



OFFICE OF
CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

DEC 18 2000

CC:PA:APJP:1:AJKeyso
SPR-110424-00

MEMORANDUM FOR DOUG ROGERS
DIRECTOR, OFFICE OF INTEREST AND PENALTY
ADMINISTRATION S:C:CP:RC:P
Attn: Oneida K. Stephens

FROM: Pamela W. Fuller *DWF*
Acting Chief, Branch 1
Administrative Provisions & Judicial Practice Division
CC:PA:APJP:1

SUBJECT: I.R.C. § 6631 Interest Notice Requirements

On December 13, 2000, we met with representatives of your office to discuss the Service's efforts to comply with section 6631 of the Internal Revenue Code.¹ At that meeting, you requested our opinion on two issues. This responds to your request.

Issue 1: Manual Interest Computations

The Service's computer systems are generally capable of computing underpayment interest on taxpayer accounts automatically. However, in some cases, such as restricted interest cases, the Service must compute underpayment interest manually using various "stand-alone" computer systems or software packages. You ask whether the computer printout produced by three of these stand-alone tools constitutes an interest computation within the meaning of section 6631 of the Code.

Section 6631 of the Code provides:

Sec. 6631. Notice Requirements.

The Secretary shall include with each notice to an individual taxpayer which includes an amount of interest required to be paid by such taxpayer under this title information with respect to the section of this title under which the interest is imposed and a computation of the interest.

¹ Section 6631 was added to the Code by section 3308 of the Internal Revenue Service Restructuring and Reform Act of 1998, Pub. L. No. 105-206, 112 Stat. 685 (1998). Section 6631 is effective for notices issued after December 31, 2000.

PMTA : 00513

SPR-110424-00

The legislative history to section 6631 provides that the Service must furnish taxpayers a "detailed computation of the interest charged and a citation to the Code section under which such interest is imposed." H.R. Conf. Rep. No. 599, 105th Cong., 2d Sess. 260 (1998).

We have reviewed the reports produced by each of the following three stand-alone tools:

1. COMPAD – An IDRS command code
2. TIPS (Total Interest Program) – An "in-house" computer software package
3. TaxInterest – A vendor-produced computer software package

We conclude that the reports produced by the TIPS program and the TaxInterest program constitute computations within the meaning of section 3308 of RRA 98. The reports produced by both of these tools provide the interest term, the interest rate, the principal amount on which interest is computed, and the dollar amount of the interest computed. Further, the reports present the information in a logical manner that permits taxpayers to mathematically verify the accuracy of the total interest charge.

We think that the report produced by the IDRS command code "COMPAD" can also constitute a computation if certain explanatory information is furnished to the taxpayer along with the report. While the COMPAD report informs the taxpayer of the interest variables necessary to mathematically verify the accuracy of the total interest charge, it does so in a manner that is less logical and informative than the TIPS and TaxInterest programs.

[REDACTED]

DP

[REDACTED]

DP

Issue 2: Statutory Notice of Deficiency

You have received inquiries from the field regarding whether section 6631 applies to statutory notices of deficiency (i.e., 90-day letters) issued as a result of an examination of a taxpayer's return. As discussed below, we conclude that section 6631 does not apply to such notices.

Section 6212 of the Code requires the Service to notify the taxpayer by certified or registered mail of any deficiency the Service determines in the taxpayer's income tax. This notice of deficiency gives the taxpayer the right to petition the Tax Court for a redetermination of the deficiency. See § 6213(a). As a general rule, the Tax Court

SPR-110424-00

lacks jurisdiction to rule on issues of underpayment interest. For this reason, the Service does not include the amount of underpayment interest on its statutory notices of deficiency. See Internal Revenue Manual Handbook 4.3.19, Statutory Notices of Deficiency, §§ 4.3.19.1.6.3(5) and 4.3.19.1.6.4(1) (July 21, 2000).

Section 6631 applies to notices that "include an amount of interest required to be paid." Because statutory notices of deficiency do not include an amount of interest required to be paid, section 6631 does not apply to such notices. Nothing in section 6631 requires the Service to include interest on notices it issues to taxpayers. Rather, the statute merely provides that if the Service includes interest on a notice, then it must also show how that interest was computed.

I hope this information is helpful. If you have further questions, please contact Andrew Keyso at 622-4910.

Attachments:

COMPAD Report
TIPS Report
TaxInterest Report