



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

21.7.11

AUGUST 16, 2024

EFFECTIVE DATE

(10-01-2024)

PURPOSE

- (1) This transmits revised IRM 21.7.11, *Business Tax Returns and Non-Master File Accounts - Additional Computer Paragraph Notices and Transcripts*.

MATERIAL CHANGES

- (1) IRM 21.7.11.4.8, Updated title to add Form 1041 - IPU 24U0383 dated 03-11-2024 - Updated to add Form 1041 to the title based upon SERP Feedback #17525. Updated the note after IRM 21.7.11.4.8(8) to link IRM 20.1.3.4.1.7, based upon SERP Feedback #17531.
- (2) IRM 21.7.11, Editorial changes throughout IRM, IPU 24U0383 dated 03-11-2024 - Editorial changes made throughout, including revising formats and improving readability; correcting links; updating references, system and tool names, addresses, and examples; perfecting subsection, form, and publication titles; and making grammatical adjustments.
- (3) IRM 21.7.11.4.8(14), Added a paragraph about Notice 2023-42 which provides penalty relief from the addition to tax under IRC 6655 for a corporation's failure to pay estimated income tax.
- (4) IRM 21.7.11.4.8.2, Added Form 1041 to the title and paragraph 1.
- (5) IRM 21.7.11.4.8.3, Added Form 1041 to the title, renumbered paragraphs and added a paragraph to determine if a corporation qualifies as a large corporation, any short years during the testing period must be annualized using the method described in IRM 20.1.3.4.1.1.7(3), *Large Corporations*.

EFFECT ON OTHER DOCUMENTS

IRM 21.7.11, *Business Tax Returns and Non-Master File Accounts - Additional Computer Paragraph Notices and Transcripts*, dated August 15, 2023 (effective October 1, 2023) is superseded. The following IRM Procedural Update (IPU), 24U0383 issued on March 11, 2024 is incorporated into this IRM.

AUDIENCE

The primary users of this IRM are Accounts Management employees. The IRM is for Customer Account Services issues involving Business Master File (BMF) returns.

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Taxpayer Services Division

21.7.11

Additional Computer Paragraph Notices and Transcripts

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- 21.7.11-1 Acronyms and Abbreviations Used in This IRM

21.7.11.1
(10-01-2019)

Additional Computer Paragraph Notices and Transcripts Overview - Program Scope and Objectives

- (1) This IRM section has information and adjustment procedures for Business Master File (BMF) employees working:
 - Internally generated computer paragraph (CP) notices and transcripts, and
 - Responses to notices issued to taxpayers
- (2) **Purpose:** This IRM includes general information concerning business income tax returns, internal transcripts, and notices, and supplies procedures for working responses to notices issued to taxpayers.
- (3) **Audience:** The primary users of this IRM are Customer Service Representatives (CSRs) and Tax Examiners (TEs) who work these BMF internal transcripts and the responses to related notices.
- (4) **Policy Owner:** The Director, Accounts Management; Taxpayer Services Division.
- (5) **Program Owner:** Taxpayer Services, Customer Accounts Services, Accounts Management, Policy & Procedures BMF, Business Adjustments.
- (6) **Primary Stakeholders:** Taxpayers and the Taxpayer Services (TS), Small Business/Self Employed (SBSE), and Large Business and International (LB&I) divisions.
- (7) **Program Goals:** The objective for the program are to work the notices and transcripts correctly and to provide taxpayers timely and accurate responses to their inquiries. The program goals are provided in the Accounts Management Program letter as well as in IRM 1.4.16, *Accounts Management Guide for Managers*.

21.7.11.1.1
(11-05-2018)
Background

- (1) Employees in the Accounts Management organization follow guidance in IRM 21.7.11 to work potential issues raised in the internal notices and transcripts, in addition to working the responses to related notices.

21.7.11.1.2
(10-01-2020)
Authority

- (1) The Internal Revenue Code (IRC) is the authority for the procedures in this Internal Revenue Manual. Congress often amends the IRC. Revenue procedures, Revenue Rulings, and regulations interpret the IRC. For example: IRC 6654 supplies the rules for determining whether an individual taxpayer or fiduciary owes an estimated tax penalty, and IRC 6655 provides the rules for determining whether a corporation owes an estimated tax penalty.
- (2) Treasury regulations (26 CFR), commonly referred to as Federal Tax Regulations, pick up where the IRC leaves off by supplying the official interpretation of the IRC by the U.S. Department of the Treasury.
- (3) In addition to taking part in the promulgation of Treasury (Tax) Regulations, the IRS publishes a regular series of other forms of official tax guidance, including revenue rulings, revenue procedures, notices, and announcements. See Understanding IRS Guidance - A Brief Primer for more information about official IRS guidance versus non-precedential rulings or advice. The authoritative instrument for the distribution of all forms of official IRS tax guidance is the Internal Revenue Bulletin (IRB), a weekly collection of these and other items of general interest to the tax professional community.

Example: Form 8109 and Form 8109-B, Federal Tax Deposit (FTD) Coupons, are no longer valid to make such deposits. A regulatory change that eliminated FTD coupons was announced in the Internal Revenue Bulletin and took effect January 1, 2011. Electronic Funds Transfer must be used to make federal tax deposits.

- (4) IRM 1.2.1, *Service wide Policies and Authorities, Service wide Policy Statements*, has the Policy Statements that relate to Customer Account Services activities:
- Policy Statement 21-1 (Formerly P-6-1) - Service commitment to the Taxpayer Service Program
 - Policy Statement 21-2 (Formerly P-6-10) - The public impact of clarity, consistency, and impartiality in dealing with tax problems are given high priority
 - Policy Statement 21-3 (Formerly P-6-12) - Timeliness and quality of Taxpayer Correspondence
 - Policy Statement 21-4 (Formerly P-6-13) - One-stop service defined
 - Policy Statement 21-5 (Formerly P-6-40) - Aid given to taxpayers in the correction of accounts

21.7.11.1.3
(10-01-2022)

Roles and Responsibilities

- (1) The Policy and Program Management Section of Accounts Management (AM) has responsibility for the information in this IRM. The IRM is revised annually.
- (2) The Director of AM handles the policy related to this IRM.
- (3) *IRS Source* supplies information on the roles of the various components of AM, including:
- Reports - Equipment & Phones (REP)
 - AM Operations Support (AMOS)
 - Resource Management & Training (RMT)
 - Policy & Procedures BMF (PPB)
 - Policy & Procedures IMF (PPI)
 - Technology Assistance & Stakeholder Communication (TASC)
 - Identify Protection Strategy & Oversight (IPSO)
 - Field Directors, AM
- (4) IRM 21.1.1, *Accounts Management and Compliance Services Overview*, supplies general information on the duties of assistor's assigned to the AM organization.

21.7.11.1.4
(10-01-2017)

Program Management and Review

- (1) IRM 1.4.16, *Accounts Management Guide for Managers*, supplies guidance for program management and review of programs assigned to Accounts Management.

21.7.11.1.5
(11-05-2018)

Program Controls

- (1) Goals, measures and operating guidelines are listed in the annual Program Letter.
- (2) Quality data and guidelines for measurement are 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*.

21.7.11.1.6
(10-01-2021)
**Terms/Definitions/
Acronyms**

- (1) The Reference Net Legal and Tax Research Service page provides an *Acronym Database*.
- (2) See Exhibit 21.7.11-1, *Acronyms and Abbreviations Used in This IRM*, to research acronyms and abbreviations found in IRM 21.7.11.

21.7.11.1.7
(10-01-2017)
Related Resources

- (1) Below are additional websites, job aids, or electronic tools that are needed to assist in completing work in Accounts Management:
 - The Correspondence Image Inventory (CII) [known as the Correspondence Imaging System (CIS) prior to October 23, 2022] for case inventory.
 - The Employee User Portal (EUP) to view corporate and individual electronic tax returns filed via MeF.
 - IRM 21.2.2-2, *Accounts Management Mandated IAT Tools*, tools that simplify taxpayer account processing by assisting the user with IDRS research and input.
 - Servicewide Electronic Research Program (SERP) to view SERP Alerts, IPU's, Correspondex Letters, IRM Supplements, and other resources.
 - The Electronic Publishing website to research forms, instructions, publications, other Internal Revenue Manuals, revenue procedures, and IRS announcements.

21.7.11.2
(01-01-2005)
**What are Additional
Computer Paragraph
Notices and
Transcripts?**

- (1) Additional computer paragraph notices are those which are computer-generated and sent to the taxpayer or worked internally. Often, these notices and transcripts raise questions and may require further action by the employee to settle an issue.

21.7.11.3
(10-01-2022)
**Additional Computer
Paragraph Notices and
Transcripts Research**

- (1) Actions on added computer paragraph notices and proper responses to the taxpayer inquiries require employees to access the Business Master File and Non-Master File.
- (2) Employees may have to carry out procedures concerning any of the following:
 - CP 108, *Problem with Your Federal Tax Deposit (FTD)*
 - Electronic Federal Tax Payment System (EFTPS) CP 108 inquiries received by telephone
 - Discrepancies between the tax type showed on an EFTPS payment and established filing requirements
 - CP 108 reply showing an irate taxpayer
 - An unnecessary reply to CP 108
 - CP 172, *SC Notice Requesting Follow-up Action on Entity*; CP 192, *Employment Code Exempts FICA/FUTA Filing Forms 940, 941, 943*; Form 3465, *Adjustment Request*
 - CP 180 and CP 181, *Missing Schedule on Forms 1120, 1041, 990C, 990T*; CP 182, *Missing Forms 3468 on Forms 1120, 1120F, 1120L, 1120M, 1041, 990C, 990T*

Note: Unified Work Request 375703 obsoleted CP 180, CP 181, and CP 182 effective January 2023.

- CP 185, *Frozen Designated Penalty Payment Transcript*, and TC 690, *Penalty Payment, Module in Credit Balance*
 - CP 186, *Subsequent Payment Freeze*
 - 120 percent interest computation
 - Routing of CP 186 with U-, -V, -W, or TC 521 with closing code 81 or closing code 85 - 89
 - CP 186 involving estate tax return
 - CP 186 involving Form 4668, *Employment Tax Examination Changes Report*
 - TC 342, *Interest Restriction Deletion*
 - TC 272, *Failure to Pay Penalty Restriction Deletion*
 - Computer Condition Code M
 - TC 240 *Civil Penalty Module*
 - CP 195, *Unresolved Manual Refund Freeze (-X Freeze)*
 - CP 234, *Potential ES Penalty Transcript on Forms 1120, 1120F, 1120L, 1120M, 1041, 990C*
 - CP 267, *No Math Error - Credit Offset Notice*, and CP 268, *Math Error Credit Offset Notice*
 - Undeliverable CP 267 and CP 268
 - CP 270, *Audit/DP Adjustment Transcript*
 - POSSDELPEN (Possible Delinquency Penalty) Transcripts
- (3) Refer cases meeting Taxpayer Advocate Service (TAS) criteria as outlined in IRM 21.7.1.3.1, *Taxpayer Advocate Service (TAS)*.
- (4) It is the responsibility of all IRS employees to report a significant volume of mistaken taxpayer correspondence being issued to taxpayers or the risk of issuing considerable volumes of mistaken correspondence. When this happens, follow procedures in IRM 25.13.1.3, *TCS Services*.

21.7.11.4
(01-01-2005)

**CP Notices and
Transcripts Procedures**

- (1) The following are procedures for the various CP notices covered by this section.

21.7.11.4.1
(12-01-2022)

**CP 108, Problem with
Your Federal Tax
Deposit (FTD)**

- (1) CP 108, *Problem with Your Federal Tax Deposit (FTD)*, generates when the type of tax and/or tax period cannot be figured out on an Electronic Funds Transfer Payment System (EFTPS) payment. This notice advises the taxpayer where the credit was posted and supplies a Form 15108, **Correction to Your Federal Tax Deposit (FTD)**, to return if the payment posted incorrectly. A toll-free number is also supplied if the taxpayer prefers to call rather than write. See IRM 21.7.11.4.1.1, *CSR - Electronic Funds Transfer Payment System (EFTPS) CP 108, Problem with Your Federal Tax Deposit (FTD), Inquiries Received by Phone*, for more information.
- (2) Action needed:

If	Then
Affected module has an immediate return due date (within two weeks of return posting).	Suspend credit transfer action from the memo account (an account where the Transaction Code 150 has not yet posted) until the return posts and the module settles.
You need to transfer credits from an account other than a memo account.	Check that the credit is not scheduled to refund and, if not, input any necessary credit transfers, per the taxpayer's response. Note: If the credit transfer is to a full paid account or will result in an overpayment, overlay the bypass indicator with a 1 on Command Code (CC) ADC34 to bypass unpostable code 305.
Taxpayer's response shows they do not have to file a form for the type of tax to which the payment was applied.	Transfer the payment and remove the Filing Requirements using CC BNCHG.
Payment is an EFTPS payment and the taxpayer states they have no knowledge of the correct application because their financial institution made the payment.	Instruct the taxpayer to contact the financial institution to decide the correct application and have the taxpayer reply to us as soon as possible.

21.7.11.4.1.1
(10-01-2021)

**CSR - Electronic Funds
Transfer Payment
System (EFTPS) CP 108,
Problem with Your
Federal Tax Deposit
(FTD), Inquiries
Received by Phone**

- (1) When the taxpayer calls about a CP 108, *Problem with Your Federal Tax Deposit (FTD)*, and the payment in question is an Electronic Funds Transfer Payment System (EFTPS) payment:

- Decide the account where the payment belongs.
- Try to decide if the taxpayer made an error when initiating the EFTPS payment (helps prevent the same error in the future).
Note: See IRM 21.7.1.4.8.1.1, *EFTPS Enrollment*, for more information on Treasury Financial Agent, including phone numbers.
- If the taxpayer knows why the error occurred, input the necessary credit transfer(s). (If the payment posted to the correct EIN, tax period, and MFT, no credit transfer is necessary.)
- If the taxpayer does not know why the error occurred, ask if the payment was an Automated Clearing House (ACH) debit the taxpayer initiated by voice response unit (VRU).
Note: VRUs are used to make an ACH debit. ACH debit is also known as EFTPS Direct.
- If the payment was **not** initiated by VRU, ask the taxpayer where to apply the payment.

If	Then
Taxpayer knows where to apply the payment.	Check that the credit is not scheduled to refund and, if not, make the necessary credit transfer.
Taxpayer does not know where to apply the payment.	Instruct the taxpayer to contact the financial institution or authorized agent and reply to us as soon as possible.

6. If the payment started by VRU, ask the taxpayer the date entered for “tax period end date.”

Note: Bank of America’s VRU asks the taxpayer to enter the four-digit tax filing period (e.g., third quarter 2021 payment entered as 2109). For a fiscal year return (Form 1120, Form 1041, etc.) with a FY of 08, the taxpayer enters 2108 if making a payment for a return for the period ending August 31, 2021.

If	Then
Date is not equal to a valid tax period end date for the type of tax or the date is not in correct YYMM format (e.g., the taxpayer making a payment for his second quarter 2021 Form 941 would enter YYMM format as 2106).	Instruct the taxpayer how to determine the correct tax period end date (e.g., for quarterly returns, Form 720, Form 941, etc., March 31, June 30, September 30, December 31). Enter as the MM in the YYMM format as: 1st qtr. March 31 - 03 2nd qtr. June 30 - 06 3rd qtr. September 30 - 09 4th qtr. December 31 - 12
Taxpayer does not know what was entered.	Inform the taxpayer the tax period end date may have been entered incorrectly and supply instructions on the correct format and date to enter for future payments.

7. If the taxpayer entered a valid tax period end date, an invalid tax form code may have been entered. Direct the taxpayer to Appendix A of the EFTPS Payment Instruction Booklet to determine if the tax form code used is valid for the type of tax. If the taxpayer does not know what was entered, inform the taxpayer that the tax form code may have been entered incorrectly.
8. If the taxpayer does not understand the questions above and cannot find the correct account to apply the payment, instruct the taxpayer to call the financial institution for resolution and to reply back to us as soon as possible. (Taxpayers using ACH credit method for initiating payments may be using software provided by their financial institutions. Financial institutions also create ACH credit transaction records.)
9. Always make any necessary credit transfers to move any incorrectly posted payments to the correct EIN, tax period, and MFT. Even if the taxpayer does not know what error was made, make the necessary credit transfer if the taxpayer can find the account to which the payment belongs.

21.7.11.4.1.2
(10-01-2020)

Discrepancy Between Tax Type Indicated on Electronic Funds Transfer Payment System (EFTPS) Payment and Established Filing Requirements

- (1) Form 8109 and Form 8109-B, FTD Coupons, are no longer used to make Federal Tax Deposits (FTD). A regulatory change took effect January 1, 2011, that eliminated FTD coupons. Electronic funds transfer (EFT) must make electronic funds transfer (EFT).
- (2) When a discrepancy between the tax type showed on the Electronic Funds Transfer Payment System (EFTPS) payment and established filing requirements occurs and the correct tax type cannot be determined from in-house research, the FTD unit in Accounting Function attempts to:
 1. Contact the taxpayer for verification of tax type
 2. Correct the FTD record
- (3) If unable to contact the taxpayer or to resolve the discrepancy:
 1. Letter 3064C, *IDRS Special Letter*, (or other proper letter) is sent stating where the FTD payment was applied.
 2. A reply is requested only if the payment needs to be applied to a different type of tax and/or tax period.
 3. Taxpayer replies are routed to the initiator. If a credit transfer is needed, the reply is forwarded to the functional area that works CP 108 replies.
- (4) Process these cases using the chart in IRM 21.7.11.4.1, *CP 108, Problem with Your Federal Tax Deposit (FTD)*.

21.7.11.4.1.3
(10-01-2007)

CP 108, Problem with Your Federal Tax Deposit (FTD), Reply Indicates Irate Taxpayer

- (1) These CP 108 replies must be answered with a phone call or letter, including:
 - a. An apology
 - b. An explanation of the error
 - c. Advice to prevent the error in the future
- Caution:** Ensure you are talking to the taxpayer or an authorized representative. See IRM 21.1.3, *Operational Guidelines Overview*, for authentication guidelines.

21.7.11.4.1.4
(10-01-2020)

Unnecessary Reply to CP 108, Problem with Your Federal Tax Deposit (FTD)

- (1) There is no need to reply to the taxpayer when the taxpayer unnecessarily replies to a CP 108.
- Example:** A taxpayer's CP 108 indicates the payment was applied to 01-202406 and the taxpayer's reply confirms the payment was to be applied to the second quarter of 2024.

21.7.11.4.2
(12-01-2022)

CP 172, SC Notice Requesting Follow-up Action on Entity; CP 192, Employment Code Exempts FICA/FUTA Filing Forms 940, 941, 943; Form 3465, Adjustment Request

- (1) CP 172, *SC Notice Requesting Follow-up Action on Entity*, and CP 192, *Employment Code Exempts FICA/FUTA Filing Forms 940, 941, 943*, are internal (campus) notices issued through the Accounts Management System to Exempt Organization Entity for processing.
- (2) CP 172 is issued to verify the status of an entity set up as a nonprofit organization exempt from filing Form 940 (Employment Code (EC) "W") but needed to file Form 941 or Form 944 (FR 01). For more information, see IRM 3.13.12.20.5, *CP 172*.

- (3) If money has posted to Form 940 and the organization is not liable, Entity or Entity Unpostables prepares a Form 3465, *Adjustment Request*, or a Form 3244, *Payment Posting Voucher*, to request a manual refund and forward to Accounts Management (AM) for processing.
- (4) CP 192 is issued when:
 - a. A state or local government subject to withholding tax only (EC "G"), files Form 941 or Form 944 reporting Federal Insurance Contribution Act (FICA) wages, or
 - b. An entity not subject to Federal Unemployment Tax Act (FUTA) files Form 940 and the account has Employment Code "F," "W," or "T." For more information, see IRM 3.13.12.20.6, *CP 192*.
- (5) For a CP 192 involving Form 941, Entity verifies whether the taxpayer entered into a Section 218 agreement electing social security coverage.
 - a. If Section 218 was not elected, the case file is forwarded to AM on Form 3465.
 - b. AM calls or corresponds with the taxpayer to resolve the Form 941 issue before abating any FICA tax.
- (6) For CP 192s involving Form 940, Entity verifies whether the taxpayer is subject to FUTA tax. If the taxpayer is not subject to FUTA tax and Form 940 reflects a taxable wage amount, the case is forwarded to AM on Form 3465. Upon receipt of the Form 3465 or Form 3244, AM:
 - 1. Abates assessed FUTA tax and FUTA wages

Reminder: Use Priority Code 3 for IRS-initiated adjustments. See IRM 20.2.4.8.3.3, *45-Day Rule and IRS Initiated Adjustments*.

Caution: Some federal agencies with EC "A" or EC "F" must file Form 940. Therefore, prior to preparing Form 3465, Entity must contact the *Federal Agency Delinquency (FAD) Unit* and notate the word "FAD" on Form 3465 if the tax is to be refunded. If Form 3465 is not notated, contact the FAD Unit. See the *Who/Where Tab* on SERP for the phone number of the *Federal Agency Delinquency (FAD) Campus Contacts*. Also, see IRM 3.13.12.20.6, *CP 192*, for more information.

- 2. Issues Letter 858C, *Unemployment Return (FUTA) Filing Requirements: Form 940*, to notify the taxpayer they are not liable for filing Form 940
- 3. Makes any other adjustment requested on the form
- 4. Deletes Form 940 filing requirements unless already corrected by Entity

Note: Do not remove the filing requirements until after the refund posts; see IRM 5.19.22.5.3.1.2.3, *BMF Response Form 940 Employer's Annual Federal Unemployment (FUTA) Tax Return*.

21.7.11.4.3
(10-01-2022)

**CP 180 and CP 181,
Missing Schedule on
Forms 1120, 1041, 990C,
990T, and CP 182,
Missing Forms 3468 on
Forms 1120, 1120F,
1120L, 1120M, 1041,
990C, 990T, Notices -
Missing Form or
Schedule**

- (1) The following computer paragraph (CP) notices generate and are sent to the taxpayer when a Form 990-T, Form 1041, or Form 1120 series return is input to the BMF without the proper forms or schedule and one or more of the following Missing Schedule Codes (MSC) are assigned to the return. The credit is not allowed.
- (2) A CP 180, *Missing Schedule on Forms 1120, 1041, 990C, 990T*, notice generates when any of the following forms or schedules are missing from the return and the return is assigned a MSC.

MSC	Form or Schedule
30	Schedule PH Form 1120 only
32	Schedule D
33	Form 4255
34	Form 4626
35	Form 4797
45	Form 8611 Also, Form 8609 for Form 1041 only
46	Form 8827 Form 1120 only
47	Form 8826
51	Form 8845
52	Form 8846
53	Form 8847
54	Form 8844
61	Form 8864
62	Form 8896
63	Form 8900
64	Form 8904
65	Form 8906
66	Form 8907
67	Form 8908
68	Form 8910
69	Form 8911
70	Form 5884A
71	Form 8909

MSC	Form or Schedule
72	Form 8912
73	Form 8931
74	Form 8932

- (3) A CP 181, *Missing Schedule on Forms 1120, 1041, 990C, 990T*, notice generates when any of the following forms are missing from the return and the return is assigned an MSC.

MSC	Form or Schedule
29	Form 1118
30	Form 1116 Form 990-T and Form 1041 only
37	Form 5735
38	Form 5884
39	Form 6478
40	Form 6765
42	Form 8820
43	Form 3800
44	Form 8586 Also, Form 8609 for Form 1120 only
46	Form 8801 Form 990-T and Form 1041 only
49	Form 8834
50	Form 8835
55	Form 8861
56	Form 8860
57	Form 8874
58	Form 8881
59	Form 8882
60	Form 8884
75	Form 5884-B
76	Form 8941

- (4) A CP 182, *Missing Forms 3468 on Forms 1120, 1120F, 1120L, 1120M, 1041, 990C, 990T*, notice generates when Form 3468, *Investment Credit*, is missing from the return and the return is assigned MSC 31.

- (5) See the following IRMs for more information on MSC for the forms below:
- Form 990-T, IRM 3.11.12.8.14, *Part V Perfection (2019 Revision)*
 - Form 1120 Series, various subsections in IRM 3.11.16, *Corporate Income Tax Returns*
- (6) To resolve a CP 180 notice, CP 181 notice, or a CP 182 notice:
1. Use Corporate File Online command codes. (Secure original return only when necessary.)
 2. Decide the correct tax and/or credits by reviewing the information from the taxpayer.
 3. Adjust the tax, penalties, interest and/or credits, as necessary, if the taxpayer gives the proper form(s). Input Hold Case 0 with the adjustment to allow a CP 210 or CP 220, *Examination (Audit) or Data Processing Tax Adjustment - Balance Due, Overpayment, or Even Balance*, notice to generate to the taxpayer.
 4. Disallow any credit claimed if the taxpayer did not supply the supporting form. (See procedures in IRM 21.5.3.4, *General Claims Procedures*, for no consideration/disallowance claims.)
- (7) Unified Work Request 375703 obsoleted CP 180, CP 181, and CP 182 effective January 2023.

21.7.11.4.4
(12-24-2013)
**CP 185, Frozen
Designated Penalty
Payment Transcript; TC
690 Penalty Payment,
Module in Credit
Balance**

- (1) A CP 185, *Frozen Designated Penalty Payment Transcript*, is generated when all the following conditions occur:
- A TC 690 (designated payment of penalty) posts to a module.
 - There is no posted un-reversed penalty in the module.
 - The payment puts the module in credit balance.
- (2) A freeze from refund and offset are set in the same cycle the CP 185 is generated. The H- freeze is systemically released eight cycles later if other actions which release the freeze do not occur prior to that. See IRM 21.5.6.4.15, *H- freeze*, for more information. The freeze is released when one of the following conditions occurs:
- a. Reversal of the credit
 - b. Posting of a penalty
 - c. Input of TC 290 or TC 300 with a penalty
 - d. Automatic 8 cycle release
- (3) Resolve the CP 185 by researching the Integrated Data Retrieval System to determine if there is a pending or unpostable penalty transaction. Follow the table below:

If	Then
A penalty transaction is pending.	1. Hold CP 185 for two cycles. 2. Destroy CP 185 when the penalty posts.
A penalty transaction is unpostable.	1. Use Command Code (CC) UPCAS with definer Z to advise Unpostables how to correct the transaction. 2. Destroy CP 185.
A penalty transaction has posted.	Destroy CP 185.
A TC 180 \$.00 in Blocking Series 14 has posted and the taxpayer has been notified that no penalty was assessed.	Destroy CP 185.
There is no pending or unpostable transaction. Caution: If a payment is remitted in response to a CP 276A, <i>Reminder to Supply a Completed Tax Liability Schedule When Filing Future Returns or Federal Tax Deposit(s) (FTD)</i> , or CP 276B, <i>You Made One or More Late Federal Tax Deposit(s) (FTD), but We Didn't Charge You a Penalty</i> , notice, follow the procedures in IRM 20.1.4.19(2), <i>CP 276A and CP 276B Notices (FTD Penalty Waiver)</i> .	1. Request the TC 690 document (does not apply to EFTPS). 2. Input a TC 570 to prevent the payment from refunding because of the automatic eight-cycle release. 3. Assess the penalty and attach CP 185 if the posting document shows the penalty was to have been assessed; or 4. If the posting document does not show a penalty transaction, send the posting document to the organization responsible for having secured the payment. 5. Destroy the CP 185 and transfer the payment to the correct module if research shows it belongs elsewhere.

- (4) After following the above procedures, if the payment was made via EFTPS and research shows the payment was not intended to pay a penalty:

Note: Some taxpayers using EFTPS have been inadvertently inputting the payment in a manner that causes it to post as a TC 690 when it was intended to be a TC 650 or TC 660 (payment of tax). By changing TC 690 to TC 650 in a module subject to FTD penalty, this allows the computer to include the payment in its penalty computation, while a TC 690 is disregarded.

1. Input a credit transfer to change the TC 690 payment to a TC 650 (or TC 660 if appropriate). Use the Integrated Automation Technology (IAT) Credit Transfer Tool per IRM 21.2.2-2, **Accounts Management Mandated IAT Tools** ADD24 and input electronic payment indicator of "1."
2. Input TC 570 on both sides of the credit transfer. It is not necessary to input a TC 570 on the credit side if a TC 150 has not posted to the module.
3. Input TC 571 with a posting delay code 1 to release the TC 570 if a return has posted and the taxpayer is to receive a refund.

21.7.11.4.5
(04-23-2018)

CP 186, *Subsequent Payment Freeze* - Notice of Potential Manual Interest/Penalty Adjustment

- (1) A CP 186, *Subsequent Payment Freeze*, generates two cycles after a payment or credit creates a credit or zero balance in a module that is restricted from generating interest and/or Failure to Pay (FTP) penalty. A module restricted from computing interest or FTP penalty has one or more of the following conditions present:
 - - I freeze (Interest is restricted by TC 340 or TC 341.)
 - G- freeze (FTP penalty is restricted by TC 270 or TC 271.)
 - Doc code 52 transaction posted in module (Restricts interest and FTP penalty but does not set freeze codes.)
 - TC 150 with doc code 51 and blocking series other than 100 - 199 (Restricts interest and FTP penalty but does not set freeze codes.)
- (2) Changes to FTP penalty and interest must be manually computed when the module is restricted, and the computer cannot recompute the correct amounts.
 - a. Use Command Code (CC) COMPA, COMPA4, or COMPAP for debit interest computations. In addition to these command codes, the Automated Computation Tool (ACT/DMI) can be used for most interest computations and is recommended for more complex interest computations. See IRM 20.2.1.6, *Interest Computation Tools and Reports, Systemically Calculated Interest*, for a complete listing of interest computation methods.

Note: Although the Service approves and supports the use of CC COMPA and ACT/DMI to perform interest computations, ACT/DMI is the preferred interest computation tool.

 - b. Use CC COMPAF for FTP computations.

Note: Refer to IRM 20.2, *Interest*, and IRM 20.1.2, *Failure to File/Failure to Pay Penalties*.
- (3) Request the source document, if necessary, to figure out the reason for the restriction.
- (4) Review the penalty on the original assessment to verify if correct assessments were made.
 1. If the original assessment was incorrect, use the correct figures when resolving the CP 186.
 2. Do not reassess any amounts associated with an earlier FTP abatement for first-time abatement, reasonable cause, or general penalty relief.
 3. If the maximum FTP penalty has been reached and a TC 971 action code 262 has not generated, input TC 971 action code 262.
 4. For disaster aid and emergency relief information, see IRM 25.16.1, *Program Guidelines*.
- (5) Verify the interest assessed on the account.
 1. Do not correct the interest assessment unless it can be determined the previous computation was in error.
 2. If the method of computation can be determined to be in error, then it is not necessary to order the previous adjustment document(s).

Note: See IRM 20.2, *Interest*, for further information.

- (6) If additional penalty and/or interest is due, input an adjustment to assess the additional amount. Follow the table below:

If	Then
The available credit is less than the total additional penalty/interest due.	Assess the total additional penalty/interest.
The available credit is more than the additional penalty/interest.	Assess only the total additional penalty/interest due and let the balance refund.
No other adjustment action is necessary.	Use priority Code (PC) 5 (if appropriate) to force the computer assessment of unrestricted interest or FTP penalty and issue a balance due notice to the taxpayer. (See IRM 21.5.2.4.8.3, <i>Clearance Tolerances</i> , for more information on use of PC 5.)

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- (7) If no additional interest/penalty is due, transfer the credit to the correct period or input TC 290 \$.00 to release the J- freeze. Input Hold Code 0 to allow a CP 210 or CP 220, *Examination (Audit) or Data Processing Tax Adjustment - Balance Due, Overpayment, or Even Balance*, notice to generate.

21.7.11.4.5.1
(05-19-2016)

**Routing of CP 186,
Subsequent Payment
Freeze, with Freeze
Code U-, -V, -W, -Y, or
with a TC 521 with
Closing Code 81**

- (1) Route CP 186, *Subsequent Payment Freeze*, cases with any of the conditions listed below to:
Internal Revenue Service
Mail BLN 4–N31.142
2970 Market St.
Philadelphia, PA 19104
- **U-**, current or immediate prior status 6X
 - TC 521 with closing code 81 and **-W freeze on another module**
- (2) If the CP 186 has been scanned into the Correspondence Image Inventory (CII), refer the case through CII to mail stop 4-N31.142.
- (3) Accounts with the freezes below no longer generate CP 186 transcripts. Offer in Compromise (OIC) transcripts generate on these accounts and Bankruptcy Automated Insolvency System automation carries out the same goal. If a CP 186 does generate, destroy as classified waste if paper or close no action if CII case.
- **-V**, TC 520 bankruptcy
 - **-Y** freeze TC 480, TC 780, TC 782 OIC
 - **-W**, TC 520 litigation pending .

- 21.7.11.4.5.2
(10-01-2020)
CP 186, Subsequent Payment Freeze, Involving Form 706, U.S. Estate Tax Return
- (1) Route any CP 186, *Subsequent Payment Freeze*, involving an estate tax return to:
Cincinnati Compliance Campus
Estate & Gift Tax Division
Mail Stop 824G
7940 Kentucky Dr.
Florence, KY 41042
- 21.7.11.4.5.3
(01-01-2006)
CP 186, Subsequent Payment Freeze, Involving Form 4668, Employment Tax Examination Changes Report
- (1) CP 186, *Subsequent Payment Freeze*, notices generated on Form 4668, *Employment Tax Examination Changes Report*, cases can usually be identified by one of the conditions below:
- Form 941 with TC 300 and TC 336 (may be TC 308 or TC 340)
 - Partial abatement of exam assessment with a manual interest abatement, TC 341
- (2) See IRM 21.7.2.5.8.1, *Processing Procedures for Forms 4669 and 4670*, to decide if interest needs to be adjusted.
- (3) If it cannot be determined how interest was computed, request the adjustment document and/or Form 4668.
- 21.7.11.4.5.4
(10-01-2020)
TC 342, Interest Restriction Deletion
- (1) Do not input a manual restriction on interest to an account without adequate research.
- (2) TC 342 removes the interest restriction previously set by either a TC 340 or TC 341. TC 342 must be input with Priority Code 5 to allow Master File to post accrued interest. Master File considers all posted TC 19X, TC 34X, and TC 33X amounts when assessing or abating additional interest because of a re-computation. See the instructions in IRM 20.2.5.6.2, *Manual Computations*, for all the requirements for removing the interest restriction with the input of TC 342.
- (3) If an account must be recomputed using interest netting procedures, see IRM 20.2.14, *Netting of Overpayment and Underpayment Interest*.
- 21.7.11.4.5.5
(01-01-2006)
TC 272, Failure to Pay Penalty Restriction Deletion
- (1) Do not restrict the Failure to Pay (FTP) penalty unless necessary.
- (2) TC 272 removes the restriction on the computer computation of the FTP penalty set by a previously posted TC 270 or TC 271 (without RC 62) and allows the computer to recompute the normal FTP penalty. Follow the guidelines below when inputting TC 272:
- TC 272 can only be input when it is determined from the source document(s) that the FTP penalty restriction was unnecessary.
 - Blocking Series (BS) "00" must be used with TC 272.
- Reminder:** The original return must be attached when using BS 00.

21.7.11.4.6
(11-05-2018)
**TC 240 Civil Penalty
Module**

- (1) These penalties are assessed at master file with a TC 240 and a three-digit reference number that identifies the specific type of penalty. See IRM 20.1.1, *Introduction and Penalty Relief*, and the following exhibits for specific references numbers, IRC sections, and an explanation of the penalties:

- IRM 20.1.1-4, *Penalty Reference Numbers (500 Series)*
- IRM 20.1.1-5, *Penalty Reference Numbers (600 Series)*
- IRM 20.1.1-6, *Penalty Reference Numbers (700 Series)*

21.7.11.4.7
(10-01-2020)
**CP 195, *Unresolved
Manual Refund Freeze*
(-X Freeze)**

- (1) The -X manual refund freeze is created by one of the following conditions:
- A manual refund is input and a TC 840 posts to the account and a corresponding adjustment is input without the proper Hold Case (HC), causing a duplicate refund to generate.
 - A TC 840 posts without a TC 150 on the account.
 - A TC 150 with Computer Condition Code (CCC) 0 posts to the account without a TC 840.
 - A TC 840 posts to an account in debit balance.
- (2) A CP 195, *Unresolved Manual Refund Freeze*, generates seven cycles after a TC 840 posts to a module and the TC 150 was not coded with CCC 0 or 20 cycles if the TC 840 was blocked 6XX. These notices indicate the manual refund created a balance due condition and a Taxpayer Delinquent Account (TDA) notice is scheduled to be issued.
1. The notice is forwarded to Files to pull the manual refund document.
 2. Files forwards the CP 195 to the manual refund originator.
 3. Area Office input is forwarded to campus Accounts Management.
- (3) Take the initial steps described below:
1. Examine the transcript and tax module for any pending action.
 2. Request the return, if necessary, and the TC 840 document if it is not included with the case file.
 3. Research the taxpayer's account for unpostable or rejected credits on the module and contact the appropriate areas to resolve the debit condition.
 4. Research for any missing credits and make the necessary credit transfers.
 5. Take all necessary actions to resolve the debit balance before releasing the freeze and resuming notice issuance.
- (4) Review the manual refund document. If the manual refund was input to a balance due module by a Compliance Service Collection Operation employee, input a TC 290 \$.00 with HC 3 and Priority Code 8 to release the -X freeze.
- (5) After taking the steps in (3) above, use the table below to complete resolution of the CP 195.

If	And	Then
A TC 840 posts creating a debit balance without the offsetting credit received from the Bureau of Fiscal Services (TC 841) after the 7 cycles.	IDRS shows an open control, and the activity code is "841 to post" and the TC 841 will create a zero balance on the account.	Close the case as "no action" and refile the document.
IDRS shows an opened or closed control base from a prior refund inquiry (activity code is either "3911TORDCC", "1184TORFC", or "3859messag").		<ol style="list-style-type: none"> 1. Send the CP 195 to the respective function for association with their case. 2. Refile the TC 840 document. 3. DO NOT release the freeze. 4. DO NOT allow the TDA notice to generate.
There was an erroneous refund.		Follow the erroneous refund procedures in IRM 21.4.5, <i>Erroneous Refunds</i> .
Adjustment action is necessary.		Input a TC 29X with PC 8 to release the freeze.
A TC 840 posted to the correct module.	A TC 150 posted to the incorrect module.	Reprocess the return per IRM 21.5.2.4.23, <i>Reprocessing Returns/ Documents</i> , and make any necessary adjustments.
A TC 840 posted to the incorrect account.	A TC 150 posted to the correct account.	Follow the instructions in IRM 21.4, <i>Refund Inquiries</i> , and IRM 3.17.79, <i>Accounting Refund Transactions</i> .
A TC 840 posted to the correct account.	The credits are not in the account.	Transfer the credits to resolve the -X freeze.
Taxpayer is not liable for a return.		Input a TC 590 closing code 75.
Case cannot be closed prior to issuance of a TDA.	An erroneous refund was issued.	Notify Collection to destroy the TDA.
A TDA was issued.	There is still a balance due on the account.	Notify Collection of the action taken.

21.7.11.4.8
(10-01-2024)

**CP 234, Potential ES
Penalty Transcript on
Forms 1120, 1120F,
1120L, 1120M, 1041,
990C - Processing
Potential Estimated Tax
(ES) Penalty Notices**

- (1) CP 234, *Potential ES Penalty Transcript on Forms 1120, 1120F, 1120L, 1120M, 1041, 990C*, is electronically generated through the Correspondence Image Inventory /Account Management Services with the basic information to identify the account.

- (2) A CP 234 generates when the computer computation of the Estimated Tax (ES) penalty differs from the amount computed by the taxpayer (TC 170) by

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applies:

- Computer Condition Code A is present (shows a non-penalty Form 2220, *Underpayment of Estimated Tax by Corporations*, was submitted).
- Form 1120, *U.S. Corporation Income Tax Return*, is a consolidated return.
- Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*, was filed with tax that included effectively and non-effectively connected income.

- (4) In addition to the criteria above, a CP 234 also generates on Form 1041, *U.S. Income Tax Return for Estates and Trusts*, if the Fiduciary Code is other than 9

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the following applies:

- Immediately prior tax year is not present.
- Immediately prior tax year is present and:
A TC 150 is not present, and the Status is other than 2 or 3, or,
A TC 150 is present, but the prior year ES Tax Base is zero and the return is for a full 12-month period, or,
A TC 150 has document code 51 or 52, and the Total Tax Settlement is zero.

- (5) A CP 234 is received with the original return. The computer computation of the ES penalty is shown as "CP 234" in the "Notice History Section" of Command Code TXMODA. The TC 170 is the penalty amount computed by the taxpayer.

Caution: Do not use the computer computation of the ES penalty to adjust the ES penalty except for situations described in IRM 21.7.11.4.8.1, *Form 2210, Underpayment of Estimated Tax by Individuals, Estates and Trusts/Form 2220, Underpayment of Estimated Tax by Corporations, Not Received with Return*, and IRM 21.7.11.4.8.2, *Original Return Not Received with CP 234, Potential ES Penalty Transcript on Forms 1120, 1120F, 1120L, 1120M, 1041, 990C*. Manual computation of the penalty amount is required in all other situations.

- (6) See IRM 20.1.3, *Estimated Tax Penalties*, for information on the penalty computation, exceptions to the penalty, and the application of payments when re-computing the penalty. To determine if the prior year is a short period return, see the following:

- IRM 3.11.14.8.19, CCC "Y" – *Short Period Return for Change of Accounting Period*
- IRM 3.11.16.7.4, *Short Period – Editing Proof of Entitlement*, and
- IRM 3.11.16.7, *Tax Period*

- (7) If a CP 234 generates on a Form 1041 or Form 1120 account and the adjusted seasonal or annualized income installment method is used and the annualiza-

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Underpayment of Estimated Tax by Individuals, Estates and Trusts, Form 2220, or Form 8804 Schedule A, Penalty for Underpayment of Estimated Section 1446 Tax by Partnerships.

Exception: If a significant discrepancy is found, see
IRM 20.1.3.3.1.7.1.2, *Form 2210, or Form 2210-F Discrepancies*, and
IRM 20.1.3.4.1.7.4, *Significant Discrepancies*.

If no significant discrepancies are found, input a TC 170 \$.00 and put the following remarks in the source document field: "CP 234 generated in error, annualized income installment method utilized."

Note: The above procedure applies only to the originally filed Form 2210 or Form 2220. You must verify the annualization computation on a subsequently filed Form 2210 or Form 2220.

- (8) If the adjusted seasonal or annualized income installment method is not used, verify the accuracy of the taxpayer's distribution of the tax liability: e.g., did the taxpayer follow Large Corp. rules. If the taxpayer's distribution of the tax liability is correct and the penalty result differs from the Service's computation, verify whether the credits claimed by the taxpayer match those posted on the account. If they do not match, try to locate any missing payments. Follow the table below:

Note: Be sure to consider the information in (9) below when computing the ES penalty. See IRM 20.1.3.3.1.7, and IRM 20.1.3.4.1.7, for specific examples for adjusting accounts per the chart below.

If	Then
Math verification results in	<ol style="list-style-type: none"> 1. Input a TC 170 for the amount of the increase using the appropriate blocking series (BS). 2. Send Letter 369C, <i>Estimated Tax Penalty (F2210) Explained</i>, or Letter 1320C, <i>Estimated Tax Penalty (F2220) Explained</i>, to the taxpayer explaining the penalty increase, such as, the payments claimed did not match those on the account. Include a copy of the penalty computation (COMPAS) in your correspondence or a DMI print as long as it matches the penalty computation. You may prepare page 1 of Form 2210 or Form 2220, but it is not mandatory. 3. Attach or capture a print of the penalty computation for documentation to the case file.
Math verification results in	<ol style="list-style-type: none"> 1. Input a TC 171 for the amount of the decrease using the appropriate BS. 2. Use Penalty Reason Code 016. 3. Use the appropriate Priority Code per IRM 21.5.2.4.16, <i>Priority Codes (PC)</i>. 4. Send Letter 369C or Letter 1320C to the taxpayer explaining the penalty decrease, such as, we based your penalty on your prior year tax. Include a copy of the penalty computation (COMPAS) in your correspondence or a DMI print as long as it matches the penalty computation. You may prepare page 1 of Form 2210 or Form 2220, but it is not mandatory. 5. Attach or capture a print of the penalty computation for documentation to the case file.
Math verification results in an increase or decrease	<ol style="list-style-type: none"> 1. Input a TC 170 \$.00 using the appropriate BS. 2. Close the case as "no change." 3. Attach or capture a print of the penalty computation for documentation to the case file.

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- (9) The IRS has extended the due dates on certain estimated tax payments for business entities due to Statutory Exceptions and Administrative Waiver. Also, see the *IRS Disaster Assistance Program website* for other payment dates that have been postponed due to various Presidentially declared disasters. Go to the *Media & Publications Product Catalog* for prior revisions of this IRM and of IRM 20.1.3, *Estimated Tax Penalties*, when calculating or researching the ES penalty for tax periods not covered in this revision. Choose the revision date following the date of the disaster, Statutory Exception, etc.

- (10) Per Notice 2018-26, no underpayment (estimated tax) penalty will be imposed under IRC 6654 or IRC 6655, with respect to a taxpayer's net tax liability under IRC 965. If the tax module contains an IRC 965 transaction code (TC) 971 with AC 114 or TC 766/767 with Credit Reference Number 263, refer to IRM 21.5.13, *IRC 965 Transition Tax Procedures - Accounts Management*, for guidance.
- (11) Notice 2019-25 provided special relief from the estimated tax penalty under section 6654 for tax year 2018. Under this notice, the section 6654 penalty is waived for any taxpayer whose total withholding and estimated tax payments made on or before January 15, 2019, equal or exceed eighty percent of the tax shown on that taxpayer's 2018 return. See IRM 20.1.3.2.7.2.3, *Notice 2019-11 and Notice 2019-25, Relief from Addition to Tax for Underpayment of Estimated Income Tax by an Individual*, for more information.
- (12) Notice 2020-23 postponed to July 15, 2020, all estimated income tax payments due on or after April 1, 2020, and before July 15, 2020. As a result, first quarter 2020 estimated income tax payments due April 15, 2020, and second quarter 2020 estimated income tax payments due June 15, 2020, were both postponed to July 15, 2020. Taxpayers were instructed to make a single payment in an amount sufficient to cover both the first and second quarter estimated tax payments on or before July 15, 2020.
- (13) Under Section 2302(b)(2) of the Coronavirus Aid, Relief and Economic Security (CARES) Act, half of the IRC 1401(a) self-employment tax imposed on net earnings from self-employment attributable to the period from March 27, 2020, through December 31, 2020, is disregarded in calculating the section 6654 estimated tax penalty. Because Schedule H household employment taxes are generally treated as self-employment taxes of the employer for purposes of the section 6654 estimated tax penalty, the employer's portion of social security tax imposed on wages paid from March 27, 2020 through December 31, 2020 and reportable on Schedule H is excludible from the ES tax base for the taxable year qualifying for the deferral. A Form 1041 (MFT 05) that includes tax from Schedule H for household employees may be affected by this provision and impact the CP 234. See IRM 20.1.3.2.7.2.5, *CARES Act Section 2302, Delay of Payment of Employer Payroll Taxes*, for additional details.
- (14) Notice 2023-42 provides penalty relief from the addition to tax under IRC 6655 for a corporation's failure to pay estimated income tax in connection with the application of the new Corporate Alternative Minimum Tax (CAMT) for taxable years beginning after December 31, 2022, and before January 1, 2024. See IRM 20.1.3.4.2.2, *Relief from Certain Additions to Tax for Corporation's Underpayment of Estimated Income Tax under Section 6655*, for additional details.
- (15) A programming problem was identified with the CP 234, *Potential ES Penalty Transcript on Forms 1120, 1120F, 1120L, 1120M, 1041, 990C*, for tax periods that began in 2016. Until the programming was corrected for periods beginning in 2017, the CP 234 notices did not compute the ES Penalty correctly on corporate income tax returns. Programming used the incorrect return due date (RDD) when calculating the ES Penalty. For more details about this issue, refer to prior revisions of this IRM.

21.7.11.4.8.1
(10-01-2020)
**Form 2210,
Underpayment of
Estimated Tax by
Individuals, Estates and
Trusts/Form 2220,
Underpayment of
Estimated Tax by
Corporations, Not
Received With Return**

- (1) If a Form 2210, *Underpayment of Estimated Tax by Individuals, Estates and Trusts* or Form 2220, *Underpayment of Estimated Tax by Corporations*, is not received with the return, take the following action:

1. Increase or decrease the Estimated Tax penalty when the computer (CP

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Reminder: Use Priority Code 3 when inputting a decrease for the 45-day interest-free period. See IRM 20.2.4.8.3.3, *45-Day Rule*, and *IRS Initiated Adjustments*, for more information.

2. Send Letter 369C, *Estimated Tax Penalty (F2210) Explained*, or Letter 1320C, *Estimated Tax Penalty (F2220) Explained*, to the taxpayer advising of the action taken. For example, we refigured the penalty based on either the prior year tax or the current year tax. If the penalty is being increased, request a Form 2210 or Form 2220 be submitted if the taxpayer believes they qualify for relief of the penalty per the form.

21.7.11.4.8.2
(10-01-2024)
**Original Return Not
Received with CP 234,
Potential ES Penalty
Transcript on Forms
1120, 1120F, 1120L,
1120M, 1041, 990C**

- (1) If the original return is not received with the CP 234, *Potential ES Penalty Transcript on Forms 1120, 1120F, 1120L, 1120M, 1041, 990C*, recompute the penalty based on the available information, such as Command Code (CC) PIEST and CC COMPAE.
- (2) If a determination cannot be made, initiate a "special search."
- (3) If still unable to secure the return after a special search, contact the taxpayer to request a copy of Form 2210, *Underpayment of Estimated Tax by Individuals, Estates and Trusts*, or Form 2220, *Underpayment of Estimated Tax by Corporations, Not Received with Return*.
- (4) If no response is received:
1. Increase the penalty to the proposed CP 234 penalty amount, found in the "Notice History Section" on TXMODA.
 2. Notify the taxpayer of the increase.
 3. Request another Form 2210 or Form 2220 be submitted if the taxpayer believes they qualify for relief of the penalty per the form.

21.7.11.4.8.3
(10-01-2024)
**Large Corp. CP 234,
Potential ES Penalty
Transcript on Forms
1120, 1120F, 1120L,
1120M, 1041, 990C**

- (1) A large corporation (for determining the estimated payments installment requirements) is defined as a corporation, or a predecessor corporation, that had taxable income of \$1 million or more in any of the three years immediately preceding the current year, or, if the corporation has been in existence less than 3 years, the number of years the corporation has been in existence. See Regulation section 1.6655-4. The taxable income of the members of a controlled group of corporations (as defined in section 1563(a)) must be aggregated for purposes of determining whether taxable income is \$1 million or more.
- (2) To determine if a corporation qualifies as a large corporation, any short years during the testing period must be annualized using the method described in IRM 20.1.3.4.1.1.7(3), *Large Corporations*.

- (3) For this purpose, taxable income is changed to exclude net operating loss and capital loss carrybacks and carryovers. Members of a controlled group, as described in section 1563, must divide the \$1 million amount among themselves under rules like those in IRC 1561.

Note: For a list of controlled group types, see Form 1120 Schedule O, *Consent Plan and Apportionment Schedule for a Controlled Group*.

- (4) Research IDRS to determine if the corporation is a large corporation.

Reminder: Taxable income of \$1 million or more does not necessarily reflect the corporation is a true Large Corporation as defined in IRM 21.7.1.4.11, *Large Corp Unit*. Therefore, a taxpayer who must follow the large corporation installment requirements may not have their account marked as a Large Corp.

Caution: Contact the Large Corp./Technical Unit only if the account has the Large Corporation Indicator as explained in IRM 21.7.1.4.11.4(3), *Campus Contacts for Large Corp Cases*.

- (5) When a corporation identifies itself as a large corporation on Form 2220, *Underpayment of Estimated Tax by Corporations, Not Received with Return*, Code and Edit enters a Reserve Code "4"; see IRM 3.11.16.39.11.4, *Reserve Code*. You can check Command Code BRTVU for Reserve Code "4."

21.7.11.4.9
(12-01-2022)
CP 267, No Math Error - Credit Offset Notice, and CP 268, Math Error Credit Offset Notice - Notices of Excess Credit

- (1) When a module has more credits than claimed by the taxpayer, a Q- freeze is established and a CP 267, *No Math Error - Credit Offset Notice*, or a CP 268, *Math Error Credit Offset Notice*, is generated.
- (2) These notices list up to 39 credits and request that the taxpayer explain if the credits are to be applied to other accounts or refunded. A 15-cycle freeze releases when any of the conditions below is met:
- A TC 652 or TC 662 posts resolving the discrepancy between the
(Reducing credits posted to less than credits claimed releases the Q-freeze.)
 - The module balance becomes zero or debit.
 - A TC 290 \$.00 with Priority Code (PC) 4 (with no secondary TCs or reference numbers) posts. (See IRM 21.7.1.4.6.2, *Q- Freeze/Offset*.)
 - The 15-week cycle hold expires.
- (3) These notices must be worked on an expedited basis. Make every effort to correct other issues involving the taxpayer's account rather than resolving only the notice tax period.
- (4) If not previously controlled on IDRS, control using "LETERCP267" or "LETERCP268" as the activity code.
- (5) If **less than three weeks** remain before the freeze expires, do not input any credit transfers. See table below:

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If	Then
Taxpayer requests we move the credit(s); however, a refund has already been issued.	<ol style="list-style-type: none"> 1. Notify the taxpayer we were unable to comply with the request on the CP 267 or CP 268. 2. Recommend that the taxpayer return the refund check uncashed with information on where to apply the payment and to write Void on the back of the refund check. Note: If the refund check was already cashed, a replacement check must be submitted for payment.
Taxpayer requests a refund.	<ol style="list-style-type: none"> 1. Allow the computer to issue a refund and advise the taxpayer that they will receive a refund within 3-4 weeks if they owe no other taxes. 2. If a refund has already been issued and an interim letter has not been sent, close the case, as the refund received is the response to the taxpayer. Send a closing letter if an interim was sent.
Taxpayer requests we move the credit(s); however, the credit will refund before any action can be taken.	<ol style="list-style-type: none"> 1. Follow the refund deletion procedures in IRM 21.4.1.5.10, <i>Refund Intercept CC NOREF with Definer "P."</i> 2. Move the credit(s) per the taxpayer's request once the refund has been deleted and a TC 841 is posted. Note: If you are unable to stop the refund, follow the instructions in the row above.
The credit(s) offset(s) to a module other than where the taxpayer requested.	<ol style="list-style-type: none"> 1. Reverse the offset(s) and transfer to the correct account. 2. Advise the taxpayer that they will receive a CP 138, <i>Notification That the Overpayment on the Return was Offset Against Another Tax Period with a Balance Due</i>, and to disregard the notice, as we have applied the credit(s) as requested.
Taxpayer has submitted or will send an amended return.	<ol style="list-style-type: none"> 1. If time allows, follow the refund deletion procedures in IRM 21.4.1.5.10, <i>Refund Intercept CC NOREF with Definer "P."</i> 2. If it is too late to stop the refund, recommend that the taxpayer return the refund check uncashed with information on where to apply the payment and to write "Void" on the back of the refund check. Note: If the refund check was already cashed, a replacement check must be submitted for payment.

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Note: Also see paragraph (7) below if the taxpayer states that the credit/payment does not belong to them.

- (6) If **three or more weeks** remain before the freeze expires, follow the table below:

If the taxpayer	And	Then
Requests a refund	There is no balance due on other modules	<ol style="list-style-type: none"> 1. Input a TC 290 \$.00 with PC 4. 2. Use Hold Code (HC) 0 if the refund is for the amount expected by the taxpayer and allow the CP 210 or CP 220, <i>Examination (Audit) or Data Processing Tax Adjustment - Balance Due, Overpayment, or Even Balance</i>, notice to generate. If the amount is different, input HC 3 and advise the taxpayer of the difference. 3. Tell the taxpayer the refund will be issued in three to four weeks.
Requests a refund	There are balances due on other modules	<ol style="list-style-type: none"> 1. Input a TC 290 \$.00 with PC 4 and HC 3. 2. Inform the taxpayer a refund will be issued in three to four weeks if no other taxes are owed. <p>NOTE: Do not manually offset the overpayment to a balance due. Let the computer perform the offset unless there is a –E freeze on another module. The –E freeze prevents an offset for 10 weeks. You must manually transfer the payment to the balance due account using the proper transaction codes if the credit transfer will post before the release of the –E freeze.</p> <p>EXCEPTION: If there is a balance due on another module with an open control, coordinate with that area (if possible) to determine if a credit transfer is appropriate.</p>
Requests a credit transfer		<ol style="list-style-type: none"> 1. Input the credit transfer, per the taxpayer's request. 2. Notify (by phone, letter, or notice) the taxpayer who received the CP 267 of the action taken. <p>Reminder: If the taxpayer requests the overpayment be applied to the immediately succeeding tax period, move the overpayment using TC 830/TC 710. See IRM 21.7.4.4.5, <i>Estimated Tax Overpayment, Credit Elect - General</i>, for more information on credit elects. If the taxpayer requests that the actual payment be moved, use the proper transaction codes, e.g., TC 652/TC 650.</p>
Indicates they will send an amended return or 94X-X		Input a TC 570 on the account to prevent the overpayment from refunding.
Has payment(s) posted to the account after the CP 267 or CP 268 was generated	Proper credit disposition cannot be determined from a review of the account.	<ol style="list-style-type: none"> 1. Contact the taxpayer by phone to resolve the discrepancy. 2. If unable to contact by phone, pull the payment document to find if the payment(s) posted correctly.
Provides an insufficient response		<ol style="list-style-type: none"> 1. Contact the taxpayer by phone to resolve the discrepancy. 2. If unable to contact by phone and you cannot figure out what the taxpayer is asking, take no action to release the freeze.

- (7) If the taxpayer states that the excess payment/credit does not belong to them, determine if the payment was made via the Electronic Funds Transfer Payment System (EFTPS).

- a. If the payment was **not** made through the EFTPS, request the payment document to determine where the payment belongs. Research the account and follow the table below:

If	Then
The payment belongs to the taxpayer.	Contact the taxpayer for the proper disposition.
The payment belongs to another taxpayer.	Transfer the payment to the proper account.
You cannot determine where the payment belongs.	<ul style="list-style-type: none"> • If the credit is less than one year old, prepare Form 2424, <i>Account Adjustment Voucher</i>, for the Unidentified Remittance File (URF). • If the payment is at least one year old, prepare Form 8758, <i>Excess Collections File Addition</i>, for the Excess Collection File (XSF). • If three weeks or more remain before the freeze expires, input a TC 570 to ensure an erroneous refund is not issued. Otherwise, follow the refund deletion procedures before routing the Form 2424 or Form 8758 to accounting. • If moving the credit(s) to XSF or URF, input a TC 971 AC 296 on the module to which the credit(s) posted to show that the proper research was completed. • See IRM 21.2.4.3.10, <i>Applying Unresolved Credits for AMRH</i>, and IRM 21.2.4.3.10.1, <i>Excess Collections File (XSF) and Unidentified Remittance File (URF) for AMRH</i>, for specific information on transferring the credit(s).

- b. If the payment was made through the EFTPS, research the account, and contact the taxpayer (by telephone, if possible) and ask them to check their records, bank statements, subsidiaries' records, etc. If the taxpayer still insists that the credit is not theirs, follow the instructions in the last row of the table immediately above.

- (8) See IRM 13.1.7, *Taxpayer Advocate Service (TAS) Case Criteria*, if the case meets TAS criteria.

21.7.11.4.9.1
(12-01-2022)

**Undeliverable CP 267,
No Math Error - Credit
Offset Notice, and CP
268, Math Error Credit
Offset Notice**

- (1) If a CP 267, *No Math Error - Credit Offset Notice*, or CP 268, *Math Error Credit Offset Notice*, is returned undeliverable:

1. Analyze the account to verify the notice is still valid. If the notice is no longer valid, destroy the notice as classified waste. If the notice is still valid, continue following these steps.
2. Use IDRS/CFOL command codes to research for a better address and/or telephone number.
3. If a telephone number is secured contact the entity by telephone to obtain its current address.

Note: "See Rev. Proc. 2010-16 for guidelines on updating the taxpayer's address based on oral communications."

4. Re-mail the notice if a more current address is found.

Caution: Extreme care must be taken to ensure that only the material relative to the entity to which the correspondence is addressed is enclosed in the envelope. See IRM 21.3.3.4.24, *Breaches of Personally Identifiable Information (PII) Caused by Manual Stuffing Errors*.

5. Associate the notice with the original return using local procedures if a more current address is not found.
6. Do **not** release the Q- freeze.

Note: For more information regarding undeliverables, refer to IRM 21.3.3, *Incoming and Outgoing Correspondence/Letters*.

21.7.11.4.10
(07-15-2013)

**CP 270, Audit/DP
Adjustment Transcript -
Hold Code, Module in
Debit Balance**

- (1) A CP 270, *Audit/DP Adjustment Transcript*, generates when both the criteria below are met:

- An Examination or Data Processing adjustment with Hold Code (HC) 2 or 4 posts to a debit balance module.
- The condition has been on Masterfile for more than seven cycles.

- (2) To resolve the CP 270:

1. Determine the cause for delay in posting the proper transactions, or release of the HC, by reviewing the transactions on the CP 270.
2. Research available IDRS information.
3. Expedite posting of the transaction or release the freeze created by HC 2 or 4.

- (3) Input a TC 290 \$.00 to release the freeze if all the following conditions are met:

- The balance due is correct.
- The account will update to Taxpayer Delinquent Account status.
- A notice has not been sent.

- (4) Prevent a status update if the balance due is not correct by inputting the proper transactions to eliminate the balance due amount.

- (5) A CP 270 containing a TC 30X with HC 2 or HC 4 does not require a TC 290. Notices are generated at their normal cycle.

21.7.11.4.11
(10-01-2009)

**POSSDELPEN (Possible
Delinquency Penalty)
Transcript**

- (1) POSSDELPEN transcripts are used to verify the correct penalty amounts and generate when:
- a. A TC 460 posts to a module containing a manual delinquency penalty transaction (TC 160).
 - b. A disaster due date posts or updates in the module, and the module is restricted by TC 160/TC 161.
- (2) Use the table below to resolve these transcripts:

If	Then
Only a TC 160 \$.00 is present, or the net of the TC 16X transactions is zero.	Destroy the transcript and close your control base.
The sum of the TC 16X transactions is greater than zero.	Refer to IRM 20.1.2, <i>Failure to File/Failure to Pay Penalties</i> , for penalty computation and abatement procedures.

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Exhibit 21.7.11-1 (12-01-2022)

Acronyms and Abbreviations Used in This IRM

Acronym	Meaning
ACH	Automated Clearing House
ACT	Automated Computation Tool
AM	Accounts Management
AMRH	Accounts Maintenance Research Hold
ARRA	American Recovery and Reinvestment Act
BMF	Business Master File
BS	Blocking Series
CC	Command Code
CCC	Computer Condition Code
CFOL	Corporate Files On-Line
CFR	Code of Federal Regulations
CII	Correspondence Image Inventory (known as the Correspondence Imaging System (CIS) prior to October 23, 2022)
CP	Computer paragraph
CSR	Customer Service Representative
DMI	Decision Modeling, Inc.
EC	Employment Code
EFT	Electronic funds transfer
EFTPS	Electronic Federal Tax Payment System
E.g.	<i>Exempli gratia</i>
EIN	Employer Identification Number
EQ	Embedded Quality
ES	Estimated Tax
Etc.	<i>Et cetera</i>
EUP	Employee User Portal
FAD	Federal Agency Delinquency
FICA	Federal Insurance Contribution Act
FR	Filing requirement
FTD	Federal Tax Deposit

Exhibit 21.7.11-1 (Cont. 1) (12-01-2022)**Acronyms and Abbreviations Used in This IRM**

Acronym	Meaning
FTP	Failure to Pay
FUTA	Federal Unemployment Tax Act
FY	Fiscal year
HC	Hold Code
H.R.	House of Representatives
IAT	Integrated Automation Technologies
IDRS	Integrated Data Retrieval System
IPSO	Identify Protection Strategy & Oversight
IPU	Interim Procedural Update
IRB	Internal Revenue Bulletin
IRC	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
KY	Kentucky
LB&I	Large Business and International
MeF	Modernized e-File
MF	Master file
MFT	Master File Tax
MSC	Missing Schedule Code
OIC	Offer in Compromise
PA	Pennsylvania
PC	Priority Code
PII	Personally Identifiable Information
PPB	Policy & Procedures BMF
PPI	Policy & Procedures IMF
Qtr.	Quarter
RC	Reason Code
RDD	Return due date
RICS	Return Integrity and Compliance Services
RMT	Resource Management & Training
RQ&JR	Reports, Quality & JOC Rep

Exhibit 21.7.11-1 (Cont. 2) (12-01-2022)
Acronyms and Abbreviations Used in This IRM

Acronym	Meaning
SBSE	Small Business/Self Employed
SC	Service center
SERP	Service wide Electronic Research Program
SP	Submission Processing
TAS	Taxpayer Advocate Service
TASC	Technology Assistance & Stakeholder Communica- tion
TC	Transaction Code
TDA	Taxpayer Delinquent Account
TE	Tax examiner
TS	Taxpayer Services
URF	Unidentified Remittance File
U.S.	United States
VRU	Voice response unit
XSF	Excess Collection File

