



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

21.7.7

NOVEMBER 21, 2023

EFFECTIVE DATE

(01-01-2024)

PURPOSE

- (1) This transmits revised IRM 21.7.7, Business Tax Returns and Non-Master File Accounts, Exempt Organizations and Tax Exempt Bonds.

MATERIAL CHANGES

- (1) Various grammatical, editorial, dates, and link corrections throughout.
- (2) IRM 21.7.7.4 - Removed 990-BL and 8940, and added Form 8976.
- (3) IRM 21.7.7.5.2.1.1 (2)(a) - Added form titles.
- (4) IRM 21.7.7.5.2.1.2 - Changed paragraph to a table.
- (5) IRM 21.7.7.5.2.1.3 - Added note(s) for Taxpayer First Act mandating efile, updating account and updated table.
- (6) IRM 21.7.7.5.5 (2) - Added Electronic Federal Tax Payer System.
- (7) IRM 21.7.7.6.15.4 IPU 23U0428 issued 03-17-2023 - Updated fax number.
- (8) IRM 21.7.7.5.6 (2) - Added See IRM 3.20.12-1 through 3.20.12-4.
- (9) IRM 21.7.7.5.6 (5) - Added see IRM 3.20.12.
- (10) IRM 21.7.7.5.7 - Added (6) Form 4506-B information.
- (11) IRM 21.7.7.5.7.1 - Added except for private foundations and 527 political organizations to note.
- (12) IRM 21.7.7.5.7.1 (2) - Added information about names, addresses and amounts for Schedule B.
- (13) IRM 21.7.7.5.7.4 (6) - Added Form 4506-B.
- (14) IRM 21.7.7.5.7.5 - Updated bulk download information on TEOS.
- (15) IRM 21.7.7.5.8 - Removed Form 8872.
- (16) 21.7.7.5.9.1 (5) - Updated Form 8872 must be filed electronically.
- (17) IRM 21.7.7.5.14.2 - Updated filing electronic instructions and removed 2012 extended due date information.
- (18) IRM 21.7.7.6.2.3.3 - Added 990-PF title.
- (19) IRM 21.7.7.6.16.9 - Added FY 2024.
- (20) IRM 21.7.7.6.17.1 - Updated to SEIN Research and added and over to (4).
- (21) IRM 21.7.7.6.19.8.4 - Updated Form 8872 instructions.
- (22) IRM 21.7.7.6.23(2) IPU 23U0428 issued 03-17-2023 - Added non-CII cases routing instructions.

(23) IRM 21.7.7.7.4.6.5 - Added title to IRM 21.7.7.7.4.1.

(24) Exhibit 21.7.7-1 - Updated 73 to 32.

EFFECT ON OTHER DOCUMENTS

This supersedes IRM 21.7.7 dated October 19, 2022.

This IRM also incorporates the following IRM Procedural Updates (IPU), 23U0428.

AUDIENCE

Wage and Investment (W&I) and Small Business/Self-Employed (SB/SE) located in the Ogden Accounts Management Campus, Customer Account Service, EO Accounts units.

Judith A. Cook
Acting Director, Shared Services
Tax Exempt and Government Entities

21.7.7

Exempt Organizations and Tax Exempt Bonds

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Exhibits

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- 21.7.7-2 Preparation of Form 5588 (NMF)

21.7.7.1
(01-01-2022)
Scope and Purpose

- (1) **Purpose:** This section provides guidelines for resolving Exempt Organization (EO) and Tax Exempt Bond (TEB) inquiries received in the Ogden Accounts Management Campus (OAMC), EO Accounts units.
- (2) **Audience:** Exempt Organization Account Management Tax Examiners Employees, Ogden Campus.
- (3) **Policy Owner:** Business Systems Planning (BSP) Director.
- (4) **Project Owner:** Process and Program Management (PPM), Accounts Management, Wage and Investment.
- (5) **Stakeholders:** Exempt Organization Headquarters who rely on correct entity information for processing of exempt organization returns.

21.7.7.1.1
(01-01-2022)
Background

- (1) Accounts Management (AM) employees respond to taxpayer correspondence and phone calls as well as process claims, certain applications and other internal adjustment requests.
- (2) IRM 21.7.7 provides guidance to employees assigned to AM, BMF, EO Accounts and TE/GE Customer Service Representatives (CSR) located in the OAMC. The following subjects are covered in this IRM:
 - EO correspondence inquiries
 - EO tax adjustments
 - EO penalty abatements
 - Routing of EO related correspondence
 - Tax Exempt Bonds (TEB) correspondence inquiries
 - EO, EP (Form 990-T) and TEB claims
 - Allowable credits
 - Extension reconsiderations
 - EO and TEB amended return processing

21.7.7.1.2
(01-01-2022)
Authority

- (1) Refer to IRM 1.2.1.13, Servicewide Policies and Authorities, Policy Statements for Customer Account Service Activities, for information.

21.7.7.1.3
(10-19-2022)
Responsibilities

- (1) The Director, Tax Exempt/Government Entities, Business Systems Planning (BSP) is the executive responsible for the EO and TEB programs.
- (2) Additional information is found in IRM 1.1.13.7.3, Accounts Management (AM) and IRM 21.1.1, Accounts Management and Compliance Services Overview.
- (3) All EO and TEB account related issues and correspondence are worked in the EO Accounts unit or by TE/GE Customer Service Representatives (CSR) located in the OAMC. Other than stated in the **Exception** below, CSR and Tax Examiners (TE) located in other call sites or campuses are not authorized to resolve EO or TEB account related issues. See IRM 21.7.7.6.23, Exempt Organization Penalties, for guidelines relating to EO penalty abatements.
- (4) Areas that are not authorized to work EO penalties or account related issues must follow case referral procedures as outlined in IRM 21.3.5, Taxpayer Inquiry Referrals Form 4442.

- 21.7.7.1.4
(01-01-2022)
Program Management and Review
- (1) IRM 1.4.16, Accounts Management Guide for Managers, provides guidance for program management and review of programs assigned to Accounts Management.
- 21.7.7.1.5
(01-01-2022)
Program Controls
- (1) Goals, measures, and operating guidelines are listed in the annual Program Letter.
- (2) Quality data and guidelines for measurement is referenced in IRM 21.10.1, Embedded Quality (EQ) Program for Accounts Management, Campus Compliance, Field Assistance, Tax Exempt/Government Entities, Return Integrity and Compliance Services (RICS) and Electronic Products and Services Support.
- 21.7.7.1.6
(11-12-2021)
Acronyms
- (1) The *ReferenceNet Legal and Tax Research Services* page provides an *Acronym Database* to research acronyms found within this IRM.
- 21.7.7.1.7
(01-01-2024)
Related Resources
- (1) In addition to IRM 21.7.7, Exempt Organizations and Tax Exempt Bonds, EO tax examiners and CSRs will refer to resources available to them, including but not limited to:
- IRM 21, (e.g., IRM 21.1, Accounts Management and Compliance Services Operations; IRM 21.3, Taxpayer Contacts; IRM 21.5, Account Resolution; IRM 21.7.1, Business Tax Returns and Non-Master File Accounts, BMF/NMF Miscellaneous Information, IRM 21.7.9, BMF Duplicate Filing Conditions; etc.) as needed for case resolution
 - IRM 2.3, IDRS Terminal Responses
 - IRM 2.4, IDRS Terminal Input
 - IRM 13.1, Taxpayer Advocate Case Procedures
 - IRM 20.2, Interest
 - IRM 20.1, Penalty Handbook
 - IRM 25.6, Statute of Limitations
 - IRM 25.23, (e.g., IRM 25.23.11, Business Master File (BMF) Identity Theft Procedures for Accounts Management; IRM 25.23.11.7.6, BMF Identity Theft Referrals; IRM 25.23.9.8, BMF Identity Theft Research (Inquiry received via paper or phones); IRM 25.23.9-7, BMF Identity Theft Research Requirement)
 - Document 6209, IRS Processing Codes and Information
 - *SERP*, Servicewide Electronic Research Program, to view SERP Alerts, IPU's, Correspondence Letters and IRM Supplements among others
 - *Publishing + Distribution* website to research forms, instructions and publications, other Internal Revenue Manuals, revenue procedures and IRS announcements
 - *irs.gov*
 - *Charities and Nonprofits* page found on *irs.gov*
 - *Tax Exempt Organization Search (formerly Select Check)* also known as TEOS. TEOS helps users find information about a tax-exempt organization's federal tax status and filings. TEOS is available on the *Charities and Nonprofits* page found on *irs.gov*.

21.7.7.2
(11-12-2021)
**Taxpayer Advocate
Service (TAS)**

- (1) Accounts Management (AM) assistors must be familiar with Taxpayer Advocate Service (TAS) criteria and the Taxpayer Bill of Rights (TBOR). The IRS formally adopted a Taxpayer Bill of Rights in June 2014, which provides the nation's taxpayers with a better understanding of their rights and helps reinforce the fairness of the tax system. In 2015, Congress charged the Commissioner with ensuring IRS employees are familiar with and act in accord with the taxpayer rights as afforded by the Code. Section 7803(a)(3).

The Taxpayer Bill of Rights (TBOR) lists rights that already exist in the tax code, putting them in simple language and grouping them into 10 broad categories. Employees are responsible for being familiar with and acting in accordance with taxpayer rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For additional information about the TBOR, see <https://www.irs.gov/taxpayer-bill-of-rights> and Policy Statement 1-236 in IRM 1.2.1.2.36." The TBOR is now part of the Code, was passed by Congress as part of Pub. L. No. 114–113, Div. Q, Title IV, § 401(a), Dec. 18, 2015.

- (2) Refer taxpayers to the Taxpayer Advocate Service (TAS) (see IRM Part 13, Taxpayer Advocate Service) when the contact meets TAS criteria (see IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria) and the taxpayer's issue can't be resolved the same day. The definition of "same day" is within 24 hours. "Same day" cases include cases that can be completely resolved in 24 hours, as well as cases in which steps have been taken within 24 hours to begin resolving the taxpayer's issue. Do not refer these cases to TAS unless they meet TAS criteria and the taxpayer asks to be transferred to TAS. Refer to IRM 13.1.7.5, Same Day Resolution by Operations. When referring cases to TAS, use Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), and forward to TAS in accordance with local procedures.

Note: Taxpayers have the right to quality service. Taxpayers have the right to receive prompt, courteous, and professional assistance in their dealings with the IRS, to be spoken to in a way they can easily understand, to receive clear and easily understandable communications from the IRS, and to have a way to file complaints about inadequate service.

21.7.7.2.1
(01-01-2022)
**Congressional
Correspondence**

- (1) Generally, congressional inquiries are worked by TAS. When a congressional inquiry is received via telephone or correspondence, follow the procedures in IRM 21.1.3.18, Taxpayer Advocate Service (TAS) Guidelines, to determine whether the congressional inquiry should be referred to TAS.

21.7.7.3
(10-19-2022)
**Exempt Organization
Identity Theft**

- (1) Exempt Organization Identity Theft (EO IDT) claims are worked following BMF IDT procedures found in IRM 25.23.11, Business Master File (BMF) Identity Theft Procedures for Accounts Management.
- (2) BMF IDT is defined as creating, using, or attempting to use a business's identifying information to obtain a tax benefit without authority. BMF IDT can involve the use of a business's information to file fraudulent returns to support Individual Master File (IMF) IDT or to obtain refunds from BMF accounts. An individual's stolen personal information can also be used to obtain an Employer Identification Number (EIN) which is used to file false BMF tax returns and income documents. BMF accounts include the following entity types; sole proprietorship, corporation, partnership, estate, trust, exempt organization, or government entity.

- (3) BMF IDT inquiries are complex and require extensive research. BMF taxpayers are often not aware their identities have been compromised until a notice is received from the IRS. The taxpayer may contact the IRS after receiving an unexpected notice regarding an inactive EIN, a recently-established EIN they have no knowledge about, or an IRS notice showing the business name was changed.
- (4) If you suspect BMF IDT on a case, refer to IRM 25.23.11.4, Business Master File (BMF) ID Theft Research and IRM 25.23.11.6, Business Master File (BMF) Identity Theft Inquiries.

21.7.7.4 (01-01-2024)

Exempt Organizations Overview

- (1) Certain non-profit organizations or trusts that meet specific standards under IRC 501 don't have to pay federal income tax and may be exempt from other types of tax as well. These organizations are classified and referred to as **Exempt Organizations**.
- (2) The range of exempt organizations is extensive and includes charitable, religious, scientific and educational groups.
- (3) Only organizations claiming exemption under IRC 501(c)(3), IRC 501(c)(9), IRC 501(c)(17) or IRC 501(c)(29) must apply in writing to TE/GE Determinations. Certain organizations such as churches, their integrated auxiliaries, conventions of churches, and small organizations are excepted from this requirement under IRC 508(c).

Note: The written application requirement is for initial application for exemption. If an organization already tax-exempt is revoked as a result of an examination or auto-revoked for failing to file the annual Form 990 (series) or the Form 990-N e-Postcard for three consecutive tax years, the organization must re-apply with the appropriate user fee to determine whether it's qualified for tax-exempt status.

- (4) Exempt organizations are groups, societies, unions, libraries, museums, corporations, etc., which are granted an exemption from some type of federal tax by the IRS. An example of an exempt organization would be one who is operating and organized for charitable, religious, scientific, and educational purposes.
- (5) The various forms that Exempt Organizations and Government Entities file are:
 - Form 990, Return of Organization Exempt From Income Tax
 - Form 990-EZ, Short Form Return of Organization Exempt From Income Tax
 - Form 990-T, Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))
 - Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation
 - Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or Form 990-EZ
 - Form 1041-A, U.S. Information Return Trust Accumulation of Charitable Amounts
 - Form 1041, U.S. Income Tax Return for Estates and Trusts (For Nonexempt Charitable Trusts Under Section 4947(a)(1) with Taxable Income)
 - Form 1065, U.S. Return of Partnership Income
 - Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes

- Form 1098-E, Student Loan Interest Statement
- Form 1098-T, Tuition Statement
- Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations
- Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code
- Form 5227, Split-Interest Trust Information Return
- Form 5578, Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax
- Form 5768, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization to Make Expenditures to Influence Legislation
- Form 6069, Return of Certain Excise Taxes on Mine Operators, Black Lung Trusts, and Other Persons Under Sections 4951, 4952, and 4953
- Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns (for extending Form 1120-POL and Form 1065 in the case of 501(d) organizations)
- Form 8282, Donee Information Return
- Form 8453-X, Political Organization Declaration for Electronic Filing of Notice of Section 527 Status
- Form 8453-TE, Tax Exempt Entity Declaration and Signature for Electronic Filing
- Form 8871, Political Organization Notice of Section 527 Status
- Form 8872, Political Organization Report of Contributions and Expenditures
- Form 8868, Application for Automatic Extension of Time To File an Exempt Organization Return
- Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction
- Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts
- Form 8976, Notice of Intent to Operate Under Section 501(c)(4).
- Form 8879-EO, IRS e-file Signature Authorization for an Exempt Organization
- Form 8899, Notice of Income From Donated Intellectual Property
- Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues
- Form 8038-B, Information Return for Build America Bonds and Recovery Zone Economic Development Bonds
- Form 8038-CP, Return for Credit Payments to Issuers of Qualified Bonds
- Form 8038-G, Information Return for Tax-Exempt Governmental Bonds
- Form 8038-GC, Information Return for Small Tax-Exempt Governmental Bond Issues, Leases, and Installment Sales
- Form 8038-TC, Information Return for Tax Credit Bonds and Specified Tax Credit Bonds
- Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate
- Form 8038-R, Request for Recovery of Overpayments Under Arbitrage Rebate Provisions
- Form 8703, Annual Certification of a Residential Rental Project
- Form 8328, Carryforward Election of Unused Private Activity Bond Volume Cap

21.7.7.5
(10-19-2022)
**Exempt Application
Process**

- (1) An EO must be organized and operated for one or more of the purposes specifically designated in the IRC. The type of exemption granted is determined by the information submitted on the application. IRM 21.7.7.5.1, Internal Revenue Code (IRC) Subsections, includes a table with information for the IRC section, subsection (SS), and description of the organization.
- (2) Organizations file an application for exempt status generally on one of the five forms below electronically via Pay.gov:
 - Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code
 - Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section IRC 501(c)(3) of the Internal Revenue Code
 - Form 1024, Application for Recognition of Exemption Under Section 501(a)
 - Form 1024-A, Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code
 - If no form is prescribed, a letter application is filed. Revenue Procedure 2016-5 provides guidelines as to what must be included in a letter application. See also Form 8940, Request for Miscellaneous Determination, and instructions.
- (3) TE/GE Determinations reviews the application and does one of these actions:
 - Issue a letter recognizing exemption
 - Deny the request
 - Close the application as a fail to establish
- (4) Refer telephone inquiries from taxpayers for EO/EP determinations and foundation status issues to the TE/GE Customer Account Service (CAS) Telephone Operations toll free number 877-829-5500.
- (5) Once an organization is granted exemption, it must continue to conform to IRS regulations which govern the exemption. The organization must either:
 - a. Electronically file the e-postcard if its annual gross receipts are normally \$50,000 or less.
 - b. File an information return if its annual gross receipts are normally over \$50,000.

21.7.7.5.1
(11-12-2021)
**Internal Revenue Code
(IRC) Subsections**

- (1) The table below lists the IRC, SS, a description of the organization, and the classification code. Refer to Document 6209 for the filing requirement codes.

Internal Revenue Code	Subsection Code	Type of Exempt Organization	Classification Code
IRC 501(c)(1)	01	Governmental Instrumentality-Corporations Organized under Act of Congress	1
IRC 501(c)(2)	02	Title Holding Corporation	1
IRC 501(c)(3)	03	Charitable Organization	1
IRC 501(c)(3)	03	Educational Organization	2
IRC 501(c)(3)	03	Literary Organization	3
IRC 501(c)(3)	03	Prevention of Cruelty to Animals Organization	4
IRC 501(c)(3)	03	Prevention of Cruelty to Children Organization	5
IRC 501(c)(3)	03	Testing for Public Safety Organization	6
IRC 501(c)(3)	03	Religious Organization	7
IRC 501(c)(3)	03	Scientific Organization	8
IRC 501(c)(4)	04	Civic Leagues	1
IRC 501(c)(4)	04	Local Employees' Associations	2
IRC 501(c)(4)	04	Social Welfare Organization	3
IRC 501(c)(5)	05	Agricultural Organization	1
IRC 501(c)(5)	05	Horticultural Organization	2
IRC 501(c)(5)	05	Labor Organization	3

Internal Revenue Code	Subsection Code	Type of Exempt Organization	Classification Code
IRC 501(c)(6)	06	Board of Trade	1
IRC 501(c)(6)	06	Business Leagues	2
IRC 501(c)(6)	06	Chambers of Commerce	3
IRC 501(c)(6)	06	Real Estate Boards	4
IRC 501(c)(7)	07	Social and Recreational Clubs	1
IRC 501(c)(8)	08	Fraternal Beneficiary Societies and Domestic Fraternal Societies	1
IRC 501(c)(9)	09	Voluntary Employees Beneficiary Associations-Non Governmental	1
IRC 501(c)(9)	09	Voluntary Employees Beneficiary Associations-Governmental	2
IRC 501(c)(10)	10	Domestic Fraternal Societies and Associations	1
IRC 501(c)(11)	11	Teachers' Retirement Fund Associations	1
IRC 501(c)(12)	12	Benevolent Life Insurance Associations	1
IRC 501(c)(12)	12	Mutual Ditch or Irrigation Companies	2
IRC 501(c)(12)	12	Mutual or Cooperative Telephone Companies	3

Internal Revenue Code	Subsection Code	Type of Exempt Organization	Classification Code
IRC 501(c)(12)	12	Like Organizations (those on three preceding lines)	4
IRC 501(c)(13)	13	Burial Associations	1
IRC 501(c)(13)	13	Cemetery Companies	2
IRC 501(c)(14)	14	State-Chartered Credit Unions	1
IRC 501(c)(14)	14	Mutual Reserve Funds	2
IRC 501(c)(15)	15	Mutual Insurance Companies or Associations (other than life/marine)	1
IRC 501(c)(16)	16	Cooperative Organizations to Finance Crop Operations	1
IRC 501(c)(17)	17	Supplemental Unemployment Benefit Trusts	1
IRC 501(c)(18)	18	Employee Funded Pension Trust (created before June 25, 1959)	1
IRC 501(c)(19)	19	Post or Organization of Past or Present Members of the Armed Forces	1
IRC 501(c)(20)	20	Legal Service	1
IRC 501(c)(21)	21	Black Lung Benefit Trusts	1

Internal Revenue Code	Subsection Code	Type of Exempt Organization	Classification Code
IRC 501(c)(22)	22	Withdrawal Liability Payment Fund- multi-employer pension plan	1
IRC 501(c)(23)	23	Veterans' Organization (created before 1880)	1
IRC 501(c)(24)	24	Trust described in IRC 4049 of ERISA	1
IRC 501(c)(25)	25	Title Holding Corporations or Trusts with Multiple Parent Corporations	1
IRC 501(c)(26)	26	State-Sponsored Organization Providing Health Coverage for High-Risk Individuals	1
IRC 501(c)(27)	27	State-Sponsored Workers' Compensation Reinsurance Organization	1
IRC 501(c)(28)	28	National Railroad Retirement Investment Trust	1
IRC 501(c)(29)	29	CO-OP health insurance issuers	1
IRC 501(d)	40	Religious and Apostolic Organizations	1
IRC 501(e)	50	Cooperative Hospital Service Organizations	1
IRC 501(f)	60	Cooperative Service Organizations of Operating Educational Organizations	1

Internal Revenue Code	Subsection Code	Type of Exempt Organization	Classification Code
IRC 501(k)	70	Child Care Organizations	1
IRC 501(n)	71	Charitable Risk Pools	1
IRC 521(a)	80	Farmer's Cooperative Associations	1
IRC 529	81	Qualified State Tuition Program	1
IRC 527	82	Political Organizations	1
IRC 4947(a)(2)	90	Nonexempt Charitable Trust 4947(a)(2) (split interest)	1
IRC 4947(a)(1)	91	Nonexempt Charitable Trust (public charity)	1
IRC 4947(a)(1)	92	Nonexempt Charitable Trust (private foundation)	1
IRC 1381(a)(2)	93	Taxable Farmer's Cooperative	1

21.7.7.5.2
(10-19-2022)
EO Entity Section

- (1) When an EO MFT (34, 36, 37, 44, 50, or 67) transaction attempts to create a tax module on BMF, the entity module must contain an EO section. The EO section provides information about the exempt organization. The codes in the subsection field (SUB) provide specific information about the organization when used in connection with the subsection chart provided above.
- (2) The EO section is created by TE/GE Determinations or the Ogden EO Entity unit.
- (3) If an EO section isn't present on ENMOD, forward the case to EO Entity Control.
- (4) Both BMF and EO codes are present on ENMOD (FR codes, employment codes, subsection codes, status codes, etc.)
- (5) The organization files returns based on the type of exemption determined by the IRC section and is identified by subsection (SUB) on ENMOD.
- (6) The following definitions apply to various codes relating to an exempt organization.

<i>EO Section Definitions</i>	
Term	Definition
EO STAT	Exempt Organization Status Code (year & month) – Indicates the status of the organization. The code identifies whether or not the organization was granted an exemption or if it was applied for, revoked or terminated. The Status Code is normally established by TE/GE Determinations during the determination process.
RUL	Ruling Year and Month – The date TE/GE Determinations issued a determination/ruling letter to the organization. This date is normally not changed except by TE/GE Determinations.
CLASS	Classification Code – This code identifies the type of organization. One to four different codes may be present. The Classification Code can be changed by TE/GE Determinations and EO Examinations.
AFF	Affiliation Code – This code indicates if the organization received an individual ruling or is part of a group ruling. It normally isn't changed unless the entity is changing from a group to an individual ruling, or from an individual to a group ruling. Values are 1, 2, 3, 6, 7, 8, or 9.
INC	Income Code – Yearly receipts for EO/BMF return.
FOUN	Foundation Code – All organizations that are exempt under IRC 501(c)(3) must have a Foundation Code. This code identifies the organization's classification as a non-private foundation, or private foundation and if a private foundation, the type of foundation. Changes to the Foundation Code are normally approved by TE/GE Determinations and can only be updated by the service center from a determination.
GEN NO	Group Exemption Number – Issued to a central organization and its subordinate chapters under a blanket group ruling.
ORG	Organization Code – This code indicates whether the organization is a trust, a corporation, or an unincorporated association. The code is assigned by EO Determinations when the exemption is granted and is normally changed by them.
ASSET	Asset Code – Amount of assets shown on most recent return.
SUB	Subsection Code – Identifies the IRC section under which the organization is exempt. It also determines the type of return the organization will file. The Subsection Code is assigned when the organization's request for exemption is approved or when an initial Form 990 is filed by a non 501(c)(3), 501(c)(4), 501(c)(9), 501(c)(17) or 501(c)(29). Changes to the subsection must be approved by EO Determinations and can only be updated by the service center from a determination letter. Occasionally the TE/GE Correspondence Unit will need to update/correct the Subsection Code based on research.
FFN	File Folder Number – Identifies the Administrative Case File folder number located in EO Determinations. The file folder number is assigned by the TE/GE Determinations when an application for exemption is received and will normally not be changed.
FR	Filing Requirements – This identifies the type of return an organization must file.
PRIOR EO STAT	Prior EO Status – Organization's status code immediately preceding the current status.

Term	Definition
ARED	Advance Ruling Expiration Date — At this time a final ruling of an organization's public support test is computed after the TP completes Schedule A, Support Schedule. 999999 is a deletion of an advance ruling date.

21.7.7.5.2.1
(01-01-2024)
Status Codes

- (1) When an organization is granted an exemption, EO Rulings and Agreements will input the information on Master File to create the EO account or add the exemption data to an already existing account. When status codes 01 or 02 are present on the EO account, they indicate that an exemption was granted to the organization.

- Most IRC 501(c)(3)
- All IRC 501(c)(4)
- All IRC 501(c)(9)
- All IRC 501(c)(17)
- All IRC 501(c)(29)

are required to notify the Service that they are seeking tax exempt status; therefore, they must file one of the following applications:

- Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.
- Form 1023-EZ, Application Form 1023-EZ.
- Form 1024, Application for Recognition of Exemption Under Section 501(a).
- Form 1024-A, Application for Recognition of Exemption under Section 501(c)(4) of the Internal Revenue Code.
- Form 8976

- (2) Organizations other than those listed in (1) are not required to file an application for exemption, though they may do so. They may be considered exempt even though they don't apply for a formal exemption as long as they satisfy the requirements of the particular paragraph of IRC 501(c) they claim exemption under. Also, if they don't establish exempt status by application to Cincinnati, they are at risk of retroactive revocation and taxation if they are found not to be engaged in activities described by the subsection under which they filed.

- (3) The EO status (EO-STAT) on CC INOLE or CC ENMOD (see Document 6209 or Document 6379, Information System Codes, for a complete list of EO Status Codes) identifies the account as:

- Active
- Inactive (revoked, out of business)
- Has never received an exemption

- (4) Refer to the table below for a list of EO statuses and their definitions:

Status Codes and Definitions			
Code	Definition	Code	Definition
00 or Blank	EO Section established without a status	01	Unconditional Exemption
02	Conditional Exemption	06	State university filing Form 990-T
07	Church Filing a Form 990-T	10	Pre-Examination of a church
11	School Certification	12	A Formal Exemption Not Granted - Filing an EO Return Form 990 Under IRC 4947(a)(1); Form 990-PF Under IRC 4947(a)(1); Form 5227 Non-Exempt Charitable Trust;
18	Temporary Revocation of Pvt. Fdn. (Trust) (Required to File Form 990-PF & Form 1041)	19	Revocation of Pvt. Fdn. (Corporation) Required to File Form 990-PF & Form 1120
20	Termination - Inactive (Out of Business, etc.)	21	Unable to Locate
22	Revocation	23	Organization terminated under IRC 507(a)
24	IRC 507(b)(1)(A) termination	25	IRC 507(b)(1)(B) Termination
26	Termination merger	27	Group ruling dissolved. Parent in Status 97.
28	No longer a member of a group ruling		
29	A group ruling was dissolved	30	Churches voluntarily filing Form 990 though not required to file returns or to apply for exemption
31	Small organizations, other than churches and PFs, with annual gross receipts less than \$5,000 and which voluntarily file Form 990 series though not required to file returns or apply for exemptions	33	Foreign PFs described in IRC 4948(b) that are not required to apply for exemption but are required to file Form 990-PF
34	IRC 527 Political Organizations	35	Foreign entities exempt by treaty with the United States
36	Non IRC 501(c)(3), IRC 501(c)(9), IRC 501(c)(17) or 501(c)(29) filers — No official exemption	40	Application Pending - No exemption
41	No reply to solicitation - No exemption	42	Extension of time filed - No exemption - Payment posted prior to first return
70	Denied - No exemption	71	Incomplete Form 1023 or Form 1024 - No exemption

Code	Definition	Code	Definition
72	Refusal to Rule - No exemption	97	Revocation due to failure to file Form 990-N, 990, 990-EZ, or 990-PF for three consecutive years.
98	Terrorist Organization - No exemption	99	Dump code - No exemption (prior EO status codes 22, 41 or 70-72)

- (5) If necessary, the EO Entity unit at the Ogden Campus should be contacted to update the status prior to any adjustment action taken on the account.
- (6) A review of ENMOD, INOLES, or BMFOLI must be made prior to inputting a return or extension to an EO account to ensure the account isn't in one of the following statuses:
 - Status 18
 - Status 19
 - Status 20
 - Status 21
 - Status 22
 - Status 26
 - Status 28
 - Status 29
 - Status 41
 - Status 42
 - Status 70
 - Status 71
 - Status 72
 - Status 97
 - Status 98
 - Status 99

Note: EO filing requirements must be established prior to processing an EO return or inputting a TC 460 on an EO MFT. Refer to IRM 3.13.12, Exempt Organization Account Numbers, to establish filing requirements or send to EO Entity M/S 6273.

21.7.7.5.2.1.1
(01-01-2024)
**Status Code 40
Procedures**

- (1) Exempt Organizations are placed in status 40 when the organization has filed a return, but hasn't been granted an exemption at the time the return was filed. Each month (except January) "Status 40" information is downloaded from the Master File to the EO Entity system in Ogden. A CP 120 is sent to each organization whose account is in Status 40.
- (2) When cases in Status 40 are received in the EO Accounts units, the following procedures should be followed:
 - a. Use CC BMFOLI to review the organization's past filing record (e.g., have Form 990, Return of Organization Exempt From Income Tax, Form 990-PF, Return of Private Foundation, or Form 1120, U.S. Corporation Income Tax Return, been filed in the past).
 - b. If the account shows no change or update on ENMOD or BMFOLO, give the case to the lead, with instructions to check the EDS system.

- c. If EDS shows action was taken on the account, address all EO Accounts related issues. Don't correspond with the organization unless it specifically requests a reply. If a taxpayer requests information regarding its determination status, refer them to the TE/GE CAS Telephone Operations toll free number 877-829-5500.
- d. If EO Entity has an open control on ENMOD or taxpayer is responding to an EO Entity letter, route case to Entity.
- e. Address all EO related issues.
- f. Close control base.

Note: All EO Account related issues must be addressed before forwarding case to Entity (i.e., remove penalties, release A-freeze, credit transfers, etc.).

21.7.7.5.2.1.2
(01-01-2024)

**Status Code 41, 70 – 72
Procedures**

- (1) When processing Status 40 cases, EO Entity contacts the organization and solicits an application for exemption. An organization has up to nine months to reply. At the end of the nine months, if the organization doesn't respond, the account is updated to status 41 if the Sub Section (SS) is 03/04/09/17/29 or status 36 if the SS is other than 03/04/09/17/29. When inputting status 41, a filing requirement for either a Form 1120, Form 1041 or Form 1065 is established and all EO filing requirement codes (FRC) are deleted. When Status 36 is entered, Form 990 filing requirements are established. If the filing requirement is missing, but can be determined, the appropriate FR should be added to the account by Entity. Status Code 70-72 is updated by Cincinnati Rulings and Agreements only.
- (2) The following is a list of status codes and their definitions that are used in EO Entity.

Status	Title	Used by	Reason
36	Non- <ul style="list-style-type: none"> • 501(c)(3) • 501(c)(4) • 501(c)(9) • 501(c)(17) • 501(c)(29) 	EO Entity	Determined that the organization does not have to request a formal exemption.
41*	Failed to reply to solicitation for application	EO Entity	A CP 120 is sent to the organization and solicits an application for exemption. If the organization does not respond, the account will be systemically updated to Status Code 41. When inputting this status, a filing requirement for Form 1041, Form 1065, or Form 1120 must be input. At the same time, all the EO FRCs are deleted.
70	Exemption denied	Rulings and Agreements (R&A)	When, on the merits of the application, an exemption cannot be granted.

Status	Title	Used by	Reason
71 Note: Generates a Form 1120-01	Failed to Establish/Incomplete	Rulings and Agreements (R&A)	When the application is incomplete and no response to request for information was received. This status will generate a Form 1120 filing requirement of 01.
72 Note: Generates a Form 1120-01	Refusal to Rule	Rulings and Agreements (R&A)	When the applicant fails to furnish a detailed description of its planned activities. This status will generate a Form 1120 filing requirement of 01.

- (3) When a Status 41, 70-72 case is received in EO Accounts, the following action must be taken by the tax examiner in order to resolve the case:
- Check ENMOD for current filing requirements and EO status.
 - Give the case to the lead requesting EDS/TEDS research in order to check for possible determination follow-up.
 - If no change, take the necessary action required to resolve all account related issues (e.g., abate penalty, credit transfer, tax decrease, etc.).
 - Correspond with the organization explaining that IRS records show it does not have exempt status because it failed to reply to a solicitation for application (41), the exemption was denied (70), the application was incomplete (71), or the organization failed to provide a sufficient description of its activities (72).
 - Inform the organization of its specific filing requirements (Form 1120).
 - Send an original unprocessed return if received with the correspondence to R&C to be processed.
 - If the return was processed, but has a cancelled DLN, forward return to EO Entity to be associated with the other Status 41, 70 - 72 documents.
 - If Form 1120 filing requirements are not shown on Master File, fax a request to EO Entity instructing them to establish Form 1120 filing requirements to the account.

21.7.7.5.2.1.3
(01-01-2024)
Status 97 Procedures

- (1) Tax Exempt Organizations are required to file Form 990, 990-EZ, 990-N or 990-PF regardless of their gross receipts with few exceptions. If an organization fails to file a return for three consecutive years, they lose their tax exempt status and will be placed into status 97.

Note: All returns filed for 2021, 2022, 2023 and subsequent are mandated to efile per the Taxpayer First Act and should be sent back to the filer. EUP should be used to determine if these returns were timely filed, not a mail receipt.

Exception: If **retroactive reinstatement** is written across the top and/or on an attachment and the return is complete, these returns should be processed and not sent back to the filer.

- (2) EO Accounts may receive correspondence from filers or referrals from the Call Site.

- (3) Refer to IRM 3.13.12, Exempt Organizations Account Numbers for instructions on when to update an account to a good status. The instructions to update an account will vary depending on the entity. If unable to determine the correct procedure to update an account, send to EO Entity, M/S 6273.
- (4) Before an organization is determined to have been erroneously revoked and updated to a good status, thorough research must be completed. The following should be considered:
- Revocation is an ongoing process. The previous three years should be considered for review. For example in 2022, tax periods 2019, 2020 and 2021 are being reviewed for revocation. In addition, beginning May 2023 tax periods 2022 will be included in the revocation process.
 - When updating an account to a good status due to a consolidation or if a TC 590 is required, reference should be made to the Status 97 cycle chart below to ensure all input occurs before the next round of revocation. Failure to post all transactions will result in the account being updated to status 97.
 - Proof of electronically filed returns should be carefully reviewed. TE's should not rely on printed acceptance notices from filers but should research through the Employee User Portal (EUP) to verify acceptance and timely filing of electronically filed returns.
 - Filing under another EIN not belonging to the organization. Errors related to service errors should be considered erroneously revoked.
 - Extensions are not valid for Form 990-N (e-postcard).
 - Use the chart below to determine when accounts should be input or a TC 590 input.

Note: All returns filed for 2021, 2022, 2023 and subsequent have been mandated to file efile per the Taxpayer First Act and should be sent back to the filer. EUP should be used to determine if these returns were timely filed, not a mail receipt.

Exception: If **reinstatement of revocation** is written across the top and/or on an attachment and the return is complete, these returns should be processed and not sent back to the filer.

Status 97 Chart					
Extract Cycle/Date	Status 97 Date Tax Years 2021 2022 2023 FYMS Checked	Status 97 Date 2021 2022 2023	Status 97 Date Tax Years 2020 2021 2022 FYMS Checked	TC 016 Date to Prevent Revocation	TC 590 Input Date to Prevent Revocation
04 01-21-2024	202401 08-11	202401 12, 01-07	NA	11/20/2023-01/ 08/2024	11/20/2023-01/ 08/2024
08 02-25-2024	202402 09-11	202402 12, 01-08	NA	01/08/2024-02/ 14/2024	01/08/2024- 02/14/2024
13 03-24-2024	202203 10-11	202203 12, 01-09	NA	02/14/2024-03/ 20/2024	02/16/2024- 03/20/2024

Extract Cycle/Date	Status 97 Date Tax Years 2021 2022 2023 FYMS Checked	Status 97 Date 2021 2022 2023	Status 97 Date Tax Years 2020 2021 2022 FYMS Checked	TC 016 Date to Prevent Revocation	TC 590 Input Date to Prevent Revocation
17 04-21-2024	202204 11	202204 12, 01-10	NA	03/20/2024-04/ 17/2024	03/20/2024- 04/17/2024
21 05-19-2024	NA	202205 12, 01-11	NA	04/17/2024 -05/15/2024	04/17/2024 -05/15/2024
26 06-23-2024	NA	202406 01-11	202306 12	05/15/2024 - 06/19/2024	05/15/2024- 06/19/2024
30 07-21-2024	NA	202407 02-07	202307 12, 01	06/19/2024-07/ 17/2024	06/19/2024 - 07/17/2024
34 08/25/2024	NA	202408 03-07	202308 12, 01-02	07/17/2024-08/ 14/2024	07/17/2024- 08/14/2024
39 09-22-2024	NA	202409 04-07	202309 12, 01-03	08/14/2024 - 09/18/2024	08/14/2024 - 09/18/2024
43 10-20-2024	NA	202210 05-07	202110 12, 01-04	09/18/2024 - 10/16/2024	09/18/2024 - 10/16/2024
47 11-24-2024	NA	202411 06-07	202311 12, 01-05	10/16/2024 - 11/20/2024	10/16/2024 - 11/20/2024
53	NA	NA	NA	NA	NA

- (5) EO Accounts may receive correspondence from filers or referrals from the Call Site. The following actions should be taken when working Status 97 cases:

If	Then
<p>The organization is a subordinate in a group ruling and indicates they filed as part of a group return,</p>	<ul style="list-style-type: none"> a. Research for a group return. b. If a group return was filed, check the group code or list of subordinates to determine if the subordinate was included (Group code 7 indicates all of the subordinates were included). Lists are attached to the return and can be viewed on SEIN. c. If the subordinate was included in the group return, update the account. To update the account it may be necessary to input a TC 022 to remove the subsection and then re-establish it in a good status to avoid unpostables. When the account is in a good status, input a TC 590/014 to indicate subordinate was included in the group return. Once account is in a good status, send a letter to the filer. Include the EIN and name on the weekly list to have the EIN removed from the Status 97 Revocation list. <p>Note: If the group return contains all zeroes, it isn't a valid return. Send a letter stating the subordinate must reapply for tax exempt status.</p>

If	Then
<p>If the organization states they filed the return but under a different EIN,</p>	<ul style="list-style-type: none"> a. Research for the correct EIN. b. If a different EIN is found, and it clearly indicates it was filed using the organization's name, update the account out of status 97 notify the filer of the correct EIN and if 2021 tax year or subsequent they need to file an amended efile return. If 2020 tax year or prior send return to be reprocessed. Exception: If "reinstatement of revocation" is written across the top and/or on an attachment and the return is complete, these returns should be processed and not sent back to the filer. c. If a different EIN isn't found and there is no indication the returns were filed, research EUP and SOI EO Imaging Network (SEIN) to determine if the returns were received. d. If EUP and SEIN research indicates the returns were received prior to the due date of the return but did not post to Master File, make a copy of the return. Input a TC 590/094 on the account and update the status to 01. Note: The received date on the SEIN copy must be prior to the due date of the third year return. If the received date is later than the due date, notify the filer their return was received after the due date of the third consecutive year and they must submit a Form 11023, 1023-EZ, 1024 or 1024-A and apply for a new determination. Don't update the status. e. If unable to locate a copy of the return, request copies of the returns and proof of timely filing from the filer (i.e. an IRS letter, postmark or notice referring to the return). Instruct the filer if they cannot supply proof of timely filing they must submit Form 1023, 1023-EZ, 1024 or 1024-A and apply for a new determination. Don't update the filing or exemption status.

If	Then
<p>If the filer submits copies of returns and proof of filing,</p> <p>Reminder: Proof of filing is a copy of a postmark or receipt. Acceptance of electronic filing must be confirmed by checking the IRS EUP web site. Rejected returns ordinarily don't constitute timely filings.</p>	<ol style="list-style-type: none"> Ensure the received date is prior to the due date. Update the account to status 01. Input a TC 590/020 on the third year if no timely return has posted. Once account is in a good status, send a letter to the filer, informing them per the Taxpayer First Act they are mandated to efile their return. Include the EIN and name on the weekly list to have the EIN removed from the Status 97 Revocation list. <p>Exception: All returns filed for 2021, 2022, 2023 and subsequent have been mandated to file efile per the Taxpayer First Act and should be sent back to the filer. EUP should be used to determine if these returns were timely filed, not a mail receipt.</p> <p>Note: If reinstatement of revocation is written across the top and/or on an attachment and the return is complete, these returns should be processed and not sent back to the filer.</p>
<p>If returns are received (either copies or originals) and proof of timely filing isn't included,</p> <p>Note: All returns filed for tax year 2021, 2022, 2023 and subsequent have been mandated to efile per the Taxpayer First Act. EUP should be used to determine if these returns were timely filed, not a mail receipt.</p> <p>Exception: If reinstatement of revocation is written across the top and/or on an attachment and the return is complete, these returns should be processed and not sent back to the filer.</p>	<ol style="list-style-type: none"> Update any entity information. Don't update status 97 or input a TC 599 or 594. Mail returns back to the organization advising they must reapply for tax exempt status/ reinstatement and include copies of the completed returns with their application. Returns will no longer post in status 97.

If	And	Then
The filer states the organization should not have been revoked because they have a letter stating they are not required to file an EO return	EDS/TEDS research shows the organization was given a 990-06, 990-13, or 990-14 filing requirement,	<ul style="list-style-type: none"> a. Update the account to status 01 and input the correct filing requirement. b. Once account is in a good status, send a letter to the filer. Include the EIN and name on the weekly list to have the EIN removed from the Status 97 Revocation list.
The filer states the organization should not have been revoked because they have a letter stating they are not required to file an EO return	EDS/TEDS research does not show the organization was given a 990-06, 990-13, or 990-14 filing requirement,	<p>Don't update the account. Instruct the filer they must send a copy of the letter to:</p> <p>TE/GE Correspondence Unit 550 Main St Room 4024 Cincinnati, OH 45202</p> <p>The information may also be faxed to EEFax 855-204-6184.</p>
The filer states the organization should not have been revoked because they filed at least one return in a consecutive three year period which began after December 31, 2006	IDRS research shows at least one return was filed for the appropriate period and, if it was for the third year, that the return was timely filed,	<ul style="list-style-type: none"> a. Ensure the returns were timely filed. b. Update the account to status 01. c. Once account is in a good status, send a letter to the filer. Include the EIN and name on the weekly list to have the EIN removed from the Status 97 Revocation list.
The filer states the organization should not have been revoked because they filed at least one return in the three year period that began after December 31, 2006	IDRS research does not show at least one return was filed for the appropriate period or, if it was for the third year, the return was not timely filed,	Refer to IRM 21.5.1.4.2.4, Received Date- Determination, to determine timely filed returns. If research shows a return was filed for the appropriate period, correspond with the filer requesting proof of a timely filed return. If no proof is received, instruct the filer they must reapply.
The correspondence indicates the recipient of CP 120A isn't connected to the organization and does not have a new address,		Input a TC 593/032 via FRM 49.

If	And	Then
The filer states they should not have been revoked because they were not established for three years	IDRS research shows they were not established for at least three years Note: For example, organization established in June 2010 would be required to file a return for period ending 201006.	a. Research BMFOLE for the TC 016 which updated the account to Status 97. Identifiers will be TC 016 with Definer Code B, date matching status update on INOLES. If the DLN of the TC 016 contains all 9s ending in 2, 3, 4 etc., update the account to status 01. If the DLN does not contain 9s as stated above, don't update. TC 016 to input status 97 was input manually by CSC. b. Once account is in a good status, send a letter to the filer. Include the EIN and name on the weekly list to have the EIN removed from the Status 97 Revocation list.
Filer states they have not been organized for three years	IDRS research indicates the organization was established for at least three years,	Route the case to TE/GE Adjustment Unit. TE/GE Correspondence Unit 550 Main St Rm 4024 Cincinnati, OH 45202
Filer provides a new or recently received (within last three years) determination letter		Route the case to TE/GE Adjustment Unit. TE/GE Adjustment Unit 550 Main St Rm 4024 Cincinnati, OH 45202
The account is in Status 97	the filer indicates the organization is no longer in business,	Zero out the Form 1120 filing requirements. Don't input a TC 591 or update the status.

If	And	Then
The organization indicates their FYM is other than what is indicated on Master File		<ul style="list-style-type: none">a. Research EDS to determine the FYM used to establish the organizations determination.b. If FYM requested by organization matches EDS update status, send letter and include on weekly Status 97 Revocation list.c. If EDS does not match FYM of organization, research Master File and SEIN to determine previous filings. Update FYM if necessary. If organization has filed at least one timely return within the three year period in question, update the account to status 01. Send a letter to the filer and include in the weekly Status 97 Revocation list.d. If unable to determine correct FYM, notify the filer they must submit an application to obtain tax exempt status. Don't update account or change FYM.

If	And	Then
Organization states they attempted to file a 990-N prior to the return due date and were unable to do so		<ol style="list-style-type: none"> Research the EUP to determine date and cause of the rejection. Research BMFOLE to determine if a TC 016 was input prior to the third year return due date. If a TC 016 prior to the third year return due date is present and the filer indicates the organization requested the Service submit the 990-N on their behalf, update the account to status 01. Once the account is in a good status, send the organization a letter and include EIN and name on the weekly Status 97 Revocation list. Note: Check AMS history for any additional information which supports the organizations information. If necessary request a copy of the reject notice which was sent to the organization.
The organization requests to change their ruling to a church		Route the case to TE/GE Adjustment Unit. TE/GE Adjustment Unit 550 Main St Rm 4024 Cincinnati, OH 45202
If organization submits a \$100 user fee and requests reinstatement per Notice 2011-43 but does not include the application		<ol style="list-style-type: none"> Send Letter 0086c using the information in IRM 21.7.7.6.15.1, EO Issues Routed to TE/GE Adjustment Unit. Print the CIS case and close the control. Give the prints to the Lead or Manager. The case will be forwarded to the TE/GE Adj Unit.

If	And	Then
<p>The organization is a presumptive 990-PF filer (advance ruling period ended prior to June 2008 and the organization did not submit a Form 8734)</p>	<p>Foundation code is 04,</p>	<ol style="list-style-type: none"> Check advance ruling date on INOLES. If all "0" research EDS. Research the second page in EDS to determine advance ruling ends date. If the date is prior to June 2008 the organization did not file a Form 8734. If the advance ruling date is all "9" then the organization was not required to file a Form 8734. This information should be used to determine what form the organization was liable for in the three year time frame prior to revocation. <p>Note: All 990-PF returns were required to be filed by the due date of the third year to avoid revocation. No relief was offered for private foundations filing form 990-PF.</p>
<p>Organization states they timely filed with the Virgin Islands</p> <p>Note: All returns filed for tax year 2021, 2022, 2023 and subsequent have been mandated to efile per the Taxpayer First Act. EUP should be used to determine if these returns were timely filed, not a mail receipt.</p> <p>Exception: reinstatement of revocation is written across the top and/or on an attachment and the return is complete, these returns should be processed and not sent back to the filer.</p>		<ol style="list-style-type: none"> Check the received date on the return. If received date is prior to due date of third year and is a valid IRS received date (Virgin Island received date isn't considered valid), update the status 01, send a letter to the filer and add the EIN and name to the weekly Status 97 Revocation list. If a valid received date prior to the return due date isn't present, instruct the filer they must reapply. Don't update the account.

If	And	Then
The organization is a Single Member LLC or Disregarded Entity		Route to EO Determinations in CSC at the address below. Internal Revenue Service 550 Main St Room 4024 Cincinnati, OH 45202
The organization is a government entity		Print the correspondence and give to Lead or Manager who will fax to Cincinnati. Close your control base with "Fax2CSC" using category code MISC. The fax number is EEFax 855-204-6184.

If	And	Then
<p>The organization states it filed as part of a group return</p>		<p>a. Research to determine if a group return was filed. A group return can be identified by presence of a GEN (Group Exemption Number) and 990-03 filing requirements.</p> <p>Note: Parent organizations (identified by affiliation code 6 or 8) cannot file as part of the group but must file a separate return.</p> <p>Note: A group return isn't considered valid if the group return is filed with all zeroes.</p> <p>b. If the subordinate does not have the same GEN as the group return, they cannot be included as part of the group return. Notify the organization they must reapply.</p> <p>c. If the subordinate was not included in the group return, notify the organization they must reapply for tax exempt status.</p> <p>d. The FYM of the subordinate must match the FYM of the group return. The FYM does not have to match if the organization files a separate return.</p> <p>e. If the subordinate was included on the group return, and the group return was filed timely, update the account to status 01. Input a TC 590/014 following update. Once the account is updated, send a letter to the organization and include EIN and name on weekly Status 97 Revocation list.</p>

If	And	Then
The organization was a subordinate in a group ruling	the parent is revoked but the subordinate isn't in status 97	<p>a. Determine if the organization is a 501(c)(3), (4), (9) or (17). If so, the organization must apply for an individual ruling.</p> <p>b. Correspond with the organization and provide information on applying for tax exempt status. Route the case to Entity and instruct them to update the account to Status 40.</p> <p>c. If the organizations is other than a 501(c)(3), (9) (17) or (29) route the case to Entity and instruct them to update the account to Status 36.</p>
Organization states they are a homeowners association		Route the case to Entity and request they change the 1120-01 to 1120-10 filing requirements. Send a letter to the filer to disregard the notice.
Organization states they are a state credit union	The credit union is stating they were revoked in error,	State chartered credit unions are required to file a return. If a return has not been filed for three consecutive years, send a letter stating they must reapply. If they have filed and just the parent is revoked, route to Entity and request they remove the GEN and update the account to subsection 14, classification 1 and status 36.
Organization states they are a federal credit union		Route the case to: CSC Correspondence Unit 550 Main St Room 4010 Cincinnati, OH, 45202
Filer indicates they filed using a different EIN	the EIN entity information matches the revoked EIN,	Route to Entity and request the EINs be consolidated.
Filer indicates they filed using a different EIN	the EIN belongs to another filer,	Route the correspondence to M/S 1110 for elevation and determination to be made by EO Division.
Filer indicates they have not been organized for three years or ruling date is three years old or less	the established date on IDRS is older than three years,	Route the case to: CSC Correspondence Unit 550 Main St Room 4010 Cincinnati, OH, 45202

If	And	Then
If a timely filed but rejected e-filed Form 8868 for the third year of non-filing can be confirmed on EUP, or if Form 8868 was mailed and there is supporting documentation showing it was mailed on time	the exempt status was revoked before the extension approval could be input,	the extension reconsideration procedure in IRM 21.7.7.6.22.3.1, Abatement Procedures for Extension Requests, paragraph 3 should be followed. The exempt status should then be reinstated if the extended RDD has not passed or the posted TC 150 is now timely with the approved extension.

- (6) If an organization is updated to status 01, a letter must be sent to the filer notifying them of the correction.
- (7) If an organization isn't updated, send a letter providing information for re-application.
- (8) The following should be considered before requesting an account be updated from status 97 to status 01.
 - The applicable years began after December 31, 2006. For example a calendar year filer key years are 201812, 201912, and 202012. If the organization is a fiscal filer with a period ending in March, then its key years are 201803, 201903, and 202003.

Note: The revocation of tax exempt status is an ongoing process. The organization must file at least one return in any three year period. If an organization fails to file for three consecutive years their tax exempt status will be revoked.

 - If the DLN of the extension (TC 460) is exactly the same as the DLN of the TC 150 for a 2009 tax period only, then the extension was not one filed by the organization (i.e., it isn't valid) and any return/notice filed after the normal due date is considered delinquent.
- (9) If the taxpayer asks about the periods for which the organization is required to file a taxable return, correspond and explain the requirement begins with the effective date of revocation.

Example: If an organization that is a calendar year filer is revoked effective May 17, 2021, then, unless it applies for and receives exemption retroactive to the date of revocation, it should file a taxable return for the period from May 17, 2021, through December 31, 2021, and continue filing taxable returns until it terminates or it applies for and receives exemption.

- (10) If an account is updated but the TC 150 is past the due date a TC 590/020 must be input on the tax module for the third year return to stop revocation. For example, Master File indicates the return is past due but the organization provides proof of timely submission (certified mail receipt etc). Programming will only research for a timely filed return.
- (11) If an account is revoked correctly, correspond with the organization and provide information necessary to reapply for tax exempt status.

- (12) A list of organizations updated to status 01 from status 97 should be compiled and sent to the SPP Analyst weekly.

21.7.7.5.2.2
(11-12-2021)

**Foundation, Affiliation
and Organization Codes**

- (1) There are other fields in the EO section, such as the Foundation, Affiliation, and Organization codes, which are useful when researching and resolving EO account related issues. See tables below for specific codes and explanations.

Foundation Codes (FNDTION CD)
(These codes are present with SS 03 accounts only)

Code	Definition
00	IRC 4947(a)(1)
02	Exempt operating foundation described in IRC 4940(d)(2)
03	Private operating foundation
04	Private non-operating foundation
09	Suspense (a specific type not identified)
10	Church (IRC 170(b)(1)(A)(i))
11	School (IRC 170(b)(1)(A)(ii))
12	Hospital (IRC 170(b)(1)(A)(iii))
13	Organizations operated for the benefit of a college or university (IRC 170(b)(1)(A)(iv))
14	Federal, state or local government unit (IRC 170(b)(1)(A)(v))
15	Organization receiving support from governmental unit or general public (IRC 170(b)(1)(A)(vi))
16	General, public charity (IRC 509(a)(2))
17	Public charity supporting (FC 09-15) (IRC 509(a)(3))
18	Public safety (IRC 509(a)(4))
21	509(a)(3) Type I IRC 509(a)(3)
22	509(a)(3) Type II IRC 509(a)(3)
23	509(a)(3) Type III functionally integrated IRC 509(a)(3)
24	509(a)(3) Type III not functionally integrated IRC 509(a)(3)

Affiliation Codes (AFFLTN CD)

Code	Definition
1	Central organization (individual ruling)
2	Intermediate organization (individual ruling)
3	Independent organization (individual ruling)

Code	Definition
6	Central organization in a group ruling (not a church)
7	Intermediate parent (subordinate by state)
8	Central organization in a church group ruling
9	Subordinate of a group ruling

Type of Organization (ORG CD)

Code	Definition
1	Corporation
2	Trust
3	Cooperative
4	Partnership
5	Association
6	Non-Exempt Charitable Trust (NECT)

21.7.7.5.3
(01-01-2022)
Gross Receipts Test

- (1) To determine whether an organization's gross receipts are normally to be \$50,000 or less, apply the following test. An organization's gross receipts are considered normally to be \$50,000 or less if the organization is:
 - Up to a year old and has received, or donors have pledged to give, \$75,000 or less during its first tax year.
 - Between one and three years old and averaged \$60,000 or less in gross receipts during each of its first two tax years.
 - Three years old or more and averaged \$50,000 or less in gross receipts for the immediately preceding three tax years (including the year for which the return would be filed).

21.7.7.5.4
(11-12-2021)
Extensions of Time to File (EO)

- (1) Form 8868, Application for Automatic Extension of Time To File an Exempt Organization Return, is used to request an automatic three month extension of time to file Form 990, Form 990-EZ, Form 990-PF, Form 990-BL, Form 990-T, Form 1041-A, Form 1041 (for NECTs), Form 1065 (for 501(d) organizations), Form 4720, Form 5227, Form 6069 and Form 8870 if filed for period prior to December 31, 2015. If necessary, an additional three month (not automatic) extension can also be requested for periods prior to December 31, 2015.
- (2) For periods which begin after December 31, 2015, Form 8868 will be used to request an automatic six month extension for all forms listed above.
- (3) Form 7004 is used to request an automatic six month extension of time to file for Form 1120-POL.
- (4) Refer to IRM 21.7.7.6.22, EO Extensions, for additional information regarding extensions.

21.7.7.5.5

(01-01-2024)

EO Estimated Tax Payments

- (1) Most EOs are required to make ES payments on their unrelated business income tax as if they were corporations if the tax shown on the return is \$500 or more.

Note: Form 990-PF filers don't need to make their first payment until the fifteenth day of the fifth month of their tax year. This would be May 15th for calendar year filers.

Note: Quarterly estimated tax payments are not due for an exempt organization with a taxable year comprising of four (4) full calendar months or less.

- (2) Tax exempt organizations use Form 990-W to compute their estimated tax. Estimated tax must be paid with Electronic Federal Tax Payer System (EFTPS), if required.
- (3) Refer to IRM 21.7.7.6.23.2, Estimated Tax Penalty, for additional information.

21.7.7.5.6

(01-01-2024)

Disclosure

- (1) Returns and return information of a tax-exempt organization which are publicly available under IRC 6104 may be disclosed to any requester making a proper request. However, returns and return information which are not publicly available under IRC 6104 are protected by IRC 6103 and may not be disclosed unless authorized by a section of 6103 of the Internal Revenue Code.
- (2) Most items on Form 990-PF are disclosable. Almost everything on Form 990 and Form 990-EZ except for the names and addresses of contributors and identifying contributions amounts and everything included on tax exempt Political Organization returns (Form 990 with IRC 527 box checked, Form 8871, and Form 8872 can be disclosed, see IRM 3.20.12-1, Form 990/990-EZ Schedules and Requested Attachments Open for Public Inspection through 3.20.12-4, Not Open on All Forms.
- (3) The Tax Technical Corrections Act of 2007, Pub. L. 110-172, H.R. 4839, provides that the Internal Revenue Service is required to make Forms 990-T that are filed by a section 501(c)(3) organization publicly available for inspection and copying pursuant to section 6104(b). This provision is effective for returns filed after August 17, 2006, the date of enactment of the Pension Protection Act of 2006, Pub. L. 109-280 (PPA). It applies only to Forms 990-T filed to report UBIT. If the return was filed only to claim erroneous back-up withholding, for example, it isn't open under IRC 6104.
- (4) Form 5227, with the exception of Schedule A, is also open for public disclosure.
- (5) Form 1120-POL isn't open for public inspection as a result of legislation enacted on November 2, 2002. See IRM 11.3.9, Exempt Organizations, for more information regarding disclosure. If there is a question as to whether information can be disclosed or not see IRM 3.20.12, Imaging and Perfecting Exempt Organization Returns for Public and Internal Viewing. or contact the local Disclosure manager.
- (6) Requests for returns must be made in writing on Form 4506-A, Request for a Copy of Exempt or Political Organization IRS Form. All inquiries or Forms

4506-A received in EO Accounts must be routed to the RAIVS Unit (MS: 6716). Refer to IRM 11.3.9, Exempt Organizations, for additional disclosure information.

21.7.7.5.7
(01-01-2024)
Public Inspection

- (1) Internal Revenue Code (IRC) 6104(a)(1)(A) requires the Internal Revenue Service (IRS) to make available for public inspection:
 - The approved application for exemption of any organization or trust described in IRC 501(c) or IRC 501(d) determined by the IRS to be exempt from taxation under IRC 501(a) for any taxable year;
 - The approved notice of status of an organization under IRC 527(i);
 - Any documents filed in support of such application or notice; and
 - Any letter or other document issued by the IRS pertaining to the application or notice, if the application or notice was filed November 1, 1976 or thereafter.
 - Public Law 106-230 requires IRS to make Forms 8871, Political Organization Notice of Section 527 Status, and Forms 8872, Political Organization Report of Contributions and Expenditures, (forms created as a result of the Law) available for public inspection.
- (2) In addition, the IRS must furnish, upon request, a statement indicating the subsection and paragraph of IRC 501 which describes the exempt organization or trust. However, the disclosure of certain information relating to trade secrets, patents, processes, style of work or apparatus of an organization, or national defense information may be restricted. Refer to IRM 11.3.9,, Exempt Organizations, for a description of the documents available for disclosure and further explanation of disclosure limitations.
- (3) IRC 6104(d) requires that certain annual returns, reports, applications for exemption, and notices of status be available for public inspection. Generally, the exempt organization is responsible for making these documents available for public inspection at its principal office and local or field offices having three (3) or more employees.
- (4) The organization need not disclose any portion of an application relating to trade secrets, national defense, etc., which also would not be disclosed by the IRS. Withholding of this information is made upon determination by the IRS based on request by the organization.
- (5) The public disclosure rules apply both to information submitted that is required by the forms and to information submitted voluntarily.

Note: If identity theft is suspected or reported, refer to IRM 25.23.11, Business Master File (BMF) Identity Theft Procedures for Accounts Management.

- (6) Requests for approved applications or letters must be made in writing on Form 4506-B, Request for a Copy of Exempt Organization IRS Application or Letter. All inquiries or Forms 4506-B received in EO Accounts must be routed to the TEGE Adjustment Unit, P.O. Box 2508, Room 4024, Cincinnati, OH 45201. Refer to IRM 11.3.9, Exempt Organizations, for additional disclosure information.
- (7) Correspondence from persons unable to obtain a copy of a return from the organization should be routed to the appropriate Exam Classification Site. Refer

to IRM 21.7.7.6.15, Routing Exempt Organization Correspondence Issues, for the address.

Note: A redacted copy of the return can also be obtained from *Tax Exempt Organization Search (formerly Select Check)* also known as TEOS. TEOS helps users find information about a tax-exempt organization's federal tax status and filings. TEOS is available on the *Charities and Nonprofits* page found on [irs.gov](https://www.irs.gov).

21.7.7.5.7.1
(01-01-2024)

Commonly Requested Documents

(1) The most commonly requested documents which are made available for public inspection in accordance with IRC 6104(a)(1)(A) and IRC 6104(b) are:

- Form 990, Return of Organization Exempt from Income Tax and all related schedules
- Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, and attachments required to be filed with the Service. For organizations (other than a Section 527 with periods beginning after 6-30-2000).
- Schedule A, Organization Exempt Under 501(c)(3)
- Schedule B, Schedule of Contributors

Note: Except for private foundations and 527 political organizations, any **Names and addresses of contributors must not be disclosed**. Amounts of contributions may be disclosed but only if amount could not reasonably be expected to identify a contributor.

- Form 990-PF, Return of Private Foundation
- Form 990-T, Exempt Organizations Business Income Tax Return, (501(c)(3) organizations filed after August 17, 2006)
- Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, and supporting documents.
- Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.
- Form 1024, Application for Recognition of Exemption Under Section 501(a), and supporting documents
- Form 1024-A, Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code, and supporting documents.

Note: Denied applications are available, in redacted form, pursuant to section 6110.

- Form 1041-A, U.S. Information Return-Trust Accumulation of Charitable Amounts
- Form 5227, Split-Interest Trust Information Return
- Form 1065, U.S. Return of Partnership Income, if filed by an organization described in IRC Section 501(d) (EO submodule-Subsection 40)

Note: If Schedule K-1 is attached to a Form 1065, redact everything except the title of the schedule.

- Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code, if filed by a private foundation (Form 4720 filed by individuals are not subject to disclosure provisions of IRC 6104).
- Form 5578, Annual Certification of Racial Nondiscrimination for a Private School Exempt from Federal Income Tax
- Form 8871, Political Organization Notice of Section 527 Status

- Form 8872, Political Organization Report of Contributions and Expenditures
 - Form 8453-X, Political Organization Declaration for Electronic Filing of Notice of Section 527 Status
- (2) Certain information in returns otherwise open to public inspection must be withheld by IRS from public inspection (and need not be disclosed by the exempt organization):
- Schedule B, except for contributors to private foundations and 527 political organizations, any names and addresses of contributors must not be disclosed and the amount of contributions is disclosed but only if amount could not reasonably be expected to identify a contributor.
 - Schedules K-1 filed by 501(d) organizations
 - Schedule A of Form 990-BL, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons
 - For returns for tax years beginning on or after Jan. 1, 2007, information regarding non-charitable beneficiaries in Form 5227.

21.7.7.5.7.2
(01-01-2022)
**Public Inspection of
Form 990-PF**

- (1) Private Foundations must provide copies of the approved applications for exemption and their three (3) most recent Form 990-PF returns to anyone who requests them:
- Immediately, if the request is made in person.
 - Within 30 days if the request is made in writing.
 - By making the document widely available via the Internet.

Note: The organization must comply with requests for inspection made in person, even if the documents are made widely available.

- (2) Organizations may apply to be excused from fulfilling the requirements if they can prove that requests for their materials are part of a harassment campaign.

21.7.7.5.7.3
(01-01-2022)
**Penalty for Failure to
Comply with the Public
Inspection**

- (1) If an organization fails to comply with the public inspection requirement by the date and in the manner prescribed under IRC 6104(d), a penalty of \$20 a day may be imposed on any person with a duty to comply for each day the failure continues.
- (2) The maximum penalty on all persons for any one return is \$10,000.

21.7.7.5.7.4
(01-01-2024)
**Requests for Copies of
Returns and Exemption
Applications**

- (1) To request a copy of an exempt or political organization return, report, notice or approved exemption application from the IRS, the requestor may submit a complete Form 4506-A, Request for a Copy of Exempt or Political Organization IRS Form.
- (2) Use the following chart to determine where to submit the written request or Form 4506-A.

If Taxpayer wants	Then submit Form 4506-A with the
a copy of an exemption letter or application,	Internal Revenue Service TE/GE Adjustments Unit P.O. Box 2508, Room 4024 Cincinnati, OH 45201 EEFax 855-204-6185
a copy of a return, report or notice,	Internal Revenue Service RAIVS Unit MS: 6716 Ogden, UT 84201 EEFax 855-653-9144

- (3) The request should indicate the type of return and the year(s) involved, if applicable. Charges for copies can be found in IRM 3.20.13, Exempt Organizations Photocopy Procedures.

- (4) If an exempt organization requests an “**unredacted**” copy of its own return under IRC 6103, then a Form 4506, Request for Copy of Tax Return, must be completed and submitted to the address shown below. The fee shown on Form 4506 must be pre-paid.

Internal Revenue Service
RAIVS Team
P.O. Box 9941
Mail Stop 6734
Ogden, UT 84409

- (5) Route all Form 4506-A requests received in EO Accounts to OSPC, EO Photocopy Unit, MS: 6716.

- (6) Form 4506-B or requests for copies of exemption letters or applications only are sent to the address shown below or faxed to 855-204-6185.

TE/GE Adjustments Unit
P.O. Box 2508 Room: 4024
Cincinnati, OH 45201

21.7.7.5.7.5 (01-01-2024) Bulk Requests

- (1) Electronic copies (images) of certain exempt organization returns filed with the Internal Revenue Service are no longer available, in USB formats. A bulk download of the images and machine readable data is available on TEOS.

Exception: Form 5227 isn’t available on TEOS

- (2) The bulk download is available at no cost.
- (3) Refer to IRM 3.20.13, Exempt Organizations Photocopy Procedures, for a complete listing of what returns are available, formats and the related charge for other customers.
- (4) Requests for USBs can be submitted on a Form 4506-A, Request for a Copy of Exempt or Political Organization IRS Form; however, RAIVS refers the requester via letter to TEOS. The form can be faxed to the EO Photocopy/RAIVS unit at 855-653-9144 or mailed to the address shown below.

Internal Revenue Service
RAIVS Unit MS: 6716
Ogden, UT, 84201

- (5) Additional information regarding bulk downloads can be found at www.irs.gov/charities.

Note: Returns imaged in 2017 and subsequent are available for bulk download on the Tax-Exempt Organization Search (TEOS) tool. For years 2017 and subsequent, taxpayers will be referred to TEOS and their payment will be refunded. USBs will only be sent for years 2015-2016 if available.

21.7.7.5.8
(01-01-2024)
Imaging Background

- (1) The Ogden Submission Processing Campus (OSPC) began the Imaging process in July 1998. It replaced the aperture card (microfiche) process for Form 990-PF. The Imaging process scans returns and attachments on high-speed scanners to produce images for Online SEIN and the public. The Internal Revenue Service sells USBs with images of all Form 990-PF, Form 990 and Form 990-EZ returns to various watch dog groups including The Foundation Center, The Urban Institute and other entities throughout the country. These various groups provide comprehensive information on a foundation's grant making interests, limitations, application procedures and funding patterns. Additionally, many grant seekers use this information for research.
- (2) The following is a list of forms that are currently imaged:
- Form 990
 - Form 990-EZ
 - Form 990-PF
 - Form 990-T
 - Form 5227
 - Form 4720
- (3) All EO returns and related schedules referenced above are imaged "as filed." In January 2018 the Imaging process was moved to the end of the pipeline process. The Imaging Unit scans the returns after they are processed through ISRP and ERS. All returns processed through the imaging system will have a "filmed" or "scanned" stamp and date in the left-hand margin on the first page of the return. If the return or related schedules aren't stamped and dated, they need to be identified for scanning using the procedures in following section.

21.7.7.5.8.1
(01-01-2022)
Imaging Refilm Procedures

- (1) When additional information is received from an organization (i.e., missing forms, schedules, missing signature) the tax examiner must determine what information needs to be scanned. Refer to the following procedures when additional items need to be scanned.

Note: These procedures are for paper filed or CIS returns.

- a. Photocopy the document(s) to be imaged. **Don't write on the documents to be imaged.**
- b. Attach a modified print of BRTVU to the front of the information to be scanned. The BRTVU print must be thoroughly edited and contain only the EIN, tax period, subsection code, form type (F990, 990-EZ, etc., not just the MFT) and entity information of the original filed return.

Reminder: The subsection code is located in the EO section on BMFOLO, ENMOD or INOLES and must be manually entered on the print.

- c. Place the refilm items in a separate folder behind the brown gusset folder containing the current day's closures.

Caution: Don't write or include a CIS stamp on the documents to be imaged.

- (2) The photocopied information is treated as classified waste and destroyed after the Imaging Unit has scanned the photocopied item(s).

Note: Re-scan documents must be routed to the Imaging unit on a daily basis regardless of the volume.

- (3) The following is a list of items that may require scanning:
 - The entire original return if the lower left-hand margin of the first page of the return has not been stamped "**SCANNED**" by the Imaging Unit.
 - The entire amended return, if the left-hand margin of the first page on the return has not been stamped "**SCANNED**" by the Imaging Unit.
 - All forms/attachments submitted by the organization in response to IRS correspondence for **FORM(S)/ATTACHMENT(S) LEFT OFF** the return as it was originally filed.

(4)

If	Then	Route to
The original or amended return has not been processed (No DLN on return),	Attach Form 12634, OIRSC Campus Document Transmittal (green routing slip), and annotate in the remarks area "Process as original return" Note: Per TFA 2020, 2021 and 2022 returns are required to be efiled.	Batching - MS: 6054
The original or amended return was processed (A DLN is on the return and the return or amended return is on IDRS. Having a DLN on the return, doesn't always indicate it's been processed), but the return has not been stamped "scanned",	1) Take the appropriate adjustment action on the module and close the control base. 2) Attach Form 12634, OIRSC Campus Document Transmittal (green routing slip), and annotate in the remarks area "Original/amended return not scanned. Route to Files after imaged."	Imaging Unit - MS: 6058
A copy of an original or amended return is received with additional missing information (i.e., forms, schedules, signature, etc.),	Follow procedures outlined above for original or amended returns.	Imaging Unit - MS: 6058

Reminder: When additional information (missing schedules/forms, signature) is attached to a copy of the original or amended return, only the missing information is to be scanned.

- (5) MeF returns are extracted and imaged by SOI and no longer require special handling. MeF returns are available for viewing on either the Employee User Portal (EUP) or the Statistics of Income Exempt Organizations Return Image Net (-SEIN Research). SEIN Research is a system that allows viewing of an unredacted image of an EO return.

21.7.7.5.9
(01-01-2022)
Section 527 Political Organizations

- (1) A political organization subject to IRC 527 is a party, committee, association, fund (including a separate segregated fund described in IRC 527(f)(3)) or other organization (whether or not incorporated) organized and operated primarily for the purpose of directly or indirectly accepting contributions or making expenditures (or both) for an exempt function.

- (2) The exempt function of a political organization is influencing or attempting to influence the selection, nomination, election or appointment of an individual to any public office or office in a political organization, or the election of the Presidential or Vice Presidential electors.
- (3) A political organization must be organized for the primary purpose of carrying on exempt function activities. A political organization does not need to be formally chartered or established as a corporation, trust, or association. A separate bank account in which political campaign funds are deposited and disbursed only for political campaign expenses can qualify as a political organization. When there are no formal organizational documents, consideration is given to statements of the members of the organization at the time of its formation that they intend to operate the organization primarily to carry on exempt function activities. A political organization may engage in activities that are not exempt function activities, but these may not be its primary activities.
- (4) Political organizations include principal campaign committees, newsletter funds, and certain separate segregated funds maintained by tax-exempt organizations.
- (5) A principal campaign committee is the political committee designated by a candidate for U.S. Congress as his or her principal campaign committee for purposes of IRC 302(e) of the Federal Election Campaign Act of 1971 and IRC 527(h).
- (6) Political organizations that have tax-exempt status under IRC 527 of the Internal Revenue Code (unless exempted from filing) must file some or all of the forms listed as a condition of tax-exempt status:
 - Form 8871, Political Organization Notice of Section 527 Status,
 - Form 8872, Political Organization Report of Contributions and Expenditures,
 - Form 8453-X, Political Organization Declaration for Electronic Filing of Notice of Section 527 Status,
 - Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations,
 - Form 990, Return of Organization Exempt From Income Tax
 - Form 990-EZ, Short Form Return of Organization Exempt From Income Tax.
- (7) A state or local organization may be considered a Qualified State or Local Political Organization (QSLPO), if it meets the following criteria:
 - All of its political activities relate solely to state or local public office (or office in a state or local political organization);
 - It is subject to state law that requires it to report (and it does report) to a state agency information about contributions and expenditures that is similar to the information that the organization would otherwise be required to report to the IRS;
 - The state agency and the organization make the reports publicly available;
 - No federal candidate or office holder controls it or materially participates in its direction, solicits contributions for it, or directs any of its disbursements.

For additional information, refer to IRC 527(e)(5) and Rev. Rul. 2003-49, 2003-20 I.R.B. 903.

- (8) Federal tax law divides political organizations into several different categories, and provides different filing requirements for each category as shown in the table below:

Filing Categories	
Category	Organization Type
Federal Organizations	<ul style="list-style-type: none"> FEC political committee - A political organization (including federal candidate committees, political party committees and PACs) required to report as a political committee under the Federal Election Campaign Act. Other federal political organizations - A political organization that attempts to influence federal elections and isn't required to report as a political committee under the Federal Election Campaign Act.
State and Local Organizations	<ul style="list-style-type: none"> Candidate Committee - A campaign committee of a state or local candidate. Party Committee - A state or local committee of a political party. Qualified State or Local Political Organization (QSLPO) – (See list of criteria above).

21.7.7.5.9.1
(01-01-2024)
Filing Requirements
General Information

- (1) A political organization must have its own employer identification number (EIN), even if it does not have any employees. To get an EIN, an organization must file Form SS-4, Application for Employer Identification Number. See Form SS-4 instructions for more information.
- (2) Additionally, many political organizations must electronically file their periodic reports. In order to electronically file these reports, an organization needs the user name and password issued to it after filing its initial notice. If the user name and password are forgotten or misplaced, the political organization can fax or send a letter requesting a new user name and password to:
- Internal Revenue Service
Attn: Request for 8872 Password
M/S: 6273
Ogden, UT 84201
EEFax 855-214-7520
- (3) The filing requirements in the table below apply to those political organizations that wish to be a tax-exempt political organization and that receive or expect to receive \$25,000 or more in gross receipts in any taxable year.

If the Organization is a	It May Be Required to File
FEC political committee, State or local candidate committee or State or local committee of a political party,	Form 1120-POL
Qualified state or local political organization (QSLPO)*,	Form 8871; Form 1120-POL; and Form 990
Caucus or association of state or local officials*,	Form 8871; Form 8872; and Form 1120-POL
Any other political organization, including other state or local political organizations,	Form 8871; Form 8872; Form 1120-POL; Form 990 or Form 990-EZ

* An organization may be both a QSLPO and a caucus or association of state or local officials. If so, it isn't required to file Form 8872 and Form 990.

(4) If the organization is:

- A political organization that isn't tax-exempt, or
- A tax-exempt political organization that does not have gross receipts of at least \$25,000,

Form 1120-POL must be filed if there is taxable income (after taking the \$100 specific deduction) for any taxable year.

(5) To be tax-exempt, certain political organizations must file Form 8871 within 24 hours of establishment and within 30 days of any material change. Both Form 8871 and Form 8872 must be filed electronically.

21.7.7.5.9.1.1
(01-01-2022)
Initial Notice, Periodic Reports, Annual Income Tax and Information Returns

(1) Political parties, campaign committees for candidates for federal, state or local office, and political action committees (PACs) are all political organizations subject to tax under IRC 527. IRC 527 organizations, unless excepted, are generally required to file one or more of the following:

- An Initial Notice
- Periodic reports on contributions and expenditures
- Annual income tax returns
- Annual information returns

21.7.7.5.9.1.1.1
(10-19-2022)
Initial Notice

(1) To be tax-exempt, a political organization is required to notify the IRS electronically that the organization is to be treated as a IRC 527 organization. It must also notify the IRS within 30 days of any material change, including termination, to maintain its tax-exempt status.

- (2) To notify the IRS, the organization must file Form 8871. To complete the electronic filing, the political organization must print the electronically submitted Form 8453-X, Political Organization Declaration for Electronic Filing of Notice of Section 527 Status, sign it, and mail the "Declaration of Electronic Filing" to:
- Department of the Treasury
Internal Revenue Service
Ogden, UT 84201
- (3) The following political organizations are not required to report Form 8871:
- Any person required to report to the FEC;
 - Any political committees of a state or local candidate;
 - Any state or local committee of a political party;
 - Any organization reasonably anticipating that its gross receipts will always be less than \$25,000 for any taxable year; and
 - Any organization described in IRC 501(c) that is subject to IRC 527(f)(1) because it has made an "exempt function" expenditure.

21.7.7.5.9.1.1.2
(01-01-2022)
Periodic Reports

- (1) Unless excepted, tax-exempt political organizations are required to file periodic reports with the IRS. Political organizations are excepted from filing these periodic reports (Form 8872) if they are not required to file Form 8871 (including organizations required to report as political committees with the FEC) or are qualified state and local political organizations.
- (2) All other political organizations are required to file Form 8872 to report the names, addresses, and (if an individual) the occupation and employer of any person to whom **expenditures** are made that aggregate \$500 or more in a calendar year and the amount, date and purpose of each expenditure. The report must also include the name, address, and (if an individual) the occupation and employer of any person who **contributes** a total of \$200 or more in a calendar year, and the amount and date of each contribution. Expenditures made or contributions received after July 1, 2000, must be reported, except for those made or received pursuant to binding contracts entered into before July 2, 2000.
- (3) Form 8872, must be filed electronically for periods after 2019. Prior to this, an organization was required to file Form 8872 electronically if it had, or expected to have, contributions or expenditures of more than \$50,000 during the calendar year.

21.7.7.5.9.1.1.3
(01-01-2022)
Annual Income Tax Returns

- (1) Political organizations with taxable income, after taking the \$100 specific deduction, must file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations.

21.7.7.5.9.1.1.4
(01-01-2022)
Annual Information Returns

- (1) Tax-exempt political organizations with gross receipts of \$25,000 or more, are required to file Form 990. Certain small political organizations may file Form 990-EZ instead. Political organizations that receive contributions of \$5,000 or more from any one contributor will be required to include Form 990, Schedule B with their return.
- (2) Qualified state and local political organizations are only required to file Form 990 if they have gross receipts of \$100,000.

- (3) A tax-exempt political organization isn't required to file Form 990 if it is:
- Not required to file Form 8871 (including an organization required to file as a political committee with the FEC) or
 - A caucus or association of state or local officials.
- (4) All of these notices, reports, and returns (except for Form 1120-POL) are to be made publicly available by the IRS and by the organization. Penalties are provided for failure to comply with these requirements.
- (5) The filing requirements in the table below apply to those political organizations that:
- Wish to be exempt from federal income tax provisions, and
 - Receive or expect to receive \$25,000 or more in gross receipts in any taxable year.

Form	When Filed	Exceptions to Filing Requirement
Form 8871	Within 24 hours of establishment or within 30 days of any material change, including termination	<ul style="list-style-type: none"> • Organization that does not seek tax-exempt status; • IRC 527 Political committee required to report to the FEC; • Campaign committee of state and local candidates; • State or local committee of political parties; and • Organization that reasonably expects annual gross receipts to always be less than \$25,000.
Form 8872	At organization's option, quarterly/semiannually or monthly, on same basis for entire calendar year (see form instructions for detailed information)	<ul style="list-style-type: none"> • Any organization excepted from Form 8871 filing requirement (see above); and • Qualified state or local political organization (QSLPO).
Form 1120-POL	Due the 15th day of the 3rd month after the close of the taxable year	<ul style="list-style-type: none"> • Organization with no political organization taxable income after taking the \$100 specific deduction.
Form 990 or Form 990-EZ	Due the 15th day of the 5th month after the close of the taxable year	<ul style="list-style-type: none"> • Any organization excepted from Form 8871 (see above); and • Caucus or association of state or local officials

21.7.7.5.9.1.2
(01-01-2022)
Section 527 Disclosure Requirements

- (1) Tax exempt IRC 527 organizations must make their forms (other than Form 1120-POL) publicly available for inspection and copying at their principal place of business. The IRS also posts Form 8871 and Form 8872 on its web site at: <https://www.irs.gov/charities-and-nonprofits>, Charities and Nonprofits.

21.7.7.5.10
(11-12-2021)
EO Command Codes

- (1) CC BMFOL with definer "O" displays the Exempt Organization data for a specific EIN. Available information includes Group Exemption Number (GEN), Area Office (AO), current and prior status, and filing requirements.
- (2) Use CC EOGEN to locate the EIN of a central, group, or subordinate organization. EOGEN does not provide full entity information for subordinates. CC EOGEN requests group ruling information for an exempt organization - both central organizations and subordinates. The GEN is a four digit number located in the EO Entity section of an account which can be accessed by using CC ENMOD, INOLES, or BMFOLO. CC EOGEN with definers "P" and "S" are explained below:
- Definer "P" provides the central organization information.
 - Definer "S" provides the subordinates listing. This is limited to 30 pages, with 20 subordinates per page. To narrow the search for subordinates, enter the two character state abbreviation code.
 - IRM 2.3.47,, Command Codes INOLE, EOGEN, and SPARQ, contains the format for input of CC EOGEN.

21.7.7.5.11
(11-12-2021)
Undeliverable CP 120A, 152 or 299

- (1) If undeliverable notices CP 120A, 152 or 299 are received in Accounts Management, destroy the notices per local procedures without conducting any research for another address.

21.7.7.5.12
(10-19-2022)
List of EO and GE Forms

- (1) The following is a list of EO and GE forms:
- **Form 990**, Return of Organization Exempt From Income Tax Under Section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)
 - **Form 990-EZ**, Short Form Return of Organization Exempt From Income Tax Under Section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)
 - **Form 990-T**, Exempt Organization Business Income Tax Return (and proxy tax under Section 6033(e))
 - **Form 990-PF**, Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation
 - **Form 990-BL**, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons
 - **Form 990-N**, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required To File Form 990 or 990-EZ
 - **Form 990-W**, Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations (and on Investment Income for Private Foundations)
 - **Form 1120-POL**, U.S. Income Tax Return for Certain Political Organizations
 - **Form 1041-A**, U.S. Information Return Trust Accumulation of Charitable Amounts
 - **Form 4720**, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code

- **Form 5227**, Split-Interest Trust Information Return
- **Form 5578**, Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax
- **Form 5768**, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation (Under Section 501(h) of the Internal Revenue Code)
- **Form 6069**, Return of Certain Excise Taxes on Mine Operators, Black Lung Trusts, and Other Persons Under Sections 4951, 4952, and 4953
- **Form 7004**, Application for Automatic Extension of Time To File Certain Business Income Tax, Information and Other Returns (for extending Form 1120-POL and Form 1065 in the case of 501(d) organizations)
- **Form 8282**, Donee Information Return (Sale, Exchange, or Other Disposition of Donated Property)
- **Form 8453-TE**, Tax Exempt Entity Declaration and Signature for Electronic Filing
- **Form 8453-X**, Political Organization Declaration for Electronic Filing of Notice of Section 527 Status
- **Form 8868**, Application for Automatic Extension of Time To File an Exempt Organization Return
- **Form 8886-T**, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction
- **Form 8870**, Information Return for Transfers Associated With Certain Personal Benefit Contracts (Under section 170(f)(10))
- **Form 8871**, Political Organization Notice of Section 527 Status
- **Form 8872**, Political Organization Report of Contributions and Expenditures
- **Form 8879-EO**, IRS e-file Signature Authorization for an Exempt Organization
- **Form 8899**, Notice of Income from Donated Intellectual Property
- **Form 8038 series**, Tax Exempt Bonds (Refer to IRM 21.7.7.7, Tax Exempt and Tax Credit Bonds (TEB) Background, for detailed information regarding TEBs.)
- **Form 8328**, Carryforward Election of Unused Private Activity Bond Volume Cap

Note: All references to Form 990 (unless otherwise noted) also apply to Form 990-EZ. Form 990-EZ is designed for use by smaller tax exempt organizations and nonexempt charitable trusts having gross receipts of less than \$200,000 during the year and total assets at the end of the year less than \$500,000. See IRM 21.7.7.6.1, Form 990, Return of Organization Exempt From Income Tax, Form 990-EZ, Short Form Return of Organization Exempt From Income Tax and Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required To File Form 990 or 990-EZ, for additional information.

21.7.7.5.13
(11-12-2021)
Due Dates

- (1) The table below shows the form type, MFT, taxability, and due dates for various EO returns.

Form, MFT, Taxability and Due Date			
Form	MFT	Taxable or Non-taxable	Due Date
Form 990 or Form 990-EZ	67	NON	15th day of 5th month.
Form 990-PF	44	TAX	15th day of 5th month.
Form 990-T	34	TAX	* See note below
Form 5227	37	NON	15th day of 4th month.
Form 4720	50	TAX	*See note below
Form 1041-A	36	NON	15th day of 4th month.
Form 1120-POL	02	TAX	15th day of 4th month.
Form 8453-X	00	NON	*See note below
Form 8871	47	NON	Due within 24 hours of the date on which the organization was established
Form 8872	49	NON	* See Note below

Note: Form 990-T – Type of Org. Code 3: Due 15th day of 4th month. (IRC 401(a), IRC 408(a), and IRC 220(d) Trusts)
Type of Org. Codes 1, 2, 4 and 5: Due 15th day of the 5th month (Corporations & Exempt Trusts).

The computer uses the type of organization code shown on BRTVU to determine the return due date. Don't use the organization code shown on ENMOD or BMFOLO when determining the return due date for Form 990-T.

Note: Form 4720, if filed with a Form 990, Form 990-EZ, Form 990-PF or Form 5227 filer, has the same due date as the related Form 990, Form 990-EZ, Form 990-PF or Form 5227.

Note: Form 8872, due dates vary depending on whether the form is due for a reporting period that occurs during a calendar year in which a regularly scheduled election was held or any other calendar year. During an election year, the reports may be filed on either a quarterly or a monthly basis. They are also due shortly before and after the primary and general elections. During a non-election year, the reports may be filed on either a semiannual or monthly basis; but in either case, they must be filed on the same basis for the entire calendar year.

Note: Form 8453-X, automatically appears on the filer's computer screen once Form 8871 is submitted electronically for the new political organization to complete. The organization must print the form, sign it, and mail it to the Ogden Campus. In doing so, the electronic filing of Form 8871 is authenticated.

Reminder: Notice 2020-23 extended the due date for filing 2019 tax returns and payments, as well as the first two 2020 estimated tax payments to Wednesday, July 15, 2020 (extension only applies to those who had original filing due date or an extended due date between April 1, 2020 through July 15, 2020).

(2) The table below shows the due dates for both fiscal and calendar year filers:

EO Fiscal and Calendar Year Due Dates				
FY	Form 4720 & Form 990-T DUE DATE	Form 990-T, Form 990-PF, Form 4720, Form 990, Form 990-EZ or Form 990-N DUE DATE	Form 1041-A & Form 5227 DUE DATE (See "Note" below)	Form 1120-POL DUE DATE
01	05/15	06/15	*	05/15
02	06/15	07/15	*	06/15
03	07/15	08/15	*	07/15
04	08/15	09/15	*	08/15
05	09/15	10/15	*	09/15
06	10/15	11/15	*	09/15
07	11/15	12/15	*	11/15
08	12/15	01/15	*	12/15
09	01/15	02/15	*	01/15
10	02/15	03/15	*	02/15
11	03/15	04/15	*	03/15
12	04/15	05/15	04/15	04/15

Note: Form 5227 and Form 1041-A are due on or before April 15 following the close of the calendar year.

Reminder: Notice 2020-23 extended the due date for filing 2019 tax returns and payments, as well as the first two 2020 estimated tax payments to Wednesday, July 15, 2020.

21.7.7.5.14
(10-19-2022)
**Modernized Electronic
Filing (MeF)**

- (1) The following exempt organization returns can be filed electronically through an approved IRS 990 e-file provider:
- Form 990, Return of Organization Exempt From Income Tax
 - Form 990-EZ, Short Form Return of Organization Exempt From Income Tax
 - Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation
 - Form 990-T, Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))
 - Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code
 - Form 5227, Split-Interest Trust Information Return.
 - Form 8868, Application for Automatic Extension of Time To File an Exempt Organization Return
 - Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations
 - Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns

Note: Many states also allow exempt organizations to file their returns with them through this program.

Exception: Organizations may submit their Form 990-N directly via the IRS website and do not need to go through an e-file provider unless they are submitting the form for a previous period.

- (2) The Taxpayer First Act (TFA), enacted July 1, 2019, requires tax exempt organizations to file information returns and related forms electronically. The new law affects tax exempt organizations in tax years beginning after July 1, 2019. The following IRS forms are included in the mandate:
- Form 990
 - Form 990-EZ
 - Form 990-PF
 - Form 990-T
 - Form 4720
 - Form 1065, U.S. Return of Partnership Income (if filed by an IRC 501(d) apostolic organization)

Note: The TFA also requires Form 8872, Political Organization Report of Contributions and Expenditures, to be filed electronically for periods after 2019.

- (3) For small exempt organizations, the TFA specifically allowed a postponement of the requirement to file electronically ("transitional relief"). For tax years ending before July 31, 2021, the IRS will accept either paper or electronic filing of Form 990-EZ. For tax years ending July 31, 2021, and later, Form 990-EZ MUST be filed electronically.

- (4) Forms 990, Return of Organization Exempt from Income Tax, and 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation, for tax years ending July 31, 2020 and later MUST be filed electronically.

Note: Required e-filing of Forms 990 and 990-PF for certain large tax exempt organizations for tax years beginning before July 1, 2019, For tax years ending on or after December 31, 2006, exempt organizations with \$10 million or more in total assets may be required to e-file if the organization files at least 250 returns in a calendar year, including income, excise, employment tax and information returns. Private foundations and non-exempt charitable trusts are required to file Forms 990-PF electronically regardless of their asset size, if they file at least 250 returns annually. The electronic filing requirement does not apply to Form 8868.

- (5) Form 990-T, Exempt Organization Business Income Tax Return, for tax years ending December 2020 and later with a due date on or after April 15, 2021, MUST be filed electronically and not on paper. A limited exception applies for 2020 Form 990-T returns submitted on paper that bear a postmark date on or before March 15, 2021.
- (6) Private Foundations must electronically file Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code, as required by Section 3101 of the Taxpayer First Act of 2019.
- (7) Updated information about which forms, tax years, attachments, and schedules are acceptable for (and those excluded from) e-filing can be found in Publication 4164, Modernized e-File (MeF) Guide for Software Developers and Transmitters, and on the IRS website under the “General Information” heading on the page titled *Modernized e-File (MeF) User Guides and Publications*.

Note: This publication is only available online.

- (8) Current approved IRS e-file providers are listed on www.irs.gov. Advise callers to search for “exempt organization MeF providers.”
- (9) A Web page on irs.gov provides transmitters with updated operational status information for MeF users. The page provides updates when there is a change that impacts transmitters for more than an hour during peak. Information on the normal maintenance window is also available on this page. Transmitters who encounter problems can check the Web status by typing “e-file status” in the search window.

21.7.7.5.14.1
(11-12-2021)
MeF Waivers

- (1) While all charities and non-profits were encouraged to take advantage of the many benefits of electronic filing before the enactment of the TFA, certain exempt organizations were already required to file their annual information return electronically. For tax years ending on or after December 31, 2006, exempt organizations with \$10 million or more in total assets were required to file their return electronically if they also filed at least 250 returns in a calendar year, including income, excise, employment tax, and information returns, e.g., Form 941, Form W-2, Form 1098.

Note: For any fiscal period for which an organization is *required* to file its return electronically, the filing requirement is not satisfied by the posting of a paper return, which is not considered a valid return for that period. Electronically-

filed EO returns can be identified by **DLNs that begin with 93/92/88**. Be sure to check the DLN of posted returns before telling an organization with an electronic filing requirement that its filing requirement has been satisfied. See paragraph 14 below if the caller indicates his/her organization received a letter informing them they were required to file their return electronically.

- (2) Prior to the enactment of the TFA, private foundations and nonexempt charitable trusts that are treated as private foundations were required to file the Form 990-PF electronically, *regardless of their assets*, if they filed at least 250 returns annually.

Note: For any fiscal period for which an organization is *required* to file its return electronically, the filing requirement is not satisfied by the posting of a paper return, which is not considered a valid return for that period. Electronically-filed EO returns can be identified by **DLNs that begin with 93/92/88**. Be sure to check the DLN of posted returns before telling an organization with an electronic filing requirement that its filing requirement has been satisfied. See paragraph 14 below if the caller indicates his/her organization received a letter informing them they were required to file their return electronically.

- (3) Notice 2010-13 established criteria under which exempt organizations can request a waiver from the electronic filing requirement:
- Where the exempt organization cannot meet electronic filing requirements due to technology constraints; or
 - Where compliance with the requirements would result in undue financial burden on the filer.
- (4) Waiver requests are processed by the Ogden Campus:

Internal Revenue Service
Ogden Submission Processing Center
Attn: Forms 1120 and 990 e-file Waiver Request, Stop 1057
Ogden, UT 84201

Fax number 877-477-0575

Private Delivery Service

Internal Revenue Service
Ogden Submission Processing Center
Attn: Forms 1120 and 990 e-file Waiver Request, Stop 1057
1973 N. Rulon White Blvd
Ogden, UT 84404

Organizations that request a waiver of the requirement to file their returns electronically will receive Letter 4069C from the e-Help Desk informing them whether their request was granted or not. If the request is denied, the letter will explain why. If the request is granted, the approval applies only to the tax period requested in the waiver.

- (5) A TC 971 Action Code indicates whether the waiver request was approved (AC 322) or denied (AC 323). The code will be displayed on CC TXMOD and CC BMFOLT for the period for which the waiver was requested.

21.7.7.5.14.2
(01-01-2024)

MeF Rejected Returns

- (1) If an organization attempts to file a return electronically and is unable to do so, the electronic return originator (ERO) will receive notification from the Service that the return was not accepted for processing. The ERO is required to inform the filer of the reject within 24 hours, provide the filer with an explanation of why the return was not accepted through the electronic system, and inform him/her a paper return must be filed.
- (2) A paper return received after the return due date will not be processed or considered timely filed; update the account, as necessary, so filer can file electronically; return the paper return to the filer informing them they need to file electronically. Per the Taxpayer first Act All returns filed for 2020, 2021, 2022 and subsequent have been mandated to file efile and should be sent back to the filer. EUP should be used to determine if these returns were timely filed, not a mail receipt.

Exception: If “reinstatement of revocation” is written across the top and/or on an attachment and the return is complete, these returns should be sent to be processed and not sent back to the filer.

21.7.7.6
(11-12-2021)

Exempt Organization Procedures

- (1) Refer to the following procedures for resolving exempt organization account related inquiries, claims, amended returns or correspondence issues.
- (2) If a former officer or other third party informs us they are no longer part of or authorized to act for the organization, but continues to receive correspondence:
 - Follow the instructions in IRM 3.13.2.4.6, Change of Address, paragraph 11.

Exception: If a third party supplies a new address but is not authorized to act for the taxpayer, input TC 593/closing 082 and send correspondence to the taxpayer (using the address provided by the third party), requesting completion of Form 8822-B.

 - Send Letter 0096c if a response to the Letter 2645c is required.

21.7.7.6.1
(11-12-2021)

Form 990, Return of Organization Exempt From Income Tax, Form 990-EZ, Short Form Return of Organization Exempt From Income Tax and Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required To File Form 990 or 990-EZ

- (1) Form 990 and Form 990-EZ are used by tax-exempt organizations, nonexempt charitable trusts, and IRC 527 political organizations to provide the IRS with the information required by IRC 6033.
- (2) The MFT for Form 990 and Form 990-EZ is 67, tax class “4” and the return is due the 15th day of the 5th month after the tax year end. Form 990 Doc Code is 90 and Form 990-EZ Doc Code is 09.
- (3) The Doc Code for Form 990 is “93” and the Form 990-EZ Doc Code is “92”.
- (4) All Forms 990 and Forms 990-EZ, are imaged or scanned.
- (5) Form 990 must be filed by an organization exempt from income tax under section 501(a) (including an organization that hasn’t applied for recognition of exemption) if it has either:
 1. Gross receipts greater than or equal to \$200,000 or

2. Total assets greater than or equal to \$500,000 at the end of the tax year (with exceptions described in the instructions for Form 990 under "Who Must File" and "Section B. Organizations Not Required to File Form 990 or 990-EZ").
- (6) An organization can choose to file Form 990-EZ instead of Form 990 if their gross receipts are less than \$200,000 and total assets at the end of the tax year are less than \$500,000. See the instructions for Form 990 for more information, including special rules regarding controlling organizations under section 512(b)(13) and sponsoring organizations of donor advised funds.
- (7) If an organization normally has gross receipts of \$50,000 or less, it must submit Form 990-N, if it chooses not to file Form 990 or Form 990-EZ. Exceptions to filing Form 990-N are described in the instructions for Form 990 and Form 990-EZ for certain section 509(a)(3) supporting organizations and for certain organizations described in Section B. Organizations Not Required To File Form 990 or 990-EZ of the instructions for Form 990 and the General Instruction B for Form 990-EZ.
- (8) Unless excepted (see table in IRM 21.7.7.5.9.1.1.4, Annual Information Returns), a tax-exempt political organization must file an exempt organization annual information return if it has gross receipts of \$25,000 or more for the taxable year (\$100,000 for QSLPOs). A tax-exempt political organization with gross receipts of less than \$100,000 and assets of less than \$250,000 at the end of the year may file a Form 990-EZ, Short Form Return of Organization Exempt from Income Tax. Otherwise, it files a Form 990, Return of Organization Exempt from Income Tax.

21.7.7.6.1.1
(01-01-2022)
**Form 990 with a Group
Exemption Number
(GEN)**

- (1) Some organizations that file Form 990 receive a group ruling. This type of ruling is identified by a Group Exemption Number (GEN). The central organization of the group ruling is identified by an Affiliation Code (AC) "6" or "8" on CC ENMOD.
- (2) A group return entity has its own EIN, which is a dummy entity used to file the group return. The group return entity is identified by a Form 990 filing requirement of "3" and words "Group Return" added to the organization's name.
- (3) The central organization of the group receives the ruling and members or subordinates of the group are added as the central organization determines their eligibility. Normally subordinate entities and the central organization have the same name, identified by the presence of a chapter name or local number. The subordinate is identified by an Affiliation Code of "7" or "9" on CC ENMOD.

21.7.7.6.1.2
(01-01-2022)
Central Organization

- (1) An organization that has one or more subordinates under its general supervision or control is referred to as a central organization.
- (2) The central organization has a separate EIN and is identified by an Affiliation Code "6" (central organization of a group ruling - not a church) or "8" (central organization of a church).
- (3) A central organization files one Form 990 for itself based on the income and expenses of only the central organization. It may also file a group return that includes all of the income and expenses for its affiliates who elect to be included on a group return.

21.7.7.6.1.3
(11-12-2021)

**Subordinate (Affiliate)
Organization**

- (1) A chapter, local, post, or unit of a central organization is referred to as a subordinate organization.
- (2) A subordinate is identified by an Affiliation Code "7" (intermediate parent - subordinate by state) or "9" (subordinate of a group ruling or group return).
- (3) A subordinate may choose to file as part of a group return or may file a separate return.
- (4) Every year, each subordinate must authorize the central organization in writing to include it in the group return. The group return is filed under the group return's EIN. Any subordinate not filing as part of the group must file a separate return using its own EIN. A group code 8 (entered on the edit sheet) means that only some of the affiliates are included in the group return. A group code 7 means that all of the affiliates are included.
- (5) A TC 590 014 is input on each of the affiliated subordinate's EIN that is included in the group return to prevent a delinquency notice from being issued.

21.7.7.6.1.4
(01-01-2022)

**Gross Receipt
Calculation**

- (1) Gross receipts are figured as outline below:
 - Form 990, Part VIII, Column A - Gross receipts are the total of lines 6b (both columns), 7b (both columns), 8b, 9b, 10b and 12.
 - Form 990-EZ, Part I, lines 5b, 6c, and 7b to line 9.

21.7.7.6.1.5
(11-12-2021)

**U.S. Virgin Islands
Exempt Organization
Penalty Abatement and
Form 990 Processing
Procedures**

- (1) Virgin Islands (VI) EOs must file a timely Form 990 with the Bureau of Internal Revenue (BIR) in the Virgin Islands and the U.S. IRS. In the past, some organizations have sent copies of their return to the Ogden Submission Processing Campus for information purposes only. If the Form 990 was received after the return due date, the organization was assessed a Daily Delinquency Penalty for late filing and a balance due notice was generated to the organization.
- (2) In response to the notice, the OAMC EO Accounts units receive correspondence from the organizations requesting abatement of the penalty. Their request is based on the fact that the organization filed their return timely with the VIBIR and, therefore, are not required to file a return with the United States IRS.
- (3) The VIBIR and IRSA implemented a Memorandum of Understanding (MOU) establishing procedures for processing applications for recognition of exemption from federal income tax under IRC 501. It also gives guidance on filing returns by tax-exempt organizations chartered in the US Virgin Islands (USVI). Under this agreement, organizations have a choice:

If organization	Action
<p>wants actual exemption recognition by the IRS, it can either file its exemption application with:</p> <ul style="list-style-type: none"> • IRS • BIR 	<p>For applications filed with the IRS, send all written correspondence to the organization.</p> <p>If exempted,</p> <ul style="list-style-type: none"> • Send a copy of the exemption determination to the BIR for information. • The organization is responsible for filing the Form 990 with the OSPC and for following all other tax laws applicable to organizations that have been recognized as exempt under IRC 501 of the IRC.
	<p>For applications filed with the BIR, the BIR sends the :</p> <ul style="list-style-type: none"> • exemption application to the IRS (and user fee) for processing as a request for recognition by the IRS with the Form 8821, Tax Information Authorization, completed by the organization authorizing the BIR to receive tax return information related to the exemption application. <p>Note: For applications filed by the BIR with the IRS, the IRS contacts and sends all written correspondence to both the organization and the BIR.</p>

If organization	Action
only needs BIR exemption, not IRS exemption	<p>The BIR sends the appropriate exemption application to the IRS for processing as a request for an information letter about whether the organization is described under a particular tax-exemption section of the IRC.</p> <p>The IRS:</p> <ol style="list-style-type: none"> Corresponds with the BIR if they need additional information. Issues an information letter to the BIR, not the organization, that the organization is described in the applicable Code section. <p>If the organization is described as a tax-exempt organization, it won't:</p> <ul style="list-style-type: none"> Receive an exemption determination. Be listed as an exempt organization in any IRS publication or record. Have any IRS filing requirements.

- (4) Before you abate the delinquency penalty, follow these procedures:
- Research command code BMFOLO and ENMOD to determine the current exempt status of the organization. If the account is in Status 97, see IRM 21.7.7.6.24, Reasonable Cause Background, paragraph 11.
 - If the current status is favorable and the organization states in response to the penalty notice that it is chartered in the USVI and files its 990 returns with the BIR, request the organization to provide the BIR certification of the organization's Form 990 filings. The certification provides a record of the filing history and should include the tax year, type of form filed and date it was filed. The certification must be stamped and signed by a representative of the VIBIR. In addition, the organization is required to submit copies of the Forms 990 filed for the three most recent tax years.
 - Suspend the case for 45 days pending reply from the organization. Contact them either telephone or in writing.
 - If the organization provides the certification and copies of the prior year returns, process the returns as normal. Edit the returns in red and restrict penalty assessment on the prior years by using computer condition codes "R" and "V".
 - Abate the DDP on the current account and issue correspondence for penalty abatement.

Note: If statute periods are involved, follow statute guidelines.

- f. If the organization doesn't submit the information, correspond with them and explain that we won't adjust the penalty at this time because they didn't provide the requested information.
 - g. Give a current balance due and release the STAUP.
 - h. If the BMFOLO research in step a) above shows the organization doesn't have favorable exempt status, contact the Cincinnati TE/GE office at 513-263-3758. They secure a copy of the record and send it to a determination specialist for review. The specialist researches the account and determines if the exemption is still valid. If the organization is determined to be exempt, the specialist updates the EO section of the account to reflect a good status and notifies the EO Accounts tax examiner.
 - i. Proceed as described in steps b) & c) above.
 - j. If a record isn't available, Cincinnati TE/GE calls the EO Accounts tax examiner.
 - k. Refer the case to the Field.
- (5) If you determine the organization meets any of the criteria below, send the case to the Field for review:
- Does not qualify for tax exempt status.
 - Exempt, but fails to provide the certification or file the prior year returns with the US IRS.
 - Is uncooperative in any way in resolving the delinquency penalty issue.
- (6) The above procedures apply to all forms required to be filed by the organization.

21.7.7.6.1.6
(01-01-2022)
American Samoa

- (1) A foreign organization that has U.S. exemption is required to file an annual information return, unless there is a treaty, MOU or a Revenue Procedure (e.g., Revenue Procedure 94-17 or Revenue Procedure 2003-21) that applies. Since US doesn't have any of these treaties with the American Samoa, refer the case to the Field for resolution.

21.7.7.6.2
(01-01-2022)
Form 990-PF, Return of Private Foundation or IRC 4947(a)(1) Nonexempt Charitable Trust Treated as A Private Foundation

- (1) Form 990-PF is an annual information return that must be filed by:
- Exempt private foundations (IRC 6033(a) and(c))
 - Taxable private foundations (IRC 6033(d))
 - Organizations that agree to private foundation status and whose application for exempt status are pending on the due date for filing Form 990-PF
 - Organizations that made an election under IRC 41(e)(6)
 - Organizations that are making an IRC 507 termination prior to the end of the 60 month termination period
 - IRC 4947(a)(1) nonexempt charitable trusts that are treated as private foundations (IRC 6033(d))
- (2) The MFT is 44 and the tax class is "4". The return is due the 15th day of the 5th month after the tax year end. Form 990-PF filers should have a SS 03 with Foundation Code (FC) 02 - 04, or Status Code (SC) 92.
- (3) Form 990-PF is used to:
- Figure the tax based on investment income;
 - Report charitable distributions and activities;

- Serve as a substitute for the IRC 4947(a)(1) nonexempt charitable trust's income tax return, Form 1041, U.S. Income Tax Return for Estates and Trusts, when the trust has no taxable income.
- (4) Private foundations are required to file Form 990-PF regardless of their amount of gross receipts.
 - (5) A private foundation that has disposed of all of its assets and does not terminate its private foundation status must file a Form 990-PF for the taxable year of the disposition.
 - a. They must comply with any expenditure responsibility reporting obligations on that return, but don't have to file returns in the following taxable years they don't have assets or engage in any activities.
 - b. If, in later taxable years, they receive additional assets or resume activities, they must resume filing a Form 990-PF for those taxable years in which it has assets or activities. See Rev. Rul. 2002-28.
 - (6) All Forms 990-PF are imaged or scanned after initial processing of the return.

21.7.7.6.2.1
(01-01-2022)
Definitions

- (1) **A Private Foundation** is a domestic or foreign organization exempt from income tax under IRC 501(a) ; described in IRC 501(c)(3); and is other than an organization described in IRC 509(a)(1), IRC 509(a)(2), IRC 509(a)(3), or IRC 509(a)(4). In general, churches, hospitals, schools, and broadly public supported organizations are excluded from private foundation status by these sections.
- (2) **A Non-Operating Private Foundation** is a private foundation that isn't a private operating foundation.
- (3) **A Nonexempt Charitable Trust** is treated as a private foundation. It is a trust that isn't exempt from tax under IRC 501(a), that has all its unexpired interests devoted to religious, charitable, or other purposes described in IRC 170(c)(2)(B) and that may take a deduction under IRC 4947(a)(1).
- (4) **A Taxable Private Foundation** is an organization that is no longer exempt under IRC 501(a) as an organization described in IRC 501(c)(3). Though it may operate as a taxable entity, it will continue to be treated as a private foundation until that status is terminated under IRC 507.
- (5) **A Private Operating Foundation** is an organization that is described under IRC 4942(j)(3) or IRC 4942(j)(5). It is a private foundation that meets the income test, which means spending at least 85% of its adjusted net income or its minimum investment return, whichever is less, directly on the operations of its exempt activities. Additionally, the foundation must also meet one of the following tests:
 - Assets test
 - Endowment test
 - Support test

Some private foundations qualify as private operating foundations. These are types of private foundations that, although lacking general public support, make qualifying distributions directly for the active conduct of their educational, charitable, or religious purposes, as distinct from merely making grants to other organizations for

these purposes. Most of the restrictions and requirements that apply to private foundations also apply to private operating foundations.

- (6) **Exempt Operating Foundation** is an operating foundation described under IRC 4940(d)(2). The foundation must obtain a letter ruling from the IRS recognizing special status, may not owe any tax and isn't liable for any tax on net investment income on Form 990-PF.

21.7.7.6.2.2
(01-01-2022)
Tax Rates

- (1) A private foundation is subject to different taxes on its investment income under IRC 4940 or 4948 depending on various factors.
- Most private foundations are subject to a 1.39% tax on their investment income under IRC 4940(a) for tax years beginning after December 20, 2019.
 - For tax years beginning on or before December 20, 2019, the excise tax is 2% of net investment income, but can be reduced to 1% in certain cases that meet the requirements of IRC 4940(e).

Note: IRC 4940(e) was repealed December 20, 2019 with Pub.L. 116-94 [HR 1865]. The instructions from (1)(b) through (4) below that relate to the requirements of IRC 4940(e) are valid for tax years beginning on or before December 20, 2019 only.

- Different rules apply to private foundations that meet certain distribution requirements (IRC 4940(e)), taxable private foundations and 4947(a)(1) nonexempt charitable trusts (IRC 4940(b)), exempt operating foundations (IRC 4940(d)), and foreign private foundations (IRC 4948(a)).
 - In addition, private operating foundations are not subject to tax under IRC 4942 for failure to distribute income.
- (2) **Domestic Exempt Private Foundations** are subject to a 1.39% (2% for tax years beginning on or before December 20, 2019) tax on net investment income under IRC 4940(a). However, certain private foundations that meet the requirements of IRC 4940(e) may qualify for a reduced tax of 1% (see Form 990-PF, Part V instructions). To qualify for the 1% tax rate, the private foundation must:
- Be subsection 03
 - Be Foundation Code 03 or 04
 - Not be in its first year of existence
 - Have the box on Part VI, Line 1b checked
 - Have Part V completed: Line 8 must be greater than or equal to Line 7 in order to qualify for the 1% tax rate
 - Be a U.S. domestic organization

The foundation must make a separate computation for each year it wants to qualify for the reduced tax rate of 1%. A private foundation can't qualify under IRC 4940(e) for its first year of existence, nor can a former public charity qualify for the first year it's treated as a private foundation. This is an annual election and the taxpayer must meet the above criteria each year to qualify for the reduced tax rate.

Note: No tax on net investment income is imposed by IRC 4940 on any exempt operating foundations described in IRC 4940(d)(2) for the taxable year.

- (3) **Domestic Taxable Private Foundations and IRC 4947(a)(1) Nonexempt Charitable Trusts** are subject to a modified 1.39% (2% for tax years beginning on or before December 20, 2019) tax rate on net investment income under IRC 4940(b). If they meet the requirements of IRC 4940(e), they may qualify to use a modified 1% tax on net investment income (see Form 990-PF, Part V instructions). Qualifications for the 1.39% (2% for tax years beginning on or before December 20, 2019) tax rate:
- Subsection 03 or 92
 - Foundation Code 03 or 04
 - Must be a U.S. domestic organization
- (4) **POF** – A private foundation may qualify for treatment as a Private Operating Foundation (POF). These foundations generally are still subject to the tax on net investment income and to the other requirements and restrictions that generally apply to private foundation activity. However, operating foundations are not subject to the excise tax on failure to distribute income. POF as described in IRC 4942(j)(3) refers to any private foundation that spends at least 85% of its adjusted net income or its minimum investment return, whichever is less, directly for the active conduct of its exempt activities (the income test), and also meets one of the following tests:
- Assets test
 - Endowment test
 - Support test

Income Test - To qualify as an operating foundation, the organization must make qualifying distributions directly for the active conduct of its exempt activities equal to at least 85% of the lesser of its adjusted net income or minimum investment return.

Certain private foundations that provide long-term care facilities are treated as operating foundations only for the purposes of the excise tax on failure to distribute income.

Private Operating Foundations are taxed at either 1.39% (2% for tax years beginning on or before December 20, 2019) or 1% if they qualify for a reduced rate under IRC 4940(e). Qualifications for these tax rates are the same as for Domestic Taxable Private Foundations as shown above.

- (5) **Exempt Operating Foundations** described in IRC 4940(d)(2) that have a determination letter from IRS establishing its exempt operating foundation status have a 0% tax. These letters, issued by the Cincinnati ruling group, specifically refer to the organization as an “**exempt operating foundation**.” If the organization doesn’t have this letter, they don’t qualify for the 0% rate. The organization must also meet these additional qualifications:
- Subsection 03
 - Foundation Code 02
 - Check the box on Line 1a in Part VI and enter the ruling date
 - It is an operating foundation described in IRC 4942(j)(3)
 - It was publicly supported for at least 10 years
 - Its governing body during the tax year consists of individuals fewer than 25% of whom are disqualified individuals and it is broadly representative of the general public

- It has no officer who was a disqualified individual at any time during the tax year

Note: If the organization is claiming IRC 4940(d)(2) status and the Foundation Code (FC) is other than 02, request a copy of the determination letter from the organization. The determination letter provides specific information for determining whether to update the FC. If the FC needs to be updated, route a copy of the determination letter to the EO Entity Unit, requesting them to correct the FC.

If an organization enters into a 60-month termination, it does not lose its tax exempt operating foundation status if it continues to meet all the requirements described above.

- (6) **Foreign Organizations** are exempt foreign private foundations that have been granted tax-exempt status under U.S. tax law. They are required to pay an excise tax equal to 4% of their gross investment income received from sources in the United States, any territory, any political subdivision of a territory, or the District of Columbia. An exception to this rule is made when a tax treaty between the U.S. and the foreign country of which the private foundation is a resident specifically exempts income received by these organizations from any tax and the organization meets a limitations on benefits test in the treaty. Qualification for the 4% tax rate:

- Subsection 03 or 92
- Foundation Code 03 or 04
- Box D1 on page 1 must be checked to indicate the organization is a foreign organization.

Note: Foreign private foundations receiving at least 85% of their support (excluding gross investment income) from sources outside the U.S. are not subject to the excise taxes on self-dealing, failure to distribute income, excess business holdings, investments that jeopardize charitable purposes, and taxable expenditures. Such foundations are also not subject to IRC 507, relating to termination of private foundation status, and IRC 508, regarding special rules for giving notice when they are applying for recognition of exempt status.

Some other unique requirements for foreign organizations are:

- Foreign organizations don't have to have a foreign address.
- Foreign organizations don't have to complete Parts XI, XIII, or XV and also don't have to complete Part X if they are not private operating foundations (SC 03 with FC 02 or FC 03).
- If they say they are a domestic organization and should be taxed at a lower tax rate, the organizations need to provide us with a copy of their determination letter and complete all parts of the return.
- A Canadian foundation may or may not be treated as a foreign organization depending on what treaty it falls under. They will usually reference the treaty on the return. A foreign organization cannot claim expenses against its income.

21.7.7.6.2.2.1
(01-01-2022)
Section 511 Tax

- (1) In order to determine its 4940 tax, a domestic IRC 4947(a)(1) nonexempt charitable trust or taxable private foundation (SC 92) must compute its unrelated business income tax if it has UBIT (unrelated business taxable income).
- (2) They:
 - a. Must attach the tax computation to the Form 990-PF and report it on Line 2 in Part VI.
 - b. May use Form 990-T as the attachment.

21.7.7.6.2.2.2
(01-01-2022)
Subtitle A Tax

- (1) Domestic IRC 4947(a)(1) nonexempt charitable trusts and taxable private foundations must enter the amount of subtitle A (income) tax reported on Form 1120 or Form 1041.
- (2) They should attach a copy of the tax computation.
- (3) This is a non-refundable credit against tax. Before the credit is allowed, verify that the taxpayer has filed either a Form 1041 or Form 1120 reporting the tax amount. The credit is allowed with a TC 291.

21.7.7.6.2.2.3
(01-01-2022)
Credit/Payment for U.S. Tax Withheld at Source

- (1) A foreign organization claiming U.S. tax withheld at source may claim a credit on Form 990-PF, Part VI, Line 6b. In order for an organization to receive a credit for "tax withheld at source" on Line 6b, box D1 on the front of the return must be checked.
- (2) If the organization is a domestic organization (box D1 isn't checked) and is trying to claim a credit for business conducted in a foreign country, the credit cannot be allowed on Part VI, Line 6b. However, it can claim the amount as an expense against its unrelated business taxable income (UBIT) in order to reduce its liability.

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with similar information, from the organization before allowing the credit.

- (4) If the organization states the credit for U.S. tax withheld at source was claimed on the original return, but was not allowed, request the original return from Files or get a copy from SEIN Research before you send it to the Field. TXMOD and BRTVU prints alone aren't acceptable.

21.7.7.6.2.2.4
(01-01-2022)
Calculating Gross Receipts

- (1) Calculate gross receipts reported on Form 990-PF as follows:
 - Total Part I, Line 12, column (a), then add to it Lines 6b and 10b, then subtract Line 6a from that amount.

21.7.7.6.2.3
(01-01-2022)
Methods of Terminating PF Status

- (1) Once an organization is determined to be a private foundation, its status may be terminated only under the provisions of IRC 507.
 - a. An organization's status as a private foundation may be terminated voluntarily or involuntarily.
 - b. IRC 507 lists four methods of changing or terminating an organization's status as a private foundation.
- (2) If the organization's status is terminated either voluntarily or involuntarily under IRC 507(a), the organization becomes liable for tax under IRC 507(c)

- **IRC 507(a)(1) - Voluntary Termination**
- **IRC 507(a)(2) - Involuntary Termination**
- **IRC 507(b)(1)(A) - Transfer of Assets to a Public Charity**
- **IRC 507(b)(1)(B) - Operation as a Public Charity**

21.7.7.6.2.3.1
(01-01-2022)
IRC 507(a)(1)
Terminations - EO
Status 23

- (1) In order for a private foundation to terminate under IRC 507(a)(1), it must:
 - Submit a statement to Cincinnati that it intends to terminate its private foundation status under IRC 507(a)(1).
 - Detail in the statement the computation of termination tax imposed by IRC 507(c). The tax is the lesser of the "aggregate tax benefit" or the net fair market value of its assets.
- (2) Unless the foundation requests abatement of tax under IRC 507(g), they must pay the tax in full at the time the statement is filed.

21.7.7.6.2.3.2
(01-01-2022)
IRC 507(a)(2)
Terminations - EO
Status 23

- (1) An involuntary termination under IRC 507(a)(2) occurs when the IRS notifies an organization that its private foundation status is being terminated because it has willfully committed repeated acts or violations of Chapter 42 provisions. IRS must attach a computation of the termination tax.

21.7.7.6.2.3.3
(01-01-2024)
IRC 507(b)(1)(A)
Terminations - EO
Status 24

- (1) A private foundation terminating under IRC 507(b)(1)(A) must distribute all of its net assets to one or more public charities described in IRC 509(a)(1) and these charities must have been in existence for a period of at least 60 months immediately preceding the distribution.
- (2) The private foundation:
 - a. Isn't required to submit notice to the IRS of its intent to terminate
 - b. Doesn't incur a termination tax under IRC 507(c).

Note: It is required to file a complete Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation.

21.7.7.6.2.3.4
(01-01-2022)
IRC 507(b)(1)(B)
Terminations - EO
Status 25

- (1) An organization may voluntarily terminate its status under IRC 507(b)(1)(B) either by transferring all its net assets to one or more public charities or by meeting the requirements below. In order for a private foundation to terminate under IRC 507(b)(1)(B), it must meet the following conditions - the foundation:
 - Notifies TE/GE Determinations of its intention to operate as a public charity in advance of the 60-month termination period.
 - Conducts its operations over a continuous 60-month period meeting the requirement of IRC 509(a)(1), IRC 509(a)(2), or IRC 509(a)(3) according to its notice.
 - Furnishes TE/GE Determinations sufficient information to allow a determination that it met the requirements of IRC 509(a)(1), IRC 509(a)(2), or IRC 509(a)(3) within 90 days after the 60-month period.

Note: Although an organization terminating its private foundation status under IRC 507(b)(1)(B) may be regarded as a public charity for certain purposes, it's still considered a private foundation for purposes of the filing requirements and must file an annual return on Form 990-PF. It must file the return for each year if the 60-

month termination period has not expired before the due date of the return. If the organization is in the last year of the 60-month termination, it may file Form 990 instead of Form 990-PF.

- (2) During the 60-month termination period, the private foundation may file Form 990-PF without paying the tax on net investment income if it filed a consent (Form 872-B) to extend the statute under IRC 6501(c)(4) with TE/GE Determinations and received an approval. Upon approving the consent, TE/GE Determination places the private foundation in status 25, indicating a termination under IRC 507(b), and an Advance Ruling Expiration Date (ARED) is entered. The status code date is also updated to reflect the beginning of the 60-month period.
- (3) If the private foundation did not file a consent, the tax must be paid and a claim for refund filed after completing a successful termination.
- (4) A private foundation may also obtain an advance ruling under 26 CFR 1.507-2(d) that it can be expected to satisfy the 507(b)(1)(B) requirements during the 60-month termination period. The effect of this ruling is that contributors may generally treat the organization as a public charity, and the organization will not be assessed penalties under section 6651 for failure to pay 4940 tax during the 60 months. The advance ruling on IRC 507(b)(1)(B) termination doesn't mean that the organization necessarily will qualify as a public charity during the advance ruling period (except for purposes of contributor reliance and penalties).
- (5) When Form 990-PF is received with Box "F" in the entity section checked, Part VI is zero or blank (no tax), and an approved consent is attached, Code & Edit edits a Termination Code "1" on the Form 5800 (EO edit sheet). The Termination Code "1" suppresses the generation of tax until the end of the 60-month termination period.
- (6) Any foundation not paying the tax when it filed Form 990-PF must attach a copy of the signed consent to the return. If the foundation didn't file the consent, it must pay the tax in the normal manner and file a claim for refund after completing the 60-month termination. The claim for refund must be filed on time and the organization must supply information establishing that it qualified as a public charity for the period for which it paid the tax.
- (7) Effective January 01, 2005, programming was established that prevents the tax from being assessed to a module during the five year advance-ruling period. As such, it is no longer necessary to manually monitor status 25 modules. If an organization does not meet the requirements to become a public charity, the EO status code is updated (reverts back to Status 01 from Status 25) and Form 990-PF filing requirements remain in place. Any tax (if applicable) previously reported on the Form 990-PF for the past five years is assessed to the module and balance due notices are issued. If the organization does become a public charity, the filing requirements are updated to "990" and the EO status code is changed to "01".
- (8) At the end of the 60-month termination, if the organization has met the requirements to terminate their PF status, the EO Status is updated to 01 and the filing requirements changed to Form 990.
- (9) If a paper case is received requesting termination of private foundation status, send the correspondence to:

Internal Revenue Service
Exempt Organizations Determinations
550 Main St Rm 4024
Cincinnati, OH, 45202

21.7.7.6.3
(01-01-2022)

**Form 990-T, Exempt
Organization Business
Income Tax Return
(and proxy tax under
section 6033(e))**

- (1) Form 990-T is used to:
 - Report “Unrelated Business Income” (UBI);
 - Figure and report “Unrelated Business Income Tax” (UBIT) liability;
 - Report proxy tax liability; or
 - Claim a refund of income tax paid by a regulated investment company (RIC) or a real estate investment trust (REIT) on undistributed long-term capital gain.
- (2) Any domestic or foreign organization exempt under IRC 501(a) or IRC 529(a) (except an organization described in IRC 501(c)(1)) must file Form 990-T if it has gross income from an unrelated trade or business of \$1,000 or more or is liable for proxy tax on lobbying and political expenditures. Any college or university of a state or other governmental unit as well as any subsidiary corporation wholly owned by such college or university, must file Form 990-T if it has gross income from an unrelated trade or business of \$1,000 or more.
- (3) Form 990-T is MFT 34 and the tax class is 4. Form 990-T has two possible due dates:
 - a. An employee plan’s trust defined in IRC 401(a), an IRA (including SEP) and (SIMPLE), a Roth IRA, and an Education IRA, and a MSA must file Form 990-T by the 15th day of the 4th month after the end of the tax year.

Note: An Employee Plan trust under 401(a) must attain and use a separate EIN for Form 990-T. They can’t use EINs for corporate returns Form 1120, Form 940, Form 941, Form 5500 and Form 990 for trusts defined in IRC 401(a).
 - b. All other organizations must file Form 990-T by the 15th day of the 5th month after the end of the tax year.

The computer uses the “**Type of Org**” code shown on BRTVU to determine the return due date.

21.7.7.6.3.1
(01-01-2022)

**Unrelated Trade or
Business Income**

- (1) Unrelated trade or business income is the gross income derived from any trade or business that is regularly carried on and not substantially related (other than through the production of funds) to the organization’s exempt purpose or function except that the organization uses the profits derived from this activity. Refer to Publication 598, Tax on Unrelated Business Income of Exempt Organizations, for additional information.
- (2) Fiduciaries for the following trusts that have \$1,000 or more of unrelated trade or business gross income must file Form 990-T:
 - Individual Retirement Accounts (IRAs) - IRC 408(a)
 - Simplified Employee Pensions (SEPs) - IRC 408(k)
 - Simple Retirement Accounts (SIMPLEs) - IRC 408(p)
 - Roth IRAs - IRC 408A(b)

- Education IRAs - IRC 530(b)
- Medical Savings Accounts (MSAs) - IRC 220(d)
- Qualified tuition programs - Section 529.

21.7.7.6.3.2
(01-01-2022)

**Form 990-T IRC 511(a)(1)
Filers**

- (1) Every IRC 511(a)(2) organization's UBTI is taxed at the corporate rate (IRC 511(a)(1)). Individual IRAs are exempt from taxation under IRC 408(e). An IRA that has UBTI is taxable under IRC 511(a)(1) and is taxed at the corporate rate. Identify these accounts by researching ENMOD to verify that the entity has the word **IRA** in the name line (i.e., John Smith IRA) and the FR is **2**.
- (2) If correspondence is received from a taxpayer indicating their Form 990-T is an IRA filed under IRC 511(a)(1), but was assessed tax at the trust rate, adjust the tax:
 - a. Verify taxpayer is a IRC 511(a)(1) filer (see paragraph one above).
 - b. Recompute tax based on applicable corporate tax rate (see IRM 21.7.7.6.3.3, Tax Rates).
 - c. Input TC 291 for appropriate dollar amount.

21.7.7.6.3.3
(10-19-2022)

Tax Rates

- (1) The tax rate charged on Form 990-T varies according to the type of organization.
 - a. IRC 501(c) corporations, associations and state colleges and universities are taxed using corporate tax rates (Form 1120).
 - b. IRC 501(c) trusts, IRC 401(a) trusts and IRC 408(a) trusts are taxed using trust tax rates (Form 1041).
 - c. Form 990-T returns filed for the Proxy tax under IRC 6033(d)(2) on non-deductible lobbying and political expenditures should have a copy of the tax computation attached.

Refer to the following tables for applicable tax rates:

Tax Rate Schedule for Corporations Tax Periods 201812 to Present IRC 11		
If taxable income on Page 1, Line 11(Page 1, Line 11 for 202012, Page 2, Line 39 for 201912, Page 2, Line 38 for 201812) is over:	But not over:	Tax is:
\$0	or greater	21%

Note: If the taxpayer filed a fiscal return (tax year ending 201801 through 201811) and they used the Corporate Tax Rate, compute the Gross Income Tax using the following computation:

Step	Action	Amount
Step 1	Figure the corporate tax for entire tax year using the corporate tax rate schedule below.	Line 1 amount
Step 2	Figure the corporate tax for entire tax year using the 21% flat tax.	Line 2 amount
Step 3	Multiply Line 1 by the number of days in the filer's tax year before January 1, 2018.	Line 3 amount
Step 4	Multiply Line 2 by the number of days in the filer's tax year after December 31, 2017.	Line 4 amount
Step 5	Divide Line 3 by the total number of days in the filer's tax year.	Line 5 amount
Step 6	Divide Line 4 by the total number of days in the filer's tax year.	Line 6 amount
Step 7	Add Lines 5 and 6. This is the filer's total tax for the fiscal year.	Total tax amount

Tax Rate Schedule for Corporations Tax Period 201811 and prior IRC 11		
If taxable income on Page 1, Line 34 is over:	But not over:	Tax is:
\$0	\$50,000	15%
\$50,000	\$75,000	\$7,500 + 25%
\$75,000	\$100,000	\$13,750 + 34%
\$100,000	\$335,000	\$22,250 + 39%
\$335,000	\$10,000,000	\$113, 900 + 34%
\$10,000,000	\$15,000,000	\$3,400,000 + 35%
\$15,000,000	\$18,333,333	\$5,150,000 + 38%
\$18,333,333	or greater	35%

- (2) Trusts exempt under IRC 501(a) which otherwise would be subject to subchapter J (estates, trusts, etc.) are taxed at trust rates. This rule also applies to employees' trusts that qualify under IRC 401(a). Most trusts figure the tax on the amount on line 11 (line 11 for 2020 revision, line 39 for 2019 revision, line 38 for 2018 revision) using the Tax Rate Schedule for Trusts below:

Tax Rate Schedule for Trusts Tax Periods 202012 - present			
If the amount on Page 2, Part III, Line 4 is	But not over	The tax is.....	Of the amount over
\$0	\$2,650	10%	\$0
\$2,650	\$9,550	\$265.00 + 24%	\$2,650
\$9,550	\$13,050	\$1,921.00 + 35%	\$9,550
\$13,050	and greater	\$3,146.00 + 37%	\$13,050

Tax Rate Schedule for Trusts Tax Periods 201912 - 202011			
If the amount on Page 2, Part III, Line is 39	But not over	The tax is.....	Of the amount over.....
\$0	\$2,600	10%	\$0
\$2,600	\$9,450	\$260.00 + 24%	\$2,600
\$9,450	\$12,950	\$1,904.00 + 35%	\$9,450
\$12,950	and greater	\$3,129.00 + 37%	\$12,950

Tax Rate Schedule for Trusts Tax Periods 201812 - 201911			
If the amount on Page 2, Part III, Line 38 is	But not over	The tax is	Of the amount over.....
\$0	\$2,550	10%	\$0
\$2,550	\$9,150	\$255.00 + 24%	\$2,550
\$9,150	\$12,500	\$1839.00 + 35%	\$9,150
\$12,500	and greater	\$3,011.50 + 37%	\$12,500

Tax Rate Schedule for Trusts Tax Periods 201712 - 201811			
If the amount on Page 1, Line 34 is	But not over	The tax is	Of the amount over.....
\$0	\$2,550	15%	\$0
\$2,550	\$5,950	\$382.50 + 25%	\$2,550
\$5,950	\$9,050	\$1,245.00 + 28%	\$6,000
\$9,050	\$12,400	\$2,127.00 + 33%	\$9,150

If the amount on Page 1, Line 34 is	But not over	The tax is	Of the amount over.....
\$12,400	and greater	\$3,232.50 +39.6%	\$12,500

Tax Rate Schedule for Trusts Tax Periods 201612 - 201711			
If the amount on Page 1, Line 34 is	But not over	The tax is	Of the amount over.....
\$0	\$2,550	15%	\$0
\$2,550	\$5,950	\$382.50 + 25%	\$2,550
\$5,950	\$9,050	\$1,232.50 + 28%	\$5,950
\$9,050	\$12,400	\$2,100.50 + 33%	\$9,050
\$12,400	and greater	\$3,206 + 39.6%	\$12,400

Tax Rate Schedule for Trusts Tax Periods 201512 - 201611			
If the amount on Page 1, Line 34 is	But not over	The tax is	Of the amount over.....
\$0	\$2,500	15%	\$0
\$2,500	\$5,900	\$375 + 25%	\$2,500
\$5,900	\$9,050	\$1,225 + 28%	\$5,900
\$9,050	\$12,300	\$2,107 + 33%	\$9,050
\$12,300	and greater	\$3,179.50 + 39.6%	\$12,300

Tax Rate Schedule for Trusts Tax Periods 201412 - 201511			
If the amount on Page 1, Line 34 is	But not over	The tax is	Of the amount over.....
\$0	\$2,500	15%	\$0

If the amount on Page 1, Line 34 is	But not over	The tax is	Of the amount over.....
\$2,500	\$5,800	\$375 + 25%	\$2,500
\$5,800	\$8,900	\$1,200 + 28%	\$5,800
\$8,900	\$12,150	\$2,068 + 33%	\$8,900
\$12,150	and greater	\$3,140.50 + 39.6%	\$12,150

Tax Rate Schedule for Trusts Tax Periods 201312 - 201411			
If the amount on Page 1, Line 34 is	But not over	The tax is	Of the amount over.....
\$0	\$2,450	15%	\$0
\$2,450	\$5,700	\$367.50 + 25%	\$2,450
\$5,700	\$8,700	\$1,180 + 28%	\$5,700
\$8,700	\$11,950	\$2,034 + 33%	\$8,750
\$11,950	and greater	\$3,090 + 39.6%	\$11,950

Tax Rate Schedule for Trusts Tax Periods 201212 - 201311			
If the amount on Page 1, Line 34 is	But not over	The tax is	Of the amount over.....
\$0	\$2,400	15%	\$0
\$2,400	\$5,600	\$360 + 25%	\$2,400
\$5,600	\$8,500	\$1,160 + 28%	\$5,600
\$8,500	\$11,650	\$1,972.50 + 33%	\$8,500
\$11,650	and greater	\$3,011.50 + 35%	\$11,650

Tax Rate Schedule for Trusts Tax Periods 201112 - 201211			
If the amount on Page 1, Line 34 is	But not over	The tax is	Of the amount over.....
\$0	\$2,300	15%	\$0
\$2,300	\$5,450	\$345 + 25%	\$2,300
\$5,450	\$8,300	\$1,132.50 + 28%	\$5,450
\$8,300	\$11,350	\$1,930.50 + 33%	\$8,300
\$11,350	and greater	\$2,937 + 35%	\$11,350

21.7.7.6.3.3.1
(10-19-2022)
Proxy Tax

- (1) EOs, except IRC 501(c)(3) and certain other organizations, must include certain information about lobbying expenditures on Form 990. In addition, they may have to provide notices to members about their share of dues to which the expenditures are allocated.
- (2) The EO calculates proxy tax by multiplying the aggregate amount not included in the notices by 21% (35% for 2017 and prior). No deductions are allowed. This amount is entered on Form 990-T, Part II, line 3 (Part IV, line 42 for 2019, Part IV, line 41 for 2018, and Part III, line 37 for 2017 and prior) and must attach a schedule showing the computation.

21.7.7.6.3.3.2
(01-01-2021)
Alternative Minimum Tax

- (1) Organizations liable for tax on unrelated business taxable income may be liable for alternative minimum tax on certain adjustments and tax preference items.
- (2) Trusts attach Schedule I, Alternative Minimum Tax, of Form 1041 and enter any tax from Schedule I to Form 990-T, Part II, line 5 (Part IV, line 43 for 2019, Part IV, line 42 for 2018 and Part III, line 38 for 2017 and prior).
- (3) For tax years 2017 and prior, a corporation, unless it is treated as a small corporation exempt from the alternative minimum tax, may have to attach Form 4626 and enter any tax from Form 4626 on Form 990-T, Part III, line 38.

Note: The Tax Cuts and Jobs Act of 2017 (TCJA) Section 12001 and 12002 repealed the corporate AMT for tax years beginning after 2017. See IRM 21.7.4.4.4.7.2, Form 4626, Alternative Minimum Tax (Corporations), for more information.

21.7.7.6.3.3.4
(01-01-2021)
**Taxable Income
Reference Number**

- (1) When adjusting tax on a Form 990-T, you may need to adjust taxable income. Use TC 886 as the reference number.

21.7.7.6.3.5
(10-19-2022)
Backup Withholding

- (1) Recipients of dividend or interest payments must generally certify their tax identification number to the payer on Form W-9, Request for Taxpayer Identification Number and Certification. If the payer does not get this information, it must withhold part of the payments as Backup Withholding (BUWH).
- (2) If an organization was subject to erroneous backup withholding because the payer did not realize it was an exempt organization and not subject to this withholding, the organization may claim the amount withheld as a credit on Form 990-T or Form 990-PF.
- (3) When BUWH is claimed on Form 990-T, the erroneously withheld amount is reported in Part III, line 6e (Part V, line 51e for 2019, Part V, line 50e for 2018 and Part IV, line 45e for 2017 and prior). If claimed on Form 990-PF, the credit is claimed on Part V, line 6d (Part VI, line 6d for 2020 and prior).

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Income Tax Withheld (FITW)/Backup Withholding (BUWH) on Income Tax Returns, for instructions on how to process erroneous backup withholding claims.

- (5) Refunds for backup withholding are not issued as manual refunds from Form 941 or Form 945.
- (6) If Form 843 is filed, reject the claim and explain to the organization that they must file an income tax return (Form 990-PF or Form 990-T) to claim the credit.
- (7) If the organization isn't required to file Form 990-PF, instruct them to report it on Form 990-T.

21.7.7.6.3.6
(01-01-2021)
Form 2439 - Regulated Investment Company Shareholders' Refunds

- (1) IRAs or other tax-exempt shareholders that have invested in a Regulated Investment Company (RIC) or a Real Estate Investment Trust (REIT) file Form 990-T in order to obtain a refund of income tax paid on undistributed long-term capital gains.
- (2) Most claims for refund of taxes paid by a RIC on amounts reported on Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, are claimed on a Composite Form 990-T, citing Notice 90-18. A trustee can file a composite Form 990-T to claim one refund of tax paid on undistributed long-term capital gains flowing through from a RIC to two or more IRA accounts managed by the trustee. The top of the Form 990-T should be annotated "Composite", "Notice 90-18" or "IRC 852(b)".

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documentation.

- (4) Action required:
 - a. Input TC 290 \$.00 and TC 766 with a positive amount to allow the credit.
 - b. Input TC 290 \$.00 and TC 767 with a negative amount to reduce the credit.

Refer to IRM 21.7.4.4.9.2.1, Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains, for Individual Retirement Account (IRA) Trusts, for additional information.

- (5) Loose Forms 2439, copies A and B, are filed by the nominee if they are not the actual owner of the shares for which the form is issued. Follow IRM 21.7.4.4.9.2.2, Loose Form 2439, Copies A and B, procedures for processing loose Forms 2439 received for IRA trusts.

21.7.7.6.3.7
(10-19-2022)

**Form 8827 - Credit for
Prior Year Minimum Tax
- Corporations - Treating
Prior Year Minimum Tax
Credit Carryover as
Refundable**

- (1) The Tax Cuts and Jobs Act of 2017 (TCJA), Section 12001, repealed the alternative minimum tax for corporations for taxable years beginning after December 31, 2017.
- (2) TCJA Section 12002 amended IRC Section 53 to allow corporations to treat a portion of their prior year minimum tax credit carryover as refundable. The amount of the refundable credit is equal to 50% for taxable years beginning in 2018, 2019, or 2020 (100% in taxable years beginning in 2021) of the excess (if any) of the minimum tax credit carryover to the taxable year over the amount of the otherwise allowable credit against regular tax liability.
- (3) The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Section 2305 modifies the credit for prior-year minimum tax liability of corporations as previously allowed by TCJA Section 12002 referenced in paragraph (2) above. Corporate filers can now accelerate the recovery of remaining minimum tax credits for its 2019 taxable year from its 2021 taxable year and elect instead to recover 100% of any of its remaining minimum tax credits in its 2018 taxable year.

Note: A corporation filing a Form 990-T that reflects a refundable prior year minimum tax credit should report the amount on the "Other credits, adjustments, and payments" Part III, line 6g for 2021 and 2020 (Part V, line 51g in 2019; Part V, line 50g in 2018) of the Form 990-T, check the "Other" box, and write "Form 8827" or some other entry indicating the amount is for the refundable prior year alternative minimum tax credit on the corresponding line. Form 8827 must be included with the original with amounts reported on lines 1-4 on both 2021 and 2020 (3 and 5c in 2019; 6 and 8c in 2018).

- (4) Use the following table to resolve:

If	And	Then
An amended Form 990-T or taxpayer inquiry is received claiming the credit	the credit was previously allowed,	input a TC 290 for zero to attach the documentation to the original return.
An amended Form 990-T with Form 8827 (may also include Form 1139) attached	meets the criteria in IRM 21.7.7.6.16.2, Claim for Refund/	route to EO Classification following the instruction in IRM 21.7.7.6.16, EO Claim Procedures.
An amended Form 990-T without Form 8827 attached	meets the criteria in IRM 21.7.7.6.16.2, Claim for Refund/	send correspondence requesting missing information and close case.

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If	And	Then	
An amended Form 990-T with Form 8827 (may also include Form 1139)	meets the criteria in IRM 21.7.7.6.16.1, Claim for Refund/	<ul style="list-style-type: none"> Input TC 290 \$.00 and TC 766 with a positive amount to allow/increase the credit, or Input a TC 290 \$.00 and TC 767 with a negative amount to decrease the credit. 	# #
An amended Form 990-T with Form 8827 (may also include Form 1139)	meets the criteria in IRM 21.7.7.6.16.1, Claim for Refund/ and the refundable credit is reported on Part III, line 1d for 2021 and 2020 (Part V, line 46d in 2019; Part V, line 45d in 2018) instead of Part III, line 6g for 2021 and 2020 (Part V, line 51g in 2019; Part V, line 50g in 2018),	<ul style="list-style-type: none"> Input TC 290 \$.00 and TC 766 with a positive amount to allow/increase the credit, or Input a TC 290 \$.00 and TC 767 with a negative amount to decrease the credit. 	#
A Form 843 to claim the credit	an amended Form 990-T and Form 8827 aren't attached,	return the Form 843 to the filer and instruct them to complete a Form 990-T and Form 8827 to claim the credit.	

If	And	Then
If taxpayer correspondence is received	<p>the taxpayer claims they didn't receive a refund for credit reported on their original return and the circumstances are similar to the examples described below:</p> <p>Example: A credit was reported on line 3 for 2021 and 2020 (Part V, line 46d in 2019; Part V, line 45d in 2018) of Form 990-T as a non-refundable credit; Form 8827 was included with the original return with amounts on lines 1-4 for 2021 and 2020 (Part V, line 51g in 2019; Part V, line 50g in 2018), and the taxpayer claims their intent was to receive a refund.</p> <p>Example: Taxpayer corresponds stating they didn't receive the refundable credit and you can determine it was reported properly on line Part III, line 6g for 2021 and 2020 (Part V, line 51g in 2019; Part V, line 50g in 2018); the "other" box was checked; "Form 8827" or some other entry indicating the amount is for the refundable prior year minimum tax credit was written in the corresponding space; and Form 8827 was included with the return.</p>	<ul style="list-style-type: none"> • Input TC 290 \$.00 and TC 766 with a positive amount to allow/increase the credit, or • Input a TC 290 \$.00 and TC 767 with a negative amount to decrease the credit.
A situation other than those identified above	you can't determine what action(s) to take,	refer the case to your team lead for guidance.

Note: Filers are still able to take the nonrefundable portion of the Form 8827 credit for tax years 2020 and beyond. The nonrefundable credit can be claimed in Part III, line 1d.

21.7.7.6.3.8
(01-01-2021)
**Section 199(A) -
Qualified Business
Income Deduction
(QBID)**

- (1) The Tax Cuts and Jobs Act (TCJA) enacted on December 22, 2017, created IRC section 199A, Qualified Business Income Deduction (QBID), which allows eligible taxpayers (other than corporations) a deduction for income earned in a qualified trade or business conducted as a sole proprietorship or through a partnership, S corporation, estate, or trust, subject to certain limitations. Wages earned as an employee are not eligible for the deduction.
- (2) The QBID includes a deduction of up to 20% of Qualified Business Income (QBI) from a qualified trade or business operated as a sole proprietorship or through a partnership, S corporation, trust, or estate. QBI includes income from a qualified domestic trade or business. Amounts received as wages, capital gain, interest, and dividend income are not considered QBI, and **are excluded** from the calculation.
- (3) The QBID also includes a deduction of up to 20% of eligible taxpayer's qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income.
- (4) The QBID is limited to the lesser of (a) the sum of the amounts described in the paragraphs (2) and (3) above, or (b) an amount equal to 20% of the excess (if any) of taxable income of the taxpayer for the taxable year over the net capital gain of the taxpayer for the taxable year.
- (5) Qualified business income includes domestic income from a qualified trade or business. Employee wages, capital gain, interest and dividend income other than REIT dividends are not considered qualified business income and are excluded from the calculation. See Tax Cuts and Jobs Act, Provision 11011 Section 199A - Qualified Business Income Deduction FAQs for additional information.
- (6) The QBID is available for tax years ending after December 31, 2017. For more information, see the Form 1040 Instructions or Publication 535, Business Expenses.
- (7) The Form 1041, 5227 and Form 990-T Instructions will direct taxpayers to refer to the Form 1040 Instructions for the appropriate tax year.
- (8) The Tax Cuts and Jobs Acts of 2017 (TCJA), Section 13823, allows a taxpayer to elect to defer capital gains timely invested in a Qualified Opportunity Fund (QO Fund).

Note: Exempt Organizations are not eligible to defer capital gains through an investment or invest in a QO Fund.

21.7.7.6.3.9
(01-01-2021)

**Amended Returns
claiming Section 199(A)
- Qualified Business
Income Deduction
(QBID)**

- (1) The QBID can be claimed on Form 1041, Form 1041-N, Form 1041-QFT, Form 5227 and 990-T. See the table below for the lines the QBID can be reported:

Form	Line
Form 5227	Line 21
Form 990-T	Part I, Line 9 (Line 28 for 2019)

- (2) QBID is subject to CAT-A criteria. See IRM 21.5.3-2, Examination Criteria (CAT-A) - General, for more information. If CAT-A criteria is met, forward to

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21.7.7.6.3.10
(01-01-2021)

Composite Form 990-T

- (1) Notice 90–18 provided a method under which trustees of IRAs that have invested in regulated investment companies file a composite return for such IRAs to claim a refund under IRC 852(b).
- (2) An IRA that has invested in a regulated investment company that elected to retain a long term capital gain must file a Form 990-T to claim a refund of its share of tax paid by the RIC under IRC 852(b). In lieu of filing a separate Form 990-T for each IRA, a common trustee of more than one IRA entitled to refunds under IRC 852(b) may now file a single composite Form 990-T for all IRAs.

Reminder: Before this notice, a single entity that served as a common trustee for several such IRAs was required to prepare a separate Form 990-T for each IRA.

- (3) This composite filing is done as follows:
- The trustee must apply to the IRS for a special EIN on Form SS-4, Application for Employer Identification Number. The trustee must indicate that the application is for a special EIN by writing “Notice 90–18” on the top of the Form SS-4. The special EIN is effective only for making a composite claim for refund of tax under IRC 852(b) on behalf of the IRAs administered by the trustee. The trustee shouldn’t apply for a separate specialized EIN for each year it makes a claim for refund.
 - The trustee files one composite return on Form 990-T for each year it makes a claim. It must attach a list of the IRAs for which the claim is being made showing the names and social security numbers of the persons who established the IRAs and the allocated shares of tax paid by the RICs. The IRAs must be grouped according to the RIC in which it has made an investment. **Form 2439 must be attached for each RIC according to such grouping.**
 - The trustee must write on the top of the Form 990-T “**Composite Return per Notice 90–18**”. It must enter the special EIN assigned for the composite return (and only the EIN) in the block provided for EINs.
 - The IRS issues a refund check to the IRA trustee. The trustee must allocate the refund to the IRA trusts according to the amounts due as shown on the composite return.
- (4) A composite return isn’t available for:

- A person acting merely as a nominee (owner of record) of RIC shares owned by an IRA. A composite return may only be filed by a common trustee on more than one IRA.
- An IRA that has Unrelated Business Taxable Income (UBTI). The trustee of that IRA must file a separate Form 990-T for the IRA reporting the income on that return and claiming credit under IRC 852(b) as an offset against the IRA's UBTI tax liability.

21.7.7.6.3.11
(01-01-2021)

**Forms Associated with
Form 990-T**

- (1) The forms below are associated with Form 990-T.

Code	Schedule	Code	Schedule
29	Form 1118	46	Form 8801
30	Form 1116	47	Form 8826
31	Form 3468	50	Form 8835
33	Form 4255	53	Form 8827
34	Form 4626	57	Form 8874
37	Form 5735	58	Form 8881
39	Form 6478	59	Form 8882
40	Form 6765	61	Form 8864
42	Form 8820	62	Form 8896
43	Form 3800	63	Form 8900
44	Form 8586	65	Form 8906
45	Form 8611	66	Form 8907

21.7.7.6.4
(01-01-2021)

**Form 990-BL,
Information and Initial
Excise Tax Return for
Black Lung Benefit Trust
and Certain Related
Persons**

- (1) Form 990-BL is generally used by black lung benefit trusts to meet the reporting requirements of Section 6033. If initial taxes are imposed on the trust or certain related parties, the trust must also file Schedule A (Form 990-BL).
- (2) The MFT is 56 and the tax class is "6". The return is due the 15th day of the 5th month following the close of the tax year and is processed to the Non Master File (NMF).
- (3) Form 990-BL is processed at the KCSPC to NMF. Route cases involving Form 990-BL to KCSPC, to:
- Internal Revenue Service
NMF Unit
333 W. Pershing Road
Kansas City, MO 64108

21.7.7.6.4.1
(10-19-2022)

**Form 6069, Return of
Certain Excise Taxes on
Mine Operators, Black
Lung Trusts, and Other
Persons Under Sections
4951, 4952 and 4953**

- (1) Form 6069, Return of Certain Excise Taxes on Mine Operators, Black Lung Trusts, and Other Persons Under Sections 4951, 4952 and 4953, is primarily a worksheet (Schedule A) used to determine the maximum allowable income tax deduction (under IRC 192) for contributions made by coal mine operators to tax-exempt black lung benefit trusts. The form is also used to determine the amount of excise tax imposed under IRC 4953 for contributions that are more than the maximum allowable deduction (see Schedule B).

Note: For tax years beginning on or after January 1, 2021, black lung benefit trusts will use Form 990 to meet reporting requirements under section 6033. If initial taxes are imposed on the trust or certain related parties under section 4951 or 4952, the trust or related party will report the initial excise tax using Part II or Part III, respectively, of Form 6069.

- (2) The MFT is 57 and the tax class is "6" (NMF). Form 6069 is due by the 15th day of the 5th month after the end of the tax year.

- (3) Form 6069 is processed at the KCSPC to NMF. Route cases involving Form 6069 to:

Internal Revenue Service
NMF Unit
333 W. Pershing Road
Kansas City, MO 64108

21.7.7.6.5
(10-19-2022)

**Form 1120-POL, U.S.
Income Tax Return For
Certain Political
Organizations**

- (1) Political organizations and certain exempt organizations file Form 1120-POL to report their political organization taxable income and income tax liability under IRC 527.
- (2) The MFT is 02 and the tax class is "3". The due date for Form 1120-POL is the 15th day of the 4th month after the end of the tax year. Political organizations may request a six-month extension of time to file by submitting a Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns. The organization must file the extension by the Form 1120-POL due date.
- (3) A political organization must file Form 1120-POL if it has any political organization taxable income. An exempt organization that isn't a political organization must file Form 1120-POL if it is treated as having political organization taxable income under IRC 527(f)(1).
- (4) An organization that files Form 1120-POL may also be required to file the following forms:
 - Form 8871, Political Organization Notice of Section 527 Status.
 - Form 8872, Political Organization Report of Contributions and Expenditures
 - Form 8453-X, Political Organization Declaration for Electronic Filing of Notice of Section 527 Status
 - Form 990, Return of Organization Exempt from Income Tax
 - Form 990-EZ, Short Form Return of Organization Exempt from Income Tax.
- (5) EO Accounts works all Form 1120-POL account related issues regardless of the EO status.

21.7.7.6.5.1
(01-01-2021)

Taxable Income

- (1) A political organization is subject to tax on its political organization taxable income. Generally, the tax is calculated:
 - a. By multiplying the political organization taxable income by the highest rate of tax 21% for tax years beginning after December 31, 2017.
 - b. Using the graduated rates shown in IRM 21.7.7.6.5.2, Tax Rate, if the organization is the principal campaign committee of a candidate for U.S. Congress.
- (2) The exempt function income is the part of a political organization's income that it sets aside to use for its exempt function. The organization may receive it as any one of the following four types of income:
 - A contribution of money or other property.
 - Membership dues, fees, or assessments from a member of the political organization.
 - Proceeds from a political fund-raising or entertainment event or from the sale of political campaign materials, which are not received in the ordinary course of any trade or business.
 - Proceeds from conducting bingo games that are defined in IRC 513(f)(2).

Taxable income includes exempt function income (such as contributions) for any period of time that a political organization doesn't file a Form 8871 as required.

- (3) The exempt function income is the portion of a political organization's income that the organization sets aside for use for its exempt function. It may be received as any one of the following four types of income:
 - A contribution of money or other property;
 - Membership dues, fees, or assessments from a member of the political organization;
 - Proceeds from a political fund-raising or entertainment event or from the sale of political campaign materials, which are not received in the ordinary course of any trade or business; or
 - Proceeds from conducting bingo games that are defined in IRC 513(f)(2)

Taxable income includes exempt function income (such as contributions) for any period of time that a political organization does not file a Form 8871 as required.

- (4) Taxable income is figured with the following adjustments:
 - A specific deduction of \$100 is allowed (but not for Newsletter funds);
 - The net operating loss deduction isn't allowed;
 - The dividends-received deduction and other special deductions for corporations are not allowed. See IRC 527(c)(2)(C).

21.7.7.6.5.2
(01-01-2021)
Tax Rate

- (1) The rate of tax imposed depends on whether the political organization is a principal campaign committee as defined in IRC 527(h). The tax rate is lower for a principal campaign committee.
- (2) An organization that isn't a principal campaign committee is taxed as follows:

Tax periods 201812 to present		
If taxable income on Line 19 is over:	But not over:	Tax is:
\$0	or greater	21%

Note: If the taxpayer filed a fiscal return (tax year ending 201801 through 201811) and used the Corporate Tax Rate, compute the tax using the following computation:

Step	Action	Amount
Step 1	Figure the corporate tax for entire tax year using the corporate tax rate schedule below.	Line 1 amount
Step 2	Figure the corporate tax for entire tax year using the 21% flat tax.	Line 2 amount
Step 3	Multiply Line 1 by the number of days in the filer's tax year before January 1, 2018.	Line 3 amount
Step 4	Multiply Line 2 by the number of days in the filer's tax year after December 31, 2017.	Line 4 amount
Step 5	Divide Line 3 by the total number of days in the filer's tax year.	Line 5 amount
Step 6	Divide Line 4 by the total number of days in the filer's tax year.	Line 6 amount
Step 7	Add Lines 5 and 6. This is the filer's total tax for the fiscal year.	Total tax amount

- 201712 and prior compute by multiplying line 19 by 35%

- (3) A political organization that is a principal campaign committee of a candidate for U.S. Congress computes its tax in the same manner as provided in IRC 11(b) for corporations. The tax is computed as follows:

Tax periods 201812 to present		
If taxable income on Line 19 is over:	But not over:	Tax is:
\$0	or greater	21%

- (4) For tax periods beginning prior to 201812, compute as listed below:

Line	Action
1.	Enter taxable income (line 19, Form 1120-POL).....
2.	Enter line 1 or \$50,000 whichever is less
3.	Subtract line 2 from line 1
4.	Enter line 3 or \$25,000 whichever is less
5.	Subtract line 4 from line 3
6.	Enter line 5 or \$9,925,000 whichever is less
7.	Subtract line 6 from line 5
8.	Multiply line 2 by 15%.....
9.	Multiply line 4 by 25%.....
10.	Multiply line 6 by 34%.....
11.	Multiply line 7 by 35%.....
12.	If line 1 is greater than \$100,000 enter the smaller of: 5% of the taxable income in excess of \$100,000 or \$11,750
13.	If line 1 is greater than \$15,000,000 enter the smaller of 3% of the taxable income in excess of \$15,000,000 or \$100,000
14.	Add lines 8 through 13. Enter here and on line 20, Form 1120-POL.....

- (5) Estimated tax and alternative minimum tax don't apply to political organizations.

21.7.7.6.5.3
(01-01-2021)

Penalties

- (1) Penalties may be imposed if the organization is required to file Form 1120-POL and it fails to:
- File the form by the due date;
 - Pay the tax by the due date;
 - Report all the information required or it reports incorrect information.

21.7.7.6.6
(10-19-2022)

**Form 8871, Political
Organization Notice of
Section 527 Status**

- (2) See IRM 20.1.8.3, Exempt Organizations and Certain Trusts, , for additional information.
- (1) Form 8871 posts to Master File with a TC 150. The MFT is 47 and the Doc Code is 61. Amended returns post as a TC 976 (Form 8453-X will post to Master File as a TC 971 AC351 on ENMOD).
- (2) If a political organization:
 - a. Seeks tax exempt status, it must file Form 8871 within 24 hours after the date on which the organization was established.
 - b. Has a material change in any of the information reported on Form 8871, it must file an amended Form 8871 within 30 days of the material change to maintain its tax-exempt status.
 - c. Terminates its existence, it must file a final Form 8871 within 30 days of termination.
- (3) The organization must file the return electronically at the IRS Internet web site at www.irs.gov/polorgs per IRC 527(i)(1)(A). The IRS TE/GE:BSP national office programmers maintain a stored database of the information the organization inputs. To file Form 8871, the political organization must have its own EIN even if it has no employees. To obtain an EIN, an organization must file Form SS-4, Application for Employer Identification Number, with the IRS. See the Form SS-4 Instructions for information on how to obtain an EIN online (only for applicants in the U.S. or U.S. possessions), via the telephone (only for applicants outside of the U.S. or U.S. possessions), by fax or by mail.
- (4) New political organizations must submit to the Ogden campus a Form 8453-X, Political Organization Declaration for Electronic Filing of Notice of Section 527 Status, containing the signature for the electronic Form 8871.
- (5) Form 8453-X isn't required to be filed on an amended Form 8871.
- (6) Every political organization that is to be treated as a tax exempt political organization under the rules of IRC 527 must file Form 8871, except for:
 - An organization that reasonably expects its annual gross receipts to always be \$25,000 or less;
 - A political committee required to report to the FEC;
 - Any political committee of a state or local candidate;
 - Any state or local committee of a political party;
 - Organization that does not seek tax-exempt status
 - Any organization in IRC 501(c) that is subject to IRC 527(f)(1) because it has made an "exempt function expenditure."

21.7.7.6.6.1
(01-01-2021)

**Public Inspection of
Form 8871 and Related
Materials**

- (1) Form 8871 (including any supporting papers) and any letter or other document the IRS issues about Form 8871 is open to public inspection at the IRS in Washington, D.C. The forms may be viewed and downloaded from a searchable database.
- (2) In addition, the organization is required to make a copy of these materials available for public inspection during regular business hours at the organization's principal office and at each of its regional or district offices having at least three paid employees.

- (3) A penalty of \$20 per day is imposed on any person with a duty to comply with the public inspection requirement for each day a failure to comply continues.
- (4) See IRM 20.1.8, Employee Plans and Exempt Organizations Miscellaneous Civil Penalties, for additional information.

21.7.7.6.6.2
(01-01-2021)

**Correspondence
Relating to Form 8871 or
Form 8872**

- (1) Route correspondence issues involving either Form 8871 or Form 8872 as follows:
 - Route any entity related changes or questions on Form 8871 or Form 8872 to OSPC EO Entity for resolution. This includes amended returns.
 - Refer technical questions on Form 8871 or Form 8872 to the CAS toll free number: 877-829-5500.
 - Route correspondence addressing reasonable cause requests for late filing to OAMC EO Accounts.
- (2) Correspondence issues received in EO Accounts generally have to do with extension requests or determining whether an organization is required to file Form 8871. For extension requests, inform the organization that there is no extension of time to file Form 8871.

21.7.7.6.7
(01-01-2021)

**Form 8872, Political
Organization Report of
Contributions and
Expenditures**

- (1) The IRS will no longer accept paper Form 8872 reporting on periods after 2019. Form 8872 reporting information for periods starting on or after January 2020, will be due electronically by IRC 527 organizations. These include political parties, political action committees and campaign committees of candidates for federal, state or local office.
- (2) Most tax-exempt political organizations have a requirement to file semiannual, quarterly or monthly reports on Form 8872 To file electronically, the organization must have the username and password it received from the IRS after electronically filing its initial notice (Form 8871). Organizations can file electronically using the IRS website at *IRS.gov/polorgs*. To replace a password, taxpayers must contact:
IRS
Attn: Request for 8872 Password
Mail Stop 6273
Ogden, UT 84201 Fax (855) 214-7520
- (3) Form 8872 posts to Master File as a TC 150. The MFT is 49 and the Doc Code is 61.
- (4) Every IRC 527 tax exempt political organization that accepts a contribution or makes an expenditure for an exempt function during the calendar year must file Form 8872 except:
 - A political organization that isn't required to file Form 8871
 - A qualified state or local political organization (QSLPOs)
- (5) An organization must file Form 8871 before it can file Form 8872. If the organization has not filed Form 8871, it may be subject to taxation under IRC 527(i)(4) and the requirements for filing Form 8872 are not applicable.
- (6) All other political organizations are required to file Form 8872 to report the names, addresses and, if an individual, the occupation and employer, of any person to whom **expenditures** are made that aggregate \$500 or more in a calendar year and the amount, date and purpose of each expenditure.

- a. The report must also include the name, address, and, if an individual, the occupation and employer of any person who **contributes** \$200 or more in a calendar year and the amount and date of each contribution.
- (7) Due dates for Form 8872 vary depending on whether the form is due for a reporting period that occurs during a calendar year in which a regularly scheduled election is held or any other calendar year.
- a. During an election year, the organization may opt to file its reports on either quarterly or monthly, but it must file on the same basis for the entire calendar year.
 - b. During a non-election year, the organization may choose to file its reports on either a semi-annually or monthly basis, but it must file on the same basis for the entire calendar year.
- (8) Refer to the following table to determine the filing requirements for Form 8872:

Form 8872 Filing Requirements	Filing Frequency	Due Date
A non-election year (odd- numbered)	Monthly basis	No later than the 20th day after the end of the month, which must include the figures for the entire month.
A non-election year (odd- numbered)	Semi-Annual	No later than July 31st for the first half of the year, and No later than January 31st for the second half of the year.
An election year (even- numbered)	Monthly basis	No later than the 20th day after the end of the month, which must include the figures for the entire month.
An election year (even numbered)	Quarterly basis	Due by the 15th day after the last day of each calendar quarter, except the year-end report, which is due by January 31st.
An election year (even numbered)	Pre-election report for any election for federal office for which the organization makes a contribution or expenditure	Must be filed 12 days before the election (15 days before the election if posted by registered or certified mail) and must contain information through the 20th day before the election.
An election year (even numbered)	Post-general election report	Must be filed no later than 30 days after the general election that contains information through the 20th day after the election.

- (9) A political organization that does not disclose this information must pay an amount equal to the highest corporate tax rate (21% for tax years beginning after December 31, 2017 and 35% for prior tax years) multiplied by the amount of contributions and expenditures not disclosed and report it on the Form 1120-POL. If a political organization doesn't file Form 8871 and is subject to tax on its income, it isn't required to file Form 8872.
- (10) A political organization isn't required to file Form 8872 for any period of time that it is subject to tax on its income because it did not file or amend a Form 8871.

21.7.7.6.7.1
(01-01-2021)
**Section 527
Organization Notices**

- (1) When an organization files an SS-4 and indicates that it is a political organization, the entity is coded with a "1" in the "527 Indicator" field located on INOLES (527-POL-ORG-CD). If certain filing requirements are not met, the IRS issues one of the following notices.
 - CP 249A, Form 8871- Political Organization Notice of Section 527 Status- Not Filed, Request for Information, requests that the organization file a Form 8871.
 - CP 249B, Form 8872 Filed Late, Request for Information, informs the organization that it filed the Form 8872 late and that there is a penalty for late filing. The CP notice requests a reason for the late filing.
 - CP 249C, Form 8872 Not Filed, Request for Information, notifies an organization that it filed a Form 8871 and that it is required to file the Form 8872 (unless the organization is a QSLPO). The notice requests the organization to file a Form 8872 or to amend its Form 8871 to identify itself as a QSLPO.
- (2) If any of the above notices are received in EO Accounts, route to EO Entity MS: 6273. For additional information, refer to IRM 21.3.8.10.2.12, CP 249 Notices for IRC 527 Organizations.

21.7.7.6.7.2
(01-01-2021)
**Public Inspection of
Form 8872**

- (1) The IRS will make Form 8872 (including Schedules A and B) open to public inspection on the IRS web site at <https://www.irs.gov/charities-non-profits/political-organizations/political-organization-filing-and-disclosure>, Political Organization Filing and Disclosure. In addition, the organization must make available for public inspection a copy of this report during regular business hours at the organization's principal office and at each of its regional or district offices having at least three paid employees.
- (2) A penalty of \$20 per day will be imposed on any person under a duty to comply with the public inspection requirement for each day a failure to comply continues. The maximum penalty imposed on all persons for failures relating to one report is \$10,000.
- (3) A penalty will be imposed if the organization is required to file Form 8872 and it:
 - Fails to file the form by the due date or
 - Files the form but fails to report all of the information required or it reports incorrect information.

The penalty is 21% for tax years beginning after December 31, 2017 (35% for tax years beginning before December 31, 2017) of the total amount of contributions and expenditures to which a failure relates.

- (4) See IRM 20.1.8, Employee Plans and Exempt Organizations Miscellaneous Civil Penalties, for additional information.

21.7.7.6.7.3
(10-19-2022)

Summary of Form Filing Requirements

- (1) The table below provides a summary of forms required to be filed by political organizations:

Form	When Filed	Exceptions to Filing Requirement
Form 8871	Within 24 hours of establishment or within 30 days of any material change, including termination	<ul style="list-style-type: none"> Organization that does not seek tax-exempt status; Political committee required to report to the FEC; Campaign committee of state and local candidates; State or local committee of political parties; and Organization that reasonably expects annual gross receipts to always be less than \$25,000.
Form 8872	At organization's option, quarterly/semi-annually or monthly, on same basis for entire calendar year (see form instructions for detailed information)	<ul style="list-style-type: none"> Any organization excepted from Form 8871 filing requirement (see above); and Qualified state or local political organization (QSLPO).
Form 1120-POL	Due the 15th day of the 4th month after the close of the taxable year.	<ul style="list-style-type: none"> Political organization with no taxable income after taking the \$100 specific deduction
Form 990 or Form 990-EZ	Due the 15th day of the 5th month after the close of the taxable year	<ul style="list-style-type: none"> Any organization excepted from Form 8871 (see above); and Caucus or association of state or local officials

21.7.7.6.8
(01-01-2021)

Form 8453-X, Political Organization Declaration for Electronic Filing of Notice of Section 527 Status

- (1) Form 8453-X is automatically generated for a new political organization to complete when a Form 8871 is submitted electronically. The organization must print the form, sign it, and mail it to the Ogden campus. In doing so, the electronic filing of Form 8871 is authenticated.
- (2) When Form 8453-X isn't submitted to the Ogden campus within 60 days of the filing, the IRS will send the organization a username and password that must be used to file an amended or final Form 8871 or to electronically file Form 8872.

- (3) If Form 8453-X is submitted without a signature, the signature page of the form will be returned to the organization requesting a signature.
- (4) A TC 971 AC 351 is entered by EO Entity when a Form 8453-X is received.
- (5) Send misrouted Forms 8453-X received in EO Accounts to EO Entity.

21.7.7.6.9
(01-01-2021)
**Form 5227, Split-Interest
Trust Information Return**

- (1) Form 5227 is used to report the financial activities of a split-interest trust described in IRC 4947(a)(2) and to determine whether the trust is treated as a private foundation and is subject to the excise taxes under Chapter 42.
- (2) The MFT is 37 and the tax class is 4. Form 5227 is due the 15th day of the fourth month after the calendar year ends.
- (3) Split interest trusts are required to file annually regardless of whether or not their income is distributed.
- (4) Section 6652(c)(2)(C) allows for a Daily Delinquency Penalty to be charged on split interest trusts for not filing a timely return. A penalty is imposed on the trustee if he/she knowingly fails to file. Refer to IRM 21.7.7.6.23, Exempt Organization Penalties, for additional penalty information.
- (5) Form 5227 is publicly available under IRC 6104(b) except for the non 170(c) beneficiaries which are exempt from disclosure. Schedule A, Distributions, Assets, and Donor Information (page 7) isn't open for inspection.
- (6) Form 5227 is detached by C&E and processed separately from the return to which it was originally attached.
- (7) Form 5227 is processed as a Form 990-PF if:
 - a. There's an indication that the organization is now a private foundation or an IRC 4947(a)(1) trust treated as a private foundation.
 - b. Filer attempts to compute and/or pay excise tax on investment income.
 - c. An IRS label is present indicating type of foundation code 02, 03, or 04.
- (8) Income flows from Form 5227 or Form 1041-A to Form 1041 and Form 1040. If any amount on one return is amended, all returns must be amended. Interest, dividends, capital gains, etc. on Form 1040 should be at least the amounts reported on Form 5227 or Form 1041-A. Capital gains, however, can be rolled into trust principal or corpus and not be distributed. If it is distributed, per Part II Form 5227, the amounts should match.

21.7.7.6.10
(01-01-2021)
**Form 1041-A, U.S.
Information Return Trust
Accumulation of
Charitable Amounts**

- (1) The Tax Cuts and Jobs Act of 2017 (P.L. 115-97 amended section 641(c)(2). As a result, electing small business trusts (ESBTs) are no longer subject to the charitable information reporting requirements under IRC 6034 and don't file Form 1041-A.
- (2) Trustees must file Form 1041-A for a trust that claims a charitable or other deduction under section 642(c) unless an exception applies.

Exception: The trustee doesn't file Form 1041-A for:

- A trust that is required to distribute currently to the beneficiaries all the income for the tax year determined under section 643(b) and related regulations;

- A charitable trust described in section 4947(a)(1);
 - For tax years beginning after 2006, a split-interest trust described in section 4947(a)(2); or
 - Electing small business trusts (ESBTs) described in section 641(c).
- (3) The MFT is 36 and the tax class is 4. The return is due the 15th day of the fourth month after the calendar year ends.
- (4) To receive an automatic extension, the trustee must file Form 8868 on or before the original due date of Form 1041-A.
- (5) A trust that files Form 1041-A must report on the calendar year. A trust exempt from tax under IRC 501(a) or described in IRC 4947(a)(1) does not file Form 1041-A and may use a non-calendar year.
- (6) A decedent's estate isn't required to file Form 1041-A. Section A (Type of entity) on page 1 of Form 1041 will indicate if the entity is a decedent's estate.
- (7) A copy of Form 1041-A may be attached to Form 5227. R&C separates the returns for processing.
- (8) IRC 6652(c)(2) permits separate penalties of \$10 a day, up to a maximum of \$5,000, against both the trust and the trustee for not filing Form 1041-A on time, unless there is reasonable cause. The law also provides penalties for filing a false or fraudulent return.
- (9) When a DDP is assessed on the Form 1041-A due to late filing and the taxpayer isn't required to file a Form 1041-A, the penalty can be removed without a reasonable cause statement.

21.7.7.6.11
(01-01-2021)

**Form 4720, Return of
Certain Excise Taxes on
Charities and Other
Persons Under Chapters
41 and 42 of the Internal
Revenue Code**

- (1) Form 4720 is filed by:
- Private foundations and IRC 4947(a) trusts
 - Donor advised funds and certain supporting organizations with excess business holdings.
 - Public Charities making excess lobbying expenditures
 - Organizations making political expenditures
 - Charitable organizations that make certain premium payments on personal benefit contracts
 - Self-dealers, disqualified persons, foundation managers, organization managers, donors, donor advisors, and related persons
 - Tax-exempt entities that are party to prohibited tax shelter transactions

Refer to Form 4720 instructions for detailed information regarding who must file.

- (2) Form 4720 is used to figure and pay:
- The initial taxes on private foundations, foundation managers, and self-dealer under IRC 4941, IRC 4942, IRC 4943, IRC 4944, and IRC 4945 for self-dealing, failure to distribute income, excess business holdings, investments that jeopardize charitable purpose, and taxable expenditures.
 - The initial taxes on certain supporting organizations and donor advised funds for excess business holdings under IRC 4943.

- IRC 4911 tax on excess lobbying expenditures by public charities that have elected to be subject to IRC 501(h) regarding expenditures to influence legislation. (Private foundations and IRC 4947(a) trusts are not eligible to make this election).
- IRC 4912 tax on excess lobbying expenditures that result in loss of IRC 501(c)(3) tax-exempt status.
- IRC 4955 tax imposed on any amount paid or incurred by a IRC 501(c)(3) organization that participates or intervenes in any political campaign on behalf of or in opposition to any candidate for public office.
- IRC 4958 initial taxes on disqualified persons and organization managers of IRC 501(c)(3) (except private foundations) organizations, donor advised funds and IRC 501(c)(4) organizations that engage in excess benefit transactions
- IRC 4965 tax on a tax-exempt entity and foundation manager pertaining to prohibited tax shelter transactions.
- IRC 4966 tax on sponsoring organizations of donor advised funds and fund managers for taxable distributions.
- IRC 4967 tax on donors, donor advisors, related persons and fund managers for prohibited benefits from donor advised funds.
- IRC 170(f)(10) tax on any premiums paid on a personal benefit contract in connection with a transfer to an organization or charitable remainder trust for which a charitable deduction isn't allowed to the transferor.
- IRC 664(c)(2) excise tax on the unrelated business taxable income of a charitable remainder trust.

(3) Form 4720 provides for the assessment of tax:

- a. Against an organization as well as an individual.
- b. On excess lobbying expenditures for a public charity.

Note: therefore, there may be EINs and SSNs on the return.

(4) Return generally has the same due date as Form 990-PF, Form 5227, Form 990 or Form 990-EZ. The MFT is 50.

(5) Form 4720 is divided into the following sections:

- Part I — Taxes on organizations
- Part II - Taxes on a Manager, Self-Dealer, Disqualified Person, Donor, Donor Advisor, or Related Person
- Part II-A (for tax years ending on or before December 31, 2019) — Taxes on Managers, Self-Dealers, Disqualified Persons, Donors, Donor Advisors, and Related Persons
- Part II-B (for tax years ending on or before December 31, 2019) — Summary of Taxes
- Part III - Tax Payments
- Schedule A - Initial Taxes on Self-Dealing (Section 4941)
- Schedule B - Initial Tax on Undistributed Income (Section 4942)
- Schedule C - Initial Tax on Excess Business Holdings (Section 4943)
- Schedule D - Initial Taxes on Investments That Jeopardize Charitable Purpose (Section 4944)
- Schedule E - Initial Taxes on Taxable Expenditures (Section 4945)
- Schedule F - Initial Taxes on Political Expenditures (Section 4955)
- Schedule G - Tax on Excess Lobbying Expenditures (Section 4911)
- Schedule H - Taxes on Disqualifying Lobbying Expenditures (Section 4912)

- Schedule I - Initial Taxes on Excess Benefit Transactions (Section 4958)
- Schedule J - Taxes on Being a Party to Prohibited Tax Shelter Transactions (Section 4965)
- Schedule K - Taxes on Taxable Distributions of Sponsoring Organizations Maintaining Donor Advised Funds (Section 4966)
- Schedule L - Taxes on Prohibited Benefits Distributed From Donor Advised Funds (Section 4967)
- Schedule M - Tax on Hospital Organization for Failure to Meet the Community Health Needs Assessment Requirements (Section 4959 and 501(r)(3))
- Schedule N - Tax on Excess Executive Compensation (Section 4960)
- Schedule O - Excise Tax on Net Investment Income of Private Colleges and Universities (Section 4968)

(6) Interest is computed as established under IRC 6621.

21.7.7.6.11.1
(01-01-2021)

**Form 4720
Correspondence**

(1) Correspondence issues relating to Form 4720 may include any of the following:

- Balance due notices;
- Missing payments;
- Requests for penalty abatement;
- Abatement of First Tier Tax;
- Missing required attachments;
- Erroneous refunds.

21.7.7.6.11.2
(01-01-2021)

**Penalties Applicable to
Form 4720**

(1) The following penalties apply to public charities, private foundations, foundation managers, and self-dealers required to file Form 4720.

- Failure to file;
- Willful failure to file;
- Failure to pay tax due.
- Willful failure to pay tax due;
- Filing fraudulent returns or statements

(2) EO Accounts TEs may abate penalties related to Form 4720. However, if both a tax decrease and penalty abatement are requested, refer the case to the Field. Don't adjust the penalties.

(3) See IRM 20.1.8, Employee Plans and Exempt Organizations Miscellaneous Civil Penalties, for additional information.

21.7.7.6.11.3
(10-19-2022)

Form 4720-A

(1) Form 4720-A (MFT 66) is used to assess initial taxes on managers, self-dealers, disqualified persons, donors, donor advisors, and related persons. For more information see IRM 21.7.12.8, Exempt Organization - Form 4720 - Part II-A, Taxes on Managers, Self-Dealers, Disqualified Persons, Donors, Donor Advisors, and Related Persons.

(2) It isn't a standard form and is created by converting and/or photocopying Form 4720 and inserting a printed "A" in red ink to the right of the form number 4720.

(3) Form 4720, Part II-A:

- a. Is used as the source of information to create Form 4720-A.

- b. Consists of all persons who owe tax in connection with the foundation or organization, whether as managers, self-dealers, disqualified persons, donors or related persons.
- c. Is prepared for each name entered in Part II-A of Form 4720.
- d. Is posted to Non-Master File (NMF).

Note: If NMF research or assistance is needed, contact Cincinnati NMF (CAMC) using the E-eFax number found in Exhibit 21.7.12-1, **Contact Information**. CAMC doesn't work Form 4720-A issues, but can complete research and provide necessary transcripts.

Note: Form 4720 was revised for tax years beginning on or after January 01, 2020. There will no longer be a Form 4720-A process for tax years ending after December 31, 2019 with the exception below.

- (4) Due to programming restrictions with the abstract 150 posting to BMF, tax modules which have the abstract 150 assessed will be need to be transferred to NMF for completion. The procedures below explain the process used and documents required to complete these cases until the programming is fixed:

- 1. An electronic copy of Form 4720-A in PDF format.
- 2. Complete Form 12810, Account Transfer Request Checklist, and send to the manager for electronic signature.

Note: The manager's electronic signature must be signed with the SEID and name. (SEID and name must show on the 'authorized signature' line). If the incorrect signature is used to sign, the form will be rejected back for the correct signature format.

- 3. Complete Form 1331-B, Notice of Adjustment, and send to the manager for electronic signature. The signature requirements are the same as stated above.
- 4. Compose an encrypted email to the HQ analyst. Attach the PDF 4720-A, completed Form 12810 and completed Form 1331-B.
- 5. If a balance due is present on the BMF tax module, input CC STAUP for 6 cycles.
- 6. If a balance due is present on the NMF tax module, prepare Form 3177, Notice of Action for Entry on Master File. See IRM 21.7.12.5.12, Stopping NMF Notices.
- 7. Send Letter 0086C to the organization. Allow 90 days for response.

Note: To identify where the package is being sent, include the following address in Letter 0086C:
Internal Revenue Service
333 W Pershing Rd
Stop 6263 P-6
Kansas City, MO 64108

- 8. Open a monitoring control notating the F12810 in the activity field using the date sent to HQ analyst and category code MISC.
- 9. Record EIN/SSN, tax period and the date the package was emailed to the HQ analyst on the NMF transfer spreadsheet.

The HQ analyst will review all documents and forward to KCSC P&A for processing. Once package is forwarded, the analyst will email the NMF SME confirming package was emailed so the NMF transfer spreadsheet can be notated with the date sent to KCSC.

The NMF SME will review IDRS weekly for account action completion. Once adjustments have posted, the NMF SME will update the spreadsheet with closing comments and close their monitoring control. The SME will provide a copy of the spreadsheet to the HQ analyst monthly for review.

21.7.7.6.12
(01-01-2021)

Form 5578, Annual Certification of Racial Nondiscrimination for a Private School Exempt from Federal Income Tax

- (1) Every IRC 501(c)(3) organization which operates, supervises, or controls a private school must file a certification of racial nondiscrimination.
- (2) If an organization is:
 - a. Required to file Form 990 or Form 990-EZ, either as a separate return or part of a group return, the certification must be made on Schedule E (Form 990).
 - b. Not required to file Form 990 or Form 990-EZ, the EO uses Form 5578 to make the certification.
- (3) The certification must be filed annually by the 15th day of the 5th month following the end of the organization's calendar year or fiscal period.

21.7.7.6.13
(01-01-2021)

Form 5768, Election/Revocation of Election by an Eligible IRC 501(c)(3) Organization to Make Expenditures to Influence Legislation

- (1) Form 5768 is a numbered return but does not have a specific MFT. The transaction posts to the entity module with the year the election is effective (TC 024) or revoked (TC 023). The Doc Code is "77" and information can be accessed using CC BMFOLE, INOLE, or MFTRD. The volume is minimal.
- (2) IRC 501(h), however, permits certain eligible IRC 501(c)(3) organizations to make limited expenditures of specified amounts to influence legislation. An organization making the election will, however, be subject to an excise tax under IRC 4911 if it spends more than the amounts permitted by that section.
- (3) To make or revoke the election, the EO enters the ending date of the tax year to which the election or revocation applies on Form 5768 in item 1 or 2, as applicable. If Form 5768 is received in processing attached to another return, detach it and process separately. The election is:
 - a. Effective beginning with the tax year in which it is signed and postmarked.
 - b. No longer in effect after the tax year in which the revocation is signed and postmarked.
- (4) Form 5768 is filed by an organization that is exempt under IRC 501(c)(3) and files Form 990. IRC 501(c)(3) states that an organization exempt under that section will lose its tax-exempt status and its qualification to receive deductible charitable contributions if a substantial part of its activities is attempting to influence legislation.

21.7.7.6.13.1
(01-01-2021)

Amended Form 5768 Procedures

- (1) If an amended, corrected, or supplemental Form 5768 is received, follow the procedures outlined below:
 - a. Verify fact of filing for the tax period in question by researching CC BMFOLE for a posted Transaction Code (TC) 023 or 024. If a TC 024 is present on the module and the amended return shows no change (i.e., EIN, tax period, name, etc.), attach the amended return to the DLN of the original TC 024 document.

- b. Send a letter to the organization explaining that a Form 5768 was previously filed for that tax period and no additional filings are necessary unless the organization chooses to revoke the election.
- c. If no TC 024 or 023 is present, edit the amended return and process as an original.
- d. If the last transaction on the account is a TC 023 (revocation) and the amended return is indicating an election, edit the amended return and process as original.

Note: Any subsequent returns that are sent to be processed after the initial TC 023 or 024 has posted to Master File will unpost.

21.7.7.6.14
(10-19-2022)

**Form 990-N, Annual
Electronic Notice Filing
Requirement**

- (1) Form 990-N, Electronic Notice (e-Postcard) for Tax - Exempt Organizations not Required to File Form 990 or 990-EZ is filed by organizations who normally have gross receipts of \$50,000 or less.

Exception: A section 509(a)(3) supporting organization must file Form 990 or Form 990-EZ, even if it's gross receipts are normally \$50,000 or less.

Exception: Certain organizations described in General Instruction B of the instructions for Form 990-EZ and Section B of the instructions for Form 990 aren't required to file Form 990-N. Refer to these instructions for more information.

Note: If an organization chooses to file Form 990 or Form 990-EZ instead of Form 990-N, they must file a complete return.

- (2) With the exception of a duplicate filed condition (e.g., E-filed & paper return both post to a module), don't attempt to resolve any issues associated with Form 990-N. Route any and all correspondence, inquiries, or CP notices (except CP 193) about Form 990-N to Entity MS: 6273 for resolution. Refer to the table below to determine which area will resolve the duplicate or amended return issue.

If	And	Then
TC 976 is for another tax period or EIN,	return is for the current year,	1) Route to EO Entity for resolution. Form 990-N is processed through the irs.gov website.
	return is for a prior year,	1) Input a TC 290.00 & close control base. Note: The Service can only process the current year 990-N.
TC 976 is a true duplicate return,		1) Input a TC 290.00 & close control base.

If	And	Then
TC 976 is a true amended return,	return is for the current year,	1) Adjust the applicable fields (i.e., gross receipts, EOY assets) following established guidelines.

- (3) A CP 299 generates every time a Form 990 filing requirement changes from 01 to 02. It's an information notice only and doesn't require a response. The notice informs the filer they need to file a yearly electronic Form 990-N through the IRS web site because their gross receipts are normally \$50,000 or less. Failure to file this yearly electronic notification results in loss of their exempt status.
- (4) The annual electronic notice is due by the 15th day of the fifth month after the close of the tax period. The notice includes the following information:
- Organization's legal name
 - Any other names the organization uses
 - Organization's mailing address
 - Organization's website address (if applicable)
 - Organization's employer identification number (EIN)
 - Name and address of a principal officer of the organization
 - Organization's annual tax period
 - Verification that the organization's annual gross receipts are still \$50,000 or less.
 - Verification of if the organization has terminated or gone out of business.
- (5) A CP 259A delinquency notice will generate 120 days after the due date of the Form 990-N if there is no TC 150, 59X or TC 460 on the tax module. The organization must respond to this notice and the responses are worked in EO Entity MS: 6273. Also, there are no penalties assessed against the organization for late filing or extensions granted.
- (6) Failure to file the annual electronic notice or Form 990 or Form 990-EZ for three consecutive years, will result in revocation of the organization's tax-exempt status as of the filing due date of the third year. The EO can be reinstated by (re)applying and paying the appropriate user fee. Reinstatement of tax-exempt status may be retroactive to the date of revocation, if the EO can show that there was reasonable cause for not filing.
- (7) The Following organizations are exempted from the annual notification requirement:
- A church, an interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church (as defined in Treas. Reg. §1.6033-2(h))
 - An exclusively religious activity of any religious order
 - A mission society sponsored by or affiliated with one or more churches or church denominations, more than one-half of the activities of which society are conducted in, or directed at persons in, foreign countries
 - An educational organization (below college level) that is described in IRC 170(b)(1)(A)(ii), that has a program of a general academic nature,

and that is affiliated (within the meaning of Treas. Reg. §1.6033-2(h)(2)) with a church or operated by a religious order

- A subordinate organization whose financial information is included in a group return
- A State institution, the income of which is excluded from gross income under IRC 115(a)
- An organization described in IRC 501(c)(1); or
- An organization that is a governmental unit or an affiliate of a governmental unit exempt from federal income tax under IRC 501(a).

21.7.7.6.15
(01-01-2021)
**Routing Exempt
Organization
Correspondence Issues**

- (1) Except for the items in IRM 21.7.7.1, Scope and Purpose, all EO account related issues and inquiries are resolved in the EO Accounts units at OAMC. Route any account related issues received at other locations, to OAMC, EO Accounts, MS: 6710. Route inquiries and information EO Accounts is unable to address (check with the lead first) to one of the following locations for resolution:
- TE/GE Exam Classification Site
 - Cincinnati Submission Processing Campus
 - TE/GE Adjustment Unit in Cincinnati
 - EO Entity control (inquiries received at OAMC only)

- (2) Mail Form 3115, Application for Change in Accounting Method, with all attachments filed by EO to:

Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

21.7.7.6.15.1
(01-01-2021)
**EO Issues Routed to
TE/GE Adjustment Unit**

- (1) Route all written inquiries or correspondence relating to the following issues to the TE/GE Adjustment unit at the address below. Refer telephone inquiries on the issues listed below to the TE/GE CAS telephone operations toll free number 877-829-5500

- Request for a copy of an exemption letter or application form (Form 1023, Form 1023-EZ or Form 1024);
- Inquiries concerning foundation status;
- Questions concerning determination of an organization's exempt status;
- Organization questioning why it is no longer exempt;
- Requests for change in filing requirements not supported by a determination letter ruling;
- Form 8871 or Form 8872 technical related issues;
- Inquiries/issues referencing tax exempt government instrumentalities;
- Organization sending in copy of by-laws or by-law changes;
- Requests to be added to Publication 78.

- (2) The mailing address for TE/GE Adjustment unit is:

Internal Revenue Service
TE/GE Adjustment Unit
P.O. Box 2508, Rm: 4010
Cincinnati, OH 45201
Phone Number: 877-829-5500 (toll-free number)

21.7.7.6.15.2
(10-19-2022)

**EO Issues Routed to
Cincinnati Submission
Processing Campus**

- (1) Route the following issues to the Cincinnati Submission Processing Campus (CSPC):
 - Form 1023 or Form 1024 applications (initial requests). If an EIN needs to be established, send to EO Entity first.
 - Form 8718 - User Fee for Exempt Organization Determination Letter Request.
- (2) CSPC addresses for mailing applications or user fees are shown below:

Internal Revenue Service
TE/GE Stop 31A Team 105
P.O. Box 12192
Covington, KY 41012-0192
Street Address:
Internal Revenue Service
Mail Stop 31A Team 105
7940 Kentucky Dr
Florence, KY 41042
Phone Number: 877-829-5500
- (3) For internal routing of application issues (i.e., copies or a response to a letter that was generated by an EO agent), send to:

Internal Revenue Service
7940 Kentucky Dr
Attn: Mail Stop 31A Team 105
Florence, KY 41042
- (4) The CSPC, Excise Tax Unit works Form 8849, Claim for Refund of Excise Taxes, or claims for refund of communications excise tax by exempt users. Route all Forms 8849, attachments and claims to :

Internal Revenue Service
MS: 5701G
Cincinnati, OH 45999

21.7.7.6.15.3
(10-19-2022)

**EO Issues Routed to EO
Entity Control (OSPC)**

- (1) Route the following issues to OSPC's EO Entity Control at MS: 6273:
 - Mismatch of Subsection Code, Foundation Code, type of return filed, or IRC section;
 - EO section not on ENMOD;
 - Name changes (Proof of name change must be provided. This can be in such forms as articles of incorporation or by-law changes, articles of amendment, formal notification to the Secretary of the resident state, or formal minutes of meetings). This includes organizations without a formal exemption (including subordinates included in a group ruling and government entities/instrumentalities).

Note: If the entity has a formal exemption (either with an individual ruling or as a central organization in a group ruling) or the filer is requesting an affirmation letter, route the documentation to:
Internal Revenue Service
TE/GE Correspondence Unit
550 Main St Room 4024
Cincinnati, OH 45202
EEFax: 855-204-6184

- Inquiries requesting a change in filing requirement;
- EO Form 1128, Application to Adopt, Change, or Retain a Tax Year;
- All correspondence stating the following -
 - “We are not required to file”
 - “We are not an exempt organization”
 - “We are no longer a charter credit union”
 - “Out of business”
 - “No longer a group (no longer an affiliate of this group).”
- Inquiries stating the exempt organization is “out of business,” “terminated” or “dissolved”;
- Organization stating it files as part of a group

Note: Complete basic research before routing.

Note: If the account is in status 97, follow IRM 21.7.7.5.2.1.3, Status 97 Procedures before routing to Entity.

- (2) When MF indicates a different accounting period than the one indicated in correspondence from the organization, inform the organization to elect the change by timely filing the applicable information return (for example, Form 990, Form 990-EZ, Form 990-PF, Form 990-T, Form 990-BL, or Form 1065) for the short period for which the return is required. Indicate on the return that a change in accounting period is being made (Revenue Procedure 85–58). If the organization has already changed its FYM within the last 10 years, it must submit a Form 1128.

Note: These procedures don’t apply to farmer’s cooperatives exempt from Federal income tax under IRC 521 or to organizations described in IRC 526, IRC 527, or IRC 528. These organizations file their change in accounting period applications on Form 1128, Application to Adopt, Change, or Retain a Tax Year Period.

21.7.7.6.15.4
(03-17-2023)

**EO Informant Letters,
Information Items, and
Referrals**

- (1) Route third-party correspondence or any IRS prepared document which alleges potential noncompliance with a tax law on the part of an exempt organization (e.g., taxpayer informant letters, information items, referrals) to the address shown below. Use Form 13909, TE/GE Referral Information Report, for referrals.

Internal Revenue Service
1100 Commerce St
Attn: EO Group 7993 MC 4910 DAL
Dallas, TX 75242
Fax - 214-413-5415

- (2) Don’t establish an AIMS account. If an examination is warranted, EO Classification establishes it.

21.7.7.6.16
(10-19-2022)

EO Claim Procedures

- (1) Send all EO claims and amended returns to OAMC, EO Accounts unit. On site classification is available for claims/amended 990-T returns with an attached Form 8941 or amount on line 44f.

- (2) All claims and/or amended returns for a Form 990-T with an attached Form 8941 or amount on line 44f of the 990-T (even if there is other unrelated business income on the return) will require additional review before approval of the claim.
- (3) Payments made after March 1, 2013 for the 45R credit (line 44f) are subject to a reduction of 5.7% due to sequestration.
- (4) Regulated Investment Company (RIC) or Real Estate Investment Company

reviewed by the Field. See IRM 21.7.7.6.3.6, Form 2439 - Regulated Investment Company Shareholders' Refunds, for more information.
- (5) All claims must be **complete**. If there is missing information, the claim should be returned with no consideration using a Letter 0916c.
- (6) When a request for a manual refund is received:
 - Research to ensure the organization's EIN is correct.
 - Ensure the amount of credit on line 44f is reduced by 5.7%.
 - Prepare Form 5792 (or Form 3753 for 990-T), 45R direct deposit refunds or refunds in excess of \$10,000,000 to issue manual refund. Include remarks which state the "credit in excess of tax, penalties and interest is reduced 5.7% prior to offset, credit elect or refund due to sequestration."
 - Issue a Letter 3064c to the filer using the approved sequestration language.
- (7) EO claims meeting CATA criteria will be emailed to EO Classification or referred to an EO Exam Area Office.
- (8) The following claims or amended returns will be emailed to the unit lead as

(AIMS card), confirm the TC 420 has been input to establish the account on AIMS and then will email the claims package to *TE/GE CPC Case Assignment (*tege.cpc.case.assignment@irs.gov*) with a cc to the unit manager.

Exception: If the case shows an open AIMS control in status 09 or above, forward the case directly to the applicable EO Exam Area Office. Instructions are available in (9) below.

- Amended Form 990-T reporting a tax liability decrease greater than tolerance (with the exception of a Form 990-T with a Form 8941 attached or an amount on line 44f) IRM 21.7.7.6.16.2.
- Amended Form 990-PF reporting an IRC 4940 (tax on net investment income) tax decrease greater than tolerance. IRM 21.7.7.6.16.2.
- Form 4720 requesting abatement of Chapter 42 excise taxes greater than tolerance.
- Form 4720-A requesting abatement of 2nd Tier Chapter 42 (Section

4720-A requests for abatement of Section 4962 excise tax are referred to the unit Subject Matter Expert who will refer the request to the field if

Requests for penalty reconsiderations which were previously denied by the field.

- Cases/returns with issues related to prior field examinations.
- Claims from credit unions regardless of dollar amount.

- (9) If the case shows an open AIMS control in status 09 or above, forward the case directly to the applicable EO Exam Area Office. Cases with status 08 or below are worked in EO Accounts Management. Conduct initial research via CC AMDISA to determine the Employee Group Code (EGC). Find the EGC address on SERP under the **Who/Where** tab, **EXAM Employee Group Code (EGC) Contacts** bullet. Before referring a case directly to an EO Exam Area Office, compile a complete claim package consisting of the following information:
- a. A **copy** of the original return from OL-SEIN. If the return isn't available via OL-SEIN, request the original return from Files (make two attempts to secure the original return). If the original return isn't available, include a complete print of BRTVU.

Reminder: Don't send the original return to the Field.

- b. Complete print of TXMODA.
- c. If the claim involves a NMF account (Form 4720-A) a NMF transcript.
- d. Print of AMDISA if the account has an open TC 420/424 on the module.
- e. Complete either Form 3499 or Form 12839 routing slip. In the "Remarks" field (on Form 3499) or the "Note to Exam" field (on Form 12839), provide a **detailed explanation** as to why the claim is being referred to the Field.
- f. Clearly stamped case with the tax examiner's name or IDRS number, telephone number and date.
- g. Completed Form 5597 or 5588 (AIMS card).
- (10) If the EGC is **772X**, prepare a Form 3210 and route the case to the Exempt Organization Compliance Unit (EOCU), MS: 1112, located in Ogden, UT. Annotate "CLtoEOCU" in the Activity field on TXMODA.
- (11) If the group code is other than 772X, continue compiling the claim package as outlined below and send the case to the related EGC. Find the EGC address on SERP under the **Who/Where** tab, **EXAM Employee Group Code (EGC) Contacts** bullet.
- (12) Once you compile the claim package :
- a. Update the Activity field to "EO CATA",
- b. Send Letter 0086c to organization (allow 90 days for response), and
- c. Place the complete claim package in the team tub or secure email package to lead for review by the unit lead.

All claims must be reviewed and initialed or digitally signed by the unit lead before you route to the Field.

- (13) For EP Form 990-T claim procedures, refer to IRM 21.7.7.6.16.11, Form 990-T Employee Plan (EP) Claim Procedures.
- (14) Refer to the table below in determining when and where you should route other amended returns or penalty abatement cases.

Reminder: All EGC 772X are routed to EOCU.

If.....	And.....	Then
amended return or penalty abatement request is received, (case is other than a 990-T claiming 45R credit)	no AIMS control (i.e., TC 42X) is present on the module or does not meet CATA criteria,	1. Don't route to the field. 2. Resolve case issue using established procedures.
amended return is a 990-T claiming 45R credit or claiming the credit and reporting tax	no AIMS control and the following criteria is met: <ul style="list-style-type: none"> • Account has a F941/943 or 944 filing requirement. • Medicare wages are greater than zero and not more than \$1.5 million. • Average number of employees is 25 or less. • The credit claimed on the return isn't greater than the amount calculated using the 45R worksheet. • Credit isn't greater than \$24,742. • Employment code "F", "G", "T" or "A" isn't present. • EO Status Code 01, 02, 07, 10, 11, 21, 24 or 25 	<ul style="list-style-type: none"> a. Process the return. b. Allow the credit. c. Credit should be applied to tax, penalties, offsets or interest if before reduction due to sequestration. d. If actions result in a refund, ensure the amount is reduced by 5.7% (current sequestration rate).
amended return is a 990-T claiming 45R credit or claiming the credit and reporting tax	no AIMS control but the criteria listed above isn't met	<ul style="list-style-type: none"> a. Route the case to the P&A Analyst responsible for EO/EP at M/S 2100. b. Don't close the CIS case. c. The analyst will discuss with GE Technical advisor. d. The analyst will provide specific instructions for closing the case.

If.....	And.....	Then
amended return or penalty abatement request is received,	an open TC 420/424 is present on the module,	<p>1. Research AMDISA in order to determine the related Primary Business Code (PBC) and Employee Group Code (EGC).</p> <p>2. Make two attempts by phone or email to contact the RA assigned to the AIMS case to see if he/she wants the penalty abatement request or amended return associated with their case. If they determine the case should be forwarded to them, attach the AMDISA print to case file and route the amended return/abatement request to the corresponding address associated with the specific EGC. If unable to contact the RA after two attempts, notate in case notes all contact attempts, attach email or any other documentation and forward the case to the specific EGC. EGC address' can be found on SERP under the "Who/Where" tab, "EXAM Employee Group Code (EGC) Contacts" bullet.</p> <p>Note: Managerial or Lead approval is required prior to sending to the RA to ensure two attempts were made to contact the RA.</p> <p>3. Send CRX Letter 0086c to taxpayer informing them the case was referred to the Field for resolution.</p> <p>Note: Enter the EGC manager's name and telephone number as the contact person in Letter 0086c.</p>
amended return is received, or penalty abatement request is received,	a TC 421 is on the module,	<p>1. Resolve the case issue based on existing guidelines.</p> <p>2. Attach the amended return to the original return with a TC 290.00, in block 18.</p>

21.7.7.6.16.1
(01-01-2021)

**Claim for
Refund/Reconsideration**

(1) OAMC EO Accounts unit tax examiners may allow or disallow claim/

the following:

- An open TC 420/424 is present on the module
- Non-Master File (NMF) accounts (i.e., Form 990-BL, Form 4720-A)
- EO Protective Claims (see IRM 21.5.3.4.7.3, Protective Claims)
- Former closing agreements
- Requests for an immediate examination of the claim

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- Resubmitted claims previously disallowed by the EO Accounts unit based on instruction from the EO classifier with no additional information provided
- Tax decreases if organization did not successfully accomplish a 60-month IRC 507(b)(1)(B) termination
- Case is assigned to group code 772X (EOCA)
- Virgin Islands tax abatements
- Form 990-T with credit claimed on line 44f or a Form 8941 attached
- Amended Form 990-T, filed by an organization exempt under IRC 501(c)(3), with "Amended Return - Section 512(a)(7) Repeal" (Parking Tax Fringe, Qualified Transportation Fringe or similar wording may be used when referencing this repeal) written at the top of Form 990-T to claim a refund, credit, or adjust information due to the repeal of IRC 512(a)(7) and, **the address on the amended return is different from that on the original Form 990-T.**

Note: If the addresses on the amended and original return are the same, the above tolerance applies and the amended return will be worked by OAMC.

- Regulated Investment Company (RIC) or Real Estate Investment

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Form 2439 and reviewed by the Field. See IRM 21.7.7.6.3.6, Form 2439 - Regulated Investment Company Shareholders' Refunds, for more information.

- (2) OAMC EO Account unit leads may call the EO Exam Classifier about any claim for refund, reconsideration requests or technical issues if they're unsure whether to allow or disallow the issue. The EO Classifier offers technical guidance as to whether the case should be routed to the Field for further action or resolved in EO Accounts.

Note: Per the Taxpayer Bill of Rights (TBOR #5), taxpayers have the right to Appeal an IRS Decision in an Independent Forum; therefore, If OAMC EO Accounts unit tax examiners are disallowing a claim a formal disallowance letter should be issued and appeal rights provided.

21.7.7.6.16.2

(10-19-2022)

**Claim for
Refund/Reconsideration**

Field by the unit lead or designee. Create a Zip file claim package including the following items:

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- An electronic copy of the original and amended return from OL-SEIN. If either return isn't available via OL-SEIN, request the return from Files (Make two attempts to secure each return). If either return is unavailable, include a complete print of BRTVU.

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Exception: When working Form 990-T with "Amended Return - Section 512(a)(7) Repeal" (Parking Tax Fringe, Qualified Transportation Fringe or similar wording may be used when referencing this repeal) written at the top of Form 990-T to claim a refund, credit or adjust information due to the repeal of IRC 512(a)(7) and the return isn't available via OL-SEIN, include a complete print of BRTVU. Make no attempts to order the original return from Files.

Exception: If the claim package is extremely large, include the first 100 pages when creating the electronic copy. Make a note in the referral package email to explain the electronic claim package is incomplete due to the size.

Reminder: Don't send the original return to the Field.

- If the claim involves a NMF account a NMF transcript must also be included.
- Complete Form 5597 or Form 5588 (AIMS card) for AIMS establishment. Refer to Exhibits 21.7.7-1 and 21.7.7-2.

Note: The PBC is 410 and EGC is 7693 for EP 990-T claims.

Note: For Carrybacks, an AIMS control is established on the year(s) the loss is being carried back to.

- Update the activity field to identify the appropriate function "EO/EP CATA" on TXMODA and close the control base.
- If a balance due is present and no -A freeze on the account, input a STAUP for 6 cycles.
- Send Letter 0086c to the organization. Allow 90 days for response.

Note: To identify where the claim is being referred, include the following address in Letter 0086c:
Internal Revenue Service
Mail Code 4910DAL
1100 Commerce St
Dallas, TX 75242-1198

Reminder: A complete EO claim package includes, an electronic copy of the original return, an electronic copy of the amended return and a completed AIMS Card for AIMS establishment.

- Send encrypted email with the complete claim package to the unit lead for review. The email subject line must include the last four digits of the EIN, Name Control, the function and the form number.

Example: 1234 SMIT EO Form 990-T Claim, 1234 SMIT EP Form 990-T Claim, 1234 SMIT EO Credit Union Claim, or 1234 SMIT EO Protective Claim to identify the appropriate function.

Note: Complete spreadsheet and list each amended Form 990-T due to the repeal of IRC 512(a)(7), transportation/parking tax. The spreadsheet must be emailed to the unit lead (with manager cc'd) at the end of each business day.

- The unit lead will review, electronically sign AIMS card, and email package to EO Accounts clerk who will establish AIMS control on IDRS utilizing CC AM424. The unit lead will confirm the TC 420 has been input to establish the account on AIMS prior to emailing the complete claim package to *TE/GE CPC Case Assignment (*tege.cpc.case.assignment@irs.gov*), with a cc to the unit manager. The email must include both a delivery and read receipt.

Caution: If the claim package is incorrect or incomplete, it will be returned by the unit lead to the originating employee to perfect.

Reminder: If the claim package is extremely large, include the first 100 pages when creating the electronic copy. Make a note in the referral package email to explain the electronic claim package is incomplete due to the size.

- (2) Refer to the routing procedures in IRM 21.7.7.6.16, EO Claim Procedures, above.

21.7.7.6.16.3
(01-01-2021)

EO Protective Claims

- (1) Claims or amended returns based on expected changes in any of the following areas are considered protective claims:
- A current IRC or regulation;
 - Pending legislation; or
 - Current litigation.
- (2) Refer all protective claims to the Field following IRM 21.7.7.6.16.2.
- (3) If there is an open AIMS control on the account in status 09 or above. See IRM 21.7.7.6.16(9), EO Claim Procedures.

21.7.7.6.16.4
(01-01-2021)

EO Forms 4136

- (1) Form 4136 (or a statement showing the computation of tax) is used by state and local governments or nonprofit educational organizations that are not liable for excise tax on gasoline or special fuels. Form 4136 can be filed with Form 990-T and Form 1120-POL.
- (2) Government or tax exempt organizations cannot file a claim for payment or refund if it is known another person is entitled to file a claim for the same fuel.
- (3) Verify and compute the amount to be refunded. Follow the table below:

If	Then
the claim can't be processed due to lack of information or you're using "no consideration procedures",	Send the taxpayer a Letter 0916c.
the claim is disallowed,	1. Input TC 290.00 in Blocking Series (BS) 98/99. 2. Send the taxpayer Letter 0105c.

- (4) See IRM 21.5.3-3, Examination Criteria (CAT-A) - Credits, for more information on BMF claims.

21.7.7.6.16.5
(01-01-2021)

EO Windfall Profit Tax

- (1) If a claim or amended return is received requesting credit or refund of Windfall Profit Tax, route to Austin Compliance Center. Send Letter 0086c to taxpayer. Allow 90 days for response.

21.7.7.6.16.6
(10-19-2022)

IRC 4958 and IRC 4962 Abatement Request Procedures

- (1) IRC 4958 and IRC 4962 establishes excise taxes as an intermediate sanction where applicable EOs engage in excess benefit transactions with disqualified persons. These excise taxes are imposed on:
- a. Disqualified persons who benefit from excess benefit transactions.

- b. Organization managers who participate in these transactions knowing that they are excess benefit transactions.
- (2) A disqualified person is any person who was in a position to exercise substantial influence over the affairs of the applicable tax-exempt organization at any time during the five year look back period.
- (3) The "Initial Tax" or "First Tier Tax" is an excise tax equal to 25% of the excess benefit from each excess benefit transaction between an applicable tax-exempt organization and a disqualified person. When this occurs, Form 4720, Part I is completed.
- (4) When the 25% tax is imposed on an excess benefit transaction between an applicable tax-exempt organization and a disqualified person, and the excess benefit transaction isn't corrected within the taxable period, an additional excise tax equal to 200% of the excess benefit is imposed on the excess benefit transaction.
 - a. This tax is referred to as the "Additional Tax" or "Second Tier Tax".
 - b. Part II of Form 4720 is completed. During processing, if Part II information is present, a Form 4720-A is prepared. IRM 21.7.7.6.11.3, Form 4720-A.

Note: Form **4720** was revised for tax years beginning on or after January 01, 2020. There will no longer be a Form 4720-A process for tax years ending after December 31, 2019.

- (5) Delegation Order No. 237 (Rev. 2), dated November 14, 1997, does not authorize Directors, Submission Processing or Accounts Management Campuses to abate qualified First or Second Tier excise tax amounts imposed by Chapter 42 of the IRC.

Note: Delegation Order No. 7-11 (Rev. 1), dated July 2, 2018, authorizes Directors, Submission Processing or Accounts Management Campuses to abate qualified First Tier excise tax amounts, IRC 4962 claims for abatement of First Tier Chapter 42 taxes or IRC 4958 Second Tier Chapter 42 tax claims

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- (6) A request for abatement under IRC 4962 must have a statement attached, from the filer. This statement must include an assurance that the event occurred due to a reasonable cause and not willful neglect and it was corrected within the correction period. If the request for abatement includes both tax and penalties, see IRM 21.7.7.6.11.2 Penalties Applicable to Form 4720.
- (7) If a statement is attached and includes the items identified in (6) above, input a TC 291 with the appropriate IRNs. See IRM 21.7.7.6.19.8.5, Form 4720 Adjustments, for the appropriate IRNs. If the statement is not included, the claim should be returned with no consideration using the Letter 0916c.
- (8) IRC 4958 Second Tier Chapter 42 tax claims for abatement under tolerance of completed requesting the decrease.
- (9) Before routing the case to the field, post a TC 150 to Master File and attach the following items to the claim or correspondence request.

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- A **copy** of Form 4720 from OL-SEIN. If return isn't available via OL-SEIN, request the original return from Files (make two attempts). If unable to secure the original Form 4720 from Files, attach Form 4125 (charge-out document) to the case file. If the initial charge out indicates the original return is in SOI, don't submit a second request.
- Taxpayer's letter of explanation.
- NMF transcript, if claim is requesting abatement for Second Tier tax over tolerance.
- Complete prints of TXMODA & BRTVU.
- Completed Form 5597 (See Exhibit 21.7.7-1 or 21.7.7-2).
- Send a Letter 0086c (allow 90 days for response) to the taxpayer and prepare applicable routing slips.
- Unit lead's review, approval and initial of case.

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IRM 21.7.7.6.16.11.

21.7.7.6.16.7
(05-22-2020)
Form 8941 Claims

- (1) The Patient Protection and Affordable Care Act (ACA) created a tax credit to encourage small employers to provide health care coverage to their employees. The form is filed by entities exempt from tax under the provisions of IRC 501(c), the credit is refundable and is only claimable by filing a Form 8941 with a Form 990-T.
- (2) Returns filed normally are filtered for compliance purposes prior to processing. In some instances, amended or superseding returns may be filed that will bypass the compliance review process.
- (3) Detached Form(s) 8941 or Form(s) 8941 filed separately to claim the credit, amended returns and claims are sent to EO Accounts Management for processing.
- (4) In order to qualify for the credit, the small employer must have met the following conditions:
 - a. Have fewer than 25 full time equivalent (FTE) employees for the taxable year.
 - b. Employees must have an average annual wage of less than \$55,000 per FTE (for details and annual wage amounts for specific tax years, see instruction to Form 8941 for the appropriate tax year).
 - c. Beginning in 2010, the employer must pay a uniform percentage (not less than 50%) of the premiums for each employee enrolled in single (employee-only) coverage and no less than an equivalent amount for each employee enrolled in family coverage.
 - d. Beginning in 2014, the employer must have participated in the Small Business Health Options Program (SHOP), unless they qualify for transition relief as indicated on Form 8941.

Note: Find more information about the SHOP at HealthCare.gov.

- (5) For tax years 2014 and subsequent, the credit is limited to 2 consecutive taxable years. Command Code (CC) ENMOD displays a 45R year indicator (in a 45R YR1 > YYYY / 45R YR2 > YYYY format). For example, an organization filed for the credit in 2014, they would only be entitled to the credit for 2014 and 2015 even if they fail to file a return for 2015. See IRM 21.7.4.4.8.3.41, Form 8941, Credit for Small Employer Health Insurance Premiums.

- (6) Update the 45R indicator as appropriate via CC ENREQ/BNCHG. If the 45R year indicator was input in error, remove it by input of all 9's in the 45 year indicator field.

Note: Updates to the 45R year cannot be done in the same input as an address change or name change.

- (7) Use the following table to resolve:

If	Then
A Form 990-T was filed claiming the credit and the credit was previously allowed,	input a TC 290 for zero to attach the Form 8941 to the posted Form 990-T.
A Form 990-T was filed but the credit was previously disallowed or the filer is amending to increase the credit,	<ol style="list-style-type: none"> Apply the criteria IRM 21.7.7.6.16 (14), EO Claim Procedures. If a previous disallowance is due to an exam, route the case to the P&A Analyst at M/S 2100. If the claim passes the criteria requirements, and was not previously disallowed by exam, input the adjustment TC 290. Use BS 46 to indicate an adjustment to a sequestered account.
A Form 990-T is filed and the amount on Line 51f (or appropriate line number for the tax year) is the same amount or less than the amount on the return previously filed,	work the case following normal amended return procedures.
A Form 8941 is filed but a Form 990-T filing cannot be found,	return the Form 8941 to the filer instructing them to complete a Form 990-T and attach.
A filer files a Form 843 to claim the credit,	return the Form 843 to the filer and instruct them they must complete Form 990-T and Form 8941 to claim the credit.
A filer files a Form 990-T but Form 8941 is not included and the Form 990-T has not posted	Send the Form 990-T through for processing. Correspondence will be issued requesting the missing information during pipeline processing and close case.
A filer files a Form 990-T but Form 8941 is not included and the Form 990-T has posted	Send correspondence requesting missing information and close case.

If	Then
A filer indicates they are not entitled to the credit and returns the refund	Input a TC 290 with reference number 291 (-) to remove the credit.
A -L freeze is present on the account	Send to EOCA M/S 1112.
The claim is for a tax period prior to 2010	Deny the claim. Input a TC 290 for zero with blocking series 98. Send Letter 0105C.

- (8) When classification is complete, take the following actions based on the information the EOCA Technical Advisor and AM P&A Analyst give you.

Note: EOCA sends an email documenting the appropriate actions and attaches the email to the case when they return it to you.

If	Then
The increase in credit is approved	Input a TC 290 CRN 291 using BS 46 to allow the credit. If the 45 day interest is in jeopardy, consideration should be given to issuing a manual refund when the overpayment to be refunded is \$5,000 or more. Refer to manual refund guidelines found in IRM 21.4.4, Manual Refunds. When issuing any refund, the refund portion related to the 45R credit must be reduced (sequestered) by 5.7%.
Selected for audit	Establish the account on AIMS and route the entire case to EOCA M/S 1112. The following information should be included on the Form 5597: <ul style="list-style-type: none"> • Source Code - 79 • Primary Bus. Code - 406 • Secondary Bus. Code - 00000 • Status Code - 10 • Project code - 1073 • Emp. Grp. Cd - 7720 • Activity Code - 394 • All other information should be completed as outlined in IRM 21.7.7-2, Preparation of Form 5588 (NMF).

If	Then
Correspondence is received in EO Account providing requested incomplete or missing information,	forward the case to the AM P&A Analyst responsible for EO/EP.

Input the adjustment via TC 290 with credit reference number 291 with BS 46.

- (9) Ensure a TC 971/356 is input with the original credit payment amount prior to sequestration decrease and again with any subsequent adjustment to the credit payment amount.

21.7.7.6.16.8
(01-01-2021)

**Amended Form 990-T
“Amended Return -
Section 512(a)(7)
Repeal” - (Parking Tax
Fringe, Qualified
Transportation Fringe or
similar wording may be
used when referencing
this repeal)**

- (1) The Taxpayer Certainty and Disaster Tax Relief Act of 2019 retroactively repealed IRC 512(a)(7), which increased unrelated business taxable income by amounts paid or incurred for qualified transportation fringes. Congress enacted this provision for amounts paid or incurred after December 31, 2017.
- (2) Taxpayers can claim a refund or credit of the UBIT reported on their Form 990-T for 2017 or 2018 under IRC 512(a)(7) by filing an amended Form 990-T as described in the form's instructions or by following the guidance provided in the following article *How To Claim a Refund or Credit of Unrelated Business Income Tax (UBIT) or adjust Form 990-T for Qualified Transportation Fringe Amounts*.
- (3) Taxpayers may request a previous credit elect be reversed/revoked. However, once the taxpayer makes the election to have the overpayment applied to their next year's estimated taxes (credit elect), it cannot be revoked. For more information see, IRM 21.7.4.4.5 Estimated Tax Overpayment, Credit Elect - General (1). If the amended return reflects a refund which includes an amount applied to their next year's estimated taxes, send Letter 0247c, advising the taxpayer the credit elect is binding but can be claimed on their next return to receive a refund.
- (4) Follow the procedures in IRM 21.7.7.6.16.1 and IRM 21.7.7.6.16.2 to work these claims, with the following exception:

Exception: For organizations exempt under IRC 501(c)(3), if the address shown on the amended return is different from the address on the original return, all claims referencing this repeal will be referred to EO Classification following the routing procedures in IRM 21.7.7.6.16, regardless of tolerances.

- (5) If there is also a CP234 CIS case, take the following action(s):

If	And	Then
The amended return reduces the tax to zero due to the repeal of IRC 512(a)(7)	the claim request meets the criteria in IRM 21.7.7.6.16.1,	Input a TC 291 to reduce the tax to zero and include a TC 170 \$.00 to resolve the CP 234.

If	And	Then
The amended return reduces the tax to zero due to the repeal of IRC 512(a)(7)	the claim request meets the criteria in IRM 21.7.7.6.16.2,	Input a TC 170 \$.00 to resolve the CP 234 and refer the case following IRM 21.7.7.6.16.2.

If	And	Then
The amended return doesn't reduce the tax to zero	the claim request meets the criteria in IRM 21.7.7.6.16.1,	<ul style="list-style-type: none"> Follow IRM 20.1.3.4, Corporations and Others Not Covered by IRC 6654. Calculate the estimated tax penalty using the tax shown on the amended return rather than the original. Input a TC 291 to reduce the tax and the appropriate TC 17X per IRM 21.7.11.4.8, CP 234 - Processing Potential ES Penalty Notices. If a TC 171 is required, the penalty can be reduced by following the instructions in IRM 20.1.3.4.2.1, Evaluating Claims for Abatement or Waiver of Estimated Tax Penalties (the taxpayer is providing evidence the ES penalty was computed incorrectly due to the repeal of IRC 512(a)(7)). Use the appropriate PRC in IRM 20.1.3.2.2(8), Manual Penalty Adjustments.

If	And	Then
The amended return doesn't reduce the tax to zero	The claim request meets the criteria in IRM 21.7.7.6.16.2,	Input a TC 170 \$.00 to resolve the CP234 and refer the case following IRM 21.7.7.6.16.2. The amended return and ES penalty will be addressed by EO Examination.

21.7.7.6.16.9
(01-01-2024)

**Sequestered 990-T
Returns With 45R Credit,
Offsets, Credit Elect and
Tax**

- (1) Current programming sequesters 5.7% of all 45R refundable credits. If a 990-T with 45R credit owes tax the 45R credit should not be reduced.

- (2) The sequestration rate is based on the obligation date. The obligation date is the date all administrative actions are completed. Generally, the obligation date for systemically generated refunds (TC 846) will be Thursday for the posted cycle. Per Document 6209, Calendars/2020 Posting Cycle, transactions input by 9/24/2020 and released timely (not DQ'd or unposted) will post in cycle 202039 and will be sequestered at the 5.9% rate. Transactions not released on or before 9/24/2020 or are input on 9/25/2020 and subsequent will be sequestered at the 5.7% rate and will post in cycle 202040. The obligation date when a manual refund is issued is the date the manual refund is prepared and sent to Accounting. Refundable credits are reduced by the applicable sequestration rate according to the date the credit is processed for refund, regardless of when the IRS received the original or amended return. There are exceptions to the general rule as follows:

- If a freeze is applied to a credit or refund due to sequestration activities, or development of sequestration policy and procedure, then the obligation date is the date the account was frozen.

Example: A TC 570 "-R" freeze was applied to taxpayer's module due to sequestration programming in cycle 202032. The freeze stayed on the module until cycle 202050 because Counsel needed to make a determination on the sequestration rate. Since all administrative actions were completed when the freeze was applied, the obligation date was 08/06/2020 (cycle 202032), even though the TC 846 posted in cycle 202050.

- If a taxpayer's return isn't processed timely due to an IRS error, then the obligation date is when normal processing of the return would have been completed. A Memorandum with an explanation of the untimely processing will be prepared by the area that caused the delay and will be submitted to their senior management and CFO for approval of the obligation date and rate.

Example: A return was received on April 1, 2020, but the TC 846 didn't post until cycle 202048 due to a handling error of the return (TC 150). The return and refund should have posted to Master File in cycle 202017 if the return wasn't improperly handled. Therefore, the sequestration rate changed from

5.9% (FY 2020) to 5.7% (FY 2021) and the account was sequestered at an incorrect amount.

- If a taxpayer is sent a refund where the bank account and/or address is incorrect, the refund is sent back to IRS and we resubmit a new refund, the obligation date is the posting cycle of the first TC 846.

Example: A taxpayer's first TC 846 posted in cycle 202033 but was undelivered due to an incorrect address. A subsequent refund posted in cycle 202048. Since all administrative actions were complete when the first refund was posted, the obligation date is 08/13/2020 (cycle 202033). Therefore, the account should be sequestered at the FY 2020 rate of 5.9%.

When considering some of the exceptions above or to determine if the correct sequestration rate was used, the prior and current sequestration rates are shown in the table below:

The sequestration rate beginning	for systemic refunds in cycle	is	and is effective in cycle
10-01-2013	FY 2014	7.2%	201340
10-01-2014	FY 2015	7.3%	201440
10-01-2015	FY 2016	6.8%	201539
10-01-2016	FY 2017	6.9%	201640
10-01-2017	FY 2018	6.6%	201740
10-01-2018	FY 2019	6.2%	201840
10-01-2019	FY 2020	5.9%	201940
10-01-2020	FY 2021	5.7%	202040
10-01-2021	FY 2022	5.7%	202140
10-01-2022	FY 2023	5.7%	202240
10-01-2023	FY 2024	5.7%	202240

- (3) If manually allowing credit, reduce the credit by 5.7% prior to:
 - a. Offsets
 - b. Credit elect
- (4) If the account isn't routed per IRM 21.7.7.6.16, EO Claim Procedures, paragraph (15) table :
 - a. Assess any tax due on the account.
 - b. Input a TC 290 CRN 291 for any credit due. Credit should be allowed in full if offset by tax. For example, if tax is \$1,000 and credit is for \$500, the total credit should be allowed. However if tax is \$500 and credit is \$1,000; \$500 of the credit should be applied to tax and \$500 should be reduced by 5.7% and the reduced amount input on the TC 290 CRN 291.

- (5) If the credit isn't allowed, see IRM 21.7.7.6.16.7, Form 8941 Claims, paragraph (5) table for resolution.

Note: If credit isn't approved, EO Accounts is required to assess the tax or other credits to the account.

21.7.7.6.16.10
(01-01-2021)

American Recovery and Reinvestment Act of 2009

- (1) The American Recovery and Reinvestment Act (ARRA) of 2009 was signed into law on February 17, 2009. Section 1211 provides an extended carryback period for "eligible small businesses" sustaining a net operating loss in tax year 2008. The provision allows taxpayers that are eligible small businesses to elect a 3, 4, or 5-year carryback period for a 2008 Net Operating Loss (NOL).
- (2) The provision applies to net operating losses arising in taxable years ending after December 31, 2007. The new provision, enacted as part of ARRA, enables small businesses with a net operating loss (NOL) in 2008 to elect to offset this loss against income earned in up to five prior years. Typically, a NOL can be carried back for only two years.
- (3) Revenue Procedure 2009-26, published on April 24, 2009, (supersedes Revenue Procedure 2009-19) provides modified guidance to taxpayers on how to make the election.
- (4) Refer to IRM 21.5.9, Carrybacks, for detailed procedures in regards to processing carrybacks.

21.7.7.6.16.11
(01-01-2021)

Form 990-T Employee Plan (EP) Claim Procedures

- (1) An Employee Plans Trust is a trust opened to hold the money from a retirement plan. The money in the trust is put into various accounts such as:
 - Savings accounts
 - Certificate of deposits
 - Stocks
 - Limited partnerships
- (2) The money is invested in hopes of receiving interest, dividends or a return of the partnership's income. When a trust invests in a partnership that generates income from a trade or business that isn't substantially related to the exempt organization's purpose, it's considered Unrelated Business Income (UBI). The trust pays and reports UBI on Form 990-T.
- (3) Identify Form 990-T EP accounts by researching the entity portion of the module. EP Form 990-T filers are required to apply and enter an EIN assigned to the 401(a) Trust. EP Form 990-T has a filing requirement code 02 and no EO subsection. Form 990-T is required to be filed by the 15th day of the fourth month following the end of the tax period.

This tolerance amount allows the OAMC EO Accounts to resolve all Form 990-T EP claims/reconsiderations, NOLs, RINTs, TENTs and amended returns

- (5) Refer to IRM 21.7.7.6.16.2 for EP Form 990-T EP claims/reconsideration, reconsideration you're unsure whether to allow or disallow the issue.

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Reminder: When sending encrypted email with complete package to the lead for review, email subject line must include the last four digits of the EIN, Name Control, the function and the form number.

Example: 1234 SMIT EP Form 990-T Claim.

(6) OAMC EO Accounts unit tax examiners may allow or disallow Form 990-T EP

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- TC 42X is present on the module
- Former closing agreements
- Requests for an immediate examination of the claim
- Resubmitted claims previously disallowed by the EO Accounts unit based on instruction from the EP classifier with no additional information provided

(7) Below are the three different types of claims/reconsiderations we may receive:

- Amended returns
- Carryovers
- Carrybacks (worked by designated tax examiners)

Note: Supporting documentation (i.e., Sch. K-1) isn't required for adjustments

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21.7.7.6.16.11.1
(01-01-2021)

**EP Form 990-T Amended
Return Procedures**

- (1) EP Exam agents secure a Form 990-T during the exam of a Form 5500 return when they discover the trust assets have produced income that is taxable under IRC section 511 as Unrelated Business Income (UBI).
- (2) The EP agent or taxpayer may submit delinquent, dummy or SFR returns. Occasionally, we may receive an amended return after the filing of the original return.
- (3) When we receive an amended return after the filing of a delinquent, SFR or dummy return from either the taxpayer or an EP agent, adjust the account based on the information provided on the amended return. Since the tax module already contains a TC 42X, enter the adjustment with the applicable TC 29X amount, Hold Code and Priority Code 01.
- (4) If you have any questions or concerns about the amended return adjustment, contact the EP Exam agent/manger listed on the documents attached to the return. If no contact information is available, refer to your lead or manager who can contact the EO/EP P&A analyst for assistance.

21.7.7.6.17
(01-01-2021)

**Exempt Organization
Carrybacks
Overview**

- (1) EOs may claim a Net Operating Loss (NOL) deduction. A NOL is used to lower taxes in an earlier year, allowing a refund for taxes that have already been paid.
- (2) EOs may file a carryback claim for refund of tax. These Restricted Interest claims for refunds are referred to as "RINTs". They must be filed before the statute expires on the loss year return.
- (3) EOs may claim a NOL carryback by filing an amended Form 990-T, Exempt Organization Business Income Tax Return.

- (4) Taxpayers can no longer carry net operating losses back to previous tax periods, unless their NOLs are incurred in the trade or business of farming or unless they are non-life insurance companies. All taxpayers can carry their NOLs forward indefinitely, with the exception of non-life insurance companies, which are limited to a 20-year NOL carryforward period. Public Law No: 115-97 (Sec. 13302) Modifies the net operating loss deduction to: (1) limit the deduction to 80% of taxable income with an exception for property and casualty insurance companies, (2) repeal the two-year and other specified carryback provisions, (3) allow an indefinite carryforward of net operating losses, and (4) allow a two-year carryback for certain losses incurred in the trade or business of farming. See IRM 21.5.9.5.14, Carrybacks Filed by Exempt and Charitable Organizations, for additional information.

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- (6) Secure all research and returns (if necessary) prior to referral.
- (7) If a claim/reconsideration was generated from a NOL carryback, then include both the original and amended return(s) of the loss year. Explain why there are any missing return(s).

21.7.7.6.17.1
(01-01-2024)

**Restricted Interest
Claims (RINTs)**

- (1) If TC 150 is processed at the OSPC, request a copy of the loss year return (or any other year the tax examiner deems necessary) from SEIN Research to verify the adjustment. If the return isn't available on OL-SEIN, request the original return from Files (make two attempts).
- (2) If the original loss year return is unavailable, attach a complete TXMODA and BRTVU prints, along with Form 4251 (charge out document) if the original return is unavailable.
- (3) Apply claims dollar threshold criteria:

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- (4) Follow IRM 21.7.7.6.16.2 when referring amended gain year returns or claims

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Note: The complete claim package must include the original gain year return, amended gain year return or BRTVU print and charge out document(s) (if necessary), **and** the loss year return or BRTVU prints and charge out document(s).

- (5) Refer to IRM 21.5.9, Carrybacks, for detailed information regarding the processing of BMF Restricted Interest Claims.

21.7.7.6.18
(10-19-2022)

EO Credits

- (1) As with income tax returns, EO credits can either be refundable or non-refundable. A non-refundable credit is a statutory credit claimed to reduce tax liability. These credits, subtracted from the tax amount, are limited to the amount of tax liability. Any excess is non-refundable, but generally, still available if the tax liability increases at a later date or can be applied against tax liabilities in other periods (carryback/carryforward -- see IRM 21.5.9, Carrybacks, for more information on carrybacks). Also, see information on the

specific credit to determine if it is available for carryback/carryforward. The following non-refundable credits are applicable to Form 990-T (unless otherwise annotated):

- Form 1116 (trusts) or Form 1118 (corporations) — Foreign Tax Credit
- Form 3468 — Investment Credit
- Form 3800 — General Business Credit
- Form 4255 — Recapture of Investment Credit
- Form 5735 — American Samoa Economic Development Credit
- Form 5884-C — Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans
- Form 6478 — Biofuel Producer Credit
- Form 6765 — Credit for Increasing Research Activities
- Form 8820 — Orphan Drug Credit
- Form 8586 — Low-Income Housing Credit
- Form 8611 — Recapture of Low-Income Housing Credit
- Form 8801 (trusts) or Form 8827 (corporations) — Credit for Prior Year Minimum Tax
- Form 8826 — Disabled Access Credit
- Form 8830 — Enhanced Oil Recovery Credit
- Form 8834 — Qualified Electric Vehicle Credit
- Form 8835 — Renewable Electricity, Refined Coal, and Indian Coal Production Credit
- Form 8847 — Credit for Contributions to Selected Community Development Corporations
- Trans-Alaska Pipeline Liability Fund Credit (no form)
- Section 29 computation sheet - Credit for Producing Fuel From a Non-conventional Source
- Form 8864 — Biodiesel and Renewable Diesel Fuels Credit
- Form 8874 — New Markets Credit
- Form 8881 — Credit for Small Employer Pension Plan Startup Costs and Auto-Enrollment
- Form 8882 — Credit for Employer-Provided Childcare Facilities and Services
- Form 8896 — Low Sulfur Diesel Fuel Production Credit
- Form 8900 — Qualified Railroad Track Maintenance Credit
- Form 8906 — Distilled Spirits Credit
- Form 8907 — Nonconventional Source Fuel Credit
- Form 8908 — Energy Efficient Home Credit
- Form 8910 — Alternative Motor Vehicle Credit
- Form 8911 — Alternative Fuel Vehicle Refueling Property Credit

- (2) Refer to IRM 21.7.4.4.8.3, Information on Specific Non-Refundable Credits, for additional information on specific non-refundable credits.

21.7.7.6.18.1
(05-22-2020)

EO Refundable Credits

- (1) A refundable credit is a credit to reduce a tax liability. If the tax is reduced to zero (or reported as zero) and the credit remains, it is refundable.
- (2) Refundable credits can be claimed on Form 990-T or certain Form 1120 series returns. The taxpayer is required to submit various forms or schedules to substantiate credits applicable to the return. Refer to Document 6209 for the appropriate CRNs to adjust refundable credits.
- (3) The following refundable credits are applicable to Form 990-T (unless otherwise annotated):

- Form 2439 - Notice to Shareholder of Undistributed Long-Term Capital Gains (Form 990-T only),
 - Form 4136 - Credit for Federal Tax Paid on Fuels (see IRM 21.6.3.4.2.6, Form 4136, Credit for Federal Tax Paid on Fuels and IRM 21.7.4.4.9.1, Form 4136, Credit for Federal Tax Paid on Fuels)
 - Form 8827 - Credit for Prior Year Minimum Tax - Corporations (Form 990-T only) for taxable year of a corporation beginning in 2018 or 2019.
 - Credit for Ozone Depleting Chemicals (Form 990-T only)
 - Tax paid or withheld at source (Form 990-T and Form 990-PF only)
 - Estimated tax payments
 - Tax paid with Form 7004 (Form 1120 series only)
 - Tax paid with Form 8868 (Form 990-T and 990-PF only)
 - BUWH (see IRM 21.7.4.4.10, Federal Income Tax Withheld (FITW)/ Backup Withholding (BUWH) on Income Tax Returns, for more information on BUWH)
 - Tax credit for health care (45R) credit claimed on Form 8941 for certain exempt organizations.
- (4) HR 4520, the American Jobs Creation Act of 2004, created five new excise credits that can be claimed on Form 4136, effective for tax years ending after December 31, 2004. Fiscal year taxpayers may claim these credits for tax periods ending January 31, 2005 (200501). The new credit reference numbers and description is shown below. Refer to IRM 21.7.4.4.9, Refundable Credits, Income Tax Returns for additional information on refundable credits.

CRN	Description
388	Qualified Bio-diesel Mixture
390	Qualified Biodiesel
393	Alcohol Mixture Containing Ethanol
394	Alcohol Mixture Containing Alcohol other than Ethanol
395	Other Non-Taxable Use

21.7.7.6.19
(01-01-2021)
**EO Duplicate Filing
Conditions**

- (1) In addition to specific procedures below for TE/GE returns, also refer to IRM 21.7.9, **BMF Duplicate Filing Conditions**, when resolving EO amended/duplicate returns.
- (2) A duplicate filing condition occurs when a return (TC 976) posts to a module already containing a return (TC 150). IDRS generates an -A freeze. This prevents any refund or offset from the module until an adjustment (TC 29X) is made. IDRS also generates a CP 193 or CP 293 (when there is an open (un-reversed) TC 420) which is associated with return and forwarded to EO Accounts.
- (3) Since CP 190s, 193s, and 293s are generated at the site which processes the TC 976 return, the vast majority of EO DUPF cases are generated in Ogden. EO DUPF returns received in other campuses should be routed to OSPC for processing.
- (4) If an EO amended return is received, and no TC 150 has posted to MF, suspense the amended return pending the posting of the original return. Allow

six weeks suspense time from the return due date or extended due date. If no TC 150 posts to MF by the end of the suspense period, edit the amended return and process as an original.

- (5) If an amended return is received, address any missing information and don't consider it a true dup if the information was also missing on the original. IRM 21.7.7.6.23.1.3.1, Incomplete Return Item (IRI) Codes.
- (6) All duplicate filing conditions age in 45 days and are not considered to be correspondence. If correspondence is attached to the duplicate return, re-control the case as **EXOR**. The case then needs to be acknowledged. In this instance, the received date of the case must be changed to the original received date on the return. If additional correspondence is received after the date of the duplicate return, don't change the received date. However, change the Category Code to EXOR.

21.7.7.6.19.1
(01-01-2021)
**Duplicate Filing
Conditions Research**

- (1) Use CFOL, EUP, OL-SEIN or secure the original return (when absolutely necessary) from Files.
- (2) Determine correct entity on original and duplicate returns.

Caution: If the return isn't marked "amended", "corrected" or "supplemental" and the correct entity can't be determined, attempt to contact the taxpayer two times to verify the correct account information. If you're unable to determine the correct entity and/or a new EIN is needed, forward a scanned copy of the front page of the return (entity portion) including available research, and a scanned copy of any other document in the case file that may help determine the correct entity, to EO Entity Control.

Example: Organizations filing Form 990-T (IRC 401(a) and 408 IRA Trust) can have multiple accounts using the same name but with different account numbers. See IRM 3.13.12.9.12.4, Form 990-T (IRC 401(a) and 408 IRA Trust), for more information. Accounts numbers may be stamped/written somewhere on the return other than the entity section.

- (3) Examine both returns for following similarities and differences:
 - Tax amounts
 - Tax periods
 - Received dates
 - Julian dates
 - Signature dates
 - Signatures and titles
 - Dates of deposits
 - GEN
- (4) When a return is filed marked "amended", "corrected", "supplemental", or "superseding" (an amended return filed on or before return due date is a superseding return), etc., Code and Edit (C&E) inputs CCC "G". IDRS does not record any information except the amount paid with return. It does not math
- (5) When working CP 193s involving income tax, particularly Form 990-T, Form 990-PF and Form 1120-POL, be sure to check for possible credit adjustments.

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Even though no tax change may be indicated, the amended return could be filed to claim a refund. If an adjustment is required, refer to IRM 21.6.3.4.2, Refundable Credits and IRM 21.7.4.4.9, Refundable Credits, Income Tax Returns.

- (6) All duplicate filing cases must be controlled on IDRS and not closed until action is taken to resolve the -A freeze or the case is referred to another appropriate area.
- (7) If the filer doesn't include a letter of explanation stating why the amended return is being filed, research to determine what is being amended. Do this by accessing CC BRTVU and viewing a copy of the original return via OL-SEIN. If the original return isn't available on OL-SEIN, you may need to secure the original return from Files.

21.7.7.6.19.2

(01-01-2021)

Duplicate Filing

Conditions Procedures

- (1) EO returns marked "amended" or "corrected" are sorted by Receipt and Control (R&C), batched, and sent through processing. Code and Edit edits a CCC "G" on these returns which initiates a duplicate filing condition. After the returns complete ERS processing, all forms Form 990, Form 990-EZ, Form 990-PF, Form 990-T, Form 4720, Form 5227, Form 8872 and related schedules are scanned through the imaging process.
- (2) Duplicate EO returns must be controlled on IDRS with category code "EDUP".
- (3) Follow table below to make adjustments.

If	Then.....
an increase in tax,	1. Input TC 290 in the appropriate BS and money amount. 2. Send letter of explanation if necessary.
return indicates a tax decrease,	1. Refer to \claim procedures in IRM 21.7.7.6.16, EO Claim Procedures.
return is a true duplicate,	1. Input TC 290.00 in the appropriate BS. 2. If there is a credit on the account not indicated on the returns, perform research or contact taxpayer to ascertain the appropriate disposition of credit before releasing the “-A” freeze.
one of the returns belongs on another period/TIN,	1. Reprocess the return to the correct TIN or tax period. (Refer to IRM 21.7.9.4.1, Resolving Transcript (TRNS) 193 and Amended/Corrected/Supplemental Returns). 2. If Form 5800 or Form 5800-A (edit sheet) is attached, make the necessary changes before reprocessing return. 3. Adjust or assess any penalty if necessary. Note: If return belongs on another tax period, penalties should be increased or decreased. Check due date of tax period and compare to received date of the return. Make any adjustments to the penalties necessary.

21.7.7.6.19.3

(01-01-2021)

Adjusting Total Gross Receipts and End of Year (EOY) Assets

- (1) Amended Form 990 or Form 990-EZ returns requesting an adjustment to the “Total Gross Receipts” or “End of Year Assets” fields can be corrected by entering the corresponding Reference Code for each item. The applicable Reference Codes are:

- 888 — Total Gross Receipts
- 889 — End of Year (EOY) Assets

Adjust 888/889 amounts to \$0 if an original return is being re-processed, and there is no other return intended for this account.

- (2) In order to compute the total gross receipts on Form 990 or Form 990-EZ refer to the guidelines below.

Tax Year...	Form...	Total of lines...
2007 and prior	990, Part I	1e, 2, 3, 4, 5, 6a, 7, 8a (both columns) 9a, 10a, and 11 of Part I.
	990-EZ, Part I	1, 2, 3, 4, 5a, 6a, 7a, and 8.
2008 and 2009	990, Part VIII, Column A	6b (both columns), 7b (both columns), 8b, 9b, 10b, and 12.
	990-EZ, Part I	5b, 6b, 7b, and 9.
2010 and subsequent	990, Part VIII, Column A	6b (both columns), 7b (both columns), 8b, 9b, 10b, and 12.
	990-EZ, Part I	5b, 6c, 7b and 9.

- (3) Reference Code 889 is used to adjust the **End Of Year Assets** field. Refer to the table below for the specific line number of the EOY assets on the return.

Tax Year	Line Number
2007 and prior	Form 990 - Part IV, line 59 (B) Form 990-EZ - Part II, line 25 (B)
2008 and subsequent	Form 990 - Part I, line 20 (B) Form 990-EZ - Part II, line 25 (B)

- (4) Input a TC 290.00, with the applicable Reference Code to adjust the account based on the information provided on the amended return. Either one or both Reference Codes may be input.
- (5) You may need to manually re-compute or adjust the DDP if the penalty was calculated on the original gross receipts amount.

21.7.7.6.19.4
(01-01-2021)

**CP 193 Received
Without Duplicate
Return**

- (1) When a CP 193 is received without the duplicate return, attempt to determine if it is a true duplicate using CC BRTVU.

If.....	Then.....
the return proves to be a true duplicate,	1. Input TC 290.00 in BS 10/15. 2. Annotate in the remarks portion of the adjustment document "NSD - True DUPF per BRTVU" (unless original return is attached).
TC 976 proves to be a true duplicate for another period, and there are no open TDI's for this MFT,	1. Input a TC 290.00 in BS 10/15 and follow procedures outlined in IRM 21.7.9.4.1.2, Transcript (TRNS) 193 Received Without Duplicate Return. 2. Secure a copy of the duplicate return from OL-SEIN or use a print of BRTVU if return isn't on OL-SEIN. 3. If the return was filed electronically, obtain a copy of the return from the EUP.

- (2) When unable to secure a return from OL-SEIN or Files (after two attempts or within 40 days):
- Send a Letter 0418c to the organization requesting a copy of the return. You may also contact the organization by phone to obtain a copy in order to expedite case closure.
 - Suspend case for 40 days.
- (3) If there is no reply and:

If.....	Then.....
a payment was received with duplicate return,	1. Assess tax equal to payment amount. 2. If module credit balance is in excess of payment submitted with return, determine reason for additional excess credit. 3. Resolve any misapplied payments or other module freeze conditions before making assessment.
information isn't available to determine adjustment needed and no payment was received with duplicate return,	1. Input TC 290.00 to release the "-A" freeze.

- (4) If a reply is received (fax or mail) and the document must be processed to another account, edit the DLN of the TC 976 on the form, and follow local re-processing procedures.

21.7.7.6.19.5
(01-01-2021)

**Multiple Employer
Identification Numbers
(EIN)**

- (1) On cases involving multiple EINs, determine if any account needs to be deleted.
- (2) If necessary, contact the organization and/or Entity Control for purpose of deleting accounts, filing requirements, and/or input of appropriate TC 59X.

21.7.7.6.19.6
(10-19-2022)

**Amended Statute Period
EO Returns**

- (1) In May 2007, the Ogden Submission Processing and Account Management teams agreed to the following process to by-pass the Unpostable 350 condition associated with EO statute period amended returns. The new process allows all amended statute period EO returns to be identified, statute cleared, imaged and routed to EO Accounts for resolution in the least amount of time.

Note: Statute period EO amended returns are the only returns that are sent directly to EO Accounts and are not "G" coded during initial processing.

- (2) The following is a list of EO returns that are imaged.

- Form 990
- Form 990-EZ
- Form 990-PF
- Form 990-T
- Form 4720
- Form 5227
- Form 8872

- (3) R&C routes all statute period amended returns to the Statute unit (MS: 6741) to be cleared. After the return(s) have been cleared, Statutes attaches Form 12547 and routes the cases to Batching at MS: 6054 to be processed. Form 12547 must include the following information:

- EIN
- Tax Period
- MFT
- Name Control

Note: If there is no TC 971 AC 010 or TC 976 posted, AM would need to input a TC 971 AC 010 for an audit trail, prior to inputting a TC 29X adjustment.

- (4) EO Accounts resolves the amended return condition based on existing amended/duplicate return procedures.

21.7.7.6.19.7
(05-22-2020)

**CP 193s Involving
Reprocessing Returns**

- (1) When a return must be reprocessed (via Form 13596), refer to IRM 21.5.2.4.23, Reprocessing Returns/Documents, for procedures.
- (2) When a dummy return is reprocessed in place of original or duplicate return, use the same received date as original or duplicate, respectively.
- (3) Adjust 888/889 amounts to \$0 if an original return is being re-processed, and there is no other return intended for this account.
- (4) If the module is in MF Status 02/03, input a TC 599 CC 094 (taxable return) or 096 (non-taxable return) via CC FRM49 on the module to which the return is being processed.

Note: Input the TC 599 with the appropriate closing code for your function, if specified in Document 6209, IRS Processing Codes and Information, under the TDI Closing Codes section. Only one TC 599 is required.

- (5) Input TC 971 with the appropriate action code on the incorrect module (to identify a cross reference TIN/tax period data) whenever an original or amended/duplicate return posts to an incorrect TIN/tax period and is being reprocessed to the correct module. Input TC 971 AC 017 on the module to which you are reprocessing the return to regardless of MF status. When inputting TC 971 use the correct TRANS-DT on REQ77:
- 971-001 indicates reprocessing TC 150. Use the return received date on TXMOD for the TRANS-DT.
 - 971-002 indicates reprocessing TC 976. Use the posted TC 976 date on TXMOD for the TRANS-DT.
 - 971-017 indicates a reprocessed return is being reprocessed to this period. Date depends on whether return was original TC 150 being reprocessed or TC 976. Follow instructions as shown above for TRANS-DT. However, if the return posted to an earlier tax period with an incorrect date or before the due date of the tax period, use the actual received date of the return as the transaction date of the TC 971 AC 017.

Exception: A TC 971 AC 017 cannot be entered on a period with a fiscal year month that differs from the one shown on ENMOD.

- (6) If a TC 971 with one of the action codes listed in paragraph (5) above is incorrectly input on an account, reverse it with a TC 972 using the same action code.
- (7) Don't input TC 290.00 to release a -A freeze if other unresolved freeze conditions would be incorrectly released simultaneously. (See IRM 21.7.1.4.6.2, Q-Freeze/Offset, for conditions under which an excess credit ("Q-" freeze) is released. A TC 290.00 only does not release the "Q-" freeze).
- (8) A return must be complete with no missing information before it can be sent for reprocessing. See IRM 21.5.1.5.5, Processing/Reprocessing CIS Tax Returns, paragraph 2 and IRM 21.5.2.4.23.7, Coding and Editing Procedures, paragraph 1, for more information.

21.7.7.6.19.8
(01-01-2021)
Resolving CP 193s

- (1) Determine and resolve duplicate filing conditions by examining and comparing information on the CP 193. Use CP 193, duplicate return, CFOL command codes, and OL-SEIN (or secure original return if absolutely necessary) to resolve case. Compare the items listed below:
- Difference in entities (names, addresses, TINs, etc.)
 - Tax periods
 - DLNs
 - Correct form used
 - Received dates
 - Signature, title, and signature date
 - TCs
 - Deposits (compare dates and amounts)
 - Payment received with return(s)
 - Module balance

- (2) Check CCs ENMOD, NAMEE, EOGEN, and INOLE when the EIN is circled out and a new EIN is written in.
- (3) Some of the most common reasons for filing duplicate or amended returns include:
 - Organization received a delinquency notice due to a delay in processing return;
 - Organization sent a duplicate return and indicated it was a final return;
 - Organization filed a second return to correct erroneous information on first return;
 - Organization filed a paper return after filing electronically;
 - Organization filed a second return attaching missing information requested by the IRS;
 - Organization received a penalty notice and a second return was filed to provide missing information;
 - Organization filed an original return but underpaid the tax liability and the second return included a payment of the remaining tax liability;

21.7.7.6.19.8.1
(01-01-2021)
True Duplicate

- (1) A true duplicate condition occurs when an organization files two returns for the same tax period with the same information on both returns and no tax change is required.
 - (2) Do the following:
 - a. Analyze account data and both returns (if original was needed to resolve case) to verify they are true duplicates.
 - b. Input TC 290.00 in BS 10/15 (unless original return is attached) to release -A freeze. Use duplicate return for source document.
- Caution:** If module balance is in credit status, use appropriate HC to prevent an adjustment notice from generating.
- c. Staple CP 193 to duplicate return.

Note: If original return was secured, staple duplicate return behind original and use blocking series 00.

21.7.7.6.19.8.2
(10-19-2022)
**Amended/Supplemental
Return-Increase or
Decrease**

- (1) Refer to the procedures in IRM 21.7.9.4.1, Resolving Transcript (TRNS) 193 and Amended/Corrected/Supplemental Returns, for resolution of amended/supplemental returns involving a tax increase or decrease.
 - (2) Use the applicable Blocking Series associated with the specific EO returns:
 - 00- Original return
 - 10- Non-taxable return
 - 15- Taxable return
- Caution:** If the return isn't marked "amended", "corrected" or "supplemental" and the correct entity can't be determined, attempt to contact the taxpayer two times to verify the correct account information. If you're unable to determine the correct entity and/or a new EIN is needed, forward a scanned copy of the front page of the return (entity portion) including available research, and a scanned copy of any other document in the case file that may help determine the correct entity, to EO Entity Control.

Example: Organizations filing Form 990-T (IRC 401(a) and 408 IRA Trust) can have multiple accounts using the same name but with different account numbers. See IRM 3.13.12.9.12.4, Form 990-T (IRC 401(a) and 408 IRA Trust), for more information. Account numbers may be stamped/written somewhere on the return other than the entity section.

21.7.7.6.19.8.3
(01-01-2021)
**Various TC 976
Conditions**

- (1) If any of the following conditions applies to the TC 976 account, refer to the procedures in IRM 21.7.9.4, Duplicate Filing Conditions Procedures:
 - Two returns posted to same account. Correct return posted first. TC 976 belongs on different period or EIN;
 - Reprocessing TC 976 return to module with no TC 150;
 - Reprocessing TC 976 return to module with TC 150;
 - Two returns posted to same account. Incorrect return posted first. TC 976 return is correct return;
 - Reprocessing TC 150 return to module with no TC 150;
 - Reprocessing TC 150 return to module with TC 150;

21.7.7.6.19.8.4
(01-01-2024)
**Form 8872
Subsequent/Duplicate
Return Resolution**

- (1) The organization may opt to file its reports on either a quarterly or monthly basis, but it must file on the same basis for the entire calendar year. Due dates for Form 8872 vary depending on whether the form is due for a reporting period that occurs during:
 - A calendar year in which a regularly scheduled election is held (quarterly or monthly basis) or
 - Any other calendar year (semiannually or monthly basis).
- (2) Form 8872 must be filed either electronically for periods after 2019. View these returns on the Intranet website, <http://www.irs.gov/Charities-&Non-Profits/Political-Organizations/Political-Organization-Filing-and-Disclosure>. Go to **Search Political Organization Disclosures** and query by EIN.

Reminder: Don't attempt to order an electronically filed return from Files.

- (3) The majority of subsequent or duplicate filed Forms 8872 is the result of the filer submitting additional returns based on their filing requirement. For example:
 - Filing both a year end and a December monthly return or
 - Filing both pre-election return and a monthly return.
- (4) Refer to the procedures outlined below to resolve the duplicate filed condition.
- (5) If there is an EIN discrepancy, release the "-A" freeze and route the case to EO Entity for resolution.

If	And	Then.....
the TC 976 document is a true duplicate,	there is no discrepancy with the tax period,	1. Release the “-A” freeze by entering a TC 290.00, block 15 (unless original return is attached). 2. Use the duplicate return as the source document. 3. Staple the CP 193 to the duplicate return.
the duplicate filed return is for a different tax period,		1. Edit the return and reprocess it to the correct tax period following existing procedures in IRM 21.5.2.4.23, Reprocessing Returns/Documents and IRM 21.7.9.4.1.1, Transcript (TRNS) 193 Involving Reprocessing Returns.

21.7.7.6.19.8.5
(01-01-2021)

Form 4720 Adjustments

- (1) If there is a tax on an individual, there is usually also a tax on the organization. Schedule G relates to Form 990 or Form 990-EZ Schedule A.
- (2) IRNs must be used to adjust tax on Form 4720. Net amount for TC 29X transactions must equal sum of IRNs.
- (3) Below are applicable IRNs:
 - 150 — Self Dealing (Form 4720-A only), Schedule A
 - 151 — Failure to Distribute Income, Schedule B
 - 152 — Excess Business Holdings, Schedule C
 - 153 — Investments Which Jeopardize Charitable Purposes, Schedule D
 - 154 — Taxable Expenditures, Schedule E
 - 182 — Excess Grass Roots,
 - 183 — Excess Lobbying, Schedule G
 - 199 --- Tax on failure to meet the requirements of section 501(r)(3), Schedule M
 - 213 — Tax on Political Expenditures, Schedule F
 - 214 — Tax on Disqualifying Lobby Expenditure, Schedule H
 - 215 --- Tax on Excess Executive Compensation, Schedule N
 - 216 --- Tax on Net Investment Income of Private Colleges and Universities, Schedule O
 - 234 — Split Dollar Insurance
 - 237 — Prohibited Tax Shelter Transaction
 - 238 — Tax on Taxable Distributions
 - 239 — Tax on Prohibited Benefits
 - 240 --- Unrelated Business Taxable Income

21.7.7.6.19.8.5.1
(10-19-2022)

Form 4720 Duplicate Filing Procedures

- (1) To resolve a duplicate filing condition on a Form 4720 module, do one of the following
 - True DUPF - Input a 290.00.

- Amended return (increase) - Input TC 29X with the applicable money amount and reference number. "Pend to post" the adjustment to ensure it posts.
 - Amended return (decrease) or request for abatement of First or Second Tier Tax (IRC 4958 or 4962). Refer to IRM 21.7.7.6.16.6, IRC 4958 and IRC 4962 Abatement Request Procedures, for procedures.
- (2) A TC 29X or 30X will unpost as UPC 390 RC 9 on Form 4720 if the following apply:
- IRN is 18X and the organization code on the tax module isn't "2".
 - IRN is 15X and the organization code on the tax module isn't "1".
- (3) If any of the conditions apply as shown above in (2), you may need to transfer the account to Non-Master File for correction. To transfer the account to NMF take the following actions:
- If additional tax should be assessed, complete Form 2859. Enter the following:
 - Check the box at the top for "Quick" assessment.
 - Part A
 - TIN (with an "N" behind it)
 - Name Control
 - Name
 - Address
 - 23C date - Usually "Next Available" unless the statute requires a specific date
 - Part B
 - Statute Expiration Date
 - DLN
 - Requester information
 - approval signature.
 - Part C
 - Form no
 - Period ended
 - PLN/Rpt no (if applicable)
 - 3a - Tax - Original Return
 - 3b - Return Received Date
 - 4a - Tax - Adjustment
- (4) Complete Part D to adjust an account.
- (5) Complete the following lines if completing Part D:
- 21a - Abstract number
 - 21b - Amount
- (6) Remarks should instruct Kansas City Submission Processing NMF to post to MFT 50 and not MFT 66.
- (7) Fax the completed Form 2859 to 888-981-6483. The Form 2859 must be signed by a manager authorized to sign for NMF.
- (8) Monitor the account on NMF to ensure the Quick Assessment posts.
- (9) If request is a 4962 abatement request, complete an AIMS card and send to the field after the tax is assessed on NMF.

- (10) If tax decrease is needed, reassign CIS case to the NMF SME.

21.7.7.6.19.9
(01-01-2021)

**CP 293 Duplicate Return
With TC 42X Present**

- (1) A CP 293 is generated when a duplicate return posts to an account with an open TC 420 present.
- (2) Be sure to consider the open TC 42X when adjusting the account. Refer to the EO CATA guidelines in IRM 21.7.7.6.16, EO Claim Procedures, prior to adjusting accounts.

21.7.7.6.19.10
(01-01-2021)

**CP 190 Amended
Return—No Original
Posted**

- (1) CP 190 is generated within four cycles after a “G” coded TC 976 return posts to a module which does not contain an original return (TC 150).
- (2) CP 190 is associated with TC 976 return and forwarded to EO Accounts for resolution.
- (3) “E-” freeze is generated along with CP 193. The “E-” freeze must be released before CP 190 case is closed by either posting:
- TC 971 action code 002
 - TC 150
- (4) Follow procedures outlined in IRM 21.7.9.4.10, Transcript (TRNS) 190, Amended Return - No Original Posted, for resolution of CP 190 accounts.
- (5) A return must be complete with no missing information before it can be sent for reprocessing. See IRM 21.5.1.5.5, Processing/Reprocessing CIS Tax Returns, paragraph 2 and IRM 21.5.2.4.23.7, Coding and Editing Procedures, paragraph 1, for more information.

21.7.7.6.20
(11-12-2021)

IRN 886 on Form 990-T

- (1) IRN 886 is used for unrelated business taxable income on Form 990-T. It can be determined by using CC BRTVU.

2017 revision and prior:	Line 34
2018 and 2019 revisions:	Line 32
2020 to current revisions:	Part I- Line 11

Note: If the unrelated business income line was left blank, no data will show on BRTVU, therefore the amount must be calculated based on the instructions for the revision being worked.

- (2) Adjust IRN 886 by computing the difference between the amount on CC BRTVU (plus/minus any other IRN 886 adjustments on the module) and amount reflected on the second return.

21.7.7.6.21
(11-12-2021)

**FUTA Tax and Exempt
Organizations**

- (1) Employment Code (EC) “W ” is assigned to non-profit organizations of the type described in IRC 501(c)(3), IRC 501(e), IRC 501(f), IRC 501(k), and IRC 501(n). These organizations are operated exclusively for religious, educational, charitable, scientific, literary or humane purposes, or for the purpose of testing for public safety among other purposes.

- (2) These organizations are exempt from tax under IRC 501(a) and are not subject to Federal Unemployment (FUTA) tax. Identify them on the entity module by EC **W**. In addition, they aren't subject to FUTA tax during the application period for exempt status.

Note: Employment Codes C, F, G, I and T also indicate the filer isn't required to file Form 940. For a list of employment codes and type of employer they represent, see IRM 3.13.2.6, BMF Employment Codes (ECs).

- (3) If an organization submits correspondence or an amended return stating it is exempt from filing Form 940 under IRC 501, the following conditions must be present on the entity module:
- Exempt Organization Status Field (EO-Stat) is 01 or 02 (indicates exemption granted by TE/GE Determinations).
 - Ruling Date Field (RUL) contains a date which is prior to, or within the tax period, for which taxpayer is claiming exempt status. The Ruling date is the date the organization was granted an exemption.
 - The SS code field (SUB>) is 03, 50, 60, 70, 71 or 91.
- (4) A church has a 501(c)(3) status but doesn't officially have to file an application for exemption. An EC "**W**" may be appropriate if the name of the organization contains any of the following word(s) in relationship to a religious organization:
- Assembly or Assembly of God
 - Chapel
 - Church
 - Fellowship
 - Jehovah's Witness
 - Monastery
 - Seventh-Day Adventist
 - Synagogue
 - Temple
 - Worship Center
 - Iglesia
 - Mosque

- (5) Form 940 Employment Code (EC) "**W**" abatement requests are worked by OAMC, BMF Accounts who will follow IRM 21.7.3.4.8.3, Exempt Organization (EO) and Government Agency Tax-Exempt Inquiries. If a case is received in an area outside of OAMC, BMF Accounts or EO Accounts, do the following:
- For CIS cases, reassign case to 0430444505
 - For paper cases route to OAMC, BMF Adjustments, MS: 6552

Note: If the case is received in EO Accounts, determine if an EC "**W**" is on the account prior to reassigning. If the EC isn't on the account, contact the appropriate AM P&A analyst who will determine if the EC is needed and contact EO Entity to add the code if necessary. If the EC is on the account, reassign as shown above.

Note: Disputes or questions regarding the church status or taxes owed by an organization claiming to be a church (e.g. if the organization's name lacks the normal indicia of being a church) will be sent to EO Classification if the conditions in (4) above aren't present.

21.7.7.6.22
(05-22-2020)
EO Extensions

- (1) An organization wanting an extension of time for filing a return must submit either a Form 8868, Application for Extension of Time To File an Exempt Organization Return or Form 7004, Application for Automatic Extension of Time to File Corporation Income Tax Return. The form should be sent to the service center where the return is to be filed.
- (2) Form 8868 and Form 7004 may be filed electronically via the Modernized electronic Filing (MeF) System. Identify electronically filed
 - Forms 8868 by File Location Code 93 or 92 (first two digits of the DLN).
 - Forms 7004 by File Location Code 88, 93 or 92 (first two digits of the DLN), for domestic filers, and 66 or 98 for foreign filers.

Refer to IRM 3.42.4, IRS e-file for Business Income Tax Returns, for viewing forms filed via MeF.

Note: Beginning January 2011, Form 8868 can be filed electronically via MeF.

- (3) Organizations that submit Form 8868 via MeF receive a/an:
 - a. "Acknowledgement of Receipt" when they file Form 8868 through the authorized e-File provider.
 - b. CP 211-A when the extension is timely filed.
 - c. "Rejection Notification" if unable to file an extension via MeF.

Note: If there is an indication on the extension or an attachment that the taxpayer attempted to file the extension electronically and it was rejected, they must file the paper request by the later of the due date or 5 calendar days after the date the taxpayer was notified of the last rejection. For more information, see Publication 4163, Modernized e-file (MeF) Information for Authorized IRS e-File Providers for Business Returns.

- (4) Under normal circumstances, an extension of time to file can legally be granted for no longer than a total of 6 months from the due date of the return. An extension of time to file generally "shall not be granted for more than 6 months" from the due date of the return required to be filed (IRC 6081(a) and 26 CFR 1.6081-1 (a)).

Exception: In some cases, organizations that are abroad may receive more than 6 months. If a foreign corporation files an extension request asking for more than 6 months, the IRS has to analyze the facts presented to make a determination in a "rational, non-arbitrary and regular fashion". A foreign corporation isn't entitled to an extension of more than 6 months; it must justify its entitlement based upon the facts. However, the extension cannot be entered into the system. If deemed allowable, the penalty may be removed once assessed. There is no systemic way to avoid assessment of the penalty.

- (5) For periods which begin after December 31, 2015, Form 8868 will grant an automatic 6-month extension. Any short period returns filed in 2016 with a beginning period date after December 31, 2015 and requesting an extension should be granted an automatic 6 month extension. Due to programming limitations, the filer may have filed the extension and only been granted three months. If this occurs and the return is filed timely based on a 6 month extension, abate any penalties which may be charged for late filing.

- (6) Occasionally, an organization wanting an extension of time to file a return may submit a letter request to the Submission Processing Campus where the return is to be filed. Normal approval/denial criteria is followed. Correspondence is sent to the organization indicating the status of their request and the correct form to use in the future.
- (7) All information required by a form is also required if the request is made via a letter. Process a letter application in one of two ways:
 - a. Input the extension information as a TC 460 directly into IDRS.
 - b. Prepare a "dummy" IRS extension form from the information in the letter and process it as a paper extension.

21.7.7.6.22.1
(01-01-2021)

**Form 7004, Application
for Automatic Extension
of Time to
File Certain Business
Income Tax, Information,
and Other Returns**

- (1) Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns, is used to request an automatic 6-month extension for Form 1120-POL. The form must be filed on or before the due date of the applicable tax return. The extension posts as a TC 620 and TC 460.
- (2) The IRS no longer sends notifications when the extension is approved. However, the organization is notified when the extension is disallowed.
- (3) Penalty abatement requests relating to extension issues may be considered based on the reasonable cause explanation provided by the organization. Refer to IRM 20.1.1, Introduction to Penalty Relief, for reasonable cause criteria.
- (4) Refer to the table below for return due date and applicable extended due date.

Reminder: Notice 2020-23 extended the due date for filing 2019 tax returns and payments, as well as the first two 2020 estimated tax payments to Wednesday, July 15, 2020.

Original and Extended Due Dates for Form 1120-POL				
Tax Period Ending	Due Date (4 ¹ / ₂ Months)		Form 7004 Automatic 6 Month Extended Due Date	#
01	05-15		11-15	#
02	06-15		12-15	#
03	07-15		01-15	#
04	08-15		02-15	#
05	09-15		03-15	#
06	09-15		03-15	#
07	11-15		05-15	#
08	12-15		06-15	#
09	01-15		07-15	#
10	02-15		08-15	#
11	03-15		09-15	#
12	04-15		10-15	#

21.7.7.6.22.1.1
(10-19-2022)

Form 8868, Application for Extension of Time To File an Exempt Organization Return
General Information

(1) Form 8868, Application for Extension of Time to File an Exempt Organization Return, is used by exempt organizations to request an automatic 6-month extension of time to file its return.

(2) Form 8868 is used by exempt organizations to request an extension of time to file the following forms:

- Form 990
- Form 990-EZ
- Form 990-BL
- Form 990-PF
- Form 990-T (corporation)
- Form 990-T (trust)
- Form 1041-A
- Form 4720
- Form 5227
- Form 6069
- Form 8870

(3) Form 8868, must be completed to request an initial automatic 6-month extension. The extension will be approved if the Form 8868 is received on or

#

Notice Code 1 is entered and a CP 211-A generates stating the extension was granted. If the Form 8868 isn't timely filed, Notice Code 2 is entered and a CP 211-C is generated stating the request for extension of time to file was denied. Before January 1, 2007, organizations did not receive acknowledgment from IRS indicating the automatic extension was granted.

- (4) For periods which begin after December 31, 2015, Form 8868 will grant an automatic 6-month extension. Any short period returns filed in 2016 with a beginning period date after December 31, 2015 and requesting an extension should be granted an automatic 6-month extension. Due to programming limitations, the filer may have filed the extension and only been granted 3 months. If this occurs and the return is filed timely based on a 6-month extension, abate any penalties which may be charged for late filing.
- (5) If any of the above criteria isn't met, the extension is denied, the applicable Notice Code is entered and a CP 211-C notice is generated informing the organization why the extension was denied. Refer to the table below for Notice Code definitions and related CP 211 notice.

Note: Notice Code 1 generates a 6-month extension.

- (6) Extension Notice Codes are located on BMFOLT.

Notice Code	Definition	CP Notice
1	Approved extension	CP 211-A
2	Disapproved extension — Not timely filed	CP 211-C

21.7.7.6.22.2
(01-01-2021)

Extension Due Dates

- (1) The computer uses the “**Type of Org**” code shown on BRTVU to determine the return due date. Form 990-T has two possible due dates:
- An employee plan's trust defined in IRC 401(a), an IRA (including SEP) and (SIMPLE), a Roth IRA, and Education IRA, and an MSA must file Form 990-T by the 15th day of the 4th month after the end of the tax year.
 - All other organizations must file Form 990-T by the 15th day of the 5th month after the end of the tax year.

Note: An Employee Plan trust under 401(a) must attain and use a separate EIN for Form 990-T. Trusts defined in IRC 401(a) can't use EINs for corporate returns Form 1120, Form 940, Form 941, Form 5500 and Form 990.

- (2) Refer to the tables below for the type of form, return due date and applicable extended due dates for EO returns.

Note: When the return due date or extension date fall on the weekend, holiday, or both, the return due date and extension date will be the next business day.

Reminder: Notice 2020-23 extended the due date for filing 2019 tax returns and payments, as well as the first two 2020 estimated tax payments to Wednesday, July 15, 2020.

Original and Extended Due Dates for Forms: 990, 990-EZ, 990-PF, 990-BL, 990-T (Org 1, 2, 4 & 5), 4720 (Org 1 & 2), 8870 and 6069

Tax Period Ending	Due Date (4 $\frac{1}{2}$ Months)		Form 8868 6-Months Extended Due Date	#
01	06-15		12-15	#
02	07-15		01-15	#
03	08-15		02-15	#
04	09-15		03-15	#
05	10-15		04-15	#
06	11-15		05-15	#
07	12-15		06-15	#
08	01-15		07-15	#
09	02-15		08-15	#
10	03-15		09-15	#
11	04-15		10-15	#
12	05-15		11-15	#

Original and Extended Due Dates for Form 990-T Trust (Org. 3), Form 4720 (Org 3), Form 5227 and Form 1041-A

Note: Form 5227 and 1041-A is due on or before April 15 following the close of the calendar year.

Tax Period Ending	Due Date (3 $\frac{1}{2}$ Months)	DELINQUENT DATE	Form 8868 (6-Months Extended Due Date	#
01	05-15		11-15	#
02	06-15		12-15	#
03	07-15		01-15	#
04	08-15		02-15	#
05	09-15		03-15	#
06	10-15		04-15	#
07	11-15		05-15	#
08	12-15		06-15	#
09	01-15		07-15	#
10	02-15		08-15	#
11	03-15		09-15	#

Tax Period Ending	Due Date (3 ¹ / ₂ Months)	DELINQUENT DATE	Form 8868 (6-Months Extended Due Date)
12	04-15		10-15

#

21.7.7.6.22.3
(01-01-2021)
**Extension
Reconsideration
Procedures
General Information**

- (1) Evaluate each case based on the information provided by the organization. Once you determine why the penalty was assessed (IRS or TP error), take the appropriate action (e.g., input extension or request reasonable cause statement) to resolve the account issue.
- (2) If the organization cannot provide a copy of their approved extension (CP 211-A) or proof of timely filing, then a signed reasonable cause statement is required.
- (3) When the IRS recognizes a failure to timely input a TC 460 either before or after the return posts and before or after the DDP or FTF penalty is assessed, input a TC 460 with the proper extension date. The TC 460 systemically reverses/recomputes the late filing portion of the DDP (TC 238). However, if CC 22, 23 or 24 is present on the module, enter a manual adjustment. Use Penalty Reason Code (PRC) 045 for this correction (see IRM 20.1.2.2.3.1, Extensions of Time to File).
- (4) When reviewing the account, if you determine that the penalty was assessed as a result of something IRS failed to do (e.g., not processing initial extension), send an apology letter to the organization. Refer to IRM 21.3.3.4.17.4, Correspondence Contacts, paragraph 3, for additional information.
- (5) When inputting a TC 460 on Form 1120-POL (MFT 02) or Form 990-T (MFT 34), enter a DLN Code
 - 20 (approved)
 - 25 (disapproved)
 - All other MFTs leave the DLN blank for approval or
 - Enter 000 (3 zeros) in the DLN for denial
- (6) Due to current programming restraints on Command Code REQ77 and Form 990-T extension requests, we developed the following work-around procedures. To enter the correct extension date, enter ULC 98 on the REQ77 screen. This allows the correct extended due date to be entered on Form 990-T modules. It's a temporary measure until the REQ77 program is corrected.

21.7.7.6.22.3.1
(01-01-2021)
**Abatement Procedures
for Extension Requests**

- (1) Extensions are either granted or denied. If the extension was denied because the TP did not complete the Form 8868 properly or filed late, adhere to reasonable cause criteria to consider penalty abatement.
- (2) If the extension was denied because of something the Service failed to do (e.g., input TC 460, erroneous received date) input a TC 460 with the correct extended due date. Penalties will recompute unless the module is restricted due to a previous manual adjustment.

- (3) If correspondence is received about the denial of the initial 6-month extension period refer to the procedures outlined below.

Reminder: The only criteria for granting the initial (automatic) 6-month extension is a timely filed Form 8868.

If	And	Then
the organization can provide: ~ A copy of the CP 211-A, or ~ A copy of Form 8868 and proof of timely filing (e.g., certified mail receipt or postmark),	a TC 460 isn't present or was previously denied,	1) Allow the extension by inputting a TC 460 via REQ77 to the valid extension due date. 2) Send the applicable CRX letter informing the organization the extension was granted, provide the new extended due date and apology for the error.
the organization can't provide proof of timely filing,		1) Inform the organization they must submit a reasonable cause statement prior to abating the penalty. 2) If a penalty has not been assessed, instruct the organization to resubmit their reasonable cause explanation after the penalty notice is received.
the organization notifies the Campus that an error was made on the Form 8868 (e.g., incorrect EIN or tax period),	a TC 150 has not posted to MF and it isn't past the RDD, and the initial Form 8868 was filed timely,	1) Allow the extension by inputting a TC 460 via REQ77 to the valid extension due date. 2) Send the applicable CRX letter informing the organization the extension was granted and provide the new extended due date.

If	And	Then
the organization notifies the Campus that an error was made on the Form 8868 (e.g., incorrect EIN or tax period),	a TC 150 has posted to MF and a penalty was assessed,	Request reasonable cause from the filer.
the organization attempted to file an extension via MeF,	the extension was rejected,	1) Research the EUP to determine if the extension was filed by the RDD or request a copy of the rejection notice from the organization. 2) If the EUP or the rejection notice indicate it was filed by the RDD, input a TC 460. 3) Send the applicable CRX letter informing the organization the extension was granted and provide the new extended due date.
the Form 8868 appears to be the original,	a TC 150 has not posted to MF and extension is prior to the RDD,	1) Route Form 8868 to C&E to be processed as the original (MS: 6110).
the Form 8868 appears to be the original,	a TC 150 has posted to MF or the RDD has passed,	1) Verify the Form 8868 was timely filed based on the IRS stamped received date. 2) If a determination is made that the extension was timely filed, enter a TC 460 via REQ77 to the valid extension due date. 2) Send the applicable CRX letter informing the organization the extension was granted and provide the new extended due date.

21.7.7.6.22.4
(01-01-2021)

Extension Application Due Dates

- (1) Extension requests are due by the return due date (or extended due date for falls on a Saturday, Sunday or holiday, the extension is due the first business day following the Saturday, Sunday or holiday. No adjustment will be made to 15th falls on a weekend or a holiday. The grace period always ends on the 22nd of the month. #
- (2) For periods which begin after December 31, 2015, Form 8868 will grant an automatic 6-month extension. Any short period returns filed with a beginning period date after December 31, 2015 and requesting an extension should be granted an automatic extension. Due to programming limitations, the filer may have filed the extension and only been granted 3 months. #
- (3) Refer to the table below to determine if the extension was filed timely.

If Received Date is	And Postmark is	Then the extension is
Before Due Date		Timely
	On or before the due date	Timely
	On or before the due date	Timely
	After due date	Not timely

- (4) If the postmark isn't timely, refer to IRM 20.1.2.2.1, When Timely Mailing Equals Timely Filing or Paying (Received Date vs. Filing/Payment Date) and IRM 21.5.1.4.2.4, Received Date - Determination, for additional information. #

21.7.7.6.23
(03-17-2023)

Exempt Organization Penalties

- (1) EOs may be subject to various penalties when they fail to meet the established guidelines in the Internal Revenue Code. These penalties include:
- Daily Delinquency Penalty
 - Failure to File Penalty
 - Failure to Pay Penalty
 - Estimated Tax Penalty
 - Failure to Deposit Penalty

Note: See IRM 20.1.1.3.3.2.1, **First Time Abate**, for more information.

- (2) All EO penalty abatement requests are worked in:

- The EO Accounts units.
- TE/GE telephone account representatives in the OAMC.
- (EOCA) if the case is assigned to them.

Note: Identify cases assigned to the EOCA by IDRS # 4070800000 and route them to EOCA, MS: 1112 for resolution.

- Non-CII Cases, route to ICT Clerical at M/S 6552 (OCS).

- (3) Additionally, TE/GE telephone account assistants, except as specifically prohibited in IRM 21.3.8, Tax Exempt/Government Entities (TEGE) Customer Account

Services (CAS) Telephone Operations, should use all available tools to resolve penalty issues during a call with an authorized caller. This includes, but isn't limited to:

- SEIN Research
- AMS
- Receipt of faxed POAs
- Proof of timely filing of returns or extensions

- (4) TE/GE telephone account assistors located at the OAMC may abate the DDP for **late filing** only if the penalty amount falls within the oral authority threshold

#

the verbal authority abatement doesn't apply.

- (5) Other than stated above, CSRs and tax examiners at other sites or campuses aren't authorized to resolve EO penalty abatement cases. Areas not authorized to work EO Account penalties and account related issues must follow case referral procedures in IRM 21.3.5., Taxpayer Inquiry Referrals Form 4442.
- (6) EO accounts in collection status 22, 24 or 26 are worked in EO Accounts.
- (7) When determining penalty abatement due to reasonable cause, the Reasonable Cause Assistant (RCA) **isn't** applicable to EOs. The RCA isn't designed to address EOs reasonable cause requests. Refer to the reasonable cause guidelines and criteria in IRM 20.1.1.3.2, Reasonable Cause. Additional guidance can be found in IRM 21.7.7.6.24, Reasonable Cause Background.

Note: Per the Taxpayer Bill of Rights (TBOR #5), taxpayers have the right to Appeal an IRS Decision in an Independent Forum; therefore, if reasonable cause is not established it should be officially denied and penalty appeal rights provided.

- (8) The following table identifies the various penalties that may be applicable to EOs.

Applicable EO Penalties						
Form	MFT	23X DDP	16X FTF	17X ES	27X FTP	18X FTD
Form 990 or Form 990-EZ	67	YES	NO	NO	NO	NO
Form 990-T	34	NO	YES	YES	YES	YES
Form 990-PF	44	YES	YES	YES	YES	YES
Form 1041-A	36	YES	NO	NO	NO	NO
Form 5227	37	YES	YES	NO	NO	NO
Form 1120-POL	02	NO	YES	YES	YES	YES
Form 4720	50	NO	YES	NO	YES	NO

- (9) Find additional information on penalties and reasonable cause abatement in IRM 20.1, Penalty Handbook.

21.7.7.6.23.1
(01-01-2021)

Daily Delinquency Penalty

- (1) IRC 6652(c) imposes a Daily Delinquency Penalty (DDP) for failure to file a timely return (unless there is reasonable cause) as required under the following Code sections:
- IRC 6033(a)(1)(Form 990 series)
 - IRC 6043(b) (final Form 990-series return, or information regarding substantial contractions)
 - IRC 6012(a)(6) (Form 1120-POL)
 - IRC 6034 (Form 5227 and Form 1041-A)
 - IRC 6033(a)(2) (Form 8886-T disclosure)

A penalty is also imposed for failure to comply with public inspection requirements under IRC 6104(d) with respect to annual returns, periodic reports, exemption applications, and notices (other than Form 990-N).

- (2) The penalty imposed on the organization for failure to file depends on the particular form.

Form	Penalty Amount
Form 990 series returns (990, 990-EZ, 990-PF, 1065 by IRC 501(d) organization, and 990-BL), or Form 1120-POL, for failure to include required and correct information.	\$20 per day, up to the lesser of \$10,500 or 5% of gross receipts per return (\$105 per day, up to \$53,000 for organizations with gross receipts in excess of \$1,067,000)

Form	Penalty Amount
Form 1041-A, a final Form 990 series return, or information on Form 990 series return regarding substantial contraction.	\$10 per day, up to \$5,000
Form 5227 returns, in effect only for tax years beginning on or after Jan. 1, 2007.	\$20 per day, up to \$10,500 (\$105 per day, up to \$53,000 for trusts with gross income in excess of \$266,500)
Form 8886-T, imposed only on organizations described in IRC 501(c), IRC 170(c) (other than the federal government), and Indian tribal government.	\$105 per day, up to \$54,000. There's an additional penalty of \$105 per day, up to \$10,500, for failure to file after a written IRS demand to file by a reasonable future date.

- (3) A penalty is imposed on the manager or responsible person for failure to file or to comply with public inspection requirements. There is joint and several liabilities if more than one person is responsible. The penalty is:
- On the SSN of the individual as a Civil Penalty 600 or 601.
 - Processed NMF.
- (4) The penalty varies depending on the particular form.

Penalty Description	Penalty Amount	Penalty Imposed on
If an organization fails to comply with: 1. An IRS demand for filing by a reasonable future date of a Form 990 series return (or information regarding substantial contraction), Form 1120-POL, Form 1041-A, or Form 5227	\$10 per day, up to \$5000 per return. In addition, if the person required to file Form 5227 knowingly fails to file, the penalty imposed on the trust (described above) is also imposed on that person. Note: Applies only to returns for tax years beginning on or after Jan. 1, 2007.	Person who fails to comply
2) Public inspection requirements (other than Form 990-N)	\$20 per day, up to \$10,000. There is no dollar limitation in the case of exemption application or notice materials.	Person who fails to comply

Penalty Description	Penalty Amount	Penalty Imposed on
If a tax-exempt entity (other than one described in IRC 501(c) or (d), IRC 170(c), or Indian tribal government) fails to file Form 8886-T	\$100 per day, up to \$50,000. There is an additional penalty on the entity manager of \$100 per day, up to \$10,000, for failure to file after a written demand by the IRS to file by a reasonable future date.	Entity manager

- (5) In some cases, the disaster freeze is not set until after the TC 150 has posted and/or a DDP is assessed. If it is determined that the DDP was assessed in error based on research and the determination that an organization meets the qualification for extension due to an official disaster area declaration, remove the DDP manually using RC 028.
- (6) The penalty imposed on an organization that fails to submit the IRC 506 notification (Form 8976) is equal to \$20 per day for each day the failure continues, up to a maximum of \$5,000. Additionally, a similar penalty is imposed on organization managers who, in response to a written request by the Secretary, fail to submit the notification timely. For more information about this penalty see, IRM 20.1.8.3.2, IRC 6652(c)(4) - Failure to Submit Notice of Intent to Operate as IRC 501(c)(4) Organization Under IRC 506.

Note: The penalty is automatically applied when the registration date is more than 60 days later than the organization date. The penalty posts to a civil penalty module (MFT 13) as TC 240 PRN 713 and the organization is issued a CP 215 Civil Penalty, which gives the organization three options: If they agree to the penalty assessment, they can pay the balance due. If they believe they have reasonable cause for not timely filing Form 8976 and want to appeal the assessment without paying the penalty first, they can send a written explanation within 10 days from the date of the notice. If they want to appeal the penalty assessment for any other reason or after the 10-day period expires, they must first fully pay the entire penalty and then file Form 843, Claim for Refund and Request for Abatement, within 2 years from the date of the payment.

Caution: A request for penalty relief received after the 10 day timeframe given in CP 215, will be considered per IRM 20.1.1.3.2, Reasonable Cause. A taxpayer's request for penalty relief cannot be refused simply because they failed to respond to the CP 215 within 10 days.

- (7) Input a TC 290 for .00 with Blocking series 52 to remove the penalty. Input penalty reference code with a minus (i.e. - ref 600 for 100.00-). This input generates a TC 241 for the abated amount. Input appropriate penalty reason code. See **IRM 20.1.1-2**, Penalty Reason Code Chart. Do not use a hold code unless the taxpayer is not to be notified of the action.

21.7.7.6.23.1.1
(01-01-2021)

Correspondence Codes

- (1) Correspondence Codes (CC) are used on all EOMF forms to indicate information was missing from the return and the results of correspondence sent to the taxpayer to secure the missing information.
- (2) Missing information is divided into two categories:
 - **Correspondence Items (Non-IRI)** - Correspondence items are requested only once.
 - **Incomplete Return Items (IRI)** - Information needed for the IRI Program are requested twice.
- (3) Refer to the table below for Correspondence Codes and definitions.

Correspondence Code (CC)	Definition
CC 11	Reply to IRI or non-IRI correspondence with all information
CC 12	Reply to non-IRI correspondence with some information
CC 13	Reply to non-IRI correspondence with no information
CC 14	No reply to non-IRI correspondence
CC 15	Reply to the first IRI correspondence with all information. (Zero filer) Note: A second correspondence isn't sent.
CC 16	No Reply to the first IRI correspondence – Org. code 9 filer. Note A second correspondence isn't sent.
CC 21	Reply to second IRI correspondence with all information: DDP assessed
CC 22	Reply to second IRI correspondence with some information: DDP assessed
CC 23	Reply to second IRI correspondence with no information: DDP assessed
CC 24	No reply to second IRI correspondence: DDP assessed

21.7.7.6.23.1.2
(01-01-2021)

Non-IRI Items

- (1) When missing information is received on **Non-IRI**, input the applicable CC (11-14) and enter the Correspondence Received Date (CRD). If the return was filed late, the DDP is computed from the Return Due Date (RDD) to the Return Received Date (RRD).
- (2) Non-IRI items are corresponded for only once. If the missing information isn't received within the allotted time frame, process the return as is. A DDP is only assessed on Non-IRI accounts if the return was filed late.

- (3) When you determine that the missing information is a Non-IRI based on the Correspondence Codes (11-14), you may remove the DDP without securing the missing information if reasonable cause criteria for filing late has been provided.
- (4) Associate all missing information received from an organization to the original return, regardless of the Correspondence Code.
- (5) The following correspondence codes are applicable to Non-IRI Items. These items are corresponded only once:
 - Code 11 - Reply to IRI or Non-IRI correspondence with all information
 - Code 12 - Reply to Non-IRI correspondence with some information
 - Code 13 - Reply to Non-IRI correspondence with no information
 - Code 14 - No reply to Non-IRI correspondence

21.7.7.6.23.1.3
(01-01-2021)

**Incomplete Return Item
Program (IRI)**

- (1) The IRS implemented an **Incomplete Return Item (IRI)** program for Form 990, Form 990-EZ, and Form 990-PF. The program applies to tax periods 198312 and subsequent.
- (2) A Daily Delinquency Penalty (per IRC 6652(c)(1)) is imposed for returns filed with required information omitted. The basis of this program is to secure a complete return rather than assess penalties against the organization.

Note: Beginning January of 2018, the IRS will no longer correspond for missing information on exempt organization returns in the Form 990 series or for correct return types. The incorrect/incomplete return will be sent back to the filer unprocessed with a C letter explaining the missing or incorrect information. If the filer sends back the complete/correct return within 10 calendar days of the date of the C letter and includes a copy of the letter, the return will be processed as having been received on the date of the letter. Note that this treatment may not be reflected in the actual TC 150 date, but rather in the penalty having been suppressed. Complete/correct returns received after the tenth day will be processed under the date the complete/correct return was received. Incomplete return penalties will no longer apply to Form 990 series returns, but the returns will still be subject to the Daily Delinquency Penalty. Where applicable, the filer may submit a reasonable cause statement with the delinquent return. Because the return is not processed, there will be no information on TXMOD or BMFOL indicating that a return was submitted and there will be no return image available on the SOI EO Imaging Network (SEIN). The only indication that an incomplete/wrong return was received/sent back will be the C letter shown on ENMOD while the entity module is active.

- (3) If missing information is received or the return is purged from suspension for the IRI program, enter a Correspondence Code 11 or 21-24. If the taxpayer replies to either the first or second correspondence with the missing information or provides reasonable cause as to why the information cannot be furnished, enter the applicable correspondence code, along with the correspondence received date.
- (4) If the taxpayer doesn't respond to our second request for the missing information, enter a CCC **3** (no reply indicator) which indicates there was no reply to our correspondence. Also enter a Correspondence Code **24** and no correspondence received date.

- (5) When the organization replies to either the first or second inquiries for the missing IRI, enter the correspondence received date to reflect the date Error Resolution received the missing information.
- (6) The following correspondence codes are applicable to IRI Items:
- CC 15 — Reply with all information to first correspondence (zero filers).
 - CC 16 — No Reply to first correspondence (zero filers).
 - CC 21 — Reply to second letter with all information.
 - CC 22 — Reply to second letter with some information.
 - CC 23 — Reply to second letter with no information.
 - CC 24 — No reply to second letter.
- (7) If missing/incomplete information is received in EO Accounts and no TC 150 is posted to MF, research IDRS to determine if the original return is in ERS or Unpostables. If nothing is found, suspend the missing information pending the posting of a TC 150. Allow six weeks suspension time from the return due date or extended due date. If no TC 150 posts to MF by the end of the suspension period, take the following action;

If	Then.....
a copy of the return is included with the missing information,	1) Attach the missing information to the return. 2) Send return to Batching to be processed as the original.
a copy of the return isn't included,	1) Prepare the applicable CRX letter and return the missing/incomplete information to the organization. 2) Instruct the organization to attach the missing/incomplete information to a copy of the original return and resubmit the entire package to IRS.

21.7.7.6.23.1.3.1
(10-19-2022)

Incomplete Return Item (IRI) Codes

- (1) Incomplete Return Item (IRI) codes allow the tax examiner to identify the IRI item that was missing from the organization's original return. Each IRI code identifies the specific item that was missing or incomplete on the original return. The codes are entered during the initial processing of the return and can be located on TXMODA, BMFOL or BRTVU.
- (2) Due to the redesign of the Form 990 and Form 990-EZ for TY 2008, additional IRI codes were established.
- (3) If the organization doesn't respond to previous letter(s) from the IRS requesting the missing or incomplete information, Rejects enters the IRI code(s). The return continues through processing and if a penalty applies, a CP 141I (incomplete), CP 141L (late filed) or CP 141C (late filed and incomplete) notice is generated to the organization.

Note: The CP 141I and 141C will be obsoleted in January 2023 since we no longer process incomplete returns. The paragraph above is for historical procedures only in case something comes into question.

- (4) The table below identifies the applicable form, IRI codes, related missing/incomplete items, and the notice paragraph that is generated when the CP 141 “I,” “L” or “C” is issued.

IRI Codes for TY 2007 & Prior			
IRI Code	Applicable Form	Missing or Incomplete Item	CP 141 Paragraphs
92	990	Part II	Form 990, Part II was blank or incomplete. All organizations must complete Part II column (A). If you are an organization exempt under Section 4947(a)(1), 501(c)(3), or 501(c)(4), then you must also complete columns (B), (C), and (D).
94		Part IV	Form 990 Part IV, Balance Sheets was blank or column (A) or (B) was not complete. You must complete lines 59, 66 and 73. If any line is zero, enter zero. According to the form instructions you may not submit a substitute balance sheet. Please complete both columns in Part IV, Balance Sheets.
95		Part V	Form 990, Part V was incomplete, blank, or the list attached did not include compensation paid. Please list each of the organization's officers, directors, trustees, and key employees even if they didn't receive any compensation from the organization. Enter zero in columns (C), (D), and (E) if no compensation was paid.
96		Part XI	Form 990, Part XI was blank or incomplete. Controlling Organizations defined in section 512(b)(13), must check the applicable box on lines 106, 107 and 108. If you checked the “Yes” box on lines 106 or 107, then you must also complete columns (a) through (d).
61	990-EZ (Doc Code 09)	Part I	You must file Form 990 rather than Form 990-EZ because either your total assets shown on line 25 of your Form 990-EZ was more than \$250,000 or your gross receipts are more than \$100,000. To compute gross receipts, add the amounts on Forms 990-EZ lines 5b, 6b, and 7b back into the amount on line 9.
62		Part II	Form 990-EZ, Part II, Balance Sheets, is blank or column (A) or (B) isn't complete. You must make an entry on lines 25, 26, and 27. If any line is zero, enter zero. You may not submit a substitute balance sheet. Please complete both columns in Part II.

IRI Code	Applicable Form	Missing or Incomplete Item	CP 141 Paragraphs
64		Part IV	Form 990-EZ, Part IV, List of Officers, Directors, Trustees, and Key Employees, is incomplete or an attached list did not include compensation paid. Please list each of the organization's officers, directors, trustees, and key employees even if they didn't receive any compensation from the organization. Enter zero in columns (C), (D), and (E) if no compensation was paid.
30	990 or 990-EZ	Schedule A (entirety)	Organizations exempt under section 501(c)(3) or section 4947(a)(1) must file Schedule A. Please see General Instructions A and D and complete pages 1-6 on Schedule A. Remember, PART IV, QUESTIONS 5-14 CANNOT BE BLANK or not applicable (N/A).
31	990	Schedule A, Part I	A name was present in Part I of Schedule A, but no amount was entered and Form 990, Part II, line 26, Column (A) was more than \$50,000.
41	990-EZ	Schedule A, Part I	A name was present in Part I of Schedule A, but no amount was entered and Form 990-EZ, Line 12, was more than \$50,000.
32	990	Schedule A, Part II	A name was present in Part II of Schedule A, but no amount was entered and Form 990, Part II, Column (A), Lines 30-32 combined was more than \$50,000.
42	990-EZ	Schedule A, Part II	A name was present in Part II of Schedule A, but no amount was entered and Form 990-EZ, Line 13, was more than \$50,000.
33	990 or 990-EZ	Schedule A, Part III	Schedule A, Part III, Question 1 was answered "yes", and the dollar line was blank and Parts VI-A and VI-B are blank and a statement was not attached.
34	990 or 990-EZ	Schedule A, Part IV	Schedule A, Part IV required one box to be checked. Schedule A Part IV, questions 5-14 cannot be blank, not applicable, or have more than one box checked. If you checked the box on line 6, you must complete Part V. If you checked box 10, 11, or 12, you must complete Part IV-A, lines 15-24. If you checked the box on line 13, you must also check the applicable box that describes the type of supporting organization and complete columns (a) through (e).
38	990 or 990-EZ	Schedule A, Part IV-A	The information on your return or in our records requires you to complete Schedule A, Part IV-A, Support Schedule, Page 3.

IRI Code	Applicable Form	Missing or Incomplete Item	CP 141 Paragraphs
35	990 or 990-EZ	Schedule A, Part V	Schedule A, Part V was incomplete or blank. All schools must complete Part V. You may not leave any question blank. Please complete all questions in Part V of Schedule A. If your organization isn't a school, please check the applicable box in Part IV, Schedule A and answer Part IV, Questions 5-14.
36	990 or 990-EZ	Schedule A, Part VI-A	Please complete Schedule A, Part VI-A, Lobbying Expenditures by Electing Public Charities, column (b), if you filed a lobbying election on Form 5768, Election/Revocation of Elections by an Eligible Section 501(c)(3) Organization to Make Expenditures To Influence Legislation. If you didn't file Form 5768, please complete Schedule A, Part VI-B, Lobbying Activity by Non-electing Public Charities and send us a detailed description of your legislative activities and the money you spent (or owe) on that activity. If the electing organization belongs to an affiliated group, the electing organization must also attach a schedule showing each member's name, address, Employer Identification Number and lobbying expenses.
37	990 or 990-EZ	Schedule A, Part VII	You answered "yes" to question 51a, b, or c, on Schedule A, Part VII. However, you did not complete question 51d, Part VII OR you answered "yes" to question 52a, on Schedule A, Part VII. However, you did not complete question 52b, Part VII. Please complete question 51d or 52b of Schedule A.
59	990	Schedule H	Schedule H or an Audited Financial Statements is missing. (Both must be present).
01	990-PF (Doc Code 91)	Part I	Part I, column (a) was not completed.
02		Part II	The Balance Sheet in Part II was incomplete or blank and Part VII-A, Line 7 was marked "yes".
05		Part VII-A	Part VII-A, Line 11 is blank. If the foundation owned a controlled entity within the meaning of section 512(b)(13), the questions on line 11a, 12 and 13 must be completed.
06		Part VII-A	You answered "yes" to question 11a in Part VII-A. However, you did not attach the required schedule. Please complete the schedule as outlined in the Form 990-PF instructions.
07		Part VII-A	You must complete Lines 11b and 12, Part VII-A, if you answered "yes" to line 11a.

IRI Code	Applicable Form	Missing or Incomplete Item	CP 141 Paragraphs
08		Part VIII	Part VIII, Line 1 must list the names, addresses, and other information requested for the officers, directors, and trustees of the foundation. Line 2 must include compensation of the five highest paid employees earning over \$50,000 and line 3 must include the amount for the five highest paid independent contractors earning over \$50,000. Please complete Part VIII.
10		Part X	Part X was not completed. All domestic and certain foreign foundations must complete Part X, lines 1 through 6.
11		Part XI	Part XI was not completed. If any line is zero, enter "0".
13		Part XIII	Part XIII was not completed.
14		Part XIV	Part XIV is incomplete or blank. All organizations that claim status as a private operating foundation under IRC Section 4942(j)(3) or 4942(j)(5) must complete Form 990-PF, Part XIV. Please complete all of Part XIV. Blank, zero, or "N/A" is only acceptable for the years the organization does not claim status as a private operating foundation. If you are no longer a private operating foundation, please call the Customer Account Services at 877-829-5500 (toll-free). They can assist you in determining what actions you should take.
15		Part XV	Line 2a through d in Part XV was not completed. If the foundation only makes contributions to pre-selected charitable organizations and does not accept unsolicited applications for funds, check the box on line 2, Part XV. In the future, if the foundation only makes contributions to pre-selected charitable organizations please check the box on line 2, Part XV. OR You did not state the purpose of the grant or contribution in Part XV line 3. This must be completed if Part I, line 25 has an amount. Please state the purpose. If the foundation only makes contributions to pre-selected charitable organizations and does not accept unsolicited applications for funds, check the box on Line 2, Part XV.
17		Part XVII	You must complete line 1d, Part XVII, if you answered "yes" to line 1a, 1b, or 1c. You must complete line 2b, Part XVII, if you answered "yes" to line 2a. "N/A" (not applicable) isn't an acceptable answer. Please complete the applicable lines in Part XVII.

IRI Code	Applicable Form	Missing or Incomplete Item	CP 141 Paragraphs
50	990, 990-EZ, or 990-PF	Schedule B	Schedule B, Schedule of Contributors, is a required attachment for Form 990, 990-EZ or 990-PF. All organizations must complete and attach Schedule B or certify they are not required to file Schedule B. Guidelines for filing Schedule B can be found in Forms 990, 990-EZ or 990-PF instructions. Please complete a Schedule B. If your organization isn't required to attach Schedule B, please let us know.

IRI Codes for TY 2008 & Subsequent			
IRI Code	Applicable Form	Item Missing or Incomplete	CP 141 Paragraph
91	990 or 990-EZ	Filed incorrect form	You must file Form 990 rather than Form 990-EZ because either your total assets or gross receipts were greater than the amount allowed for you to file using Form 990-EZ. For more information, see the instructions to Form 990 and 990-EZ.
87	990	Part VII	Form 990, Part VII is incomplete, blank, or the list attached did not include compensation paid. Please list each of the organization's officers, directors, trustees, and key employees even if they didn't receive any compensation from the organization. Enter zero in columns (D), (E), and (F) if no compensation was paid.
88	990	Part VIII	Form 990, Part VIII is incomplete or blank. All organizations are required to fill out this section of Form 990.
89	990	Part IX	Form 990, Part IX is incomplete or blank. All organizations must complete Part IX column (A). If you are an organization exempt under Section 501(c)(3), or 501(c)(4), then you must also complete columns (B), (C), and (D).
80	990	Part X	Form 990 Part X, Balance Sheets is blank or column (A) or (B) was not complete. You must complete lines 16, 26 and 33. If any line is zero, enter zero. According to the form instructions you may not submit a substitute balance sheet. Please complete both columns in Part X, Balance Sheets.

IRI Code	Applicable Form	Item Missing or Incomplete	CP 141 Paragraph
51	990 or 990-EZ	Schedule C	Schedule C, Political Campaign and Lobbying Activities, is missing or blank. You answered yes to questions 3, 4, or 5 on Form 990, Part IV, or yes to questions 46 or 47 on Form 990-EZ, Part VI. By answering yes to one of these questions, you are required to complete the applicable part(s) of Schedule C.
52	990	Schedule D, Part I	Schedule D, Part I, Supplemental Financial Statements, is missing, incomplete or blank. You answered yes to question 6 on Form 990, Part IV, which requires you to complete Part I of Schedule D.
53	990 or 990-EZ	Schedule E	Schedule E, Schools, is missing or blank. You answered yes to question 13 on Form 990, Part IV, or yes to question 48 on Form 990-EZ, Part VI. By answering yes to one of these questions, you are required to complete the applicable part(s) of Schedule E. If your organization is not a school, please check the applicable box in Part I, Schedule A and answer questions 1-11.
57	990	Schedule H	Schedule H, Hospitals is missing or blank. You answered yes to question 20a on Form 990, Part IV. By answering yes to this question, you are required to complete the applicable part(s) of Schedule H.
56	990	Schedule J	Schedule J, Compensation Information, is missing, or blank. You answered yes to question 23 on Form 990, Part IV, which requires you to complete the applicable part(s) of Schedule J.
54	990 or 990-EZ	Schedule L	Schedule L, Transactions with Interested Persons, is missing or blank. You answered yes to questions 25a, 25b, 26, 27, 28a, 28b or 28c on Form 990, Part IV, or yes to questions 38b or 40b on Form 990-EZ, Part V. By answering yes to one of these questions, you are required to complete the applicable part(s) of Schedule L.
58	990 or 990-EZ	Schedule O	Schedule O, Supplemental Information to Form 990, is missing or blank. You entered an amount on line 8 Part I of the Form 990-EZ or you filed a Form 990. All Form 990 filers must complete Schedule O.
55	990	Schedule R	Schedule R, Related Organizations, is missing or blank. You answered yes to questions 33, 34, 35a, 36, or 37, on Form 990, Part IV, which requires you to complete the applicable part(s) of Schedule R.

IRI Code	Applicable Form	Item Missing or Incomplete	CP 141 Paragraph
20	990 or 990-EZ	Schedule A (entirety)	Schedule A, Public Charity Status and Public Support, is missing or blank. Organizations exempt under section 501(c)(3) or section 4947(a)(1) must file Schedule A. Please see General Instructions A and Appendix H and complete pages 1-3 on Schedule A. Remember, Part I, Questions 1-11 cannot be blank or not applicable (N/A).
21	990 or 990-EZ	Schedule A, Part I, line 11h	Schedule A, Charity Status and Public Support, Part I requires one box to be checked. Schedule A Part I, questions 1-11 cannot be blank, not applicable (N/A), or have more than one box checked. If you checked box 2, attach a Schedule E. If you checked box 3, attach a Schedule H. If you checked box 5, 7, or 8, complete Schedule A, Part II. If you checked box 9, complete Schedule A, Part III.
22	990 or 990-EZ	Schedule A, Part II	Schedule A, Public Charity Status and Public Support, Part II is incomplete or blank. You checked the box on Line 5, 7, or 8, Part I, Schedule A, which requires you to complete Part II of Schedule A.
23	990 or 990-EZ	Schedule A, Part III	Schedule A, Public Charity Status and Public Support, Part III is incomplete or blank. You checked the box on Line 9, Part I of Schedule A, which requires you to complete Part III of Schedule A.
50	990, 990-EZ, or 990-PF	Schedule B	Schedule B, Schedule of Contributors, is missing or blank. Schedule B is a required attachment for Form 990, 990-EZ and 990-PF. All organizations must complete and attach a Schedule B or certify they are not required to file a Schedule B. If your organization isn't required to attach a Schedule B, please let us know. Guidelines for filing Schedule B can be found in Forms 990, 990-EZ or 990-PF instructions.
90	990, 990-EZ, or 990-PF	Missing Signature	You didn't sign your return. You need to sign the declaration at the bottom of this notice. The signed declaration will become a permanent part of your return.

IRI Code	Applicable Form	Item Missing or Incomplete	CP 141 Paragraph
98	990 (Doc Code 90 only)	Incorrect form filed	You filed a 2007 (or prior year) revision for Form 990 for a tax period of 2008 or later. Beginning with the 2008 Form 990 revision, additional information is required to be reported by exempt organizations. You must file a 2008 (or subsequent revision) Form 990 for tax periods 2008 or later to satisfy your organization's reporting requirements. Failure to file the correct form revision will result in a Daily Delinquency Penalty under section 6652(c)(1)(A).

21.7.7.6.23.1.4
(01-01-2021)
**Correspondence
Received Date**

- (1) Enter or update the Correspondence Received Date (CRD) when missing information is received after the return has posted. Do this by inputting CC REQ54 and entering the CRD in the RET-PROC-DT field to reflect the date the missing information was received. Also adjust penalties (if necessary) at the same time.

Note: If the missing information is received prior to the due date, use the return due date as the CRD.

- (2) When all of the missing information is received, enter or update the CRD.
- (3) Always associate the missing information with the original return by entering the applicable adjustment in the 00 (zero) or 18 block.

Note: If CC 21 is present with a CRD later than the date shown on the missing information received in EO Accounts, don't update the existing CRD field.

21.7.7.6.23.1.5
(01-01-2021)
DDP Computation

- (1) The DDP is computed based on various factors such as the:
 - Return Due Date (RDD)
 - Return Received Date (RRD)
 - Correspondence Received Date (CRD)
 - Correspondence Indicator Code (CC)
- (2) The table below outlines how the number of days are determined in order to calculate the DDP.

If CC is	And	Then
Blank	the CRD is the same as the RRD	figure the number of days from the RDD to the RRD.
11, 12, 13 or 14	the RRD is later than the RDD	figure the number of days from the RDD to the RRD.
21, 22, or 23	the CRD is later than the RDD	figure the number of days from the RDD to the CRD.
24	the CRD is blank	figure the number of days from the RDD to the 23c Date.

21.7.7.6.23.1.6
(01-01-2021)

Abatement Procedures

- (1) The DDP on Form 990, Form 990-EZ, Form 990-PF, Form 1041-A and Form 5227 may be abated only when the following conditions are met:
 - A signed reasonable cause explanation for late filing is provided.
Note: A signed return or other signed correspondence attached is acceptable.
 - The missing/incomplete information is submitted, along with a signed reasonable cause explanation as to why the information was not provided with the initial return.
 - A signed reasonable cause explanation as to why the missing information cannot be provided (e.g., records lost in fire, taken by previous treasurer, etc.).
- (2) The penalty may be decreased if the return was filed late and incomplete and the removal of the “incomplete” condition allows for a lowered late filing DDP. The penalty must be adjusted to reflect only the late filing portion if the missing information and a signed reasonable cause statement stating why the missing information was not included with the original returns is received.
- (3) Refer to the table below when determining whether a DDP penalty can be removed.

If the return is timely filed or considered timely filed based on RC	And Correspondence Code is	Then
With CCC "R"	11 or 21	Abate DDP
With CCC "R"	Blank	Abate DDP
With CCC "R"	12, 13, 14, 15 or 16	Abate DDP - Non-IRI items don't have to be secured prior to abatement consideration
With CCC "R"	22, 23, or 24	Abate DDP after the missing information and a reasonable cause statement is provided

- (4) Associate all missing information provided by the taxpayer to the original return, even if the taxpayer states the information has previously been provided. Associate to the original return by entering a TC 290 in the applicable blocking series (00 or 18), and update the CRD.

Reminder: The CRD must only be entered or updated when all the missing information is received.

21.7.7.6.23.1.7
(01-01-2021)

**Form 3870 Penalty
Abatement Requests**

- (1) Form 3870, Request for Adjustment, is generally submitted by Revenue Officers (RO) either by mail or fax when requesting TE/GE penalty abatements. Form 3870 penalty abatement requests are worked in EO Accounts.
- (2) A signed reasonable cause statement provided by the organization must be included with the Form 3870, along with any missing or incomplete information (if applicable). If the missing or incomplete information cannot be provided, a detailed explanation stating why the information cannot be provided must be included as well. The Form 3870 itself isn't sufficient documentation for abating a penalty.
- (3) If a reasonable cause statement and/or the missing or incomplete information isn't included, either call or email the RO to request a copy from the case file (if available). Find the RO's name and telephone on Form 3870, line 13. If you can't contact the RO immediately, leave a message and allow three business days for a reply.
- (4) If the RO doesn't reply, request the reasonable cause statement and/or the missing/incomplete information from the organization. Refer to the procedures below when attempting to secure the required documentation.
 - a. Send applicable CRX Letter 1382c.
 - b. Input a Staup for 6 cycles.
 - c. Close control base.
 - d. Annotate action taken on CIS/AMS.

Note: Only Form 3870 penalty abatement requests is accepted in EO Accounts. All other Form 3870 adjustment requests (i.e., credit transfers, tax decreases/increases, etc.) are returned to the originator.

21.7.7.6.23.1.8
(01-01-2021)
DDP on Delinquent Secured Returns and Substitute for Return (SFR)

- (1) Complete specific research and analysis before penalties can be removed on accounts if a TC 599 AC 096 is present on the module. TC 599 AC 096 indicates that the return is a delinquent return (secured by a TE/GE revenue agent or EO Entity unit) or a Substitute for Return (SFR) prepared by a revenue agent.
- (2) Since both TE/GE revenue agents and the EO Entity unit input a TC 599 AC 096 on delinquent returns, do additional research. Delinquent returns or SFRs prepared by an EO agent have specific instructions and annotations regarding the assessment and/or non-assertion/abatement of penalties.
- (3) Identify delinquent returns processed by EO Entity by unique “**Indicator Codes**” that are located in the Master File History Section on CC TXMODA.
- (4) An Indicator Code is generated when the account is in MF status 02 or 03 and a TDI was issued. The valid Indicator Code range is:
 - A, B, C, X and Z or
 - 1 through 9
- (5) Refer to the table below to determine who input the TC 599 AC 096 and when to order the original return from Files.

If	Then
Indicator Codes A, B, C, X, Z or 1 through 9 is present,	1. The return was received and processed by EO Entity. 2. TC 599 AC 096 was input by EO Entity. 3. Refer to R/C criteria in determining penalty abatement. Don't request the original return.
Indicator Code isn't present,	1. The return was secured and submitted by a revenue agent. 2. TC 599 AC 096 was input by the agent. 3. If the return is identified as a delinquent return or a return secured by a TE/GE agent, check to see if computer condition code (CCC) “7” is edited on the return. CCC 7 indicates reasonable cause was denied by the agent and is located just below the entity portion of the return. 4. If CCC 7 isn't edited on the return, refer to R/C criteria in determining penalty abatement. 5. If CCC 7 is edited on the return, reasonable cause should be officially denied and penalty appeal rights provided.

21.7.7.6.23.1.9

(01-01-2021)

Civil Penalty Abatement

- (1) If request for civil penalty abatement for other than PRN 713 is received in EO Accounts, route the case to the area identified in Job Aid 0010 found at <http://oamc.web.irs.gov/techpages/jobajids2.aspx>. For PRN 713 penalties, IRM 21.7.7.6.23.1, Daily Delinquency Penalty.

21.7.7.6.23.2

(10-19-2022)

Estimated Tax Penalty

- (1) Most ROs are required to make estimated tax payments on their UBIT as if they were corporations.
- (2) Form 990-T and Form 990-PF are subject to estimated tax penalties. Political organizations aren't required to make ES payments; therefore, Form 1120-POL filed by a political organization isn't subject to ES payments. However, filers of Form 1120-POL that **aren't** political organizations are required to make ES payments. The rules for computing, assessing and abating these penalties are basically the same as those for Form 1120-POL.
- (3) Tax exempt corporations use Form 990-W or Form 1120-W to compute their estimated tax. They must pay estimated tax by EFTPS, if required.
- (4) Estimated tax payments must be made if the total expected tax (income tax minus credits) for the tax year is \$500 or more unless an exempt organization has a tax year of less than four (4) full months.
- (5) Payments are due by the 15th day of the 4th, 6th, 9th, and 12th months of the tax year and should be made using EFTPS, if mandated. Additionally, 2% of the amount of any required installment of corporate estimated tax was otherwise due in September 2003 wasn't due until October 1, 2003.
- (6) For taxable years beginning after August 5, 1997, the due date of a private foundation's first installment was changed from the 15th day of the 4th month to the 15th day of the 5th month. If the organization is required to file a Form 990-T in conjunction with the Form 990-PF, the first installment for the Form 990-T is also due on the 15th day of the 5th month.
- (7) Estimated tax penalties for EOMF are computed using Form 2220. CCC "A" means that a Form 2220 is attached to the return but it indicates there is no liability for an ES penalty. CCC "8" means a Form 2220 or a letter is attached with a worksheet showing the penalty was computed using the annualized exception.
- (8) Refer to IRM 21.7.11.4.8, CP 234, Potential ES Penalty Transcript on Forms 1120, 1120F, 1120L, 1120M, 990C - Processing Potential Estimated Tax (ES) Penalty Notices, and IRM 20.1.3, Estimated Tax Penalties, for additional information on Estimated Tax Penalties.
- (9) Notice 2018-100 allows for a waiver of the Estimated Tax Penalty (ES penalty) for exempt organizations who provided qualified transportation fringes to an employee and were not required to file a Form 990-T, for the taxable year preceding the organization's first taxable year ending after December 31, 2017. This relief is limited to tax-exempt organizations that timely file Form 990-T and timely pay the amount reported for the taxable year for which relief is granted.

21.7.7.6.23.2.1
(01-01-2021)

Large Organizations

- (1) A “large organization” is any tax-exempt corporation or other organization subject to the tax on UBI and any private foundation that had, or its predecessor had, taxable income of \$1 million or more for any of the preceding 3 tax years. For this purpose, taxable income is modified to exclude net operating loss or capital loss carrybacks or carryovers. Members of a controlled group, as defined in IRC 1563, must divide the \$1 million amount among themselves according to rules similar to those in IRC 1561.
- (2) If an organization is required to file a Form 990-T and Form 990-PF, consider each return individually before applying the Large Corporation criteria for computing the estimated tax penalty.

21.7.7.6.23.2.2
(01-01-2021)

EO CP 234

- (1) Follow procedures outlined in IRM 21.7.11.4.8, CP 234, Potential ES Penalty Transcript on Forms 1120, 1120F, 1120L, 1120M, 990C - Processing Potential Estimated Tax (ES) Penalty Notices, for resolution of CP 234 cases.

Note: If there’s an open control base for an amended Form 990-T, due to the repeal of IRC 512(a)(7), see IRM 21.7.7.6.16.8 , Amended Form 990-T “Amended Return - Section 512(a)(7) Repeal” - (Parking Tax Fringe, Qualified Transportation Fringe or similar wording may be used when referencing this repeal), for instructions.

21.7.7.6.23.2.3
(10-19-2022)

Proxy Tax

- (1) Proxy tax, which is entered by the taxpayer on Part II, line 3 of Form 990-T for tax years 2020 and subsequent,, isn’t subject to ES penalty.
- (2) Use CC BRTVU to determine if proxy tax was entered by the taxpayer. For tax years 1995 through 2017, proxy tax is reported on line 37. For tax year 2018, proxy tax is reported on line 41. For tax year 2019, proxy tax is reported on line 42.
- (3) If proxy tax is reported on the return, don’t include it when computing the ES penalty. For guidance on completing a manual penalty adjustment, see IRM 20.1.3.2.2, Manual Penalty Adjustments.

21.7.7.6.23.2.4
(01-01-2021)

Annualizing

- (1) EOs are limited to the type of options available to them when annualizing their Estimated Tax Penalty. Only the Standard option and Option 1 can be used. Option 2 isn’t available to tax-exempt organizations and private foundations.
- (2) When computing an annualized penalty, verify the organization is using the correct periods on line 1 and the correct annualized amounts on line 3 of Schedule A, Part I. You won’t be able to verify line 2. Math verify pages 3 and 4 to determine the correct installment amounts to be carried to page 1. Math verify page 1 and compute the penalty on page 2 on any underpayment.

Note: An organization may elect to choose separate options for each installment period per IRC 6655(g)(3). Therefore, for purposes of Line 1 of Schedule A, an organization may switch from one option to another for each installment.

- (3) The table below provides the available options and installment months used when computing an annualized Estimated Tax Penalty.

Line 1	1st Installment	2nd Installment	3rd Installment	4th Installment
Line 3	1st Installment	2nd Installment	3rd Installment	4th Installment
Standard Option	2	3	6	9
Option 1	2	4	7	10
Standard Option	6	4	2	1.33333
Option 1	6	3	1.71429	12

21.7.7.6.23.2.4.1
(01-01-2021)
**Income From
Pass-through Entities**

- (1) Taxpayers with income from pass-through entities are not exempt from ES payment requirements. It is the taxpayer's responsibility to become informed about its distributive share of income from the pass-through entity for each of its individual annualization periods. If the taxpayer chooses not to use the annualized income installment method, the taxpayer needs to either estimate the amount of tax for the instant taxable year, or pay the "safe harbor" amounts in order to avoid a penalty.
- (2) There are some who believe that income derived from pass-through entities (estates, trusts, partnerships and subchapter S-corporations) is excludible from the estimated tax requirements because this income isn't known until the taxpayer receives Schedule K-1 after the close of the taxable year. This belief isn't supported by law or regulation. Refer to IRM 20.1.3.2.7.5 , Income From Pass-Through Entities, for additional information.
- (3) If an incomplete Form 2220 is received, return it to the taxpayer with the applicable CRX letter. Inform the taxpayer the Form 2220 must be completed before any adjustment action can be considered.

21.7.7.6.23.2.5
(01-01-2021)
Credit Elect

- (1) Credit elects are transferred using the later of the due date of the return or the transaction date creating the overpayment. In most cases, the credit elect is transferred using the due date, which is the 15th day of the 5th month. Because the first installment is due the 15th day of the 4th month, IDRS will consider the credit elect as timely for the first installment.

Caution: For returns affected by Notice 2020-23, use the regular return due date, not the extended the due date to July 15, 2020, when transferring a credit elect.

- (2) Current Master File programming for credit elects on Form 1120 series returns incorrectly calculates the installment due date to be the return due date plus one month. While the result is technically correct when transferring a timely overpayment from a period beginning before 1/1/2016, it is no longer correct for periods beginning after 12/31/2015 because the due date of most Form 1120 returns is now equal to the due date of the first installment of estimated tax for the succeeding period. Therefore, adding one month is incorrect. However, even though Master File uses the incorrect date, there is no harm to the taxpayer because the credit elect is considered timely for the first installment of the succeeding year in the current estimated tax penalty programming.

There are, however, debit (underpayment) interest implications in the case of a subsequent assessment: The systemic credit transfer will need to be reversed and input with the correct date **when making an assessment of tax** on MFT 02 for periods beginning after 12/31/2015, unless the period ends in 06.

21.7.7.6.24
(01-01-2021)

Reasonable Cause Background

- (1) Reasonable cause is based on all the facts and circumstances in each situation and allows the IRS to provide relief from a penalty that would otherwise be assessed. Reasonable cause relief is generally granted when the taxpayer exercises ordinary business care and prudence in determining their tax obligations but is unable to comply with those obligations.
- (2) Reasonable cause relief isn't available for all penalties. However, other exceptions may apply. For those penalties that we can consider reasonable cause, we consider any reason which establishes that the taxpayer exercised ordinary business care and prudence, but was unable to comply with a prescribed duty within the prescribed time. (See Penalty Relief-Application Chart below).
- (3) When considering the information provided, remember that an acceptable explanation isn't limited to those given in IRM 20.1.1, Introduction and Penalty Relief. Penalty relief granted because the taxpayer provided an "other acceptable explanation" is identified by use of PRC 030 on either the closing or adjustment document. The wording used to describe reasonable cause provisions varies. Some IRC penalty sections also require evidence that the taxpayer acted in good faith or that the taxpayer's failure to comply with the law was not due to willful neglect. Taxpayers have reasonable cause when their conduct justifies the non-assertion or abatement of a penalty.
- (4) Judge each case individually based on its facts and circumstances. Consider the following with specific criteria identified:
 - What happened and when did it happen?
 - During the period of time the taxpayer was non-compliant, what facts and circumstances prevented the taxpayer from filing a return, paying a tax, or otherwise complying with the law?
 - How did the facts and circumstances prevent the taxpayer from complying?
 - How did the taxpayer handle the remainder of their affairs during this time?
 - Once the facts and circumstances changed, what attempt did the taxpayer make to comply?
- (5) Penalties exist to encourage voluntary compliance by supporting the standards of behavior expected by the IRC. For most taxpayers and organizations, voluntary compliance consists of:
 - Preparing an accurate return
 - Filing it timely
 - Paying any tax due
- (6) When taxpayers make an effort to fulfill these obligations, it constitutes compliant behavior. Most penalties apply to behavior that fails to meet any or all of these obligations.
 - Defining standards of compliant behavior
 - Defining remedial consequences for noncompliance

- Providing monetary sanctions against taxpayers who don't meet the standard

These three factors support the public conviction that the tax system is fair and the penalty is in proportion to the severity of the noncompliance.

(7) Although penalties support and encourage voluntary compliance, they also:

- a. Bring additional revenues into the Treasury.
- b. Impose remedial charges against taxpayers.
- c. Indirectly fund enforcement costs.

Note: However, these results are not reasons for creating or imposing penalties.

(8) The IRS's approach to penalty administration must ensure:

- **Consistency** - The IRS should apply penalties equally in similar situations. Taxpayers base their perceptions about the fairness of the system on their own experience and the information they receive from the media and others. If the IRS doesn't administer penalties uniformly (guided by the applicable statutes, regulations, and procedures), overall confidence in the tax system is jeopardized.
- **Accuracy** - The IRS must arrive at the correct penalty decision. Accuracy is essential. Erroneous penalty assessments and incorrect calculations confuse taxpayers and misrepresent the overall competency of the IRS.
- **Impartiality** - IRS employees are responsible for administering the penalty statutes in an even handed manner that is fair and impartial to both the government and the taxpayer.
- **Representation** - Taxpayers must be given the opportunity to have their interests heard and considered. Employees must take an active and objective role in case resolution so that all factors are considered.

Every function in the IRS has a role in proper penalty administration. It is essential that each function conduct its operations with an emphasis on promoting voluntary compliance.

(9) Keep the following objectives when handling each penalty case:

- Treat similar cases and similarly situated taxpayers alike.
- Give each taxpayer the opportunity to have their interests heard and considered.
- Strive to make a good decision in the first instance. A wrong decision, even though eventually corrected, has a negative impact on voluntary compliance.
- Give enough opportunity for incorrect decisions to be corrected.
- Treat each case in an impartial and honest way (i.e., approach the job, not from the government's or the taxpayer's perspective, but in the interest of fair and impartial enforcement of the tax laws).
- Use each penalty case as an opportunity to educate the taxpayer, help the taxpayer understand their legal obligations, rights, and appeal rights, and, in all cases, observe the taxpayer's procedural rights.
- Endeavor to promptly process and resolve each taxpayers case.

- Resolve each penalty case in a way that promotes voluntary compliance.

- (10) Reasonable cause **does not exist** if, after the facts and circumstances that explain the organization's noncompliant behavior cease to exist, the organization fails to comply with the tax obligation within a reasonable period of time. For more information regarding reasonable cause, refer to IRM 20.1.1, Introduction and Penalty Relief.

#

- (12) If the explanation does not fall within one of the below reasonable causes, decide whether, in your opinion, the organization's submitted statement of facts establishes a reasonable cause for delinquency. A cause for delinquency which appears to a person of ordinary prudence and intelligence as a reasonable cause for delay in filing a return and which clearly indicates no willful intent to disobey the taxing statutes, is accepted as reasonable. In cases where ignorance of the law is claimed, don't presume reasonable cause.
- (13) Determine each case on its own merit. Ignorance of the law can be considered for reasonable cause only if other facts support this contention, such as first-time filers. The organization should evidence ordinary business care and prudence; judge the case on its own merits.

21.7.7.6.24.1
(01-01-2021)
Undue Hardship

- (1) Many explanations from organizations may refer to paying the penalty as an "undue hardship". In determining if this explanation applies, keep in mind the following:
- Undue hardship generally doesn't affect a person's ability to file, and therefore doesn't offer a basis for penalty relief in a failure to file situation. However, consider each request on a case-by-case basis.
 - An undue hardship may support granting an extension of time for paying a tax or deficiency. An undue hardship must be more than an inconvenience to the taxpayer (26 CFR 1.6161-1(b)). The taxpayer must show that they would sustain a substantial financial loss if forced to pay a tax or deficiency on the due date.
- (2) Consider additional information when evaluating a request for penalty relief which includes, but isn't limited to, the following:
- When did the taxpayer know they could not pay?
 - Why was the taxpayer unable to pay?
 - Did the taxpayer explore other means to secure the necessary funds?
 - What did the taxpayer supply in the way of supporting documentation, such as copies of bank statements?
 - Did the taxpayer pay when the funds became available?

Reasonable Cause Penalty Relief Criteria

Note: Penalties under IRC 6685 and IRC 6711 may not be waived for reasonable cause.

- The return was mailed in time but was returned to sender.
- The return was filed in time but sent or deposited to the wrong IRS office.
- Delay or failure to file was due to erroneous information given to the taxpayer by an IRS employee.

Note: See IRM 20.1.1.3.3.4.2, Oral Advice From IRS, for additional discussion of facts that should be taken into consideration when dealing with penalty relief due to erroneous oral advice given by an IRS employee.

- Delay was caused by unavoidable absence of the taxpayer.

Note: In the case of a corporation, estate, trust, etc., the death, illness or absence must have been of an individual (or a member of the individual's immediate family) having sole authority to execute the return.

- Delinquency was caused by destruction by fire or other casualty of the taxpayer's place of business or business records.
- Taxpayer claims they relied on the advice of a competent tax advisor.

Note: This may constitute reasonable cause if the taxpayer contacted a tax advisor who is competent on the specific tax matter and the taxpayer furnished necessary and relevant information but was incorrectly advised.

- Taxpayer requested the proper forms in a timely fashion but the forms were not furnished in sufficient time to permit the timely filing of the return.
- Taxpayer provides proof that he/she personally visited an IRS office on or before the due date of the return for the purpose of securing information or advice and was unable to meet with an IRS representative.

If the organization is a **PRIVATE FOUNDATION**: The organization has ninety (90) days to file and pay after the issuance of a determination letter from the Service. (See Revenue Procedure 79-8 below)

Revenue Procedure 79-8 This Revenue Procedure allows a private foundation (Form 990-PF) reasonable cause for failure to file and failure to pay for 90 days after issuance of a determination letter from the Service stating that the organization is a private foundation or that it cannot reasonably be expected to be a public charity. This relief **DOES NOT** apply to returns or schedules that would have been due whether or not it was a private foundation (for example Form 990-T). A copy of the redetermination letter should be attached to the return. The date of the redetermination isn't shown on IDRS. (See Form 990-PF for more information).

Reasonable Cause Penalty Relief Criteria

If the organization is **not a TAX-EXEMPT ORGANIZATION with UBIT or is not a PRIVATE FOUNDATION** (Not a Form 990-T or Form 990-PF filer), is a membership organization (PTA, Boy Scout Troop, Garden Club, Homeowners Assoc, etc.), and has no full-time employee responsible for administering the organization's finances, reasonable cause may be granted if the organization:

- Clearly shows it exercised normal care and prudence but was unable to timely file the return due to little continuity or understanding of duties due to frequent officer changes, or
- Has no prior history of late filing and claims ignorance of the law (new organizations or those not previously required to file).

See IRM 20.1, Penalty Handbook, for additional discussion of Penalty Relief.

21.7.7.6.25
(01-01-2021)

Penalty Reason Codes

- (1) Penalty Reason Codes (PRC) are required when inputting penalty relief transactions manually (Document Code 47 and 54). A penalty reason code must be used when granting full or partial penalty relief.
- (2) Enter Penalty Reason Codes in the 4th Reason Code Position. See IRM 20.1.1.3.6.2, Penalty Reason Codes, for more information.
- (3) Refer to the table below in determining the correct PRC for penalty abatements.

Penalty Reason Code (PRC) Computer Generated		
Origin 1st Position	Penalty Reason Code 4th Position	Definition
Reasonable Cause (062)	022	Normal business care and prudence followed, but taxpayer was still unable to comply due to circumstances beyond their control.
	024	IMF – Death, serious illness or unavoidable absence of the taxpayer or their immediate family member.
	025	Records inaccessible
	026	BMF – Death, serious illness or unavoidable absence of the party responsible for filing and/or paying taxes (i.e., owner, corporate officer, partner, etc.) or their immediate family member.
	030	Other – Combination of mistakes. Normal business care and prudence not followed, but documentation shows non-compliance was due to circumstances beyond the taxpayer's control.
	071	Limited Form 990-PF — Allows a private foundation reasonable cause for FTF and FTP 90 days after it received a determination letter from the Service stating the organization is a private foundation or it cannot be reasonably expected to be a public charity.
	072	Membership organization (67) has no full-time employees responsible for administering finances and exercised normal care and prudence (MFT 67).

Origin 1st Position	Penalty Reason Code 4th Position	Definition
	073	Membership foundation and the organization has no full-time employees responsible for administering finances, and has no prior history of late filing (MFT 67).
General Penalty Relief	018	First-time penalty relief. RCA not used-manual 3-year lookback for compliant behavior. This penalty reason code isn't applicable to the DDP penalty. However, it is applicable to FTF and FTP penalties.
	021	
	023	Taxpayer relied on practitioner or third party advice
	027	Timely mailed or timely filed
	028	Official Disaster Area
	029	Undue economic hardship/inability to pay (FTP)
Administrative Waiver	043	Administrative Waiver
Statutory Waiver	044	Erroneous or Late Written Advice by IRS. Relief based on Revenue Procedures.
Systemic	013	Amended/Corrected Return. Original prepared by IRS. (SFR/6020B)
	016	TP computation error (Form 2210/2220)
Service	015	General Service Error. Specific instruction for use of this code would be released in IRM updates or SERP Alerts.
	031	Erroneous oral advice from the Service.

#

Origin 1st Position	Penalty Reason Code 4th Position	Definition
	045	IRS Error. Math Error in computing penalties. Extensions to file not posted to Master File. Taxpayer complied with law but IRS did not recognize compliance.

21.7.7.6.26
(01-01-2021)
**CP 259, CP 42X & CP
249 Entity Notices**

- (1) Taxpayer Delinquent Returns Notices and Taxpayer Delinquent Investigations (TDIs) are issued from Master File on accounts that have not received a return (Form 990, Form 990-EZ, Form 990-PF, Form 990-T, Form 990-N and Form 5227) to satisfy the filing requirement.
- (2) The Entity Function receives and processes the CP 259 (A to G) and CP 249 (A to C) EO delinquency notice series. The CP 259 notice series replaced the previous CP 420 – 424 notices. If EO Accounts receives any of the following CP notices or related correspondence, route them to the Entity Unit for resolution.

EO Return Delinquency Notices	
First Notice Series	Form
CP 259A	990
CP 259B	990-PF
CP 259D	990-T
CP 259F	5227
CP 259G	1120-POL
CP259H	
Section 527 Political Organization Notices	
First Notice Series	Form
CP 249A	Form 8871 Not Filed notice
CP 249B	Form 8872 Filed late notice
CP 249C	Form 8872 Not filed notice

21.7.7.6.27
(01-01-2021)

**Discovered Remittance
Guidelines**

- (1) All employees who discovered remittance must prepare a Form 3244 or other posting document (i.e., ENMOD print) and immediately notify their team manager or designee. If you find the remittance attached to an unnumbered tax return, a Form 3244 isn't required. Leave the remittance attached to the unnumbered return. A team designee must be available at all times during business hours to receive discovered remittances.
- (2) If a posting document other than Form 3244 is used (i.e., ENMOD print), only the following information must be present on the document.
 - ENMOD print with entity information (name, address, city, state & zip code)
 - Transaction Code
 - MFT
 - Tax Period
 - Amount of Remittance
- (3) Each team manager or designee records and maintain a daily master Form 4287 log to record discovered remittances. After recording the remittance on the master log, they place the remittances in a locked container according to IRM 1.16.1, Physical Security Standards.
- (4) At least once per day, the manager or designee removes the remittances from the locked container. The manager determines the quickest and most secure way to get the items to the Remittance Perfection unit (most functions hand-carry).
- (5) A designated team employee will hand-carry the remittances and a copy of the master Form 4287 to the Remittance Perfection unit. The remittances must be in a lockable pouch.
- (6) The receiving employee in Remittance Perfection initials and dates beside each of the remittances recorded on the Form 4287 to indicate the remittance was received. They give a photocopy of the initialed Form 4287 to the sending team manager, designee or team employee.
- (7) At least once per week, the team manager or designee will reconcile the returned copy of Form 4287 to the original master Form 4287. The purpose of the reconciliation is to ensure that all remittances sent to the Remittance Perfection unit were received. Both the original and returned copy of Form 4287 are retained for one year.

21.7.7.7
(01-01-2021)

**Tax Exempt and Tax
Credit Bonds (TEB)
Background**

- (1) The Tax Reform Act of 1986 requires all Issuers of Tax Exempt Bonds (TEB) to file information returns with the IRS after December 31, 1986. Tax exempt bonds (also known as municipal bonds) differ from taxable bonds in that the interest paid on these bonds is excluded from gross income. That is, the interest income isn't includable in the bondholder's gross income for federal tax purposes as long as the bonds meet federal tax laws and regulations.
- (2) Since the interest paid on the bonds is excluded from gross income for Federal tax purposes, investors are willing to purchase bonds at lower interest rates than for taxable bonds. Governments benefit by issuing tax exempt bonds because the lower interest rates result in substantial savings.
- (3) Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009) (enacted February

17, 2009) (ARRA), added section 54AA to the Code, authorizing state and local governments to issue two types of taxable Build America Bonds.

- (4) Section 301 of the Hiring Incentives to Restore Employment Act, Pub. L. No. 111-147, 124 Stat. 71 (2010) (the "HIRE Act") added subsection (f) to IRC 6431, which authorizes issuers to elect irrevocably to receive federal direct payments of allowances of refundable tax credits to subsidize a prescribed portion of their borrowing costs instead of the federal tax credits that otherwise would be allowed to holders of certain qualified tax credit bonds IRC 54A.
- (5) Other general information is listed below:
 - Form 8038, Form 8038-B, Form 8038-G, Form 8038-GC, Form 8038-TC and Form 8328 are one time filings only.
 - Form 8328 is filed to carry forward certain unused private activity bond volume cap allocation.
 - With the exception of Form 8038-CP and Form 8038-R, there is no statute of limitations on the Form 8038 series.
 - Form 8038 series have a 25/30 year retention period.
 - The tax period is based on the Date of Issue on Form 8038, Form 8038-G, Form 8038-GC, Form 8038-B and Form 8038-TC. The tax period on Form 8038-T and Form 8038-R is based on the computation date for the payment submitted with the Form 8038-T. The tax period on Form 8038-CP is based on the Interest Payment Date. The tax period for Form 8328 is based on the calendar year for which the election to carry forward unused volume cap is made.
 - More than one Form 8038 series return can be filed for the same EIN, in the same tax period.
 - Form 8038-T are the only returns that should have money.
 - Claims are worked in the Area Offices.
- (6) TEB amended returns and correspondence issues are worked in the Ogden Accounts Management Campus, EO Accounts Team. If questions arise from Form 8038-CP amended returns or inquiries, coordination with TEB will be required. Don't close control but contact Lead who will elevate issue to P&A for coordination with TEB.

21.7.7.7.1
(01-01-2021)
Description of Bonds

- (1) Tax-exempt bonds may be issued as governmental bonds or non-governmental bonds.
 - a. Non-governmental bonds are also called "Qualified Private Activity Bonds".
 - b. States and local governments may issue tax credit bonds.
- (2) Bonds are defined as an "obligation" of any State or political subdivision thereof. Obligations are not limited to bonds or other securities. They may also include written contracts and loans to a municipality.
- (3) The two primary types of tax exempt bonds are Governmental bonds and Qualified Private Activity bonds.
 - Governmental Bonds are issued to finance activities and facilities of state and local governments. That is, the governmental entity uses the bond proceeds for its own purposes and will own the bond-financed

facility. Certain lease arrangements may be treated as tax exempt bonds when the lease transaction is treated as a conditional sales contract.

Example: Tax exempt bond proceeds are used to finance the building, maintenance and repair of highways, schools, or other government buildings such as courthouses.

- Qualified Private Activity Bonds may be issued by state and local governments and the bond proceeds are used by non-governmental entities. In order to be a qualified private activity bond, the bond must be issued for one of the purposes specified in IRC 142, IRC 143, IRC 144, IRC 145. These purposes include:

IRC 142 Exempt Facility Bonds Finance:

- | |
|--|
| <ul style="list-style-type: none"> • Airports; • Docks and wharves; • Facilities for furnishing of water; • Mass commuting facilities or facilities for the furnishing of water; • Sewage facilities; • Solid waste disposal facilities; • Qualified residential rental projects; • Facilities for the local furnishing of electric energy or gas; • Local district heating or cooling facilities; • Qualified hazardous waste facilities; • High-speed intercity rail facilities; • Environmental enhancements of hydroelectric generating facilities; • Qualified public educational facilities; • Qualified green building and sustainable design projects; • Qualified highway or surface freight transfer facilities (IRC 142(a)). • Enterprise zone facilities • Recovery Zone Property (IRC 1400U-3) |
|--|

IRC 143 Bonds Finance:

- | |
|---|
| <ul style="list-style-type: none"> • Qualified mortgage bonds or • Qualified veterans mortgage bonds. |
|---|

IRC 144 Bonds Finance:

- Qualified Small Issue Bonds;
- Qualified Student Loan Bonds and
- Qualified Redevelopment Bonds

Note: All Student Loan Bond correspondence or inquiries are routed to:

Internal Revenue Service
TE/GE (SE:T:GE:ITG)
TEB Compliance and Program Management
1111 Constitution Ave, NW, PE-5P7
Washington, DC 20224

IRC 145 Bonds Finance:

- Qualified IRC 501(c)(3) bonds

Example: A county needs a nursing home in its community. It loans bond proceeds to a 501(c)(3) corporation that will construct the facility. The facility, after construction, will be run by the 501(c)(3).

- (4) **Pooled Financing** may involve proceeds of governmental bonds or certain types of private activity bonds. In a pooled financing, the proceeds of the bonds are loaned by the Issuer to more than one borrower. The borrower of the proceeds may be tax-exempt organizations or other state or local governments.

Example: The State issues a bond and loans the proceeds to multiple school districts. One school uses the proceeds to buy computer equipment. Another school used the proceeds to construct administrative offices.

- (5) **Commercial Paper** is a short term bond having a maturity date of 270 days or less. If issued pursuant to the same commercial paper program, they may be treated as part of a single issue.
- (6) **Commercial Paper Program** is a program to issue commercial paper to finance or refinance the same governmental purpose pursuant to a single master legal document.
- (7) **Green Bonds** are issued under IRC 142(l) to finance projects designated by the Secretary after consultation with the Administrator of the Environmental Protection Agency. Green building and sustainable design projects must meet certain eligibility requirements.

21.7.7.7.1.1
(01-01-2021)

New York Liberty Bonds

- (1) Section 1400L(d) permits the issuance of tax-exempt bonds as Qualified New York Liberty bonds. These bonds must be issued before January 1, 2014.
- (2) The Service provided guidance on New York Liberty Zone Bonds in Notice 2002-42, 2002-27 IRB 36. The Service provided additional guidance in Notice 2003-40, 2003-27 IRB 10.

21.7.7.7.1.2
(01-01-2021)

**Gulf Zone Tax Credit,
Gulf Opportunity Zone
Bonds,
Midwestern Bonds and
Hurricane Ike Bonds**

- (3) Section 1400L(e) provides for additional refunding of certain tax-exempt bonds before January 1, 2006.

- (1) The Gulf Zone Tax Credit and Gulf Opportunity Zone Bonds under IRC 1400N are due to the Hurricane Katrina disaster area. The IRS provided guidance in Notices 2006-41 and 2012-3, Section 1400N, which authorizes the states of Alabama, Louisiana and Mississippi to issue:

- Certain exempt facility bonds and qualified mortgage bonds per section 1400N(a) (Gulf Opportunity Zone Bonds),
- Advance refunding bonds per section 1400N(b) (Gulf Opportunity Zone Advance Refunding Bonds)
- Tax credit bonds per section 1400N(l) (Gulf Tax Credit Bonds).

- (2) Gulf Opportunity Zone Bonds and Gulf Opportunity Zone Advance Refunding Bonds must have been issued by January 1, 2012 and January 1, 2011, respectively.

- (3) Gulf Tax Credit Bonds had to be issued by January 1, 2007.

- (4) Midwest Disaster Bonds, Midwestern Tax Credit Bonds and Hurricane Ike Bonds were added using the text of IRC 1400N by the Heartland Disaster Tax Relief Act of 2008 (Subtitle A of Title VII of Division C of P.L. 110-343 for areas impacted in 2008 by the severe storms and flooding in the midwest or by Hurricane Ike).

21.7.7.7.1.3
(01-01-2021)

Build America Bonds

- (1) Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (ARRA), Pub. L. No. 111-5, 123 Stat. 115 (2009) (enacted February 17, 2009) added section 54AA to the Code, authorizing state and local governments, at their option, to issue two general types of Build America Bonds as taxable governmental bonds with federal tax benefits for a portion of their borrowing costs.

- a. The subsidies take the form of either tax credits provided to holders of the bonds or refundable tax credits paid to state and local governmental Issuers of the bonds
- b. Build America Bonds have different levels of Federal subsidies and program requirements depending on the particular type of bond.
- c. The bonds must have been issued before January 1, 2011.

- (2) The first type of Build America Bond provides a federal subsidy through Federal tax credits to holders of the bonds in an amount equal to 35% of the total coupon interest payable by the Issuer on taxable governmental bonds (net of the tax credit), which represents a Federal subsidy to the state or local governmental Issuer equal to approximately 25% of the total return to the investor (including the coupon interest paid by the Issuer and the tax credit).

- (3) The second type of Build America Bond provides a federal subsidy through a refundable tax credit paid to state or local governmental Issuers by the Treasury Department and the IRS in an amount equal to 35% of the total coupon interest payable to investors in these taxable bonds. This type of Build America Bond is referred to as "Build America Bonds (Direct Payment)". The service provided additional guidance regarding Build America Bonds in Notice 2009-26.

- (4) See IRM 21.7.7.7.2.6, Form 8038-CP, Return for Credit Payments to Issuers of Qualified Bonds, for additional information on Form 8038-CP.

21.7.7.7.1.4
(01-01-2021)

**Recovery Zone
Economic Development
Bonds**

- (1) Section 1401 of the ARRA added section 1400U-2 to the Code to authorize state and local governments to issue Recovery Zone Economic Development Bonds. These bonds are treated as qualified bonds for purposes of Section 6431 and they have a deeper refundable credit tax benefit than Build America Bonds (Direct Payment) equal to 45% of the total coupon interest payable to investors in these taxable bonds. The service provided additional guidance regarding Recovery Zone Economic Development Bonds in Notice 2009-26 and Notice 2009-50.
- (2) In particular, section 1400U-2(b) defines the term "Recovery Zone Economic Development Bond" to mean a bond that is issued as part of an issue that meets the following requirements:
1. The bond is a Build America Bond.
 2. The bond is issued before January 1, 2011.
 3. 100% of the excess of (i) the available project proceeds (as defined in Section 54A to mean sale proceeds of the issue less not more than two percent of such proceeds used to pay issuance costs plus investment proceeds thereon), over (ii) the amounts in a reasonably required reserve fund (within the meaning of section 150(a)(3)) with respect to such issue, are to be used for one or more qualified economic development purposes (as defined in section 1400U-2(c)).
- (3) See IRM 21.7.7.7.2.6, Form 8038-CP, Return for Credit Payments to Issuers of Qualified Bonds, for additional information.

21.7.7.7.1.5
(01-01-2021)

**TEB Terms and
Definitions**

- (1) The following definitions apply to Tax Exempt Bonds.

TERM	DEFINITION
Conduit Borrower	the obligor on a purpose investment. A purpose investment is an investment that is acquired to carry out the governmental purpose of an issue (See Treas Reg Section 1.148-1). A conduit borrower issues an obligation to the issuer of the bonds that obliges it to make payments to the issuer.
Credit Enhancers	A credit enhancer is a party unrelated to the Issuer or conduit borrower who lends its credit to the payment of debt service on the bonds. As a result, the bonds bear a lower interest rate than they would have without the credit enhancer. Credit enhancement may be in the form of mortgage insurance, bond insurance, guarantee, or letter of credit.
CUSIP	This is an acronym for Committee on Uniform Securities Identification Procedures. This is a number assigned to individual securities such as tax-exempt bonds.
Issue Date	In reference to an issue, the first date on which the issuer receives the purchase price in exchange for delivery of the evidence of indebtedness representing any bond included in the issue. In reference to a bond, the date on which the issuer receives the purchase price in exchange for that bond. In no event is the issue date of a bond earlier than the first day on which interest begins to accrue on the bond or bonds for Federal income tax purposes.
Depository	A depository is an organization that holds the actual municipal bonds and maintains records on its books.
Issuer	Generally the entity that actually issues the issue and, unless the context of a statute or regulation clearly requires otherwise, each conduit borrower of the issue. Elections, filings, liability for rebate and expectations requirements apply only to the actual issuer.
Final Maturity Date	The date on which the entire outstanding principal of the bond must be paid to the bondholder.
Financial Advisor	The financial advisor is an entity that advises the Issuer regarding financial matters related to the issuance of its bonds. A conduit borrower may also have its own financial advisor.

TERM	DEFINITION
Report Number	A unique three digit number that is assigned to each return during processing. This assists in identifying the specific bond issuance received in the service center for a specific EIN and tax period. IRM 21.7.7.7.2 (6) for valid Report Number ranges.)
TEB	Acronym for Tax Exempt Bond
Trustee	A trustee is an entity who represents the bondholders and acts on their behalf when necessary. The trustee holds unexpended bond proceeds and other funds (e.g., debts service fund, reserve fund, etc.). The trustee generally receives the debt service payments from the Issuer or conduit borrower and pays the payments to the bondholders.
Underwriter	An underwriter is an entity that purchases the bonds from the Issuer and resells them to the bondholders.

21.7.7.7.1.6
(10-19-2022)
Acknowledgments

- (1) CP 152 and 152A are acknowledgement notices mailed for TEB returns.

Note: CP 152A acknowledgement notices are sent on Forms 8038-CP

21.7.7.7.2
(10-19-2022)
**Form 8038 Series and
Form 8328 TEB Returns
General Information**

- (1) Tax Exempt Bond Issuers are required to file Form 8038, Form 8038-B, Form 8038-G, Form 8038-GC, Form 8038-TC, Form 8038-T or Form 8328 when they issue tax-exempt bonds or to meet certain other requirements for the bonds to be tax-exempt. These returns are submitted to and processed by the Ogden Submission Processing Campus.
- (2) A TEB return can be identified by the:
- MFT
 - Doc Code
 - Report Number
- (3) The tax period on Form 8038, Form 8038-B, Form 8038-G, Form 8038-GC and Form 8038-TC, is determined based on the "Date of Issue". The tax period for Form 8328 is based on the calendar year for which the election to carry forward unused volume cap is made.
- (4) The tax period on Form 8038-T is determined based on the computation date. The tax period for the Form 8038 - R is determined based on the computation date determined for the corresponding Form 8038 - T.
- (5) For Form 8038-CP, the tax period is determined based on the "Interest Payment Date".

- (6) Since numerous returns can be filed under one tax period, a unique three digit numeric "Report Number" is assigned to each return. This assists in identifying each specific bond issuance received in the service center for a specific EIN and tax period.

Note: As of January 1, 2022, filers will assign their own three digit report number starting with 4XX.

- (7) The table below provides the specific form type, MFT, Doc Code, and Report Number as it applies to each TEB return. The Tax Class for all TEB returns is 3.

Form	MFT	Doc Code	Report Number
8038	46	61	100 – 199
8038-B	85	85	100 – 499
8038-CP	46	88	800 – 899; 200 – 299 or 400 – 499
8038-G	46	62	300 – 399
8038-GC	46	72	500 – 599
8038-TC	86	86	100 – 499
8038-T	46	74	700 – 799
8328	46	75	900 – 999

- (8) Each tax module will consist of the MFT, tax period and a unique three digit report number. In order to identify the correct report number, research BMFOLI prior to editing and assigning a new report number. For Form 8038-CP contact the Field Assistance Support Team (FAST) at MS 1114 before editing and assigning a new report number.
- (9) If correspondence, amended returns, claims, etc., related to these forms are received anywhere other than the Ogden campus, route to the address shown below.

Internal Revenue Service
MS: 6710
Ogden, UT 84201

21.7.7.7.2.1
(01-01-2021)
**Form 8038, Information
Return for Tax Exempt
Private Activity Bond
Issues**

- (1) Form 8038 is used by the Issuers of tax exempt private activity bonds to provide IRS with information required by IRC 149. The MFT is 46, tax class is 3 and the Document Code is 61.
- (2) The due date is the fifteenth day of the second calendar month after the close of the calendar quarter in which the bond was issued.
- (3) The valid report number range for this form is 100 - 199.

- 21.7.7.7.2.2
(01-01-2021)
**Form 8038-B,
Information Return for
Build America Bonds
and Recovery Zone
Economic Development
Bonds**
- (1) Form 8038-B is used by issuers of Build America Bonds and Recovery Zone Economic Development Bonds to provide the IRS with the information required by Section 149(e). The MFT is 85, tax class is 3 and the Document Code is 85.
 - (2) The due date is the fifteenth day of the second calendar month after the close of the calendar quarter in which the bond was issued.
 - (3) The valid report number range for this form is 100 - 499.
- 21.7.7.7.2.3
(01-01-2021)
**Form 8038-G,
Information Return for
Tax Exempt
Governmental
Obligations**
- (1) Issuers of tax exempt governmental obligations with issue prices of \$100,000 or more (Part III, line 21, column b on Form 8038-G) must file Form 8038-G. Form 8038-G is used to provide IRS with information required by IRC 149.
 - (2) The due date is the fifteenth day of the second calendar month after the close of the calendar quarter in which the bond was issued. The MFT is 46, tax class is 3 and the Document Code is 62.
 - (3) The valid report number range for this form is 300 - 399.
- 21.7.7.7.2.4
(01-01-2021)
**Form 8038-TC,
Information Return for
Tax Credit Bonds**
- (1) Form 8038-TC is used by Issuers of tax credit bonds other than BABs and Recovery Zone Economic Development Bonds to provide the IRS with the information required by section 149(e). The MFT is 86, tax class is 3 and the Document Code is 86.
 - (2) The due date is the fifteenth day of the second calendar month after the close of the calendar quarter in which the bond was issued.
 - (3) The valid report number range for this form is 100 - 499.
- 21.7.7.7.2.5
(01-01-2021)
**Form 8038-GC,
Information Return for
Small Tax Exempt
Governmental Bond
Issues,
Leases, and Installment
Sales**
- (1) Issuers of tax exempt governmental obligations with issue prices of less than \$100,000 must file Form 8038-GC. Form 8038-GC provides IRS with information required by IRC 149. The return is either filed separately for each issue of less than \$100,000 or as a consolidated return for all issues of less than \$100,000 each within the calendar year.
 - (2) For single issues, the due date for Form 8038-GC is the 15th day of the 2nd calendar month after the close of the quarter in which the bond or bonds for which the Form 8038 - GC were filed. For consolidated returns, the Form 8038-GC is due on or before February 15th of the calendar year following the year in which the bond was issued. The MFT is 46, tax class is 3 and the Document Code is 72.
 - (3) The valid report number range for this form is 500 - 599.
- 21.7.7.7.2.5.1
(10-19-2022)
**Due Date Chart for Form
8038, Form 8038-B,
Form 8038-G, Form
8038-GC and Form
8038-TC**
- (1) The following table outlines the due dates for Form 8038, Form 8038-B, Form 8038-G, Form 8038-TC and Form 8038-GC (single & consolidated):

Month of Issuance	Quarter Ending Date	Due Date	Due Date Form 8038-GC (Consolidated returns only)
January February March	03-31	05-15	02-15
April May June	06-30	08-15	02-15
July August September	09-30	11-15	02-15
October November December	12-31	02-15	02-15

21.7.7.7.2.5.2
(01-01-2021)

Extension of Time to File Form 8038, Form 8038-B, Form 8038-G, Form 8038-GC and Form 8038-TC

- (1) An Issuer may be granted an extension of time to file Form 8038, Form 8038-G, Form 8038-B Form 8038-GC or Form 8038-T by following the procedures in Revenue Procedure 2002-48, 2002-37 I.R.B. 531. To request an extension the Issuer must:
 1. Enter on the top of Form 8038, Form 8038-B, Form 8038-G, Form 8038-GC or Form 8038-T, "Request for relief under section 3 of Revenue Procedure 2002-48".
 2. Attach a statement to the return explaining why the return was not timely submitted to the IRS, and
 3. Indicate whether the bond issue in question is under examination (if known).
- (2) All extension of time to file requests are submitted with the original return and processed in the Ogden Submission Processing Campus.

21.7.7.7.2.6
(01-01-2021)

Form 8038-CP, Return for Credit Payments to Issuers of Qualified Bonds

- (1) Form 8038-CP is used by Issuers of Build America Bonds, Recovery Zone Economic Development Bonds and Specified tax credit bonds who elect to receive a direct payment from the federal government equal to a percentage of the interest payments on these bonds.
 - a. This form was created as a result of section 1401, Recovery Zone Bonds and section 1531, Build America Bonds, of the American Recovery and Reinvestment Act (ARRA) of 2009.
 - b. The payment requested on Form 8038-CP relates to the interest paid on a single bond issue. The HIRE Act extended the direct pay provision to certain qualified tax credit bonds.
 - c. In lieu of issuing bonds with a tax credit to the bondholder, issuers of new clean renewable energy bonds (New-CREBs), qualified energy conservation bonds (QECBs), qualified zone academy bonds (QZABs) issued under the 2009 and 2010 volume caps, and qualified school construction bonds (QSCBs) may elect to receive a direct payment equal to a certain

amount of the interest paid on an interest payment date (specified tax credit bonds). For more information refer to Notice 2010-35.

- (2) The MFT is 46, tax class is 3 and Doc Code is 88.
- (3) Valid report number ranges for this form are 800 - 899, 200 - 299 and 400 - 499.

Note: As of January 2, 2022, filers will assign their own report number beginning with 4XX. Also, the TC 150 will post to Master File under the issuer's EIN (Part II EIN). The payment will still be issued to Part I (if different than Part II). TXMODA will show a X-ref with Part I's EIN.

- (4) The tax period is based on the "Interest Payment Date" reported on Form 8038-CP, line 18.
- (5) The Issuer must file Form 8038-CP filed with respect to fixed rate bonds (or variable rate bonds when the issuer knows the interest payment amount 45 days prior to the interest payment date) by a due date that is 45 days before the interest payment date. However, the Issuer may not submit the form earlier than 90 days before the relevant interest payment date. Refer to the table shown below for due dates on fixed rate bonds.
- (6) With respect to variable rate bonds, when the issuer does not know the interest payment amount 45 days prior to the interest payment date, Issuers must aggregate all credit payments on a quarterly basis and file a Form 8038-CP for reimbursements in arrears by a due date that is 45 days after the last interest payment date within the quarterly period for which reimbursement is being requested.
- (7) Each Form 8038-CP is reviewed for accuracy and completeness prior to processing the return. The form can report only one bond issue per return.
- (8) All Forms 8038-CP require expedite processing in order to meet the 45 days interest period which is applicable to this return.
- (9) The credit payment reported on line 22 of the form is sent to either the address shown in Part I of Form 8038-CP or directly deposited to the account number on Part III Line 26 (line 27 for return revision 2020, line 25 for return revisions January 2012 and prior) Form 8038-CP.

21.7.7.7.2.6.1
(01-01-2021)

**Form 8038-CP Due Date
Chart**

- (1) Form 8038-CP return due dates are determined based on which box is checked in Part II, line 17a (variable or fixed rate issues). The return due date for Form 8038-CP is determined by using a Julian calendar (see Document 6209) and the applicable rate (fixed or variable) as indicated on the return (line 17a). Refer to the table below.

<p align="center">Form 8038-CP Due Date Variable Rate</p>
--

If	Then
the "Variable Rate Issues" box is checked in Part II, line 17a,	the return due date is 45 days AFTER the last Interest Payment Date within the quarter for which the Form 8038-CP is filed (Line 18 date).
Example: Using 365 day Julian Calendar, the variable Interest Payment date on line 18 is 01-17-2010 (17 days) + (plus) 45 days (after the Interest Payment Date) = Day 62 = March 3, 2010 = Return Due Date.	
Form 8038-CP Due Date Fixed Rate	
If	Then
the "Fixed Rate Issues" box is checked in Part II, line 17a,	the return due date is 45 days BEFORE the Interest Payment Date (Line 18 date)
Example: Using 365 day Julian Calendar, the fixed Interest Payment date on line 18 is 01-17-2010 (17) - (minus) 45 days (before the Interest Payment Date) = Day 337 = December 03, 2009 = Return Due Date	

- (2) Unlike other TEB returns, Form 8038-CP adheres to established statute guidelines as outlined below.
- Assessment Statute Expiration Date (ASED) — Three (3) years from the return due date or three (3) years from the received date whichever is later.
 - Refund Statute Expiration Date (RSED) — Three years from the time the Form 8038-CP was filed or 2 years from the time the issuer made the bond interest payment, whichever period expires later.
 - Collection Statute Expiration Date (CSED) — Generated 10 years from the assessment date.
- (3) The impact of Form 8038-CP post- processing issues in EO Accounts isn't fully known. Refer to IRM 21.7.7.7.4.5, Form 8038-CP Procedures for specific procedures associated with either Form 4442 or dupf resolution. **It is imperative that all TEB tax examiners continue to alert their leads or managers immediately when Form 8038-CP inquiries/issues (other than stated above) are received. However, if there is any question associated with any Form 8038-CP case received in AM, alert the unit lead or manager. The lead or manager will contact the TE/GE HQ analyst so procedures or guidance can be provided.**
- (4) Form 8038-CP correspondence or amended returns **must not** be scanned into the Correspondence Imaging System (CIS).

21.7.7.7.2.7
(01-01-2021)

**Form 8038-T, Arbitrage
Rebate, Yield Reduction
and Penalty
in Lieu of Arbitrage
Rebate**

- (1) Under IRC 148(f), interest on a state or local bond isn't tax exempt unless the Issuer of the bond rebates to the United States on Form 8038-T rebatable arbitrage profits earned from investing proceeds of the bond in higher yielding nonpurpose investments.
- (2) Issuers of tax-exempt bonds must file Form 8038-T to pay:
 - Yield reduction payments
 - A penalty for failing to pay yield reduction payments on time
 - Arbitrage rebate to the U.S.
 - A penalty for failing to pay on time the arbitrage rebate to the U.S.
 - A penalty in lieu of rebating arbitrage to the U.S.
 - A penalty to terminate the election to pay a penalty in lieu of rebating arbitrage
 - A penalty for failing to pay either penalty on time
- (3) Generally, if the return is for arbitrage rebate or yield reduction payments, installments are due 60 days after each computation date. If the return is for penalty in lieu of arbitrage rebate, the return is **due** 90 days after the end of each spending period relating to the penalty and each six month period thereafter until the penalty is no longer due. **See Treasury Regulation section 1.148-7(k)(1)**. If the return is for an election to terminate the penalty in lieu of the rebate after the initial temporary period (an IRC section **148(f)(4)(C)(viii)** election), the return is due 90 days after the initial temporary period. **See Treasury Regulation section 1.148-7(l)(1)(ii)**. If election to terminate penalty in lieu of rebate is made prior to the end of the initial temporary period (an IRC section **148(f)(4)(C)(ix)** election), the due date is 90 days after the date of the election. The MFT is 46, tax class is 3 and the Doc. Code is 74.
- (4) The valid report number range for this form is 700 - 799.
- (5) Correspondence requests for extension of time to pay Arbitrage Rebate or extension of time to file a return are worked in EO Accounts.

21.7.7.7.2.7.1
(01-01-2021)
Arbitrage

- (1) Arbitrage is the purchase and sale of the same or equivalent security, product, or commodity in different markets in order to profit from price differences. The term arbitrage applies to all types of investments.

Example: A farmer sells corn in Village A for \$5 per bushel. A restaurant owner in City B, located 50 miles away from Village A, buys corn in City B for \$10 a bushel. A trucker is willing to transport corn from Village A to City B for \$3 a bushel. If simultaneous contracts are entered into to:

- buy corn from the farmer for \$5
- sell the corn to the restaurant owner for \$10, **AND**
- to transport the corn for \$3, a \$2 profit on each bushel would be realized

The \$2 profit is called **arbitrage**, which in this case arises from the difference between two geographically separate markets.

- (2) In general, an Issuer may recover an overpayment of rebate for an issue of tax-exempt bonds by establishing to the IRS that the overpayment occurred.

Form 8038-R is used to request recovery of amounts paid under rebate provision, including yield reduction payments.

- (3) Route all Form 8038-T, Form 8038-R or correspondence referencing a "Claim for Refund of Arbitrage" to OAMC, EO Accounts, MS: 6710. Claims are no longer worked in the Bank Adjustment/Dishonored Check unit.

21.7.7.7.2.7.2
(01-01-2021)

Extension of Time to Pay Arbitrage Rebate and File Form 8038-T

- (1) Bonds may become taxable if the correct amount of arbitrage rebate isn't paid in a timely manner accompanied by a Form 8038-T.
- (2) Revenue Procedure. 2005-40, 2005-2, provides Issuers with procedures for correcting a failure to timely pay the proper amount of rebate accompanied by Form 8038-T. Similar procedures are provided in Revenue Procedure 90-11, 1990-1, for bonds subject to § 1.148-1T of the temporary Income Tax Regulations initially published on May 12, 1989, as part of T.D. 8252.
- (3) Generally, even if the Issuer does not meet the payment due date, rebate will be regarded as timely paid if the Issuer pays the rebate owed plus interest and files the Form 8038-T within 180 days after discovery of the failure to timely pay, unless the Commissioner determines that the failure to pay was due to willful neglect or the issue is under examination. The payment and Form 8038-T must also include a detailed explanation of why the failure to timely pay was not due to willful neglect. The Form 8038-T should have printed across the top "This Statement is Submitted in Accordance with Revenue Procedure 2005-40" or in limited cases "This Statement is Submitted in Accordance with Revenue Procedure 90-11".
- (4) The explanation must be signed under penalties of perjury and must include all relevant information, including:
 - When the rebate amount was required to be paid.
 - Why it was not timely paid.
 - A description of the events leading to both the failure to timely pay and the discovery of the failure.
- (5) If the rebate amount is paid more than 180 days after the discovery of the failure to pay, the bonds aren't taxable if the Issuer files the Form 8038-T and pays the rebate amount, plus interest, plus a penalty amount, and the Commissioner determines that the failure wasn't due to willful neglect.
- (6) Before the end of the 180-day period, the Issuer may request an extension of the 180-day period. After expiration of the 180 days, an Issuer may request a waiver of the penalty. An extension or waiver will be granted only in unusual circumstances.

21.7.7.7.2.8
(01-01-2021)

Form 8038-R, Request for Recovery of Overpayments Under Arbitrage Rebate Provisions

- (1) Form 8038-R is used by Issuers of state and local bonds to request a refund of amounts paid with Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate. Form 8038-R replaces the letter procedure of Revenue Procedure 92-83, 1992-2.
- (2) Payments made with Form 8038-T that may be recoverable include:
 - Yield reduction payments
 - The arbitrage rebate to the United States
 - A penalty in lieu of rebating arbitrage to the United States

- A penalty to terminate the election to pay a penalty in lieu of rebating arbitrage
- (3) An Issuer may recover an overpayment of rebate for an issue of tax-exempt bonds by establishing to the IRS that the overpayment occurred. An overpayment may be recovered only to the extent that a recovery on the date that it is first requested would not result in an additional rebate amount, if that date were treated as the computation date.
 - (4) An issuer must request a refund of an overpayment (claim) no later than the date that is two years after the final computation date for the issue to which the overpayment relates (the filing deadline). The claim must be made using Form 8038-R. See 26 CFR 1.148-3(i)(3).
 - (5) Rev. Proc. 2017-50 - changed the deadline for filing claims for recovery of such overpayments to two years after: (1) the date that is 60 days after the final computation date of the issue to which the payment relates; or (2) with respect to the portion of the overpayment paid more than 60 days after the final computation date, the date that the payment was made to the United States.
 - (6) To the extent that the format and procedure for requesting recovery of arbitrage amounts paid are not in Treasury Regulations 1.148-3(i), they're listed in Revenue Procedure 2008-37, 2008-29 I.R.B. 137.
 - (7) Route all Form 8038-R, Form 8038-T or correspondence indicating "claim for refund" to OAMC, EO Accounts Units (MS: 6710). For additional information on TEB claim procedures, see IRM 21.7.7.5.4.7.

21.7.7.7.2.9
(01-01-2021)

**Form 8328, Carryforward
Election of Unused
Private Activity Bond
Volume Cap**

- (1) Form 8328 is filed by the issuing authority of private activity bonds to elect to carry forward its unused volume cap for one or more carry forward purposes (see IRC 146(f)). If the election is made, bonds issued with respect to a specified carry forward purpose are not subject to the volume cap under IRC 146(a) during the three calendar years following the calendar year in which the carry forward arose. However, the exclusion applies only to the extent the amount of such bonds does not exceed the amount of the carry forward elected for that purpose.
- (2) Once Form 8328 is filed, the Issuer may not revoke the carry forward election or amend the carry forward amounts shown on the form. The **due date** is the earlier of:
 - February 15 of the calendar year following the year in which the excess amount arises or
 - The date of issue of bonds issued pursuant to the carry forward election.

The MFT is 46, tax class is 3 and the Document Code is 75.

- (3) The valid report number range for this form is 900 - 999.
- (4) Currently, all amended Form 8328 are processed as originals. If an amended Form 8328 is routed to EO Accounts in error, edit the return and send through to be processed.

21.7.7.7.3
(01-01-2021)

**Mortgage Credit
Certificate Elections,
Notice of Defeasance
and Student Loan Bonds
Background and
Purpose**

- (1) The section provides general background information about the following forms:
 - Mortgage Credit Certificate (MCC) Elections notification (correspondence)
 - Notice of Defeasance (correspondence)
 - Student Loan Bonds
- (2) MCCs, Notice of Defeasance, and Student Loan Bonds are non-remit. Occasionally, remittance may be received for penalty payment. If remittance is received for a penalty payment, apply to the 20-2325 "Miscellaneous Forfeiture Receipts" account.
- (3) The Ogden Submission Processing Campus establishes a fact of filing on "Mortgage Credit Certificates", "Notice of Defeasance" and "Student Loan Bonds". EO Entity receives batches of documents and perfects the documents prior to inputting the TC 971 and the applicable Action Code. After the 971 is entered the documents are routed to Files.
- (4) Route all Mortgage Credit Certificate Elections, Notice of Defeasance or Student Loan Bonds received in EO Accounts to EO Entity (MS: 6273) for input of the TC 971 action.
- (5) The "Fact of Filing" is located in the Entity section. Access it via CC ENMOD. Refer to the list below for the applicable AC related to each individual form:
 - **Mortgage Credit Certificate Elections**, TC 971 Action Code 344
 - **Notice of Defeasance**, TC 971 Action Code 345
 - **Student Loan Bonds**, TC 971 Action Code 314

21.7.7.7.3.1
(01-01-2021)

**Mortgage Credit
Certificate Election
(MCC)**

- (1) Mortgage Credit Certificates provide qualified holders of the certificates with a credit against income tax liability. In general, an Issuer elects to establish a mortgage credit certificate program in lieu of issuing qualified mortgage revenue bonds. Section 25 of the Code permits states and political subdivisions to elect to issue Mortgage Credit Certificates in lieu of qualified mortgage revenue bonds. See section 25 and section 1.25-4T of the Regulations. The information that must be submitted in this election is contained in section 1.25-4T(c)(2) of the Regulations.
- (2) A separate Mortgage Credit Certificate Election is filed for each program. The election must be filed with the Service on or before the earlier of:
 - December 31st of the year following the year in which the election is made
 - The date of distribution of mortgage credit certificates under a program

21.7.7.7.3.2
(01-01-2021)

Notice of Defeasance

- (1) Notices of Defeasance are written statements of irrevocable defeasance escrow established to redeem tax exempt bonds on their earliest call date.
- (2) A separate Notice of Defeasance is filed for each escrow and the Notice is due within 90 days of the date of the establishment of the defeasance escrow.

21.7.7.7.3.3
(01-01-2021)

**TEB Fact of Filing
Attachment Procedures**

- (1) When correspondence is received in EO Accounts relating to any of the above forms and you determine the information needs to be attached to the original document using Form 9856, Attachment Alert, refer to the procedures below:
 - a. Research IDRS for the related TC 971 & action code
 - b. Complete Form 9856 – (Verify the information is being attached to the correct DLN action code)
 - c. Staple Form 9856 to the correspondence and route to Files to be associated with the TC 971 DLN

21.7.7.7.4
(01-01-2021)

**Tax Exempt Bond
Procedures**

- (1) Use the following procedures to resolve various TEB related issues received at the OAMC, EO Accounts Unit.
- (2) Some of the various types of TEB correspondence issues that EO Accounts receives:
 - Credit/Debit Module Balance Listing
 - Amended returns
 - Missing payments
 - Late/No replies to requests for missing or incomplete information
 - Late/No replies to Revenue Procedure 2002-48, 90-11 or Terrorist attack of September 11
 - Request for copy of return
 - Arbitrage Rebate Claims
 - TEB AMRH Transcripts

21.7.7.7.4.1
(01-01-2021)

**TEB ACCOUNTS
MAINTENANCE
TRANSCRIPTS
(Credit/Debit Module
Balance Listing)**

- (1) The TEB Credit/Debit Module Balance Listing was converted to AMRH transcripts. The transcripts replace the credit/debit listing that is accessible on Control D. They are formatted the same as existing AMRH transcripts and referred to as:
 - AM 31 — Tax Exempt Bond Credit Balance
 - AM 32 — Tax Exempt Bond Debit Balance
- (2) In the upper right corner of the printed transcript, the first printed line on the transcripts will be either of the following:
 - TRANSCRIPT TYPE AMRH 31
 - TRANSCRIPT TYPE AMRH 32
- (3) If the transcript is a “Follow-up” or a “Multiple”, the letter “F” or “M” will be printed to the right of the AMRH 31 or 32. See below:
 - TRANSCRIPT TYPE AMRH 31 **F**
 - TRANSCRIPT TYPE AMRH 32 **F**
 - TRANSCRIPT TYPE AMRH 31 **M**
 - TRANSCRIPT TYPE AMRH 32 **M**
 - TRANSCRIPT TYPE AMRH 31 **FM**
 - TRANSCRIPT TYPE AMRH 32 **FM**
- (4) A transcript generates six weeks after the first cycle in which the tax module has a credit or debit balance. Follow-up transcripts will be issued every six months (26 cycles) thereafter as long as the tax module still meets the established criteria.

- (5) Form 8038-T is normally the only TEB return that should be received with remittance. The remittance is identified as a green rocker money amount and processed to the MF as a TC 610.
- (6) A transcript will generate for each Form 8038 series module that is in either a credit or debit balance. The following information is recorded on the AMRH transcript.
 - Transaction date
 - EIN, MFT, & Tax Period
 - Report Number
 - TC 150 DLN
 - Module balance

A “*” shown under the “Last Month” column indicates the module was recorded on the prior month listing.

- (7) The AM 31 and AM 32 transcripts are routed to OAMC, EO Accounts units for resolution.
- (8) Refer to the procedures below for resolving TEB AM Credit/Debit Transcripts.

21.7.7.7.4.1.1
(01-01-2021)

**AM 31 Transcript
Procedures
(TEB Credit Module
Balances)**

- (1) Refer to the procedures outlined below to resolve an **AM 31 - TEB Credit Balances** module. In order to determine the correct liability amount (TC 150), review the original return. Either secure the original return from Files (if necessary) or view a copy of the return by accessing the Document Identification Number (DIN) system.
 - a. Verify the green rocker amount shown on the return matches the TC 610 payment posted to MF.
 - b. To determine the correct TC 150 amount, review the following lines on Form 8038-T to verify they add up to the green rocker amount shown on the return. Refer to the conversion chart shown below to determine which lines apply to the various Form 8038-T revision dates. When added together, all lines should total the green rocker remittance amount on the return. TC 150 amount shown on:

Line 27 for 2002

Line 23 for 2005 and subsequent

If Form 8038-T Revision is	Then Add	Total Should Equal TC 150 Amount on
2002	Lines 16, 17, 18, 19, 23, 24, 25 or 26	Line 27
2005 and subsequent	Lines 13, 14, 15, 17, 19, 21 and 22	Line 23

- c. Adjust the TC 150 amount (if applicable) by inputting a TC 290 increase via CC REQ 54 for the appropriate amount and applicable HC (3 or 4).
- d. If the overpayment belongs to a different report number, tax period or EIN, transfer the payment to the correct account, using CC ADD/ADC 24. Don't correspond with the Issuer.

- (2) If the TC 150 amount is zero and the available credit amount (TC 610) matches any of the following fields as displayed on TXMODA, an adjustment may be entered without securing the original return. The TXMODA print showing the applicable fields and TC 610 payment must be used as the Source Document (SD).

- **REBATE-AMT**
- **PNLTY-FTP-T-AMT**
- **PNLTY-INT-REB-AMT**
- **YLD-REDUCTION-AMT**
- **INT-UNDPYMT-AMT**

Reminder: All related fields must match exactly.

- (3) If you can't resolve the credit module balance using the procedures in paragraphs (1) or (2) or a credit balance remains after you've taken the above steps, refer to the table below:

AM 31 Credit Module Balance		
If	And	Then
The account is in a credit status	Basic IDRS research determines where the payment should be transferred	1. Transfer the payment to the applicable module using CC ADD/ADC 24 (if posted to the MF) or Form 2424. 2. Don't send correspondence to Issuer.
	Additional credit application cannot be determined through basic IDRS research	1. Initiate telephone contact to taxpayer. Two attempts must be made during regular business hours. Document results on case history sheet. 2. If unable to contact by phone after two attempts, send a letter to the Issuer explaining account status. Print a copy of letter for the case file. Suspend case for 45 days (30 day response time). 3. If Issuer responds to the letter with additional information, follow their instructions. 4. If no reply to the correspondence, complete Form 8758 and transfer remaining credit to Excess Collections (XSF -6800 Account). 5. Attach copies of letters and case history sheet to the original return.

- (4) If the Issuer states they have overpaid the account by submitting duplicate payments and request the excess credit be refunded, instruct the Issuer to complete Form 8038-R.

Transfer the excess credit to the 6800 Account (XSF).

21.7.7.7.4.1.1.1
(01-01-2021)

Transferring Excess Credit

- (1) When research determines the overpayment does not belong to the Issuer or the Issuer does not respond to our correspondence, the credit(s) must be transferred to either the Unidentified Remittance File (URF– 4620 Account) or Excess Collection File (XSF–6800 Account).
- (2) Credit(s) that have posted to MF can be transferred to the URF (4620) account by completing a Form 2424 (if payment date is 11 months or less) in duplicate.
- (3) Complete Form 8758 (if payment date is more than 11 months old) to transfer the credit to XSF (6800).
- (4) Prepare a Form 8758 for each credit that needs to be transferred. Credits remain in URF until the payment date reaches one year old. It is automatically dropped from URF to XSF. Unpaid credits will remain on IDRS in XSF for 7 years after the XSF entry date.

If	Then
the credit is 11 months old or less	<ol style="list-style-type: none"> 1. Prepare Form 2424 (in duplicate). 2. Attach supporting documentation to Form 2424. 3. Route to local accounting M/S.
the credit is over 11 months old	<ol style="list-style-type: none"> 1. Prepare Form 8758 to transfer the credit from MF to the 6800 Account. 2. Attach supporting documentation to Form 8758. 3. Route to local accounting M/S.

- (5) Attach supporting documentation to both forms in order to substantiate the credit transfer(s).
 - TXMODA or BMFOL screen print highlighting the credit to be applied to URF/XSF.
 - Issuer's letter, copy of the document ordered from Files and other pertinent information regarding the case.
 - History sheet indicating the research performed, the results, taxpayer contact and response date of when the action was taken.
 - If available, a copy of the check.

21.7.7.7.4.1.1.2
(01-01-2021)

Form 2424 Instructions

- (1) Form 2424 is a two-part document, used to transfer from one account to another. Each copy must be filled out separately. Complete the following fields on Form 2424 to transfer a credit. Route the completed Form 2424 and supporting documentation to local accounting M/S.
 Taxpayer's name and address
 EIN - where the debit/credit is posted
 MFT code
 Tax Period - where the debit/credit is posted & Report Number

Note: The Report Number must be entered in the "X-Ref tax period" field along with the tax period. (Example: 200212/701)

Transaction Date - use actual received date

Transaction Code

Money Amount

Account to be credited 4620

Transaction date (same date must be entered in both the debit and credit boxes)

Credit amount

Enter DLN of credit on the account from which it is being transferred, reason for transfer and trace ID.

Date prepared

Preparer's name and IDRS number

21.7.7.7.4.1.1.3

(01-01-2021)

Form 8758 Instructions

- (1) Form 8758 must be completed in order to transfer a credit to the 6800 Account. Attach all supporting documentation as described above. A separate Form 8758 must be prepared for each credit to be transferred to XSF. An asterisk "*" indicates a required entry.
1. *Original Document Locator Number
 2. Renumbered DLN – No entry For FTDS/EFTPS payments, insert the last five digits of the MICRO/EFT-TRACE-NUM into digits 9 - 13 on the original DLN.
 3. * Source Code - always use OT "Other" - for Accounts Management unless refund is barred/frozen then use ST.
 4. * Status Code - This four character entry will be either "FROZ", "OPEN" or "IDEN." Refer to IRM 3.17.220.2.2.1 to determine the correct entry.
 5. No entry
 6. * Debit TC – Reversal transaction code
 7. * Dollar Amount of Credit
 8. TC 570 indicator (Check box when transferring multiple payments or as needed)
 9. * Payment type –
 - BC – Business Check
 - CA – Cash (Including Certificates of Deposit)
 - CC – Cashier's Check
 - FD – Federal Tax Deposit (Including Certificates of Deposit)
 - GC – Government Check
 - MO – Money Order
 - PC – Personal Check
 - UK – Unknown
 - WH – Withholding
 10. * IRS received Date: Use actual received date of payment
 11. No entry
 12. * First Name Line
 13. Second Name Line
 14. * Street Address
 15. * City, State, Zip Code
 16. * Reason for Transfer to XSF
 17. * Taxpayer ID Number
 18. * Check box if EFTPS payment
 19. * MFT
 20. * Tax Period / Report Number (RPT #)

Note: The Report Number must be entered in the X-Ref tax period field along with the tax period. Example: 200012/702

- 21. * Trace ID Number
- 22. * Preparer Name
- 23. * Employee Number
- 24. * Campus
- 25. * Team Number
- 26. * Fax Number
- 27. * M/S
- 28. * Phone Number
- 29. * Date
- 30. * Research Prior to Transfer

21.7.7.7.4.1.2
(05-22-2020)

**AM 32 Transcript
Procedures
(TEB Debit Module
Balance)**

- (1) Refer to the following procedures when attempting to resolve an **AM 32 - TEB Debit Balance** module. If necessary, secure the original return from Files (two attempts) before taking the following action. You may also view an image of the return by accessing the DIN system.

#

Input a TC 291 tax decrease to resolve the out of balance account.

AM 32 Debit Module Balance		
If	And	Then
a green rocker is present on return,	payment cannot be located through basic IDRS research,	refer to TEB Payment Tracer procedures outlined in IRM 21.7.7.7.4.3.
a green rocker isn't present on return,	payment cannot be located through basic IDRS research and the transcript is issued within one year of the return received date,	<ol style="list-style-type: none"> 1. Contact Issuer by telephone to gather additional information relating to the debit balance. Make two attempts to contact the Issuer by telephone during regular business hours. Document results on the case history sheet. If contact is made, attempt to resolve the issue by following established guidelines. The specific action taken on the account will be based on the additional information received from the Issuer. 2. If unable to contact the Issuer by telephone, correspond in writing to notify the taxpayer of the balance due and request proof of payment. Close your control as "NOREPLYDBT." 3. Annotate action(s) taken on AMS.

If	And	Then
a green rocker isn't present on return,	payment cannot be located through basic IDRS research and the transcript is issued more than one year from the return received date,	<ol style="list-style-type: none"> 1. Research CIS/AMS for a response to previous correspondence and address accordingly. 2. If there's no response, close your control as "NOREPLYDBT" and email a scanned copy of the case file to TEGE, Compliance Planning & Classification (CP&C) at, EOclass@irs.gov and copy the current EO P&A Analyst for tracking purposes. Include the following information in the subject line of the email, TEB referral - 8038-T Debit Balance - XXXX (Name Control) XXXX (last four digits of the taxpayer's TIN). <p>Note: The case file must include the following items:</p> <ul style="list-style-type: none"> • Copy of Form 8038-T • Documentation of research performed • Detailed explanation stating why the case is being referred <p>Exception: If it's clear a copy of the case was previously sent to CP&C, don't send another copy and close your case control as "NOACTION"</p>

- (2) If a response is received from the Issuer after the above action was taken, attempt to resolve the issue by following established guidelines. The specific action taken on the account will be based on the additional information received from the Issuer.

Example: Issuer provides copy of cancelled check, follow payment tracer procedures.

If a copy of the case was previously sent to CP&C, send an email to **EOclass@irs.gov** (copy the current EO P&A Analyst for tracking purposes), informing them of the response and action(s) taken. Include the following information in the subject line of the email, **TEB referral - 8038-T Debit Balance - XXXX (Name Control) XXXX (last four digits of the taxpayer's TIN)**.

- (3) If a response is received from the taxpayer indicating that a payment will be submitted refer to the procedures outlined below:

If	Then
the taxpayer states a payment will be submitted,	<ol style="list-style-type: none"> 1. Instruct the taxpayer to send payment and a copy of the letter to the following address: Internal Revenue Service 1973 Rulon White Blvd Ogden, UT 84404 2. Annotate the expected date of payment on AMS and/or TXMODA by inputting a history item. 3. Close control base on IDRS, but monitor account until the payment posts to MF. 4. If a copy of the case was previously sent to CP&C, send an email to EOclass@irs.gov (copy the current EO P&A Analyst for tracking purposes), informing them of the response and action(s) taken. Include the following information in the subject line of the email, TEB referral - 8038-T Debit Balance - XXXX (Name Control) XXXX (last four digits of the taxpayer's TIN).

21.7.7.7.4.1.3
(01-01-2021)

TEB VCAP and Closing Agreements

- (1) To promote voluntary compliance with the provisions of the IRC relating to tax exempt bonds, the Office of Tax Exempt Bonds has expanded its pre-existing voluntary closing agreement program (TEB VCAP).
 - a. In expanding TEB VCAP, TEB seeks to encourage Issuers, conduit borrowers and other parties to bond transactions to exercise due diligence and attempt to correct any issuance and post-issuance infractions of the applicable sections of the IRC and regulations.
 - b. This expansion reflects TEB's continuing policy of taxing bondholders only as a last resort.
- (2) Find additional information on TEB Voluntary Closing Agreement Program (TEB VCAP) in Announcement 2015-02, TEB Article re: Form 14429, TEB VCAP Program Request and Notice 2008-31, 2008-11. Closing agreement terms and amounts may vary according to the degree of violation as well as the facts and circumstances surrounding the violation. TEB Compliance and Program Management administers requests for VCAP closing agreements.
- (3) TEB VCAPs are processed to the Master File. VCAPs are primarily assessed on (but not limited to) Form 8038, Form 8038-B, Form 8038-G, Form 8038-GC and Form 8038-TC. VCAP accounts are assessed with a TC 240 (with a dollar amount) and Penalty Reference Code (PRC) 689.
- (4) Occasionally, the credit (TC 670) posts to the module prior to the TC 24X assessment or the assessment (TC 24X) will post before the payment. When this occurs, don't attempt to resolve the out of balance condition.
- (5) When a Closing Agreement or VCAP module is identified on the Credit/Debit Listing, take these actions on the account.

If	And	Then
TC 240 with PRC 689 and a TC 42X is present on the module,	the Doc Code is: 61 (Form 8038) with Report Number series 100-199; 62 (Form 8038-G) with Report Number series 300-399 or 64 (Form 8038-GC) with Report Number series 500-599,	1. Re-control the module to 4081000000. 2. Annotate in the activity field "ITG/TEBCLSAGRE." 3. Don't attempt to resolve the out of balance status.
TC 240 with PRC 689 is present on the module and no TC 420 present,		1. Re-control the module to 4081000000. 2. Annotate in the activity field "ITG/TEBVCAP" . 3. Don't try to resolve the out of balance status.
a TC 42X is present with no TC 24X assessment,	the module is in either a credit or debit status (and meets above criteria Doc Code 61, 62 or 64),	1. Re-control the module to 4081000000. 2. Annotate in the activity field "ITG/TEBCLSAGRE." 3. Don't try to resolve the out of balance status.

Reminder: When a VCAP or Closing Agreement is identified, in either a credit or debit status, don't attempt to resolve the out of balance condition.

21.7.7.7.4.1.4
(01-01-2021)
Tax Periods Prior to 198501

- (1) Master File programming is designed to prevent TEB returns from posting to the MF when the tax period is prior to 198501.
- (2) When a TEB return (Form 8038, Form 8038-G, Form 8038-GC, or Form 8038-T) is received displaying a tax period 198412 or prior, edit the tax period to reflect 198501. Refer to IRM 21.7.7.5.4.2.3 for additional information on editing tax periods.
- (3) The first valid tax period for Form 8038-B is 201001. The first valid tax period for Form 8038-TC is 201003.
- (4) First valid tax period for Form 8038-CP is 200902.

21.7.7.7.4.1.5
(01-01-2021)
Green Rocker Credit Transfer

- (1) The Chief Financial Office has determined that payments may be transferred from the 6400 Account if there is reasonable evidence of payment such as:
 - Return money amount is green rocker;
 - Form 3210, Document Transmittal, with money amount green rocker;
 - Form 2158, Credit Transfer Voucher; or
 - Form 3244, Payment Posting Voucher

Note: This is only applicable to those returns processed from RICS to the BMF.

- (2) If the Form 8038-T has not been processed, edit the document and route to MS: 6054 to be processed.
- (3) Refer to the procedures outlined below in order to transfer the credit.

If	And	Then
payment amount is green rocker,	proof of payment isn't available (e.g., Form 2221 or Form 2158, Credit Transfer Voucher),	<ol style="list-style-type: none"> 1. Debit the 6400 Account. 2. Complete Form 2424 for the designated green rocker remittance amount, with instructions to "Debit the 6400 Account". 3. Don't correspond with taxpayer.

21.7.7.7.4.2
(01-01-2021)

TEB Amended Returns

- (1) Amended TEB returns don't follow the established "Duplicate Filing" (CP 193) process. TEB returns that are marked "amended" or "corrected" are identified in R&C and forwarded directly to EO Accounts for resolution.
- (2) The new Blocking Series (BS) for amended TEB returns is "20". This blocking series replaced the previous BS 45 which was used to identify an amended TEB return. Use blocking series 20 when adjusting any amended TEB return. This unique blocking series identifies the return as an amended and will ensure the document is imaged by SOI after the adjustment has posted to MF. All amended returns must also have a Source Document (SD) attached to the adjustment form.

Note: Don't use any other blocking series when resolving a TEB amended return.

- (3) With the exception of specific editing procedures related to TEB returns (see IRM 21.7.7.5.4.2.3) and prior TC 973 posting transactions (see IRM 21.7.7.5.4.2.2), refer to the guidelines in IRM 21.7.9. BMF Duplicate Filing Conditions, when applicable.

21.7.7.7.4.2.1
(01-01-2021)

Adjusting Amended TEB Returns

- (1) The following fields can be adjusted on TEB returns.
 - Date of Issue
 - Maturity Date
 - Issue Price
 - CUSIP
 - Interest Payment Date
 - Signature Code
 - Type of Credit Bond

These fields can be updated via REQ54. Refer to the table shown below for related form type, applicable field and valid Reference Numbers or Codes.

Field to be Adjusted	Form	Reference Number	Input Format
Date of Issue	8038, 8038-B, 8038-CP, 8038-G & 8038-TC	Reference Code 411 is entered in the DATA- REF-1 field on the ADJ54 screen and will correspond with the Date of Issue for the Form 8038 series returns. (The actual date will be entered in the REF-CHG-1 field).	REF-CHG-1: Enter the corrected Date of Issue in yyyyymmdd format.
Maturity Date	8038, 8038-B, 8038-G & 8038-TC	Reference Code 412 is entered in the DATA- REF-2 field on the ADJ54 screen and will correspond with the Maturity Date for the Form 8038 series returns. (The actual date will be entered in the REF-CHG-2 field).	REF-CHG-2: Enter the corrected Maturity Date in yyyyymmdd format.
Issue Price	8038, 8038-B, 8038-G & 8038-TC	Reference Code 391 is entered on the ADJ54 screen, in one of the "CD>" fields, followed by the corresponding amount for the corrected Issue Price (positive or negative).	Input a TC 290.00, HC 3 and Reference Code 391 for the corrected amount.
CUSIP #	8038, 8038-B, 8038-G & 8038-TC	12 alpha & numeric characters	Input the correct 12 alpha & numeric characters.

Field to be Adjusted	Form	Reference Number	Input Format
Interest Payment Date	8038-CP	Reference Code 409 is entered in one of the “ DATA- REF ” fields located in the ADJ54 screen.	REF-CHG- Enter the corrected “Interest Payment Date” in yyyyymmdd format.
Signature Code	8038, 8038-B, 8038-G, 8038-GC, 8038-TC, , 8038-T & 8038-CP	1 = signed 3 = not signed (One character field)	Enter the corrected signature code: 1 = signed
Type of Credit Bond	8038-B,	1 = Line 1a, 2 = Line 1b, or 3 = Line 1c (One character field)	Enter the correct type of bond based on line checked on 8038-B.

- (2) If more than two fields need to be adjusted at the same time, (via DATA-REF fields), enter two separate adjustments. Enter a posting delay code on the second adjustment.

21.7.7.7.4.2.2
(01-01-2021)

**TC 973/976 Amended
Return Procedures**

- (1) If a TC 976 posts to a module prior to March 2001, both a TC 973 and a TC 976 are present on the module. Refer to the procedures shown below for resolution.
- Identify and secure the related TC 973 return from Files.
 - Attach TC 973 return behind the TC 976 document.
 - Edit TC 976 and process as an original return. This may include editing transcription lines contained on the original return. See IRM 21.7.7.7.4.2.3 below for editing guidelines.
 - Edit CCC “**R**” on the return. Refer to the table below for specific placement of CCC R on the return.

If Form Type	Edit CCC R on
8038	Part II, Line 11a
8030-B	Part II, Line 1a
8038-G	Part II, Line 11
8038-TC	Part III, Line I
8038-GC	Part II, Line 8a
8703	Part 1, Line 1

If Form Type	Edit CCC R on
Note: Don't edit CCC "R" on Form 8038-T. However, step "e" below must be followed.	

- e. Annotate on return and routing slip "**Don't correspond to Issuer.**"
 - f. Route to R&C for processing.
- (2) If the amended/duplicate return is for a different report number, tax period or EIN, refer to the procedures shown below for resolution.
 - a. Research BMFOLI for a valid report number.
 - b. Edit the related fields (if necessary) in red. IRM 21.7.7.4.2.3 below for editing guidelines.
 - c. Enter applicable TC codes.
 - d. On the TC 976 module, input a history item indicating what action was taken on the account (e.g., TC 976 is original for another report number, EIN or tax period).
 - (3) If the related TC 973 return cannot be identified or secured from Files, edit the TC 976 document and process it as the original return.
 - (4) If the amended return is for a Form 8703, input a TC 290 for zero to release the -A freeze. Current programming doesn't allow a TC 971 input.
 - (5) Research for an amended Form 8703 by comparing the BIN, EIN or name on TRDBV.
 - (6) Don't process subsequent Forms 8038-T that post to an account as a duplicate return (TC 976) and carry the same issue price to a separate report number. Although the subsequent returns are for the same bond issuance, treat each as an original return and process with a separate report number.

21.7.7.4.2.3
(01-01-2021)
Editing TEB Returns

- (1) When processing a return using Form 12634 or reprocessing a return using Form 13596, do basic IDRS research to determine what areas need to be edited on the document (i.e., report number, name control, etc.). The following editing applies to both numbered and unnumbered returns. Edit these items in red:
 - **Remittance:** Circle the RPS money amount or the green rocker to indicate a non-remittance return.
 - **Correct Tax Period:** Circle the incorrect tax period and enter the correct year in "YYYYMM" format. If a return reports a tax period prior to 198501, edit the tax period to 198501.

Example: Return displays a tax period of 198307. Circle out the 198307 tax period in red and edit tax period to 198501.
 - **Report Number:** Circle the incorrect report number and enter a valid report number based on IDRS research of BMFOLI. If all available report numbers have been used, refer to the "Back-up Report Number Procedures" located in IRM 21.7.7.4.2.3.1 below.
 - **Name Control:** Underline the first four alpha or numerical characters in the primary name line. If the Name Control (NC) on the return differs from the one shown on MF, enter the NC as shown on MF.

- **Name & Address:** Don't change the name or address on any TEB amended return.
- **Miscellaneous Edits:** Any previously edited items such as Return Processing Codes (RPS) or Computer Condition Codes (CCC) no longer desired can be edited by a red circle.

- (2) If the IRS stamped received date is prior to 199901, annotate in red at the bottom of the return “**Don't correspond with Issuer**” and in the remarks area on Form 12634.

21.7.7.7.4.2.3.1
(01-01-2021)

Back-up Report Number Procedures

- (1) Occasionally, a situation may arise where all valid report numbers for a specific TEB return, have been used (e.g., entire report numbers range 1-99 was used). This may occur primarily with Form 8038–GC.
- (2) When all available report numbers for the related tax period have been used, refer to the following guidelines for assigning a valid report number.
- a. “Back up” the tax period one month.
- Example:** Tax period is 200910, “back up” to tax period 200909.
- b. Research MF to determine what report numbers are available on the back up module.
 - c. If the report number shown on the return is valid for the back up module, edit that number on the return.
 - d. If the report number isn't valid, assign the next available report number as identified from MF research.
 - e. Enter CCC “R” to prevent a CP 142 from generating.

21.7.7.7.4.3
(01-01-2021)

TEB Payment Tracer Procedures

- (1) A payment tracer is the process used to locate a missing or misapplied payment made by a taxpayer or organization. A payment tracer case isn't resolved until the missing or misapplied payment is correctly applied to the organization's account. Refer to IRM 21.5.7 for specific guidelines, along with the following additional steps to research a missing Tax Exempt Bond (TEB) payment.

21.7.7.7.4.3.1
(01-01-2021)

Missing Payment Research

- (1) Use various research tools to help find missing payments as described below. Wait at least two weeks since the taxpayer mailed a payment before you do research to find it. If it hasn't been two weeks, ask the taxpayer to check back at a later date. Otherwise, get the following information:
- Taxpayer name and address
 - Taxpayer Identification Number (TIN)
 - Date of payment
 - Amount of payment
 - Issue Date (tax period) payment intended for
 - Means of payment submission
 - Type of payment
 - How it was made (e.g., check, money order, electronic/bank submission)
 - Evidence of payment (e.g., copy of canceled check, front and back)
 - Date payment cleared
 - Encoding information (e.g., located on check or money order)

21.7.7.7.4.3.2
(01-01-2021)
**IDRS Research for
Payments**

- (2) You may need additional information and research. If the function responsible for working paper inventory can't find the payment, forward the case to the Hard-core Payment Tracer Function (HPTF) at the service center that processed the payment. HPTF is usually located in the Accounting or Adjustment/Correspondence Branch.
- (1) Search for payments on IDRS and CFOL. Refer to Document 6209, IRS Processing Codes and Information, IRM 2.3 and IRM 2.4 for information on displaying and using IDRS and CFOL information.
- (2) Use CC NAMES OR NAMEE to obtain SSN or EIN information.
- (3) Use the following IDRS/CFOL command codes to search for a payment:
- SUMRY, TXMOD, to check for possible misapplications of the payment
 - MFTRA, screen display of the transcript data
 - IMFOL, BMFOL, if no open TXMODs, IDRS is down, or for the possibility the payment was made at another service center
 - INOLET, INOLEX, to check all related TIN's (valid and invalid) provided by taxpayer
 - URINQ, to research unidentified remittances
 - XSINQ, to research excess collections
 - ESTAB, microfilm transcripts, FTD and modules on retention and order documents
 - SCFTR, Service Center Control File
 - UPTIN, to check open and closed unpostables for a specific TIN
- (4) Research CFOL for payments if IDRS isn't available or if "No Data" on IDRS.
- Note:** Call or fax taxpayer for information needed to resolve the case. If unable to reach taxpayer via telephone or fax (at least two attempts), use the appropriate "C" letter.
- (5) The Form 2221 file is now maintained in the EO Accounts. In May 2003, the Bank Adj/Dishonored Check/Pay Tracer unit transferred ownership of all Forms 2221 for Form 8038 series returns, with a payment date before March 2001 to the EO Accounts unit.
- (6) If the missing payment is before March 2001, research the Form 2221 file located in EO Accounts for payment verification. If you find a Form 2221 for the missing payment, complete Form 2424 and route to RAC unit (MS: 6261). Instruct them to transfer the payment from the 6400 Account to the related module.
- (7) If you can't find a Form 2221 for the missing payment, and the IRS return received date is 199001 and subsequent, refer to the Hard Core Payment Tracer procedures in IRM 21.7.7.7.4.3.5.

21.7.7.7.4.3.3
(01-01-2021)
**Remittance Not
Detached From the
Document**

- (1) If taxpayer states the remittance was submitted with the tax return and has not cleared the bank, request the original return from files using CC ESTAB. Make at least two attempts to secure the original return from Files. Search through the entire return and envelope for the payment.

If the remittance ..	And taxpayer	Then
Is found,	Did not stop payment,	1. Process the remittance using the received date of the return. 2. Refer to the Discovered Remittance procedures in IRM 21.7.7.6.27
Is found,	Stopped payment and issued a replacement,	1. Change the date of the subsequent payment to the date of the original payment. 2. Write "VOID" on the check and return it to the taxpayer. 3. Send an apology letter to taxpayer. See IRM 21.5.7.4.4.4 (Reimbursement of Bank Charges).
Isn't found,	Stopped payment and issued a replacement,	1. The manager must decide to change the date of the subsequent payment to the date of the original payment. 2. Send an apology letter to the taxpayer. See IRM 21.5.7.4.4.4 (Reimbursement of Bank Charges).
Is found, but payment is over one (1) year old,	Did not stop payment	1. Call the taxpayer (if possible). Ask if they'd like the check voided or processed. If they request the check voided: a. Write void across the check b. Return it to the taxpayer with a letter of explanation. c. Include the repayment amount. 2. If Issuer requests the check be processed follow the "Discovered Remittance" guidelines located in IRM 21.7.7.6.27.

21.7.7.7.4.3.4
(01-01-2021)

Payment Located

(1) If the missing payment is located through basic research steps:

- a. Transfer the payment to the appropriate account.
- b. Send applicable letter to the taxpayer.

21.7.7.7.4.3.5
(01-01-2021)
Payment Referrals

- (1) If you can't find the missing payment after researching on-line IRS systems, RICS system or reviewing information from the taxpayer/bank, and you secure a copy of the front and back of the taxpayer's check, prepare a Form 4446 (Payment Tracer Research Record), and route to HPTF. Annotate on Form 4446 that RICS verification was completed.
- (2) Send the applicable interim letter to Issuer if necessary. Prepare a transfer form documenting all research (e.g., Form 4446).
- (3) HPTF:
 - a. Is responsible for working complex payment tracer cases after all preliminary research is exhausted. Preliminary research includes corresponding with the taxpayer and/or obtaining source documents internally/externally. Erroneous and/or incomplete Form 4446 may be returned to the originator for additional research.
 - b. Reviews Form 4446 to ensure that necessary research and documentation was prepared before accepting the payment tracer case. Any incomplete case is returned through the unit manager with an explanation of the required corrective action.
 - c. Is responsible for all subsequent communication with taxpayer (after they accept the case).

21.7.7.7.4.3.5.1
(01-01-2021)
Form 4446

- (1) When you refer the case to HPTF, prepare Form 4446 (Payment Tracer Research Record).
- (2) Make sure the Form 4446 is complete and includes the originator's name or IDRS number and phone number. HPTF will return an erroneous, incomplete or illegible Form 4446. An incomplete or illegible Form 4446 could result in unnecessary taxpayer burden by delaying resolution.

Note: The manager should ensure that all available preliminary research was taken before sign-off.

- (3) Preliminary research includes documentation of:
 - IDRS and CFOL, including command codes BMFOL, IMFOL, URINQ, XSINQ, UPTIN, SCFTR and ANMF research
 - Copy of the payment posting document
 - Copy of the front and back of taxpayer's check, if the missing payment cannot be located through IDRS research

REMINDER: You must secure **a copy of the front and back of the check** (if the missing payment cannot be located through IDRS) before sending a case to the HPTF.

21.7.7.7.4.4
(01-01-2021)
**Tax Exempt Bond
Correspondence
and Processing
Overview**

- (1) This section provides instructions for resolving various types of correspondence issues relating to Tax Exempt Bonds. All TEB correspondence (including claims) are routed to and worked in EO Accounts. Correspondence inquiries may include, but are not limited to, the following subjects:
 - Late/No replies to requests for missing or incomplete information.

- Request for extension of time to file pursuant to Revenue Procedure 2002-48.
 - Request for extension of time to pay or file Form 8038-T pursuant to Revenue Procedure 90-11 or Revenue Procedure 2005-40.
- (2) Route correspondence received in Rejects after the suspension period and processing of the original return to be worked in OAMC, EO Accounts, MS: 6710.
- (3) A Computer Condition Code (CCC) alerts the computer to a special condition or action. These are computer generated or assigned by tax examiners. Computer programs for the processing and posting of tax returns data are based upon the recognition of these codes.
- (4) Valid CCCs for Form 8038, Form 8038-B, Form 8038-CP, Form 8038-G, Form 8038-GC, Form 8038-TC, Form 8038-T and Form 8328 are “**C**” (form 8038-CP) “**D**”, “**F**”, “**G**”, “**R**”, “**3**”, and “**7**”. The following chart explains each CCC. You can also find this information in Doc. 6209.

Computer Condition Code (CCC)	Definition	Forms
C	Sequestered Return	Form 8038-CP
D	<ul style="list-style-type: none"> Late filing and payment meet the appropriate revenue procedures requirements set forth in Revenue Procedure 90-11 or Revenue Procedure 2005-40. Taxpayer identifies him/herself as being an Issuer affected by the Sept. 11, 2001 - Terrorist Attack. 	Form 8038-T
F	<ul style="list-style-type: none"> Final Return - 	Form 8038-T, Form 8038-CP
G	<ul style="list-style-type: none"> Amended Return <p>Note: Currently, not applicable to TEB returns.</p>	Form 8038, Form 8038-B, Form 8038-G, Form 8038-GC, Form 8038-TC, Form 8038-T, Form 8038-CP or Form 8328
R	<ul style="list-style-type: none"> Failure to file timely was not due to willful neglect under Revenue Procedure 2002-48, Revenue Procedure 90-11 or Revenue Procedure 2005-40. 	Form 8038, Form 8038-B, Form 8038-G, Form 8038-GC, Form 8038-TC or Form 8038-T
H	Indicates a "Tribal Economic Development Bond(s)" was reported on Form 8038-G, line 18 (other).	Form 8038-G
N	Indicates a "Recovery Zone Facilities Bond(s)" was reported on Form 8038, line 11Q (other).	Form 8038
O	Freezes a computer generated refund.	Form 8038-CP
P	Indicates a "Qualified School Construction Bond(s)" was reported on Form 8038, line 20C (other).	Form 8038

Computer Condition Code (CCC)	Definition	Forms
Q	Indicates a “Qualified School Construction Bond(s) (Indian Schools)” was reported on Form 8038, line 20C (other).	Form 8038
W	<ul style="list-style-type: none"> Return cleared by Statute 	Form 8038-CP
X	Used to freeze module from refunding or offsetting credit	Form 8038-CP
3	<ul style="list-style-type: none"> No Reply - Input when the taxpayer does not reply to IRS correspondence requesting missing or incomplete information. 	Form 8038, Form 8038-B, Form 8038-G, Form 8038-GC, Form 8038-TC, Form 8038-T, Form 8038-CP or Form 8328
7	<ul style="list-style-type: none"> Reasonable cause statement not accepted (cannot determine if it was due to willful neglect). 	Form 8038, Form 8038-B, Form 8038-G, Form 8038-GC, Form 8038-TC, Form 8038-CP or Form 8038-T

- (5) The following tridocs provide specific background and instructions on how the above correspondence issues are resolved.

21.7.7.7.4.4.1
(01-01-2021)

TEB Late/No Replies to Missing Information

- (1) When the Issuer doesn't provide missing/incomplete information to the service center by the Issuer within the prescribed time frame established by Rejects, a CCC **3** is edited and the original return is processed to Master File.
- (2) Correspondence that is received in Rejects after the original return processed is stamped “Late/No Reply” and routed to EO Accounts.
- (3) Refer to the following procedures in determining how to resolve a Late/No Reply case that was routed to EO Accounts for resolution.

Late/No Replies to Missing or Incomplete Information		
If.....	And.....	Then
the Issuer doesn't provide missing/incomplete information to the service center by the Issuer within the prescribed time frame established by Rejects, a CCC 3 is edited and the original return is processed to Master File.	a TC 150 has posted to MF with CCC "3",	<ol style="list-style-type: none"> 1. Associate the missing information to the original return by inputting a TC 290.00, in block 18 or 00, HC 3. 2. Enter the date the missing information was received in the "CRD" field.
the Issuer doesn't provide missing/incomplete information to the service center by the Issuer within the prescribed time frame established by Rejects, a CCC 3 is edited and the original return is processed to Master File.	no TC 150 has posted to MF,	<ol style="list-style-type: none"> 1. Suspend the Issuer's correspondence for 6 weeks from the IRS correspondence stamped received date. 2. If return posts to MF, follow procedures outlined above. 3. If the return does not post within 6 weeks from the IRS correspondence received date, return the correspondence to the Issuer with the applicable IDRS letter. 4. Instruct the Issuer to attach the correspondence to a signed copy of the return and resubmit the return.
Late response to missing information for Form 8038-CP	A TC 150 has posted and credit is \$1.00	<ol style="list-style-type: none"> 1. Determine if the filer has submitted a complete new return. 2. If filer submitted a complete new return, route to FAST at M/S 1114. 3. If filer only submitted missing information, correspond with the filer and tell them they must follow procedures and submit a complete new return. Send the missing information back to the filer.

- (4) If the correspondence is a "Late/No Reply" response routed internally from Rejects, don't send Letter 0086c. However, if the correspondence is received directly from the taxpayer, forward Form 8038-CP to FAST M/S 1114 and all other Form 8038 series to GECU M/S 7700, send Letter 0086c to the Issuer (enter a 120 days response time from FAST/GECU).
- (5) Route subsequent correspondence received from an Issuer with these indications to FAST M/S 1114 or GECU M/S 7700 depending on form type:
 - "Filed in error" or
 - "Are not required to file"

Internal Revenue Service
 TE/GE-FAST or TE/GE-GECU
 1973 N Rulon White Blvd
 M/S 1114 or M/S 7700
 Ogden, Utah 84404

21.7.7.7.4.4.2
 (01-01-2021)
**Revenue Procedure
 2002-48 Overview**

- (1) An Issuer may be granted an extension of time to file Form 8038, Form 8038-B, Form 8038-G, Form 8038-TC, or Form 8038-GC under Revenue Procedure 2002-48, 2002-37, Section 3, if it is determined that the failure to file timely isn't due to willful neglect. The Issuer must type or print at the top of the form, "**Request for Relief Under Section 3 of Revenue Procedure 2002-48**" and attach a letter of explanation to the return. The explanation must specify why the return was not submitted to the IRS in a timely manner and also indicate whether the bond issue in question is under examination.

Note: A request for relief changes how the IRS must treat the form. Under Revenue Procedure 2002-48 if the IRS does not notify the issuer that it is unable to make a determination based on the Issuer's request for an extension within 90 days, the form is regarded as timely filed regardless of an Issuer's willful neglect.

21.7.7.7.4.4.3
 (01-01-2021)
**CP 142 and CP 143
 General Information**

- (1) Two computer notices are generated for the late filed Tax Exempt Bond program.
- (2) The CP 142 notice is generated when a late filed Form 8038, Form 8038-G, Form 8038-B, Form 8038-TC, or Form 8038-GC is identified during pipeline processing and a reason for the late filing isn't attached as outlined in Revenue Procedure 2002-48. The CP 142 requests an explanation from the Issuer in regards to why the return was late filed.
- (3) The CP 143 notice informs the Issuer their reasonable cause explanation for late filing was accepted. The CP 143 is generated when a correspondence received date (CRD) is entered and posts to Master File within 120 days of the CP 142 notice date. When the CRD isn't input, the account information is generated to a Control-D report.
- (4) During initial processing, if an acceptable explanation is attached to the return and the return is filed within 6 months of its due date, a CCC "R" is edited on the return. The return continues through pipeline processing. No additional action is required.

- (5) If reasonable cause is denied during processing, a CCC “7” will be edited on the return. C&E photocopies the return, correspondence, envelope and sends it to GECU at M/S 7700. No additional action is required.
- (6) The CP 142 and 143 notice process isn’t applicable to Form 8038-T or Form 8328.
- (7) Replies to the CP 142 inquiry are routed to OAMC, EO Accounts for resolution.

21.7.7.7.4.4.3.1
(01-01-2021)
**CP 142 and CP 143
Procedures**

- (1) Prior to taking any action on a CP 142 response, initial research must be conducted on all late filed Forms 8038, Forms 8038-B, Forms 8038-G, Form 8038-TC or Forms 8038-GC. The purpose of this research is to determine if the Issuer has a history of late filing. Research the previous five (5) tax years. During your review, if you identify any of the following, refer the case to GECU at M/S 7700.
 - CCC “R” and/or CP 142 is present,
or
 - CCC “7” is present.
- (2) If a history of late filing is identified, the CP 143 notice must not be generated, regardless of whether or not a reasonable cause explanation is provided.
- (3) After you complete the late filing research, refer to the procedures below for resolution to CP 142 inquiries.

CP 142 Correspondence Resolution (Revenue Procedure 2002–48)		
If	And correspondence indicates.....	Then.....
Form 8038, Form 8038 –B Form 8038-G Form 8038-TC or Form 8038-GC is filed within 6 months of the due date	<ul style="list-style-type: none"> - the Issuer filed in accordance with Revenue Procedure 2002–48, - provides a reason for the delay, and - does not have a history of late filing, 	<p>1. Attach the correspondence to the TC 150 DLN by inputting a TC 290 .00, (blk 00/18), HC 0 and update or enter (if field is blank) the CRD.</p> <p>Reminder: To ensure a CP 143 is generated, the CRD must be updated, entered (if field is blank) and posted to MF within 120 days of the CP 142 notice date.</p>
	<ul style="list-style-type: none"> - the Issuer filed in accordance with Revenue Procedure 2002–48, - provides a reason for late filing, - is past the 120 day time frame, and/or - has a history of late filing, 	<p>1. Attach Issuer's original correspondence to TC 150 DLN by entering a TC 290.00, (blk 00/18), with a HC 3 and update the CRD.</p> <p>2. Photocopy late filing correspondence and forward to: Internal Revenue Service TE/GE GECU 1973 N Rulon White Blvd M/S 7700 Ogden, UT, 84404</p> <p>3. Annotate on routing slip why case is being referred to GECU.</p> <p>4. Send Letter 0086c to Issuer stating their correspondence was referred to FAST for late filing consideration.</p>

If	And correspondence indicates	Then
Form 8038, Form 8038-B Form 8038-G Form 8038-TC or Form 8038-GC is filed 6 months or more after the due date	- the Issuer filed in accordance with Revenue Procedure 2002-48, and - Provides a reason for the late filing,	1. Attach Issuer's original corre- spondence to TC 150 DLN by entering a TC 290.00, (blk 00/ 18), HC 3 and update the CRD. 2. Photocopy late filing corre- spondence and forward to: Internal Revenue Service TE/GE GECU 1973 N Rulon White Blvd M/S 7700 Ogden, UT, 84404. 3. Annotate on routing slip why the case is being referred to GECU. 4. Send Letter 0086c to Issuer informing them their correspon- dence was referred to FAST for late filing consideration.
Form 8038, Form 8038-B, Form 8038-G, Form 8038-TC or Form 8038-GC (regardless of when it was filed)	– The failure to file timely was due to willful neglect	
Form 8703	the return is being re-processed to another period or report number	Edit a CCC "R" to the return. The CCC "R" will stop generation of the CP 142.

- (4) When a CP 142 response indicates the return is posted to an incorrect tax period or EIN, secure the return and reprocess to the correct module. Use the following instructions and the ones above when applicable (i.e., forwarding reply to FAST, etc.).
- (5) Determine if the return is timely filed based on the corrected tax period. If timely filed
- Attach the Issuer's correspondence or CP 142 notice to the original return.
 - Edit the return per IRM 21.7.7.4.2.3, Editing TEB Returns.
 - Enter applicable cross reference codes and reprocess to the correct tax period or EIN.

- d. Send an IDRS letter to the Issuer explaining the return was moved to the correct tax period or EIN and no further action is required.

Reminder: If the return is timely filed for the new tax period, the CP 142 will not generate when the return posts to the new tax period.

- (6) If the return is still late filed based on the new tax period, refer to the procedures outlined below. These procedures are in addition to reprocessing the return and the procedures outlined in (3) above.

If the issuer	Then
Provides an explanation for the late filing,	1. Attach the explanation to the original return. 2. Edit a CCC "R" on the return. 3. Send an IDRS letter to the Issuer stating the return was moved to the correct tax period and the explanation for late filing was accepted.
Doesn't provide an explanation for late filing,	1. Attach the CP 142 or correspondence to the original return. 2. Reprocess the return to the correct tax period. 3. Send an IDRS letter to the Issuer stating the return was moved to the correct tax period. Note: A new CP 142 will generate from the correct tax period.

21.7.7.7.4.4.4
(01-01-2021)

Revenue Procedure 90-11 and Revenue Procedure 2005-40 Overview (Form 8038-T)

- (1) Bonds may become taxable if the correct amount of rebate isn't timely paid.
- Revenue Procedure 2005-40 gives Issuers of State or local bonds, described in IRC 103(a) and subject to IRC 148(f)(3) and 26 CFR 1.148-3(g) procedures for correcting a failure to timely pay the proper amount of arbitrage rebate as required by the regulations.
 - The revenue procedure also modifies Revenue Procedure 90-11. Revenue Procedure 90-11 provides similar procedures for State or local bonds subject to IRC 1.148-1T of the temporary Income Tax Regulations initially published on May 12, 1989 as part of TD 8252.
- (2) OAMC, EO Accounts Unit works correspondence issues and requests relating to an extension of time to pay arbitrage or file in accordance to Revenue Procedure 90-11 or Revenue Procedure 2005-40, as applicable.
- (3) When Form 8038-T is submitted per Revenue Procedure 90-11 or Revenue Procedure 2005-40, with a letter of explanation and it is timely filed, the following action is taken during processing:
- CCC "D" is edited on the return.
 - Return continues through processing.

- (4) If Form 8038-T is filed **after** the due date under Revenue Procedure 90-11 or Revenue Procedure 2005-40, and provides an inadequate reason for the delay or indicates the failure was due to willful neglect the following action is taken during processing:
- CCC "7" is edited on the return.
 - A photocopy of the return and the late filing correspondence and envelope is forwarded to ITG/TEB.
 - Original return continues through processing.

21.7.7.7.4.4.4.1
(01-01-2021)
**Revenue Procedure
2005-40 Background**

- (1) For bonds issued after July 1, 1993, or bonds outstanding June 30, 1993, for which the issuer elected to apply regulations effective after June 30, 1993, the failure to pay the correct amount of rebate when required will cause bonds to be arbitrage bonds. This may cause the bonds to be treated as not being, or having never been tax exempt. However, the late payment of rebate will be treated timely paid if either the issuer:
- Pays the amount of rebate owed plus interest within 180 days after discovery of the failure to make a timely payment, or
 - Pays the amount of rebate owed plus interest and penalty later than 180 days after discovery of the failure to make a timely payment.
- (2) To satisfy either situation above, the Issuer must provide an explanation establishing a lack of willful neglect submitted per Revenue Procedure 2005-40, 2005-28 sections 3.04 and 4.
- (3) The IRS must notify the Issuer within 90 days of receipt of its explanation when a Form 8038-T is late filed and the Issuer provides an explanation why the late payment of rebate was not due to willful neglect. Because this determination is made in GECU, a copy of the Form 8038-T and the explanation must be forwarded to GECU within 21 days of the initial return received date. Send the explanation to M/S 7700.
- (4) Under Revenue Procedure 2005-40, even if the Issuer does not meet the payment due date, rebate will be regarded as timely paid if the Issuer pays the rebate owed and interest within 180 days after discovery of the failure to timely pay the correct amount of rebate owed, unless the Commissioner determines that the failure to pay was due to willful neglect, or the issue is under examination by the Commissioner.
- a. Under Revenue Procedure 2005-40, the payment must be made with the Form 8038-T filing and include a detailed explanation why the failure was not due to willful neglect.
 - b. The explanation must include all relevant information including when the rebate was required to be paid, why it was not timely paid, a description of the events leading to the failure to timely pay and the discovery of the failure.
- (5) The penalty is automatically waived if the rebate owed plus interest is paid within 180 days after discovery of the failure unless the Commissioner finds the failure was due to willful neglect or the bond issue is under examination by the Commissioner. If the rebate is paid more than 180 days after discovery of the failure to pay, the bonds will not be taxable if the Issuer pays the penalty amount in addition to the rebate owed plus interest and the Commissioner determines the failure was not caused by willful neglect as required under Revenue Procedure 2005-40.

- (6) Prior to the end of the 180 day period, the Issuer may request an extension of the 180 day period. After expiration of the 180 days an Issuer may request a waiver of the penalty. An extension or waiver will be granted only in unusual circumstances. (See Revenue Procedure 2005-40).
- (7) Refer to the procedures in IRM 21.7.7.4.4.4.3 below to resolve Revenue Procedure 2005-40 correspondence related issues.

21.7.7.4.4.4.2
(01-01-2021)
**Revenue Procedure
90-11 Background**

- (1) For bonds issued before July 1, 1993, the failure to pay the proper amount of arbitrage rebate on time may cause the bond to be treated as not being, and as having never been, tax exempt. If the failure is an innocent failure and the failure to pay was not due to willful neglect, it will be treated as having not occurred if the Issuer pays the correction amount to the United States.
- (2) In addition, whichever is applicable, a statement must be attached to the Form 8038-T explaining why there was an innocent failure or no willful neglect in the Issuer's failure to pay the arbitrage rebate due. The statement must be submitted according to section 4, Revenue Procedure 90-11, 1990-1.
- (3) OAMC, EO Accounts units works correspondence issues and requests for an extension of time to pay arbitrage or file according to Revenue Procedure 90-11.
- (4) Refer to the table below in order to resolve correspondence issues relate to Revenue Procedure 90-11.

Note: Revenue Procedure 90-11 applies only to bonds outstanding June 30, 1993, and to which the Issuer has not elected to apply later regulations. Therefore, most late payments of rebate aren't processed per Revenue Procedure 90-11.

21.7.7.4.4.4.3
(01-01-2021)
**Revenue Procedure
90-11 and Revenue
Procedure 2005-40
Correspondence
Resolution Procedures**

- (1) Refer to the table below for procedures to resolve Revenue Procedure 90-11 or Revenue Procedure 2005-40 correspondence.

Revenue Procedure 90-11 and Revenue Procedure 2005-40 Correspondence Resolution
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If	And correspondence indicates	Then
Form 8038-T is filed,	<ul style="list-style-type: none"> – Issuer filed per Revenue Procedure 90-11 or Revenue Procedure 2005-40 and – Provides a reason for the delay 	1. Attach the correspondence to the original return. 2. Input a TC 290.00, (blk 18/00) and enter the CRD. 2. Photocopy correspondence and forward to: Internal Revenue Service TE/GE (SE:T:GE:ITG) PE-5P7 1111 Constitution Ave., N.W. Washington, D.C. 20224.
	<ul style="list-style-type: none"> – Issuer filed per Revenue Procedure 90-11 or Revenue Procedure 2005-40, and – Does not provide a reason for the delay or – The explanation is incomplete, 	1. Attach the correspondence to the original return. 2. Input a TC 290.00, (blk 18/00) and enter the CRD. 2. Photocopy correspondence and forward to ITG/TEB at the address shown above. 3. Annotate on routing slip why the case is being referred to ITG/TEB. 4. Send Letter 0086c to Issuer informing them their correspondence was referred to ITG/TEB for late filing consideration.

21.7.7.7.4.5
(01-01-2021)
**Form 8038-CP
Procedures**

- (1) Currently, the type of Form 8038-CP issues received in AM are:
- duplicate filed returns
 - erroneous refunds
 - Form 4442 inquiries
 - Form 8038-CP with the amended return box checked.
- (2) If responses to letters issued by FAST to filers explaining their refund was computed at an incorrect rate, route the correspondence to M/S 1114.

21.7.7.7.4.5.1

(01-01-2021)

**Form 8038-CP Credit
Reference Numbers**

- (1) The following credit reference numbers are assigned to the Form 8038-CP.

CRN	Definition	Corresponding Line on Form 8038-CP
292	New Clean Renewable Energy Bond	20c
293	Qualified Energy Conservation Bond	20d
294	Qualified Zone Academy Bond (issued under the 2009 and 2010 volume caps)	20e
295	Qualified School Construction Bond	20f
297	Build America Bonds	20a
298	Recovery Zone Economic Development Bonds	20b

21.7.7.7.4.5.2

(01-01-2021)

**Form 8038-CP Duplicate
Return Resolution**

- (1) The primary type of duplicate filed Form 8038-CP return involves the Report number. Report numbers are assigned in the FAST area. Occasionally, the same report number is edited on a return that was filed with the same EIN & tax period as the original return. This results in a duplicate return (TC 976) and a CP 193 case is established in CIS.
- (2) Due to the 45 day interest free period associated with the Form 8038-CP credit payment, it is imperative to expedite (assign the highest priority) resolution of the duplicate filed condition once identified. Prepare and issue a manual refund if the 45-day interest free period is in jeopardy or has expired.
- (3) A true duplicate condition occurs when an organization files two or more returns for the same tax period, with the same information on both returns, and no tax change is required.
- (4) When you identify a potential duplicate filed return, do basic IDRS research using CC SUMRY, TXMODA, & BMFOL. If you determine that the return is a duplicate, keep the TC 976 as a duplicate.
- (5) If you determine the TC 976 not to be a duplicate of the TC 150 return, route the return to FAST at M/S 1114 for a report number and to process.
- (6) Use the table below to resolve Form 8038-CP duplicate filed returns:

If.....	And.....	Then
the TC 976 is due to a duplicate Report number,	there are at least 21 days before the expiration of the 45 day interest free period for all returns involved. Note: The 45 day interest free period is determined by 45 days from the return due date (RDD), the return received date whichever is later.	1) Send the return to FAST to have a report number assigned and process as an original. 3) Release “-A” freeze by entering a TC 290 .00. 5) Annotate on AMS specific action taken on the account (i.e., return moved to RPT #8XX, routed to FAST, return filed within 45 day interest free period.
	the 45-day interest free is in jeopardy or has expired, Note: 14 days or less until the expiration of the 45 day interest free period.	1) Coordinate with FAST to have a report number assigned to the return. 2) Edit the new RPT on the return. 3) Issue a manual refund by preparing Form 5792 (if credit payment is \$10 million or more, use Form 3753). Refer to procedures outlined below and in IRM 21.4.4. Note: When issuing the manual refund, the credit amount in excess of tax, penalties and interest should be reduced by 5.7% for sequestration. 4) Edit a red computer condition code “O” in the middle of the Form 8038-CP, just below the entity section. The computer condition code will stop a computer generated refund. 5) Route Form 8038-CP to C&E. Annotate in the remarks area of Form 13596 “Manual Refund issued by EO Accounts.” 6) Annotate on AMS specific action taken on the account (i.e., return moved to Rpt #XXX, manual refund issued, credit payment amount, return sent to processing.) 7) Monitor and retain a copy of the manual refund and Form 8038-CP until the refund is issued and the return has posted.
Note: If the 45 day interest free period can’t be met, interest must be allowed in addition to the credit payment.		

(7) To determine whether the 45-day period was met, consider these dates:

- The return due date (determined without regard to any extension of time for filing the return).
- The return received date (used when the return is filed after the return due date, determined without regard to any extension of time for filing the return).
- The date the return was received in processable form (Return Processable Date (RPD), or Correspondence Received Date (CRD) may be present).

21.7.7.7.4.5.3
(10-19-2022)

Form 8038-CP Amended Returns

- (1) Accounts Management will receive Form 8038-CP when the amended return box is checked.
- (2) A true amended return can only be filed on the final Form 8038-CP.
- (3) When a Form 8038-CP is received in Accounts Management with the amended return box checked, take the following actions:

If	And	Then
Line 25 (line 23 for return revisions January 2012 and prior) is marked "no"		<ol style="list-style-type: none"> Using the CUSIP number, tax period and dollar amount, research to determine if this is a duplicate return for another tax period. If you determine it is a duplicate return and the credit was refunded, treat as a duplicate filed return. If research indicates that it is not a duplicate return, circle out the amended return box and send to FAST for processing.
Line 25 (line 23 for return revisions January 2012 and prior) is marked "yes"	the original return has posted to the same CUSIP and tax period,	<ol style="list-style-type: none"> Email the P&A Analyst with details and copy of the return. Do not close your control. A determination will be made if this is a true amended return. Once a response is received, take the actions requested.

If	And	Then
Line 25 (line 23 for return revisions January 2012 and prior) is marked "yes"	the original return hasn't posted to the same CUSIP and tax period AND the taxpayer didn't provide all the information reported on the original return, in addition to the new or corrected information and an attached explanation of the reason for the amended return,	<ul style="list-style-type: none"> a. Correspond with the filer explaining the amended return was incomplete. They need to submit the amended return with the information reported on the original return, in addition to the new or corrected information and an explanation of the reason for the amended return. Letter 3064C or other appropriate letter can be used. b. Input a TC 290 for zero. c. Close the case.
Line 25 (line 23 for return revisions January 2012 and prior) is marked "no", but correspondence is attached stating the filer is amending a previously filed return	the filer is requesting an increase in a previously received refund,	<ul style="list-style-type: none"> a. Correspond with the filer and tell them to use Line 21a to make the adjustment on their next filing. b. Input a TC 290 for zero. c. Close the case.
Line 25 (line 23 for return revisions January 2012 and prior) is marked "no", but correspondence is attached stating the filer is amending a previously filed return	the filer is requesting a decrease in a previously received refund,	<ul style="list-style-type: none"> a. Input a TC 290, TC 767 with a negative amount to reduce the previously filed credit payment, placing the account in balance due. Note: See paragraph 4 below, for additional instructions. b. Input TC 971/356. c. Close the case.
Line 25 (line 23 for return revisions January 2012 and prior) is marked "yes" or "no" and you are unable to determine whether the account is a true amended		<ul style="list-style-type: none"> a. Email the P&A Analyst. b. A determination will be made if this is a true amended return and what actions should be taken. c. Once a response is received, take the actions requested.

(4) Actions required to adjust the credit payment amount, Line 22:

If	And	Then
If a final amended return is received with an earlier IPD	Line 22 is a decrease from the original Line 22 amount,	<ol style="list-style-type: none"> 1. Subtract the new Line 22 amount from the original Line 22 amount. 2. Multiply the difference by the original sequestration rate (the sequestration in affect as of the original TC 766, see table below). 3. Subtract the amount calculated from step 2 above from the amount calculated in step 1 above. 4. Input a TC 290 for zero and TC 767 with a negative amount to reduce the credit and allow balance due notice to release. <p>Exception: If Part I and Part II entities are different, Hold Code 3 is required and a balance due notice must be issued to the Part II entity. The Part II entity needs to be notified of the adjustment.</p>
If a final amended return is received	Line 22 is an increase from the original Line 22 amount,	<ol style="list-style-type: none"> 1. Subtract the original Line 22 amount from the new Line 22 amount, 2. Multiply the difference by the original sequestration rate (the sequestration in affect as of the original TC 766, see table below), 3. Subtract the amount calculated from step 2 above from the amount calculated in step 1 above, 4. Input a TC 290 for zero and TC 766 with a positive amount to increase the credit and allow notice and/or refund to release.

Note: If an account has been adjusted in error, take the necessary action to correct the TC 766 to reflect the correct Line 22 amount minus the applicable sequestration rate.

Current and prior sequestration rates are listed below:

The sequestration rate beginning	for systemic refunds in cycle	is...	and is effective in cycle
10-01-2013	FY 2014	7.2%	201340
10-01-2014	FY 2015	7.3%	201440
10-01-2015	FY 2016	6.8%	201539
10-01-2016	FY 2017	6.9%	201640
10-01-2017	FY 2018	6.6%	201740
10-01-2018	FY 2019	6.2%	201840
10-01-2019	FY 2020	5.9%	201940
10-02-2020	FY 2021	5.7%	202040
10-01-2021	FY 2022	5.7%	202140
10-01-2022	FY 2023	5.7%	202240

Note: A TC 971/356 identifying the most current Line 22 amount must be input anytime an adjustment to the credit payment is made.

21.7.7.7.4.5.4
(01-01-2021)
**Form 8038-CP Manual
Refund Guidelines**

- (1) When you determine that a manual refund is required (45-day interest free period is in jeopardy), make sure a computer generated refund won't be issued. Follow the procedures below, which are unique to Form 8038-CP, and general manual refund information in IRM 21.4.4.
- (2) Unless the credit payment refund meets Form 3753 criteria (over \$10 million), use Form 5792 when issuing manual refunds for Form 8038-CP in EO Accounts. Complete thorough IDRS research before submitting a manual refund request to the Accounting Function. If you don't do the necessary IDRS research or provide the supporting documentation when you submit the manual refund to the Accounting Function, they reject the manual refund request back to the initiator. Consider these items:
 - Outstanding Balances - Tax offset capability is lost when a manual refund is issued. Verify the taxpayer has no outstanding tax liabilities that must be satisfied. Generally, all debit balances must be satisfied before issuing a manual refund if the assessed balance is \$25.00 or more and /or accruals are \$100.00 or more.
 - Credit amount should be reduced by 5.7% prior to offset, credit elect or manual refund.

- Previous TC 840/846 - Initiators must review the account using IDRS research to ensure there are no prior, duplicate, manual (TC 840) or computer generated (TC 846) refunds issued for the credit payment you are refunding.
- Research is needed to identify any outstanding balances on Non Master File. Indicators of Non Master File account activity include the presence of a "M-" Freeze on an account, or a TC 130 on CC ENMOD. Non Master File accounts present on IDRS can be identified using CC TXMOD, ENMOD and SUMRY with the definer "N" after the Taxpayer Identification Number (TIN). When the indicator is present, the initiator of the manual refund must contact the Non Master File Function to request a transcript of all open NMF accounts. NMF accounts are now centralized in Cincinnati. For NMF contact information, see IRM 21.7.12-1, Contact Information.
- Certain conditions on a module require coordination with other areas before a manual refund can be requested. All information received from these areas must be a part of your manual refund case documentation.
- When possible, allow the system to generate the TC 846 refund. Don't issue a manual refund if a generated refund will be released within two (2) cycles. Additional information is found in IRM 21.4.4.

(3) Form 5792 and Form 3753 are posting documents used by Accounting to schedule and certify refunds. Accounting will reject any request that:

- a. Isn't legible, or contains a strike through or white outs.
- b. Prepared on an obsolete form.
- c. Doesn't have supporting documentation attached.
- d. Doesn't have an authorized approval signature.

All offices requesting manual refunds must have authorized signatures on file per IRM 3.17.79.3.5, Employees Authorized to Sign Requests for Refunds.

- (3) Payments made for Form 8038-CP must be reduced due to sequestration. Programming was implemented to reduce the payment systemically.
- (4) The manual refund amount of a sequestered return will reduce the payment on Line 22 of Form 8038-CP by 5.7%.
- (5) Accounts Management may receive returns which are in interest jeopardy and require a manual refund. When received take the following actions:
 - Research account to ensure prior refund has not been issued for tax period and report number shown on Form 8038-CP.
 - If it appears a return and refund was previously posted to the tax period and report number shown, contact FAST to determine if another report number should be assigned. Also alert the P & A staff so feedback can be provided to FAST.
 - Prepare manual refund on sequestered amount. This is calculated by reducing Line 22 by 5.7%.
 - Prepare manual refund using Form 5792 or Form 3753 (if required). In the remarks section of the Form 5792, indicate, "the refund amount is reduced by 5.7% due to sequestration".
 - If interest is required, interest should be calculated on the allowed amount and not on the amount claimed by the filer.
 - Issue a 3064C to the filer using approved language for sequestered accounts.

21.7.7.7.4.5.4.1

(01-01-2021)

**Form 8038-CP
Erroneous Refund
Procedures**

- (1) If an erroneous refund is identified for Form 8038-CP accounts, follow erroneous refund procedures in IRM 21.4.5 with the following exceptions:

- Determine if the refund was issued to a trustee and not the issuer.

Note: If the issuer authorized another entity (for example, a trustee bank) to receive the requested refundable credit payment on its behalf, the names in Part I and II will be different and the refund was issued to a trustee and not the issuer. If the issuer didn't authorize another entity to receive the requested refundable credit payment, the issuer's name will be in Part I or in Part I and II.

- If the refund was issued to a trustee, don't input a TC 844.

Caution: A -U freeze will generate when a TC 844 is input. This freezes the entire account from refunding or offsetting in or out. Trustee accounts can involve multiple issuers who'll be negatively affected by the action.

- A TC 971 CC 663 should be input on the tax module. Refer to IRM 21.4.5.5 (11).
- The Letter 0510c should be sent to the issuer and not the trustee. Issuer entity information can be found in Part II, Reporting Authority, of Form 8038-CP.
- All other procedures for erroneous refunds found in IRM 21.4.5 should be followed.
- If the refund was issued to the Issuer, follow normal erroneous refund procedures found in IRM 21.4.5.

21.7.7.7.4.5.4.2

(11-12-2020)

**Form 8038-CP
Sequestration Manual
Refund Procedures**

- (1) Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments issued to and refund offset transactions for certain state and local government filers claiming refundable credits under section 6431 of the Internal Revenue Code applicable to certain qualified bonds are subject to sequestration.
- (2) Refund payments and refund offset transactions processed on or after October 1, 2020, and on or before September 30, 2030, will be reduced by the fiscal year 2021 5.7% sequestration rate, irrespective of when the IRS received the Form 8038-CP with amounts claimed by an issuer. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise affects the sequester, at which time the sequestration reduction rate is subject to change.
- (3) These reductions apply to Build America Bonds, Qualified School Construction Bonds, Qualified Zone Academy Bonds, New Clean Renewable Energy Bonds, and Qualified Energy Conservation Bonds for which the issuer elected to receive a direct credit subsidy pursuant to section 6431. Issuers should complete Form 8038-CP in the manner provided by the Form 8038-CP Instructions, and affected issuers will be notified through correspondence that a portion of their requested payment was sequestered. Issuers should use this correspondence to identify the portion(s) of amounts requested that were sequestered.

- (4) When a manual refund is required, the applicable sequestration percentage rate must be determined. The applicable rate is based on the date the initial credit became available, which is typically the date the Form 8038-CP was received.

Caution: The date the new percentage rate is effective varies annually based on the last day of the cycle the programming is completed (i.e., last day of cycle 202040 is 10/01/2020. As such, manual refunds dated prior to 10/01/2020 would be calculated at the FY 2020 sequestration rate of 5.9%. Manual refunds dated 10/02/2020 and subsequent would be calculated at the FY 2021 revised rate of 5.7%.

- (5) If it is determined that a manual refund is required the originator must research IDRS to make certain a computer generated refund will not be issued. In addition to the procedures outlined below, which are unique to Form 8038-CP, general manual refund information must be followed and can be found in IRM 3.12.38.5.5.6, Form 8038-CP Only Manual Refunds \$10 million or more (Ogden Only) and IRM 21.4.4, Manual Refunds.

- (6) If a manual refund is required due to:

- the 45-day jeopardy period, or

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then the credit payment must be manually computed to determine the correct reduced refundable amount. Offsets must be taken into consideration and only apply if the entity in Part I and Part II are the same.

- (7) An excel spreadsheet with the sequestration computation formula is provided annually from the TEGE HQ Program analyst to the Campus in order to determine the correct credit payment amount. This computation spreadsheet must be used when manually computing the sequestration amount. A copy of the sequestration excel computation, the ACT/DML interest computation (if applicable) and the manual refund documents (Form 3753/5792) **must be** attached to the Form 8038-CP.

- (8) The refundable credit amount is computed manually by:

- a. Subtracting tax, penalties and interest from the original credit payment amount on line 22, if applicable. This is the recomputed line 22.
- b. Reduce the original or recomputed line 22 (step a) above) by the applicable rate. Subtract the sequestered amount (line 22 multiplied by rate) from the original or recomputed credit payment.
- c. Subtract all offsets or credit elects (if applicable) from the original or recomputed line 22 amount.
- d. The results will be the correct credit amount to be refunded.

- (9) Prepare manual refund using applicable Form 5792 instructions in IRM 21.7.7.7.4.5.4.3 or Form 3753 instructions in IRM 21.7.7.7.4.5.4.4.

- a. In the remarks section of the Form 5792 or Form 3753, indicate "Credit payment amount is reduced by applicable sequestration rate".
- b. If credit interest is applicable it must be calculated on the reduced credit payment amount and not on the original amount claimed by the filer.

- c. Copies of both the sequestration rate Excel computation spreadsheet and Form 8038-CP with "Copy Do Not Process" annotated on the return must be attached to the manual refund documentation.

- (10) Additional research may be required to ensure a prior refund wasn't issued for the same tax period and report number as shown on the Form 8038-CP. If it appears a return and refund has previously posted to the tax period and report number, contact FAST via e-mail to determine if a different report number should be assigned. Also alert the EO Accounts P&A analyst so feedback can be provided to the HQ analyst and FAST management. Prepare manual refund on sequestered amount.

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weeks of the Interest Payment Date (IPD).

21.7.7.7.4.5.4.3
(01-01-2021)

**Preparation of Form
5792 for Form 8038-CP
IDRS Generated Refund**

- (1) The Form 5792 is used with CC RFUND to request an IDRS refund. This form must be used when the credit payment is less than \$10 million. Use the latest revision of the Form 5792 and prepare in triplicate. Send two copies to the Manual Refund Function along with copies of the supporting documentation. Send the case file to the Accounting Function the same processing day the CC RFUND is input. Accounting will reject the Form 5792 if the document contains any alterations such as white out, strike through or correction tape. See IRM 21.4.4.5.1, Monitoring Manual Refunds, for controlling and monitoring requirements.
- (2) The following are line by line instructions for completing Form 5792 when issuing a manual refund for a Form 8038-CP account:

Section	Block	Direction
I	1	Enter the Taxpayer Identification Number (TIN) and File Source of the account from which the refund will be issued.
I	2	Enter the Master File Tax Code and Report Number (MFT 46/8XX).
I	3	Enter the tax period as YYYYMM.
I	4	Enter the report number.
I	5	Enter the name control.
I	6	Enter the TC 840 amount (overpayment, plus allowable interest).
I	7	Enter the TC 770 amount (allowable interest). If no interest is being computed, enter 0.
I	8	Enter the overpayment amount. The amount being refunded, less allowable interest.
I	9	Enter the appropriate line number. For Form 8038-CP use 0 (refer to Exhibit 12 in IRM 2.4.20, Command Codes RFUND and REFAP for complete list.).
I	10	Interest indicator must be entered. If interest is paid, an interest "from" date is required. <ul style="list-style-type: none"> • Use "0" (zero) for no interest. • Use "N" for normal interest when interest is payable. • Use "R" for restricted interest. See IRM 20.2, Interest, for interest computation.

Section	Block	Direction
I	11 - 13	Leave blank.
I	14 - 19	Enter the name and address of the entity as shown in Part I of Form 8038-CP. Print using capital, block letters. Note: If the address on Form 5792 does not match the address on Master File, an explanation must be provided in the "Remarks" section of the form. Annotate "Form 8038-CP - Refund issued to different address".
I	20	Annotate reason for the refund in the remarks field. Be specific. Include all pertinent information (i.e., Form 8038-CP refund, credit payment amount, RPT #, refund issued to a different address, etc.)
I	21	Enter the initiating Business Operating Division (BOD).
I	22	Enter "Return not processed."
I	23	Check if the account has a bankruptcy indicator.
I	24	Check if the account contains a TC 130.
II		Check all applicable boxes and enter IRM reference 21.4.4 in Block 1 c.
III		The preparer must compute all interest for the TC 770 amount. Be sure to attach a copy of the COMPA print to the Form 5792. Large dollar manual refunds of \$1 million or more that contain credit interest, must be reviewed and approved by the Technical Unit. See IRM 21.4.4.5, Preparation of Manual Refund Forms.
IV	1	Leave blank. This is completed by the employee inputting the CC RFUND.
IV	2, 3	Enter the name and employee IDRS #, or the Badge number, and phone number of the initiator of the request. The employee inputting CC RFUND may or may not be the person requesting the manual refund.
IV	4, 4a, 5	The Approving Official who signs the refund must be on the Authorized Signature List maintained by the Manual Refund Unit in the Campus Accounting Function. The official will sign in Block 4, print their name in Block 4a and enter the date in Block 5.

21.7.7.7.4.5.4.4
(01-01-2021)

**Preparation of Form
3753 for Form 8038-CP
IDRS Generated Refund**

- (1) Form 3753 is designed for non-IDRS input. This form can be used when refunds are:
 - \$10 million or more.
 - Direct deposit is necessary.
 - Manual refund is generated to a different address.
- (2) Prepare Form 3753 in triplicate. Send two copies to the Manual Refund Function along with copies of the supporting documentation. Accounting will reject the Form 3753 if the document contains any alterations such as white out, strike through or correction tape.
- (3) The following are line by line instructions for completing Form 3753. The Accounting Function completes the DLN block. Complete the **From and Return to** box with the initiator's information.

Section	Block	Direction
I	1	Enter EIN of the account from which the refund will be issued (Part I, line 2 of Form 8038-CP).
I	2	Enter the return period in YYYYMM format.
I	3	Enter the MFT.
I	4	Enter the RPT #.
I	5, 6	Will be completed by the Manual Refund Unit.
I	7	Enter name and address of entity as shown on Master File.
I	8	Enter the return form number (Form 8038-CP).
I	9	Enter "Not Processed".
I	10b	Enter amount of check. (TC 770 plus amount of overpayment).
I	10d	Enter TC 770 with amount of allowable interest.
I	11	Complete this block if the payee is other than the taxpayer or the refund is being issued to a different address. Difference must be explained in Section IV. See IRM 21.4.4.5.2(5) Block 11 for more information, including Direct Deposit.
I	12a, 12b	Used only when completing Form 3753 for Credit Card Chargeback, by the Manual Refund Unit or by other IRS Offices/Agencies that require funds to be withdrawn from specific Treasury Accounts.
I	13	Enter amount of overpayment. The amount being refunded less allowable interest.
I	14	ULC - Enter the ULC. See Document 6209, Section 8C.10, for a listing of ULCs.
I	15	Enter line number 65. For a complete list, refer to Exhibit 12 in IRM 2.4.20, Command Codes RFUND and REFAP.
II		Check all applicable boxes. Enter IRM reference 21.4.4 in Block 1 c and enter Form 8038-CP in Block 1 d. Enter By Pass Indicator 0.
III		Enter interest computation and attach IDRS interest computation screen. See IRM21.4.4.4(5). for requirements on interest computations on manual refunds of \$1 million or more. Refer to IRM20.2, Interest, for methods of computing interest.
IV		Enter additional information (e.g. Form 8038-CP, RPT #, cross reference EINs or RPT #s.). (reduced by current year sequestration rate).
V	1, 2	The Approving Official must digitally sign using a "SEID" signature format. The Approving Official must be on the authorized list maintained by the Manual Refund Unit in the Accounting Function. For more information, refer to IRM21.4.4.5.2(9).
V	3, 4, 5	Enter name, IDRS number, SEID, date, and phone number of the originator of the request. Note: Both Form 5792 and Form 3753, must be reviewed to verify that the manual refund is appropriate, proper IDRS research was completed, and that the form was completed accurately. The Approving Official's signature certifies to the Accounting Function that the form was reviewed and is correct.

- (4) When issuing a manual refund to a person or address other than that of the entity as shown on Master File, input a TC 971 with Action Code 037.
- (5) Follow local procedures to forward manual refund package to manager/lead for approval.

21.7.7.7.4.5.5
(01-01-2021)

**Form 4442 Procedures
for Form 8038-CP
Inquiries**

- (1) Various questions or inquiries submitted on Form 4442 involving Forms 8038-CP are forwarded to EO Accounts for resolution. Consider each Form 4442 resolution on a case-by-case basis. Research basic IDRS and/or Form 8038-CP Listing to respond to the Form 4442 inquiry. See IRM 21.7.7.1.7, Related Resources, for a list of available resources; this list isn't all inclusive. To date, the majority of inquiries have been about the anticipated receive date of the credit payment.
- (2) When responding to a Form 4442 inquiry, either call or issue a CRX letter. Annotate on AMS the action you took on the case to resolve the Form 4442 issue.

21.7.7.7.4.6
(01-01-2021)

**TEB AMRH Transcript
Processing Overview**

- (1) The Accounts Maintenance (AM) Project identifies IRS areas where items don't process through the system correctly or completely.
- (2) This section provides instructions to correct problem modules specifically related to MFT 46 accounts so they can move to the retention register.
 - Most of these modules remain on the Business Master File (BMF).
 - AMnn, STAT and AM-X transcripts identify unresolved accounts after a certain length of time.
- (3) The automated case control system uses the Case Control File (CCF) and the Case Control Activity system (CCA). Command Code CCASG is used to research, assign, update, or close cases on the CCF.
- (4) Until programming is completed to have the TEB AMRH transcripts automatically controlled to the EO units, refer to the following procedures:
 - a. MFT 46 transcripts received in the AMRH unit will be re-controlled to EO Unit 2 and routed directly to EO Accounts, MS: 6710.
 - b. Upon receipt of these transcripts, the EO unit will assign the cases to tax examiners in EO Accounts.
 - c. If IDRS does not have an open control base, one must be established.
 - d. Transcripts will be distributed, researched and resolved by EO Accounts.
- (5) An AM transcript generates for each module with an unresolved condition. A specific module transcript generates for all IMF/BMF AM categories with the numeric indicator for the AM category met. If the case meets the age criteria for more than one freeze or unsettled condition in the same extract cycle, an M appears. If it is a follow-up transcript, an F appears. An AM follow-up transcript generates 26 cycles after the original alert and every 26 cycles until the AM case is resolved.
- (6) The IDRS category code for AM cases is AMnn. The "nn" is the numeric indicator of the AM category met. The weekly "Accounts Maintenance Inventory Report" numbered CCA 41/41 includes:
 - IDRS AM inventory by category code (AM03, AM12, etc.,).

- Follow-up data.
- All open suspended and follow-up cases, current and old.

Note: All unresolved cases must show in inventory.

- (7) Currently, eight AM transcripts are generated on MFT 46 accounts, AM01, AM03, AM04, AM05, AM08, AM09, AM12, AM22. AM31 and AM32.
- (8) The following subsections define these five AM transcripts and outline procedures used to resolve freezes and/or unsettled conditions. If AMXX transcripts other than those identified above are received, refer the case to the unit lead for assistance.
- (9) For additional detailed information regarding Accounts Maintenance procedures, refer to IRM 21.2.4.
- (10) Route all TEB “**No Merge**” transcripts to EO Entity for resolution.

21.7.7.7.4.6.1

(01-01-2021)

AM01 – Debit Balance, No Return (-X Freeze) (Form 8038-T only)

- (1) AM01 - Debit Balance, No Freeze:
 - a. Caused by a debit module with no return posted.
 - b. Usually results from posting a credit reversal or a dishonored check when no credit is present.
 - c. This transcript is also generated on MFT 46 with a posted TC 150 and a debit balance.
 - d. The freeze or unsettled condition will be released by either a TC 150 posting or zero balance.
- (2) To resolve this type of transcript, :
 - a. Research IDRS for the missing payment.
 - b. If the payment is located through basic IDRS research, transfer the payment to the related module. Don't correspond with the Issuer.
 - c. If payment cannot be located through basic IDRS research, follow TEB Payment Tracer procedures outlined in IRM 21.7.7.7.4.3.

21.7.7.7.4.6.2

(01-01-2021)

AM03 – Amended Return – No Original (-E Freeze)

- (1) Caused when an amended return (TC 976/977) posts to a module without a TC 150. A CP 190 (BMF–4 cycles after posting) initially identifies this condition.
- (2) To resolve this condition, research as necessary. Transfer any misapplied credits (Form 8038-T only).
- (3) If an amended return (TC 976/977) posts to an incorrect TIN, Tax Period or Report Number and the account for which it was intended does not contain a TC 150, refer to the table shown below.

If	And	Then
TC 976 only is on the module		<ol style="list-style-type: none"> 1. Secure TC 976 return from Files. 2. Research IDRS (using CC BMFOLI) for a valid report number. 3. Edit 976 return for processing. 4. Reprocess the 976 document as the original return using Form 13596. 5. Input TC 971-02. 6. Enter cross-reference information on AMS.
TC 976(s) is on the module	TC 973(s) are present	<ol style="list-style-type: none"> 1. Secure TC 976 return(s). 2. Research IDRS to identify the related TC 973 document that is being amended. Use CC BMFOLT. 3. Compare the following items with the amended return: <ul style="list-style-type: none"> • Maturity Date • CUSIP Number • Issue Price • Date of Issue • Report Number 4. If 973 document can be identified, request that return from Files. 5. When TC 973 return is received, edit the amended information shown on the TC 976 return to the TC 973 original return. 6. Attach the 976 document behind the 973 return. 7. Edit TC 973 and reprocess to a valid report number, EIN and Tax Period. 8. Input TC 971-002 on module with existing TC 976. 9. Enter remarks on ICP indicating where the return(s) have been moved.
TC 976(s) is present	TC 973 return cannot be located or is unavailable after two attempts to secure the 973 document	<ol style="list-style-type: none"> 1. Secure TC 976(s) return from Files. 2. Research IDRS (using CC BMFOLI) for a valid report number. 3. Edit 976 return. 4. Reprocess TC 976 as original return. 5. Enter TC 971-02. 6. Enter cross-reference information on AMS.

21.7.7.7.4.6.3
(01-01-2021)

**AM04 – Duplicate Return
(-A Freeze)**

- (1) Caused when a duplicate return (TC 976) or amended return posts to a module with an original return (TC 150) posted. CP 193 identifies this condition. If an unreversed TC 420/424 is posted, a CP 293 generates.
- (2) To resolve this freeze condition:

- a. Secure the TC 976 document from Files. If the document isn't provided through the initial request, submit a **"Special Search"** from Files.
- b. If you've exhausted all research capabilities to obtain the TC 976 document, refer to the procedures outlined below:

If	And	Then
there are no credits on the module,	the original return was processed as a TC 150,	1. Input TC 290 for zero in applicable block to release the -A Freeze. 2. Attach adjustment tag to AM04 transcript as the source document (SD). 3. Annotate on transcript "Unable to secure TC 976 return".
the module is in credit balance (8038-T only)	TC 150 present,	1. If the payment was submitted with the amended return, assess tax in the amount of the payment.

- (3) If an adjustment was input to release the "-A" freeze and requires no further action, close the case.

21.7.7.7.4.6.4
(01-01-2021)

**AM05 Examination DP
Tax Hold Codes (-K
Freeze)**

- (1) Caused by an unreleased Hold Code 1, 2, 4 on data processing-exam adjustment action (TC 29X/3OX) and a credit balance exists after posting.
- (2) Release the freeze if the transcript indicates refund was held in error (credit balance equals TC 291/301 decrease), request the document that caused the freeze, look for outstanding liabilities on Master File. Correspond with the taxpayer if necessary. Refer to the table below in resolving AM05 transcripts.

If	Then
Credit posts to wrong module	Transfer to the correct module before releasing freeze.

Note: If the account shows a TC 42X contact ITG/TEB prior to resolution.

21.7.7.7.4.6.5
(01-01-2024)

**AM08 Manual Refund (-X
Freeze)**

- (1) An AM08 transcript is generated when a manual refund indicator (TC 840) is
- (2) This freeze condition is released at the end of 20 cycles, when the module balance becomes zero or credit or with the posting of an Audit/DP Adjustment.
- (3) To resolve this freeze condition:
 - a. Research IDRS on the related module for a TC 291 tax decrease.
 - b. If no TC 291 decrease was input that matches the TC 840 refund, secure the TC 840 document from Files.

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- c. When the manual refund document is received, verify the manual refund amount & documentation match the debit balance shown on the transcript.
 - d. If money amount matches and it's determined that a manual refund was issued without decreasing the tax, input a TC 291 adjustment for the applicable manual refund amount, with a HC 3.
 - e. If the module results in a debit or credit balance after the tax adjustment was input, refer to procedures outlined in IRM 21.7.7.7.4.1, TEB Accounts Maintenance Transcripts (Credit/Debit Module Balance Listing).
- (4) If a previous TC 291 adjustment was entered and the account is still in a credit/debit status, refer to procedures in IRM 21.7.7.7.4.1. For additional guidance see IRM 21.5.6.4.48, -X Freeze.
- (5) See IRM 21.5.6.4.48, -X Freeze when resolving Form 8038-CP cases with CCC "O" on the account.
- If a manual refund is required, follow IRM 21.7.7.7.4.5.4, Form 8038-CP Manual Refund Guidelines, to properly address sequestration.
 - If the Form 8038-CP has "Statute of Limitations" or "SOL" annotated in green ink in the top margin of the return and is stamped cleared by Statutes, complete the following actions:
 1. Transfer the credit amount to Excess Collections using Form 8758. Attach scanned copy of the Form 8038-CP return in place of the AM08 transcript,
 2. Send CRX Letter 5980c, Claim Disallowance to the taxpayer (**this letter must be sent certified or registered mail**), and

Note: When sending Letter 5980c use the EIN, name, and address of the entity located in Part II (Issuer), which may be different from the entity information located in Part I. This usually occurs when a Payee is involved (i.e., Wells Fargo, BNYM, etc.). If Part II, line 7 has "Same" annotated, then the letter should be sent to the Part I entity.
 3. Input a TC 290 \$.00 using Blocking Series 98/99.

21.7.7.7.4.6.6
(01-01-2021)

**AM09 – Additional
Liability Pending (-R
Freeze)**

- (1) Caused by a credit balance module with an unreversed TC 570 with(out) a posted TC 150.
- (2) If the TC 570 freeze was applied as a result of an adjustment (Doc Code 54), review the reason for the adjustment and determine if it was completed correctly. If necessary, complete the adjustment and release the freeze. If no action is needed, release the freeze. Refer to IRM 21.2.4.3.40.3 for additional information involving an unreversed TC 570 and no return.
- (3) Based on specific posting (e.g., TC 291 with Priority Code 7; TC 670 with an unreversed TC 420/424), consider the case resolved after taking the following action:
 - a. Request the document that created the freeze and any other documents needed.
 - b. Cross reference account data and analyze research.
 - c. Close the case if subsequent action released the freeze (e.g., credit transfer, TC 29X adjustment).

- d. If unable to determine credit disposition, contact the Issuer. Take appropriate action when reply is received.

21.7.7.7.4.6.7
(01-01-2021)

**AM12 – Credit, No
Return (-Y Freeze)
(Form 8038-T Only)**

- (1) AM12 transcripts generate for BMF and IMF credit balance modules with no posted returns.
- (2) To resolve “-Y” transcripts where the TC 610 posted, but the related tax return did not post, refer to the procedures below:
 - a. Research BMFOLI to determine whether a return has posted to another tax period or as a TC 973.
 - b. If no return information is available, send written correspondence to the Issuer, requesting a signed copy of a return.
 - c. Suspend case for 30 days.

If	Then
Issuer replies	Follow directions provided by the Issuer.
Issuer does not respond	Dump money to Excess Collection

21.7.7.7.4.6.8
(01-01-2021)

**AM22 – Original, No
Amended Return (R -
Freeze)**

- (1) These transcripts generate if after 30 cycles from the last posted TC 610 the module is unresolved when:
 - A return processed through the Remittance Processing System (RPS) posts to a module and reflects multiple TCs 610 (Remittance with return).
 - A TC 610 with a DLN that does not match the TC 150 DLN.
 - A credit card payment that exceeds the balance due by \$5.00 or more.
- (2) If there is an open IDRS data base with a pending adjustment or the freeze was released by an adjustment before the AM transcript was received, close the case with the appropriate Activity Code.
- (3) Check IDRS using BMFOLR/BRTVU for return information; request the return, if necessary. Determine correct posting.
 - a. If the TC 610 belongs on another module, transfer the credit.
 - b. If the return belongs on another module or account, input the adjustment.
- (4) Check the Remittance Transaction Research (RTR) system for payment information.
- (5) If unable to determine if the TC 610 posted correctly and a return with a corresponding DLN was not located, take the following action:

the freeze. Don't correspond with the taxpayer.

1687c to the taxpayer. Suspend the case for 45 days. If there is no reply, see IRM 21.2.4.3.10, Applying Unresolved Credits. If Form 8758, Excess Collections File Addition, is used, indicate reason, “TC 610 research exhausted.”

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21.7.7.7.4.6.9

(01-01-2021)

**AM 31 – Tax Exempt
Bond Credit Balance**

- (1) This transcript generates six weeks after the first cycle in which the tax module has a credit balance. Follow-up transcripts are issued every six months thereafter as long as the tax module still meets the conditions.
- (2) See IRM 21.7.7.7.4.1.1 for resolving an AM 31 transcript.

21.7.7.7.4.6.10

(01-01-2021)

**AM 32 – Tax Exempt
Bond Debit Balance**

- (1) This transcript also generates six weeks after the first cycle in which the tax module has a debit balance. Follow-up transcripts will be issued every six months thereafter as long as the tax module still meets the conditions
- (2) IRM 21.7.7.7.4.1.2 for resolving an AM 32 transcript.

21.7.7.7.4.6.11

(01-01-2021)

AM Freeze Table

- (1) Refer to the AM Freeze table below for specific freeze conditions, AM stat code and aging factor.
- (2) Refer to Document 6209, IRS Processing Codes and Information for additional freeze code and reversal information. Remember, the action that set the freeze condition determines the correct reversal action; actions that set or release freezes often carry exceptions. Monitor the account to ensure the action being taken resolves the freeze condition. Close the case after the freeze condition is released.

Freeze or Unsettled Condition	AM STAT Code	Aging Factor
Debit Balance, No Return Criteria: 1. Debit module Status 06 or less. 2. More than 26 cycles from RDD excluding extensions 3. Manual Refund Freeze not on (TC 840 in Primary Hold Codes). 4. No TC 150 posted Released by: 1. TC 150 2. Zero Balance	01 –X	40

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Freeze or Unsettled Condition	AM STAT Code	Aging Factor
Amended Return, No Original Criteria: 1. TC 976 with no TC 150 posted. Released by: 1. TC 150 with new DLN 2. TC 150 with same DLN 3. TC 971 with Action Code 02 after TC 976	03 –E	26
Duplicate Return Criteria: 1. Subsequent return with unequal DLN posting to a module where a return has already posted or vice versa. Duplicate Return indicator is significant. Released by: 1. TC 290X or 30X posting in a subsequent cycle.	04 –A	26
Exam/DP Tax Hold Code Criteria: 1. Computer Condition Code “N” is present. 2. ASER will expire within six months. Released by: 1. TC 300 (Doc Code 51). 2. TC 29X or 30X with hold code other than 1, 2, 4, 6, 7, or 9. 3. TC 820 (doc code other than 58), TC 830, or any Doc Code 24/34 transaction. 4. Module balance becomes zero or debit.	05–K	16

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Freeze or Unsettled Condition	AM STAT Code	Aging Factor
Manual Refund Criteria: 1. Manual Refund Indicator (840 hold code is significant). 2. In excess of module balance tolerance, Released by: 1. Posting of TC 150, 841 (Doc Code 48) or TC 590/591 to zero balance account. 2. At the end of 20 cycles, when module balance becomes zero or credit, or posting of Audit/DP Adjustment. 3. TC 840 posting. 4. At the end of 20 cycles, when module balance becomes zero or credit, or subsequent posting of a DP adjustment (TC 241).	08 -X	17

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Freeze or Unsettled Condition	AM STAT Code	Aging Factor
Additional Liability Pending <u>Criteria:</u> 1. Unreversed TC 570 hold code indicator. 2. TC 150 may or may not be posted in the module. 3. Credit module balance. 4. Don't select if status is 02 and unreversed TC 474 is posted. 5. Don't select if status is 03. 6. Don't select modules without a posted return if an unreversed TC 590, 593, 594, or 599 is present in the module. <u>Released by:</u> TC 571, 572, Audit/DP Adjustment (except TC 300 with Disposal Code 7 or 11) posting or when module balance becomes zero or debit	09-R	252
Credit, No Return <u>Criteria:</u> 1. Credit module TC 610 posted. 2. Don't select if TC 150, 976, or unreversed TC 570, 590, 591, 593, 594, 597, 598, or 599 is posted to the module <u>Released by:</u> 1. TC 150 2. Module balance becomes zero or debit.	12-Y	25 cycles from last TC 610, if posted. Otherwise, 40 cycles from RDD or 30 cycles from earliest posted unreversed TC 340, 620, 650, 660, 670, 700, 710, or 716, whichever is later.

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Freeze or Unsettled Condition	AM STAT Code	Aging Factor
Original, No Amended Return (RPS) Criteria: 1. RPS indicator has the "1" on (indicates TC 610 posted, but DLN not equal to TC 150 DLN). 2. No TC 976/977 posted. 3. Module balance Released by: 1. TC 30X 2. TC 29X (priority code other than 5, 6, or 7). 3. Module balance becomes zero or debit. 4. TC 612 (doc code other than 17, 18, 58, 34) to reverse TC 610 not matching the return DLN).	22-R	30
TEB Credit Balance Criteria: 1. MFT 46 (TEB) account with a credit module balance.	31	26
TEB Debit Balance Criteria 1. MFT 46 (TEB) account with a debit module balance.	32	26

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21.7.7.7.4.7
(01-01-2021)
**Tax Exempt Bond Claim
for Refund
Background**

- (1) An Issuer may recover an overpayment of arbitrage rebate by establishing to the satisfaction of the Commissioner that an overpayment occurred per 26 CFR 1.148-3(i).
- (2) To request a claim for refund, the Issuer must file Form 8038-R no later than two years after the final computation date for the issue to which the overpayment relates (the filing deadline).
 - a. The Commissioner may request additional information to support a claim.
 - b. The issuer must file the additional information by the Commissioner's specified date in request, which the Commissioner may extend if unusual circumstances warrant.

- c. An issuer is given at least 21 calendar days to respond to a request for additional information.
 - d. The Issuer can appeal to the Office of Appeals if the claim is denied because the claim is filed after the filing deadline or that they didn't submit additional information per the IRS requested time.
 - e. To the extent not provided in 26 CFR 1.148-3(i), the Issuer must submit the claim per Revenue Procedure 2008-37.
 - f. Revenue Procedure 2008-37 replaced the letter procedure of Revenue Procedure 92-83.
 - g. The Issuer must submit a separate Form 8038-R for each issue.
 - h. However, IRS still accepts all claims submitted via Form 8038-T or written correspondence indicating a "claim for refund" if not inconsistent with 26 CFR 1.148-3(i).
- (3) All Forms 8038-T and remittance are posted to the MF. When remittance is received with Form 8038-T, R&C prepares a Form 3244 and assigns a report number (if not present) within the range of 700-799 for each return. The prepared Form 3244 is then processed through Manual Exception Processing to MF. A Deposit Ticket is prepared with Treasury Account Symbols 20-3220.
- (4) Form 8038-R, Form 8038-T or correspondence citing a claim for **"Refund of Arbitrage Rebate and/or Penalty in Lieu of Rebate"** should be routed to and worked in EO Accounts, MS: 6710.

21.7.7.7.4.7.1
(01-01-2021)
TEB Claim Procedures

- (1) Upon receipt of a TEB claim for refund, prepare a complete claim package or case file and prepare Form 5597 for AIMS establishment before routing the claim to ITG/TEB for approval. As referenced above, Issuers may request a claim for refund in one of these ways:
- Form 8038-R
Note: Form 8038-R must be signed by an authorized representative of the Issuer.
 - Form 8038-T indicating **"Claim for Refund"** (or similar verbiage) on the top of the return
 - Correspondence indicating **"Request for Recovery of Amounts Paid Under Rebate Provisions"** (or similar verbiage)
- (2) A complete claim package or case file consists of the following:
- Original claim (Form 8038-R or Form 8038-T) or written request for refund.
 - Copy of the original Form 8038-T (via the DIN system) if not included with Form 8038-R. If unable to view a copy of the original return on DIN, order the Form 8038-T from Files. If unable to secure a copy of the return after two attempts, attach a complete print of BRTVU and Form 4125 (charge-out doc). If a BRTVU print isn't available, send the Form 4125.
Note: BRTVU prints are only available for the current year processing and prior three years.
 - A print of TXMODA displaying a posted TC 150 & 610 payment for the claim amount.
 - The bond computation summary sheet. If the computation sheet isn't attached to initial claim, refer to (3) below.

- Copy of POA (if submitted).
 - Copy of the Letter 0086c sent to the Issuer or practitioner. Allow 90 days for response.
 - Form 5597 (AIMS card).
- (3) Refer to the following procedures when the computation sheet or Form(s) 8038-T (if unable to locate) isn't included with the initial claim:
- a. Call the Issuer (two attempts during regular business hours).
 - b. If unable to contact by phone, send applicable IDRS correspondex letter to the Issuer requesting the missing information.
 - c. Print a copy of the IDRS letter sent to the Issuer. Allow 30 days response time.
 - d. Suspend case for 45 days.
 - e. If Issuer doesn't reply to our request for the missing bond computation sheet, annotate "**No Reply**" on the IDRS letter, date stamp letter and attach it to the claim package.
 - f. If bond computation sheet is provided, don't include the IDRS letter in the claim package.
- (4) The account must be in a settled balance (e.g., no outstanding credit or debit balance) prior to routing the case to ITG/TEB. If there is a credit or debit balance, take appropriate steps to resolve the account. Refer to the table below for resolving claim out of balance accounts:

If	Then
the account is in a credit status and the TC 150 is zero,	1. Refer to the AM 31 — TEB Credit Balance procedures outlined in IRM 21.7.7.4.1.1
the account is in a debit status,	1. Refer to AM 32 —TEB Debit Balance procedures outlined in IRM 21.7.7.4.1.2

- (5) Once you assemble a complete claim package and settle the module balance discrepancy (if necessary), prepare Form 5597 for AIMS establishment. To complete Form 5597 and route the package:
- a. Complete Form 5597 using the information shown below:
 - #1 - CC AM424 (Line 1, Input Positions 1-5)
 - #2 - Source Code is 30
 - #3 - Primary Business Code (PBC) is 414
 - #5 - Employee Group Code: Establish all TEB claims in Employee Group Code 7212
 - #6 - MFT is 46 Series 8038 BMF
 - #7 - Status Code is 08
 - #8 - Return Not Requested — Enter **1** (generates labels and charge-outs only)
 - #9 - Project Code is 4111
 - #14A/B - EIN, Organization's Name
 - #15 - Name Control
 - #17 - Tax Period (Date of Issue of the Bonds as shown on the Form 8038-T))
 - #18 - Activity Code is 309
 - #19 - Amount Claimed (Enter the amount reported on Form 8038-R, line

16 in dollars only).

#20 - Plan /Report Number should be the one assigned during processing to the MF

- b. Attach Form 5597 to claim package.
- c. Send Letter 0086c to taxpayer using the contact person, phone number and agency address shown below:

Lynn Brinkley Program Manager
Internal Revenue Service
TE/GE (SE:T:GESS:CPC:CCA)
550 Main Street Room 6-988
Cincinnati, OH 45202
513-975-6112

Note: Don't send actual claim package to this contact.

- d. Prepare applicable routing slips for shipping. (See below for name and address of claim recipient.)
- e. Place in brown gusset folder with current day's closures.

(6) EO Accounts clerks:

- a. Pull all TEB claims Form 5597 cases.
- b. Input TC 424 on IDRS.
- c. Prepare Form 3210.
- d. Route case to address shown below:

Internal Revenue Service
TE/GE (SE:T:GE:CP&C)
1111 Constitution Ave., N.W. Room 610-30
Washington, D.C. 20224

(7) After you send the initial claim package preparation to ITG/TEB, EO Accounts doesn't take further action. ITG/TEB:

- Inputs the necessary adjustments.
- Prepares Form 5792 (Request for IDRS Generated Refund).
- Closes the AIMS control.
- Route Form 5792 and the closed claim package to OSPC for issuance of the refund.

(8) TEB also works disapproved claims.

21.7.7.7.4.8
(01-01-2021)
**TEB Civil Penalty
Abatement Requests**

- (1) Tax Exempt Bond civil penalty abatement requests submitted on Form 843, Claim for Refund and Request for Abatement, **are not** worked in OAMC. The TEB civil penalty assessment posts to MFT 13 or MFT 55. Identify these requests by a TC 240 with a Reference Code 628 or a reference to tax exempt bonds in the remarks area on Form 843.
- (2) When a Form 843 claim meeting these criteria is received, send a copy of the claim via secure messaging to TE/GE.teb@irs.gov and their help on how to dispose the claim.

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Exhibit 21.7.7-1 (01-01-2024)**Preparation of Form 5597**

Where applicable, EP and EO/GE AIMS forms have been revised to incorporate all three functions within TE/GE. Items applicable to EP, were incorporated in Form 5597 and the form was re-titled TE/GE/IMF/BMF/EPMF Request.

Item	Entry
1	CC AM424 (Line 1, input positions 1 - 5).
2	Source Code (Line 1, input positions 7 - 8). 30 - Claim for refund of partial payment or full paid tax. 32 - Taxpayer's request for consideration of unpaid tax assessment.
3	Primary Business Code (PBC) (Line 1, input positions 10 -12) EO: All EO Claims will be established with a PBC of 410. EP: All EP Claims will be established with a PBC of 410.
4	Secondary Business Code (SBC) (Line 1, input positions 14 - 18). Leave this item blank for TE/GE.
5	Employee Group Code (EGC) (Line 1, Input positions 20 - 23) EO EGC All EO Claims will be established with Employee Group Code 7999 with the exception of credit union claims which will be Employee Group Code 7998. All EO foreign accounts will also be established with Employee Group Code 7999. EP EGC All EP Claims will be established with Employee Group Code 7693.
6	MFT (Line 1, input positions 25 - 26) 02 - 1120POL BMF 34 - 990-T BMF 36 - 1041-A BMF 37 - 5227 BMF 44 - 990-PF BMF 50 - 4720 BMF 50 - 4720A BMF 66 - 4720A NMF (Use Form 5588) 67 - 990/990-EZ BMF
7	Status Code (Line 1, input positions 28 - 29) 08 - Selected, Not assigned. (Indicates that an account was selected for examination but has not yet been assigned to a specific group.
8	Return Not Requested (Line 1, input position 31) Enter "3"
9	Project Code (Line 1, input positions 33 - 35) EP - 6070 EO - 8089

Exhibit 21.7.7-1 (Cont. 1) (01-01-2024)**Preparation of Form 5597**

Item	Entry
10	EPMF (MFT 74) Only: EP Plan Type (Line 1, input position 38) Should be blank. IMF/BMF Only: Push Code (Line 1, input positions 41 -43 025 follow up other when requesting a return which has not posted to Master File.
11	IMF/BMF Only: Alpha Day (Line 1, input positions 45 - 46 AA - Claims (also applicable for carryback/carryforward years for NOL. BB - Tentative carrybacks.
12	IMF/BMF Only: Flowthru indicator (Line 1 input position 48). Leave this item blank. (This item is only used to designate a discrepancy adjustment).
13	EIN (Line 2, input positions 1 - 12). Insert the EIN.
14	Name Control or check digit. (Line 2 input positions 14 -17). Insert the name control or check digit. Check digit is input in bbAA format.
15	A. Organization's name Insert the organization's name.
16	EPMF (MFT 74 only): Plan number (MFT 74) Should be blank.
17	Tax period (Line 2 input positions 19 -24). Insert the tax period of the return. (e.g. tax year ending December 31, 2012 is shown as 201212.
18	Activity code. (Line input positions 26 - 28) EO - The activity code is a 3 digit number which identifies the type of organization. The activity codes are located in Document 6209 and Document 6379, Exempt Organizations Management Information Systems Codes. The code section that the organization is exempt under, as well as the form that was filed, determines the code. EP - Form 990-T activity code is 311.
19	Amount Claimed (Dollars Only) (Line 2, positions 29 - 38) An entry must be made in this box, right justified. The correct dollar amount of the claim must be shown in this field. (At the time of input, a "C" must precede the amount claimed).
20	Plan/Report Number (MFT 46/76) (Line 2, input positions 40 - 42) Should be blank with the exception of MFTs 46 and 76.
21	Organization's/Taxpayer's Address Enter the organizations/taxpayers address.

Exhibit 21.7.7-1 (Cont. 2) (01-01-2024)
Preparation of Form 5597

Item	Entry
22	Reason for Request/Related Return and Related Return Source Code If the source code of the return requested is 45, Reference and Information Return, the requester must enter in this item a brief reason for the request. If the request is for a related return, enter the name of the organization/taxpayer of the related return with which the requested return will be associated and a brief specific reason why the return is being pulled for examination. Enter the source code of the related return in the space provided.
23	TE Name & Date (Requestor/Group Date) The name of the tax examiner and the date it was prepared must be entered in Item #23.
24	Approved By/Date The person approving the request must sign and date in the space provided.
25	Record on File Information If a return being requested is already on the AIMS files, the Terminal Operator will identify the location of the return in this item. This information isn't provided when the return is being controlled Non-Master File. The items are completed whenever the account being established is already on AIMS and recorded when applicable. The items filled in by the Terminal Operator are Tax Period, Source Code, Area Office, Employee Group Code/Appeals Group Code, Status Code, Serial Number, Date, Transferee's Primary Business Code and Comments. Note: All EP claims must be established with a Primary Code 410 and an Employee Group Code of 7693. Note: All EO claims must be established with a Primary Business Code of 410 and an Employee Group Code of 7999.

Exhibit 21.7.7-2 (01-01-2021)
Preparation of Form 5588 (NMF)

Refer to the tables below for directions in completing Form 5588.

Field	Entry
Line 1 – pos 1-5, CC AMNON	
Line 2 – Organization’s/Taxpayer’s Name	Insert the organization’s/taxpayer’s name, up to 35 characters in this field. If TIN is a SSN, enter last name first followed by a comma (.).
Line 3 – pos 1-35, Address	Insert the street address, up to 35 characters.
Line 4 – pos 1-25, City	Insert the city, up to 25 characters in this item. Note: Foreign Address must include both City and Country in the 25 slotted spaces, a comma must be entered between the city and country. In addition, Line 5 - State and ZIP Code must be left blank.
Line 5 – pos 1 - 2, State	Insert the state using the applicable two character alpha abbreviation for the state.
Line 5 – pos 4-15, ZIP Code	Insert the ZIP Code. Must be a 5, 9 or 12-digit numeric entry in this item.
Line 5 – pos 17-28, EIN-SSN-File Source	Insert the EIN-SSN-TEMP. Must be a valid TIN and File Source. File Source must be N or D. Format for an EIN input is NN-NNNNNNN (and File Source if applicable). Note: File Source P isn’t valid for EP records. Format for a SSN input is NNN-NN-NNNN (and File Source if applicable).
Line 6 – pos 1-6, Tax Period	Insert the tax period of the return in the format of YYYYMM (e.g., tax year ending Dec. 31, 2001 is shown as 200112.)
Line 6 – pos 8-13, Form Number	Enter the form number of the return that correlates with the MFT in Line 8.
Line 7 – pos 1-8, Statute of Limitations Date	Enter the statute of limitations date. If present, must be 8 digits. Format is YYYYMMDD or MMaaYYYY (“aa” must equal alpha characters in the range of AA-ZZ.). Enter AA - for Claims (also applicable on carryback/carryforward years for NOL). Enter BB - for Tentative Carrybacks.

Exhibit 21.7.7-2 (Cont. 1) (01-01-2021)
Preparation of Form 5588 (NMF)

Field	Entry	
Line 8 – pos 1-2, Source Code	<p>Must be entered and must be numeric, using the following criteria:</p> <p>30 – Claim for refund of partial or full paid tax. (Source Code 30 requires entries in Line 9, Amount Claimed and Line 12, Project Code.</p> <p>73 – Taxpayer's request for consideration of unpaid tax assessment. (Source Code 73 does not require entries in Line 9, Amount Claimed and Line 12, Project Code)</p>	
Line 8 – pos 4-6, Activity Code	<p>EO – The activity code is a three-digit number that identifies the type of organization. The activity codes are located in Document 6209 and Document 6379, Exempt Organizations Management Information Systems Codes. The code section that the organization is exempt under, as well as the form that was filed, determines the code.</p> <p>EP – Form 990-T activity code is 311. EP 990-Ts should be established on BMF, using Form 5597. EP activity codes are located in Document 6209 and Document 6476, Employee Plans Systems Codes.</p>	
Line 8 – pos 8, Return Condition Code	Should be 1 or blank.	
Line 9 – pos 1-2, MFT	<p>34 – 990-T BMF/NMF 36 – 1041-A BMF/NMF 37 – 5227 BMF/NMF 44 – 990-PF BMF/NMF 50 – 4720/4720-A BMF/NMF 67 – 990/990-EZ BMF/NMF</p> <p>66 – 4720-A NMF – (valid in FY2005)</p>	
Line 9 – pos 4, Return Not Requested Indicator	<p>If entered must be 1 (for Form 5546 charge out and labels) or 3 (for AMDISA print). Follow the table below to determine the correct return indicator:</p>	
	If you are requesting:	Input
	F5546, labels and return	Blank
	F5546, labels requested, no return	1
	No F5546, no labels and no return	3

Exhibit 21.7.7-2 (Cont. 2) (01-01-2021)
Preparation of Form 5588 (NMF)

Field	Entry
Line 9 – pos 6-14, Amount Claimed (Dollars Only)	An entry must be made in this box, right justified. The correct dollar amount of the claim must be shown in this field. (At the time of input, a C must precede the Amount Claimed.)
Line 10 – pos 1-2, Status Code	08 – Selected, not assigned (indicates that an account was selected for examination but has not yet been assigned to a specific group.)
Line 10 – pos 4-6, Plan/Report Number	Must be 3 digits. Entry is valid for EP returns only.
Line 10 – pos 8, EP Plan Type	Must be entered if a Plan Number is entered for EP returns. Valid values are 1 for Defined Benefit (DB), or 2 for Defined Contribution (DC).
Line 10 – pos 10, Flow thru Indicator	Leave this item blank, unless establishing a discrepancy adjustment, then entry must be 1 .
Line 11 – pos 1-3, Primary Business Code (PBC)	The Primary Business Code is a three-digit code that identifies the Operating Division (TE/GE), plus the Area Office Code on AIMS. (The 4 designates TE/GE.) EO - 410 EP - 410
Line 11 – pos 5-9, Secondary Business Code (SBC)	Enter five zeros (i.e., 00000). (This item is currently not being used for EP and/or EO.)
Line 11 – pos 11-14, Employee Group Code (EGC)	Enter the EO or EP Organization Code (must be numeric). EP EGC – ALL EP claims will be established with Employee Group Code 7693 EO EGC – ALL EO claims and EO Foreign accounts will be established with Employee Group Code 7999 .
Line 11 – pos 16-18, Appeals Code	Leave this item blank.
Line 12 – pos 1-4, Name Control/Check Digit	Insert the name control or check digit (maximum 4 characters).
Line 12 – pos 6-9, Project Code	Insert the four-digit number that identifies the project code. Project codes are located in Document 6209, Document 6379, Exempt Organizations Management Information Systems Codes & Document 6476, Employee Plans Systems Codes. Note: NMF EP Claims must be established with Organization Code/Employee Group Code 7693 and Primary Business Code 410.

Exhibit 21.7.7-2 (Cont. 3) (01-01-2021)
Preparation of Form 5588 (NMF)

Field	Entry
Line 12 – pos 11-14, Tracking Code	Insert the four-digit tracking code that identifies the issue with the project code. Tracking codes are provided by EO Classification Unit or EP.

