



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.10.26

JULY 16, 2024

EFFECTIVE DATE

(07-16-2024)

PURPOSE

- (1) This transmits revised IRM 4.10.26, Examination of Returns, Net Rate Netting Procedures for LB&I Cases.

MATERIAL CHANGES

- (1) IRM 4.10.26.1.2, Authority, added reference to Rev. Proc. 2000-26.
- (2) Added the following new subsections:
 - a. IRM 4.10.26.1.3, Responsibilities
 - b. IRM 4.10.26.1.4, Program Management and Controls
 - c. IRM 4.10.26.1.5, Terms and Acronyms
- (3) IRM 4.10.26.1.6, Related Resources: corrected link to the Interest Knowledge Base in the Virtual Library. Also added link to the Interest Netting book in the Virtual Library.
- (4) IRM 4.10.26.4.3, Requests for Net Rate Netting Received by Field Examiners, added clarification to instructions.
- (5) Editorial changes made throughout the IRM for spelling, grammar, punctuation, links, formatting, titles, and citations.

EFFECT ON OTHER DOCUMENTS

This IRM supersedes IRM 4.10.26 dated June 18, 2020.

AUDIENCE

LB&I field examiners

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4.10.26

Net Rate Netting Procedures for LB&I Cases

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4.10.26.1
(06-18-2020)
Program Scope and Objectives

- (1) **Purpose:** This section provides guidance to field examiners who receive formal or informal requests for Net Rate Netting (NRN). NRN requests will not be subject to formal claims procedures during examination consideration. The purpose of this guidance is to ensure that LB&I field examiners properly handle cases with NRN requests so that case processing functions in SB/SE or Appeals can properly compute interest after the case is closed. These procedures do not apply to NRN requests worked in case processing units.
- (2) **Audience:** LB&I examiners
- (3) **Policy Owner:** Assistant Deputy Commissioner Compliance Integration
- (4) **Program Owner:** LB&I Policy Office
- (5) **Primary Stakeholders:** Stakeholders include Centralized Case Processing (CCP) and Office of Servicewide Interest.

4.10.26.1.1
(06-18-2020)
Background

- (1) IRC 6621(d) was enacted by RRA '98 and provides for the equalization/elimination of the interest rate differential between overpayments and underpayments of two or more tax modules for the "same" taxpayer during overlapping periods. The effect of the rate equalization results in the interest rate differential being netted to "zero". The IRS calls this procedure "net rate netting". See IRM 20.2.14.6, Net Rate Interest Netting, for more information.

4.10.26.1.2
(07-16-2024)
Authority

- (1) NRN is authorized by IRC 6621(d). Also see Rev. Proc. 2000-26.

4.10.26.1.3
(07-16-2024)
Responsibilities

- (1) Net rate netting (NRN) requests where all periods are resolved are processed at the Ogden Campus by the Accounts Management (AM), Complex Interest Team.
- (2) Net rate requests that include resolved and unresolved periods are sent to the Ogden Campus, Centralized Case Processing (CCP) Team.
- (3) CCP will contact the field examination team when an open exam exists and will process resolved periods. CCP will forward a copy of the unresolved periods in the NRN request to the field exam team, if necessary. Field exam will follow procedures in this IRM for the unresolved periods. See IRM 20.2.14.6, Net Rate Interest Netting, and following subsections.
- (4) The LB&I Policy Office is responsible for updating and maintaining the IRM.

4.10.26.1.4
(07-16-2024)
Program Management and Controls

- (1) Net rate netting is a type of case, therefore, it would be subject to the principles of the LB&I Examination Process described in IRM 4.46. Examiners will add the NRN request to their examination plan.

4.10.26.1.5
(07-16-2024)

Terms and Acronyms

- (1) The following table defines terms that appear throughout this IRM section:

Term	Definition
Net Rate Netting	Net rate netting is the equalization of the interest rates between overpayments and underpayments for two or more tax modules for the same taxpayer during overlapping periods,
Offsetting	Offsetting is transferring credit from an overpaid tax module to an underpaid tax module.

- (2) The following table provides acronyms that are used throughout this IRM section:

Acronym	Term
CCP	Centralized Case Processing
NRN	Net Rate Netting
TIN	Taxpayer Identification Number

4.10.26.1.6
(07-16-2024)

Related Resources

- (1) IRM 20.2.14, Netting of Overpayment and Underpayment Interest, contains procedures for net rate netting.
- (2) Interest Knowledge Base on the Virtual Library: [https://irs.gov.sharepoint.com/sites/ETD-KMT-KB022](https://irs.gov/sharepoint.com/sites/ETD-KMT-KB022)
- (3) Interest Netting book in the Virtual Library: <https://irs.gov.sharepoint.com/sites/ETD-KMT-KB022/SitePages/Calculating%20Interest/Interest%20Netting/InterestNettingTableofContents.aspx>

4.10.26.2
(06-18-2020)

Discussing Net Rate Netting with Taxpayers

- (1) Field examiners are more likely to encounter NRN requests in cases with complex returns than in cases with less complex returns.
- (2) In such cases, the field examiner will determine if it is beneficial to discuss NRN with the taxpayer during the planning stage of the examination. If so, such discussions should clarify the following points:
- NRN is performed after offsetting.
 - NRN is frequently confused with offsetting. See IRM 4.10.26.3, Offsetting Distinguished from Net Rate Netting, for more information.
 - Offsetting can occur when there is an outstanding overpayment and underpayment for which interest is allowed or charged over the same period of time between two or more tax modules.

Example: An overpayment of tax exists in one year and an underpayment of tax exists in another year. Offsets can occur between tax years of the “same” or different taxpayers.

- d. NRN can occur when there is an overpayment(s) and underpayment(s) where interest will be/has been allowed or charged during the same time period. Interest being allowed or charged during the same time period, is referred to as an “overlapping period”. The overlapping periods for overpayment(s) and underpayment(s) can be for different tax years and different tax modules including employment tax, income tax, etc., for the “same” taxpayer.

Example: An overpayment of income tax for 201512 was refunded to the taxpayer on October 15, 2016 resulting in a module balance of zero. In 2016, an examination of tax year 201412 resulted in additional tax owed by the “same” taxpayer. There was an overlapping period of overpayment interest for 201512 and underpayment interest for 201412 from the due date of the 201512 return until the October 15, 2016 refund date.

- e. Offsetting can be performed systematically by Master File or manually by the campus after a case closes. Offsets between different taxpayers must be done manually.

Note: Both NRN and offsetting require special case processing instructions on Form 3198, Special Handling Notice for Examination Case Processing. See IRM 4.10.26.7 for specific instructions.

4.10.26.2.1 (08-27-2012)

Identification of Net Rate Netting Requests for Processing

- (1) The IRS will process any resolved tax period(s) in the NRN request and the information for any unresolved tax period(s) will be retained.
 - a. A resolved tax period is where the overlapping underpayment and overpayment periods have been identified and the amounts have been determined and are no longer subject to controversy in Exam, Appeals, or in a court.
 - b. An unresolved tax period is where the overlapping underpayment and overpayment periods and amounts have not been determined because they are in Exam, Appeals or the taxpayer is pursuing litigation.

Note: The taxpayer may decide to remove any or all tax period(s) from the request up until the point of time the request is processed.

- (2) Because of the complexity surrounding NRN requests, the IRS will not provide “payoff” estimates of the interest due or receivable from a NRN adjustment.
- (3) The field examiner will consider any NRN request made during the examination process as outlined in IRM 4.10.26.4.3, Requests for Net Rate Netting Received by Field Examiners, below. Taxpayers will find instructions for requesting NRN in Rev. Proc. 2000-26. (See Rev. Proc. 99-43 for interest accruing before October 1, 1998)
- (4) The field examiner will review the information provided by the taxpayer to determine whether the NRN information provided is accurate and sufficient to process (perfected NRN request). The taxpayer should specify all overlapping underpayment and overpayment periods and attest whether any of the periods have been previously used for NRN purposes.

Note: If any overlapping period was previously used for NRN, the taxpayer should attach the prior NRN interest computation to the current NRN request. This will assist campus personnel in processing the NRN request.

- (5) A NRN request may not be a refund claim for the purposes of IRC 7422. However, a NRN request with payment of the interest is a refund claim. If the taxpayer is making a claim for refund, the interest must first be paid in full. See IRM 25.6.1.10.2.6, Claims for Credit or Refund – Form and Content.
- (6) Field examiners will not disallow a NRN request using the formal claims disallowance process. Instead, they will return any imperfect request to the taxpayer with Letter 4129 explaining the reasons. See IRM 4.10.26.6 for further instructions.
- (7) Pursuant to IRC 7422, taxpayers who have fully paid the related interest amounts may file a claim for refund and receive judicial review by a United States District Court or Court of Federal Claims, if the accounts involved are first paid in full. *Flora v. United States*, 362 U.S. 145 (1960).

4.10.26.3

(06-18-2020)

Offsetting Distinguished from Net Rate Netting

- (1) If a taxpayer requests a “net” balance during an examination, it may be a request for either “offsetting” or “net rate netting”. NRN is not the same as offsetting between tax years.
- (2) NRN equalizes/eliminates the interest rate differential between overpayments and underpayments of two or more tax modules for the “same” taxpayer during overlapping periods so that the interest rate differential is netted to zero. See IRM 20.2.14.6, Net Rate Interest Netting, for more information. The taxpayer must provide a written request for NRN. Use NRN in the following situations at the taxpayer’s request:
 - a. An examination underpayment that overlaps with previously refunded overpayment(s) on different year(s) or different tax module(s).
 - b. An examination overpayment that overlaps with previously paid tax assessment(s) on different year(s) or different tax module(s).
- (3) Offsetting is transferring credit from an overpaid tax module to an underpaid tax module. The IRS generally offsets unsettled modules through Master File programming, however, it can be done manually by processing personnel. An unsettled module is a module with either a credit (refund due taxpayer) or debit (taxpayer owes) balance. See IRC 6402(a) and IRM 20.2.5.13, Underpayment Interest on Liabilities Paid by Credit/Offset.
- (4) Offsetting is done before any NRN adjustments. The following are examples of offsets that will be done before processing a NRN request:
 - a. Overpayment(s) and underpayment(s) closing during the same time
 - b. Overpayment(s) closing with an outstanding underpayment(s) on different tax year(s).
 - c. Underpayment(s) closing with a current overpayment(s) on a different tax year(s).

4.10.26.4

(08-27-2012)

Receiving Requests for Net Rate Netting

- (1) Requests for NRN may be received by either the campus or the field examiner.
- (2) When the campus receives a NRN request, the campus will follow the procedures in IRM 20.2.14 (outlined below in IRM 4.10.26.4.1, Requests for Net Rate Netting Received by the Campus, and IRM 4.10.26.4.2, Requests for Net Rate Netting Received by CCP).
- (3) When the field examiner receives a NRN request during an examination, the field examiner will follow the procedures in IRM 4.10.26.4.3 below.

4.10.26.4.1
(08-27-2012)

Requests for Net Rate Netting Received by the Campus

- (1) When the campus receives a NRN request on a Form 843, Claim for Refund and Request for Abatement, or written statement from the taxpayer, the Accounts Management Complex Interest Team receiving the request will check to determine if there is examination or appeals activity on any of the tax periods identified in the NRN request.
- (2) If there is an "L" freeze, and the AIMS Status Code is 9 through 79 on any of the tax periods identified in the NRN request, the Accounts Management Complex Interest Team will forward the entire NRN request to the Centralized Case Processing (CCP) function at the Ogden Campus using Form 3210, Document Transmittal. The Accounts Management Complex Interest Team will issue a letter of transfer to the taxpayer.

4.10.26.4.2
(08-27-2012)

Requests for Net Rate Netting Received by CCP

- (1) When a NRN request is received by CCP at the Ogden Campus, it will be reviewed to determine if it can be processed, or whether it has unresolved periods.
- (2) CCP will determine if there is an open examination on the tax periods involved.
- (3) CCP will contact the Field Examination team when an open examination exists to explain that the resolved periods will be processed as soon as possible. CCP will forward a copy of the NRN request with unresolved periods to the Field Examination team, if necessary. The Field Examination team will follow the procedures in IRM 4.10.26 for the unresolved periods.
- (4) The original received date stamp will not apply to unresolved periods.

Note: The field examiner will review NRN requests forwarded to the field by CCP. (See IRM 4.10.26.7, Processing Net Rate Netting Requests by Field Examiners, for specific instructions.)

4.10.26.4.3
(07-16-2024)

Requests for Net Rate Netting Received by Field Examiners

- (1) When the field examiner receives a NRN request, the field examiner will do the following:
 - a. If necessary, instruct the taxpayer to provide a revised NRN request with all the required information as provided in Rev. Proc. 2000-26. Oral requests will not be considered. The taxpayer must provide the request in writing.
 - b. Date stamp the NRN request.
 - c. Provide Letter 4126, Acknowledgement of Net Rate Netting Request, to the taxpayer. See IRM 4.10.26.8.1, Letter 4126, Acknowledgement of Net Rate Netting Request, for specific instructions.
 - d. Add the NRN request to the examination plan. Risk analysis factors will not apply. The NRN request(s) may not be surveyed or excluded from the examination plan.
 - e. Determine if the NRN request involves more than one TIN, see IRM 4.10.26.5, Reviewing Net Rate Netting Requests Involving More Than One Taxpayer Identification Number, for further instructions.
 - f. Determine whether the request contains the required information to process the NRN request. See IRM 4.10.26.8.2 below.
 - g. Document all activity and appropriately index all workpapers related to a NRN request.
 - h. If the associated case will close in 90 days or less, the field examiner will hold the NRN request and close it with the administrative file at the

conclusion of the examination. See IRM 4.10.26.7, Processing Net Rate Netting Requests by Field Examiners, for specific instructions.

- i. For perfected NRN requests where the associated case will not be closing within 90 days, the field examiner will forward the request to CCP on a Form 3210, Document Transmittal

4.10.26.5
(06-18-2020)

**Reviewing Net Rate
Netting Requests
Involving More Than
One Taxpayer
Identification Number
(TIN)**

- (1) The field examiner must review the NRN request to determine whether the request includes more than one TIN. (A net rate adjustment cannot be made between different taxpayers.) If so, the field examiner must make a determination whether the TINs are the “same” taxpayer for purposes of IRC 6621(d) and whether IRC 6621(d) applies.

Note: If an office examiner receives a request for NRN that involves more than one TIN, the case should be transferred to a field group. The reason(s) for the transfer should be prominently displayed on the routing sheet or transfer document.

- (2) The field examiner must determine whether the required information is present on the NRN request. See IRM 20.2.14.6.1.1(5) and Rev. Proc. 2000-26.
- (3) The NRN request may not be surveyed or excluded from an examination plan. Risk analysis factors will not apply.
- (4) The field examiner will document all activity and appropriately index all workpapers related to a NRN request.
- (5) The field examiner will ascertain the facts surrounding the relationships between TIN holders and analyze the facts in terms of applicable law.

Note: It may be appropriate to consult with Counsel on this issue.

- (6) If the field examiner determines that the multiple TINs are the “same” taxpayer for NRN purposes, the field examiner will:
 - a. Check “Net Rate Netting” under the “Special Interest Features” on Form 3198, Special Handling Notice for Examination Case Processing.
 - b. Determine if the NRN request is sufficient for processing (perfected) – See IRM 4.10.26.8.2, Letter 4127, Perfection of Net Rate Netting Request.
 - c. Document the facts, law and conclusion in the workpapers used to determine “same” taxpayer.
 - d. Document all activity and appropriately index all workpapers related to a NRN request.
 - e. Inform the taxpayer that the resolved periods will be processed and the information for the unresolved periods will be retained. See IRM 4.10.26.2.1, Identification of Net Rate Netting Requests for Processing. If the NRN request is received within 90 days of closing an agreed case, inform the taxpayer the NRN request will be processed after closing.
 - f. Notate any conclusions reached on the NRN request in the examination plan.
 - g. Forward all perfected NRN requests to CCP using a Form 3198, Special Handling Notice for Examination Case Processing, unless it is determined that the case will close agreed in 90 days or less. If the case will close agreed in 90 days or less, the field examiner will hold the NRN request and close it out with the administrative file at the conclusion of

the examination. See IRM 4.10.26.7, Processing Net Rate Netting Requests by Field Examiners, for specific instructions.

- h. Indicate on Form 4665, Report Transmittal, that the NRN request involves the “same” taxpayer (for cases sent to Appeals).

- (7) If the field examiner determines that the multiple TINs are not the “same” taxpayer, the field examiner will:
 - a. Determine if the NRN request is entirely between different taxpayers. If so, mark through the date stamp on the request and initial it.
 - b. Issue Letter 4128, Net Rate Netting Request Involving More than One TIN, to the taxpayer indicating the IRS is unable to process the request. See IRM 4.10.26.8.3, Letter 4128, Net Rate Netting Request Involving More Than One TIN, for specific instructions.
 - c. Determine if any tax period(s) for the taxpayer who submitted the request are subject to netting. If so, indicate the periods on the letter, however, information related to other taxpayers may not be disclosed.

Note: If the field examiner determines that any portion of the request should be denied because the multiple TINs are not the “same” taxpayer, the taxpayer has the right to elevate the issue to Appeals.

- (8) If there are other issues that require Appeals consideration, the field examiner should notate the NRN request on Form 4665, Report Transmittal, and explain the facts and law surrounding the NRN issue.

Example 1: Corporation A files a NRN request with multiple TINs. Corporation A has overpayments for periods 1, 2, and 3 and an underpayment for period 4. Subsidiary B has underpayments for periods 1, 2, 3, and 4. Subsidiary B joined the consolidated group at the beginning of period 2. Subsidiary B cannot net its underpayment with the overpayment of parent A for period 1, but the overpayments and underpayments of periods 2 and 3 can be netted.

Example 2: Parent Corporation A files a NRN request for overlapping periods of underpayment and overpayment interest involving Corporation A and its subsidiaries B and C. These three entities have separate TINs. The IRS determines that Corporation A is not the same taxpayer as Corporations B and C for purposes of interest rate netting because Corporation A’s underpayment was incurred before Corporations B and C became members of a consolidated group with Corporation A as the parent. Therefore, Corporations B and C are not jointly liable with Corporation A for the income tax underpayment. However, the IRS determines that Corporation B can file a net rate request for its own underpayment of employment taxes and its own overpayment of excise taxes. Similarly, the IRS determines that Corporation C can file its own net rate request. The IRS will advise Parent Corporation A (the entity that filed the net rate request) that its request will not be approved, but that Corporations B and C should file their own requests for their own overlapping periods.

4.10.26.6
(08-27-2012)
**Returning Imperfect Net
Rate Netting Requests
to Taxpayers**

- (1) An imperfect NRN request is one where the taxpayer has not provided adequate information as required by Rev. Proc. 2000-26. See IRM 4.10.26.8.2. However, if the NRN request is imperfect due to unresolved tax period(s), it is not an imperfect request. See IRM 4.10.26.2.1 for the definition of an unresolved tax period.

- (2) NRN requests are not refund claims for the purposes of IRC 7422. Accordingly, field examiners will not disallow a NRN request using the formal claim disallowance process. Instead, they will return any imperfect request to the taxpayer.
- (3) Pursuant to IRC 7422, taxpayers may file a claim for refund and receive judicial review by a United States District Court or Court of Federal Claims if the accounts involved are first paid in full. See *Flora v. United States*, 362 U.S. 145 (1960).
- (4) When a field examiner determines that a taxpayer's NRN request does not have the required information (see IRM 4.10.26.8.2 (1) below) or the information provided is not accurate, the field examiner will:
 - a. Cross out the date stamp on the original NRN request and initial it.
 - b. Prepare Letter 4129, Return of Net Rate Netting Request, to the taxpayer explaining the reasons for this decision.
 - c. Maintain a copy of Letter 4129 and the original NRN request with the crossed-out date stamp and initials in the case file.
 - d. Issue Letter 4129 to the taxpayer and enclose the original NRN request with the date stamp crossed out and initialed.

Note: Neither Centralized Case Processing (CCP) nor the Appeals Complex Interest Team will consider any NRN request where the field examiner has crossed out the received date.

- (5) If the taxpayer later files a perfected request, the perfected request will be date-stamped and used to determine all applicable statute of limitations dates.
- (6) The field examiner will document all activity and appropriately index all workpapers related to a NRN request.
- (7) The field examiner will forward all perfected NRN requests to CCP using a Form 3198, Special Handling Notice for Examination Case Processing, unless it is determined that the case will close agreed in 90 days or less. If the case will close in 90 days or less, the field examiner will hold the NRN request and close it out with the administrative file at the conclusion of the examination, see IRM 4.10.26.7 for specific instructions.
- (8) An Appeals Officer will not work a NRN request that was returned to the taxpayer. If the NRN request was returned and the date crossed out, the taxpayer must file another NRN request to be considered by Appeals. However, if the taxpayer has paid the interest and files a NRN request, even if imperfect, it could be considered an informal claim. See IRM 25.6.1.10.2.6, Claims for Credit or Refund – Form and Content.

Note: Neither Centralized Case Processing (CCP) nor the Appeals Complex Interest Team will consider any NRN request where the field examiner has crossed out the received date.

4.10.26.7
(08-27-2012)
**Processing Net Rate
Netting Requests by
Field Examiners**

- (1) For perfected NRN requests where the associated case will not be closing within 90 days, the field examiner will forward the request to CCP on a Form 3210, Document Transmittal.

- (2) For perfected NRN requests where the associated open case will close agreed within 90 days, the field examiner will:
 - a. Check "Net Rate Netting" under the "Special Interest Features" on Form 3198, Special Handling Notice for Examination Case Processing.
 - b. Identify statute of limitation issues that may impact allowance of the NRN request in the "Other Code Section" on Form 3198 under "Special/Restricted Interest Features".
 - c. Index and identify the workpapers for the NRN request on the examination leadsheet and in the examination plan.
 - d. Inform the taxpayer that the resolved tax periods will be worked when the case is closed and the unresolved tax periods will be retained until they are resolved. See IRM 4.10.26.2.1 for definitions of resolved and unresolved tax periods.
 - e. Determine if the case involves unagreed issues not related to the NRN request. If so, indicate on Form 4665, Report Transmittal, that there is a NRN request to be processed, the date received, and where to find the NRN request and related workpapers.

4.10.26.8
(06-18-2020)
**Form Letters Used for
Net Rate Netting
Requests**

- (1) Field examiners will use form letters to acknowledge, perfect, or return NRN requests.
- (2) These letters are intended for the exclusive use of field or office examiners and Appeals Officers. They may be used by tax examiners or other campus employees involved in the processing of the requests. Separate procedures for campus staff may be found in IRM 20.2.14, Netting of Overpayment and Underpayment Interest.
- (3) General Instructions for NRN Letters. Complete the following fields:
 - a. Date the letter is prepared
 - b. Person to contact
 - c. Employee Identification Number
 - d. Contact address
 - e. Contact fax number
 - f. Contact telephone number
 - g. Taxpayer name
 - h. Taxpayer Identification Number (last 4 digits)
 - i. Tax period(s)
 - j. Date received, date the NRN request was received
 - k. Taxpayer name and address

Note: Follow existing Power of Attorney procedures, as applicable.

4.10.26.8.1
(08-27-2012)
**Letter 4126,
Acknowledgement of
Net Rate Netting
Request**

- (1) Letter 4126, Acknowledgement of Net Rate Netting Request, informs the taxpayer that:
 - a. The request will be reviewed for accuracy and completeness.
 - b. The receipt of the NRN request does not guarantee that it will be allowed.
 - c. Resolved tax periods will be processed and the unresolved tax periods will be retained for processing when they are resolved. See IRM 4.10.26.2.1 for definitions of resolved and unresolved tax periods.

- (2) If the taxpayer makes a verbal request for NRN, do not send Letter 4126. Ask the taxpayer to provide a written NRN request as required by Rev. Proc. 2000-26.
- (3) Upon receipt of a written NRN request, determine if the required information is included in the request.
- (4) If the information is adequate, date stamp the NRN request, prepare and send Letter 4126, Acknowledgement of Net Rate Netting Request.

4.10.26.8.2
(08-27-2012)
**Letter 4127, Perfection
of Net Rate Netting
Request**

- (1) Rev. Proc. 2000-26 states that a taxpayer is not required to use Form 843, Claim for Refund and Request for Abatement, to request NRN under IRC 6621(d). If Form 843 is not used, the taxpayer must furnish the required information in a letter or written statement that includes the following:
 - a. Type(s) of tax and/or type(s) of return(s)
 - b. Tax periods involved
 - c. Underpayment amount(s) and date of payment, if paid
 - d. Overpayment amount(s) and date of refund or offset
 - e. Identification of overlapping period(s)
 - f. Certification that the net rate has not been used during the identified overlapping period(s)

Note: Field examiners should be aware that a prior netting adjustment could have been made during an overlapping period(s), but it may not have been completely used – there may be a remaining amount of an overpayment or underpayment that can still be netted. However, the field examiner should request that the taxpayer provide specific unused amounts, if available.

- (2) If the NRN request is imperfect (it does not contain the information required or has periods already used), the field examiner will:
 - a. Prepare Letter 4127, Perfection of Net Rate Netting Request.
 - b. Cross out the date stamp and initial the original NRN request to void the submission.
 - c. Issue Letter 4127 to the taxpayer and maintain a copy in the case file.

4.10.26.8.3
(06-18-2020)
**Letter 4128, Net Rate
Netting Request
Involving More Than
One TIN**

- (1) In cases involving more than one TIN, if the NRN request involves only netting between overlapping periods of “different” taxpayers:
 - a. Cross out the date stamp on the NRN request and initial it to void the submission.
 - b. Send Letter 4128 to the taxpayer with the original NRN request and maintain a copy of Letter 4128 and the voided submission in the administrative case file.
 - c. Do not disclose information related to other taxpayers submitting the NRN request.
- (2) If the field examiner concludes that there are periods attributable to the taxpayer who submitted the request and those tax periods are subject to NRN:
 - a. Indicate the periods in the second paragraph of the letter.
 - b. Send Letter 4128 to the taxpayer with the original NRN request and maintain a copy of Letter 4128.

4.10.26.8.4
(08-27-2012)
**Letter 4129, Return of
Net Rate Netting
Request**

- (1) If the field examiner determines that the NRN request is imperfect and the NRN request is not perfected by the taxpayer in the required period of time, the field examiner will:
 - a. Prepare Letter 4129, Return of Net Rate Netting Request.
 - b. Cross out the date stamp and initial the NRN request to void the submission.
 - c. Issue Letter 4129 and enclose the voided submission to the taxpayer and maintain a copy of Letter 4129 and the voided submission in the administrative file.

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Exhibit 4.10.26-1 (08-27-2012)
Flowchart of Net Rate Netting Procedures

Flowchart of Net Rate Netting (NRN) Procedures
Page 1

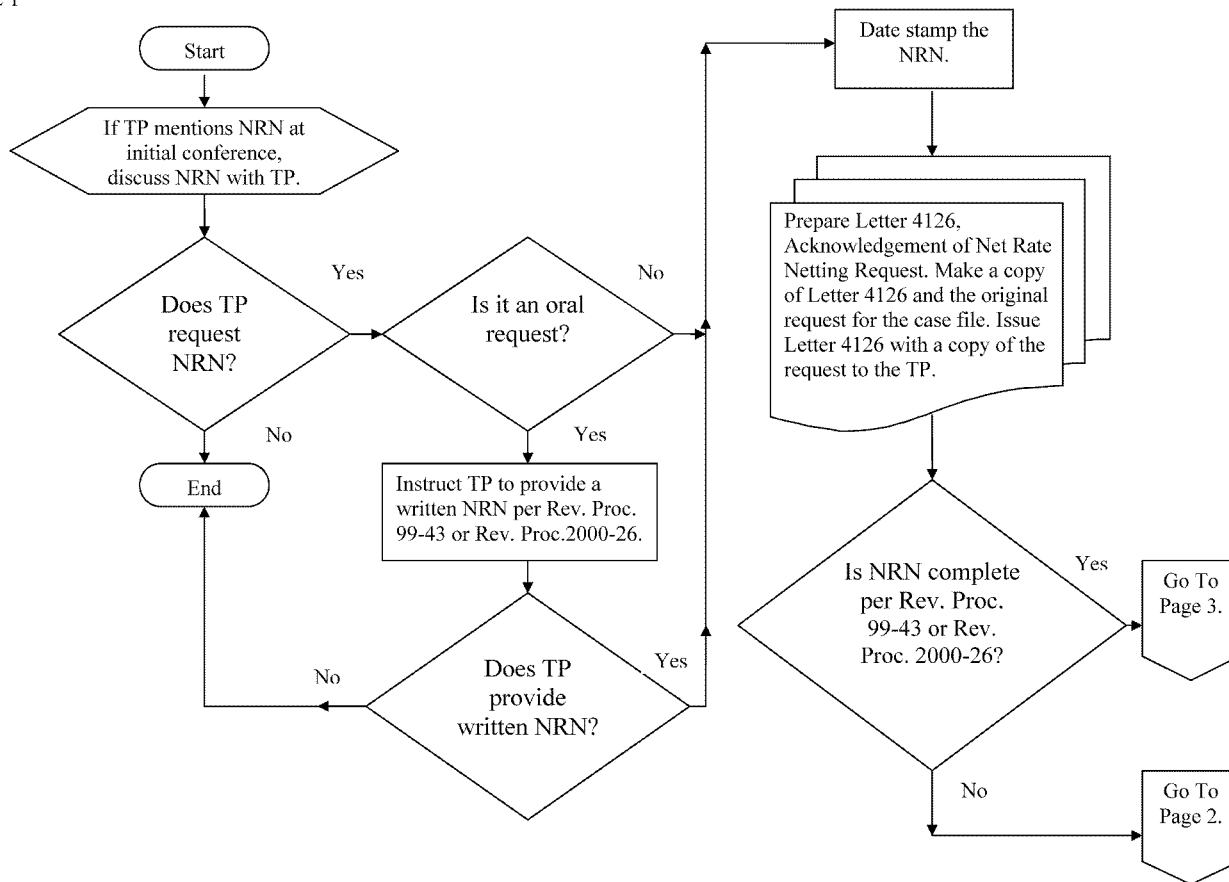


Exhibit 4.10.26-1 (Cont. 1) (08-27-2012)
Flowchart of Net Rate Netting Procedures

Flowchart of Net Rate Netting (NRN) Procedures
Page 2

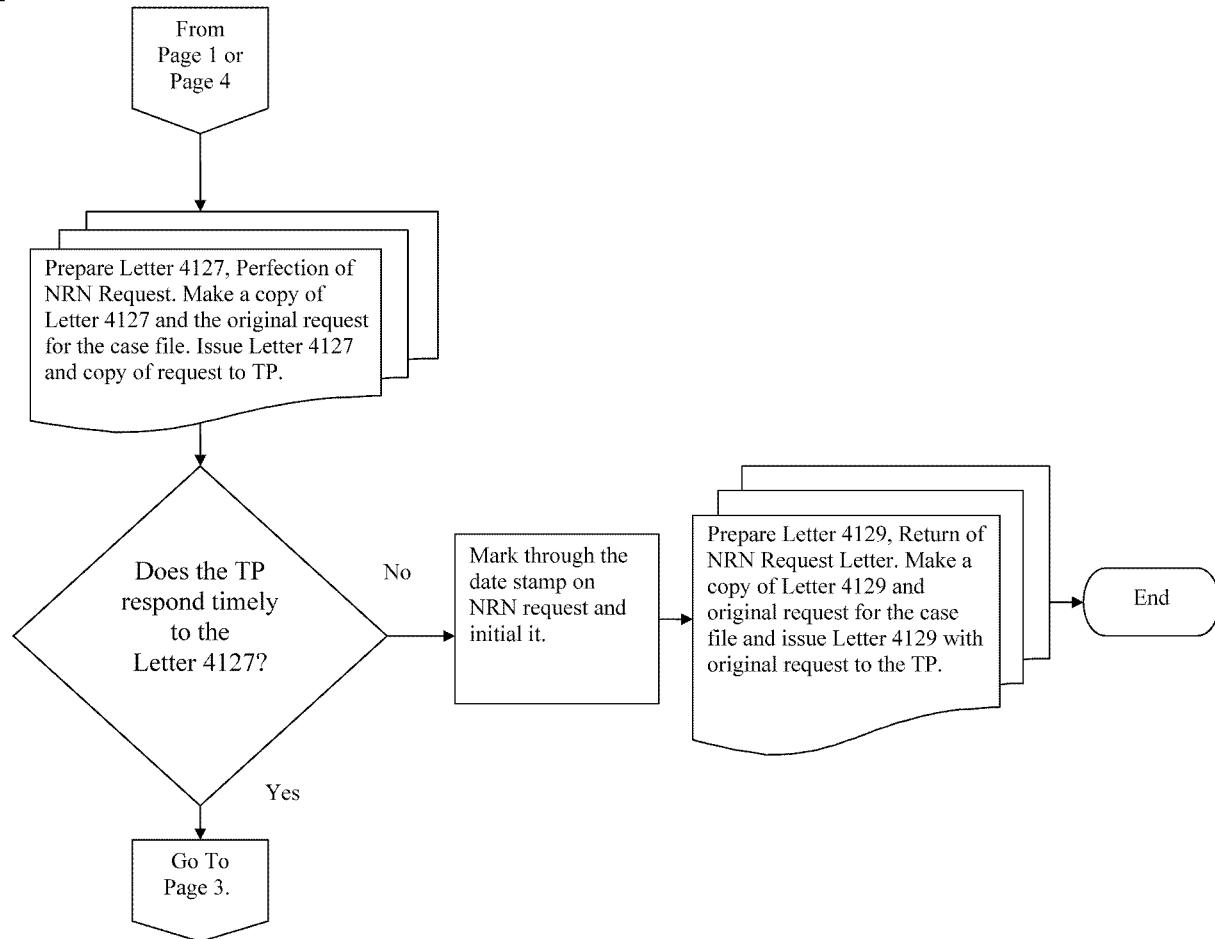


Exhibit 4.10.26-1 (Cont. 2) (08-27-2012)
Flowchart of Net Rate Netting Procedures

Flowchart of Net Rate Netting (NRN) Procedures
Page 3

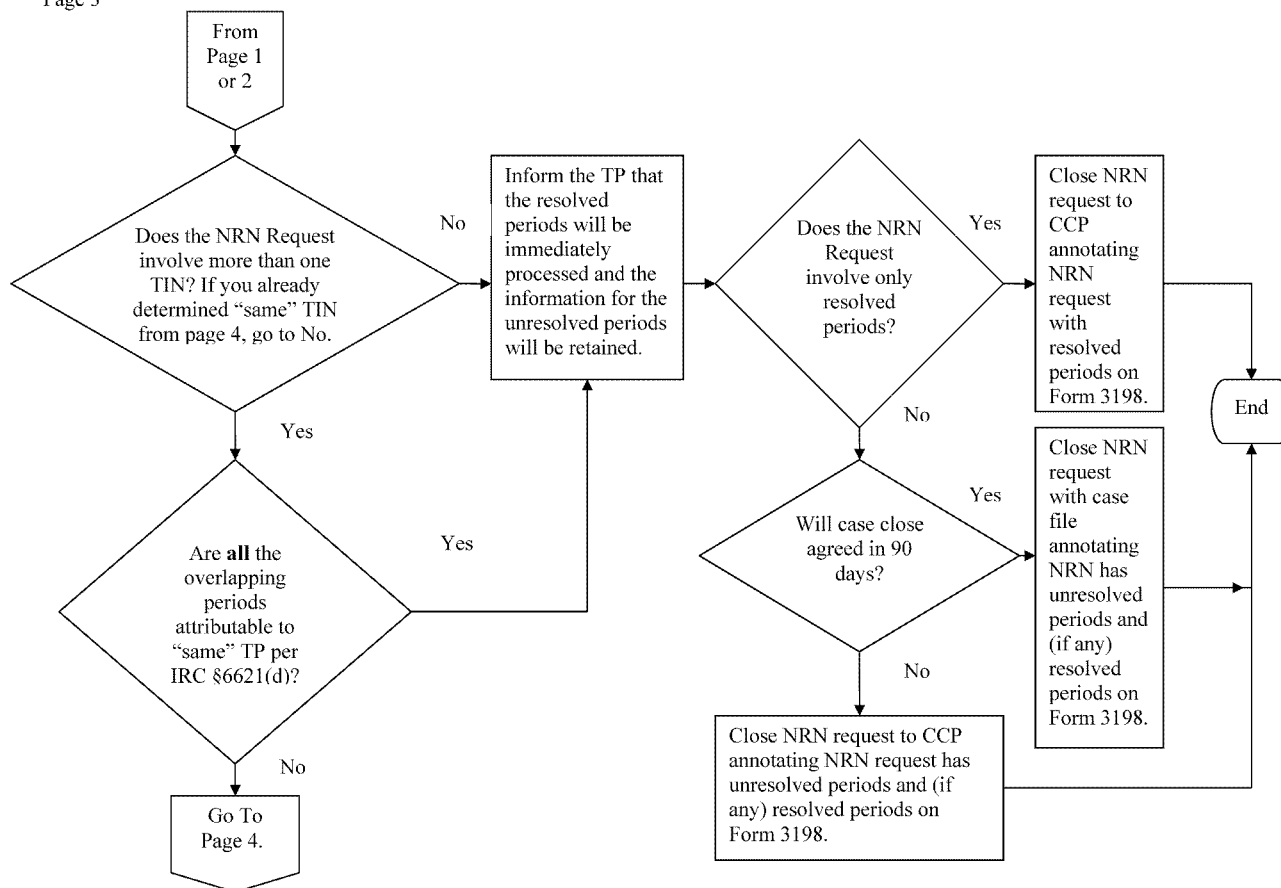


Exhibit 4.10.26-1 (Cont. 3) (08-27-2012)
Flowchart of Net Rate Netting Procedures

Flowchart of Net Rate Netting (NRN) Procedures
Page 4

