



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

25.3.6

MARCH 11, 2024

EFFECTIVE DATE

(03-11-2024)

PURPOSE

- (1) This transmits revised IRM 25.3.6, Litigation and Judgments, Open Litigation Control, Monitoring, and Closing Actions.

MATERIAL CHANGES

- (1) IRM 25.3.6.3.1(6): Added text to the caution clarifying impact on liability versus lien.
- (2) IRM 25.3.6.3.2(1): Caution added. A TC 914 on a module will cause a TC 520 to go unpostable. However, the criminal investigation unit that monitors their cases receives notice and if they are agreeable to the suit proceeding, they will take action to clear the unpostable and allow the TC 520 to post.
- (3) IRM 25.3.6.3.2.2 Caution added to (3) and (4) table step two. A TC 914 on a module will cause a TC 520 to go unpostable. However, the criminal investigation unit that monitors their cases receives notice and if they are agreeable to the suit proceeding, they will take action to clear the unpostable and allow the TC 520 to post.
- (4) IRM 25.3.6.4.1.2(1): Added text to the caution clarifying impact on liability versus lien.
- (5) IRM 25.3.6.4.1.2(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.
- (6) IRM 25.3.6.5.2.1(1): Full Resolution table, added Reminder in step to maintain the TC 520 cc 80 until all litigation actions are complete, including any adjustments, payment transfers, or TC 971 AC 637 posting.
- (7) IRM 25.3.6.5.2.2(1): Added the following note in adjustment actions table item three mentioning TC 971 AC 638, which notates a partial judgment adjustment.
- (8) Editorial changes including organizational names and references and other changes to comply with the style guide.

EFFECT ON OTHER DOCUMENTS

This supersedes IRM 25.3.5, Open Litigation Control, Monitoring and Closing Actions, dated September 8, 2023.

AUDIENCE

SBSE Collection Employees and all Operating Divisions

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25.3.6

Open Litigation Control, Monitoring and Closing Actions

Table of Contents

- 25.3.6.1 Program Scope and Objectives
 - 25.3.6.1.1 Background
 - 25.3.6.1.1.1 Types of Litigation Controlled by CEASO Advisory
 - 25.3.6.1.2 Authority
 - 25.3.6.1.3 Roles and Responsibilities
 - 25.3.6.1.4 Program Management and Review
 - 25.3.6.1.5 Program Controls
 - 25.3.6.1.6 Terms and Acronyms
 - 25.3.6.1.7 Related Resources
- 25.3.6.2 Initial Review and Actions by CEASO Advisory
 - 25.3.6.2.1 Data Gathering
 - 25.3.6.2.1.1 Form 4340 Procedures
 - 25.3.6.2.1.2 Certified Copies of Refund Checks
 - 25.3.6.2.1.3 Follow-ups on Data Gathering
 - 25.3.6.2.2 Document Review
- 25.3.6.3 Case Controls
 - 25.3.6.3.1 ICS Control
 - 25.3.6.3.2 Transaction Code (TC) 520
 - 25.3.6.3.2.1 Trust Fund Recovery Penalty (TFRP) Litigation
 - 25.3.6.3.2.2 Cases with Imminent CSEDs
 - 25.3.6.3.2.3 TC 520 cc 80 Importance and Input Timing
 - 25.3.6.3.2.4 Failure to Honor Levy Suits
 - 25.3.6.3.3 Using eApproval Post Prep-For Counsel
- 25.3.6.4 Open Case Monitoring and Actions
 - 25.3.6.4.1 Periodic Open Case Reviews
 - 25.3.6.4.1.1 Statute of Limitations Monitoring
 - 25.3.6.4.1.2 Notice of Federal Tax Lien Refiling
 - 25.3.6.4.2 Requests for Additional Investigation or Assistance
 - 25.3.6.4.3 Pending or Proposed Settlements
- 25.3.6.5 Closing Actions
 - 25.3.6.5.1 Litigation Related Payments
 - 25.3.6.5.2 Actions Dictated by Judgment or Settlement
 - 25.3.6.5.2.1 Full Resolution of Judgment or Settlement
 - 25.3.6.5.2.2 Partial Resolution of Judgment or Settlement
 - 25.3.6.5.3 Special Notices of Abatement/Adjustment

- 25.3.6.5.3.1 Assistance from the Field Office Resource Team (FORT)
- 25.3.6.5.3.2 Specialized Non-FORT Adjustments
- 25.3.6.5.4 TC 520 Reversals (TC 521)
- 25.3.6.5.5 Other Closing Actions

Exhibits

- 25.3.6-1 Closing Codes for Transaction Code 520
- 25.3.6-2 Terms and Acronyms
- 25.3.6-3 TC 971 AC 637 Example
- 25.3.6-4 Correct TC 521 Posting Date
- 25.3.6-5 Incorrect TC 521 Posting Date
- 25.3.6-6 Correcting TC 521 Posting Date

25.3.6.1
(03-11-2024)
Program Scope and Objectives

- (1) The Internal Revenue Service in certain circumstances initiates litigation action against a taxpayer or third party when administrative collection enforcement actions alone cannot resolve the case. A taxpayer or third party may also initiate actions where the IRS is or needs to be a party.
- (2) **Purpose:** This section provides the procedural instructions for Collection Civil Enforcement Advise and Support Operation (CEASO) Advisory staff working open litigation controls, including monitoring and closing actions.
- (3) **Audience:** This IRM is used by Collection employees controlling open litigation cases. Primarily Collection CEASO Advisory staff or Field Collection Revenue Officers use this IRM when controlling open litigation and assisting Counsel or the Department of Justice with actions related to the litigation.
- (4) **Policy Owner:** Director, Collection Policy. Collection Policy is an organization under Small Business/Sell-Employed Division (SBSE), Collection.
- (5) **Program Owner:** SBSE, Collection Policy, Enforcement is the program owner of this IRM.
- (6) **Primary Stakeholders:** The primary stakeholders are the Collection CEASO Advisory staff, Chief Counsel, and Department of Justice attorneys.
- (7) **Program Goals:** The goal of the program aligns with IRS Strategic Goal II to effectively enforce the law to ensure compliance with tax responsibilities and combat fraud and Objective 1 to enforce domestic and international compliance by strengthening expertise, adopting innovative approaches, and streamlining procedures.

25.3.6.1.1
(06-01-2022)
Background

- (1) The provisions of this section apply in general to all litigation cases controlled by CEASO Advisory. Required actions are to be taken by CEASO Advisory unless otherwise noted.

25.3.6.1.1.1
(03-11-2024)
Types of Litigation Controlled by CEASO Advisory

- (1) The types of cases normally under CEASO Advisory's control and responsibility are as follows:
 - a. Collection suits initiated by Collection employees.
 - b. Civil injunctions to restrain pyramiding.
 - c. Refund suits involving the Trust Fund Recovery Penalty (TFRP).
 - d. Suits against IRS employees.
 - e. Suits to enjoin or restrain IRS actions involving collection matters.
 - f. Other suits against the IRS (section 2410, wrongful levy, suits for damages, etc.)
 - g. Cases in which Area Counsel or the Department of Justice specifically requests CEASO Advisory assistance.

Note: Proofs of claim in probate proceedings are covered separately in IRM 5.5.4. See also the caution with (2)(a) below.

- (2) The following types of litigation are generally not controlled by CEASO Advisory and, therefore, not addressed in this part of the IRM:
 - a. Bankruptcy cases - The Centralized Insolvency Operation and Field Insolvency have responsibility for bankruptcy cases. See IRM 5.9.1.4, The Role of Insolvency

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 25.3.6.2.1.2(3), Settlement Authority).

- b. Refund Litigation involving all liability *other than the Trust Fund Recovery Penalty (TFRP)* - Refund Litigation Units in the appropriate campuses control refund litigation other than TFRP. See IRM 25.3.8, TC 520 - W Freeze Servicewide Guide and IRM 3.17.243.8, Refund Litigation Cases.
- c. Tax Court Cases (non-Collection Due Process) - Appeals has control and inputs Transaction Code (TC) 520 cc 72 or 74. Inquiries should be referred to Appeals Processing Services at **AP Inquiries, (mailto:ap.inquiries@irs.gov)*. See generally IRM 8.20, Account and Processing Support (APS), and IRM 25.3.8.3.2, Tax Court.
- d. Tax Court Cases (Collection Due Process) - Appeals has control and inputs TC 520 cc 76 or 77 for Field Collection Cases and Automated Collection System (ACS) staff input for ACS cases. These cases are module-specific, so some modules may be in litigation and others in open collection status. See IRM 25.3.8.3.3, Collection Due Process, IRM 5.19.8.4.2, Collection Due Process (CDP) Hearing Requests, and generally IRM 8.20, Account and Processing Support (APS).

- (3) CEASO Advisory involvement may occasionally be needed in the types of cases listed in paragraph (2) above. When this occurs, consider each case individually. Control and handle appropriately.

Note: In Tax Court Collection Due Process cases, sometimes there is a need to have Collection consider collection alternatives such as an installment agreement. A remand to Appeals is not appropriate unless Appeals was found to abuse its discretion in its determination.

- (4) Summons enforcement actions are not addressed in this section of the IRM. See IRM 25.5.10, Summons - Enforcement of Summons, and IRM 5.17.6.22, Summonses, Civil Enforcement, for information regarding this type of action.

25.3.6.1.2
(09-08-2023)

- (1) This section covers the various types of authorities for litigation.

Authority

Judicial Action Authorities

Authority	Title
<i>Title 26, Subtitle F, Chapter 76, (http://uscode.house.gov/browse/prelim@title26/subtitleF/chapter76&edition=prelim)</i>	Judicial Proceedings

Authority	Title
<i>Treasury Regulations, (https://www.ecfr.gov/current/title-28/chapter-I/part-17/subpart-A/section-17.17)</i>	Judicial Proceedings
<i>28 USC 2410, (http://uscode.house.gov/view.xhtml?req=(title:28%20section:2410%20edition:prelim))</i>	Actions affecting property on which United States has lien

- (2) **Referral Authority:** Counsel has the authority to refer suit actions to the Department of Justice. The IRS Collection authority to approve most suit actions is delegated to Collection territory managers and CEASO Advisory territory managers. However, Area Director approval is required, if the recommendation is to either:
- a. Secure judicial approval to seize a principal residence; or
 - b. Foreclose the federal tax lien against the principal residence of any person.

Reminder: See IRM 1.2.65.3.2, SBSE 1-23-9, Approval of Form 4477, Civil Suit Recommendation.

Note: An electronic signature is an acceptable method of written approval for these enforcement actions. See also IRM 5.11.2.2.2(10), Preparing the Notice of Levy.

Reminder: Counsel has independent authority to refer certain kinds of actions in suits commenced by third parties such as enforcing the federal tax lien against property that is the subject of a mortgage foreclosure. Also, with an intervention in a mortgage foreclosure without naming the United States but where its lien may be affected (e.g., if the lien was filed after the mortgage foreclosure action began). It may involve a cross-claim when the taxpayer and United States are both defendants in an interpleader action.

- (3) **Settlement Authority:** When a case has been referred to the Department of Justice (DOJ), either the Tax Division or US Attorney, 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)*), (e.g., foreclosure, quiet title, condemnation), will also be assigned to an Area Counsel Attorney.

- (4) This IRM provides instructional procedures for CEASO Advisory when controlling litigation cases. See also:
- IRM 25.3.1, Litigation and Judgments, General Guidelines.
 - **Policy Statements for Collection** are located in IRM 1.2.1.6, Policy Statements for the Collecting Process.
 - **Delegation Orders for Collection** are located in IRM 1.2.2.6, Delegations of Authority for the Collecting Process, IRM 1.2.2.14, Delegations of Authority for Special Topics Activities, and in IRM 1.2.65.3, SB/SE Functional Delegation Orders - Collection.

25.3.6.1.3
(06-01-2022)
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.

25.3.6.1.4
(06-01-2022)
Program Management and Review

- (1) **Program Reports:** Suits are individual to the case and are of a wide variety and scope.
- a. The eApproval SharePoint application, which houses suit recommendations, 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.
 - b. The Litigation Account Management System (LAMS) non-insolvency transaction code (TC) 520 reports allow CEASO advisors to monitor litigation inventory on the Integrated Data Retrieval System (IDRS).
- (2) **Program Effectiveness:** Whenever litigation involving collection matters is pending or the institution of affirmative legal action to effect collection is being considered, CEASO advisors are the reviewers of revenue officer recommendation packages ensuring clarity and completeness prior to seeking approval for the action. The approving official reviews the package and if the recommendation represents an effective utilization of collection techniques, approves the package for Counsel's consideration. The lawyers charged with the responsibility make the ultimate decision of whether to proceed but must rely on those facts and reports provided by the revenue officer when making case decisions. CEASO Advisory monitors open litigation and responds to requests and queries from Counsel and DOJ.

25.3.6.1.5
(06-01-2022)
Program Controls

- (1) Collection 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, and in
 - 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, and
- *Chief Counsel Notice 2016-005*, (<https://www.irs.gov/pub/irs-ccdm/cc%202016%20005.pdf>).

(3) Initiating suit with the Department of Justice (DOJ) requires group manager and CEASO advisory review, territory manager approval, and sometimes area director approval, depending on the type of suit. After this process and if approved by the delegated official, CEASO advisory prepares and transmits the suit referral to counsel. Counsel reviews the suit referral and, if appropriate, authorizes the Department of Justice (DOJ) to resolve the referral through settlement or court action. See Delegation Order 1-23-9, Approval of Form 4477, Civil Suit Recommendation in IRM 1.2.65.3.2, Small Business/Self-Employed Division Delegations of Authority.

Note: See also Narrative Reports discussed in IRM 5.17.12, Investigations and Reports.

Reminder: Counsel has independent authority to refer certain kinds of actions in suits commenced by third parties such as enforcing the federal tax lien against property that is the subject of a mortgage foreclosure. Also, with an intervention in a mortgage foreclosure without naming the United States but where its lien may be affected (e.g., if the lien was filed after the mortgage foreclosure action began). It may involve a cross-claim when the taxpayer and United States are both defendants in an inter-pleader action.

- (4) 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).
- (5) eApproval metadata allows for operational and ad hoc reviews of selected inventory.

25.3.6.1.6
(06-01-2022)
Terms and Acronyms

- (1) See Exhibit 25.3.6-2, Terms and Acronyms, for the listing.

25.3.6.1.7
(09-08-2023)
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:

References

Reference	Description
IRM 5.17.1	General Information
IRM 5.17.4	Suits by the United States
IRM 5.17.5	Suits Against the United States
IRM 5.17.14	Fraudulent Transfers and Transferee and Other Third Party Liability
IRM 25.3	Series, Litigation and Judgments

Reference	Description
IRM 25.3.3	Suits Against the United States and Claims for Damages under IRC 7433, for additional guidance regarding suits brought against the United States
IRM 34.1.1	Jurisdiction of the District Courts
IRM 34.1.1.7	Interpleader / Quiet Title/Foreclosure or Other Actions Involving Property in Which IRS may Claim an Interest
IRM 34.1.1.7.1	Types of Cases
IRM 34.5.6	Suits Brought Against the United States, Procedures in Actions <i>28 USC 2410</i> , (<i>http://uscode.house.gov/view.xhtml?req=(title:28%20section:2410%20edition:prelim)</i>)
Pub 5390	Instructions for Preparing Administrative Claims for Damages Under Sections 7426(h), 7432, and 7433(a-d), and Request for Costs under Section 7430 Related to these Sections
IRM 25.3.2.4.4	Required Forms, which can also be found searching the Product catalog using, <i>Suit Forms</i> , (<i>https://publish.no.irs.gov/cat3.cgi?request=CAT1&itemtyp=F&query=suit</i>).
Suit resources on IRS share point	This resource provides suit form 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) on the <i>Suits - Resources/Examples</i> , (<i>https://irsgov.sharepoint.com/sites/ETD-KMT-KB026/SitePages/Suits/Suit%20Resources%20and%20Examples/Suits---Resources---Examples.aspx</i>).
eApproval resources on IRS share point	The eApproval platform processes suit submissions and resources for eApproval are available on the following page. <i>eApproval Information Center</i> , (<i>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>).

Reference	Description
Campus liaison resources on IRS share point	This resource provides revenue officers with an area point of contact to assist them if needed on the following page. <i>Field Collection Area Campus Liaison Team</i> , (https://irsgov.sharepoint.com/sites/ETD-KMT-KB109/SitePages/Campus%20Liaison%20Topics/Campus%20Liaison%20Team%20(CLT)%20Contacts/Area-Campus-Liaison-Team-2.aspx).

(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).

25.3.6.2
(03-11-2024)
Initial Review and Actions by CEASO Advisory

- (1) **Notification:** Normally CEASO Advisory will receive notice in one of three ways:
- receipt through eApproval of a recommendation for suit action from a revenue officer through their manager,
 - receipt of a summons and complaint against the United States, the Internal Revenue Service, the Department of the Treasury, or an individual IRS employee in the course of their duties, or
 - receipt through contact by Area Counsel or the U.S. Attorney.
- (2) **Initial Review and Actions: Suit Recommendation:** See IRM 25.3.2.7, Advisory Procedures et seq. through IRM 25.3.2.7.5, Approved Recommendations.
- (3) **Initial Review and Actions : Summons and Complaint or Subpoena:** Many litigation-related actions have strict time requirements. It is essential that such actions are identified promptly and taken in a timely fashion. Take the following actions immediately upon receipt of a summons and complaint or other notification of litigation:

Initial Review Actions

Step	Immediate Action
1	Determine type - (i.e., what court, action, etc.)
2	Determine response deadlines - (i.e., for response or court hearings)
3	Determine urgency - (i.e., statute of limitations, etc.) and proper course of action
4	<p>Notify Area Counsel:</p> <ul style="list-style-type: none"> • whenever a complaint filed in a state court proceeding is received, and • whether or not the case should be removed to federal district court. <p>Reminder: The time period for removing an action to federal district court is short, generally within 30 days after receipt of a copy of the complaint.</p>

Step	Immediate Action
5	Forward Documents - depending upon the nature of the action and local practice, to: <ul style="list-style-type: none"> • Area Counsel, and/or • U.S. Attorney's Office. <p>Reminder: If the response or appearance date is imminent, call Area Counsel and/or the U.S. Attorney's office to advise, and hand deliver the papers to them if possible</p>
6	Case Files - Establish and maintain case files for all litigation cases.
7	Case Controls - Set up appropriate case controls as described in IRM 25.3.6.3, Case Controls.

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 25.3.6.2.1.2(3), Settlement Authority).

Reminder: This is to avoid CIO inadvertently posting a pre-mature TC 604 to abate a liability when a TC 520 cc 80 has suspended the CSED and may reflect nondischargeability or lien-survival litigation.

(4) **References:**

- IRM 25.3.6.1.2, table titled, Judicial Action Authorities.
- IRM 25.3.6.1.2(2), Referral Authority.
- IRM 25.3.6.1.2(3), Settlement Authority.
- IRM 25.3.6.1.7, Related Resources
- IRM 25.3.6.1.6, Terms and Acronyms, see "Counsel".

25.3.6.2.1
(06-01-2022)
Data Gathering

- (1) The same general principles apply to investigations and reports required in cases where a suit has been filed by or against the United States. See IRM 5.17.12, Investigations and Reports, for information regarding
 - the type of investigation to be performed on accounts that may require legal action to assist in collecting the account, and
 - the types of reports to be prepared.
- (2) Counsel (e.g., Area Counsel Attorney or the Assistant U.S. Attorney assigned to the case) will commonly specify what documents are needed. However, do not wait for Counsel's request to begin obtaining documents that can be reasonably anticipated as needed.
- (3) Secure the following items, as appropriate and/or requested, and forward them to Counsel:
 - a. **Returns and Reports:** Original returns and associated documents (Revenue Agent Reports (RARs), Substitute For Return (SFR) documents, etc.).

Note: These documents may be obtained by using ESTAB (or ESTAB request via Form 4844, Request for Terminal Action).

Caution: Form 2275, Records Request, Charge and Recharge, may be used in an emergency to obtain records in a Federal Records Center (FRC). Clearly indicate that the case is in litigation. See IRM 1.15.4.10, Requesting Records from the FRC, and IRM 1.15.4.10.1, Completing Form 2275.

- b. **Certified Transcripts:** The transcripts under seal used for court are Form 4340, Certificate of Assessments and Payments. Alternatives would include a transcript, under seal or locally certified, such as an IDRS transcript or Transcript Delivery System (TDS) transcripts. For court cases, certified transcripts under seal should be requested because they are self-authenticating under the Federal Rules of Evidence. See IRM 25.3.6.2.1.1, Form 4340 Procedures. If the transcripts are more than six months old, provide current balances in the narrative.
- c. **Administrative Files:** including but not limited to - Integrated Collection System (ICS) histories, Trust Fund Recovery Penalty (TFRP) files, Automated Insolvency System (AIS), histories, Collection Due Process (CDP) files, Offer in Compromise (OIC) files (i.e., check histories both in ICS and Automated Offer In Compromise (AOIC)), Innocent Spouse files, Schedules/summaries of unpaid liabilities, etc.
- d. **Creditor Documentation:** This includes Notices of Federal Tax Lien (NFTL) and other documents evidencing liens or other interests in property. Include information regarding any estate tax liens, notice of which may or may not be recorded.
- e. **Certified Copies:** this would include refund checks for suits to recover erroneous refunds (IRM 25.3.6.2.1.2, Certified Copies of Refund Checks), or property deeds for actions including property.

Reminder: DOJ will request certified copies of relevant documents (deeds, titles, etc.) on an as needed basis. They request certified copies if a suit goes to trial and the parties do not stipulate to the documents. See also IRM 25.3.2.4.2 (5), the table titled, Public Records.

- f. Other required documentation as needed for particular cases.

25.3.6.2.1.1
(06-01-2022)
Form 4340 Procedures

- (1) A CEASO Advisory request for the preparation of a Form 4340, Certificate of Assessments and Payments, is made on a Form 4338, Information or Certified Transcript Request, for all BMF, IMF, and NMF transcripts.
- (2) Transmit (generally by fax) the completed Form 4338 to the appropriate campus certification unit. Preparation of Form 4340 is limited to only a few authorized campus employees.
- (3) Mark the "Under Seal" box at the top right of the Form 4338 request if a Form 4340 transcript is needed for a court case. Form 2866, Certificate of Official Record, (also known as a Blue Ribbon Certification) will be included only when the "Under Seal" box is checked. See IRM 3.17.243.9.2, Form 4340, Certificate of Assessments, Payments and Other Specified Matters, for more information.
- (4) Indicate a required response date appropriate to how quickly the transcript is needed (generally one month for routine requests and two weeks for expedited requests).

25.3.6.2.1.2
(12-07-2010)
**Certified Copies of
Refund Checks**

- (1) If needed in erroneous refund suits, request copies of refund checks from the appropriate Campus Refund Inquiry Section and provide the following information with the request:
- a. Taxpayer Identification Number (TIN)
 - b. MFT
 - c. Period(s)
 - d. Refund date(s)
 - e. Refund amount(s)

Note: Specify whether certified or regular copies are needed (certified copies will generally be needed).

25.3.6.2.1.3
(06-01-2022)
**Follow-ups on Data
Gathering**

- (1) **Monthly:** Follow-up where administrative files or other documents are requested and not received at the time the suit recommendation is sent to Counsel. Ensure that the requests for documents are received and being processed.
- (2) **Inform:** Counsel of any delays in obtaining needed files or documents.

25.3.6.2.2
(06-01-2022)
Document Review

- (1) Before sending any documents to Counsel, review the documents to ensure that:
- all copies are legible
 - all pages are included (if not, obtain the missing pages)
- (2) **Lien Priorities:** In cases involving lien priorities, ensure that certified copies of NFTLs, lien-related certificates, mortgages, and other liens have been obtained from the recorder's office.

Reminder: DOJ will request certified copies of relevant documents (deeds, titles, etc.) on an as needed basis. They request certified copies if a suit goes to trial and the parties do not stipulate to the documents. See also IRM 25.3.2.4.2 (5), the table titled, Public Records.

- (3) **For NFTLS ensure:**
- a. NFTLs are timely refiled,
 - b. CSEDs are calculated correctly,
 - c. TC 520 cc 80s are input well before any CSED expiration, and in any event when completing Prep for Counsel actions in eApproval, see IRM 25.3.6.3.2.3(2), This is particularly relevant to protect the statutory federal tax lien(s), NFTL(s) and assessment(s) attaching the asset(s) in litigation.

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 25.3.6.1.2(3), Settlement Authority).

Reminder: This is to avoid CIO inadvertently posting a pre-mature TC 604 to abate a liability when a TC 520 cc 80 has suspended the CSED and may reflect nondischargeability or lien-survival litigation.

(4) **Fix and Inform:** When finding that - inadvertently liens have released and assessments abated, take the following actions:

- a. Reverse any TC 604 or TC 608.
- b. Work with the Centralized Lien Operation / Field Office Resource Team (CLO / FORT) to revoke any lien releases and file new NFTLs.

Example: If a statutory lien inadvertently releases and must be revoked to reinstate it against a pre-bankruptcy asset after the bankruptcy discharge, the NFTL has to say that its scope is limited to pre-bankruptcy assets.

- c. Inform the appropriate Counsel and DOJ attorney(s).

(5) **Resources:**

- IRM 25.3.6.4.1.1, Statute of Limitations Monitoring.
- IRM 25.3.2.4.2 (5), the table titled, Public Records.

25.3.6.3
(06-01-2022)
Case Controls

- (1) Appropriate case controls and follow-ups must be established to ensure protection of the Government's interest and priority.
- (2) Use the Integrated Collection System (ICS) to control all CEASO Advisory litigation cases.
- (3) Use the TC 520 with appropriate closing codes to control litigation cases on IDRS. For the closing codes generally used by CEASO Advisory see Exhibit 25.3.6-1, Closing codes for Transaction Code 520.
- (4) Use Litigation Accounts Management System (LAMS) to monitor and control litigation TC 520s. **See References:**
 - IRM 25.3.8.4.1, Litigation Account Management System (LAMS), for instructions accessing LAMS.
 - IRM 25.3.7.5, Reconciliation Process. and
 - IRM 25.3.7.6, Reversing or Correcting TC 520 and TC 550 Updates.
- (5) Use eApproval assigned inventory to review suit recommendations. Use the eApproval report **Cases Assigned to Counsel** to access, monitor, and find cases when needing CEASO advisor contact updates. For access Instructions see IRM 25.3.6.3.3, Instructions for Accessing - Cases Assigned to Counsel - report.

25.3.6.3.1
(03-11-2024)
ICS Control

- (1) Establish ICS control modules for all litigation cases upon receipt (generally within 10 calendar days).
- (2) Use the appropriate action code to identify the type of case. If more than one action code applies, choose the one that most specifically identifies the type of case.
- (3) Use the following codes, when an CEASO Advisor reviews a case for submission to Counsel:

Preliminary Controls:

Control	Description
221	Pre- Suit Judgment
222	Pre- Suit Foreclose
223	Pre- Suit Refund (i.e., erroneous refund)
224	Pre-Suit Quiet Title
225	Pre- Suit Other
226	Pre- Suit Civil Injunction

- (4) When suits have been referred to or are assigned in Counsel or DOJ, close any pre-suit review then use the following codes:

Suit Controls

Control	Description
132	Suits Against U.S.
133	Suits Against IRS Employees (see IRM 25.3.4)
134	TFRP Refund Suits
211	Suit Judgment
212	Suit Foreclose
213	Suit Refund (i.e., erroneous refund)
214	Quiet Title
215	Suit Other
216	Suit Civil Injunction

- (5) **ICS Data Entry:** if not already in ICS, input in the appropriate ICS fields the earliest CSED, Notice of Federal Tax Lien (NFTL) refile deadline, and Assessment Statute Expiration Date (ASED) (if applicable), when establishing the modules if this information has not already been added.
- (6) **Set Follow-up Dates:** needed for:
- Initial and subsequent actions
 - Each needed NFTL refiling in the case. Use dates early in the legal refiling period. See IRM 5.12.8.3, Refiling Period.

Caution: The IRS uses NFTLs that contain self-releasing provisions that will extinguish the underlying statutory lien if the NFTL is not timely refilled during the refiling period. Therefore, NFTLs must be timely refilled in all jurisdictions in which they are filed in order to prevent the statutory lien from being extinguished. It is important to remember that the underlying liability is not extinguished by an inadvertent federal tax lien release. Though the lien must be reestablished and a replacement NFTL filed before competing with protected creditors.

- (7) For TFRP refund suits, to the extent possible, input ICS cross-references to all involved entities and TINs (corporation, other responsible parties). The name and TIN of the taxpayer bringing the suit should be primary. Separate controls for related cases may be needed if third-party complaints are brought against responsible parties other than the taxpayer bringing the refund suit.

25.3.6.3.2
(03-11-2024)
**Transaction Code (TC)
520**

- (1) Transaction Code (TC) 520 with the appropriate closing code (cc) must be input on all modules that are involved in litigation or that have been referred to DOJ for litigation. TC 520 freezes the tax module or entity, depending upon the closing code used, from refunding and offsetting. Depending upon which closing code is used, TC 520 may or may not suspend the running of the statute of limitations for collection. Therefore, it is extremely important to use the correct closing code for the particular type of action.

Caution: A TC 914 on a module will cause a TC 520 to go unpostable. However, the criminal investigation unit that monitors their cases receives notice and if they are agreeable to the suit proceeding, they will take action to clear the unpostable and allow the TC 520 to post. Questions with a specific unpostable may be directed to *mailto:*CI-HQ-AAI-SOS* mailbox for initial inquiries.

Reminder: The IDRS dead cycles can delay TC 520 processing. See IRM 3.30.123.4.7, Dead Cycles - A Week Counter.

- (2) TC 520 is an indicator that alerts those researching an account of pending or ongoing litigation. Depending on the closing code, it could also indicate past litigation where a judgment has been entered, DOJ has entered a settlement agreement, or other circumstances where DOJ maintains jurisdiction of the case.
- (3) When input promptly, the TC 520 indicator provides awareness of the litigation and prevents inappropriate actions by other IRS functions. This input should be requested whether or not there is an existing bankruptcy-related TC 520 on the account modules. The bankruptcy-related TC 520 should not be removed but rather an additional TC 520 should be input. Nor should a TC 520 cc 80 related to litigation referred to DOJ be removed when a bankruptcy-related TC 520 is reversed.

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 25.3.6.1.2(3), Settlement Authority).

Reminder: This is to avoid CIO inadvertently posting a pre-mature TC 604 to abate a liability when a TC 520 cc 80 has suspended the CSED and may reflect nondischargeability or lien-survival litigation.

- (4) CEASO Advisory is responsible for requesting the input of TC 520 with the appropriate closing code for all suits for which CEASO Advisory has responsibility. Requests for input are on Form 4844, Request for Terminal Action, and go to either a CEASO Advisory Tax Examiner or Campus Collec-

tion Case Processing (CCP) for input. See IRM 25.3.6.1.1.1, Types of Litigation Controlled by CEASO Advisory.

Reminder: Ensure successful posting of requested TCs 520 and resolve posting inaccuracies and problems. Any CEASO Advisory TC 520 must have an open ICS control to monitor and resolve the TC 520. See IRM 25.3.6.3, Case Controls.

(5) **References:**

- **IRM 25.3.6.3.2.3, TC 520 cc 80 Importance and Input Timing.**
- Exhibit 25.3.6-1, Closing Codes for Transaction Code 520, lists the closing codes that are commonly used by CEASO Advisory.
- Document 6209, IRS Processing Codes and Information, Section 11, Collection, TC 520 Closing Code Chart, contains all the TC 520 closing codes.

Note: TC 520s (and corresponding reversing transactions) on litigation case types **not** controlled by CEASO Advisory will be requested by the unit controlling the litigation. See IRM 25.3.8, TC 520 - W Freeze Servicewide Guide.

25.3.6.3.2.1
(03-11-2024)
**Trust Fund Recovery
Penalty (TFRP) Litigation**

- (1) The CSED is suspended for the period of time during which the IRS is prohibited from collecting. See IRC 6672(c)(4), and IRM 5.7.7.5.2, Withholding Collection - IRC 6672.
- (2) Two different IRC provisions may apply to suspend the running of the collection statute of limitations for the TFRP.

IRC 6331(i)(6)

Rules	CSED Suspension
Generally levy prohibited during the pendency of a TFRP refund suit, where the unpaid TFRP is in issue, unless jeopardy exists or the taxpayer waives their rights under this subsection.	CSED suspension starts at the time the refund suit is filed and continues until a court order or judgment is entered in the proceeding and through any subsequent exercise of applicable appeal rights.

Note: Reference: IRM 5.7.7.5.2(3), Withholding Collection — IRC 6672(c).

IRC 6672(c)

Rules	CSED Suspension
<p>Claim: Absent jeopardy, if a taxpayer, after receiving notice and demand for a TFRP assessment and within 30 days of that notice takes the following actions:</p> <ol style="list-style-type: none"> Pays the minimum amount required to commence a proceeding in court, Files a claim for refund (See Form 843, Claim For Refund and Request for Abatement), and Furnishes a bond for an amount equal to 1 1/2 times the unpaid portion of the TFRP. 	<p>CSED suspension starts when the conditions of the claim are met and ends 30 days after the day the claim for refund is denied, unless suit in the proper court is filed.</p>
<p>Suit: Suit is brought in the proper court within 30 days after the day the claim for refund is denied.</p>	<p>CSED suspension continues from the suspension above, through the time the refund suit is filed and continues until a court order or judgment is entered in the proceeding and through any subsequent exercise of applicable appeal rights.</p>

Note: References: IRM 5.7.7.5.2(3), Withholding Collection — IRC 6672(c). and IRM 5.7.7.5, Claim for Refund.

Reminder: IRC 6672(c) is rarely used because of the bond requirement. Thus, only taxpayers desiring a lien release before litigating will likely use it.

- (3) Request input of TC 520, closing code 82 to suspend the CSED, when either IRC 6331(i) or IRC 6672(c) applies to suspend the CSED for collecting the TFRP.
- (4) The TC 520 cc 82 is also used to suspend the CSED where, in a refund suit, a third-party complaint is filed by the IRS against other parties against whom related TFRP assessments have been made. If DOJ counterclaims with a reduce claims to judgment against the originating TFRP party or multiple TFRP claimant parties, request input of TC 520, cc 80. IDRS will then reflect both the TC 520 cc 82 and a subsequent TC 520 cc 80.

Note: A third party complaint must be filed before the CSED in order for the CSED to be extended under IRC 6502(a).

- (5) If the CSED is imminent, follow the procedures set forth, below, in IRM 25.3.6.3.2.2, Cases with Imminent CSEDs. See also IRM 25.3.3.7.1, Trust Fund Recovery Penalty (TFRP) Refund Litigation - CEASO Advisor’s Actions.

25.3.6.3.2.2
(03-11-2024)
Cases with Imminent CSEDs

- (1) **DEFINITION:** An imminent CSED for:
 - Suit recommendations by the government see IRM 25.3.2.4.5.5 (1), Cases with Imminent CSEDs,
 - Suits against the government see IRM 5.1.19.5(1), Imminent CSEDs.
- (2) If a court proceeding to collect the tax is commenced before the CSED, the period during which the tax may be collected by levy is extended and does not

expire until the tax liability or a judgment arising from the tax liability is satisfied or becomes unenforceable. See IRC 6502(a).

- (3) **It is imperative that the CSED be protected on litigation cases.** The TC 520 cc 80 suspends the CSED thus ensuring that the statutory lien(s) and assessment(s) remain viable. In order for the CSED to be extended on the tax module, TC 520 with cc 80 must be input on IDRS **well before** the CSED to prevent the TC 608 from posting to clear the module.

Caution: A TC 914 on a module will cause a TC 520 to go unpostable. However, the criminal investigation unit that monitors their cases receives notice and if they are agreeable to the suit proceeding, they will take action to clear the unpostable and allow the TC 520 to post. Questions with a specific unpostable may be directed to *mailto:*CI-HQ-AAI-SOS* mailbox for initial inquiries.

Reminder: The IDRS dead cycles can delay TC 520 processing. See IRM 3.30.123.4.7, Dead Cycles - A Week Counter.

- (4) **CSED Protection:** Follow the steps in the table below to protect the CSED, statutory lien(s), and assessment(s).

Note: Regardless of whether the CSED is imminent, input TC 520 cc 80 once a suit for judgment or lien enforcement is referred to DOJ if not already input when completing Prep for Counsel actions in eApproval, See IRM 25.3.6.3.2.3(2), TC 520 cc 80 Importance and Input Timing.

Short CSED Suit Recommendation Actions

Step	Action
1	<p>TC 520 cc 80 should occur:</p> <ul style="list-style-type: none"> • No less than 8 weeks before the CSED expires. • At the time a suit recommendation is referred to Counsel through eApproval, but no less than 8 weeks before the CSED expires. • When Counsel agrees to accept a short CSED suit recommendation, even if that is before the suit recommendation is loaded to eApproval, but no less than 8 weeks before the CSED expires.
2	<p>Monitor IDRS to ensure the TC 520 cc 80 posts with a cycle that predates a TC 608 posting cycle.</p> <p>Note: A systemic TC 608 loads for posting before it is reflected on IDRS. This occurs several cycles before the CSED.</p> <p>Caution: When a pending TC 608 cycle date is earlier than the TC 520 cc 80 and / or the TC 608 posts prematurely, see the table in IRM 25.3.6.3.2.2(5), Expired CSED on Litigation Case.</p> <p>Caution: A TC 914 on a module will cause a TC 520 to go unpostable. However, the criminal investigation unit that monitors their cases receives notice and if they are agreeable to the suit proceeding, they will take action to clear the unpostable and allow the TC 520 to post.</p>

Step	Action
3	<p>Early posting of TC 520 cc 80 will begin the suspension of the collection period prior to the date that suit is actually filed. If the suit is not actually filed before the CSED, this entry must be corrected. Monitor the status of the suit recommendation / referral.</p> <ul style="list-style-type: none"> • If the suit recommendation never reaches Counsel because the approver chooses not to approve the suit recommendation, reverse the TC 520 cc 80 with a TC 522 - no closing code. - or - • If Counsel chooses not refer the suit to DOJ, reverse the TC 520 cc 80 with a TC 522 - no closing code. - or - • If DOJ chooses not to prosecute, reverse the TC 520 cc 80 with a TC 522 - no closing code.
4	<p>If suit is timely filed, there is no need to correct the entry because filing the suit suspends the running of the collection period until the liability for the tax or a judgment arising from the tax is satisfied or becomes unenforceable. The fact that the TC 520 was input prior to the date the suit was filed must be noted in the ICS history and Area Counsel must be advised of this action in case questions are raised in litigation regarding the posting date of the TC 520.</p>

Note: In such cases, also ensure that the Notice of Federal Tax Lien is timely refiled. See IRM 25.3.6.4.1.2, Notice of Federal Tax Lien Refiling.

- (5) **If TC 608 posts prematurely** in a case where a suit has been timely filed, the **REQUIRED** actions in the table below will: reestablish the assessed balance(s); revoke the premature lien release(s); and file new Notices of Federal Tax Lien (NFTLs). This includes where the TC 608 posts abating the assessments and the TC 583 posts indicating the lien(s) released - or - either are pending (PN) on TXMOD. The **REQUIRED** actions in the table below are also applicable when a CSED expires on a litigation case because of a pending TC 608 or a pending TC 608 posts before DOJ files the complaint but where DOJ plans on filing the complaint.

Expired CSED on Litigation Case

Step	Action
1	<p>Stop NFTL/lien Releases: Check the Automated Lien System (ALS) to see if the issuance of physical certificate(s) of release is / are pending. If so, contact the Centralized Lien Organization (CLO) to see if mailing of the certificate(s) can be stopped. For contact information of the appropriate CCP Lien Team see either:</p> <ul style="list-style-type: none"> • https://irs.gov.sharepoint.com/sites/ETD-KMT-KB054/SitePages/Forms/GrpByChapter.aspx?RootFolder=%2Fsites%2FETD%2DKMT%2DKB054%2FSitePages%2FCampus%2FCentralized%20Lien%20Operation&FolderCTID=0x012000E343130F3D38C2459EA3CFC4F1198AB0 or • Knowledge Management https://irs.gov.sharepoint.com/sites/ETD-KMT-KB054/SitePages/Campus/Lien%20Release/Lien%20Release%20Overview.aspx.
2	<p>Immediately advise Area Counsel and DOJ; ask them if they want to proceed, and proceed as directed.</p>

Step	Action
3	<p>If Counsel and DOJ want to proceed:</p> <ul style="list-style-type: none"> • Request immediate input of TC 520 cc 80, using a transaction code input date that is at least one (1) day prior to the CSED. This should generate the TC 608 reversal. Monitor these actions because it can take a few cycles for the TC 520 to post and then additional cycles for the TC 608 reversal to post. <p>Reminder: Any requests for the input of TC 520 cc 80 must be monitored by CEASO Advisory personnel to ensure proper (Non-Insolvency) Litigation Accounts Management System (LAMS) case controls are maintained.</p> <ul style="list-style-type: none"> • If the NFTL releases have already been issued, make a determination as to possible harm to the Government's priority and the related suit action. Issue OIs to field collection if needed to gather information necessary to make the determination. • Submit revocations of the erroneous NFTL releases and filing of new NFTLs. See IRM 5.12.3.14, Revocation of Certificate of Release or Nonattachment, and IRM 5.12.3.15, Reinstatement of Lien. <p>Note: In certain situations, DOJ or Counsel may request special language for inclusion on a Revocation and/or new NFTL if, for example, the lien remains valid only against a particular asset after a bankruptcy discharge.</p>

25.3.6.3.2.3
(06-01-2022)

**TC 520 cc 80 Importance
and Input Timing**

(1) Timely input of the TC 520 cc 80 suspends the CSED, prevents voiding of the NFTL(s), prevents lien self-releases, and prevents assessment abatements. See also IRM 25.3.6.3.2.2(3).

(2) **Input the TC 520 cc 80 when completing Prep For Counsel actions in eApproval** with suits to reduce claims to judgment. This also includes suits to foreclose combined with suits to reduce claims to judgment.

Reminder: Counsel and DOJ prefer foreclosure suits be combined with suits to reduce claims to judgment. The important *point* to remember is that a reversal of any TC 520 for any closing code not requiring a closing code with the reversal will automatically reverse a cc 80 because there is no cc for its TC 521 (reversal) or 522 (correction). It is imperative that the CSED be preserved.

Note: Take this action even if the CSED is **NOT** imminent. If the CSED is imminent see IRM 25.3.6.3.2.2, Cases with Imminent CSEDs.

(3) **If the Reduce Claims to Judgment Action Is Dropped:** See IRM 25.3.6.3.2.2, Short CSED Suit Recommendation Actions, Item 3.

25.3.6.3.2.4
(06-01-2022)

**Failure to Honor Levy
Suits**

(1) A suit to enforce a levy is generally brought against a third party, not against the taxpayer (e.g., the taxpayer's employer fails to honor a levy served to reach the taxpayer's wages). See IRM 5.17.4.12, Action to Enforce a Levy.

(2) While IRC 6332(d)(1) provides that any person who fails or refuses to surrender property subject to levy shall be personally liable in an amount equal to the value of that property (but not exceeding the total amount of the tax liability with respect to which the levy was made), any amount recovered in the

suit (other than costs) is to be credited against the delinquent tax liability. See IRM 5.17.4.12.3, Liability for Failure to Comply.

Note: If the 50-percent penalty under IRC 6332(d)(2) is imposed and collected, the penalty amount should **not** be credited against the delinquent tax liability.

- (3) If the notice of levy was timely served prior to the collection statute of limitations running against the taxpayer and the notice of seizure was properly given to the taxpayer within the meaning of IRC 6335(a) (see IRC 6502(b)), then the personal liability arising from a failure to honor that levy may be enforced in any appropriate case at any time without limitation, notwithstanding any subsequent expiration of the normal or extended CSED against the taxpayer. See IRM 5.17.4.12.4, Initiation of Suit.
- (4) If the CSED is not imminent when a suit for failure to honor a levy is filed, request input of TC 520 with closing code 75 (which does not suspend the CSED nor change the collection status), unless for some reason the collection status on the taxpayer's account should be changed to status 72 (i.e., there is some reason to suspend collection action against the taxpayer). Use TC 520 cc 70 (which does not suspend the CSED but changes the collection status to 72) if suspending collection action against the taxpayer is appropriate. Status 72 suppresses all IDRS balance due notices. See Exhibit 25.3.6-1, Closing Codes for Transaction Code 520.
- (5) If it appears that the collection statute of limitations will expire prior to the conclusion of the failure to honor levy suit and subsequent collection, request input of TC 520 cc 80 on the taxpayer's account prior to the expiration date to allow for the application of any recovery in the suit to the delinquent tax liability. Once the amount recovered in the failure to honor levy suit (other than costs or the 50-percent penalty) is applied to the taxpayer's account, request input of TC 521.

25.3.6.3.3
(06-01-2022)
**Using eApproval Post
Prep-For Counsel**

- (1) eApproval is the submission, review, and approval platform for suit recommendations. It is also a source for helping to control suit inventory for both CEASO advisors and CEASO advisory group managers (GM).
- (2) **CEASO ADVISORY GM:** Normally the GM reassigns cases in ICS, including litigation cases, when a CEASO advisor retires or is reassigned. The GM should also change the CEASO advisor assignment in eApproval or ensure that the receiving CEASO advisor updates eApproval. The way to access, monitor, and find cases for an CEASO advisor contact update, when the suit recommendation has been assigned to Counsel, is through the **Cases Assigned to Counsel** report on the GM page. For instructions see IRM 25.3.6.3.3, Instructions for Accessing - Cases Assigned to Counsel - report.
- (3) **CEASO ADVISORS:** The CEASO advisor needs to ensure that the CEASO advisor contact name is updated in eApproval, where there has been an CEASO advisor retirement or reassignment. The eApproval report **Cases Assigned to Counsel** can be used to access, monitor, and find cases when needing CEASO advisor contact updates. IRM 25.3.6.3.3, Instructions for Accessing - Cases Assigned to Counsel - report.
- (4) **Reports & Views Button**

Instructions for Accessing - Cases Assigned to Counsel - report

Step	Action
1	Click the Reports & Views button
2	Click Suit Reports
3	Click the report with Cases Assigned to Counsel in the title
4	Sort by: <ul style="list-style-type: none"> • CEASO Advisor name A-Z • CEASO Advisor name Z-A • Individual CEASO advisor name (click on the box by their name)
5	Click into the eApproval case link
6	Click Edit
7	Update the CEASO advisor contact information
8	Click save
9	Notify the Counsel attorney of the CEASO advisor update. eApproval automatically sends an e-mail alert to the Counsel attorney, but it will not say what was changed.

25.3.6.4
(06-01-2022)

**Open Case Monitoring
and Actions**

- (1) After initial actions have been completed, perform follow-up reviews to ensure completion of actions and monitoring of case status while litigation is ongoing.
- (2) The Form 14187, Periodic Open Litigation Case Review, is designed to assist with open case monitoring actions. The Form 14187 is a best practice for the receiving CEASO advisor of a suit transferred from a reassigned or retired CEASO advisor. This ensures that the case remains on track and needed actions occurred timely. If actions have been missed, follow-up is needed to ensure the litigation remains on track.

Reminder: Update the CEASO advisor contact in eApproval when a litigation case has been transferred.

- (3) Use ICS follow-up or other calendar system.
- (4) Contact field collection and other IRS personnel connected with the case as needed to keep them apprised of significant developments, particularly in cases where collection is not suspended or that person has been sued.

25.3.6.4.1
(09-08-2023)

**Periodic Open Case
Reviews**

- (1) CEASO Advisory monitored cases should be followed up as necessary, **but no less than annually**, until the litigation is concluded. Determine the status of all open litigation cases by contacting Counsel or by using PACER, LexisNexis, or similar systems. Both the Litigation Accounts Maintenance System (LAMS) TC 520 Non-Insolvency Listing and eApproval, Cases Assigned to Counsel, report can be used as part of the periodic monitoring of open litigation cases.
 - To create dedicated LAMS reports for areas and closing codes see IRM 25.3.8.4.1, Litigation Account Management System (LAMS).
 - To access the, Cases Assigned to Counsel, report in eApproval follow the instructions in IRM 25.3.6.3.3, Instructions for Accessing - Cases Assigned to Counsel - report.

- (2) Additionally, accounts that are open on the LAMS TC 520 Non-Insolvency Listing must be reconciled on an annual basis. If a case is on the LAMS listing but not open on ICS, a decision must be made to either open an ICS control or to close the TC 520, as appropriate. Failure to monitor the LAMS listing will result in outdated tax modules on which the litigation may have ended and the CSED expired.
- (3) Form 14187, Periodic Open Litigation Case Review, use assists with follow-up review and analysis as applicable to the particular case. Use the list below and also upload to eApproval any completed Form 14187, including the date completed in the file name (see IRM 25.3.6.3.3, Instructions for Accessing - Cases Assigned to Counsel - report):

Item	Instructions
1	Ensure proper TC 520 and closing code is in place on all affected account modules.
2	Ensure completeness of ICS follow-ups.
3	Review CSEDs and ASEDs.
4	Review NFTLs filed in all jurisdictions and refile as needed.
5	Review account balances.
6	Take appropriate action with regard to any unresolved credit balances (refund, offset, transfer, etc.). Note: Refunds and offsets are frozen on a module with an open TC 520. If an account has a credit balance, it must be manually transferred to another module. Consult with Counsel before doing this on litigation cases.
7	If necessary, contact Counsel to determine case status and need for action.
8	Review issues of relevance to individual cases.
9	Advise Counsel of any problems, significant account changes, new liabilities, or other identified issues of note. Secure updated certified transcripts as needed.
10	If needed, issue an OI (Other Investigation) to field collection (if possible to the revenue officer who initiated the suit) to conduct a records check to ensure that information regarding lien claimants has not changed or to gather other needed information.
11	Document the ICS history with the review results and actions taken.
12	Set an ICS follow-up for the next periodic review.
13	Update any revenue officer or CEASO advisor contacts in eApproval as needed (see IRM 25.3.6.3.3, Instructions for Accessing - Cases Assigned to Counsel - report).

- (4) Periodically review BMF accounts that relate to the TFRP accounts involved in litigation cases. Take the following actions as appropriate if they do not occur systemically:
 - a. Identify any changes that would affect the related TFRP account balances.
 - b. Recompute TFRP account balances as needed.
 - c. Contact Counsel to advise and obtain direction as to account adjustment.
 - d. Secure and forward updated certified transcripts of affected accounts.

Note: Do not adjust individual TFRP account(s) without consultation with and/or instructions from Counsel.

- (5) Document ICS histories to reflect the review results and related actions. Include the current status of the litigation, forthcoming proceedings and court dates, and any settlement options being considered.

25.3.6.4.1.1
(06-01-2022)
Statute of Limitations Monitoring

- (1) Monitor applicable CSEDs and ASEDs.
- (2) If CSED is imminent:
 - a. Contact Counsel to ensure awareness of the CSED and to secure instructions as needed.
 - b. Make sure the CSED is protected. See IRM 25.3.6.3.2.2, Cases with Imminent CSEDs, for guidance.
- (3) ASED problems should be rare, but may arise, particularly if unassessed TFRP liabilities are involved. Address appropriately when encountered.

25.3.6.4.1.2
(03-11-2024)
Notice of Federal Tax Lien Refiling

- (1) Ensure that all Notices of Federal Tax Lien (NFTLs) are timely refiled.

Note: The IRS uses NFTLs that contain self-releasing provisions that will extinguish the underlying statutory lien if the NFTL is not timely refiled during the refiling period. Therefore, NFTLs must be timely refiled in all jurisdictions in which they are filed in order to prevent the statutory lien from being extinguished. It is important to remember that the underlying liability is not extinguished by an inadvertent federal tax lien release. Though the lien must be reestablished and a replacement NFTL filed before competing with protected creditors.
- (2) If an NFTL is released prematurely or if the refiling deadline is missed and the NFTL self releases: (See IRM 5.12.8, Notice of Lien Refiling)
 - a. Contact Counsel to advise and secure direction as to appropriateness of revoking the release and filing a new NFTL and the need for inclusion of special language on the new NFTL.
 - b. Determine what, if any, effect the premature release had on lien priority.
 - c. Revoke the release and file a new NFTL if and as directed. See IRM 5.12.3.4, Revocation of Lien Release, IRM 5.12.3.15, Reinstating the Statutory Lien, IRM 5.12.3.16, Re-establishing NFTL Priority.

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.

Step	Action
4	<p>Send a manual Letter 3171, Notice of Federal Tax Lien Additional Filing, as follows:</p> <ol 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 style="margin-left: 40px;">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> 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 a regular Letter 3171 is not systemically issued. g. Mail the letter and inform DOJ. <p style="margin-left: 40px;">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>

- d. Secure and forward a copy (certified if requested) of the new NFTL to Counsel.

Caution: TC 520 with cc 70, 71, 73, or 75 does not suspend the CSED or prevent TC 608 from posting. If TC 608 posts while litigation is pending because the appropriate closing code suspending the CSED was not timely input, corrective actions must be taken. See IRM 25.3.6.3.2.2, Expired CSED on Litigation Case.

Reminder: TC 520 with cc 80 does suspend the CSED, but **does not** affect the calculation of the NFTL refiling period.

25.3.6.4.2
(12-07-2010)
Requests for Additional Investigation or Assistance

- (1) Types of requested investigation or assistance that may be received from Counsel include the following:

- a. Verification of and information regarding prior administrative claims submitted by a taxpayer,
- b. Additional data gathering,
- c. Current balance due computations or analyses,
- d. Verification of financial statements,
- e. Evaluation of settlement offers,
- f. Securing copies of NFTLs and other recorded documents,
- g. Preparation and/or execution of declarations or affidavits,
- h. Providing testimony (commonly provided by CEASO Advisors), and
- i. Miscellaneous requests.

- (2) When a current balance due computation is requested:

- a. Determine the date through which the balance is to be computed.
- b. Determine the form in which the information is needed. For example, in many cases, a simple INTST computation is sufficient. In some, such as when settlement is being considered, a breakdown of the remaining

liability into tax, penalty, and interest may be needed. INTSTB may be used for this purpose in situations where there is just one assessment of tax within a tax module.

- c. Take any current credit balances into account when computing remaining balances due, and transfer any credit balances to unpaid account modules. Failure to do so may result in unaddressed credit balances being refunded to the taxpayer.

Note: Consult with Counsel prior to taking any actions with respect to credit balances.

- (3) When you receive requests for additional investigation or assistance from Counsel, refer the request to field collection as needed by issuing an OI to the appropriate group. Coordinate with the group manager prior to issuing the OI. Explain the purpose and importance of the requested action.

Note: Collection referrals from Counsel are mandatory OIs. See IRM 5.1.8.5.1(3), Types of Mandatory OIs.

- (4) In the OI:

- Be specific about what is required.
- Identify and stress the response deadline. It is commonly necessary to contact Counsel to determine the response deadline.
- Prior to issuance, determine from the requestor if taxpayer contact in the course of the investigation is acceptable and include that information in the OI.
- Indicate the proper form and format for the OI response. Stress the need for complete, well presented, and typed response reports when appropriate, such as in the case of financial and collectibility analyses.

25.3.6.4.3
(06-01-2022)

Pending or Proposed Settlements

- (1) If possible, pending or proposed settlement agreements should be reviewed before finalization. Insofar as possible, ensure the following:
 - a. Inclusion of proper address(es) for payment direction,
 - b. Inclusion of specific language permitting offset of refunds during payment period,
 - c. Avoidance of terms/conditions that are not sufficiently precise or would be inadvisable (e.g., the acquisition of real property subject to a life estate interest), and
 - d. Any other applicable concerns are addressed.

Note: CEASO Advisory is commonly not consulted prior to finalization of settlement.

- (2) Current balance due computations may be requested when settlement is being considered. If this occurs, follow the guidance in IRM 25.3.6.4.2(2), Requests for Additional Investigation or Assistance.

25.3.6.5
(12-07-2010)

Closing Actions

- (1) Proper closing actions must be taken to avoid questions and issues arising at a later date when information regarding the outcome of the litigation may not be readily available.

25.3.6.5.1
(06-01-2022)
**Litigation Related
Payments**

- (1) Payments resulting from litigation are generally received by the Department of Justice and electronically transferred to the IRS via Intra-Governmental Payment and Collection (IPAC) at the Kansas City campus. See IRM 3.17.243.10, Department of Justice (DOJ).
- (2) If a litigation related payment is received in CEASO Advisory or field collection, do not post the payment. Contact Counsel for guidance and process the payment as instructed.
- (3) If a payment known to have been received in a litigation case does not post or post correctly within a reasonable time, follow-up with the Department of Justice and the campus as needed.

25.3.6.5.2
(09-08-2023)
**Actions Dictated by
Judgment or Settlement**

- (1) **Advisement of Judgment Entered or Settlement Reached:** Settlement may be reached outside of court proceedings and therefore not found in court documents. If the notification is
 - a. **Verbal:** secure the signed settlement or signed judgment from DOJ or from Public Access Court Electronic Record (PACER). Once received, take all required and recommended actions promptly and upload the document(s) to eApproval.
 - b. **Written:** Take all required and recommended actions promptly and upload the document(s) to eApproval.

Reminder: The documentation will be needed to justify any abatement or adjustment requests. Actions may include the following: adjustment or abatement of tax liabilities, release of NFTL, interest restriction, or other directed or required action.

Note: In all cases where collection of a tax liability has been referred to the DOJ or the United States has obtained a judgment for tax liabilities, compromise authority thereafter rests solely with DOJ. The IRS has no authority to settle these cases. See IRC 7122, Compromises, and IRM 25.3.6.1.2(3), Settlement Authority.

- (2) **DOJ generally provides** Counsel with a letter requesting specific actions with the accompanying judgment or settlement
- (3) **Counsel uploads** this letter to eApproval for CEASO Advisory.
- (4) **CEASO Advisor:**
 - a. Reconciles the judgment or settlement to IDRS to determine what actions are necessary and resolves any uncertainties or inconsistencies with Counsel.
 - b. Monitors account records to ensure required actions are taken correctly and completely. This includes the items listed in paragraph (1), above.
 - c. Uploads document(s) to eApproval if Counsel has not uploaded them.
 - d. See IRM 25.3.5.9, Offers in Settlement, and IRM 25.3.6.5.3, Special Notices of Abatement/Adjustment, for procedures with settlements involving deferred payment and/or future income collateral agreements.

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 25.3.6.1.2(3), Settlement Authority).

25.3.6.5.2.1
(03-11-2024)

**Full Resolution of
Judgment or Settlement**

- (1) When judgment or settlement requirements are met (i.e., judgment satisfied or judgment paid), and remaining liability needs to be abated in order that the module goes to zero (i.e. Status 12).

Full Resolution Actions

Item	Action
1	Obtain the appropriate documentation. See IRM 25.3.6.5.2, Actions Dictated by Judgment or Settlement,
2	Verify all required payments are posted correctly to IDRS via Intergovernmental Payment and Collection System (IPAC) credits (TC 670, DPC 08).
3	Prepare Form 3870, Request for Adjustment, requesting Input of TC 971 AC 637 for the appropriate module(s). The package must include the judgment or signed settlement as documentation for the request. Reminder: Keep the TC 520 cc 80 open until all litigation actions are complete, including any adjustments, payment transfers, or TC 971 AC 637 posting.
4	Forward to CEASO Advisory GM for approval.
5	Email approved Form 3870 and attachment(s) to Collection Case Processing (CCP) / FORT at *SBSE CCS GCP WEST 1 for processing.
6	Monitor that the TC 971 AC 637 generates the TC 604 clearing the module balance and accruals. Note: The TC 604 amount may be zero depending on assessed module balance. Example: The taxpayer owes \$150,000. DOJ settles with the taxpayer for \$125,000, which the taxpayer pays and DOJ IPACs the funds to the account. DOJ then requests abatement of the remaining \$25,000 plus any accruals. See Exhibit 25.3.6-3, TC 971 AC 637 Example.

25.3.6.5.2.2
(03-11-2024)

**Partial Resolution of
Judgment or Settlement**

- (1) There may be occasions where DOJ settles with the other party and requests partial abatement or adjustment of a taxpayer account prior to completion of settlement payments.

Adjustment Actions

Item	Action
1	Obtain the appropriate documentation. See IRM 25.3.6.5.2, Actions Dictated by Judgment or Settlement,
2	Verify that any payments are posted correctly to IDRS via IPAC credits (TC 670, DPC 08).

Item	Action
3	Prepare Form 3870, Request for Adjustment, detailing the specified adjustment actions requested by DOJ. Note: A TC 971 AC 638 notates for CCP a partial judgment adjustment and can be notated on the Form 3870 (see also TC 971 AC 637)
4	Forward to CEASO Advisory GM for approval.
5	Email approved Form 3870 and attachment(s) to CCP / FORT at *SBSE CCS GCP WEST 1 for processing.
6	Monitor the account to ensure the adjustments post correctly.

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 25.3.6.1.2(3), Settlement Authority).

25.3.6.5.3
(09-08-2023)
Special Notices of Abatement/Adjustment

- (1) In some cases, usually refund litigation, where an adverse ruling is issued, abatements or adjustments with special requirements for refunds and/or notice preparation and issuance may be necessary.
- (2) Specific requests and instructions for such actions may be received from Area Counsel or DOJ. When such a request is received, prepare a Form 3870, Request for Adjustment. Forward the request to the FORT in Centralized Case Processing in the Philadelphia campus.

Exception: The FORT does **not** handle specialized adjustments. See IRM 25.3.6.5.3.2, Specialized Non-FORT Adjustments.

Reminder: Also refer to *Form 3870, Request for Adjustments Assistant*, (<https://irsgov.sharepoint.com/sites/ETD-KMT-KB027/SitePages/Adjustments/Other%20Resources/Other%20Resources%20Overview.aspx>).

Note: For manual refunds, follow the instructions in IRM 5.1.12.20, Manual Refund, and IRM 5.1.12.20.1.8, Forward the Request for Manual Refund, when processing the manual refund.

25.3.6.5.3.1
(09-08-2023)
Assistance from the Field Office Resource Team (FORT)

- (1) The FORT is a department within Centralized Case Processing (CCP) in Philadelphia.
- (2) The FORT handles requests relating to Department of Justice litigation cases.

Exception: The FORT does **not** handle specialized adjustments. See IRM 25.3.6.5.3.2, Specialized Non-FORT Adjustments.

- (3) The FORT is part of CCP and CCP is comprised of the FORT and General Case Processing (GCP).

- a. GCP responsibilities are found in IRM 5.4.10.1(2), General Case Processing. Objective. See also *General Case Processing*, (<https://irsgov.sharepoint.com/sites/ETD-KMT-KB130/SitePages/General%20Case%20Processing/Overview%20of%20the%20GCP/Overview-of-General-Case-Processing.aspx>).
- b. CCP responsibilities are to process adjustment requests (primarily Status 26 cases) received from Field Collection (FC). See also *Centralized Case Processing*, ([https://irsgov.sharepoint.com/sites/ETD-KMT-KB130/SitePages/General%20Case%20Processing/Overview%20of%20the%20GCP/Centralized-Case-Processing-\(CCP\)-Priority-Requests.aspx](https://irsgov.sharepoint.com/sites/ETD-KMT-KB130/SitePages/General%20Case%20Processing/Overview%20of%20the%20GCP/Centralized-Case-Processing-(CCP)-Priority-Requests.aspx)).
- c. FORT responsibilities are found in IRM 5.4.12, Field Office Resource Team. See also *Collection FORT* ([https://irsgov.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://irsgov.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)).

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 25.3.6.1.2(3), Settlement Authority).

25.3.6.5.3.2
(09-08-2023)
Specialized Non-FORT Adjustments

- (1) For specialized adjustments (i.e, CAWR, TFRP, ASFR, Exam), case routing can be found on, Knowledge Management at *Form 3870, Request for Adjustments Assistant*, (<https://irsgov.sharepoint.com/sites/ETD-KMT-KB027/SitePages/Adjustments/Other%20Resources/Other%20Resources%20Overview.aspx>). On the right hand navigation under Related Forms and Documents is the contact list for the various specialty functions.

25.3.6.5.4
(06-01-2022)
TC 520 Reversals (TC 521)

- (1) TC 520 reversal (TC 521) must be considered with care due to the potential negative affects on litigation and / or existing judgments. The TC 520 cc 70, 71, 75 and TC 520 cc 80 **do not** contain a cc in their TC 521 programming. This means that the posting of one TC 521 without a cc will close all open TC 520s on a module, where a cc is not included. This could have unintended consequences (e.g., posting a TC 521 with the intent to only close a TC 520 cc 70, but also inadvertently closing the associated TC 520 cc 80 and thus causing any lien(s) to release, and NFTL(s) to void, and any assessment(s) to abate.)
- (2) **Closed Litigation with Judgment:** Do not reverse request any TC 521s until all actions taken related to the judgment have occurred. This includes ensuring that the TC 550 definer code 04 has posted before the TC 521 is requested. **Care must be taken** with the input date of any TC 521 as an incorrect TC 521 posting date could cause the underlying statutory federal tax lien to release, void the associated NFTLs, and abate the liabilities.
 - **Correct TC 521 Posting Date:** When the TC 521 posting is correctly set, then the TC 550 new CSED date becomes the controlling CSED for the module(s). See Example Exhibit 25.3.6-4.

- **Incorrect TC 521 Posting Date:** When the TC 521 posting date is incorrectly set, it ignores the TC 550 CSED date causing the underlying statutory federal tax lien(s) to release, the associated NFTL(s) to void, and the liability to abate. See Example Exhibit 25.3.6-5.
- **Corrections for Incorrect TC 521 Posting Date:** As noted in the previous bullet, an incorrect TC 521 date causes problems for the litigation and collection of a subsequent judgement. Corrections are crucial to reestablish the liability, statutory lien, and new file new NFTL(s). The first task is requesting a new TC 520 with a date before the expired CSED yet not before the incorrect TC 521 date. See Example Exhibit 25.3.6-6 for details.

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 25.3.6.1.2(3), Settlement Authority).

- (3) **Closed Litigation without Judgment:** If liabilities have not been reduced to judgment, release open TC 520s when litigation is concluded by requesting TC 521 on all modules.

Note: Make sure TC 521 is input on all modules *of all entities* on which CEASO Advisory requested TC 520 input during the litigation process.

- (4) **TFRP cases:** In TFRP refund cases:

- a. When a counterclaim results in balance(s) due being reduced to judgment, **Do Not** request input of TC 521 until certain further actions have been completed. This includes requesting of and ensuring that the TC 550 definer code 04 with the new CSED date posts before requesting input of a TC 521. Otherwise, a TC 608 will automatically post upon reversal of the TC 520, which results in the account being zeroed out.

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 25.3.6.1.2(3), Settlement Authority).

- b. Otherwise follow the directions of DOJ and take the necessary actions to close the case.

- (5) To ensure that appropriate actions have been taken to reverse open TC 520s, CEASO Advisory will review the LAMS TC 520 Non-Insolvency Listing on an annual basis.

- (6) **References:**

- IRM 25.3.5, Judgment Follow-up.
- IRM 25.3.6.5.2, Actions Dictated by Judgment or Settlement.

- IRM 25.3.6.5.3, Special Notices of Abatement/Adjustment.

25.3.6.5.5
(06-01-2022)

Other Closing Actions

- (1) Take the following additional closing actions, as appropriate:
 - a. Upload a copy of the judgment to the eApproval case. (see IRM 25.3.6.3.3, Instructions for Accessing - Cases Assigned to Counsel - report)
 - b. Forward copies of each judgment and other applicable related documents and correspondence to the CEASO Advisory employee responsible for establishing and monitoring judgment files so the appropriate follow-up controls can be established.
 - c. Advise any revenue officer or other IRS employee with an interest in the outcome of the case. Forward any information relevant to future collection.
 - d. Retrieve all original returns, administrative files, etc. from Counsel and return them to the appropriate storage locations. If they cannot be retrieved, document the situation and reasons in the case history.
 - e. Follow document retention schedules set forth in Document 12990, Records and Information Management Records Control Schedules, Schedule 28 titled, Tax Administration – Collection. See also IRM 1.15.4, Retiring Records to the Federal Records Center.
 - f. Close the ICS NFOI for the litigation when all case actions have been completed and documented. When learning that a judgment was secured, open a NFOI to control it whether or not the litigation NFOI is ready to be closed. See IRM 25.3.5, Judgment Follow-up, for further guidance.

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 25.3.6.1.2(3), Settlement Authority).

Exhibit 25.3.6-1 (06-01-2022)
Closing Codes for Transaction Code 520

Type of Open or Pending Suit	CC	Changes to Status 72 Suspends BAL DUE	Suspends CSED
General Litigation:, Other Suits by U.S. not listed below, Non-foreclosure suits against the U.S. (other than refund), when CSED is not suspended but there is a stay of collection during litigation.	70	Yes	No
Refund Suits (TFRP) when neither IRC 6672(c) nor IRC 6331(i) applies to suspend the CSED and collection may continue during the litigation.	71	No	No
Refund Litigation when neither IRC 6672(c) nor IRC 6331(i) applies to suspend the CSED <i>and</i> there is a stay of collection during the litigation (generally used for refund suits other than TFRP that are controlled by campus refund litigation)	73	Yes	No
Failure to Honor Levy (unless CSED is imminent - then use cc 80; or unless suspension of collection against the taxpayer is appropriate - then use cc 70). Also use for other general litigation cases when collection is not to be suspended	75	No	No
Collection Due Process (CDP) file (IRC 6320 - Lien)	76	Yes	Yes
Collection Due Process (CDP) filed (IRC 6330 - Levy)	77	Yes	Yes
Suit to Reduce Claim to Judgment, Suits to foreclose the federal tax lien with or without being combined with a suit to reduce claims to judgment, and any other suits where litigation continues beyond the pre-suit CSED and later application of proceeds is permitted and anticipated	80	Yes	Yes
CVPN with Appeal Rights, including TFRP refund litigation when either IRC 6672(c) or IRC 6331(i) applies to suspend the CSED for collecting the TFRP	82	Yes	Yes

- See Document 6209, IRS Processing Codes and Information, Section 11, Collection, TC 520 Closing Code Chart, for additional information about these and other TC 520 closing codes.
- Status 72 is generated when a TC 520 with closing code 70, 73, 76, 77, 80 or 82 is input and posts to a module. This status suppresses all IDRS balance due notices.

Exhibit 25.3.6-1 (Cont. 1) (06-01-2022)**Closing Codes for Transaction Code 520**

- Closing codes 76 and 77 are used for Collection Due Process (CDP) Lien and Levy. These cases are not controlled by CEASO Advisory, but by Appeals.
- Litigation closing codes 78 and 79 are currently reserved and not to be used.
- TC 520 freezes the tax module or account (entity), depending upon the closing code used, from refunding and offsetting.
- To change from a closing code that protects the CSED (such as cc 80 or 82) to one that does not protect the CSED (such as cc 70, 71, 73, or 75), the prior TC 520 must be reversed (TC 521) or corrected (TC 522) before the new one is input. Care must be taken to coordinate the reversal or correction with the new input to ensure that a premature TC 608 does not post.
- To suspend a CSED that is open under closing code 70, 71, 73 or 75, re-input TC 520 with the desired closing code (80 or 82), using as the transaction date the date on which the CSED suspension begins. Reversal of the original TC 520 is not required.
- A closing code is not needed to reverse a TC 520 with closing codes 70, 71, 73, 75, 80 and 82.
- Use of closing codes 71 and 73 for TFRP refund litigation cases should be uncommon.

Exhibit 25.3.6-2 (06-01-2022)
Terms and Acronyms

Table of Terms and Acronyms with their Definitions

Acronym	Definition
AC	Action Code
ALS	Automated Lien System
AOIC	Automated Offer In Compromise
ASED	Assessment Statute Expiration Date
ATAT	Abusive Tax Avoidance Transactions
BAL DUE	Balance Due
BMFOLT	Business Master File On Line Transactions
CAP	Collection Appeals Program
CCP	Centralized Case Processing
CDP	Collection Due Process
CEASO	Civil Enforcement Advise and Support Operation
CLO	Centralized Lien Operation
CIO	Centralized Insolvency Operation
cc	Closing Code
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.
DEL RET	Delinquent Return
DOJ	Department of Justice
eApproval	SharePoint application for review and approval of suit recommendations
ESI	Electronically Stored Information
et seq.	and what follows
FRC	Federal Records Center
FORT	Field Office Resource Team
GCP	General Case Processing
IAT	Integrated Automation Technologies
I/B-MFOLT	Individual / Business Master File On Line Transactions
ICS	Integrated Collection System
IDRS	Integrated Data Retrieval System

Exhibit 25.3.6-2 (Cont. 1) (06-01-2022)**Terms and Acronyms**

Acronym	Definition
IMFOLT	Individual Master File On Line Transactions
IPAC	Either INTRA or INTER -governmental Payment and Collection System
IRC	Internal Revenue Code
KM	Knowledge Management
LAMS	Litigation Account Management System
LLC	Limited Liability Company
MB	Megabyte
NFTL	Notice of Federal Tax Lien
OI	Other Investigation
PACER	Public Access Court Electronic Record
PALS	Property Appraisal and Liquidation Specialist
PDF	Portable Document Format
RAR	Revenue Agent Report
Rev.	Revision
RCS	Records Control Schedules (Internal Revenue Service)
SB/SE or SBSE	Small Business / Self-Employed Division
SFR	Substitutes For Return
TBOR	Taxpayer Bill of Rights
TC	Transaction Code
TFRP	Trust Fund Recovery Penalty
TIN	Tax Identification Number
TDS	Transcript Delivery System
Treas. Reg.	Treasury Regulation
U.S.	United States
USC / U.S.C.	United States Code

Exhibit 25.3.6-3 (06-01-2022)
 TC 971 AC 637 Example

TC 971 AC 637 EXAMPLE

TXMODA000-00-0000 MFT>30 TX-PRD>200612 PLN-NUM> NM-CTRL>
 00000-000-00000-0<DLN BOD-CD>WI
 MF-XTRCT-CYC>20215104 SC-REASON-CD>88
 SC-ST>12 MOD-BAL> 0.00 CYC>202150
 MF-ST>12 MOD-BAL> 0.00 CYC>20214504 TODAYS-DT>01/25/2022
 PRIMARY-LOC>7213
 PDC-IND>00

 ASED>04202023 FRZ>G -AI |
 CSED> INTL> | CAF>1
RSED>04152010 PSED>

-----LEVY-971-IND>1
 CS-CTRL-INFO>ALL CS CTRL CLSD CLSD-CTRL-CYC>202145 LST-CS-CTRL
 ACTY>11082021

-----POSTED RETURN INFORMATION-----
 RET-RCVD-DT>00000000 MO-
 DELQ>05FS>1

NUM-EXEMPT>01
 AGI> 31,000.00
 TXI> 22,000.00 PRIM-SE-INCM> 3,000
 SET> 000
 PMEI> 3,000

-----RETURN TRANSACTION-----
 T/C POSTED TRANS-AMOUNT CYC T DLN
 150 08202010 0.00 20092908 00000-000-00000-0
 SFR

Employee #0000000000 Page 001 of 009 ►PAGE 002

TXMODA Continued Below

670	01262021	125,000.00-	20213005	00000-000-00000-0	DESG-PYMT-CD>08
971	08162021	0.00	20213005	00000-000-00000-0	971-CD>805
MISC>LITIGATION					
971	11042021	0.00	20214504	00000-000-00000-0	971-CD>637
604	11292021	25,000.00-	20214504	00000-000-00000-0	

Exhibit 25.3.6-4 (06-01-2022)
Correct TC 521 Posting Date

TC 521 Correct Input Example: In this example the TC 521 posting date of 11/02/2021 is after the module's existing CSED (which in this example was the original) date of 08/15/2021, ten years after the TC 150 assessment date of 08/11/2011. This allows the TC 550 to update the CSED date to 09/30/2038.

```

TXMODA000-00-0000  MFT>30  TX-PRD>200512  NM-CTRL>
00000-000-00000-0<DLN  BOD-CD>SB CLIENT-CD>U MF-XTRCT-CYC>20221205
SC-STS>26 MOD-BAL>  40,800.00 CYC>202146
MF-STS>26 MOD-BAL>  40,800.00 CYC>20214604  TODAYS-DT>04/04/2022
-----
CL-LOC>27  PDC-IND>00
ASED>06212014  FRZ>T  TC 550 CSED controls the module based on correctly input TC 521
CSED>09302038  INTL>  |  BFS-CD>3  LIEN>5 MOD-YLD-
RSED>10152009  PSED>  |  NAICS-CD>000000
-----
LEVY-971-IND>1
CS-CTRL-INFO>ALL CS CTRL CLSD  CLSD-CTRL-CYC>201535 LST-CS-CTRL-ACTY>09012015
-----
POSTED RETURN INFORMATION-----
RET-RCVD-DT>06212011  MO-DELQ>05  TX/TPR>  30,800.00
T/C  POSTED  TRANS-AMOUNT  CYC  T  DLN
150  08152011  30,800.00  20113108  D  00000-000-00000-0
520  06272016  0.00  20162805  00000-000-00000-0  COLL-CLS-CD>80
550  06062019  0.00  20192405  00000-000-00000-0
TC550-DEFINER-CD>04  COLL-EXT-DT>09302038  CSED-EXT-IND>P
521  11022021  0.00  20214504  00000-000-00000-0
    
```

The TC 521 posting date of 11/02/2021 is after what was the module's existing CSED date of 08/15/2021. This allows the new CSED date set by the TC 550 at 09/30/2028 to become the module's controlling CSED.

The module sets the new CSED date to 09/30/2038 (the date input with the TC 550) because the TC 521 posting date of 11/02/2021 is after the module's existing CSED date of 08/15/2021.

Exhibit 25.3.6-5 (06-01-2022)
 Incorrect TC 521 Posting Date

TC 521 Input Error: Even though the TC 550 posted with an updated CSED of 02/02/2042, that new CSED did not prevent the TC 608 posting because the input date for the TC 521 of 11/09/2018 was prior to the original CSED of 02/23/2019.

```
TXMODA000-00-0000 MFT>30 TX-PRD>200412 NM-CTRL>
00000-000-00000-0<DLN BOD-CD>SB CLIENT-CD>G MF-XTRCT-CYC>20221305
SC-STS>72 MOD-BAL> 684,854.08 CYC>202212
MF-STS>21 MOD-BAL> 684,854.08 CYC>20221305 TODAYS-DT>04/04/2022
```

PDC-IND>00

CSED did not change to the TC 550 date of 02/02/2042 due to the TC 521 posting date error

```
ASED>03102011 FRZ>N CL-ASGMT>00000000
CSED>02232019 INTL> -W | BFS-CD>1 LIEN>5 MOD-YLD-
RSED>04152008 PSED>
```

-----RETURN TRANSACTION-----

T/C	POSTED	TRANS-AMOUNT	CYC	
150	04022007	0.00	20071208	
420	03222007	0.00	20071308	
300	02232009	258,048.00	20090608	00000-000-00000-0
421	02232009	0.00	20090608	00000-000-00000-0
520	11092018	0.00	20184805	00000-000-00000-0 COLL-CLS-CD>80
550	02102022	0.00	20220705	00000-000-00000-0
				TC550-DEFINER-CD-04 COLL-EXT-DT>02022042
521	11092018	0.00	20221105	00000-000-00000-0
608	04042022	684,000.00-	20221105	00000-000-00000-0

The error is that the TC 520 cc 80 posting date and the TC 521 posting date are the same. This caused the TC 608 to systemically post and caused the ignoring of the TC 550 CSED

The TC 550 input is correct but negated by improper TC 521 date

TC 521 posting date predates the CSED effectively closing the litigation prior to original CSED causing a systemic TC 608 to post

TC 608 posts the same cycle as the TC 521

-----See Correction in Exhibit 6 -----

**Exhibit 25.3.6-6 (06-01-2022)
Correcting TC 521 Posting Date**

CORRECTION: Post a new TC 520 cc 80 input with a date prior to the original CSED. This will trigger systemic TC 609 posting reestablishing the liability and updating CSED to the TC 550 date.

TXMODA000-00-0000 MFT>30 TX-PRD>200412 NM-CTRL>
00000-000-00000-0<DLN BOD-CD>SB CLIENT-CD>G MF-XTRCT-CYC>20221305
SC-STS>72 MOD-BAL> 684,854.08 CYC>202212
MF-STS>21 MOD-BAL> 684,854.08 CYC>20221305 TODAYS-DT>04/04/2022

PDC-IND>00

CSED did change to the TC 550 date of 02/02/2042 after the posting of a new TC 520 cc 80 with a date prior to original CSED

ASED>03102011 FRZ>N CL-ASGMT>00000000
CSED>02022042 INTL> -W BFS-CD>1 LIEN>5 MOD-YLD-
RSED>04152008 PSED>

-----RETURN TRANSACTION-----

T/C	POSTED	TRANS-AMOUNT	CYC	T	DLN
150	04022007	0.00	20071208	00000-000-00000-0	SFR
420	03222007	0.00	20071308	00000-000-00000-0	
300	02232009	258,048.00	20090608	00000-000-00000-0	
421	02232009	0.00	20090608	00000-000-00000-0	
520	11092018	0.00	20184805	00000-000-00000-0	COLL-CLS-CD>80
550	02102022	0.00	20220705	00000-000-00000-0	
	TC550-DEFINER-CD-04		COLL-EXT-DT>02022042	CSED-EXT-IND>P	
521	11092018	0.00	20221105	00000-000-00000-0	
608	04042022	684,000.00-	20221105	00000-000-00000-0	
520	11092018	0.00	20221305	00000-000-00000-0	COLL-CLS-CD>80
609	04042022	684,854.08	20221305	00000-000-00000-0	

The new TC 520 cc 80 posting date predates the original CSED triggering a systemic TC 609 to post reestablishing the liability

TC 609 posts the same cycle as the TC 520 cc 80