



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

25.3.5

MARCH 12, 2024

EFFECTIVE DATE

(03-12-2024)

PURPOSE

- (1) This transmits revised IRM 25.3.5, Litigation and Judgments, Judgment Follow-up.

MATERIAL CHANGES

- (1) IRM 25.3.5.4.2: Added instructions for manual use of Letter 3171, Notice of Federal Tax Lien (NFTL) Additional Filing, when Department of Justice (DOJ) has case jurisdiction.
- (2) Editorial changes including organizational names, references and style guide updates.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 25.3.5 dated September 8, 2023.

AUDIENCE

SBSE Collection Employees and all Operating Divisions

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25.3.5

Judgment Follow-up

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25.3.5.1
(08-11-2022)
Program Scope and Objectives

- (1) The Internal Revenue Service in certain circumstances obtains a judgment against a taxpayer or third party when collection enforcement actions alone cannot resolve the case. The Department of Justice (DOJ) maintains jurisdiction of these judgments and is responsible for collection. The Civil Enforcement Advice and Support Operations (CEASO) Advisory organization maintains controls for these cases internally and coordinates with Department of Justice (DOJ) on assistance they may require. CEASO Advisory is also responsible to coordinate with Counsel and other internal organizations with work in connection to these cases including requests for enforcement actions.
- (2) **Purpose:** This section provides the procedural instructions for collection staff coordinating with DOJ or Counsel while a case is under DOJ control, internal judgment monitoring, and resolving judgments after the DOJ has returned control of the case to the IRS.

Note: A case is always under DOJ “control” once it has been referred to the DOJ, in the particular sense that, without the knowledge and consent of the Tax Division, the IRS should not compromise a liability that is included in a judgment unless the Tax Division approves the compromise.

- (3) **Audience:** Collection employees responding to requests for assistance from DOJ and specifically CEASO Advisory staff use this IRM in assisting DOJ or Counsel, coordinating responses, and resolving cases after control returns to the IRS.
- (4) **Policy Owner:** Director, Collection Policy.
- (5) **Program Owner:** The program owner is Collection, an organization within the Small Business Self-Employed (SBSE) division.
- (6) **Primary Stakeholders:** The primary stakeholders are Chief Counsel, DOJ Tax Division Civil Trial Sections, DOJ Tax Division’s Financial Litigation Unit (FLU), and other DOJ attorneys.
- (7) **Program Goals:** The goal of the program aligns with (i) IRS Strategic Goal II— to effectively enforce the law to ensure compliance with tax responsibilities and combat fraud, and (ii) Objective 1— to enforce domestic and international compliance by strengthening expertise, adopting innovative approaches, and streamlining procedures.

25.3.5.1.1
(08-11-2022)
Background

- (1) The provisions of this section apply in general to all judgment cases controlled by CEASO Advisory. Judgments entered in a civil tax case may be for assessed tax liabilities or for liabilities that cannot be assessed (i.e., unassessable liabilities). Required actions are to be taken by CEASO Advisory unless otherwise noted.

25.3.5.1.1.1
(08-11-2022)
Judgments for Assessed or Unassessable Liabilities

- (1) **Definition Assessed Liability:** Suits to reduce tax assessments to judgment will result in a judgment being entered against the taxpayer against whom the assessments were made for the entire amount of the outstanding tax liabilities (see also IRM 25.3.5.4.2, Additional Procedures for Judgments for Assessed Liabilities).
- (2) **Definition Unassessable Liability:** Suits brought against taxpayers or third parties resulting in money judgments where there is no underlying tax liability

(see also IRM 25.3.5.4.3, Additional Procedures for Judgments for Unassessable Liabilities). For example:

- suit to recover an erroneous refund
- suit for failure to honor a levy
- suit to collect unpaid employment taxes under IRC 3505, the Miller Act, or under third-party contract rights
- suit to collect against transferees for liabilities not assessed under IRC 6901
- suit in which sanctions, costs, or fees are awarded that cannot be assessed under IRC 6673(b)
- suit in which restitution amounts that cannot be assessed as taxes are ordered payable to the IRS

Caution: This category does **not** include liabilities that have been abated due to premature posting of a Transaction Code (TC) 608. Such liabilities should be reestablished using the procedures in IRM 25.3.6.3.2.2(5), Cases with Imminent CSEDs.

(3) Responsibilities for the collection of judgments for assessed and unassessable liabilities are discussed in the sections that follow.

25.3.5.1.2
(03-12-2024)
Authority

(1) This section covers the various types of authorities related to the use of this IRM.

Code Section	Regulation	Description
IRC 3505	no regulation	Liability of third parties paying or providing for wages
IRC 6321	26 CFR 301.6321-1	Lien for taxes
IRC 6323(g)	26 CFR 301.6323(g)-1	Validity and priority against certain persons / Refiling
IRC 6502(a)	26 CFR 301.6502-1	Collection after assessment
IRC 6673	26 CFR 301.6673-1	Sanctions and costs awarded by courts
IRC 6901	26 CFR 301.6901-1	Transferred assets
IRC 7122	26 CFR 301.7122-1	Compromises

(2) **Settlement Authority:** When a case has been referred to the DOJ (whether the Tax Division or a US Attorney's Office), DOJ has settlement authority (IRC 7122, Compromises). The IRS has no authority to settle these cases. Depending upon the nature of the action, the litigation may be handled by either a civil trial attorney in the Tax Division or an Assistant U.S. Attorney in the local U.S. Attorney's Office. Any actions taken in litigation cases must be coordinated through the Area Counsel Attorney assigned to the case unless the case is of the type that may be handled solely by the local U.S. Attorney's Office.

Example: Certain types of cases that are brought against the IRS under section 28 USC 2410, ([http://uscode.house.gov/view.xhtml?req=\(title:28%20section:2410%20edition:prelim\)%20OR%20\(granuleid\)](http://uscode.house.gov/view.xhtml?req=(title:28%20section:2410%20edition:prelim)%20OR%20(granuleid))), (e.g., foreclosure, quiet title, condemnation, interpleader), will also be assigned to an Area Counsel Attorney.

25.3.5.1.3
(08-11-2022)

Roles and Responsibilities

- (1) IRM 5.17.1, Legal Reference Guide for Revenue Officers, General Information, provides a list of the parties with an explanation of their role with suits.

25.3.5.1.4
(08-11-2022)

Program Management and Review

- (1) **Program Reports:** Suits are specific to the case or case combination at hand. They vary in type and scope. CEASO Advisors are required to monitor their ongoing litigation and open judgment cases annually and more frequently if appropriate. There are several reporting tools assisting CEASO advisors with this task and they notate the status in the Integrated Collection System (ICS) history.

CEASO Advisor Sources for Monitoring Status of Litigation and Judgments

Source	Description
Area Counsel	Updates from the attorney assigned the case.
DOJ	<ol style="list-style-type: none"> 1. Updates from the attorney assigned the case. 2. Collection updates from the Financial Litigation Unit (FLU) or Trial Section that obtained the judgment.
eApproval SharePoint application	Provides reports based on the available data points for CEASO Advisory group managers and CEASO advisors to monitor that system’s litigation inventory after submission to counsel.
Form 14187, Periodic Open Litigation Case Review	This report is a best practice as its design assists in keeping an accurate status of assigned open litigation inventory. In its Portable Document Format (PDF) format it can be uploaded to eApproval. If the PDF format is exported to Word, it can be copied into ICS.
Form 14188, Judgment Case Checksheet	This report is a best practice as its design assists in keeping an accurate status of assigned open judgment inventory. In its PDF format it can be uploaded to eApproval. If the PDF format is exported to Word, it can be copied into ICS.
Litigation Accounts Management System (LAMS)	Non-insolvency TC 520 reports allow CEASO advisors to monitor their litigation inventory open on the Integrated Data Retrieval System (IDRS).
Public Access to Court Electronic Record (PACER)	PACER provides access to millions of case file documents and docket information for all district, bankruptcy, and appellate courts. These are available immediately after they have been electronically filed.

- (2) **Program Effectiveness:** Whenever litigation involving collection matters is pending, ongoing, or liabilities are reduced to judgment, CEASO advisors are responsible for coordination with stakeholders, maintaining appropriate internal case controls, and monitoring outcomes. CEASO Advisory responds to requests for assistance and queries from Counsel and DOJ.

25.3.5.1.5
(08-11-2022)

Program Controls

- (1) CEASO Advisory maintains a copy of any suit documentation until the suit is closed. After case closure see Document 12990, Records and Information Management Records Control Schedules, under section Internal Revenue Service Records Control Schedule (RCS) 28, Tax Administration Collection, in:
- PART III - Administrative Records - All Collection Functions, item number 38, Litigation Files
 - PART IV - Delinquent Accounts, Delinquent Returns, And Office Services Records, item 45, Suits to Foreclose Federal Tax Liens, item 53, Civil Suit Recommendation, Form 4477, and in item 54 (a), Special Procedures Function Case Files
- (2) Preserving electronically stored information is covered in:
- IRM 25.3.1.7, Preserving Electronically Stored Information In Litigation Cases,
 - IRM 25.3.1.7.21, References,
 - *Chief Counsel Notice 2016-005*, (<https://www.irs.gov/pub/irs-ccdm/cc%202016%20005.pdf>).
- (3) CEASO Advisory monitors open litigation (TC 520s) using the non-Insolvency portion of the Litigation Accounts Management System (LAMS) reports. See IRM 25.3.8.4.1, Litigation Account Management System (LAMS) and IRM 25.3.7, Reconciling Non-Insolvency LAMS Reports.
- (4) eApproval metadata allows for operational and ad hoc reviews of selected inventory.
- (5) CEASO Advisory managers verify program and procedural compliance by conducting case reviews, performance reviews, and security reviews. Prescribed internal controls are detailed in IRM 1.4.53, Advisory and Property Appraisal and Liquidation Specialist Group Manager Operational Aid, which communicates responsibility to Civil Enforcement Advice and Support Operations (CEASO) managers for promoting quality case work and required internal controls. The ICS, ENTITY Case Management, Embedded Quality Review, and National Quality Review Systems provide the case access, data and reports used by managers to monitor internal controls.

25.3.5.1.6
(03-12-2024)

Terms and Acronyms

- (1) The table below lists commonly used acronyms and their definitions.

Term or Acronym	Description
ALS	Automated Lien System
ASED	Assessment Statute Expiration Date
BAL DUE	Balance Due
BMF	Business Master File
cc	Closing Code
CEASO	Civil Enforcement Advice and Support Operations
CIO	Centralized Insolvency Organization
CSED	Collection Statute Expiration Date
Counsel	Throughout this IRM section, the term "Counsel" will refer to either the Area Counsel Attorney assigned to the case or the local Assistant U.S. Attorney, if the case is being handled solely by that office.
DOJ	Department of Justice
eApproval	SharePoint application for review and approval of suit recommendations
FDCPA	Federal Debt Collection Procedures Act
FLU	DOJ Tax Division Financial Litigation Unit
FORT	Field Office Resource Team
FRC	Federal Records Center
ICS	Integrated Collection System
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IRC	Internal Revenue Code
KM	Knowledge Management
LAMS	Litigation Account Management System
MOIC	Monitoring Offer in Compromise
NFOI	Non-Field Other Investigation
NFTL	Notice of Federal Tax Lien
OI	Other Investigation
PACER	Public Access to Court Electronic Record
PDF	Portable Document Format
RCS	Records Control Schedules (Internal Revenue Service)
SB/SE or SBSE	Small Business / Self-Employed Division
TBOR	Taxpayer Bill of Rights

Term or Acronym	Description
TC	Transaction Code
TIN	Tax Identification Number
Treas. Reg.	Treasury Regulation
U.S.	United States
USC / U.S.C.	United States Code

25.3.5.1.7
(03-12-2024)

Related Resources

- (1) For procedural guidelines on recommending, working, and responding to suits and claims for damages both for and against the United States, see:
 - a. IRM 5.17.1, General Information
 - b. IRM 5.17.4, Suits by the United States
 - c. IRM 5.17.5, Suits Against the United States
 - d. IRM 5.17.14, Fraudulent Transfers and Transferee and Other Third Party Liability
 - e. IRM 25.3 series, Litigation and Judgments
 - f. IRM 34.1.1, Jurisdiction of the District Courts
 - g. *Suits - Resources/Examples*, (<https://irsgov.sharepoint.com/sites/ETD-KMT-KB026/SitePages/Suits/Suit%20Resources%20and%20Examples/Suits---Resources---Examples.aspx>), page which contains a webinar walking through the suit forms as well as the suit forms User Guide tutorials, examples of the most common suit types, the Basis Tool, and Excel version of Form 4477-A, Data Capture Spreadsheet (i.e., contains all the data tables for the narrative report)
 - h. *eApproval Information Center*, (<https://irsgov.sharepoint.com/sites/ETD-KMT-KB123/SitePages/Forms/GrpByChapter.aspx?csf=1&web=1&e=gvN1Zc&cid=78903a38%2Dbea1%2D4c61%2D9ae5%2D73182582de74&RootFolder=%2Fsites%2FETD%2DKMT%2DKB123%2FSitePages%2FCollection%20Systems%2FeApproval&FolderCTID=0x01200012CA337F2046A94288AD39407CC1658A>)
 - i. *The Field Collection Area Campus Liaison Team*, ([https://irsgov.sharepoint.com/sites/ETD-KMT-KB109/SitePages/Campus%20Liaison%20Topics/Campus%20Liaison%20Team%20\(CLT\)%20Contacts/Area-Campus-Liaison-Team-2.aspx](https://irsgov.sharepoint.com/sites/ETD-KMT-KB109/SitePages/Campus%20Liaison%20Topics/Campus%20Liaison%20Team%20(CLT)%20Contacts/Area-Campus-Liaison-Team-2.aspx)) resource provides revenue officers with an area point of contact to assist them if needed.
- (2) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For additional information about the TBOR, see <https://www.irs.gov/taxpayer-bill-of-rights>, Taxpayer Bill of Rights (TBOR).

25.3.5.2

(08-11-2022)

Effect of Judgment for Assessed Liabilities on Tax Lien and Levy

- (1) When a tax assessment is reduced to judgment, the federal tax lien created under IRC 6321 does **not** merge into the judgment, but continues to exist independently. Therefore, when assessed tax liabilities are reduced to judgment, the Government has two different collection avenues available:
 - a. The assessed tax liabilities may be collected by levy under the Internal Revenue Code, or
 - b. The judgment and judgment lien may be enforced judicially under state law and under the Federal Debt Collection Procedures Act (FDCPA).

Reminder: Unassessable Liabilities: When there is no underlying tax liability for a judgment, there is no IRC 6321 statutory federal tax lien to protect. The judgment stands on its own, is not reflected on IDRS, and cannot be collected by the IRS. See IRM 25.3.5.4.3, Additional Procedures for Judgments for Unassessable Liabilities.

- (2) Because the federal tax lien does not merge with the judgment lien, the time periods applicable to collect and / or renew filings for judgment liens are different from the federal tax lien.
 - a. **Judgment and Judgment Lien:** While the judgment itself is not subject to limitation and can be enforceable at any time, normally the judgment lien collection period is twenty years. A judgment lien can also be renewed once for an additional 20 years with the approval of a court. However, judgment liens only attach to the real property of a judgment debtor when a certified copy of an abstract of judgment is filed in the same manner as a NFTL.
 - b. **Federal Tax Liability and Federal Tax Lien:** The original federal tax liability and federal tax lien collection period is ten years. IRC 6502(a) provides for the extension of the collection statute expiration date (CSED), where a suit is timely filed to reduce tax assessments to judgment. This means it is imperative that filed Notices of Federal Tax Lien (NFTL) be refiled timely in accordance with IRC 6323(g) in order to preserve the federal tax lien's priority. Consequently, with a judgment, the IRS may pursue administrative collection action, indefinitely, against the taxpayer's real or personal property. Thus, the CSED for collecting the liability is extended until the tax liability (or the judgment) is satisfied or becomes unenforceable.

Note: See IRM 5.12.8, Notice of Lien Refiling for details on refiled NFTL.

Caution: It is equally important to ensure that the liens do not release during the pendency of the litigation. The pending suit does not prevent release of a lien if a self-releasing NFTL has been filed. Accordingly, NFTLs must be timely refiled during the pendency of litigation to prevent release of the lien.

- (3) Although the collection statute is extended indefinitely under IRC 6502(a) when a timely suit to reduce assessments to judgment is filed and the judgment is obtained, the case will remain in active status only as long as there is collection potential (See IRM 25.3.5.7, Closing Action, Procedures).

25.3.5.3
(08-11-2022)

General Responsibilities

- (1) Primary responsibility for the initial collection of judgments entered in favor of the United States rests with the DOJ. The DOJ may request advice and assistance from the IRS. See IRM 5.17.4.6, Collection of Judgments, for a general discussion of the legal aspects of judgment collection.
- (2) After the judgment has been entered, or a settlement is reached, the DOJ Trial Section sometimes transfers the case to the Tax Division FLU, which then becomes responsible for attempting to collect the judgment. In other instances, the DOJ Trial Section attempts collection. When DOJ collection efforts are exhausted, it will prepare the case for closing and transfer back to the IRS. At this point, collection jurisdiction is generally returned to the IRS. However, jurisdiction to compromise a judgment is retained by DOJ.
- (3) CEASO Advisory is responsible for controlling judgments by:
 - a. Securing a copy of the judgment and uploading it to eApproval.
 - b. Updating both ICS and eApproval controls.
 - c. Monitoring and following up as appropriate, but at least annually, on all active judgments for assessed and unassessable liabilities.
- (4) Monitoring Offer in Compromise (MOIC) units have responsibility for monitoring taxpayers' compliance with settlements in judgment cases requiring future actions. See IRM 25.3.5.6.1, Responsibilities.
- (5) Revenue officers may be called upon to assist in collecting judgments and conducting follow-up investigations. Involvement may be in the form of courtesy investigations initiated by CEASO Advisory or direct Bal Due case assignments.

25.3.5.4
(03-12-2024)

**CEASO Advisory
Procedures for
Judgments for Assessed
and Unassessable
Liabilities**

- (1) After DOJ obtains a judgment, the CEASO advisor's case controls change.

Judgment Granted

If	Then
All suit related actions completed	<ol style="list-style-type: none"> a. Close any ICS suit control (i.e., Non-Field Other Investigation (NFOI)) that may be open for the case. (See IRM 25.3.6.3.1(4), ICS Control). b. Open an ICS control code (NFOI) 135, Judgments.
All case actions not completed	Original ICS suit control module should remain open until all suit actions are concluded.

- (2) The CEASO advisor assigned to the case is responsible for providing needed assistance to DOJ in obtaining and/or collecting the judgment. This includes conducting investigations using all available internal sources to determine if resources exist for satisfying the judgment, and issuing courtesy investigation requests to the Collection Field function.

- (3) Whether responsibility for collecting the judgment is retained by the DOJ Tax Division or transferred to the local U.S. Attorney’s Office, or the judgment was entered in a case handled by the local U.S. Attorney’s Office, the CEASO advisor assumes responsibility for coordinating with the FLU in that office.
- (4) The CEASO advisor conducts appropriate follow-ups with the DOJ Trial Section or the FLU (i.e., Tax Division FLU and/or the FLU in the local U.S. Attorney’s Office) obtaining the status of collection efforts and to offer assistance in locating assets to satisfy the judgment.
- (5) **Follow-ups and monitoring** must be scheduled as appropriate for the case, **but no less than annually**.

Follow-up and Monitoring Actions

Item	Action
Form 14188, Judgment Case Checksheet	A best practice method to follow-up and monitor judgments. Its design is concise allowing the option of uploading the PDF version to eApproval and exporting the PDF to Word and copying that into ICS.
NFTL	Refile NFTLs timely
Abstract of Judgment	<ul style="list-style-type: none"> a. Obtain a copy, b. File if requested, and c. Upload copy to eApproval.
Status	Determining status of DOJ collection efforts and collection jurisdiction.
Assistance	<ul style="list-style-type: none"> a. Verifying the correctness of financial information provided to the FLU on a Form 433-A or similar document. b. If assets are located that can be seized in satisfaction of the judgment, transmit this information immediately to the appropriate DOJ Trial Section or FLU.

- (6) **Actions When the Judgment Debtor Relocates:** If it is determined that the judgment debtor has relocated to another state or federal judicial district, the CEASO advisor assigned to the case will take the follow actions:

IF	THEN
DOJ has not referred the judgment back to the IRS for collection,	Notify the appropriate DOJ FLU of the judgment debtor’s change of address.
There is a deferred payment or collateral agreement being monitored by MOIC,	Notify MOIC of the debtor’s change of address.
Judgment debtor owns or acquires real property in the new location,	<ul style="list-style-type: none"> 1. Notify the DOJ office that obtained the judgment (Tax Division or local U.S. Attorney’s office). 2. Request DOJ file the abstract of judgment in the new location. See IRM 5.17.4.6.2(3), Effect of Judgment on Collection Statute of Limitations.

IF	THEN
<ol style="list-style-type: none"> 1. DOJ has referred the judgment back to the IRS for collection, 2. The case is not being monitored by MOIC, and 3. TC 550 and TC 521 inputs have posted correctly. 	<p>Close the ICS control. Retain the judgment case file in closed files based on appropriate records control schedule from Document 12990.</p> <p>Note: Any new case on the taxpayer will require an assigned RO's complete investigation of all known assets for any potential collection actions.</p>

- (7) DOJ retains jurisdiction for collection of active judgments. **Do not** close the ICS control (NFOI 135) or discontinue monitoring / follow-ups as long as jurisdiction remains with DOJ.

25.3.5.4.1
(08-11-2022)
**Requesting Revenue
Officer Assistance**

- (1) Occasionally, the CEASO advisor will request revenue officer assistance in a judgment case. Generally, this will not occur on judgments less than the criteria in IRM 25.3.2.3(3), Criteria for Bringing Suit.
- (2) When assistance is needed, and after the CEASO advisor has exhausted all available internal sources, the CEASO advisor will issue an Other Investigation (OI) to the Field Collection group manager's hold file for the zip code where the tasks need to be completed. Generally, the CEASO advisor will contact the receiving group manager to explain the request and specific actions needed. This may include identifying assets through public records research or any other type of asset verification deemed necessary.
- (3) When a judgment involving assessed liabilities is no longer in active status, a Bal Due case may be assigned to a revenue officer if case selection criteria are met.

25.3.5.4.2
(03-12-2024)
**Additional Procedures
for Judgments for
Assessed Liabilities**

- (1) Once a judgment is entered in a case where assessments were reduced to judgment, request input of Transaction Code (TC) 550, definer code 4, using 20 years from the date the judgment was entered as the new extension date. This action will extend the CSED on IDRS for 20 years and prevent a TC 608 from being generated automatically and zeroing out the tax module.
 - a. Secure a copy of the judgment and upload it to eApproval.
 - b. A TC 520 cc 80 must remain on the TXMOD prior to the TC 550 input. The TC 520 cc 80 only puts the CSED into suspense, thereby preventing TC 608 from posting and the account being zeroed out during the pendency of the litigation.

Reminder: Confirm all judgment modules retain their TC 520 cc 80.

Caution: Contact the Centralized Insolvency Operation (CIO), if an account is in bankruptcy and risks discharge during litigation or after a judgment or DOJ settlement of litigation. Inform CIO of any litigation in bankruptcy court or district court, including prior litigation implicating DOJ's authority to determine dischargeability or the survival of liens against pre-bankruptcy assets (IRC 7122, Compromises, and IRM 25.3.5.1.2(2), Settlement Authority.

- c. The TC 550, definer code 4, must be input **before** the TC 520 is reversed. This will prevent premature TC 608 posting. If a TC 521 is input before the TC 550, and the CSED expires during the pendency of the litigation, a TC 608 will generate systemically and the account will be zeroed out. This may result in the loss of lien priority if the TC 608 triggers a systemic lien release.

Example: Premature TC 608 posting problems. See References table below.

References

IRM Number	Title
IRM 25.3.6.3.2.2(5)	Cases with Imminent CSEDs
IRM 25.3.6-4	Correct TC 521 Posting Date
IRM 25.3.6-5	Incorrect TC 521 Posting Date
IRM 25.3.6-6	Correcting TC 521 Posting Date

- d. Using the proper transaction date for inputting the TC 550 is also very important. Refer to Document 6209 IRS Processing Codes and Information for the current year to ensure the inputs for the TC 550 are correct thereby avoiding an IMF unpostable code 178 or BMF unpostable code 344-6.

Note: While the timely filing of a suit to reduce assessments to judgment will extend the CSED indefinitely, the IRS has decided that if there is no collection potential with respect to the assessments reduced to judgment, the judgment will not be maintained on IDRS after 20 years from the date of the entry of the judgment. However, if collection sources are identified after this 20 year period, the account may be reinstated and collection actions resumed. (See IRM 25.3.5.7, Closing Action, Procedures).

Caution: Care must be taken when inputting any TC 521. See IRM 25.3.6.5.4, TC 520 Reversals (TC 521).

- (2) While the judgment control is active, ensure that all applicable Notices of Federal Tax Lien (NFTLs) are properly refiled protecting any and all underlying federal tax liens associated with the judgment. Determine the required refiling period and establish ICS controls to follow-up. See IRM 5.12.8.3, Refiling Period.
- Because the federal tax lien does NOT merge into the judgment lien, and NFTLs filed after 11-1982 contain self-releasing provisions which extinguish the tax lien if the notice is not refiled, the NFTL must be timely refiled to preserve the federal tax lien and maintain the IRS's priority position.
 - Contact Counsel to CEASO advise them and secure from them any direction as to appropriateness of revoking the release, filing a new (i.e., replacement) NFTL, and whether there is a need for inclusion of special language on the replacement NFTL.
 - If the NFTL is not timely refiled thus extinguishing the underlying tax lien and Counsel wants the lien's priority reestablished, then actions will

need to be taken to revoke the release and reinstate the lien to allow for potential future administrative collection action.

Note: These are circumstances where it is appropriate to use the optional text available using the electronic Letter 3171 in the Product catalog. See instructions in the table below.

DOJ jurisdiction, replacement NFTL filing, and Letter 3171

Step	Action
1	Revoke the lien release. See IRM 5.12.3.14, Revocation of Lien Release.
2	Reinstate the lien. See IRM 5.12.3.15, Reinstating the Statutory Lien.
3	File a replacement NFTL. See IRM 5.12.3.16, Re-establishing NFTL Priority.
4	<p>Send a manual Letter 3171, Notice of Federal Tax Lien Additional Filing, as follows:</p> <ul style="list-style-type: none"> a. Use the November 2023 or later version of the letter from the Product Catalog. b. Click the button, Show Selectable Paragraph Pages. c. Check both boxes for Selectable Paragraph A and B. <p>Reminder: The selectable text explains that cases under DOJ control are excluded from the Collection Appeals Program (CAP), IRM 5.1.9.4.1, Exclusions from CAP, and that the recipient may contact the attorney assigned their case.</p> <ul style="list-style-type: none"> d. Click the button, Hide Selectable Paragraph Pages. e. Complete the letter's fillable fields. f. Instruct the ALS employee inputting the NFTL to "Suppress the CDP notice" so that Notice (i.e., Letter 3171 in this case) is not systemically issued. g. Mail the letter and inform DOJ. <p>Reminder: Letter 3172, Notice of Federal Tax Lien and Your Rights to a Hearing Under IRC 6320, remains legally required when the statutory lien for an assessment is on an NFTL for the first time.</p>

- (3) After DOJ advises the IRS (through counsel) that their efforts to collect the judgment have ended, and all terms of applicable settlement agreements have been met, request input of TC 521. If no information relating to the collection of the final judgment is provided by DOJ within 12 months from the judgment date, contact the Tax Division attorney or the FLU of the local U.S. Attorney's office if the case was handled by that office, to determine what, if any, actions are being taken by DOJ to collect the judgment. If DOJ has determined that there is no current collection potential and that it will, or has, closed its case, request written notification that DOJ is closing its case and jurisdiction is being transferred back to the IRS. When the case is referred to the IRS for collection, the TC 520 should be reversed to allow the case to be put back into the collection stream.

Note: Do not request input of TC 521 or close the CEASO Advisory ICS judgment control module until all terms of any settlement agreement have been met and this compliance verified.

Note: When the TC 550, definer code 4, with a date 20 years from the judgment date has been entered, this will prevent the CSED from expiring during this time period, so TC 520 cc 80 is no longer needed to suspend the statute. However, as noted above, care must be taken to ensure that NFTLs do not self release.

Caution: Care must be taken when inputting any TC 521. See IRM 25.3.6.5.4, TC 520 Reversals (TC 521).

Example: Premature TC 608 posting problems. See References table below.

IRM References

IRM Number	Title
IRM 25.3.6.3.2.2(5)	Cases with Imminent CSEDs
IRM 25.3.6-4	Correct TC 521 Posting Date
IRM 25.3.6-5	Incorrect TC 521 Posting Date
IRM 25.3.6-6	Correcting TC 521 Posting Date

- (4) TC 521 input will return the case to the collection status it was in before the litigation and subject it to normal case selection criteria. If the case is in currently not collectible (53) status, do not reverse the status unless there is indication of collection potential.
- (5) After TC 521 input, close the ICS judgment control module and treat the case as an inactive judgment for CEASO Advisory case control purposes. See IRM 25.3.5.7, Closing Actions.

25.3.5.4.3
(08-11-2022)
**Additional Procedures
for Judgments for
Unassessable Liabilities**

- (1) In cases where a judgment is obtained for unassessable liabilities, it is important to ensure that a certified copy of the abstract of judgment is filed in order to create a judgment lien against the judgment debtor’s real property. Secure a copy of the abstract and upload it to eApproval.
- (2) The IRS may not take administrative collection action under the provisions of the Internal Revenue Code against the judgment debtor to collect the judgment if there is no underlying tax assessment or federal tax lien. Instead, judicially collection actions must be taken under state law or under the Federal Debt Collection Procedures Act (FDCPA) by the Tax Division or the local U.S. Attorney’s Office (i.e., Tax Division FLU or the local U.S. Attorney Office’s FLU). See also IRM 5.17.4.6.2, Effect of Judgment on Collection Statute of Limitations.
- (3) While administrative collection action may not be taken to collect a judgment for most unassessable liabilities, with the exception of offsetting tax refunds, the CEASO advisor is responsible for coordinating with either the Tax Division or the local U.S. Attorney’s Office, depending upon which office is handling the case, to ensure the availability of assistance in conducting investigations using all available internal sources to determine if resources exist for satisfying the judgment.

- (4) In appropriate cases, the CEASO advisor will issue an OI (Other Investigation) to field collection to assist in locating assets to satisfy the judgment. This may include identifying assets through public records research, or any other type of asset verification deemed necessary.
- (5) If assets are located that can be seized in satisfaction of the judgment, this information should immediately be communicated to the appropriate DOJ component.
- (6) The CEASO advisor will also take the appropriate steps to ensure that any individual tax refunds of those named in the judgment are offset to the unassessed judgment.
- (7) In cases where there is collection potential, the CEASO advisor will follow-up with the DOJ at a minimum of annually to determine the status of efforts to collect the judgment. Circumstances may warrant more frequent case activity.
- (8) Cases may not be removed from active follow-up status and the NF OI opened for the judgment case may not be closed as long as the case remains with DOJ. See also IRM 25.3.5.7, Closing Actions.
- (9) See IRM 5.1.5.15, Restitution, for information relating to court orders requiring the taxpayer to pay restitution to the IRS in criminal cases.

25.3.5.5
(09-08-2023)

**Assessment of Court
Sanctions, Penalties,
and Costs**

- (1) The United States, like any other party to litigation, is entitled to an award of costs when it prevails in an action. Costs that may be awarded include fees of court reporters, fees for witnesses, and the fees of the U.S. Marshal for service of summonses and subpoenas.
- (2) Under IRC 6673(b), Sanctions and costs awarded by courts, the IRS may assess and, upon notice and demand, collect (in the same manner as a tax) any monetary sanctions, penalties or costs awarded by the court to the United States. See IRM 5.17.4.6.3, Assessment of Court Sanctions, Penalties, and Costs, for further discussion of this provision.

Note: IRC 6673(a) Tax Court sanctions and costs are not included under IRC 6673(b).

- (3) Requests for assessment under IRC 6673(b) will generally come from the DOJ. These requests must include a copy of the court order providing for the award of monetary sanctions, penalties or costs to the IRS. DOJ will send the request to the Area Counsel attorney assigned to the case for appropriate routing within the IRS. In collection cases handled by CEASO Advisory, a request for an IRC 6673(b) assessment will be routed by the Area Counsel attorney to the CEASO advisor assigned to the case.
- (4) Form 8278, Assessment and Abatement of Miscellaneous Civil Penalties, is used to request assessments under IRC 6673(b). If possible, the CEASO advisor assigned to the case will complete the Form 8278 within 14 calendar days of receiving a request for assessment, a copy of the court order, and any additional information that may be needed.

Note: While there is no Assessment Statute Expiration Date (ASED) for an assessment made pursuant to IRC 6673(b), an assessment must be made before administrative collection actions (e.g., filing a Notice of Federal Tax Lien or

issuing a levy) can be taken by the IRS to collect this amount. The request for assessment therefore should be handled promptly.

- (5) Complete items 1 through 8 on page 12 of Form 8278, following the instructions for completing the form.

Note: If using the bookmarks for the form, go to 9.I, Miscellaneous Penalties.

- a. For the Year in Item 5, use the year of the court's order.
- b. Leave Item 6, the Statute Date, blank, and check the box in Item 4 because there is no ASER for IRC 6673(b) assessments.
- c. Provide the amount to be assessed on page 12. Use the row for Penalty Code Section IRC 6673(b) and place the amount in column d, Assessed Amount. See also IRM 20.1.10.9.2, IRC 6673(b) - Proceedings in Other Courts).

Note: It is important that the correct Penalty Code Section and corresponding Penalty Reference Number (PRN) are provided because the PRN dictates the language in the notice provided to the taxpayer that explains the amount being assessed. The PRN is found in column b for the corresponding code section row in Form 8278, on page 12.

- d. If the amount to be assessed is different from the amount awarded by the court for monetary sanctions, penalties and costs, explain the discrepancy in the Remarks section on page 12 of the form.
- (6) Prepare one Form 8278 for each assessment to be made under IRC 6673(b).
- (7) The CEASO Advisory Group Manager must review and sign the Form 8278. An electronic digital signature is acceptable.
- (8) After manager review and approval, forward page 12 of Form 8278, along with a copy of the court order (the court order can be scanned and sent electronically), to the Field Office Resource Team (FORT). Send these requests via secure e-mail to *SBSE EEF PHILADELPHIA CCP DEPT2 FORT. For additional information regarding the FORT, visit the website at *Collection CCP Field Office Resource Team (FORT) Information and Contacts (sharepoint.com)*, ([https://irs.gov.sharepoint.com/sites/ETD-KMT-KB130/SitePages/Field%20Office%20Resource%20Team/Overview%20of%20FORT/Collection-CCP-Field-Office-Resource-Team-\(FORT\)-Information-and-Contacts.aspx](https://irs.gov.sharepoint.com/sites/ETD-KMT-KB130/SitePages/Field%20Office%20Resource%20Team/Overview%20of%20FORT/Collection-CCP-Field-Office-Resource-Team-(FORT)-Information-and-Contacts.aspx)).
- (9) An assessment made under IRC 6673(b) may be collected, upon notice and demand, as a tax. The normal ten-year Collection Statute Expiration Date (CSED), plus any applicable extension/suspension, applies with respect to any administrative collection action (e.g., filing a Notice of Federal Tax Lien or issuing a levy) that may be taken to collect the assessment.
- (10) If a Notice of Federal Tax Lien (NFTL) is filed with respect to the IRC 6673(b) assessment, the date the statutory tax lien arises under IRC 6321 is the date of the IRC 6673(b) assessment, and the NFTL refiling period under IRC 6323(g) is calculated using that date.
- (11) If other previously assessed tax liabilities were reduced to judgment in the same court proceeding, procedures for extending the CSED for these other assessments should be followed. See IRM 25.3.5.4.2, Additional Procedures for Judgments for Assessed Liabilities, above.

Note: Because a judgment was entered in the amount awarded as monetary sanctions, penalties or costs, the procedures of the Federal Debt Collection Procedures Act (FDCPA) will also apply with respect to collecting the amount of the IRC 6673(b) assessment. If collection potential is anticipated beyond the ten-year period under IRC 6502 from the date of the IRC 6323(g) assessment, plus any applicable extension/suspension, contact Area Counsel to determine whether collection actions should be taken under the FDCPA to collect this amount.

25.3.5.6
(08-11-2022)
Offers in Settlement

- (1) After a civil or criminal case has been referred to the DOJ or the United States has obtained a judgment for tax liabilities, compromise authority rests with DOJ (See IRC 7122).
- (2) DOJ may enter into a settlement agreement before, during, or after judicial action begins. Secure a copy of the settlement and upload it to eApproval.
- (3) All settlement agreements reached prior to or during litigation require CEASO advisory involvement, See IRM 25.3.6.5.2, Actions Dictated by Judgment or Settlement.
- (4) Although DOJ may have referred a judgment back to the IRS for collection, DOJ continues to retain sole jurisdiction to compromise the judgment.
- (5) The following section contains procedures for **accepted DOJ Offers in Settlement** of a judgment involving either a:
 - deferred payment, or a
 - collateral agreement.

25.3.5.6.1
(08-11-2022)
Responsibilities

- (1) CEASO Advisory is the **primary** IRS point of contact on DOJ settlements. The CEASO advisor is responsible for coordination between DOJ and any other area within the IRS providing assistance on judgment settlement cases.
- (2) If the taxpayer requests modification of a settlement or collateral agreement, DOJ alone has authority to modify settlements. So advise DOJ of the request and implement any changes DOJ determines are appropriate.
- (3) **Do not input any TC 521** or close the CEASO Advisory ICS judgment control until **ALL** settlement terms have been met.
- (4) If an **Offer in Settlement** involves payment of the judgment through a deferred payment or collateral agreement, the Specialty Collection Offer in Compromise organization assists with monitoring the taxpayer's compliance with the settlement. See IRM 5.19.7.5.1, DOJ Settlements.
- (5) Payments of deferred payment judgments are monitored by Specialty Collection Offer in Compromise organization in the Monitoring Offer in Compromise (MOIC) Units:
 - Brookhaven
 - Memphis

Note: See *Campus Locations for the Monitoring of Accepted Offers*, (<http://serp.enterprise.irs.gov/databases/who-where.dr/oic-backend.html>).

25.3.5.6.2
(03-12-2024)
**CEASO Advisory
Procedures**

- (1) **CEASO Advisory Receipt:** When CEASO Advisory receives notification from DOJ or Counsel of an accepted offer that involves a deferred payment or collateral agreement, the CEASO advisor:
- a. **Ensures the TC 520 cc 80 is maintained** on all account modules involved in settlements being monitored by MOIC.
 - b. **Ensures all associated statutory liens and NFTLs are maintained.**
 - c. Photocopies the documents listed in (2) below.

Exception: The documents can also be emailed to *SBSE Coll Policy OIC for distribution to MOIC, if the MOIC contact cannot be located.
 - d. Forwards them using Form 3210 to the appropriate MOIC Unit.

(2) **Photocopy Documents and Send to MOIC:**

- Taxpayer's offer
- Government's acceptance
- Deferred payment or collateral agreement
- Any other information needed to identify the liability and terms of the settlement

Reminder: Check *Campus MOIC monitoring*, (<http://serp.enterprise.irs.gov/databases/who-where.dr/oic-backend.html>), for contact information.

(3) **CEASO Advisory Maintenance Actions:**

- a. **Ensure the TC 520 cc 80 is maintained.**
- b. **Ensure all associated statutory liens and NFTLs are maintained.**
- c. Assist the Campus MOIC unit and DOJ as requested.
- d. Forward all information received from MOIC relating to these settlements to DOJ.
- e. Ensure that DOJ is advised if the taxpayer defaults (see IRM 25.3.5.6.1(2)).
- f. Retain copies of forms forwarded to DOJ in the judgment file.

(4) **CEASO Advisory Closing Procedures:**

- a. MOIC notifies CEASO Advisory when all amounts due under the settlement agreement, including accrued interest and amounts due under a collateral agreement, have been received.
- b. CEASO Advisory will then notify DOJ, send them copies of Form 6314, Deferred Payment Offer Payment Record, or Form 6313, Collateral Agreement Payment Record.
- c. Request TC 521.

Reminder: The TC 521 is only requested **after** the CEASO advisor confirms that MOIC closing actions are complete, all payments have posted correctly, and there are no pending adjustments.

25.3.5.6.3
(08-11-2022)
MOIC Procedures

- (1) See IRM 5.19.7.5.1.1, Processing Accepted DOJ Settlements.
- (2) MOIC will send the CEASO advisor assigned a copy for the file and for forwarding to DOJ:

- Form 6314, Deferred Payment Offer Payment Records, **in October of each year**, and/or
 - Form 6313, Collateral Agreement Payment Records, **in May of each year**.
- (3) When the taxpayer fails to comply with the terms of the agreement, MOIC sends copies of the letters sent to the taxpayer with the Form 6314 or Form 6313 to the CEASO advisor along with a request that DOJ be advised of the default (see IRM 25.3.5.6.1(2)).
 - (4) When the terms of the settlement agreement have been fulfilled, MOIC will take actions to close out the case, including but not limited to:
 - a. Requesting the release of Notices of Federal Tax Lien
 - b. abating any remaining liability
 - c. Informing the CEASO advisor assigned

Note: See IRM 5.19.7.5.1.4, Closing DOJ Settlements.

25.3.5.7
(08-11-2022)
Closing Actions

- (1) **Do Not Close or Declare Currently Not Collectible:** Open judgments remain under DOJ jurisdiction until DOJ closes their case and returns jurisdiction to the IRS.
- (2) **Periodic Follow-ups Must Be Conducted:** The CEASO advisor is required to periodically follow-up with the appropriate Tax Division Trial Section or Financial Litigation Unit (FLU). This periodic follow-up is done minimally every 12 months. The purpose is to determine if DOJ collection efforts have been exhausted.
- (3) As long as there is potential for collecting an *unassessable* judgment through tax refund offsets, the case should remain open in the CEASO advisor’s inventory to allow for appropriate steps ensuring any individual tax refunds of those named in the judgment are offset to the unassessable judgment.
- (4) When a judgment case for *assessed* tax liabilities is closed by DOJ and transferred back to the IRS, use the procedures in the table below as well as any applicable procedures in IRM 25.3.6.5.5, Other Closing Actions.

Procedures

IF	THEN
DOJ requests, after judgment satisfied or settlement paid, that remaining liability be reduced to zero (i.e. Status 12),	Follow the instructions in IRM 25.3.6.5.2.1, Full Resolution of Judgment or Settlement.
Counsel has not uploaded the closing letters to eApproval	Secure the DOJ and Counsel closing letters and upload to eApproval. See IRM 25.3.6.3.3, Using eApproval Post Prep-For Counsel.

IF	THEN
There is current collection potential,	<ol style="list-style-type: none"> 1. Ensure TC 550 definer code 04 previously input - or - request input, Reminder: This action must occur prior to the TC 521 posting. 2. Request input of the TC 521 to reverse the litigation TC 520s and ensure that they post correctly. Request input of TC 531 if there is an unreversed TC 530. 3. Forward any useful information to the revenue officer who will receive the BAL DUE. 4. Upload a copy of the closing letter (and judgment if not loaded previously) to the eApproval case. See table in IRM 25.3.6.3.3(4), Instructions for Accessing - Cases Assigned to Counsel - report. 5. Close the ICS case. Update eApproval closed-case.
There is no current collection potential,	<ol style="list-style-type: none"> 1. Ensure TC 550 definer code 04 previously input - or - request input, Reminder: This action must occur prior to the TC 521 posting. 2. Request input of the TC 521 to reverse the litigation TC 520s and ensure that they post correctly. Request input of TC 530 with the appropriate closing code. 3. Upload a copy of the closing letter (and judgment if not loaded previously) to the eApproval case. (see IRM 25.3.6.3.3, Instructions for Accessing - Cases Assigned to Counsel - report) 4. Close the ICS case. Update eApproval case-closed.

25.3.5.7.1
(08-11-2022)
File Retention and Disposition

- (1) The Records Control Schedule (RSC) for Collection is located in Document 12990, Records and Information Management Records Control Schedules, Schedule 28. The RSC provides mandatory instructions for retaining and disposing of records no longer needed for current business.
- (2) Active judgment files should be retained by CEASO Advisory until they become inactive. See Document 12990, Records and Information Management Records Control Schedules, Schedule 28, Item 53(a). The ICS judgment control module(s) remain(s) open, as long as a judgment remains active.
- (3) Once the judgment becomes inactive, the related ICS judgment control is closed. Inactive judgment files should be retired to the Federal Records Center three years after being placed in inactive judgment files. For information on retiring records to the Federal Records Center, see Document 12990, Records and Information Management Records Control Schedules, Schedule 28, Item 53(b).
- (4) In cases where the judgment has been fully satisfied, the judgment file should be destroyed two years after the judgment is satisfied. See Document 12990, Records and Information Management Records Control Schedules, Schedule 28, Item 53(c), Satisfied Judgment Files.

