



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.24.23

OCTOBER 18, 2023

EFFECTIVE DATE

(10-18-2023)

PURPOSE

- (1) This revises IRM 4.24.23, Excise Tax, Operational Procedures and Responsibilities for Form 637 Excise Tax Registrations and Secure Airport Terminals (SATs).

MATERIAL CHANGES

- (1) Refer to the table below for a description of the material changes made.

Number	Subsection	Description of Change
1	IRM 4.24.23.1, Program Scope and Objectives	Clarified the audience and corrected reference to IRM in paragraph (7).
2	IRM 4.24.23.1.1, Background	Rearranged content by adding a bullet list. Updated IRM reference to IRM 4.24.2.4. Added activity letter SA and clarified the example that a Letter 3689 does not constitute a determination letter. Added additional reference to IRC 4662.
3	IRM 4.24.23.1.2, Authority	Added additional authority references to IRC 4662 and updated IRC 4101 reference to include Sustainable Aviation Fuel (SAF).
4	IRM 4.24.23.1.3, Roles and Responsibilities	Updated the Facility Control Number (FCN) Coordinator title to IRS ExSTARS Coordinator. Added clarification that all Form 637 Registration case files are processed and maintained electronically in the Issue Management System.
5	IRM 4.24.23.1.5, Acronyms	Added ECS, SAF and WSD to the table.
6	IRM 4.24.23.1.6, Related Resources	Updated obsolete reference to IRM 4.24.4 to reference IRM 4.24.1 instead.
7	IRM 4.24.23.2, Use of Fax Machine or Enterprise Electronic Facsimile (EEFax)	Updated information about faxed documents included in case file to be in alignment with IRM 4.10.1.3.6 and IRM 4.10.1.3.7.
8	IRM 4.24.23.3, Initial Contact	Incorporated a note for IGM SBSE 04-0623-0017 to make a reference to IRM 4.24.6.2.14, Excise Examinations of Indian Tribal Government (ITG) Cases, into paragraph (1). Clarified that when initial contact has been previously made as part of an examination, then no Letter 3687 and/or Letter 5708 are needed.
9	IRM 4.24.23.4, Responsibility of Excise Case Selection (ECS) and Workload Selection Delivery (WSD)	Updated title to Responsibilities of Excise Case Selection (ECS) and Workload Selection Delivery (WSD).

Number	Subsection	Description of Change
10	IRM 4.24.23.5, Responsibility of Centralized Specialty Tax Operations (CSTO)	Updated title to Responsibilities of Centralized Specialty Tax Operations (CSTO). Added clarifying language concerning the IMS Queue Menu. Added reference to IRM Exhibit 4.24.24-1, IMS Workflow Status Codes.
11	IRM 4.24.23.6, Responsibility of Form 637 Registration Group	Updated title to Responsibilities of Form 637 Registration Group. Rearranged content for better readability.
12	IRM 4.24.23.6.1, Role and Responsibilities of the Form 637 Registration Group Manager	Updated title to Roles and Responsibilities of the Form 637 Registration Group Manager. Added clarifying language about ensuring the Form 637 indicator is updated on the BMF.
13	IRM 4.24.23.6.2, Role and Responsibilities of Lead Technicians (LTs)	Updated title to Roles and Responsibilities of Lead Technicians (LTs). Added clarifying language that the Form 637 indicator is input on the BMF account in IDRS.
14	IRM 4.24.23.6.3, Role and Responsibilities of Tax Examiners (TEs)	Updated title to Roles and Responsibilities of Tax Examiners (TEs).
15	IRM 4.24.23.6.4, Form 637 Registration Group Correspondence Reviews	Changed title to Form 637 Registration Group Correspondence Compliance Reviews. Corrected reference to IRM in paragraph (5).
16	IRM 4.24.23.7, Role and Responsibilities for Excise Groups	Updated title to Roles and Responsibilities for Excise Groups. Added sample reviews selected by the registration group to the list of Form 637 excise group compliance reviews.
17	IRM 4.24.23.7.1, Excise Group Manager Responsibilities and Procedures	Added clarifying language explaining the GM Assignment Queue.
18	IRM 4.24.23.7.2, Excise Examiner Responsibilities and Procedures	Updated reference to IRM 4.24.2.4.1, Registration Tests for Activities Other Than Under IRC 4101. Added reference to IRC 4662.
19	IRM 4.24.23.7.3, Excise Group Procedures - Examinations Conducted on Approved Form 637 Registrants	Clarified what must be documented on the A105 when a limited scope discretionary review is conducted. Added reference to IRM 4.24.23.7.4(10).
20	IRM 4.24.23.7.4, Excise Group Procedures - Initial Application Reviews	Removed duplicate procedures and made reference to IRM 4.24.23.8 and IRM 4.24.23.9 instead.

Number	Subsection	Description of Change
21	IRM 4.24.23.7.5, Excise Group Procedures - Compliance Reviews	Added references to IRC 4662. Clarified that Excise Tax Examination is responsible for ensuring the registrant is: a) Using the registration properly and b) Meeting all the applicable registration tests. Clarified that at the conclusion of the review, the examiner must make a recommendation to approve, continue, deny, or revoke the registration.
22	IRM 4.24.23.8, Procedures Relating to Approvals and Continuations of Registrations	Reorganized content for clarity. Updated reference to IRM 4.24.2.4.1, Registration Tests for Activities Other Than Under IRC 4101. Added reference to IRM 4.24.23.7.5(2). Added clarifying language that the group manager may direct the examiner to prepare and/or mail Letter 3689 to the applicant.
23	IRM 4.24.23.9, Procedures Relating to Denials, Revocations and Suspensions of Registrations	Updated title to Procedures Relating to Denials or Revocations of Registrations. Added several IRM references and removed duplicate information found in other IRM sections. Rearranged existing content for better readability.
24	IRM 4.24.23.10, Recording Time Charged to Form 637 Registration Program	Added guidance that once the examination has started no examination time should be charged to the compliance review.
25	IRM 4.24.23.11, Mandatory Administrative Forms for Excise Examiners	Moved the 2nd note about 637 questionnaires to IRM 4.24.23.11.5. Updated the reference to IRM 4.24.25, Issue Management System (IMS), Notebook and Workpapers. Updated the table to reflect correct names of workpapers. Added Form 13499-E to the 637 Admin Forms table.
26	IRM 4.24.23.11.5, A625 Initial Interview Questions and Notes	Added a note about 637 questionnaires that was moved from IRM 4.24.23.11.
27	IRM 4.24.23.11.6, B700 Form 637 Required Filing Check Sheet	Moved select content from IRM 4.24.23.11.7. Deleted duplicate content. Updated the reference to IRM 4.24.24.5.2, CP 241, Notice - 637 Registrant, Procedures.
28	IRM 4.24.23.11.7, C800 Form 637 Financial Analysis	Added that the C800 is only required for applicants or registrants that are subject to the adequate security test and acceptable risk test. Moved selected content to IRM 4.24.23.11.6. Added a reference to IRM 4.24.2.5, Bonding.
29	IRM 4.24.23.11.8, C805 Internal Controls	Added that the C805 is only required for applicants or registrants that are subject to the adequate security test and acceptable risk test.

Number	Subsection	Description of Change
30	IRM 4.24.23.11.10, Form 13499-C 637 Recommendation	Updated title to Recommendation Forms 13499-C and 13499-E. Updated reference to IRM 4.24.2.4.1, Registration Tests for Activities Other Than Under IRC 4101. Added Form 13499-E to the content.
31	IRM 4.24.23.12, Request for Secure Airport Terminal (SAT) Designation	Removed duplicate guidance that is also found in IRM 4.24.23.12.3.
32	IRM 4.24.23.12.1, Role and Responsibilities of Centralized Specialty Tax Operations (CSTO)	Updated title to Roles and Responsibilities of Centralized Specialty Tax Operations (CSTO).
33	IRM 4.24.23.12.2, Role and Responsibilities of the Form 637 Registration Group	Updated title to Roles and Responsibilities of the Form 637 Registration Group.
34	IRM 4.24.23.12.3, Role and Responsibilities of the Excise Group Manager	Updated title to Roles and Responsibilities of the Excise Group Manager.
35	IRM 4.24.23.12.4, Role and Responsibilities of the Excise Examiner	Updated title to Roles and Responsibilities of the Excise Examiner.
36	IRM 4.24.23.12.5, Approving a SAT Designation	Updated the Facility Control Number Coordinator title to IRS ExSTARS Coordinator.
37	IRM 4.24.23.12.6, Continuing a SAT Designation	Updated the Facility Control Number Coordinator title to IRS ExSTARS Coordinator.
38	IRM 4.24.23.12.7, Denying a SAT Designation	Updated the Facility Control Number Coordinator title to IRS ExSTARS Coordinator.
39	IRM 4.24.23.12.8, Revoking a SAT Designation	Updated the Facility Control Number Coordinator title to IRS ExSTARS Coordinator.
40	IRM 4.24.23.12.9, Administrative Role and Responsibilities of the IRS Facility Control Number (FCN) Coordinator	Updated title to Administrative Roles and Responsibilities of the IRS ExSTARS Coordinator. Updated the Facility Control Number Coordinator title to IRS ExSTARS Coordinator.
41	Exhibit 4.24.23-2, Financial Analysis Techniques	Clarified the minimum steps required to conduct a financial analysis.

- (2) Inflation Reduction Act of 2022 (Pub. L. 117-169, 136 Stat. 1818) Provision 13203 relating to Sustainable Aviation Fuel (SAF) has been incorporated throughout this IRM Section (section).
- (3) Editorial changes have been made throughout this section to update electronic links and organizational name changes, correct grammar and punctuation errors, and remove excessive links to laws, forms, and letters.

EFFECT ON OTHER DOCUMENTS

This section supersedes IRM 4.24.23, dated August 25, 2021. This section incorporates Interim Guidance Memorandum (IGM), SBSE 04-0322-0012, Interim Guidance on Registration Tests for Form 637 Registrations

Other Than Under IRC 4101, including new G Registrations, dated March 1, 2022 and IGM SBSE 04-0623-0017, Excise Examinations of Indian Tribal Governments, dated June 2, 2023.

AUDIENCE

This section provides guidance to SB/SE Specialty Examination, Excise Tax Examination employees and personnel at the Centralized Specialty Tax Operations (CSTO).

Heath H. Vo
Acting Director, Examination - Specialty Policy
Small Business/Self Employed

4.24.23

Operational Procedures and Responsibilities for Form 637 Excise Tax Registrations and Secure Airport Terminals (SATs)

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4.24.23.1 (10-18-2023) Program Scope and Objectives

- (1) **Purpose** - This section explains the operational roles, responsibilities and procedures relating to Form 637, Application for Registration (For Certain Excise Tax Activities), as well as procedures pertaining to Secure Airport Terminal (SAT) Designation.
- (2) **Audience** - The audience for this section includes the SB/SE Director, Examination - Specialty, Chief, Estate & Gift/Excise Tax Exam, Excise Tax Examination territory managers, group managers, revenue agents (RAs), fuel compliance agents (FCAs), fuel compliance officers (FCOs) (RAs, FCAs and FCOs are collectively and hereinafter referred to as “examiners” throughout this section), the Form 637 Registration Group (hereinafter referred to as “registration group”) employees, and CSTO employees.
- (3) **Policy Owner** - Director, Examination - Specialty Policy is responsible for the administration, procedures and updates related to processing Form 637 applications, SAT Designation requests and follow-up compliance reviews.
- (4) **Program Owner** - Director, Examination - Specialty Tax owns Excise Tax Examination operations.
- (5) **Primary Stakeholders** - Primary stakeholders include the Chief, Estate & Gift/Excise Tax Exam, Excise Tax Examination, CSTO and Excise Case Selection (ECS).
- (6) **Other Stakeholders** - Other areas that follow these policies and procedures include the IRS Independent Office of Appeals, Agency Wide Shared Services, Counsel, Large Business and International, SB/SE Examination, and Tax Exempt and Government Entities.
- (7) **Program Goals** - The processes and procedures provided in this section are consistent with the objectives or goals addressed in IRM 1.1.16.5.3.1, Excise Tax Examination.

4.24.23.1.1 (10-18-2023) Background

- (1) The Internal Revenue Code (IRC) requires each person who engages in certain activities subject to federal excise tax (FET) to be registered by the IRS as a taxpayer who engages in these activities. The taxpayer must register with the IRS before undertaking the activity. In other situations, a person must register with the IRS as a taxpayer who conducts certain activities to receive an excise tax benefit that may come with such activity, such as, buying or selling an article tax-free or filing a claim for refund or credit. For specified activities, the taxpayer must use Form 637 to apply for registration under:
 - IRC 4101, Registration and bond (related to certain fuel taxes and credits)
 - IRC 4222, Registration (related to IRC 4221 tax-free sales)
 - IRC 4662, Definitions and special rules (related to certain tax-free sales of intermediate hydrocarbon streams or tax-free inventory exchanges of taxable chemicals)
 - IRC 4682, Definitions and special rules (relating to ozone-depleting chemicals)

- (2) Form 637 includes a listing of activities for which registration is required or allowed. Refer to the tables found in IRM 4.24.2.3, Applications Under IRC 4101, and IRM 4.24.2.4, Applications Other Than Under IRC 4101, that list all applicable activity letters.
- (3) Letter 3689, Approval of Excise Tax Registration, is issued when an application is approved. A copy of the Form 637 application is not considered proof of registration. Letter 3689 should be retained as proof of registration.
- (4) Letter 3689 does not constitute a determination letter. For example, an approval of a Form 637 Registration with activity letters AB, NB, or SA does not mean all future product produced unequivocally qualifies for the biodiesel/renewable diesel mixture credit or sustainable aviation fuel credit. In addition, an approval of a Form 637 Registration with activity letters AL or AM does not mean all future product produced unequivocally qualifies for the alternative fuel/alternative fuel mixture credit.
- (5) If an application for registration is denied or an approved registration is revoked, then the applicant or registrant will be notified in writing and the reason for the denial or revocation will be provided.
- (6) An approved registration remains valid until revoked. Registration status can be found at *Confirm Online Form 637 Registration Status*.
- (7) All Form 637 Registration numbers issued after February 1, 2004, are comprised of 10 digits. For registration numbers issued prior to the preceding date:
 - a. The non-UV/UP registration number has eight digits.
 - b. The activity letters UP and UV registration numbers are comprised of nine digits.

4.24.23.1.2
(10-18-2023)
Authority

- (1) Form 637 Registrations are processed under the following authorities:
 - IRC 4101 - Registration and bond with respect to the tax imposed by IRC 4041(a)(1) or IRC 4081, every person producing or importing biodiesel (as defined in IRC 40A(d)(1)), including renewable diesel (as defined in IRC 40A(f)(3)), or alcohol (as defined in IRC 6426(b)(4)(A)), every person producing or importing sustainable aviation fuel (SAF) (as defined in IRC 40B), and every person producing second generation biofuel (as defined in IRC 40(b)(6)(E))

Note: The IRS will treat the producer or importer of a SAF synthetic blending component and the United States producer of a SAF co-processed qualified mixture as the persons required to register under IRC 4101.
 - *Treas. Reg. 48.4082-5* - Registration relating to diesel fuel or kerosene removed, entered, or sold in Alaska for ultimate sale or use in an exempt area of Alaska
 - IRC 4222 - Registration for certain tax-free sales under IRC 4221
 - IRC 4662(b)(10)(C) - Registrations for intermediate hydrocarbon streams containing one or more organic taxable chemicals
 - IRC 4662(c)(2)(B) - Registrations for inventory exchanges of taxable chemicals
 - *Treas. Reg. 52.4682-5(d)* - Exports of ozone-depleting chemicals (ODCs)

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- (2) Notice 2016-15, Treatment of Kerosene for Use in Aviation, provides guidance regarding the criteria for designation of a terminal located within a secure area of an airport as a SAT for purposes of IRC 4081 and IRC 4082.
- (3) Delegation Order SBSE 1-23-7 (formerly SBSE DO 4.36, Rev. 3), Approval, Denial, Suspension or Revocation of Form 637, Application for Registration (for Certain Excise Tax Activities), delegates the authorities for approving, denying, revoking, and/or suspending Form 637 Registrations.
- (4) Delegation Order 4-6 (Rev. 1), Taxable Fuel Bond, delegates the authority to make the final determination as to the amount of bond required to be given by an applicant or existing registrant, to satisfy certain registration requirements under IRC 4101 with respect to the tax imposed by IRC 4041(a)(1) or IRC 4081. This delegation order also delegates the authority to require the posting of a bond to satisfy certain registration requirements under IRC 4101 for Form 637 Registration and to set the value of such bond.
- (5) Delegation Order SBSE 1-23-47, Approval or Denial / Revocation of Secure Airport Terminal (SAT) Designations, delegates the authorities for approving, denying, and revoking SAT designations.
- (6) This section is tailored for the operational roles, responsibilities, and procedures for Form 637 Registrations and SATs. Refer to IRM 4.24.2 for a general overview of Form 637 Registrations, including applications under IRC 4101, IRC 4222, IRC 4662, and IRC 4682, as well as for general guidance. Refer to IRM 4.24.24, Form 637 Registration Files: Administrative Procedures for Initial Applications and Case Reviews, for guidance regarding Form 637 initial applications and case reviews.

4.24.23.1.3 (10-18-2023) Roles and Responsibilities

- (1) Director, Examination - Specialty Policy is responsible for the procedures and policies addressed in this section.
- (2) Program Manager, Excise Tax Policy is responsible for ensuring the procedures are accurate and updated regularly as needed.
- (3) The Chief, Estate & Gift/Excise Tax Exam is responsible for ensuring the procedures within this section are adhered to by employees in Excise Tax Examination.
- (4) Form 637 Registration case work and SAT designations are processed by the following areas:
 - **Centralized Specialty Tax Operations (CSTO)**- All initial Form 637 applications and SAT Designation requests are received by the Cincinnati IRS Center (CIRSC), date stamped and forwarded to CSTO for initial processing. Refer to IRM 4.24.23.5 and IRM 4.24.23.12.1. All Form 637 Registration case files are processed and maintained electronically in the Issue Management System (IMS). Hereinafter referred to as "IMS case files" throughout this section.
 - **Excise Case Selection (ECS) and Workload Selection and Delivery (WSD)**- The selection of sample review cases and monitoring the Annual Form 637 Registration Workplan is conducted by ECS/WSD. Refer to IRM 4.24.23.4.

- **Registration Group** - The registration group administers and maintains Form 637 Registrations. The registration group consists of Lead Technicians (LTs), Tax Examiners (TEs), an Exam Technician and a Management and Program Assistant. Refer to IRM 4.24.23.6.
- **Excise Groups** - Form 637 compliance reviews (hereinafter referred to as “compliance reviews”) assigned to excise tax groups are conducted by examiners. Group managers are responsible for concurring with the examiner’s compliance review recommendation and approving penalty determinations, if applicable. Refer to IRM 4.24.23.7.
- **IRS ExSTARS Coordinator** - The IRS ExSTARS Coordinator is responsible for updating Terminal Control Number (TCN) files and the SAT list on the Facility Control Number (FCN) location directory. Refer to IRM 4.24.23.12.9.

4.24.23.1.4
(10-18-2023)

Program Management and Reviews

- (1) **Program Reports** - Information regarding the reporting of program objectives are included on, but not limited to the following:
 - Examination Headquarters Monthly Briefings
 - Program Manager Monthly Briefings
 - SB/SE Examination Operational Reviews and Business Performance Reviews
- (2) **Program Effectiveness** - Excise Embedded Quality Performance Reports measure whether quality attributes are applied uniformly and consistently.
- (3) **Annual Review** - Program Manager, Excise Tax Policy, is responsible for reviewing the information in this section annually to ensure accuracy and promote consistent tax administration.

4.24.23.1.5
(10-18-2023)

Acronyms

- (1) Below are the acronyms and their definitions used throughout this section.

Acronym	Definition
AIMS	Audit Information Management System
BMF	Business Master File
CIRSC	Cincinnati IRS Center
CSTO	Centralized Specialty Tax Operations
ECS	Excise Case Selection
EEFax	Enterprise e-Fax
EIN	Employer Identification Number
ERCS	Examination Returns Control System
FCA	Fuel Compliance Agents
FCO	Fuel Compliance Officer
FET	Federal Excise Tax
IDRS	Integrated Data Retrieval System

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Acronym	Definition
IMS	Issue Management System
IRC	Internal Revenue Code
LT	Lead Technician
SAF	Sustainable Aviation Fuel
SAT	Secure Airport Terminal
TE	Tax Examiner
WSD	Workload Selection and Delivery

4.24.23.1.6
(10-18-2023)

Related Resources

- (1) Refer to IRM 4.24.23.1.2 for the most significant statutes and regulations affecting Form 637 Registrations.
- (2) Refer to Notice 2016-15 for guidance regarding the criteria for designation of a terminal located within a secure area of an airport as a SAT for purposes of IRC 4081 and IRC 4082.
- (3) Refer to IRM 4.24.1, Introduction to Excise Taxes, for general framework describing basic examiner responsibilities, excise IRC sections, excise IRM sections, excise tax abstracts, and Excise Tax Program returns and claims.
- (4) For further guidance and procedures on a wide variety of excise issues, refer to the *Excise Tax Knowledge Base Homepage* accessed via the Virtual Library on IRS Source - Home.
- (5) 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 accordance with taxpayer rights. For additional information, refer to IRC 7803(a)(3) and *Taxpayer Bill of Rights*.
- (6) For information relating to identity theft, refer to IRM 25.23, Identity Protection and Victim Assistance.

4.24.23.2
(10-18-2023)

Use of Fax Machine or Enterprise Electronic Facsimile (EEFax)

- (1) In May 2003, the Tax Administration Council approved the use of faxes for receiving information and documents from taxpayers and practitioners when contact with the taxpayer has been made and documented on the Examining Officer's Activity Record or the Case Level Activity Record in IMS. The documentation must include the date of the contact and a notation indicating the taxpayer wanted to send information by fax.
- (2) Documents, forms, letters, and interactions can be allowed via fax unless there is a specific prohibition. Faxed documents must be included in the case file. In addition, if the examiner receives a fax in the form of an email via EEFax, the examiner must print the email to PDF and save it in the case file to document the receipt by EEFax.

4.24.23.3
(10-18-2023)
Initial Contact

- (3) Refer to IRM 4.10.1.3.6, Use of Fax Machine or Enterprise e-Fax (EEFax) for Outgoing Taxpayer Communications, and IRM 4.10.1.3.7, Policy for Use of Fax in Taxpayer Submissions.

- (1) The initial contact is the first contact with the applicant or registrant. Initial contacts on a compliance review must be made by mail using the appropriate initial contact letter.

Note: Refer to IRM 4.24.6.2.14, Excise Examinations of Indian Tribal Government (ITG) Cases, for procedures to follow if the entity is an ITG.

- (2) RAs and FCAs use Letter 5708, Initial Contact - Form 637 Reviews, for all initial contacts related to Form 637 compliance reviews.
- (3) FCOs use Letter 3687, Verification of Excise Tax Registration, for a sample or discretionary review and Letter 5708 for an initial application review.
- (4) The following documents must be enclosed with Letter 3687 and/or Letter 5708:
- Publication 5170, Taxpayer Bill of Rights (Brochure)
 - Notice 609, Privacy Act Notice

Note: Publication 5170 and Notice 609 should not be sent to a representative.

- (5) When initial contact has been previously made as part of an examination, then no Letter 3687 and/or Letter 5708 are needed.
- (6) TEs in the registration group use one of the following letters to make initial contact on Form 637 compliance reviews:
- Letter 3681, Notification for Form 637, for initial application reviews
 - Letter 3687, Verification of Excise Tax Registration, for sample and discretionary reviews
- (7) Examiners and TEs must allow the applicant or registrant 14 calendar days to respond to the initial contact letter before trying to contact the applicant or registrant by telephone.
- (8) If a valid Form 2848, Power of Attorney and Declaration of Representative, or Form 8821, Tax Information Authorization, is on file for the applicant or registrant, then the initial contact letter must be mailed to the applicant or registrant and a copy of the letter must be mailed to the representative with Letter 937, Transmittal for Power of Attorney.

Note: Form 2848 or Form 8821 that reflects Form 637 cannot be forwarded to the Central Authorization File (CAF) unit as there is no master file for Form 637. Form 2848 or Form 8821 must be scanned and uploaded into the case file. However, if Form 2848 or Form 8821 contains tax returns, e.g., a Form 720, or Form 1120, then it must be forwarded to the CAF unit for processing. Refer to IRM 4.11.55, Power of Attorney Rights and Responsibilities, for additional information.

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4.24.23.4
(10-18-2023)

Responsibilities of Excise Case Selection (ECS) and Workload Selection Delivery (WSD)

- (1) Examination Operations Performance Planning and Analysis is responsible for developing the workplan in coordination with ECS/WSD and Excise Tax Examination.
- (2) The Excise Tax Examination Workplan will contain a component Form 637 Registration Workplan.
- (3) ECS/WSD is responsible for monitoring the annual Excise Tax Examination Workplan including the Form 637 Registration Program accomplishments.
- (4) ECS/WSD is responsible for identifying and selecting sample review cases to be assigned to examiners.
- (5) The sample selection criteria may exclude certain activity letters, which will be worked by the registration group.
- (6) The registration group may also identify sample review cases to be assigned to examiners. The following cases may be identified for a sample review:
 - CP 241 notice
 - Change in business ownership
 - Bonds (invalid bonds, bond changes, notice of cancellations, etc.)
 - Correspondence compliance reviews that cannot be resolved by the registration group
- (7) Form 637 sample reviews identified by ECS/WSD will be started on a pro-rata basis to ensure the delivery of the Form 637 Registration Workplan.

4.24.23.5
(10-18-2023)

Responsibilities of Centralized Specialty Tax Operations (CSTO)

- (1) CSTO creates the IMS case file and scans all Form 637 applications and attachments received at CIRSC. CSTO maintains the original application request for 45 calendar days. After 45 calendar days expire, the original application is mailed to the registration group via Form 3210, Document Transmittal. For registration group contacts and current mailing address, refer to the Excise Tax Knowledge Base Homepage, Form 637 Registration shelf, Registration Information book, Book Landing Page chapter, Registration Information Landing Page, Other Related Resources at "Form 637 Registration Group Contact Information".
- (2) Scanning and uploading the Form 637 application and the creation of the IMS case file places the case to Status 10 in IMS. This electronically transmits the IMS case file to the registration group manager's "Queue Manager Q1" screen under the IMS Queue Menu, which displays all IMS case files in Status 10 that have been input by CSTO or created by an LT.

Note: Refer to Exhibit in IRM 4.24.24-1, IMS Workflow Status Codes.

- (3) Form 637 applications that cannot be processed by CSTO include the following:
 - Missing or incorrect EIN
 - Missing activity letter
 - Duplicate filing
 - Missing name in signature section

- (4) When an application cannot be processed, CSTO will:
 - a. Scan and forward the application to the registration group manager via secure e-mail for follow-up action. Refer to IRM 4.24.23.6.
 - b. Mail the application to the registration group via Form 3210.
- (5) If a registrant contacts CSTO regarding a change in its Form 637 Registration, such as a change in business location or ownership, then CSTO will forward the updated information, via secure email, to the registration group manager for follow-up action. Refer to IRM 4.24.23.6.

4.24.23.6
(10-18-2023)
**Responsibilities of Form
637 Registration Group**

- (1) The registration group is responsible for:
 - Maintaining the electronic Form 637 files,
 - Conducting correspondence compliance reviews, and
 - Assigning applications and registrations to excise groups.

4.24.23.6.1
(10-18-2023)
**Roles and
Responsibilities of the
Form 637 Registration
Group Manager**

- (1) The registration group manager is responsible for:
 - a. Overseeing the Form 637 Registration program and workflow process.
 - b. Making the final determination in IMS for applications that have been denied or revoked by the registration group.
 - c. Ensuring the Form 637 indicator is added to the Business Master File (BMF) account in IDRS for registrations that are approved, as well as removed from the BMF account for revoked registrations.

Note: To ensure the Form 637 indicator is accurately set on the BMF account in IDRS, the group manager must conduct an annual statistically valid sample review of registrations.

 - d. Releasing authorized registration information to update the Form 637 Portal.
 - e. Resolving issues with applications which cannot be processed by CSTO.
 - f. Addressing correspondence from Form 637 registrants who raise questions or concerns relating to the Form 637 Registration program.
 - g. Addressing issues, concerns or questions raised by CSTO and senior leadership.
 - h. Conducting reviews of cases processed by LTs.
 - i. Conferring with the Chief, Estate & Gift/Excise Tax Exam about contested denials and revocations.
 - j. Ensuring appropriate actions are taken on information generated by a CP 241 notice. Refer to IRM 4.24.24.5.2, CP 241, Notice - 637 Registrant, Procedures.

4.24.23.6.2
(10-18-2023)
**Roles and
Responsibilities of Lead
Technicians (LTs)**

- (1) The registration group LT is responsible for maintaining the IMS case files in their assigned territory. However, due to workflow of applications and registrations, the LT may also assist other territories.
- (2) The LT is responsible for:
 - a. Assigning registration group cases to TEs.
 - b. Creating discretionary or sample reviews in IMS.
 - c. Adding new applications received from examiners to IMS and creating the applicable IMS case file.
 - d. Uploading historical data into the IMS case file.

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- e. Requesting ERCS controls on sample reviews assigned to examiners.
- f. Reviewing registration group cases completed by TEs and making the final determination in IMS to approve or continue the registration.
- g. Preparing and issuing Form 637 Registration letters.
- h. Processing IMS case files after group manager closures.
- i. Updating IMS case files to reflect changes such as, name, ownership, address, etc.
- j. Ensuring the Form 637 indicator is input on the BMF account in IDRS for initial applications that are approved for registration.

4.24.23.6.3
(10-18-2023)

Roles and Responsibilities of Tax Examiners (TEs)

- (1) The TE in the registration group is responsible for:
 - a. Performing Integrated Data Retrieval System (IDRS) research on all initial applications in Status 20.
 - b. Performing Accurant searches on all initial applications in Status 20.
 - c. Performing correspondence compliance reviews.
 - d. Making recommendations on registration group cases to approve, deny, continue, or revoke a registration.
 - e. Preparing Form 637 Registration letters.
 - f. Preparing and mailing Letter 3681 to all initial applicants assigned to the TE within 10 calendar days from the assignment of the IMS case file.

4.24.23.6.4
(10-18-2023)

Form 637 Registration Group Correspondence Compliance Reviews

- (1) Based on the needs of the Excise Tax Program, various activity letters will be worked as correspondence compliance reviews by the registration group.
- (2) An Annual Form 637 Registration Workplan will be distributed to the registration group before the beginning of the fiscal year. Correspondence compliance reviews will be started on a pro-rata basis based on the Annual Form 637 Registration Workplan to ensure timely completion of the reviews by fiscal year end.
- (3) Approved registrants under the Large Corporate Compliance Program will not be selected for correspondence compliance reviews and will be referred to the excise groups.
- (4) Correspondence compliance reviews that cannot be resolved by the registration group will be sent to the appropriate excise group for completion.
- (5) Refer to IRM 4.24.24.4.3, Status 20 Compliance Check - Overview Initial Application and Sample Reviews Conducted by Form 637 Registration Group TE, for additional information.

4.24.23.7
(10-18-2023)

Roles and Responsibilities for Excise Groups

- (1) All technical analyses and determinations of Form 637 excise group compliance reviews will be performed by an examiner.
- (2) Form 637 excise group compliance reviews will consist of the following:
 - New applications, without compliance issues, that meet excise group criteria
 - Sample reviews selected by ECS/WSD
 - Sample reviews selected by the registration group
 - Discretionary reviews requested by excise groups

- Applications or registrations that could not be resolved by the registration group
- (3) Initial Form 637 applications must be completed on ERCS within 60 calendar days from assignment to the group manager. Any delays in meeting the 60-day requirement should be discussed with the group manager and documented by the examiner on the Examining Officer's Activity Record in IMS. Group managers must document any managerial delays on the Case Level Activity Record in IMS.
 - (4) All Form 637 cases are subject to Embedded Quality (EQ) review.

4.24.23.7.1
(10-18-2023)

**Excise Group Manager
Responsibilities and
Procedures**

- (1) The group manager is responsible for:
 - a. Assigning IMS case files to examiners from the "GM Assignment Queue" and updating the IMS case file to Status 50 in IMS.
Note: The "GM Assignment Queue" is IMS's queue name for the Group Manager Case Assignment Queue within IMS and has certain administrative permissions for processing IMS case files. The "GM Assignment Queue" is assigned to Excise Tax Examination with oversight by the group managers.
 - b. Offering to confer with the applicant or registrant about unagreed issues when there is non-concurrence with a denial or revocation recommendation.
 - c. Documenting the Case Level Activity Record in IMS to record all observations about the case review and whether there is concurrence with the examiner's recommendation.
 - d. Making the final determination to approve, continue, deny or revoke a registration and documenting that decision using IMS.
 - e. Signing and issuing the appropriate registration letter to the applicant or registrant based on the examiner's recommendation.
Note: The registration group manager does not issue letters for excise group cases unless the determination is contested.
 - f. Preparing and issuing Letter 5023, Change in Form 637 Registration Number, when applicable.
 - g. Confirming the examiner prepared and faxed Form 2363, Master File Entity Change, to Centralized Case Processing on approved, as well as revoked registrations.
 - h. Inputting, as warranted, the appropriate date for the IMS case file follow-up compliance review.
 - i. Updating the IMS case file to Status 90 in IMS for approved, continued, denied, or revoked registrations.
 - j. Updating the IMS case file to Status 70 in IMS when a change in ownership occurs or when a contested denial or revocation case is appealed, and the examiner recommends denying the appeal.
- (2) The group manager is also responsible for ensuring that:
 - a. Initial application reviews are completed on ERCS within 60 calendar days of assignment from the LT.
 - b. Sample reviews are completed on a pro-rata basis during the fiscal year.
 - c. Excise group compliance reviews are closed off ERCS.

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4.24.23.7.2 (10-18-2023) Excise Examiner Responsibilities and Procedures

- d. Examiner's recommendation to approve, continue, deny or revoke a registration is adequately supported.
- (3) If the initial application contains a combination of recommendations, then the group manager will sign and issue all appropriate letters.
- (4) If the group manager elects to use an electronic signature, then a graphic digital signature must be used.
- (1) The examiner must utilize IMS and the appropriate Form 637 mandatory administrative forms, activity letter job aids and Form 637 Registration letters currently found in the Notebook Job Aid. Refer to IRM 4.24.23.11 for more detailed guidance.
- (2) Form 637 reviews completed by the examiner must include a complete analysis of the applicant's or registrant's business operations. Refer to Exhibit 4.24.23-1 for more information regarding business operations and transactions flow. At a minimum, the review must consist of:
 - a. A plan on what to inspect.
 - b. How the inspection will be conducted.
 - c. The actual inspection, complete with applicant or registrant interview, business review and review of necessary books and records.
 - d. A recommendation whether the application or registration should be approved, continued, denied, or revoked and the reason for the recommendation.
- (3) All IMS case files must include documentation for the appropriate registration tests for each activity letter for which the applicant applied and/or for which the registrant is registered. Refer to IRM 4.24.2.3.1, Registration Tests for IRC 4101 Activities, and/or IRM 4.24.2.4.1, Registration Tests for Activities Other Than Under IRC 4101, for more detailed guidance about registration tests.
- (4) The examiner must also review transcripts, other IDRS research, Accurant, Currency and Banking Retrieval System (WebCBRS) research and any other internal IRS documents to determine compliance with registration tests (e.g., the satisfactory tax history test).
- (5) Prior to recommending a registration be approved or continued, the examiner must resolve all deficiencies and/or delinquencies. This includes items notated on the 637 Recommendation Sheet prepared by the registration group.
- (6) The examiner must explain to the new registrant:
 - The purpose of the registration and how to use it.
 - The requirement to comply with the terms and conditions of registration described in Publication 5039, Terms and Conditions of Registration for Form 637.

Note: Noncompliance may result in revocation of the registration. Refer to IRM 4.24.2.3.3, Mandatory Revocation Rules (IRC 4101 activities), and IRM 4.24.2.4.3, Mandatory Revocation Rules (IRC 4222, IRC 4662, and IRC 4682 activities), for more detailed guidance.

- The requirement to use and maintain exemption certificates, if applicable.

Note: Exemption certificates must be accepted in good faith and secured prior to the transaction occurring and/or filing a claim. Noncompliance may result in taxation or disallowance.

- The format of the exemption certificate must include all information required by the pertinent sections of the applicable tax law.
 - Examples of exemption certificate(s) may be found in the Treasury Regulations, IRS Notices, and Publication 510.
- (7) The examiner must explain to the new registrant the filing, payment, and deposit requirements for the following, when applicable:
- Form 720, Quarterly Federal Excise Tax Return
 - Form 8849, Claim for Refund of Excise Taxes
 - Form 4136, Credit for Federal Tax Paid on Fuels
 - Form 720-TO, Terminal Operator Report
 - Form 720-CS, Carrier Summary Report
 - Form 2290, Heavy Highway Vehicle Use Tax Return
- (8) The examiner must explain to the new applicant or registrant a compliance review may be conducted in the future to verify compliance with the registration tests. A compliance review includes, but is not limited to:
- a. Inspecting exemption certificates.
 - b. Inspecting filed returns.
 - c. Analyzing internal controls, if applicable.
 - d. Performing a current financial analysis, if applicable.
 - e. Obtaining and/or reviewing other pertinent information related to the business and its operations.
- (9) The examiner must direct the applicant or registrant to the IRS website for obtaining a copy of Publication 510 and discuss the applicable section(s), including any excise tax law updates that apply. The examiner shall fully answer any relevant questions posed by the applicant or registrant.

4.24.23.7.3
(10-18-2023)
**Excise Group
Procedures -
Examinations
Conducted on Approved
Form 637 Registrants**

- (1) If an examiner conducts an examination on a current Form 637 registrant, then the Form 637 Registration must be given due consideration, **regardless of when the last compliance review was conducted.**
- (2) The examiner must select the appropriate box on the A105, Administrative Check Sheet, and comment on the actions taken at the conclusion of the examination to verify the registration status.
- (3) If the examination results in a no-change or a refund, then the examiner must, at a minimum, conduct a limited scope discretionary review. The examiner must ensure the registration status should be "Continued" if all registration criteria is met. If a limited scope discretionary review is conducted, then the examiner must follow the procedures in (6) thru (11) below.
- (4) If the examination results in a change, then the examiner must conduct a discretionary review. Refer to IRM 4.24.23.7.5 for detailed guidance on compliance review procedures. The examiner must discuss initiating the discretionary review with the group manager, secure approval before proceeding and document all actions taken in the Examining Officer's Activity Record.

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- (5) If a discretionary review is approved, then the group manager will establish ERCS controls and request the LT assign the IMS case file to the group. If a discretionary review is not approved, then a limited scope discretionary review will be conducted.

Note: An IMS case file is not to be created locally by the examiner but must be assigned by the registration group.

- (6) If a limited scope discretionary review is conducted, then the examiner must document the A105 under the "Consideration of Form 637 Registration Status" section and summarize actions taken to ensure a "Continued" 637 registration status.

Note: ERCS controls and a separate IMS case file are not necessary for limited scope reviews.

- (7) If the registration should be continued, then the examiner must prepare Letter 3696, Form 637 Compliance Review Summary, for issuance by the group manager upon case closure. Examiner contact information should be included. Include the letter in the examination IMS case file and paper file.

- (8) If the registration should be revoked, then the procedures in IRM 4.24.23.9 apply.

- (9) If the registrant has a registration number that was issued prior to February 1, 2004, then the procedures in IRM 4.24.23.7.4(10)(a) apply.

- (10) Upon completion, review, and acceptance of the examination case file by the group manager, they will sign, date and mail Letter 3696. In addition, the group manager will forward, via secure e-mail, to the LT the following documents so that the case file can be updated:

- a. A copy of the A105
- b. A copy of the signed Letter 3696
- c. Registrant's concurrence to revocation, if applicable
- d. A copy of the Examining Officer's Activity Record or the Case Level Activity Record in IMS that documents all actions taken in the examination case file by the examiner and the group manager

- (11) The LT must:

- a. Create a discretionary review in IMS.
- b. Upload attachments in the secure e-mail into IMS case file, i.e., the A105 and the signed copy of Letter 3696, etc.
- c. Continue the registration in IMS.
- d. Prepare and issue Letter 5023, Notification of Change in Form 637 Registration Number, with Publication 5039, for the national registration number and then upload a signed copy into the IMS case file, if applicable.
- e. Update the IMS case file to Status 65 in IMS if the registration is to be revoked.
- f. Forward the request to have the Form 637 indicator removed from the BMF account in IDRS, if applicable.

g. Document all actions taken on the Case Level Activity Record in IMS.

- (12) Form 637 compliance reviews, including limited scope discretionary reviews documented on the A105, are subject to EQ reviews.

4.24.23.7.4
(10-18-2023)
**Excise Group
Procedures - Initial
Application Reviews**

- (1) The examiner must review an initial application for registration, make an on-site visit, if necessary, and then recommend approval or denial of the application. Mandatory Administrative Forms must be completed to support the recommendation and uploaded into the IMS case file.
- (2) Initial contacts with an applicant must be made by mail using the appropriate initial contact letter. The examiner must not make initial contact by telephone.
- (3) Examiners must use Letter 5708 to notify the applicant of their initial application review. Refer to IRM 4.24.23.3 for additional information.
- (4) Following the initial telephone conversation with the applicant and scheduling the appointment, the examiner must prepare and issue Letter 3686, Appointment Scheduled - Form 637 Reviews, to confirm the initial appointment. A copy of the signed Letter 3686 must be uploaded into the IMS case file.
- (5) If the applicant fails to respond to the initial contact letter after 14 calendar days, and it was not returned as "undeliverable," then the examiner must determine why the applicant is not responding. Follow-up attempts must be made to contact the applicant, including telephone inquiries. Refer to IRM 4.10.2.8.3, No Response/No Show Procedures, for additional information.
- (6) If follow-up attempts are unsuccessful and the examiner exhausted all available avenues to locate the applicant to conduct the review, e.g., Accurant, IDRS, WebCBRS and telephone directories, then the examiner should recommend denying the application. Refer to IRM 4.24.23.9 for additional information.
- (7) If the initial contact letter is returned "undeliverable," then the examiner must take steps to determine if a more current address or contact information can be obtained, as well as document the actions taken in the IMS case file. Refer to IRM 4.10.2.8.4, Undeliverable Initial Contact Letters, for additional information about obtaining a current address. If the applicant cannot be located, then the examiner must scan and upload a copy of the returned envelope into the IMS case file, complete Form 13499-C, 637 Recommendation, and recommend denying the registration. Refer to IRM 4.24.23.9 for additional information.
- (8) If an applicant **meets** all the applicable registration tests, then the examiner and group manager must follow the procedures in IRM 4.24.23.8, Procedures Relating to Approvals and Continuations of Registrations.
- (9) If an applicant **does not meet** all the applicable registration tests, then the examiner and group manager must follow the procedures in IRM 4.24.23.9, Procedures Relating to Denials or Revocations of Registrations.
- (10) A national registration number with approved activity letter(s) will be issued to each registrant. Multiple registration numbers will not be issued if:
 - a. The applicant is already registered for other activities and has a registration number issued prior to February 1, 2004, then the examiner must inform the registrant that a new national registration number will be

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issued. The examiner must inform the registrant to discontinue the use of any previously "approved" registration number(s) once the national registration number is received. The group manager will prepare and issue the registrant Letter 3689 and Letter 5023 with Publication 5039, Terms and Conditions of Registration for Form 637.

- b. A registrant already has a national registration number, then any additional activity letter(s) approved will be added to the end of the approved national registration number.
 - c. The registrant has two valid registration numbers, i.e., an old registration number, as well as a national registration number, then IMS will look to the oldest "approved" status date for both numbers and may generate a new national registration number. If this occurs, then a HELP ticket must be created to remove the newly issued national registration number. The group manager will issue the letter of registration using the existing national registration number and approved activity letter(s). The group manager will document the Case Level Activity Record in IMS with all actions taken.
- (11) If a registrant later qualifies for registration for activities not covered by the current approved registration number, then a Form 637 application must be submitted with the additional activity letter(s) for approval. An updated Letter 3689 must be issued to reflect the additional activity letter(s).
- (12) If a determination is made that an applicant did not apply for the correct activity letter, but qualifies for a different activity letter listed on the Form 637 application, then the examiner must:
- a. Secure a signed Form 637 application with the correct activity letter and scan it into the IMS case file.
 - b. Obtain a withdrawal statement from the applicant regarding the incorrect activity letter.
 - c. Forward the new application to the designated registration group LT via secure e-mail. The LT must upload the application and add the correct activity letter into the IMS case file. Once the IMS case file is updated with the correct activity letter, the examiner must close the case.

Note: If a withdrawal statement is not secured, then the Examining Officer's Activity Record must be documented in IMS showing the date the withdrawal statement was solicited.

4.24.23.7.5 (10-18-2023) Excise Group Procedures - Compliance Reviews

- (1) Excise Tax Examination, is responsible for ensuring the registrant is:
- a. Using the registration properly.
 - b. Meeting all the applicable registration tests.
- Note:** Refer to IRM 4.24.2.3.1, Registration Tests for IRC 4101 Activities, and IRM 4.24.2.4.1, Registration Tests for Activities Other Than Under IRC 4101, for more information.
- c. Complying with the terms and conditions of the registration.
- (2) Terms and conditions for registrants may be found at:

- *Treas. Reg. 48.4101-1(h)*, Taxable fuel; registration, for registrants for activities governed by IRC 4101.
 - *Treas. Reg. 48.4222(a)-1*, *Treas. Reg. 48.4222(b)-1*, and *Treas. Reg. 48.4222(c)-1*, Tax free sale of articles to be used for, or resold for further manufacture, for registrants for activities that are governed by IRC 4222.
 - IRC 4662(b)(10)(C) - Registrations for intermediate hydrocarbon streams containing one or more organic taxable chemicals.
 - IRC 4662(c)(2)(B) - Registrations for inventory exchanges of taxable chemicals.
 - *Treas. Reg. 52.4682-5(d)* for activities that are governed under IRC 4681 relating to exports of ODCs.
- (3) The group manager is responsible for ensuring all sample compliance reviews are completed by fiscal year end.
 - (4) The territory manager and/or group manager may request a discretionary review on a Form 637 registrant derived from a lead, if facts and circumstances warrant.
 - (5) If a registrant is selected for a discretionary review, then the group manager will request the LT update the IMS case file to the excise group. The excise group must establish ERCS controls for all discretionary reviews.
 - (6) A compliance review may require a field visit.
 - (7) All initial contacts with a registrant on a sample or discretionary review must be made by mail. Refer to IRM 4.24.23.3 for additional information.
 - (8) Following the initial telephone conversation with the registrant and scheduling of the appointment, the examiner must prepare and issue Letter 3686 to confirm the initial appointment.
 - (9) If the registrant fails to respond to the initial contact letter after 14 calendar days and it is not returned as "undeliverable," then the examiner must follow the procedures in IRM 4.24.23.7.4(5) and (6).
 - (10) If the initial contact letter is returned "undeliverable" and the address in IMS matches the address on IDRS, then no further actions will be taken to locate the registrant. Refer to IRM 4.24.2.7, Changes in the Information Submitted in Connection with Application for Registration, and Publication 5039 for additional information. The examiner must scan and upload a copy of the returned envelope into the IMS case file and recommend revoking the registration.
 - (11) The IMS case file will be documented sufficiently to establish what was done during the review. Refer to IRM 4.24.23.11 for information on mandatory workpapers.
 - (12) The examiner must review the IMS case file, perform Accurant, IDRS and WebCBRS research, as well as review any other relevant internal documents. Exemption certificates, if applicable, must be inspected to ensure the registrant is compliant with the registration requirements.
 - (13) At the conclusion of the review, the examiner must make a recommendation to approve, continue, deny, or revoke the registration.

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- (14) At the conclusion of the sample or discretionary review, the examiner must prepare Letter 3696, Form 637 Compliance Review Summary, using their contact information and indicate if problems were identified.
- (15) If no problems were identified, then the examiner must make a recommendation to continue the registration and close the IMS case file to the group manager. Refer to IRM 4.24.23.8 for additional information on continuing a registration.
- (16) If problems were identified and the recommendation is not to revoke the registration, then the examiner must clearly and concisely document deficiencies in the body of Letter 3696. The description should be specific to the registrant's situation. Examples of deficiency statements include, but are not limited to, the following:
 - You failed to make timely Federal Tax Deposits on your Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, and Form 941, Employer's Quarterly Federal Tax Return.
 - You failed to secure and maintain exemption certificates for your exempt sales to state and local governments.
 - You failed to properly report your Federal Excise Taxes for the following periods (list periods).
- (17) The examiner must include a follow-up date on Letter 3696 by which time the registrant must correct the stated deficiencies.

Note: The follow-up date will depend on the underlying deficiencies and be determined by the examiner after consulting with the group manager.
- (18) The examiner must upload Letter 3696 and all mandatory workpapers into the IMS case file, recommend continuation of the registration and close the IMS case file to the group manager.

Note: The group manager will indicate the follow-up date in IMS when closing the case.
- (19) On the follow-up date indicated on Letter 3696, the examiner is to request the IMS case file as a discretionary review from the group manager.
- (20) If after the follow-up review the registrant has corrected the deficiencies, then a new Letter 3696 must be prepared, and the registration continued. Refer to IRM 4.24.23.8 for information on continuing a registration.
- (21) If after the follow-up review the registrant has not corrected the deficiencies, then the examiner must discuss the revocation with their group manager and take the appropriate actions. Refer to IRM 4.24.23.9 for information on revoking a registration.

4.24.23.8
(10-18-2023)

**Procedures Relating to
Approvals and
Continuations of
Registrations**

- (1) An application for registration should be approved if the examiner determines the applicant:
 - a. Met the applicable registration tests for the activity applied. Refer to IRM 4.24.2.3.1, Registration Tests for IRC 4101 Activities, and/or IRM 4.24.2.4.1, Registration Tests for Activities Other Than Under IRC 4101, for more detailed guidance about registration tests.
 - b. Addressed and resolved deficiencies notated by the registration group, if applicable.
- (2) For approved applications, the examiner must:
 - a. Complete Form 13499-C with a recommendation, summary of registration tests performed, reason for the recommendation and any follow-up actions, if applicable.
 - b. Upload Form 13499-C along with mandatory administrative forms and workpapers into the IMS case file. Refer to IRM 4.24.23.11 for additional information.
 - c. Prepare and upload Form 2363, Master File Entity Change, to post the Form 637 indicator to the BMF account in IDRS. Refer to IRM 4.24.24.5.1, Procedures to Post or Delete the Form 637 Indicator on BMF, for additional information.
 - d. Recommend approval of registration in IMS, check the box for a bond, if applicable, and send the IMS case file to the group manager for review and concurrence with the recommendation.

Note: If a bond is required and a surety bond is used, then a registration will not be issued before receipt of a letter from the surety company certifying a bond has been issued to the applicant.
- (3) The group manager will:
 - a. Review the IMS case file and concur with examiner's recommendation or return the file to the examiner for additional consideration.
 - b. Prepare, sign and mail or direct the examiner to prepare and/or mail Letter 3689 to the applicant. Letter 3689 will include the examiner's contact information.
 - c. Upload a copy of the signed letter into the IMS case file.
 - d. Forward Form 2363 to Cincinnati Exam CCP to have the Form 637 indicator added in IDRS. Refer to IRM 4.24.24.5.1, for additional guidance.
 - e. Document all actions taken on the Case Level Activity Record in IMS.
 - f. Make the final determination in IMS to approve the registration and update to Status 90 in IMS.
 - g. Close the case off ERCS.
- (4) A Form 637 Registration should be continued if the examiner determines the registrant:
 - a. Met all the applicable registration tests. Refer to IRM 4.24.2.3.1 and IRM 4.24.2.4.1 for more detailed guidance.
 - b. Complied with the terms and conditions of registration, refer to IRM 4.24.23.7.5(2).
 - c. Addressed and resolved deficiencies notated by the registration group, if applicable.

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- (5) For continued registrations, the examiner must:
 - a. Complete Form 13499-C with recommendation, summary of registration tests performed, reason for recommendation and any follow-up actions, if applicable.
 - b. Upload Form 13499-C along with mandatory administrative forms and workpapers to support recommendation into the IMS case file. Refer to IRM 4.24.23.11 for additional information.
 - c. Prepare and upload Letter 3696, including a follow-up date, if applicable.
 - d. Recommend continuation of registration in IMS and update the IMS case file to the group manager for review and concurrence.
- (6) The group manager will:
 - a. Review the IMS case file and concur with examiner's recommendation or return the file to the examiner for additional consideration.
 - b. Review, sign and mail or direct the examiner to mail Letter 3696 to the registrant. Letter 3696 will include the examiner's contact information.
 - c. Upload a copy of the signed letter into the IMS case file.
 - d. Document all actions taken on the Case Level Activity Record in IMS.
 - e. Make the final determination in IMS to continue the registration, include a follow-up date, if applicable, and update to Status 90 in IMS.
 - f. Close the case off ERCS.

4.24.23.9 (10-18-2023) **Procedures Relating to Denials or Revocations of Registrations**

- (1) When it is determined that an application for registration should be denied or an existing registration revoked the applicant or registrant will be notified in writing stating the basis for the denial or revocation.
- (2) An application for registration should be denied if the examiner determines that the applicant:
 - Does not meet all the applicable registration tests. Refer to IRM 4.24.2.3.1, Registration Tests for IRC 4101 Activities and IRM 4.24.2.4.1, Registration Tests for Activities Other Than Under IRC 4101.
 - Has not responded within 30 calendar days to a request for additional information relating to its application.
- (3) An existing registration should be revoked if the examiner determines the registrant:
 - Does not meet all the applicable registration tests for its registration. Refer to IRM 4.24.2.3.1, Registration Tests for IRC 4101 Activities and IRM 4.24.2.4.1, Registration Tests for Activities Other Than Under IRC 4101.
 - Has not responded within 30 calendar days to a request for additional information relating to its approved registration.
 - Has failed, at any time, to comply with the terms and conditions of registration, refer to IRM 4.24.23.7.5(2).
 - For IRC 4101 activities, has used its registration to evade, or attempt to evade, the payment of any tax imposed by IRC 4041(a)(1) or IRC 4081; or to postpone, or in any manner to interfere with the collection of any such tax; or to make a fraudulent claim for a credit or payment; or has aided or abetted another person in evading, or attempting to evade,

payment of any tax imposed by IRC 4041(a)(1) or IRC 4081; or in making a fraudulent claim for a credit or payment. Refer to *Treas. Reg. 48.4101-1(i)*.

- (4) An application should be denied, or an approved registration revoked when an applicant or registrant fails to respond to the initial contact letter after 14 calendar days and it was not returned as “undeliverable.” The same applies if an initial contact letter was returned as “undeliverable,” and the examiner exhausted all avenues to locate the applicant or registrant. Then the examiner must:
 - a. Complete Form 13499-C, document the actions taken to locate the applicant or registrant and include the reason for the denial or revocation.
 - b. Upload Form 13499-C into the IMS case file.
 - c. Complete Form 1900-B, Unlocatable Taxpayer Checksheets, to document the actions taken to locate the applicant or registrant.
 - d. Upload Form 1900-B into the IMS case file.
 - e. Document **all** actions on the Examining Officer’s Activity Record in IMS.
- (5) The procedures listed in (6) will apply in cases where the applicant or registrant:
 - a. Concurs with the examiner’s determination to deny the application or revoke the approved registration.
 - b. Requests a withdrawal of an application.
 - c. Requests a revocation of an approved registration.
- (6) The examiner must:
 - a. Obtain applicant’s or registrant’s written concurrence. An e-mail from the applicant or registrant is sufficient.
 - b. Complete Form 13499-C and include the reason for the denial or revocation.
 - c. Upload both the written concurrence from the applicant or registrant and Form 13499-C into the IMS case file.

Note: If a statement cannot be secured, then document the Examining Officer’s Activity Record in IMS and Form 13499-C with the date the request was made and the applicant’s or registrant’s response.

 - d. Prepare and upload Form 2363 to remove the Form 637 indicator from the BMF account in IDRS, if present. Refer to IRM 4.24.24.5.1, Procedures to Post or Delete the Form 637 Indicator on BMF, for additional information.
 - e. Upload mandatory administrative forms into the IMS case file.
 - f. Recommend the application be denied or registration revoked in IMS.
 - g. Close the IMS case file to the group manager.
- (7) The group manager will:
 - a. Review the IMS case file and detail concurrence and the basis for the denial or revocation on the Case Level Activity Record in IMS. If the group manager does not concur with the denial or revocation, then they will return the IMS case file to the examiner for further action.

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- b. Prepare, sign, and mail Letter 3685, Denial of Excise Tax Registration, or Letter 3691, Letter of Revocation, to the applicant or registrant. The letters will include the registration group manager's address and contact information.
 - c. Upload a signed copy of the letter into the IMS case file.
 - d. Forward the Form 2363 to have the Form 637 indicator removed from the BMF account on IDRS, if present. Refer to IRM 4.24.24.5.1 for additional information.
 - e. Document all actions taken on the Case Level Activity Record in IMS.
 - f. Update to Status 90 in IMS.
 - g. Close the case on ERCS.
- (8) In cases where the examiner proposes to deny an application or revoke an approved registration, and the applicant or registrant **does not agree** with the denial or revocation the examiner must:
- a. Complete Form 886-A, Explanation of Items, including the facts, why the registration is being denied or revoked tax law and argument, applicant's or registrant's position and conclusion. Form 886-A will be enclosed with the denial or revocation letter.
 - b. Upload Form 13499-C, Form 886-A, and mandatory administrative forms into the IMS case file.
 - c. Recommend the application be denied or registration revoked in IMS.
 - d. Close the IMS case file to the group manager.
- (9) The group manager will:
- a. Review the IMS case file and detail concurrence and the basis for the denial or revocation on the Case Level Activity Record in IMS. If the group manager does not concur with the denial or revocation, then they will return the IMS case file to the examiner for further action.
 - b. Offer a conference with the applicant or registrant to discuss the unagreed issues.
 - c. Document the Case Level Activity Record in IMS that a conference was offered to the applicant or registrant, the outcome of the conference, if applicable, and concurrence with the examiner's recommendation.
 - d. Prepare, sign and mail Letter 3685 or Letter 3691 to the applicant or registrant and include the Form 886-A prepared by the examiner. The letter will include the registration group manager's address and contact information.
 - e. Upload a signed copy of letter into the IMS case file.
 - f. Forward Form 2363 to have the Form 637 indicator removed from the BMF account in IDRS, if present. Refer to IRM 4.24.24.5.1 for additional information.
 - g. Document all actions taken on the Case Level Activity Record in IMS.
 - h. Update to Status 90 in IMS.
 - i. Close the IMS case file on ERCS.
- (10) The registrant will have 10 calendar days from the date of the denial or revocation to submit a written appeal. After the 10 calendar days expire, the registrant will have to re-apply for registration.

- (11) Contested denials and revocations are those where the registrant objects in writing to the denial of their application or the revocation of the registration and has provided a written appeal within 10 calendar days from the date Letter 3685 or Letter 3691 was issued.
- (12) The Chief, Estate & Gift/Excise Tax Exam is authorized to sign the following letters:
 - Letter 3684, Final Denial of Appeal for Registration
 - Letter 3690, Final Denial of Appeal for Revocation of Excise Tax Registration
- (13) If an applicant or registrant appeals a denial or revocation, then the designated LT must document the receipt of the applicant's or registrant's appeal into the IMS case file. Upload the appeal into the IMS case file. The IMS case file will be forwarded to the registration group manager to review prior to meeting with the Chief, Estate & Gift/Excise Tax Exam.
- (14) The registration group manager or LT must review the appeal and they must either:
 - a. Concur with the appeal and have the registration approved.
 - b. Deny the appeal and prepare the package to be forwarded to the Chief, Estate & Gift/Excise Tax Exam for consideration and final ruling.
- (15) The IMS case file will be forwarded to the registration group manager to review prior to meeting with the Chief, Estate & Gift/Excise Tax Exam.
- (16) If the Chief, Estate & Gift/Excise Tax Exam concurs with the denial or revocation, then the applicant or registrant will be issued Letter 3684 or Letter 3690 accordingly. Once the appropriate letter has been signed by the Chief, Estate & Gift/Excise Tax Exam, the letter will be forwarded to the registration group manager to be issued and uploaded into the IMS case file.
- (17) If the Chief, Estate & Gift/Excise Tax Exam determines the registration should be granted or reinstated, then the IMS case file will be updated to the designated LT who will update the IMS Form 637 Registration status to "approved." The designated LT must issue Letter 3689 and ensure the Form 637 indicator is updated on the BMF account in IDRS. The designated LT must document the Case Level Activity Record in IMS and upload Letter 3689 into the IMS case file.
- (18) The registration group manager will maintain a list of all applicants or registrants that contest the denial or revocation of their registration.
- (19) In both non-contested and contested revocations, Form 2363 will be used to remove the Form 637 indicator from the BMF account in IDRS. This action shall be documented on the Case Level Activity Record in IMS.
- (20) For registrations that have been revoked and approved upon appeal, then a new registration number will be issued.

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4.24.23.10 (10-18-2023) **Recording Time Charged to Form 637 Registration Program**

- (1) Time spent reviewing applications and registrations should be charged to Compliance Activity Code 588. ERCS must be used to control applicants and registrants using MFT B0. The appropriate mandatory tracking codes listed below will be input on ERCS for monitoring purposes.
 - 7640 - Initial Review
 - 7641 - Sample Review
 - 7642 - Discretionary Review
- (2) All Form 637 compliance reviews will use the current fiscal year and show a period of "01."
- (3) If a compliance review results in an examination, then the examination time will be charged to the examination abstract. The examiner must request examination case controls using Form 5345-D showing Project Code 0637. Refer to IRM 4.24.2.9, Examinations Resulting from Form 637 Compliance Reviews, for additional information.

Note: Once the examination has started no examination time should be charged to the compliance review.

4.24.23.11 (10-18-2023) **Mandatory Administrative Forms for Examiners**

- (1) The Notebook generated forms and templates in the Form 637 Registration program are accessed from the Mandatory Admin Forms tab on the Case Details page within Notebook. These mandatory administrative forms include information pre-populated during the setup of a taxpayer's case and user details within Notebook.

Note: The 637 Admin Forms are similar in nature to the excise examination mandatory administrative forms. Refer to IRM 4.24.25, Issue Management System (IMS), Notebook and Workpapers, for more information.

- (2) The 637 Admin Forms deployed are:

Name	Title
Form 637 IDR New Applicant	IDR Language for Form 637 New Applicant
Form 637 IDR Follow-up	IDR Language for Form 637 Follow-Up
A605	Administrative Check Sheet
A610	Form 637 Review Plan to Close Check Sheet
A615	Initial Appointment Agenda
A625	Initial Interview Questions and Notes
B700	Form 637 Filing Check Sheet
C800	Form 637 Financial Analysis
C805	Internal Controls
D900	Initial Contact Check Sheet

Name	Title
Form 13499-C	637 Recommendation
Form 13499-E	Secure Airport Terminal (SAT) Designation Recommendation

4.24.23.11.1
(08-25-2021)

**Form 637 Information
Document Requests
(IDRs): New Applicant
Language and Follow Up
Reviews**

- (1) IMS Notebook files contain general language for new applicants and follow up reviews for registrants to assist with completing Form 4564, Information Document Request.

4.24.23.11.2
(08-25-2021)

**A605 Administrative
Check Sheet**

- (1) The purpose of the A605 is to provide a set of administrative guidelines for tasks that may arise during the compliance review. It is similar in nature to the A105 employed for excise examinations.

Note: Penalties under IRC 6719, Failure to register or re-register, and IRC 6725, Failure to report information under section 4101, should be considered.

- (2) Form 2848 or Form 8821 that reflects Form 637 representation only cannot be forwarded to the CAF unit as there is no master file for Form 637. Form 2848 or Form 8821 must be scanned and uploaded into the IMS case file. However, if Form 2848 or Form 8821 representation contains tax returns, (e.g., a Form 720, Form 1120, etc.), then it must be forwarded to the CAF unit for processing. For additional information regarding a power of attorney, refer to IRM 4.11.55, Power of Attorney Rights and Responsibilities.

4.24.23.11.3
(08-25-2021)

**A610 Form 637 Review
Plan to Close Check
Sheet**

- (1) The A610 is a guide for planning the Form 637 compliance review. It is similar in nature to the A110 employed for excise examinations.

4.24.23.11.4
(08-25-2021)

**A615 Initial Appointment
Agenda**

- (1) The A615 provides guidance for conducting the initial contact with the applicant or registrant. It is similar in nature to the A120 employed for excise examinations.

4.24.23.11.5
(10-18-2023)

**A625 Initial Interview
Questions and Notes**

- (1) Interviews will be documented using the A625. It is similar in nature to the A125 employed for excise examinations.
- (2) Completion of A625 does not constitute a comprehensive interview. Additional questions should be tailored to the activity letter, which the applicant is seeking, or the registrant is registered.

Note: Questionnaires for each activity letter are not mandatory but are strongly encouraged. The questionnaires assist with issue identification. Refer to the Excise Tax Knowledge Base Homepage, Form 637 Registration shelf, Registration Information book, All Activity Letters chapter, under Other Related Resources for each activity letter.

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4.24.23.11.6
(10-18-2023)

B700 Form 637 Required Filing Check Sheet

- (1) The purpose of the B700 is to document the tax history of the applicant or registrant, owners, officers, and any related entities. It is similar in nature to the B200-1 and B200-2 employed for excise examinations.
- (2) Examiners must consider and evaluate the applicant's or registrant's (and any related person or persons) past payment history for **all** tax liabilities with special attention to past treatment of excise and employment tax liabilities.
- (3) Approval of an application or continuation of a registration **must not** be allowed if there are outstanding federal tax liabilities, which are unaddressed.
- (4) Compliance issues including, but not limited to the CP 241 notice and items noted on the 637 Recommendation Sheet, completed by the TE in the registration group should be addressed, if applicable. Refer to IRM 4.24.24.5.2, CP 241, Notice - 637 Registrant, Procedures, for additional information.

4.24.23.11.7
(10-18-2023)

C800 Form 637 Financial Analysis

- (1) The C800 is only required for applicants or registrants that are subject to the adequate security test and acceptable risk test.
- (2) The C800 documents a financial analysis of the applicant or registrant. A financial analysis is a picture of the business in dollars and cents. It shows levels of risk, measures business performance and enables the examiner to make informed decisions about the health of the business.
- (3) Examiners may select financial ratios they feel best demonstrate financial health of the business and document the methods employed. Refer to Exhibit 4.24.23-2 for Financial Analysis Techniques.
- (4) Examiners must consider an analysis of internal controls when completing a financial analysis. Refer to IRM 4.24.23.11.8 for additional information on Internal Controls.
- (5) If the applicant or registrant is experiencing financial difficulty, then the examiner should protect the government's interests by ensuring the applicant or registrant is not using FET deposits to pay other liabilities or is filing excise tax claims to increase cash flow.
- (6) In certain instances, a financial analysis should be utilized in determining if taxpayer will be required to post a bond to meet the adequate security test. For additional information on bonding, refer to IRM 4.24.2.5, Bonding.

4.24.23.11.8
(10-18-2023)

C805 Internal Controls

- (1) The C805 is only required for applicants or registrants that are subject to the adequate security test and acceptable risk test.
- (2) The C805 documents the analysis of internal controls and the business operations of the applicant or registrant. It is similar in nature to the C305 employed for excise examinations.
- (3) Internal controls must be analyzed and documented to demonstrate:
 - The effectiveness and efficiency of the business operations.
 - The strengths, weaknesses, and reliability of the applicant or registrant's financial reporting.

- (4) The examiner must verify the applicant or registrant has adequate resources and internal controls to ensure the collection and payment of tax. This can be documented by:

- a. Flowcharting key business operations.
- b. Documenting in narrative form.

Note: Identify the name and title of each person making decisions or taking actions that affect the financial and tax position of the applicant or registrant. The names and types of documents that support the key business operations process should also be identified.

4.24.23.11.9
(08-25-2021)
**D900 Initial Contact
Check Sheet**

- (1) The D900 contains action items to consider at the time initial contact occurs. It is similar in nature to the D400 employed for excise examinations. The D900 documents that the examiner:

- a. Provided identification and contact information.
- b. Discussed compliance review process.
- c. Discussed applicant's or registrant's role in the compliance review.
- d. Addressed any questions with the applicant or registrant.

4.24.23.11.10
(10-18-2023)
**Recommendation Forms
13499-C and 13499-E**

- (1) Form 13499-C and Form 13499-E are summary sheets that document all the following:

- Recommendation and letter to be issued
- Reason for the recommendation

Note: For a Form 637 Registrations this must include summary of the registration tests performed (refer to IRM 4.24.2.3.1, Registration Tests for IRC 4101 Activities, and IRM 4.24.2.4.1, Registration Tests for Activities Other Than Under IRC 4101, for more detailed guidance)

Note: For more information on SAT Designations refer to IRM 4.24.23.12.

- Any follow up actions required

4.24.23.12
(10-18-2023)
**Request for Secure
Airport Terminal (SAT)
Designation**

- (1) All SAT Designation cases will be worked together with a Form 637 terminal review.

Note: To qualify for a SAT Designation, the terminal must have a Form 637 Registration with an activity letter S. A SAT Designation may be approved simultaneously with a valid Form 637 Registration activity letter S.

- (2) Notice 2016-15 provides guidance regarding the criteria for designation by IRS of a terminal located within a secure area of an airport as a SAT for purposes of IRC 4081 and IRC 4082. Additionally, this notice specifies steps and procedures for a terminal operator to successfully request a terminal be placed on the SAT Designation list. For detailed guidance, refer to the notice located at *Treatment of Kerosene for Use in Aviation*.

- (3) A new system for imposing excise tax on kerosene used in aviation was provided by the American Jobs Creation Act of 2004 (Pub. L. 108-357) and the

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Terminals (SATs) 4.24.23

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Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (Pub. L. 109-59). Under this system, kerosene generally is taxed at a rate of 24.3 cents per gallon (excluding the 0.1 cent per gallon imposed for the Leaking Underground Storage Tank Trust Fund (LUST) tax). However, if the kerosene is removed directly from a terminal or refinery into the fuel tank of an aircraft, then it will be taxed at lower aviation rates. Furthermore, if nontaxable use kerosene is removed directly from a terminal into the fuel tank of an aircraft, then the general rate of tax is reduced to zero. For purposes of these exceptions, refueler trucks, tankers and tank wagons that meet certain conditions are treated as part of a terminal, if the terminal is located within a secure area of an airport, such as a SAT.

- (4) To add a terminal to the SAT Designation list, a terminal operator must submit a written request to the Excise Operations Unit at CIRSC.
- (5) Examiners are responsible for reviewing initial requests for a SAT Designation, as well as reviewing existing SAT Designations for compliance with the procedures specified in Notice 2016-15.

4.24.23.12.1 (10-18-2023) **Roles and Responsibilities of Centralized Specialty Tax Operations (CSTO)**

- (1) CSTO is comprised of the Excise Operations Unit, the Classification Team, and the Audit Information Management System/Examination Returns Control System (AIMS/ERCS) Team, which are independent of one another.
- (2) Upon receipt of a SAT Designation request, the Excise Operations Unit date-stamps the SAT Designation request and expeditiously routes it to the Classification Team.
- (3) Upon receipt, the Classification Team ensures the request is complete. If not complete, then the requestor should be contacted for any missing information. Required information includes the following:
 - Name of the entity making the request
 - Employer identification number
 - Mailing address
 - Terminal Control Number (TCN)
 - Contact person
- (4) The Classification Team conducts research to determine if an open compliance activity is in process for the designated requestor. Research should include both AIMS and ERCS review (i.e., MFT - B0, PH, P9, etc.).
- (5) If an open compliance activity applies to the designated requestor, then the Classification Team scans the original request letter and forwards it to the appropriate excise group.
- (6) If an open compliance activity does not apply to the designated requestor, then the Classification Team must prepare a classification check sheet, which includes the following:
 - Case Action = I-ERCS & IMS
 - Form Number = Form 637
 - Abstract = 588 Registration and Exemptions
 - Project Code = 0637 - Form 637 Registration
 - Tracking Code = 7641 - Form 637 Sample Review

- MFT = B0
- (7) The scanned original request and completed check sheet must be forwarded to the AIMS/ERCS Team.
 - (8) Upon receipt, the AIMS/ERCS Team establishes the request on ERCS using the information from the classification check sheet.
 - (9) The AIMS/ERCS Team assigns the request to the excise group where the terminal is geographically located regardless of the area in which the entity is registered.
 - (10) The AIMS/ERCS Team forwards the excise group assignment information and the SAT Designation request letter to the registration group manager via secure e-mail.
 - (11) If a SAT Designation requestor provides the Excise Operations Unit new information about the changes in business operations, which may include but is not limited to, changes in refueling equipment, security measures, owners/operators or any other change to the SAT Designation criteria specified in Notice 2016-15, Section 4 then that updated information will be forwarded to the registration group manager via secure e-mail for follow-up actions.
 - (12) If a SAT Designation denial or revocation is contested, then the Chief, Estate & Gift/Excise Tax Exam is the only person authorized to address and propose a remedy. For this reason, if the Excise Operations Unit receives a written appeal, then they must forward it to the registration group manager for consideration via secure e-mail and have no contact with the requestor or designee.

4.24.23.12.2
(10-18-2023)

**Roles and
Responsibilities of the
Form 637 Registration
Group**

- (1) Upon receipt of the SAT Designation request letter and excise group assignment information from the AIMS/ERCS Team, the registration group manager will assign the IMS case file to the Lead Technician (LT) responsible for the territory where the terminal requesting SAT Designation is located.
- (2) The LT must prepare and issue Letter 3681-A, Secure Airport Terminal (SAT) Notification, to the SAT Designation requestor and provide their contact information.
- (3) The LT must upload Letter 3681-A and SAT Designation request letter in IMS and assign the related Form 637 case to the group indicated by the AIMS/ERCS Team.
- (4) The registration group has no further duties in processing the designation request unless a contested denial or revocation occurs.
- (5) If a SAT Designation requestor objects in writing to a denial or revocation, then it is contested. In this situation, a written appeal must be provided by the SAT Designation requestor to the registration group manager within 10 calendar days from the date Letter 3685-A, Denial of Secure Airport Terminal (SAT) Designation, or Letter 3691-A, Revocation of Secure Airport Terminal (SAT) Designation, was issued.
- (6) If a SAT Designation requestor or designee contests a denial or revocation, then the designated LT documents this on the case activity record and uploads the written appeal into the IMS case file.

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- (7) The LT forwards the IMS case file to the registration group manager prior to a scheduled meeting between the Chief, Estate & Gift/Excise Tax Exam, and the registration group manager.
- (8) If the Chief, Estate & Gift/Excise Tax Exam determines a SAT Designation should be granted or continued, then the IMS case file will be updated to the designated LT who will issue Letter 3689-A, Approval of Secure Airport Terminal (SAT) Designation, to the requestor or designee. The LT must also contact the IRS ExSTARS Coordinator to update the designation.
- (9) If the Chief, Estate & Gift/Excise Tax Exam concurs a SAT Designation should be denied or revoked, then they sign Letter 3684-A, Final Denial of Appeal for Secure Airport Terminal (SAT) Designation, or Letter 3690-A, Final Denial of Appeal for Secure Airport Terminal (SAT) Designation Revocation.
- (10) After the Chief, Estate & Gift/Excise Tax Exam signs the applicable denial or revocation letter, it will be forwarded to the registration group manager for issuance to the SAT Designation requestor and uploaded into the IMS case file. Once the appropriate letter is issued, the Form 637 group manager or designee will contact the IRS ExSTARS Coordinator to update the designation.
- (11) The SAT Designation requestor has no administrative recourse if they disagree with a denial or revocation following appeal. Currently, the SAT Designation requestor may independently submit a new request for a SAT Designation, which must comply with the procedures described in Notice 2016-15, Section 5.01.

4.24.23.12.3
(10-18-2023)

Roles and Responsibilities of the Excise Group Manager

- (1) A completed compliance review of the Form 637 activity letter S registration is required to make a SAT Designation determination.
- (2) Refer to IRM 4.24.23.7.1 for detailed guidance about the group manager's responsibilities. Additionally, the group manager must:
 - a. Ensure all initial SAT Designation request cases are completed by examiners within 60 calendar days of assignment to the group manager.
 - b. Review a SAT Designation, if applicable, when the IMS case file for an activity letter S registrant is completed.

Note: It is the responsibility of the examiner to consider a SAT Designation when completing a review of a Form 637 activity letter S registrant and document their findings in the IMS case file.
 - c. Determine whether the examiner's recommendation to approve, continue, deny, or revoke a SAT Designation is warranted following a review of the IMS case file. If the Group Manager concurs, then they will take appropriate action and documents the IMS case file. If the group manager does not concur, then they should confer with the examiner and document the decision reached, which may include returning the IMS case file for further development.
 - d. Offer to confer with the requestor or designee about unagreed issues.
 - e. Sign and issue the appropriate SAT Designation letter, if applicable, which is prepared by the examiner, and then upload it in the IMS case file.

- f. Confirm the examiner forwarded the initial SAT Designation request, SAT Designation questionnaire and Form 13499-E, Secure Airport Terminal (SAT) Designation Recommendation, to the IRS ExSTARS Coordinator prior to closing the IMS case file.

4.24.23.12.4
(10-18-2023)

**Roles and
Responsibilities of the
Excise Examiner**

- (1) An examiner recommends approving, continuing, denying, or revoking SAT Designations. An examiner assigned a Form 637 activity letter S review that includes a SAT Designation must address whether it should be continued or revoked. To confirm a terminal is designated as a SAT, refer to *Terminal Control Number (TCN) Terminal Locations Directory*.

Note: An “X” in the last column on the right of the “TCN Database - Adobe PDF file format” or “TCN Database - Microsoft Excel file format” link indicates a SAT Designation.

4.24.23.12.5
(10-18-2023)

**Approving a SAT
Designation**

- (1) If an initial SAT Designation requestor satisfies the criteria for approval, then the examiner must:
 - a. Complete Form 13499-E and upload the document into the IMS case file.
 - b. Prepare Letter 3689-A and update the IMS case file workpapers to reflect findings and recommendations.
 - c. Send via secure e-mail an initial SAT Designation request letter, Letter 3689-A, Form 13499-E and SAT Designation Questionnaire to the IRS ExSTARS Coordinator after the group manager signs and issues Letter 3689-A.

Note: The e-mail should be addressed to the ExSTARS mailbox at *sbse.excise.exstars@irs.gov*.

- d. Close the IMS case file.

4.24.23.12.6
(10-18-2023)

**Continuing a SAT
Designation**

- (1) If the terminal operator continues to meet the criteria for a SAT Designation, then the examiner must:
 - a. Prepare and upload Form 13499-E and workpapers into the IMS case file.
 - b. Prepare and issue Letter 3696-A, Secure Airport Terminal (SAT) Compliance Review Summary, and update the IMS case file workpapers to reflect findings and recommendations.
 - c. Send via secure e-mail the SAT Designation questionnaire, a copy of signed Letter 3696-A and Form 13499-E to the IRS ExSTARS Coordinator using the ExSTARS mailbox at *sbse.excise.exstars@irs.gov*.
 - d. Close the IMS case file to the group manager.

4.24.23.12.7
(10-18-2023)

**Denying a SAT
Designation**

- (1) If an initial SAT Designation requestor fails to satisfy the requirements for a SAT Designation, then the examiner must obtain written concurrence from the SAT Designation requestor. If this happens, then an e-mail from the SAT Designation requestor will satisfy the denial. Upon receipt of the concurrence, the examiner must:
 - a. Complete Form 13499-E, which must include the reason for the denial.
 - b. Prepare Letter 3685-A, Denial of Secure Airport Terminal (SAT) Designation.

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- c. Update the IMS case file workpapers to reflect findings and recommendations.
- d. Close the IMS case file to the group manager who, in turn, will sign and issue Letter 3685-A to the requestor.
- e. Send via secure e-mail a copy of the initial SAT Designation request letter, Letter 3685-A, Form 13499-E and SAT Designation Questionnaire to the IRS ExSTARS Coordinator after the group manager signs and issues Letter 3685-A.

Note: IRS ExSTARS Coordinator's e-mail address is *sbse.excise.exstars@irs.gov*.

- (2) If an initial SAT Designation requestor fails to satisfy the requirements for a SAT Designation and does not concur with the denial, then the examiner must:
 - a. Prepare an unagreed write-up using Form 886-A that includes the facts summarizing the reason(s) why the designation is being denied, supported with the controlling tax law, arguments, requestor's adverse position and examiner's conclusion.
 - b. Complete Form 13499-E, which must include the reason for the denial.
 - c. Update the IMS case file workpapers to reflect findings and recommendations.
 - d. Close the IMS case file to the group manager who, in turn, will sign and issue Letter 3685-A, including the unagreed write-up, to the requestor.

4.24.23.12.8 (10-18-2023) **Revoking a SAT Designation**

- (1) If the terminal operator no longer satisfies the requirements for a SAT Designation, then the examiner may obtain written concurrence from the SAT Designation requestor. If this happens, then an e-mail from the requestor will satisfy the revocation.
- (2) Upon receipt of the concurrence, the examiner must:
 - a. Complete Form 13499-E, which must include the reason for the revocation.
 - b. Prepare Letter 3691-A, Revocation of Secure Airport Terminal (SAT) Designation.
 - c. Update the IMS case file workpapers to reflect findings and recommendations.
 - d. Close the IMS case file to the group manager who, in turn, will sign and issue Letter 3691-A to the requestor.
 - e. Send via secure e-mail a copy of the initial SAT Designation request letter, Letter 3691-A, Form 13499-E and SAT Designation Questionnaire to the IRS ExSTARS Coordinator after the group manager signs and issues Letter 3691-A.
- (3) If the designee does not concur with the revocation, then the examiner must:
 - a. Prepare an unagreed write-up, using Form 886-A, including the facts summarizing the reason(s) why the designation is being revoked, supported with the controlling tax law, arguments, requestor's adverse position and examiner's conclusion.
 - b. Complete Form 13499-E, which must include the reason for the revocation.

- c. Update the IMS case file workpapers to reflect findings and recommendations.
- d. Close the IMS case file to the group manager who, in turn, will sign and issue Letter 3691-A, including the unagreed write-up, to the designee.

4.24.23.12.9
(10-18-2023)
**Administrative Roles
and Responsibilities of
the IRS ExSTARS
Coordinator**

- (1) Once all the steps and procedures described above have been completed, the examiner must forward the appropriate document (i.e., approval or denial letter) to the IRS ExSTARS Coordinator.
- (2) To finalize the process for approving, continuing, denying, or revoking a SAT Designation, the IRS ExSTARS Coordinator must:
 - a. Update the TCN file with the SAT Designation letter, SAT Designation Questionnaire and Form 13499-E received from the examiners.
 - b. Update the applicable SAT Designation on the TCN location directory.

4.24.23.13
(08-25-2021)
**Forms, Letters and
Publications**

- (1) Forms, Publications and Letters that are frequently utilized throughout this section are identified and discussed in the Excise Tax Knowledge Base Homepage, Form 637 Registration shelf, Registration Information book.

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Exhibit 4.24.23-1 (08-25-2021)

Business Operations and Transactions Flow

The purpose for a diagram of the business operations is to:

- Allow the examiner to visualize business operations to easily identify specific areas of concern and develop examination techniques.
- Allow a quick analysis of various points of taxation.
- Provide a concise view of the business so a person reviewing the IMS case file has a clear understanding of the business operations.

The purpose for a diagram of the business transaction flow is to:

- Allow analysis of processes so the examiner can follow the business transaction flow. This facilitates identification of specific areas warranting further consideration.
- Expedite research for the examiner's questions and helps to formulate audit techniques. A record of the name and telephone number of the person who prepared the report is helpful.
- Provide the names of the reports and samples of documents discussed in the flow chart. This gives the examiner and reviewers a better understanding of documents that are specific to that business and prevents any misinterpretation.
- Promote efficiency of the audit process by allowing the examiner to identify the individual directly responsible for the report.

Exhibit 4.24.23-2 (10-18-2023)
Financial Analysis Techniques

A financial analysis is mandatory and must be completed for all Form 637 compliance reviews where the examiner determines the applicant or registrant poses a risk to revenue by not paying a tax liability or by filing claims.

Note: If the applicant or registrant is experiencing financial difficulty, then the examiner should protect the government's interest by ensuring the applicant or registrant is not using Federal Excise Tax (FET) deposits to pay other liabilities and is not filing false claims to increase cash flow.

The minimum steps required to conduct a financial analysis are:

1. Determine the applicant's or registrant's expected excise tax liability.
2. Determine the applicant's or registrant's available cash position for the last 12 months.
3. Determine the profit margin:
 - On the sale of the taxable product before consideration of the excise tax.
 - After deducting all applicable direct expense.
 - After deducting the applicable excise tax.
4. What other expenses does the applicant or registrant have that will compete with applicant's or registrant ability to pay the excise tax? These may include:
 - Interest payments
 - Salaries
 - Equipment purchases
 - Debt
5. Determine how much money will be left to pay the excise tax from the sale of the taxable products, if the expenses in (4) are paid first.

If a financial analysis reveals poor financial status of a fuel applicant or registrant, then the examiner should consider securing a bond to satisfy the adequate financial resources part of the adequate security test, if applicable. For all other applicants or registrants, the examiner should consult with the group manager to determine whether examination of Form 720 (or claim) and/or denial or revocation should be recommended.

The examiner may conduct one or more of the following analyses to determine the financial condition of an applicant or registrant. Other methods may be used and workpapers must be documented with the analysis performed:

- Quick Ratio (Current Assets-Inventory/Current Liabilities) - This calculates and measures the ability of the applicant or registrant to pay current liabilities and debts. If the quick ratio of applicant or registrant is 1.0 or greater, then it indicates that applicant or registrant should be able to meet its short-term liabilities. This check is more advantageous when reviewing applicants or registrants where the inventory might be hard to liquidate.
- Current Ratio (Current Assets/Current Liabilities) - If the examiner determines that inventory should be easy to liquidate, then the current ratio should be considered. Fuel is normally a very liquid asset. The examiner may review listings of current ratios for several industries in a book published by Robert Morris & Associates (RMA Annual Statement Studies). If the current ratio drops below 1:1, then the examiner should discuss bonding or monitoring options with the group manager.
- Retained Earnings - Retained Earnings should be positive. The greater the amount of retained earnings, the better the financial solvency of the company. Negative retained earnings indicate possible financial problems (i.e., the company may be using loans or shareholder equity to operate).

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Exhibit 4.24.23-2 (Cont. 1) (10-18-2023)

Financial Analysis Techniques

If the company is new or does not maintain a balance sheet (Example: Schedule C operation), then the company will not have retained earnings. If there are no retained earnings, then other tests should be considered.

- Cash Flow - (Income-Expenses, not including depreciation and amortization) should be positive. If the applicant or registrant is an existing company, then prior year tax returns should be reviewed for losses. If a new company, then the examiner should review existing contracts with suppliers and customers to determine projected income and expense items. This review and a thorough investigation of potential suppliers, customers and other income and expense items will provide an indication of applicant's or registrant's potential cash flow.
- Bankruptcy - This includes reviewing information from bankruptcy courts in the states where the company or related person has lived or operated businesses, researching Accurant to determine if the company or related person declared bankruptcy anywhere in the country, as well as researching IDRS (Command code UNCLER) to determine whether a Trust Fund Recovery Penalty has been assessed against the company or related person.
- Failure to Deposit or Pay Penalties - While occasional or de minimis failure to pay or failure to deposit penalties may not indicate poor financial condition, repeated or substantial penalties may mean the applicant or registrant is experiencing financial problems.

Example:

XYZ Oil Company applied for a Form 637 Registration with an S activity letter. The balance sheet of the company is below. A review of the tax returns for the past two years indicates that the applicant or registrant incurred losses of \$13,827 in 2019 and \$18,764 in 2020, after adding back depreciation expense.

Assets	Dollar Amount
Cash	\$34,302
Accounts Receivables	\$13,859
Inventories	\$97,019
Building & Equipment	\$175,000
Less Depreciation	(\$25,000)
Total Assets	\$295,180

Liabilities	Dollar Amount
Accounts Payable	\$75,968
Current Notes Payable	\$70,207
Current Taxes Payable	\$29,875
Accrued Expenses	\$2,471
Long Term Loans	\$85,000
Loans from Stockholders	\$50,000

Exhibit 4.24.23-2 (Cont. 2) (10-18-2023)
Financial Analysis Techniques

Liabilities	Dollar Amount
Common Stock	\$500
Retained Earnings	(\$18,841)
Total Liability & Equity	\$295,180

Financial Analysis:

Current Ratio: Current Assets (\$145,180) / Current Liabilities (\$178,521) = .81

Note: Since the current ratio is less than one, it is cause for concern.

Retained Earnings: (\$18,841)

Note: The applicant has negative retained earnings.

Cash Flow: Taxpayer has negative cash flow for the past two years.

Conclusion:

The examiner reviewed applicant's income tax return for the calendar years 2019 and 2020 and found losses in both years. The examiner researched IDRS and identified failure to deposit penalties were assessed for five quarters in the past two years. The examiner checked Accurant and found no record of bankruptcy for the company or any related person. The controller informed the examiner that the company experienced financial difficulty during the past several years and decided to operate above the rack in hopes of creating profitability. The examiner discussed findings with the group manager and a decision was made to bond the applicant.