15/08	N-End 03/15/09
N-XRef	**.***9999	200712 1120	N-XRef	**.***9999	200612 1120
<b>Change: **.***9999</b>	<b>200612</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200712</b>	<b>1120</b>
N-Amt	29,028.15	Equalize to GATT	N-Amt	29,028.15	Use Prin GATT to Equal
N-Beg	03/15/09	N-End 06/08/09	N-Beg	03/15/09	N-End 06/08/09
N-XRef	**.***9999	200712 1120	N-XRef	**.***9999	200612 1120
<b>Change: **.***9999</b>	<b>200612</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200712</b>	<b>1120</b>
N-Amt	42,000.00	Equalize to GATT	N-Amt	42,000.00	Use Prin GATT to Equal
N-Beg	06/08/09	N-End 10/07/09	N-Beg	06/08/09	N-End 10/07/09
N-XRef	**.***9999	200712 1120	N-XRef	**.***9999	200612 1120
<b>Change: **.***9999</b>	<b>200612</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200712</b>	<b>1120</b>
N-Amt	1,673.68	Equalize to GATT	N-Amt	1,673.68	Use Int GATT to Equal
N-Beg	06/08/09	N-End 10/07/09	N-Beg	06/08/09	N-End 10/07/09
N-XRef	**.***9999	200712 1120	N-XRef	**.***9999	200612 1120
<b>Change: **.***9999</b>	<b>200612</b>	<b>1120</b>	<b>Change: **.***9999</b>	<b>200712</b>	<b>1120</b>
N-Amt	471.98	Equalize to Overpay	N-Amt	471.98	Use Int Over to Equal
N-Beg	06/08/09	N-End 10/07/09	N-Beg	06/08/09	N-End 10/07/09
N-XRef	**.***9999	200712 1120	N-XRef	**.***9999	200612 1120

**Balances in selected module that are still available for potential netting**

1. Available Overpayment @ GATT Rate	(10,156.29)	From 03/16/08 To 03/15/09
2. Available Overpayment @ Overpay Rate	(10,000.00)	From 03/16/08 To 03/15/09
3. Available Overpayment @ GATT Rate	(14,474.16)	From 03/16/09 To 06/08/09
4. Available Overpayment @ Overpay Rate	(468.49)	From 03/16/09 To 06/08/09
5. Available Suspended Overpay	(16,000.00)	From 03/16/09 To 06/08/09
6. Available Suspended Overpay	(44,368.08)	From 10/08/09 To 11/30/09

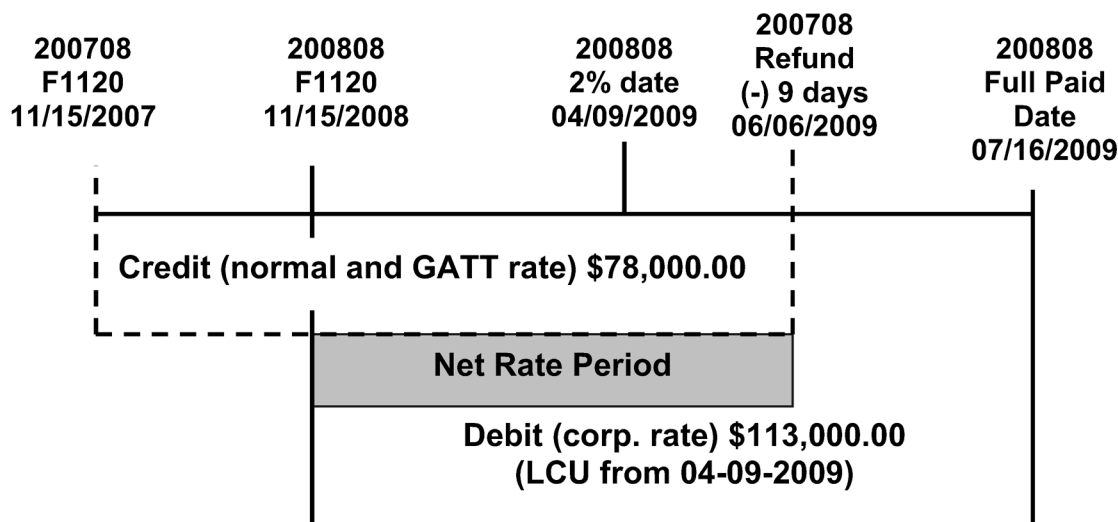
**Exhibit 20.2.14-12 (02-01-2017)****Net Rate Interest Computation Involving a Subsequent Interest Adjustment after the Net Rate was Applied****IRM Reference 20.2.14.6.11****Subsequent Interest Adjustment After Net Rate was Applied**

This is a two-part example. The first part is a request, and the second part applies to a future adjustment. The taxpayer can only receive netting one-time for each overlapping period and amount. However, if an overpayment interest period (bearing overpayment interest) is not fully used, the net rate may be allowed for a subsequent underpayment if that underpayment period overlaps with the overpayment period not previously used for the net rate and the applicable periods of limitations are still open.

**Example:** On June 15, 2009, a refund of \$78,000.00 (plus interest) was issued for Armstrong Corporation's Form 1120X (filed on April 23, 2009) for its 200708 return. On July 16, 2009, Armstrong Corporation agrees to and pays an underpayment of \$113,000.00 (plus interest), for its 200808 Form 1120. A 30-Day letter dated March 10, 2009, was sent to the taxpayer. On August 19, 2009, Armstrong filed a net rate request for its 200808 Form 1120.

<b>Interest Computations Prior to Application of the Net Rate:</b>				
1120	200708	(\$78,000.00)	Overpayment refunded with interest	
		(4,314.82)	Interest 11152007–06062009 (back-off date)	
1120	200808	\$113,000.00	Underpayment 30-Day letter dated 03102009	
		4,254.95	Interest 11152008–07162009 (full paid date)	

**Overlapping Period Time Line  
Exhibit 14-12**



**Exhibit 20.2.14-12 (Cont. 1) (02-01-2017)**
**Net Rate Interest Computation Involving a Subsequent Interest Adjustment after the Net Rate was Applied**
**IRM Reference 20.2.14.6.11**
**Subsequent Interest Adjustment after Net Rate was Applied**

Refer to the overlapping period time line in Exhibit 20.2.14-12.

**Reminder:** When the overpayment accrues interest **before** interest begins on the underpayment **AND** the start of the overlapping period, a determination must be made of the overpayment amount available at the beginning of the overlapping period (11152008).

Review the time line computation breakdown in Exhibit 20.2.14-12, which provides the net rate interest computation periods for this example.

Input the following transaction information using the appropriate adjustment documents.

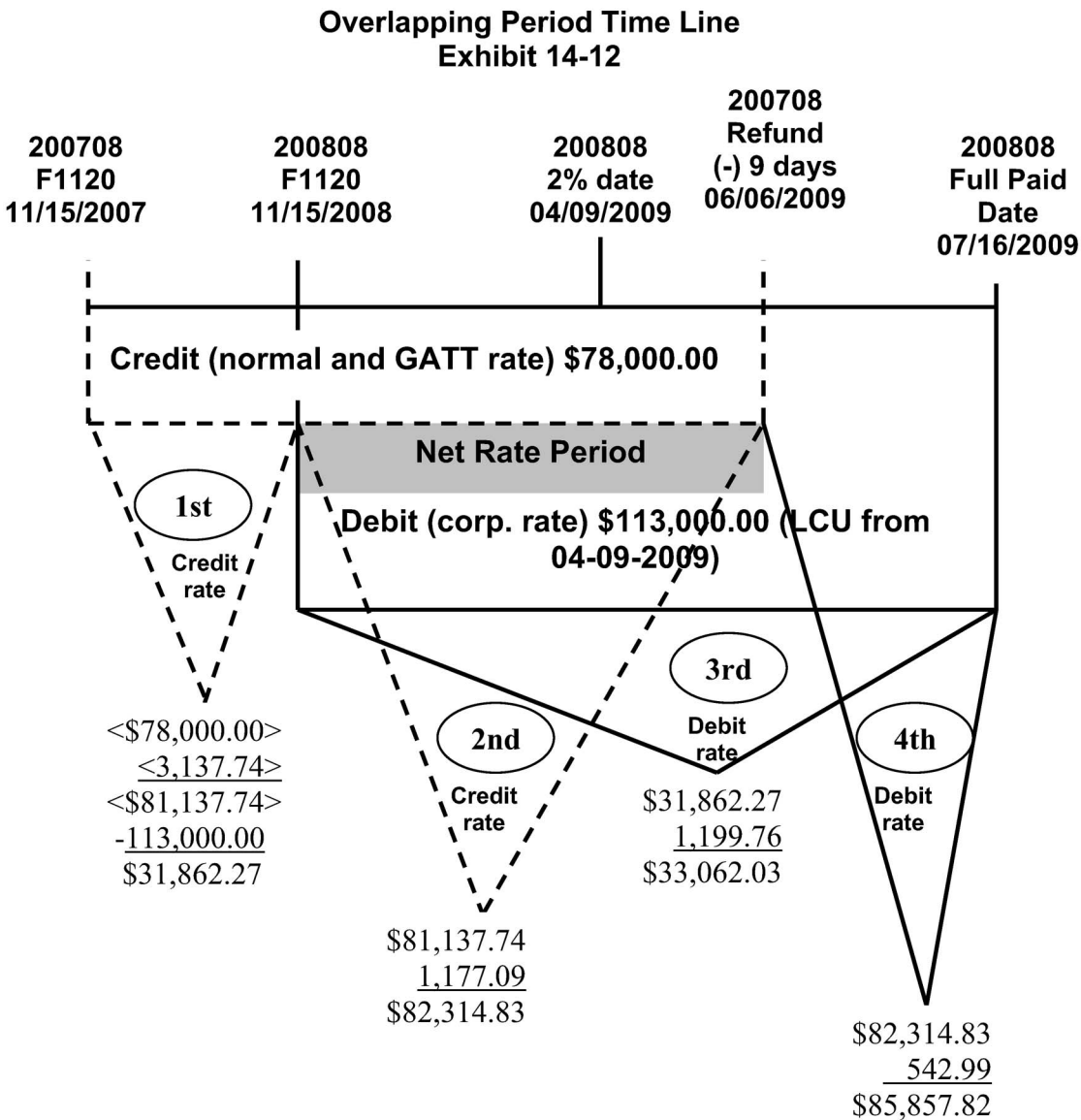
Adjustment Document Transaction Information	
200708	200808
TC 340 — (\$00) to prevent within module netting on future underpayment computations	TC 341 — \$1,335.12
Db-Int-To-Dt — Applicable date	Db-Int-To-Dt — 07162009
Correspondence Dt — 07221998	Correspondence Dt — 07221998
Amd-Clms-Dt — 08192009	Amd-Clms-Dt — 08192009

Unnetted Overpayment Period and Amount — 11152007 -11152008 — \$78,000.00

Unnetted Underpayment Period — 06062009 to 07162009

**Exhibit 20.2.14-12 (Cont. 2) (02-01-2017)****Net Rate Interest Computation Involving a Subsequent Interest Adjustment after the Net Rate was Applied**

IRM Reference 20.2.14.6.11

**The facts are the same as described in Exhibit 20.2.14-12**

Armstrong Corporation is currently undergoing an examination of its 200608 Form 1120 and on October 10, 2009, an agreement was signed for an \$85,000.00 underpayment. Armstrong advises the examiner that a net rate period still exists based on the overpayment issued on its 200708 Form 1120. An unnetted overpayment period remains from 11152007 to 11152008 that can be used for the net rate adjustment on the current underpayment.

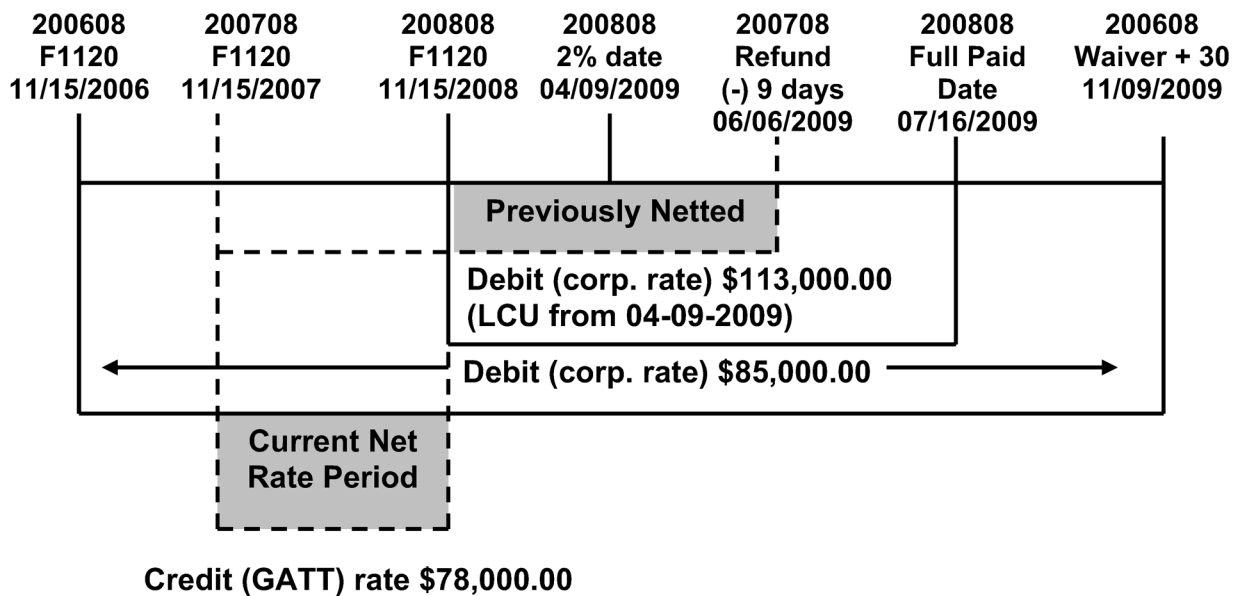


**Exhibit 20.2.14-12 (Cont. 3) (02-01-2017)**
**Net Rate Interest Computation Involving a Subsequent Interest Adjustment after the Net Rate was Applied**
**IRM Reference 20.2.14.6.11**

Refer to the detailed time line in Exhibit 20.2.14-12 for the interest computation and adjustment information.

**Note:** Prior to adding tax period 200608 to your netting computation, be sure to “post” the previous netting computations for tax years 200708 and 200808. This is done by clicking on the “Post” button located at the bottom of the Netting Analysis screen of the ACT/DML program.

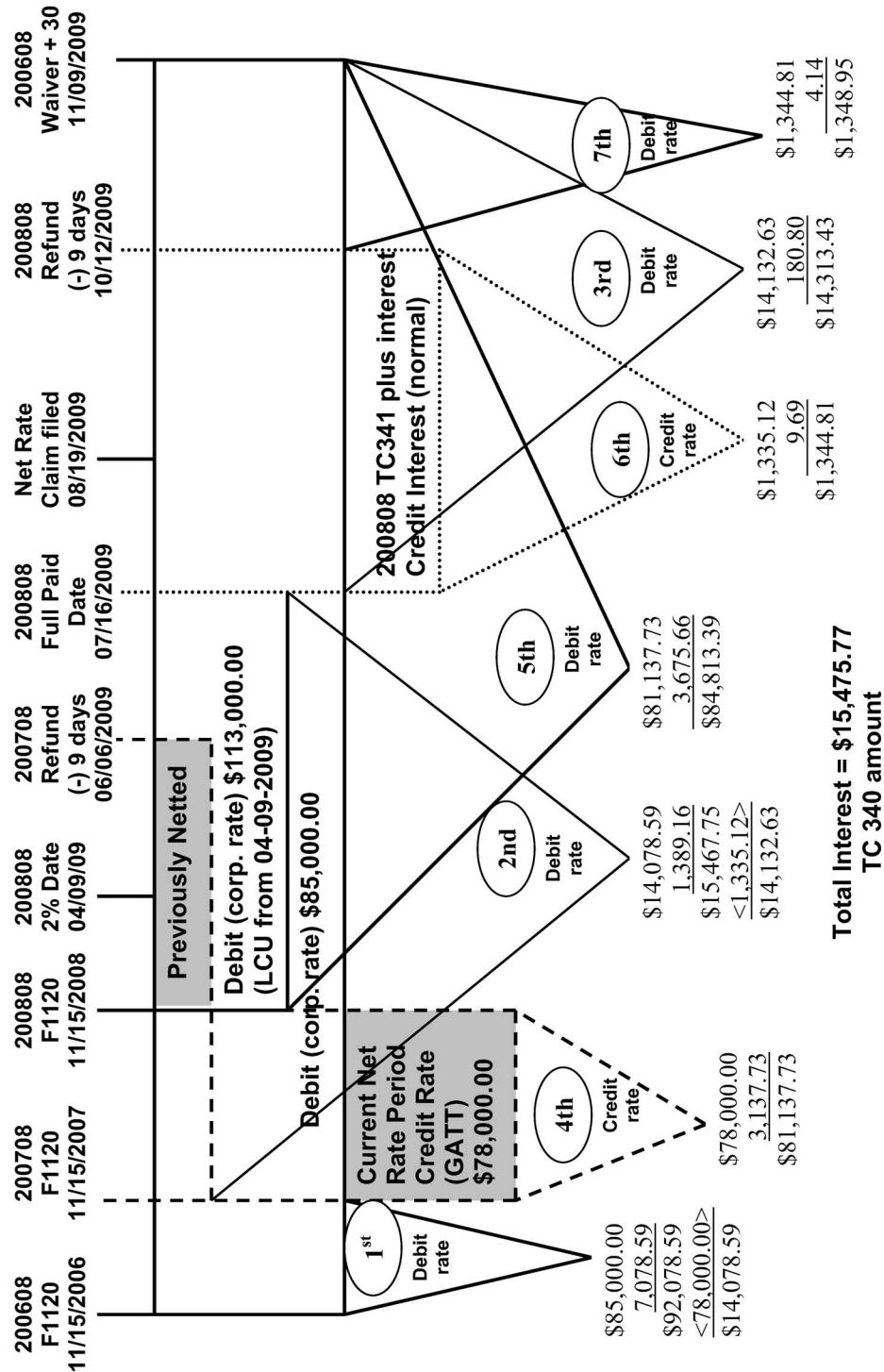
**Overlapping Period Time Line  
Exhibit 14-12**



## Exhibit 20.2.14-12 (Cont. 4) (02-01-2017)

## Net Rate Interest Computation Involving a Subsequent Interest Adjustment after the Net Rate was Applied

IRM Reference 20.2.14.6.11

Overlapping Period Time Line  
Exhibit 14-12

**Exhibit 20.2.14-13 (02-01-2017)**
**Examples Illustrating how to Determine Timely Filing of a Net Rate Request IRM Reference 20.2.14.6.3**
**Example: 1 - Pre-Enactment Interest - Only One Period of Limitations Open**

On November 9, 1998, the Rice Corporation filed a net rate interest request. Rice Corporation requested that the net rate be applied to the tax underpayment for its 1993 Form 1120 based on an overlapping interest period resulting from an overpayment allowed with interest for its December 31, 1994 Form 941 return. The tax underpayment plus interest was paid on January 10, 1996. The overpayment on the Form 941 was refunded on July 9, 1996. For the underpayment year, the 3-year period of limitations expired on March 15, 1997, three years after the return filing date of March 15, 1994. The two year period expired on January 10, 1998, two years after the payment dated January 10, 1996. For net rate adjustments involving periods beginning before July 22, 1998 (i.e., interest accruing before October 1, 1998), both the underpayment and overpayment periods of limitation must be open on July 22, 1998. Since only the overpayment period of limitations is open, a net rate adjustment cannot be allowed.

**Example: 2 - Pre-Enactment Interest - Both Periods of Limitations Closed Before 12/31/1999**

The IRS examined Sheeling Incorporated's Form 1120 for the 199012 and 199212 tax years. For 199012, Sheeling Incorporated was entitled to a refund of \$40,000.00. The IRS-initiated refund was made on November 21, 1993, with interest computed from March 15, 1991, to September 28, 1993. For the 199212 tax year, an underpayment of \$60,000.00 was determined. Sheeling Incorporated was issued a notice and demand for payment dated October 3, 1996, which was paid on October 12, 1996, with interest computed from March 15, 1993, to October 3, 1996. On July 22, 1998, both the 6-year period of limitations for claiming additional overpayment interest on the 1993 issued refund and the 2-year period of limitations for claiming a refund of underpayment interest paid in 1996 were open. However, both these periods of limitations will be closed before December 31, 1999. Sheeling Incorporated must have filed a Form 843 on or before December 31, 1999, to request a net rate adjustment during the overlapping period from March 15, 1993, to September 28, 1993. Since the Form 843 was filed on or before December 31, 1999, the net rate adjustment will be made to the underpayment year and the taxpayer will receive a refund of the overpaid underpayment interest amount.

**Example: 3 - Post-Enactment Interest - Both Periods of Limitation Open**

The IRS examined Hesston Corporation's Form 1120 returns for the 200612 and 200812 tax years. For the 200812 tax year, Hesston Corporation was entitled to a refund of \$30,000.00. The IRS initiated refund was made on September 21, 2009, with interest computed from March 15, 2009, to July 29, 2009, which is the 45-Day plus 9-Day back-off date. For the 200612 tax year, a tax underpayment of \$80,000.00 was determined.

The IRS sent a notice and demand for payment dated May 3, 2010, which Hesston Corporation paid on March 12, 2010, with interest computed from March 15, 2009, to March 3, 2010. On April 27, 2011, Hesston Corporation filed a Form 843 requesting the net rate during the overlapping interest period from March 15, 2009, to July 29, 2009.

The period of limitations for the underpayment period is open because the taxpayer's request for netting was received by the IRS within two years of the payment dated March 12, 2010. The period of limitations for the overpayment period is also open because the request for netting was received by the IRS within six years of the refund dated September 21, 2009. In applying the net rate, the IRS will refund underpayment interest in an amount equal to the difference between the underpayment interest paid on \$30,000.00 for the period from March 15, 2009, to July 29, 2009, and the overpayment interest computed and paid on \$30,000.00 for that period.

**Example: 4 - Post-Enactment Interest - One Period of Limitations Open**

Kingman Research Labs Form 1120 for the 200312 and 200512 tax years were examined. For the 200312 tax year, the taxpayer was entitled to a refund of \$80,000.00. The IRS-initiated refund was made on November 21, 2006, with interest computed from March 15, 2004, to September 28, 2006. For the 200512 tax year, an underpayment of \$97,240.00 was determined. A notice and demand for payment dated October 3, 2008, was sent and the tax was paid on October 12, 2008. A net rate

**Exhibit 20.2.14-13 (Cont. 1) (02-01-2017)****Examples Illustrating how to Determine Timely Filing of a Net Rate Request IRM Reference 20.2.14.6.3**

request involving these two tax periods was received by the IRS on December 15, 2010. The period of limitations for the overpayment period is open because the netting request was received within six years of the refund dated November 21, 2006. The period of limitations for the underpayment period is closed because the request was received outside the three-year period from the filing date of the 2005 return and the two-year period from the payment dated October 12, 2008. However, netting may still occur because only one period of limitations must be open for post-enactment interest. A net rate adjustment for the overlapping interest period from March 15, 2006 to September 28, 2006 is allowed on the overpayment tax module.

**Exhibit 20.2.14-14 (02-01-2017)****Procedures for Processing Net Rate Requests or Claims for Abatement - Claim Reject**

Net Rate requests which do not contain enough information to process must be rejected (not disallowed).

(1) Form 843 must be filed to request the net rate for both pre-enactment interest periods and post-enactment interest periods. Informal requests may be accepted and worked provided the tax years are under consideration by any function of the IRS (see note at IRM 20.2.14.6.3.4(1)) and they contain all relevant information.

(2) At a minimum, the taxpayer must provide the following information:

- a. Type(s) of tax and/or type(s) of return(s).
- b. Tax periods involved.
- c. Underpayment amount(s) and approximate date of payment, if paid.
- d. Overpayment amount(s) and approximate date of refund or offset.
- e. Approximate overlapping period(s).
- f. A statement that the full amounts of the underpayment and overpayment for the periods identified have not previously been used in a request to obtain the net rate under IRC 6621(d).
- g. Signature.

**Note:** The IRS cannot assume the taxpayer's intent, so only include overlapping periods that are addressed by the request.

(3) Return an incomplete request to the taxpayer/representative with Letter 916C (or local letter, or for Exam procedures, see IRM 4.10.26, *Net Rate Netting Procedures for LMSB Cases*), including Paragraph Q (open paragraph) along with a copy of Rev. Proc. 99-43 or Rev. Proc. 2000-26 (as applicable) using the following language:

"Your request did not provide the following necessary information." Include only the applicable information that was not provided by the taxpayer from the list provided in Paragraph (2) above.

(4) If the request is for additional overpayment interest, (net rate adjustment to overpayment year) include in Paragraph Q (open paragraph) the following statement:

"This request does not extend the 6-year period of limitations for filing suit for the recovery of allowable interest provided for in sections 2401 and 2501 of Title 28 of the United States Code."

**Exhibit 20.2.14-15 (02-01-2017)****Procedures for Processing Net Rate Requests or Claims for Abatement - Full or Partial Disallowance****Full or Partial Disallowance**

(1) **Full Disallowance** - The following information reflects some of the reasons for fully disallowing a net rate request.

- a. The period of limitations is not open for refunding underpayment interest or allowing additional overpayment interest. Refer to IRM 20.2.14.6.2 for information regarding the period of limitations (IRC 6511 or sections 2401 and 2501 of Title 28 of the United States Code).
- b. There are no overlapping periods of differential underpayment and overpayment interest periods for the specified tax years.
- c. Request is for two or more taxpayer identification numbers (TINs) that do not qualify as the “**same taxpayer**” for purposes of claiming a net rate interest adjustment under IRC 6621(d). Counsel or revenue agent advice must be requested if this determination cannot be made.
- d. Underpayment interest overlaps a period when no overpayment interest was allowed on an amount refunded or offset.
- e. Request was not timely filed.

(2) **Partial Disallowance** - The following information reflects some of the reasons for partially disallowing a net rate request.

- a. The major reason for partially disallowing a net rate request is that the application of the net rate differs from the taxpayer’s request and the discrepancy is attributable to an issue that is not allowable based on law or regulation (e.g., “Open” ACT/DMI module status requested by the taxpayer was changed to “Use” or “Closed”).
- b. There may also be other specific reasons for the partial disallowance of the request for which an explanation must be provided to the taxpayer.

**(3) Full Disallowance Processing.**

- a. Send a certified full disallowance letter including appeal rights (L-105C, local letter, or for Area Offices, use the L-906).

**Note:** Add the following paragraph if the request is for additional overpayment interest:

“This request does not extend the 6-year period of limitations for filing suit for the recovery of additional overpayment interest provided for in sections 2401 and 2501 of Title 28 of the United States Code.”

- b. Input a TC 290 for zero, Blocking Series 98/99 (this is a claim disallowance blocking series; 98 without return, 99 with return), Reason Code 74 (interest).
- c. Attach a copy of the full disallowance letter to your adjustment document (TC 290 for zero from Paragraph 3(b) above). Close case. Add history to AMS (Accounts Management Services), if available.

**(4) Partial Disallowance Processing.**

- a. Send a **certified** partial disallowance letter, including appeal rights (106C, local letter, or for area offices, use L-905).

**Note:** Add the following paragraph if the request is for additional overpayment interest: “This request does not extend the 6-year period of limitations for filing suit for the recovery of additional overpayment interest provided for in sections 2401 and 2501 of Title 28 of the United States Code.”

**Exhibit 20.2.14-15 (Cont. 1) (02-01-2017)****Procedures for Processing Net Rate Requests or Claims for Abatement - Full or Partial Disallowance**

b. Input a TC 34X/77X for the interest adjustment to be made, Blocking Series 00 (with return) or 18 (without return), Reason Code 74 (interest). Refer to IRM 20.2.14.6.10 (2) for more detailed information.

c. Attach a copy of the partial disallowance letter, net rate request, interest computations (such as ACT/DMI Report Numbers 490, 530, 020) and other pertinent information to the adjustment document (TC 290 for zero from Paragraph 4(b) above). Refer to IRM 20.2.14.6.10 for more detailed information. Add history to AMS (Accounts Management Services), screen if available.

**(5) Taxpayer Appeal Processing.** The taxpayer responds and wants to appeal the administrative decision.

a. Open a control base.

b. Order the administrative file of the fully or partially disallowed claim.

c. When the administrative file is received, close the control base leaving a history of where the case was sent (e.g., C 01, Appeals, DO 86, C). Send the appropriate transfer letter (86C or local letter).

d. Send the case to the appropriate Appeals Office with a Form 3210, *Document Transmittal*, and recharge any documents to Appeals.

e. Add history to AMS (Accounts Management Services) screen if available.



**Exhibit 20.2.14-16 (02-01-2017)****Net Rate Request Processing****IRM Reference 20.2.14.6.10****Identifying Overlapping Interest Periods**

IRC 6621(d) applies only when there are overlapping periods of both underpayment and overpayment interest running simultaneously. To determine if this situation exists, verify the underpayment and overpayment interest computations.

1. Determine the overlapping periods by:

a. Reviewing the ACT/DMI Report Number 530 (see Exhibit 20.2.14-18),

**OR**

b. Prepare a time line.

**Note:** It is recommended that the ACT/DMI Report Number 530 be used for this purpose. However, a time line will also show the overlapping periods.

2. If no overlapping period(s) exists, disallow the request (see Exhibit 20.2.14-15).

3. If an overlapping period(s) exists, process the request. See request allowance processing procedures below.

**Request Allowance Processing**

When processing a net rate request for abatement or refund and:

1. Current tax adjustment (TC 29X, 30X) activity exists - See IRM 20.2.14.6.10 (3).

2. No current tax adjustment (TC 29X, 30X) activity exists - see the instructions below.

**Command Code REQ54**

a. **Blocking Series (BLK)** – Use BLK 00 with controlling DLN. Without controlling DLN, use BLK 18. If the module has an open AIMS Base, use BLK 05 for IMF or 15 for BMF.

b. **TC 34X – Underpayment Interest Adjustment** (TC 340 for “zero” is required on those tax modules where no decrease or increase is applicable). See note below.

c. **Debit-Int-To-DT** – Input the date underpayment interest is computed to (RDD is used if no interest exists on that year).

d. **TC 770 – Overpayment Interest Adjustment** - (input is not required if interest adjustment amount is zero). TC 772 can be input as long as the module will be in balance due after posting. If the module will be overpaid after the TC 772 posts, consider IRM 20.2.14.6.10 (4).

e. **Credit-Int-To-DT** – Date overpayment interest is computed to (input is not needed if zero or TC 772 is input).

f. **Correspondence DT – 07221998** (IRC 6621(d) enactment date).

g. **AMD-CLMS-DT** – Received date of the request.

h. **Activity CD** – netrate

i. **Hold CD – 3** (Do not allow a generated notice to be issued to the taxpayer. Send the taxpayer the appropriate letter).

j. **ACT/DMI Report 530** - Attach to the adjustment document (the 530 Report shows all “N” amount information).

k. Attach any relevant information pertaining to the request.

**Note:** When the net rate adjustment is made to the underpayment year, it is necessary to input a TC 340 with a “zero” amount on all overpayment years involved with the net rate adjustment(s). This action is required on all of the overlapping periods that are used in the current net rate adjustment to identify them as no longer being available for subsequent within module or net rate adjustments for those years. If a



**Exhibit 20.2.14-16 (Cont. 1) (02-01-2017)****Net Rate Request Processing****IRM Reference 20.2.14.6.10**

year requested in the request is unnetted because of no overlapping periods, input a TC 290 for “zero,” with Blocking Series 18, to properly identify the tax module(s).

3. When any net rate adjustment is being made, use IDRS **CC REQ77** to input TC 971 with AC 355 to identify all modules involved in the net rate adjustment.

4. Ensure **all** of the following information is part of the source documents sent with **each** tax year involved with the net rate adjustment:

- a. A copy of the written request or claim Form 843.
- b. ACT/DMI Reports 490 and 530 (these reports must be attached to the adjustment document of the tax period they are for).
- c. ACT/DMI Report 020.
- d. Any pertinent correspondence and information from the taxpayer or the representative.
- e. A copy of the Power-of-Attorney form.
- f. Any personal notes or observations pertaining to the request that would be helpful to the next examiner, who may have to update the interest or process a subsequent adjustment on the account.
- g. A copy of the current allowance or partial allowance letter from the IRS (the taxpayer’s copy of this letter must include copies of the ACT/DMI Reports 020, 490 and 530 for all the tax periods involved).
- h. Any refile documents you may have in your possession.

**Note:** These are in addition to any normal attachments required in the work process, regardless of the area working the account.

**Exhibit 20.2.14-17 (02-01-2017)****Preparing a Time Line and Creating ACT/DMI Report 530****IRM Reference 20.2.14.6.4****Preparing a Time Line and Creating ACT/DMI Report 530 to Identify Overlapping Interest Periods**

**Case Scenario:** The Delphinium Corporation timely filed a 200712 return with a balance due at filing of \$25,000.00. The taxpayer paid the balance due and the interest that accrued from 3/15/2008 on 10/20/2008. An examination of the taxpayer's 200612 return resulted in an overpayment of \$27,000.00. The refund has not yet been processed. A manual refund will be issued on 02/14/2009. The overlapping interest period runs from 03/15/2008 to 10/20/2008. The overlapping period involves an underpayment that was previously paid. Therefore, when the 200612 overpayment is processed, netting will apply for the underpayment period. This case scenario will be used in preparing a time line and creating ACT/DMI Report Number 530 which identifies the overlapping interest period(s).

***The Delphinium Corporation Tax Account Transaction Information***

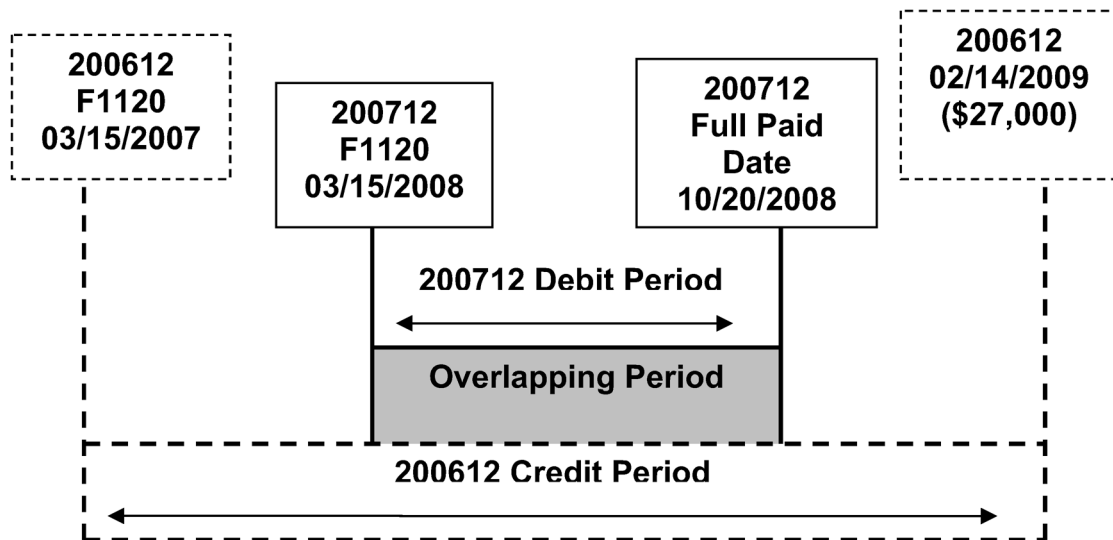
<b>200612 Module Information</b>		
TC 150	03152007	71,660.00
TC 660	04152006	25,000.00-
TC 660	06152006	25,000.00-
TC 660	12152006	25,000.00-
TC 846	03302007	3,340.00
TC 301	03152007	27,000.00-
<b>200712 Module Information</b>		
TC 150	03152008	75,000.00
TC 660	09152007	50,000.00-
TC 196	04092008	113.64
TC 670	10202008	25,860.02-
TC 196	10202008	746.38

Exhibit 20.2.14-17 (Cont. 1) (02-01-2017)

Preparing a Time Line and Creating ACT/DMI Report 530

IRM Reference 20.2.14.6.4

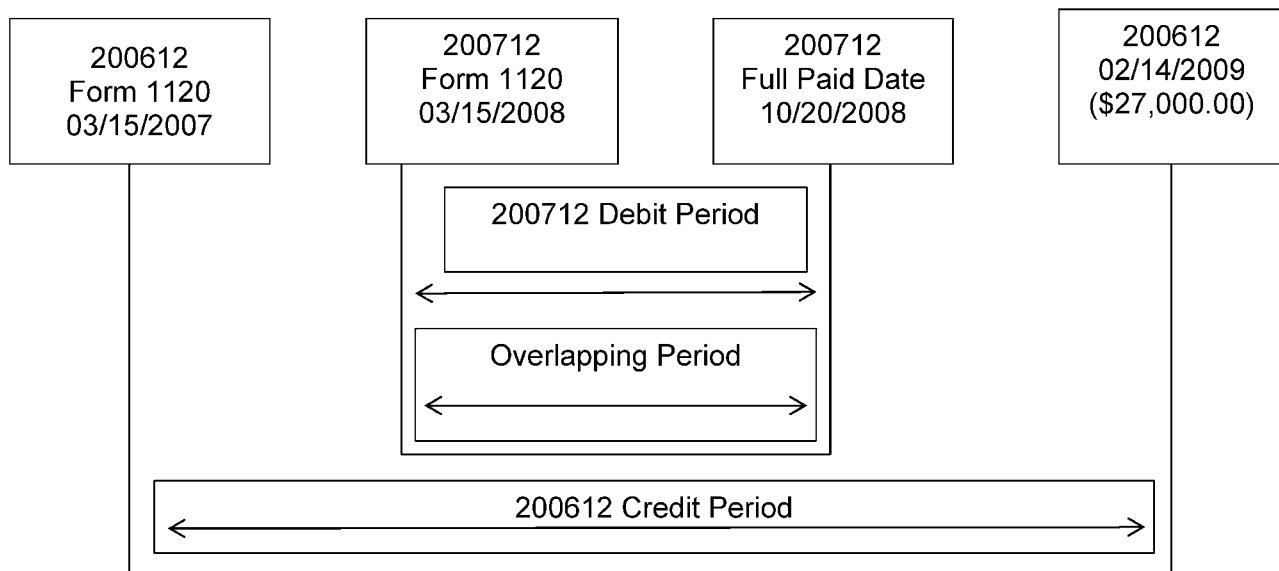
**Overlapping Period Time Line  
Exhibit 14-18**



The overlapping period occurs between 03/15/2008 and 10/20/2008.

**Exhibit 20.2.14-17 (Cont. 2) (02-01-2017)****Preparing a Time Line and Creating ACT/DMI Report 530****IRM Reference 20.2.14.6.4**

Overlapping Period Time Line  
Exhibit 20.2.14-8



**Net Rate Interest Computation Breakdown**

Debit Interest at Debit Rate (Originally Assessed)	\$860.02
Debit Interest at Credit Rate (With Netting)	(\$100.26)
Debit Interest at GATT Rate (With Netting)	(\$408.47)

Netting Benefit \$351.29  
(860.02 minus 100.26 minus 408.47 equals 351.29)

During the overlapping period, interest on the underpayment for the 2007 tax year is charged at the same rate that interest was allowed on the 2006 overpayment.

**Exhibit 20.2.14-17 (Cont. 3) (02-01-2017)**
**Preparing a Time Line and Creating ACT/DMI Report 530**
**IRM Reference 20.2.14.6.4**

<b>\$25,000.00</b>	<b>03/15/2008 (Balance due at the start of the overlapping period)</b>
100.26	Underpayment Interest at the Overpay Rate (03/15/2008 to 10/20/2008)
<u>408.47</u>	Underpayment Interest at the GATT rate (03/15/2008 to 10/20/2008)
25,508.73	Due as of 10/20/2008
<u>25,860.02</u>	Underpayment as Originally Assessed
<b>\$(351.29)</b>	<b>Underpayment Interest to be abated (TC 341)</b>

USED amounts are the amounts from both the underpayment and overpayment years that have been used to “NET” or equalize interest rates during an overlapping period. Always attach the ACT/DMI 530 report to the adjustment document to indicate these amounts.

<b>IDRS “N” Information</b>			
	<b><u>200612</u></b>		<b><u>200712</u></b>
N-AMT	\$25,000.00	N-AMT	\$25,000.00
N-BEG	03152008	N-BEG	03152008
N-TXPD	200612	N-TXPD	200712
N-MFT	02	N-MFT	02
N-END	10202008	N-END	10202008

Unnetted amounts are what has not been used and are still available to be netted with another overlapping period. Since the credit balance on the 200612 year was not entirely used in netting the 2007 tax year, there is a remaining balance that may still be netted. This unnetted credit is shown below.

<b>Breakdown of Unnetted Overpayment Amounts</b>		
Available overpayment at GATT rate	(20,340.00)	From 03/16/07 to 03/30/07
Available overpayment at Overpay rate	6,660.00	From 03/16/07 to 03/30/07
Available Suspended Overpay	3,340.00	From 03/16/07 to 03/30/07
Available overpayment at GATT rate	20,386.02	From 03/31/07 to 03/15/08
Available overpayment at Overpay rate	6,679.18	From 03/31/07 to 03/15/08
Available overpayment at Overpay rate	3,577.85	From 03/16/07 to 10/20/08
Available overpayment at GATT rate	(21,857.00)	From 10/21/2008 To 02/14/2009
Available overpayment at Overpay rate	(7,330.59)	From 10/21/2008 To 02/14/2009

**Exhibit 20.2.14-17 (Cont. 4) (02-01-2017)****Preparing a Time Line and Creating ACT/DMI Report 530****IRM Reference 20.2.14.6.4**

The following screens illustrate the input of the 200612 and 200712 account data (before netting) and the resulting 530 reports generated (after netting) for each year.

**ACT/DMI Report Update Module Screen (200612) – Exhibit 20.2.14-18**

Sel	Jurisdiction	TIN	Tax Type	Tax Period	Additional Description	Status	GATT	LCU
<input checked="" type="checkbox"/>	Federal	99-9999999	1120	2006/12		Open/(Open)	GATT ON	LCU OFF
<input checked="" type="checkbox"/>	Federal	99-9999999	1120	2007/12		Open/(Open)	GATT ON	LCU OFF

**Selected Module: Federal 99-9999999 1120 2006/12**
Show All ▾

Ref	Code	Description	Date	Amount	Start	Adj/End	Balance	Add	Excl	SOL
10	150	Return Filed & Assessed Tax Liability	03/15/2007	71,660.00			71,660.00	<input checked="" type="checkbox"/>		
20	660	Estimated Tax	04/15/2006	(25,000.00)		03/15/2007	46,660.00	<input checked="" type="checkbox"/>		
30	660	Estimated Tax	06/15/2006	(25,000.00)		03/15/2007	21,660.00	<input checked="" type="checkbox"/>		
40	660	Estimated Tax	12/15/2006	(25,000.00)		03/15/2007	(3,340.00)	<input checked="" type="checkbox"/>		
50	846	Refund of Overpayment	03/30/2007	3,340.00	03/15/2007	03/30/2007	0.00	<input checked="" type="checkbox"/>		
60	301	Abatement of Tax By Examination Division	03/15/2007	(27,000.00)			(27,000.00)	<input checked="" type="checkbox"/>		

Run To: 02/14/2009

Computed Interest  
Transcript Interest  
Interest Adjustment

Deficiency  
Overpayment

0.00  
0.00  
0.00  
(2,515.58)  
0.00  
(2,515.58)

Principal  
(27,000.00)





Total  
(29,515.58)

Process
Run Method: IRS Default ▾

**Exhibit 20.2.14-17 (Cont. 5) (02-01-2017)**
**Preparing a Time Line and Creating ACT/DMI Report 530**
**IRM Reference 20.2.14.6.4**
**ACT/DMI Report Update Module Screen (200712) – Exhibit 14-18**

Sel	Jurisdiction	TIN	Tax Type	Tax Period	Additional Description	Status	GATT	LCU
<input checked="" type="checkbox"/>	Federal	99-9999999	1120	2006/12		Open/(Open)	GATT ON	LCU OFF
<input checked="" type="checkbox"/>	Federal	99-9999999	1120	2007/12		Open/(Open)	GATT ON	LCU OFF





**Selected Module: Federal 99-9999999 1120 2007/12**
Show All ▾

Ref	Code	Description	Date	Amount	Start	Adj/End	Balance	Add	Excl	SOL
10	150	Return Filed & Assessed Tax Liability	03/15/2008	75,000.00			75,000.00	<input checked="" type="checkbox"/>		
20	660	Estimated Tax	09/15/2007	(50,000.00)		03/15/2008	25,000.00	<input checked="" type="checkbox"/>		
30	196	Interest Assessed	04/09/2008	113.64			25,113.64	<input checked="" type="checkbox"/>	D	
40	670	Subsequent Payment	10/20/2008	(25,860.02)			(746.38)	<input checked="" type="checkbox"/>		
50	196	Interest Assessed	10/20/2008	746.38			0.00	<input checked="" type="checkbox"/>	D	

Run To: 10/20/2008

Computed Interest: 860.02
Transcript Interest: 860.02
Interest Adjustment: 0.00

Run Method: IRS Default ▾

Deficiency: 0.00
Overpayment: 0.00

Principal: (0.00)
Total: 0.00

**Exhibit 20.2.14-17 (Cont. 6) (02-01-2017)****Preparing a Time Line and Creating ACT/DMI Report 530****IRM Reference 20.2.14.6.4**

**Overpayment Period (200612) ACT/DMI Report 530**  
**Exhibit 14-18**

**530 Adjustments / Positions - Delphinium Corporation**

FED - \*\*\*9999 Delphinium Corporation 1120 Tax Period: 2006/12

Run Method: IRS Default  
 Interest To: 02/14/2009  
 GATT Method: Retain Character (New)  
 LCU Method: Default IRS  
 Underpay Net Start: All Dates Included

Module Status: Open (Open)  
 GATT Date: 01/01/1995 Amount: \$10,000  
 LCU Interest Date: LCU Interest is OFF  
 Overpay Net Start: All Dates Included

**Used amounts****COMPUTED OFFSET/EQUALIZATIONS****Equalization that affect 99-9999999 2006/12 1120 Tax Module**

<b>Change: 99-9999999</b>	<b>200612</b>	<b>1120</b>	<b>Change: 99-9999999</b>	<b>200712</b>	<b>1120</b>
N-Amt	20,340.00	Use Prin GATT to Equal	N-Amt	20,340.00	Equalize to GATT
N-Beg	03/15/08	N-End 10/20/08	N-Beg	03/15/08	N-End 10/20/08
N-XRef	99-9999999	200712 1120	N-XRef	99-9999999	200612 1120
<b>Change: 99-9999999</b>	<b>200612</b>	<b>1120</b>	<b>Change: 99-9999999</b>	<b>200712</b>	<b>1120</b>
N-Amt	1,108.53	Use Int GATT to Equal	N-Amt	1,108.53	Equalize to GATT
N-Beg	03/15/08	N-End 10/20/08	N-Beg	03/15/08	N-End 10/20/08
N-XRef	99-9999999	200712 1120	N-XRef	99-9999999	200612 1120
<b>Change: 99-9999999</b>	<b>200612</b>	<b>1120</b>	<b>Change: 99-9999999</b>	<b>200712</b>	<b>1120</b>
N-Amt	3,551.47	Use Prin Over to Equal	N-Amt	3,551.47	Equalize to Overpay
N-Beg	03/15/08	N-End 10/20/08	N-Beg	03/15/08	N-End 10/20/08
N-XRef	99-9999999	200712 1120	N-XRef	99-9999999	200612 1120

**Unnetted amounts****Balances in selected module that are still available for potential netting**

1. Available Overpayment @ GATT Rate	(20,340.00)	From 03/16/07 To 03/30/07
2. Available Overpayment @ Overpay Rate	(6,660.00)	From 03/16/07 To 03/30/07
3. Available Suspended Overpay	(3,340.00)	From 03/16/07 To 03/30/07
4. Available Overpayment @ GATT Rate	(20,386.02)	From 03/31/07 To 03/15/08
5. Available Overpayment @ Overpay Rate	(6,679.18)	From 03/31/07 To 03/15/08
6. Available Overpayment @ Overpay Rate	(3,577.85)	From 03/16/08 To 10/20/08
7. Available Overpayment @ GATT Rate	(21,857.00)	From 10/21/08 To 02/14/09
8. Available Overpayment @ Overpay Rate	(7,330.59)	From 10/21/08 To 02/14/09



**Exhibit 20.2.14-17 (Cont. 7) (02-01-2017)**
**Preparing a Time Line and Creating ACT/DMI Report 530**
**IRM Reference 20.2.14.6.4**

### Underpayment Period (200712) ACT/DMI Report 530 Exhibit 14-18

#### 530 Adjustments / Positions - Delphinium Corporation

FED - \*\*-\*9999 Delphinium Corporation 1120 Tax Period: 2007/12

Run Method: IRS Default  
Interest To: 02/14/2009  
GATT Method: Retain Character (New)  
LCU Method: Default IRS  
Underpay Net Start: All Dates Included

Module Status: Open (Open)  
  
GATT Date: 01/01/1995 Amount: \$10,000  
LCU Interest Date: LCU Interest is OFF  
Overpay Net Start: All Dates Included

#### COMPUTED OFFSET/EQUALIZATIONS

### Used amounts

#### Equalization that affect 99-9999999 2007/12 1120 Tax Module

Change: 99-9999999	200612	1120	Change: 99-9999999	200712	1120
N-Amt	20,340.00	Use Prin GATT to Equal	N-Amt	20,340.00	Equalize to GATT
N-Beg	03/15/08	N-End 10/20/08	N-Beg	03/15/08	N-End 10/20/08
N-XRef	99-9999999	200712 1120	N-XRef	99-9999999	200612 1120
Change: 99-9999999	200612	1120	Change: 99-9999999	200712	1120
N-Amt	1,108.53	Use Int GATT to Equal	N-Amt	1,108.53	Equalize to GATT
N-Beg	03/15/08	N-End 10/20/08	N-Beg	03/15/08	N-End 10/20/08
N-XRef	99-9999999	200712 1120	N-XRef	99-9999999	200612 1120
Change: 99-9999999	200612	1120	Change: 99-9999999	200712	1120
N-Amt	3,551.47	Use Prin Over to Equal	N-Amt	3,551.47	Equalize to Overpay
N-Beg	03/15/08	N-End 10/20/08	N-Beg	03/15/08	N-End 10/20/08
N-XRef	99-9999999	200712 1120	N-XRef	99-9999999	200612 1120

### Unnetted amounts

#### Balances in selected module that are still available for potential netting

1. Available Overpayment @ Overpay Rate (351.29) From 10/21/08 To 02/14/09

**Exhibit 20.2.14-18 (02-01-2017)****Statute Highlights for Net Rate Requests****IRM Reference 20.2.14.6.2****Requests for Credit or Refund of Underpayment Interest**

IRC 6511(a) provides that a request for refund of an overpayment must be filed within 3 years from the time the return was filed or 2 years from the time the tax (including interest) was paid, whichever period expires later. If no return is filed by the taxpayer, the request must be filed within 2 years from the time the tax was paid.

See IRC 6511(c) for additional information on the applicable rules in case of extension of time by agreement on additional assessments.

When a return is filed after the return due date under an extension of time for filing and a request is filed within 3 years after the return is filed, amounts to be refunded include not only payments made within the 3 years preceding the date of the request, but those made within that 3 years **plus** the extension for filing the return. See IRC 6511(b) for a full explanation of the limitations on amount of credit or refund.

**Apply IRC 6621(d) to Such Periods**

For interest periods **beginning before** July 22, 1998, the period of limitations must be open for **both** the underpayment and overpayment tax periods involved with the net rate request. If the period of limitations is closed for **either** the underpayment or overpayment, a net rate interest adjustment is **not** allowed.

**Determine if the Period of Limitations is Open on July 22, 1998**

1. The credit that would refund, as a result of your TC 341, must be dated less than two years prior to **July 22, 1998**.

a. If it is a payment (TC 640 not an IRC 6603 deposit, TC 670, TC 680, etc.), the date of the payment must be **July 22, 1996 or later**.

b. If it is an offset credit (TC 706, TC 700, TC 736, etc.) the 2-year rule is based on the cycle. **Cycle 9630 or later**.

**Note:** The 2 years from the cycle date applies only to true offsets. If it is a misapplied payment, the period of limitations is 2 years from the date of the misapplied payment.

2. A TC 30X created the underpayment on the module.

a. If the TC 300 audit adjustment was posted within 6 months of the enactment date (July 22, 1998), the period of limitations is open on the amount of the audit adjustment. A TC 341 may be input. The agreement to extend the time to assess the tax (ASED) must have been **January 23, 1998 or later**.

3. The overpayment year TC 77X must be dated less than 6 years prior to **July 22, 1998**.

a. If the TC 77X were dated **July 22, 1998 or later**, the period of limitations would be open up to the amount of the TC 77X.