



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

4.38.1

FEBRUARY 14, 2025

## EFFECTIVE DATE

(02-14-2025)

## PURPOSE

- (1) This transmits revised IRM 4.38.1, Centralized Case Processing (CCP), Organization and Responsibilities.

## MATERIAL CHANGES

- (1) IRM 4.38.1.9.7.4(5)(b)-Deleted W&I organizational title and replaced with Taxpayer Services.
- (2) IRM 4.38.1.7.3.1.7(1) - Updated the link to Document 6209, Section 12.
- (3) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.7.3.1.17(1) - Updated to remove reference to CP 243.
- (4) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.7.3.1.19(3) - Updated language to include information about Form 3198.
- (5) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.7.3.1.19.1(1)(c) -Created a hyperlink for reference to Document 6209, Section 8C.
- (6) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.7.3.3.1(6)(d) - Updated the procedures for sending Form 5344 back to the group.
- (7) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.7.3.3.6(1)(b) - Note: Updated refund amount.
- (8) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.7.4.1.2.4 - Removed content that does not pertain to CCP.
- (9) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.7.4.1.2.4 - Updated the language to make it more clear and concise.
- (10) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.7.4.3.2.2 - Removed content that does not pertain to CCP.
- (11) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.7.4.3.2.3 - Removed content that does not pertain to CCP.
- (12) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.7.4.5 - Removed content that does not pertain to CCP.
- (13) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.7.4.5.1 - Removed content that does not pertain to CCP.
- (14) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.7.4.5.1.1 - Removed content that does not pertain to CCP.
- (15) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.8.1.4(1) - Updated the language to make it more clear and concise.
- (16) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.8.1.4(1)(d) - Updated refund amount and reference to IRM 21.4.4.3.
- (17) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.8.1.4(4) - Updated reference to IRM 21.4.4.3.
- (18) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.8.1.8.2.1(1)(a) - Updated refund amount.

- (19) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.8.1.8.2.2(1)(b) - Updated refund amount.
- (20) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.8.6(1) - Removed reference to soon to be obsolete IRM 4.4.3.5.
- (21) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.9.2.4.5(1) - Removed section because IRM 4.4.9.4.11.1 will soon be obsolete.
- (22) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.9.7.2(3) - Removed reference to obsolete IRM 4.4.25.
- (23) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.9.7.2(5) - Removed reference to obsolete IRM 4.4.25 and added reference to Form 8278.
- (24) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.9.7.3(2) - Removed reference to IRM 3.17.79.3.6.
- (25) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.9.7.4(7) - Removed reference to obsolete IRM 4.4.18.9.
- (26) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.9.7.5.3(2)(b) - Updated refund amount.
- (27) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.9.9.3.2(3) - Removed reference to obsolete IRM 4.4.6.2.1.1.
- (28) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.9.10.7.3(4) - Updated routing instructions for Injured Spouse Form 8379.
- (29) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.9.11.3(4) - Removed reference to obsolete IRM 4.4.14.
- (30) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.10.3(4) - Removed reference to soon to be obsolete IRM 4.4.3.18.
- (31) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.10.4.4 - Removed references to exhibits in obsolete IRM 4.4.35.
- (32) IPU 24U0971 issued 09-12-2024 IRM 4.38.1.11.5.3(2) - Removed reference to obsolete IRM 4.4.25.

## **EFFECT ON OTHER DOCUMENTS**

This material supersedes IRM 4.38.1 dated March 28, 2024. This IRM incorporates IRM Procedural Update (IPU) 24U0971 issued September 12, 2024.

## **AUDIENCE**

SB/SE CCP operations

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4.38.1

Organization and Responsibilities

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4.38.1.1  
(03-28-2024)  
**Program Scope and Objectives**

- (1) General Overview - This IRM section contains information for Centralized Case Processing (CCP) Examination about processes and procedures performed throughout various phases of an examination.
- (2) Purpose - To provide guidance needed to properly code and close field examination cases.
- (3) Audience - The primary audience for this IRM is the Cincinnati, Memphis, and Ogden employees assigned to Centralized Case Processing.
- (4) Program Owner - Director, Small Business/Self-Employed (SB/SE), Headquarters, Examination - Field and Campus Policy.
- (5) Policy Owner - Director, Small Business/ Self-Employed (SB/SE), Examination.
- (6) Primary Stakeholders - Program Manager, Campus Examination and Field Support.
- (7) Program Goals - The program goals are consistent with the objectives or goals addressed in IRM 1.1.16, Organization and Staffing, Planning and Performance Analysis, Campus Reports and Plans.
- (8) Contact Information - To recommend changes or make other suggestions to this IRM section, refer to IRM 1.11.6, Providing Feedback About an IRM Section - Outside of Clearance.

4.38.1.1.1  
(03-28-2024)  
**Background**

- (1) CCP is responsible for closing field examined and non-examined returns, and their corresponding penalty records, that are controlled on Examination Returns Control System (ERCS).
- (2) This IRM provides an overview of the responsibilities that examiners should understand and apply in the performance of their duties.

4.38.1.1.2  
(03-28-2024)  
**Authority**

- (1) By law, the IRS has the authority to conduct examinations under Title 26, Internal Revenue Code, Subtitle F - Procedural and Administration, Chapter 78, Discovery of Liability and Enforcement of Title, Sub chapter A, Examination and Inspection.
- (2) The Taxpayer Bill of Rights (TBOR) lists rights that already exist in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. Refer to IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights.
- (3) IRM 1.11.2.2.1, Supplemental Sources of Guidance, provides that organizations may issue supplemental guidance and local procedures to employees when the primary guidance is in the IRM. Supplemental guidance contains information that details how to perform or review a task. Supplemental sources comply with published guidance and do not supersede the IRM.
- (4) Consider these factors when determining whether to incorporate information into the IRM or publish it in another source:
  - If a category of employees (even just one) are required to perform certain actions, the information belongs in the IRM.

## 4.38 Centralized Case Processing (CCP)

- If employees are evaluated on how they follow the instructions, the information belongs in the IRM.
- If the information itself is retained for future use (i.e. workpapers / worksheets), and is part of a case file, the worksheets can either be published, appended to the IRM (job aid), or be accessed via an online tool. However, the rules for preparing the worksheets belong in the IRM.
- If specific instructions are provided on how to complete a form, they may be associated with the official form or placed in the IRM.

### 4.38.1.1.3 (03-28-2024) **Roles and Responsibilities**

- (1) The Director, Examination Headquarters, is the executive responsible for providing policy and guidance for CCP employees and ensuring consistent application of policy, procedures, and tax law to affect administration while protecting taxpayers' rights. Refer to IRM 1.1.16.5.5, Examination Headquarters for additional information.
- (2) The Director, Examination Field and Campus Policy, report to the Director, Examination Headquarters, and is responsible for the delivery of policy and guidance that impacts the CCP process. Refer to IRM 1.1.16.5.5.1, Examination Field and Campus Policy, for additional information.
- (3) Campus Exam and Field Support, which is under the Director, Examination Field and Campus Policy, is the group responsible for providing policy and procedural guidance on standard examination processes to CCP employees.

### 4.38.1.1.4 (02-14-2025) **Program Management and Review**

- (1) Reports described in IRM 4.4.27, Audit Information Management System (AIMS) Procedures and Processing, Reports, are used to monitor in-process cases.
- (2) AIMS Centralized Information System reports are available to Headquarters Policy and CCP to review closure statistics and determine the effectiveness of the program.
- (3) AIMS program reports provide timely and reliable information to monitor the current year's Examination Plan, as well as specific programs reports and statistical tables.

### 4.38.1.1.5 (02-14-2025) **Program Controls**

- (1) AIMS is used to monitor inventory and activity controls of examination cases. It uses linkage to Integrated Data Retrieval System (IDRS) to input status changes, adjustments and case closing actions.
- (2) AIMS command codes are used to display specific examination and taxpayer account information.
- (3) The Examination Returns Control System (ERCS) is used by CCP to request, update and close returns under examination. ERCS is also used to record technical time spent on cases and monitor statute expiration dates.
- (4) Report Generation Software (RGS) is used to monitor open case control and incoming taxpayer correspondence and can be used to manually and electronically review case files.
- (5) Operational reviews are used to evaluate program effectiveness.



4.38.1.1.6  
(03-28-2024)  
**Terms and Acronyms**

- (1) Imminent Statute- A statute which is due to expire within 60 days.
- (2) Manual Assessment - The method used to assess tax, whether part or all of the tax is assessed.  
  
**Note:** The terms “prompt” assessment and “quick” assessment are used interchangeably with manual assessment throughout this IRM.
- (3) Manual Refund - Method of issuing a refund to a taxpayer when a systemic refund cannot or should not be issued.
- (4) Partial Assessment - An assessment where only part of the total potential tax is agreed and requires assessment.
- (5) Survey - A non-examined closure where the field group determines no audit is warranted.
- (6) Unpostable - A transaction which cannot be posted to the Master File.
- (7) The table below lists acronyms used in this IRM and their definitions.

**List of Acronyms**

Acronym	Definition
AAC	AIMS Assignee Code
AC	Action Code
ACA	Affordable Care Act
ACT	Automated Computational Tool
AIMF	Audit Information Management File
AIMS	Audit Information Management System
AMS	Account Management System
ASED	Assessment Statute Expiration Date
AUR	Automated Underreporter
BBA	Bipartisan Budget Act of 2015
BFS	Bureau of Fiscal Services
BMF	Business Master File
BOD	Business Operating Division
CADE	Customer Account Data Engine
CB	Carry Back
CC	Command Code
CCA	Case Control Activity System
CCP	Centralized Case Processing

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Acronym	Definition
CEAS	Correspondence Examination Automation Support
CI	Criminal Investigation
CIO	Centralized Insolvency Office
CCISO	Cincinnati Centralized Innocent Spouse Operations
CNC	Currently Not Collectible
COB	Close of Business
COBRA	Consolidated Omnibus Budget Reconciliation Act
CRN	Credit Reference Numbers
CSED	Collection Statute Expiration Date
CPF	Campus Pass-through Function
CVPN	Civil Penalty Name Line
DC	Disposal Code
DLN	Document Locator Number
DMI	Decision Modeling Inc.
DSUE	Deceased Spouse Unused Exemption
EFT	Electronic Funds Transfer
EGC	Exam Group Code
EIN	Employer Identification Number
EITC	Earned Income Tax Credit
EMRT	Erroneous Manual Refund Tool
ERCS	Examination Returns Control System
FFTF	Fraudulent Failure to File
FMS	Financial Management Services
FORT	Field Office Resource Team
FPP	Foreign Payment Practice
FTD	Failure to Deposit
FTF	Failure to File
FTHBC	First-Time Home Buyer Credit
FTP	Failure to Pay
FUTA	Federal Unemployment Tax Act

Acronym	Definition
FY	Fiscal Year
GAO	General Accounting Office
GII	Generalized IDRS Interface
GUF	Generalized Unpostable Framework
HCO	Human Capital Office
HIRE	Hiring Incentives to Restore Employment
IA	Installment Agreement
IAT	Integrated Automation Technologies
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IMS	Issue Management System
IRA	Individual Retirement Account
IRAF	Individual Retirement Account File
IRC	Internal Revenue Code
IREF	Item Reference
IRM	Internal Revenue Manual
IRN	Item Reference Numbers
IRSN	Internal Revenue Service Number
ISTS	Innocent Spouse Tracking System
ITIN	Individual Taxpayer Identification Number
ITM	IAT Task Manager
LB&I	Large Business and International
LCU	Large Corporate Underpayment
LIN	LB&I Imaging Network
LQMS	LMSB Quality Management System
LTA	Local Taxpayer Advocate
M/S	Mail Stop
MeF	Modernized e-File
MF	Master File
MFT	Master File Tax
NAICS	North American Industry Classification System

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Acronym	Definition
NCAL	Non-Assessed Closure Listing
NMF	Non-Master File
NMFT	Non-Master File Tax
NOL	Net Operating Loss
OIC	Offer in Compromise
OJI	On-the-Job Instructor
OVDI	Offshore Voluntary Disclosure Initiative
PBC	Primary Business Code
PC	Priority Code
PCC	Processing Campus Code
PCOR	Patient-Centered Outcomes Research
PCS	Pass-through Control System
PFY	Prior Fiscal Year
POA	Power of Attorney
PRN	Penalty Reference Number
PSP	Planning and Special Programs
RAR	Revenue Agent Report
RC	Reason Code
RDD	Return Due Date
RGS	Report Generation Software
RRA	Restructuring and Reform Act of 1998
RSED	Refund Statute Expiration Date
SBC	Secondary Business Code
SBSE	Small Business / Self-Employed
SC	Source Code
SFR	Substitute For Return
SRC	Survey Reason Code
SSA	Social Security Administration
SSN	Social Security Number
TBOR	Taxpayer Bill of Rights
TC	Transaction Code

Acronym	Definition
TCO	Tax Compliance Officer
TE	Tax Examiner
TEFRA	Tax Equity and Financial Responsibility Act of 1982
TIN	Taxpayer Identification Number
TOP	Treasury Offset Program
TS	Technical Services
TSPC	Technical Services Pass-through Coordinator
ULC	Universal Location Code
UPC	Unpostable Code
USR	Unit Security Representatives
WEIIC	Withholding Exchange and International Individual Compliance
WH	Withholding
XSC	Excess Collections
XSF	Excess Collections File

4.38.1.1.7  
(03-28-2024)  
**Related Resources**

- (1) Instructions for CCP users for navigating the ERCS programs can be found in the CCP Tax Examiner Training Guides found at each CCP Exam site.
- (2) Helpful instructions may be found on websites, including, but not limited to the following:
  - a. *Audit Information Management System (AIMS)*
  - b. *Centralized Case Processing Knowledge Management*
  - c. *Examination Return Control System (ERCS)*
  - d. *Forms, Publications, and Documents*
  - e. *Internal Revenue Manual (IRM) Online*
  - f. *irs.gov*
  - g. *Report Generation Software (RGS) and Correspondence Examination Automation Support (CEAS)*
  - h. *Virtual Library Homepage*

4.38.1.2  
(03-28-2024)  
**Introduction to CCP**

- (1) This chapter contains information and procedures on SB/SE Exam Centralized Case Processing (CCP). The term “CCP” is used throughout the text, and it applies to all Campus sites (Cincinnati, Memphis, and Ogden) unless noted. Otherwise, the procedures are the same.
- (2) CCP is the only source for closing field examination audits for Small Business/Self-Employed (SB/SE), Large Business & International (LB&I), Specialty Examination, and International Examination: Withholding Exchange & Individual International Compliance (WEIIC) and Foreign Payment Practice (FPP) and

## 4.38 Centralized Case Processing (CCP)

inputs them into *Integrated Data Retrieval System* (IDRS), Report Generation Software (RGS), and Examination Returns Control System (ERCS) for final case closure.

- (3) The procedures in this chapter are primarily applicable to CCP employees.
- (4) Generally, this information is forwarded to CCP utilizing the paperless / virtual processes. They are received in either a specialized mailbox or via fax transmission at the CCP locations. The status of the case is updated to Status 51 prior to sending.

### 4.38.1.2.1 (03-28-2024)

#### The Role of Centralized Case Processing

- (1) CCP Exam Operations are currently located at three sites:
  - a. Cincinnati,
  - b. Memphis, and
  - c. Ogden
- (2) After the examination is completed and the outcome of the examination (no-change, agreed, or unagreed) has been determined,
  - a. The revenue agent will prepare the necessary forms and create the closing letters that will be mailed to the taxpayer. Form 3198 and Form 5344 are not sent to the taxpayer.

**Note:** The most important of these forms are Form 3198, Special Handling Notice Examination Case Processing, which contains instructions from the field about how the case should be handled, and Form 5344, Examination Closing Record, which is the document from which CCP will input the information to close the examination.

**Note:** The revenue agent is responsible for transmitting closing letters for electronic cases. For LB&I cases, the LB&I revenue agent will mail the closing letters when the case is closed to CCP by the exam team.

- b. The revenue agent will submit the completed case file to their group manager for approval, and the case will be logged and tracked in AIMS and ERCS as it is sent to Centralized Case Processing.
- (3) Once the case arrives in CCP, all of the following actions must take place:
  - a. The case file will be assigned to a tax examiner in ERCS,
  - b. The case will be analyzed to verify that the penalties and adjustments requested by the revenue agent are compliant with current tax law, and the revenue agent's figures will be verified for accuracy,
  - c. The CCP Tax Examiner will research the case file to ensure that there are no conflicts with Statutes of Limitations that will prevent the assessment or abatement request(s) from being processed,
  - d. The CCP Tax Examiner will finish completing Form 5344, if applicable, and input all the tax, penalties, interest, and any other transactions so the taxpayer receives an accurate bill or refund, and
  - e. The case file that was sent by the revenue agent will be organized, assembled, and prepared to be archived or forwarded to Files, as appropriate.
  - f. The CCP Tax Examiner must return a revised Form 5344 to the LB&I examiner/manager for electronic cases maintained in IMS once a case is closed, if applicable.

- (4) There are several other functions performed by CCP based on requests submitted by revenue agents for cases that are not ready for closure, such as:
  - a. Master File transaction entries,
  - b. Entity information changes,
  - c. Credit transfers, and/ or
  - d. Levy information entry

4.38.1.3  
(03-28-2024)  
**Systems**

- (1) CCP uses the following systems to monitor and process the work received by Field Examination:
  - a. AIMS,
  - b. ERCS,
  - c. Tableau Production,
  - d. IAT,
  - e. IDRS, and
  - f. RGS

4.38.1.3.1  
(03-28-2024)  
**Audit Inventory Management System (AIMS)**

- (1) AIMS contains all data elements from the Audit Information Management File (AIMF). These data elements are described separately in IRM 2.8, Audit Information Management Systems (AIMS).

4.38.1.3.2  
(03-28-2024)  
**Examination Returns Control System (ERCS)**

- (1) ERCS is an automated inventory management system used by field personnel in both the SB/SE and LB&I Operating Divisions. It is used for controlling tax returns and technical time charges from the time returns arrive until they are closed on the Audit Information Management System (AIMS).
- (2) Refer to IRM 4.7.8, Examination Returns Control System (ERCS), Centralized Case Processing.

4.38.1.3.3  
(03-28-2024)  
**Tableau Production (Reports)**

- (1) Tableau Production is a server application used by the AIMS/ERCS analyst to create views, workbooks, and dashboards from information in the ERCS database.
- (2) The CCP AIMS/ERCS analyst prepares and runs reports for CCP Exam's inventory.

4.38.1.3.4  
(03-28-2024)  
**Integrated Automation Technologies (IAT)**

- (1) IAT is used by CCP to work their cases and assign work.
- (2) IAT tools simplify processing by assisting clerks and tax examiners in CCP with Information Data Retrieval System (IDRS) research and input.
  - a. The tools reduce the chance of errors and improve productivity.
- (3) When an action must be taken and an IAT tool is available, CCP employees with access to IAT tools are required to complete the action using the IAT tool.
- (4) If an IAT tool is not available, the case should be processed through IDRS following established guidelines.
  - a. A notation should be made in the case file (on Form 9984), Examining Officer's Activity Record, if an IAT tool is not used.

## 4.38 Centralized Case Processing (CCP)

- (5) Please refer to IRM 4.38.1.3.4.1 for Required IAT Tools, IRM 4.38.1.3.4.2 for Optional IAT Tools, and the *IAT Website* for more information and job aids for each tool.

### 4.38.1.3.4.1 (03-28-2024)

#### Required IAT Tools

- (1) The following table contains IAT tools that must be used when appropriate:

Action	IAT Tool
Move one or more payments from one module to another	Credit Transfer Tool
Process various Exam letters, identify a Power of Attorney (POA) on file, or to send copies of the letters. This feature should only be required for letters prepared and issued by CCP (i.e., L-3535).	CPE Letters Tool
To update an address or name information	Address Tool
Move credits to Excess Collections or return documents to Files (Form 9856), Attachment Alert	Fill Forms Tool
Input manual examined (AMCLS) or non-examined (AMSOC) case closures	Closures Tool
Resolve issues surrounding IDRS refunds. This tool should be accessed when it is necessary to stop a scheduled refund (CC NOREF), recover an erroneous refund, or to trace a missing refund.	Refund Suite
Assign work to an employee or update the status codes, program codes, etc.	Examination Control Returns System (ERCS) Assign Tool
Input credit/action trail codes to IDRS (i.e., Transaction Codes (TC's) 560, 570, 971, 972, etc.	REQ77 Tool
Input TC 29X adjustments	REQ54 Tool
Open or close a control base and input histories on multiple accounts, MFREQ an account not on IDRS, or personalize and save features for future use	ACT ON Tool



Action	IAT Tool
Display the original tax, additional tax assessments and payments, net tax assessed on Automated Information Management Systems (AIMS), CFINK, ENMOD and posted return information all in one screen	CPE Research Tool
Assist with the monitoring of manual refunds	Erroneous Manual Refund Tool (EMRT)

4.38.1.3.4.2  
(03-28-2024)  
**Optional IAT Tools**

- (1) There are additional IAT tools that are available and, although not mandated for use in CCP, it is suggested they be used when applicable. They are as follows:

Action	IAT Tool
Generate any IDRS output	Quick CC Tool
Determine what an IDRS indicator or transaction code means	Search 6209
Generate various IDRS prints	Quick CC Tool
Assist tax examiners in research, decisions and repetitive tasks related to unpostable cases	Universal Unpostable Tool
Secure a return from Files	ESTAB Tool
Complete all the routine IDRS security tasks required of managers and Unit Security Reps (USR)	Managers Security Tool

4.38.1.3.5  
(03-28-2024)  
**Integrated Data Retrieval System (IDRS)**

- (1) IDRS is a system which enables employees in the Campuses and the Area Offices to have instantaneous visual access to certain taxpayer accounts.
- (2) Some capabilities of the system include:
- Researching account information and requesting returns.
  - Entering transactions such as adjustments, entity changes, etc.
  - Entering collection for storage processing in the system.
  - Automatically generating notices, collections documents and other outputs.
- (3) AIMS is accessed through IDRS, which is a program designed to give the Examination Division information about the returns open to Examination.

- (4) IDRS has multiple uses in CCP:
  - a. Research of various command codes to ensure adjustments are correct.
  - b. Input of closing command code.
  - c. Update of AIMS database for final closure.

4.38.1.3.6  
(03-28-2024)  
**Report Generation  
Software (RGS)**

- (1) RGS is a comprehensive program used throughout the SB/SE and LB&I WEIIC examination process to perform a variety of audit and review tasks.
- (2) RGS is utilized in the examination process to compute proposed tax adjustments, interest, and penalties.

4.38.1.3.7  
(03-28-2024)  
**Issue Management  
System (IMS)**

- (1) IMS is a computer application for revenue agents, specialists, managers and others. IMS consists of a laptop application and a centralized data repository. The laptop application provides the tools to support planning, selection and examination. The centralized data repository feature allows LB&I to better capture issue information. IMS is an official electronic record-keeping system used to store federal electronic records.

4.38.1.4  
(03-28-2024)  
**Managing Examination  
Inventory**

- (1) There are two systems used to manage examination inventory: Audit Inventory Management System (AIMS) and Examination Returns Control System (ERCS).
  - a. AIMS is the system used to control the inventory of cases while under Examination. AIMS is a database through IDRS but is a separate system.
  - b. ERCS is examination's control system and controls all of examination's inventory. It is also the primary system used to control CCP inventory. It enables management, clerks, and tax examiners to identify inventory assigned at the employee level and generates detailed inventory reports. ERCS and AIMS update to each other, but unlike AIMS, ERCS is accessed separately from IDRS.

4.38.1.4.1  
(03-28-2024)  
**Source Codes**

- (1) Source Codes are used to identify why examinations are being conducted.
- (2) This information can be found on IDRS using Command Code (CC) AMDIS as well as ERCS.
- (3) For additional assistance in determining the appropriate source code, refer to the Source Code job aid at: *Source Code Job Aid* in the AIMS/ERCS book of the Exam Procedures Knowledge Management Base.

4.38.1.4.2  
(03-28-2024)  
**Status Codes**

- (1) Status Codes are used to identify the progress of the examination process.
- (2) This information can be found on IDRS using Command Code (CC) AMDIS as well as ERCS.
- (3) For a list of disposal codes used in Centralized Case Processing, refer to IRM 4.7.8, Exhibit 1, CCP Program Numbers and Suspense Types.

4.38.1.4.3  
(03-28-2024)  
**Disposal Codes**

- (1) Disposal Codes are used to identify how cases are being closed from the AIMS system.

- (2) This information can be found on IDRS using Command Code (CC) AMDIS and TXMOD as well as ERCS.
- (3) For additional assistance in determining the appropriate disposal code, refer to the Document 6209, Section 12, Examination, Examined/Non-Examined Disposal Codes.

## 4.38.1.4.4 (03-28-2024) Hold Codes

- (1) Hold Codes are used to prevent or delay the issuance of a refund and/or notice.
- (2) This information is found on IDRS using Command Codes (CC) TXMOD.
- (3) Refer to IRM 4.38.1.7.3.1.17 for a description of hold codes.

## 4.38.1.4.5 (03-28-2024) Priority Codes

- (1) Priority Codes are used to post adjustments to the Master File (MF) when certain module conditions exist.
- (2) Failure to use a priority code will cause transactions to unpost, create erroneous notices, and cause issues with refunding or billing where multiple adjustments and/or credit transfers are being processed.
- (3) This information is found on IDRS using Command Code (CC) TXMOD.
- (4) Refer to IRM 4.38.1.7.3.1.19 for a description of priority codes.

## 4.38.1.5 (03-28-2024) Clerical Responsibility and Procedures

- (1) Clerical staff is responsible for the following tasks:
  - a. Assigning cases to tax examiners,
  - b. Acknowledging Form 3210, Document Transmittal, via ERCS, received that day,
  - c. Picking up any incoming mail from the mail room.
  - d. Preparing carts to be transferred to Files for the mail run.

**Note:** Cases received by CCP can be either paper or electronic. This IRM subsection will provide procedures for both.

## 4.38.1.5.1 (03-28-2024) Assigning Cases

- (1) Field Exam updates ERCS records to Status 51 and sends closing documents to CCP via paper or electronic means depending on the CCP site. For those cases sent to CCP electronically, the case file is maintained electronically in IMS or RGS.

**Reminder:** The paper case file is **Not** shipped to the CCP site at all.

- (2) All non-examined Field Exam cases must be updated out of Status 51 within 3 days of receipt (stamp date) in CCP.
- (3) All mail receipts will be handled by the Clerical function. Each case will be listed on Form 3210 and will be verified, checked off as received and initialed.
- (4) All Acknowledgement copies will be maintained in ERCS electronically daily for the Field Exam groups to review.
- (5) There are certain cases that are excluded from paperless closure and will be closed with a physical paper case file. Both the RGS case and the physical case file will be forwarded to Memphis CCP from Field Exam.

## 4.38 Centralized Case Processing (CCP)

**Caution:** It is the clerk's responsibility to assign the correct ERCS program per the box checked by the group on Form 3198, Special Handling Notice for Examination Case Processing.

(6) For cases received via **electronic** means, the clerk will do all of the following:

- a. Open e-Fax in mailbox.
- b. Acknowledge Form 3210 in ERCS.
- c. Assign cases on ERCS with IAT tool.
- d. Forward documents to TE via email.
- e. Move original e-Fax to TE folder in mailbox (do not delete the original e-Fax).

**Note:** The clerk should not print Form 3210 on an electronic receipt.

(7) For all cases received, the following procedures apply:

- a. Statute cases are to be verified by the clerk on the Form 3198.
- b. Statute cases within 120 days of the ASER should be identified before assigning.
- c. Statute cases within 60 days of the ASER with assessments are sent to the Lead.

**Note:** If you have questions, please refer to the Lead or Statute SME.

(8) The clerk will hold cases that are pending managerial approval for 24 hours. AMDISA will show Status 10 or 12.

- a. If the case is still pending after 24 hours, take the case to your Lead with an ERCS print on top.
- b. Initial the ERCS sheet so the lead will know who gave them the case.
- c. If a case is received in any other status, go to the Lead with an ERCS print showing the current status.
- d. If a case is in an area that CCP does not work, go to your Lead for handling.

### 4.38.1.5.2 (03-28-2024)

#### Acknowledging Form 3210, Document Transmittal

(1) The Forms 3210 are acknowledged only after all cases have been assigned that were received during the day.

- a. If the Form 3210 can be acknowledged electronically in ERCS, you do not have to retain the Form 3210 and it may be securely destroyed.
- b. If you are unable to electronically acknowledge the Form 3210 and are mailing the Form 3210 back to the group, file the Recipient copy in the file cabinet by the release date.

(2) When checking the mail (whether physically or electronically), a Form 3210 must be associated with the case in ERCS. If no Form 3210 is found, please consult your Lead.

(3) If a physical case was received, verify the package is addressed to CCP Exam before opening the package. If it is not, take the case back to the mail room as misrouted mail.

- a. You also need to verify the package inside is addressed to CCP Exam. If sent to CCP Exam incorrectly, route to the correct area listed on the Form 3210.

- (4) For all physical cases received, keep all Form 3210 with the attached received cases until all cases listed are checked in and assigned.
- (5) Form 3210 Acknowledgements are mailed back to the groups **daily** if not acknowledged electronically via ERCS.
  - a. After all Form 3210 Acknowledgements are mailed back to the sender, place them with the originator copy in a separate bin designated by management.

## 4.38.1.5.2.1 (03-28-2024) ERCS Electronic 3210 Acknowledgement Job Aid

- (1) To acknowledge the Form 3210 on ERCS, follow these steps:
  - a. On the main page of ERCS, select Option 4, "Transfer, Close, Establish Control".
  - b. Then choose Option 8, "3210 Acknowledgement/View Status".
  - c. Verify all of your cases are present and notate any discrepancies between the Form 3210 and what was actually received, select Option 1, "Acknowledge Pending 3210s".
  - d. The first screen will ask for your Primary Business Code (PBC) and Secondary Business Code (SBC). After you enter the PBC and SBC, press "Y" to continue.

**Note:** Refer to Table below for input information: IRM 4.38.1.5.2.1.

- e. Enter the "Number of the 3210". This is located below the Transmittal Code in the upper right-hand corner of the Form 3210. Press "Enter".
- f. The next screen is to acknowledge the Form 3210 received on ERCS. Follow the instructions to acknowledge or reject the individual Form 3210.
- g. You will need to "Review Selections". Press "N" to continue if all is correct. Press "Y" to complete the acknowledgement process and return to the "Acknowledge Pending 3210s" screen and continue with your next Form 3210.

**Reminder:** If the Form 3210 was acknowledged electronically, it is not necessary to mail the paper copy back to the sender. You may securely dispose of it.

**PBC / SBC for CCP Exam**

Campus	PBC	SBC
Cincinnati	296	89700
Memphis	297	89700
Ogden	298	89700

## 4.38.1.5.3 (03-28-2024) Closing Cases

- (1) IRM 4.38.1.7.3, Examined Closings, Surveyed Claims, and Partial Assessments, has more information on these subjects.
- (2) When closing cases, the following command codes are used: AMSOC and AMCLSE.

**Note:** You must be signed into IAT and IDRS for the following procedures.

4.38.1.5.3.1  
(03-28-2024)  
**AMSOC**

- (1) Pull work from the Kansas City cart each day.
- (2) The sequence number must always start with 0000.
- (3) If a case rejects, print and initial the reject sheet and place it on top of the case before placing the case in the AMSOC Reject bin.
- (4) After this step, you must close the case off ERCS to Status 90.

**Reminder:** The case must be closed on ERCS the same day it is closed on AIMS / AMDISA.

4.38.1.5.3.2  
(03-28-2024)  
**AMCLSE**

- (1) Your sequence number must always start with 0000.
- (2) Close the statute and old age cases first.
- (3) Place a "Do Not Pull for Quality Review" sign on any COBRA or RGS long closure cases.
- (4) After this process is completed, start with the oldest dates on the closing cart.
- (5) If a case rejects, print the reject sheet and place it on top of the case.
- (6) You may return it to the TE directly if they are available or place it in the AMCLSE Reject bin with the reject sheet on top with your initials on it. The lead will return these cases to the TEs for correction.

**Reminder:** ERCS must be closed on the same day you close the case on AIMS / AMDISA. This will place the case into Status 90 and a Form 3210 is created.

4.38.1.5.3.3  
(03-28-2024)  
**Paper Closures Going to Files**

- (1) Place the closed cases in an adjustment folder with yellow label Form 6502, Employee Source Document Folder Label, in upper right corner.
  - a. This label must have the employee IDRS number, category "AMCLSE" or "AMSOC", current date and sequence numbers 0000 - XXXX.
- (2) Place the case on the closing cart going to Files.
  - a. If no folders are available, please use a cover sheet with a yellow source document label in the upper right corner.
- (3) On top of the cart, place the sheet that says FILES and notate the team number, the number of carts being sent and check what types of closures are on this cart (AMCLSE or AMSOC).
- (4) Form 3210 transmittals, are generated through ERCS. Place the Recipient and Acknowledgement copies on the closing cart. The Originator copy is filed in a designated drawer.
- (5) If carts are shared between multiple examiners, work should be separated by examiner.

4.38.1.5.3.4  
(03-28-2024)  
**Sequence Numbers**

- (1) It is very important to pay attention to the sequence number when closing. A sequence number may change in error when a case rejects from the closing process. This may cause a duplication of the sequence number, or it will be skipped altogether.

4.38.1.5.4  
(03-28-2024)  
**Procedures for Working Status 51 In-Transit Listing (Exam CCP Memphis Office Only)**

- (1) The Status 51 In-Transit Listing is the responsibility of both Field Exam and CCP. At a minimum, this listing should be worked on a weekly basis. However, when the volume of overage cases (greater than 30 days old) is greater than 50 cases, this listing should be worked daily. This will allow the listing to be current with the cases received in CCP. The listing must be maintained for at least one year. The CCP Memphis AIMS/ERCS Analyst will do the following:

- a. Provide the list by Monday morning of each week.
- b. Identify cases with ASER dates within 15 days of the date the report is pulled. This will allow for the case to be located and updated (if necessary), contact to be made with the field if the case is not received timely, so a quick assessment can be input to protect the assessment, if applicable.
- c. Highlight cases that CCP should not receive (i.e., DC 28-33 and 36-41).

**Note:** These should all be handled by the local AIMS/ERCS Analyst and processed via Form 10904, Request for Record Deletion from AIMS/ERCS. Disposal codes 20 and 21 should be closed by Area PSP.

- d. Distribute the listing to the appropriate team for the designated employee(s) to work.

- (2) The CCP Employee review the list to locate any statute cases and the highlighted cases that should not have been received by CCP. Research IDRS, ERCS, and Form 3210, as appropriate.

If	Then
The statute case can be located,	Give to the Clerical Manager to assign to the designated team for appropriate action. The team will update ERCS.
The statute case cannot be located,	Consult with the FORT Manager to determine what actions are necessary.
The statute case is identified as not belonging to CCP,	Give to the Team Lead or Clerical Team (depending on the location of the case) to send back to the originating office.
The statute case is related to another case or tax year,	The Team Lead of the employee assigned to the related cases will update.
The statute case was closed on AIMS and not ERCS,	The Examiner who worked the case originally will close on ERCS.
The statute case was closed,	The date of closure should be notated on the listing.



If	Then
The statute case was not received by CCP,	Review AIMS and ERCS for an acknowledged Form 3210. <b>Note:</b> Contact the originating office (Field Exam, Technical Services, PSP) to request an acknowledged Form 3210 if it cannot be located. Update the status of the case accordingly.
The statute case was sent to the FORT for resolution,	Notate the date on the listing and update the case to Status 59.
The statute case is a paperless non-examined (survey),	Review the case file for Form 5351, Examination Non-Examined Closings. <b>Note:</b> If Form 5351 is not in the case file, contact Field Exam and update listing with details of field contact.
The statute case is a paper non-examined (survey),	Pull the information from AIMS, IDRS, and ERCS to close the case to Status 90 with the appropriate disposal code.

4.38.1.5.4.1  
(03-28-2024)

**Procedures for Working  
Status 51 In-Transit  
Listing (Exam CCP  
Cincinnati Office Only)**

- (1) Status 51 In-Transit Listing is the responsibility of both Field Exam and CCP. At a minimum, this listing should be worked on a weekly basis. However, when the volume of overage cases (greater than 30 days old) is greater than 50 cases, this listing should be worked daily. This will allow the listing to be current with the cases received in CCP. The listing must be maintained for at least one year. The CCP Cincinnati AIMS/ERCS Analyst will do the following:

- Generate the listing by Monday morning of each week.
- Identify cases with ASSED dates within 15 days of the date the report is pulled. This will allow for the case to be located and updated (if necessary), contact to be made with the field if the case is not received timely, so a quick assessment can be input to protect the assessment, if applicable.
- Review list for cases that CCP should not receive and return to the originating area's status code (i.e., DC 28-33 and 36-41).

**Note:** These should all be handled by the local AIMS/ERCS Analyst and processed via Form 10904, Request for Record Deletion from AIMS/ERCS. Disposal codes 20 and 21 should be closed by Area PSP.



- (2) The CCP AIMS/ERCS Analyst will highlight in green all completed cases and update the status. Research IDRS, ERCS, RGS and Form 3210, as appropriate.

If	Then
The statute case can be located,	Update ERCS with the appropriate status code and employee number.
The statute case cannot be located,	Reconstruct the case by pulling information from RGS, ERCS and AIMS. Contact Field Exam, if necessary and document listing with all actions. <b>Note:</b> Before reconstructing case, determine if it is a multi-tax year case and check all periods for missing case information.
The statute case is identified as not belonging to CCP,	Send an email to the originating office and their AIMS/ERCS Analyst to alert the case will be returned. Update the status of the case on ERCS.
The statute case was closed on AIMS and not ERCS,	The Examiner who worked the case originally will close on ERCS.
The statute case was not received by CCP,	Review AIMS and ERCS for an acknowledged Form 3210. <b>Note:</b> Contact the originating office (Field Exam, Technical Services, PSP) to request an acknowledged Form 3210 if it cannot be located. Update the status of the case accordingly.
The statute case is a paperless non-examined (survey) that cannot be located,	Contact Field Exam to have it resubmitted.
The statute case is a paper non-examined (survey),	Pull the information from AIMS, IDRS, and ERCS to close the case to Status 90 with the appropriate disposal code.

4.38.1.5.4.2  
(03-28-2024)

**Procedures for Working  
Status 51 In-Transit  
(CCP Exam Ogden  
Office Only)**

- (1) These procedures are for use by CCP Exam Ogden employees ONLY.
- (2) The following procedures should be used while working the Status 51 In-Transit Listing:
  - a. The Status 51 In-Transit Report will be generated at the beginning of each week, from the Tableau Report System, by the CCP AIMS/ERCS Analyst.
  - b. The In-Transit Report will be placed on the OCEA Team 8330 SharePoint each Monday (or Tuesday, if Monday is a holiday).
  - c. A case on the In-Transit Report is considered old age once it has been in Status 51 for 30 days. The In-Transit Employee will contact the Field Office Group to resolve In-Transit cases prior to the case becoming old age.
- (3) The In-Transit employee will address cases, which are showing 15 days old on the date the report is generated:
  - a. Research AMDISA to determine whether the case has been 90 Closed.
  - b. If the AIMS is 90 Closed, the In-Transit employee will close the ERCS record to Status 90, through the ERCS Transfer/Close screen, using the disposal code from AIMS.
  - c. If the In-Transit employee does not have ERCS write permissions to close the ERCS record, notify the AIMS/ERCS Analyst who can update the status to 90 on ERCS.
  - d. Once AIMS and ERCS are 90 closed, notate in comments on the Status 51 In-Transit Report.
- (4) Research ERCS for the Form 3210 routed with the case.

Form 3210 Verification Process	Address and AIMS/ERCS Status Verification
Verify the Form 3210 was correctly addressed to Ogden CCP Mail Stop (M/S) 4030.	<ol style="list-style-type: none"> <li>1. If Form 3210 was addressed in error, email the sending group to notify them that AIMS/ERCS are being updated back to their group. <b>Note:</b> It is the sending groups' responsibility to locate and correctly send the case to Ogden CCP.</li> <li>2. If the Form 3210 was addressed to another CCP site, notate this in the comments on the Status 51 In-Transit Report.</li> </ol>

Form 3210 Verification Process	Address and AIMS/ERCS Status Verification
<p>If Form 3210 was addressed correctly, identify if there were other cases on the transmittal.</p>	<ol style="list-style-type: none"> <li>1. If those cases are still open on AIMS and are in CCP Inventory (Status 52 - 59), locate to whom the cases were assigned, and check with them for the missing case file.</li> <li>2. If those cases have been closed, refer immediately below: <ul style="list-style-type: none"> <li>• If closed by one of the CCP TEs, AIMS and ERCS will be updated to that TE, with the CCP received date stamped on the Form 3210.</li> <li>• Notify the CCP TE, by email, the case has been updated to them. The CCP TE will be responsible to locate the closing documents or have the file rebuilt.</li> </ul> </li> </ol>

- (5) The In-Transit employee will research the prior status on AIMS and ERCS to determine whether the case is coming from a Field Exam office or from a Technical Services office. Contact will be made, with the sending office, on open AIMS cases 15 days or older.

## 4.38 Centralized Case Processing (CCP)

AIMS/ERCS Status Code	Field Exam or Technical Services	Field Exam or Technical Services Contact Information Details
AIMS/ERCS Prior Status 10 through 19	Email Field Office Revenue Agent and Group Manager	<ol style="list-style-type: none"> <li>1. Revenue Agent name can be obtained from the first page of the ERCS full screen, by looking up the ERCS Employee ID number, as well as on Form 3198.</li> <li>2. The Field Office Group Manager can be located from the AIMS/ERCS Contact List by looking at Group AIMS Assigned Code (AAC).</li> </ol>
AIMS/ERCS Prior Status 21 through 39	Email Technical Services Office	<ol style="list-style-type: none"> <li>1. The Technical Services employee can be located on the second page of the ERCS full screen, by looking up the ERCS Employee ID number.</li> <li>2. If the In-Transit employee cannot determine which office sent the case, they should research for the ERCS transmittal, from the sending office, and make email contact.</li> </ol>

(6) Initial Contact must state:

- a. Ogden Centralized Case Processing (CCP) has not received the case listed below, which was updated to Status 51 on (enter the status date from the In-Transit Report).

- b. Insert in the email: TIN/EIN, MFT, Tax Periods, and Full Taxpayer Name and,
- c. The following statement: **Please provide CCP with the case, in the proper mailbox**, depending on the type of case (\*SBSE Ogden CCP Paperless Examine Cases Only, \*CCP Ogden, or \*LB&I CCP).
- d. Please respond by close of business, include the date, which is 72 hours from initial contact.

**Note:** Follow-up flag should be set to alert the email recipient after 24 hours. The initial email should remain in the sent folder, as the second contact should be issued as a forward using that same email.

(7) Second Contact must state:

- a. Ogden Centralized Case Processing (CCP) has not received a response from the initial contact email dated (date of initial email).
- b. Please respond to the request below. If we have not received a response within 24 hours, the AIMS and ERCS will be returned to your office.
- c. If no response is received, the In-Transit Employee will then follow the transfer procedures for returning the AIMS and ERCS to the sender.

(8) Resolving Responses:

- a. If Form 3210 shows shipment was to an office other than Ogden CCP, the sender will be notified, by email, the AIMS and ERCS will be updated back to their office to locate the case and correctly ship to Ogden CCP.
- b. If the case was updated to Status 51, but not sent to Ogden CCP, the AIMS and ERCS will be updated back to the sending group so the updates will correctly show when the case was sent to Ogden CCP.
- c. If the case is subsequently received from the group or Technical Services after email contact, the local clerk can assign out to a TE.

4.38.1.5.5  
(03-28-2024)  
**Assigning Cases on  
ERCS Using the IAT Tool**

- (1) This subsection outlines the procedures for assigning CCP cases to individual tax examiners using the ERCS Assign Tool.

4.38.1.5.5.1  
(03-28-2024)  
**First Time Setting Up  
the ERCS Assign Tool**

- (1) Follow these steps when you set up the ERCS Assign Tool.
- a. Sign onto IDRS, ERCS, and IAT.
  - b. Click on the ITM in the IAT Tool Manager box.
  - c. Click on Settings.
  - d. Click on the General Info tab (include your Name, Mailing Address, and Manager's Information).
  - e. Click on the Work Info tab.

Work Info Tab
In the Organizational Information box, use the drop down to choose the following:

Work Info Tab	
•	BOD
•	Title
•	Team Number
•	Badge Number
•	EGC
When finished, choose "Save."	

**Note:** Please consult with your manager and/or lead to get the correct information to include.

- f. Click on ERCS Assign.

ERCS Assign Steps	
1.	Click on File and choose ERCS Assign setup and Form 3210 remarks.
2.	In the box, fill in the information for all Tax Examiners (TE) that you will be assigning cases (ERCS number and Technician's name). <b>Note:</b> Ensure to press "save" after each TE's information is entered. Retrieve ERCS numbers from Lead.
3.	Click on Options.
4.	Click on "Your PCC".
5.	Click on the appropriate PCC for your area.
6.	Exit out of ERCS Assign to reset the tool.
7.	Click on ERCS Assign.
<b>Note:</b> You are now able to assign cases on ERCS.	

4.38.1.5.5.2  
(03-28-2024)  
**Assigning Cases**

- (1) You will need to log into ERCS first.

- Type "2 - ERCS," then press Enter.
- Type "1," then Enter.
- Type "10," then Enter.

**Note:** You should now be on the **Examination Main Menu Screen**. This is the starting screen for assigning cases.

4.38.1.5.5.2.1  
(03-28-2024)  
**IAT Tool "ERCS Assign" Screen**

- Open the ERCS Assign Tool.
- On the Case Info Screen, type the following:
  - TIN,
  - MFT, and
  - Tax Period

**Note:** The case information is located on the Form 3198.

- (3) Click "Add."

- (4) Ensure the information in the box that appears is correct.
  - If you determine the case information is incorrect, check the box in front of the incorrect TIN and click "Remove".
- (5) ERCS Assign: select the Tax Examiner (TE) that you will assign the cases. Locate the TE's name on the Form 3210 with the case.
- (6) Received Date: This will be the date the email or e-Fax was received by CCP.

**Exception:** For resolved rejected cases, check the date on the Form 3198 and input that date.

- (7) Click on "Research."

**Note:** At this point IAT is researching IDRS for case information and cases placed on the WATCH FOR list on TXMODA for LQMS, HIRE 1080 Cases, or Examiners waiting on a certain case to come in, a screen with the relevant information will appear.

- (8) Next, IAT will research ERCS for case information. If the Status Code and/or PBC are incorrect, an ERCS Error Screen will appear.

**Note:** Refer to Mail Reject Instructions for Errors.

- (9) Print any boxes that pop up for WATCH FOR, LQMS, ERCS Error Screens.
- (10) When done researching, review the information that is located on the right-hand side of the ERCS Assign window. Be sure to click on **every case**. If each case is not individually reviewed, the IAT Assign Tool will not assign the cases.
- (11) When reviewing the cases you need to identify any:
  - a. Short statute dates that are 12 days or less.
  - b. AIMS and ERCS Status Code is 51. If both are not in 51, it needs to be rejected immediately.
  - c. If ERCS is in 51 and not Managerial Pending and the AIMS Status is 10 or 12, you will use AMSTU AIMS to update the status to 51 and continue assigning.
- (12) If all case information is correct, click on "Assign All".
- (13) Cases are assigned on IDRS/AIMS first, except for Penalty cases.
  - Penalty cases have no records on IDRS, so they are only assigned on ERCS.
- (14) When IAT starts updating ERCS there will be 3 boxes that pop up for each case being updated.
- (15) Box 1 - "TE'S NAME is associated with ID 00000. Is this correct? (Y/N)"
  - Type 1 or Y for Yes.
  - Type 2 or N for No. (This will cancel the assigning).
- (16) Box 2 - "Form 3210 is pending acknowledgement for the return. Mark as received? Y."

- Type 1 or Yes for Yes.
- (17) Box 3 - "Please allow a few seconds for the ERCS system to process your response. Press "OK" when the ERCS screen appears ready to continue."
- (18) When ERCS is done assigning all cases, a window will pop up displaying the ERCS prints.
- Click on the print icon on the top left corner.
  - Click OK on the print box.
  - Click OK to close the window.
- (19) The window for the Form 3210 will pop up.
- Then the print box will pop up. Click OK to print.
- (20) Go to "File".
- (21) Click on what you need printed.
- (22) Click "Clear All" to assign your next case.

**Note:** Please refer to your manager to determine whether printing of the Form 3210 is required. A Form 3210 sent electronically or virtually is not typically printed.

4.38.1.5.5.2.1.1  
(03-28-2024)

**Case Did Not Update on  
AMDISA**

- (1) If during the assigning process the ERCS Assign Tool states there was an issue updating AIMS even though it is in Status 51, it is because there is a -R Freeze on the account.
- (2) The Tax Examiners (TE) will take care of the -R Freeze. Clerks should assign the case as normal on ERCS and the TE will fix AIMS.

4.38.1.5.5.2.2  
(03-28-2024)

**Statute Cases**

- (1) When assigning cases, IAT will identify all numeric and alpha ASSED dates within 120 days of expiration.
- (2) If the ASSED is fully numeric and within 120 days of expiration, then the case should be assigned to a Restricted Interest Tax Examiner.
- (3) If the ASSED is within 30 days of expiration (numeric or alpha), then the clerk must personally identify the ASSED as statute imminent to the assigned CCP Tax Examiner (TE).
- If the CCP TE is away or off-duty, then the case must be provided to the Team Manager or Lead of the applicable TE.

4.38.1.6  
(03-28-2024)

**Tax Examiner  
Responsibilities**

- (1) Tax Examiners,TEs, have many responsibilities in CCP Exam. However, none are more important than closing examination cases from Field Examination groups.
- This information can be found in IRM 4.38.1.7.3.1, Examined Closures, IRM 4.38.1.7.3.2, Surveyed Claims, and IRM 4.38.1.7.3.3, Partial Assessments.
- (2) Other responsibilities include:



- a. Protecting the Statute of Limitations,
- b. Manual (Quick) Assessments,
- c. Non-Examined Closures,
- d. Manual Refunds,
- e. Jeopardy Assessments, and
- f. Miscellaneous IDRS Inputs

4.38.1.7  
(03-28-2024)  
**Case Closure Process**

- (1) Cases are closed through two means:
  - a. Paper or
  - b. Electronic
- (2) These IRM sections will differentiate the procedures where necessary.

4.38.1.7.1  
(03-28-2024)  
**Statute of Limitations**

- (1) The following table shows the various alpha codes that may be encountered while working CCP cases.

Alpha Codes	Alpha Code Definitions	Alpha Code Resolutions
AA	Claim for refund/credit issue only	No update needed. If there is an assessment, return to Group.
AB	Assessment Statute of Limitation Waived By Properly Executed Closing Agreement	Update 1 Year from Commissioner's signature date on the signed Form 906, Closing Agreement on Final Determination Covering Specific Matters
AC	TEFRA-Entity Statute Protected at the Partner Level	N/A
AD	Employment Tax Return Examination Limited to IRC 3121(q)	N/A
BB	Loss Carryback - IRC 6501(h)	Reset to ASED of carryback year
CC	Joint Investigation	Refer to Form 895, Notice of Statute Expiration, for ASED update
DD	Credit Carryback - IRC 6501(j)	Same as BB
EE	No Return Filed - IRC 6501(c)(3)	SFR - Do not update, unless original return is received.

## 4.38 Centralized Case Processing (CCP)

Alpha Codes	Alpha Code Definitions	Alpha Code Resolutions
FF	Reference Return	If the source code has been updated to 45, then this case with Alpha FF can be closed as a Survey (DC 45) and the FF must be removed
GG	Investor Level Statute Control (ILSC) Pass-Through	6 months from current month, or if non-taxable, reset to the original. If it is with the related 1040, update to the ASED of that return.
HH	TEFRA Investor	Reset to original ASED if PCIF = 5. If PCIF = 1, return to Group.
II	Form 1040, U.S. Individual Income Tax Return - Other Taxes	Update statute to 180 days past the 23C date
JJ	Non-taxable Fiduciary, or Deceased Spousal Unused Exclusion-related returns	Statute date determined by returns of the beneficiaries receiving flow-through items of the Form 1041, U.S. Income Tax Return for Estate and Trusts
KK	Bankruptcy Suspension	New statute date determined when bankruptcy is lifted
LL	Third Part Summons Suspension - IRC 7609(e)	N/A
MM	Activity Not Engaged in for Profit - IRC 183(e)(4)	Update statute 7 - 10 years. There should be documentation in the case.
NN	Substantial Omission of Items - IRC 6501(e)	Update 6 years from due date of return
OO	False or Fraudulent Return - IRC 6501(c)(1)	180 days from last day of current month
PP	Intentionally allowing the Statute to Expire	N/A

Alpha Codes	Alpha Code Definitions	Alpha Code Resolutions
QQ	Docketed Cases	If in Status 80 - 82, return to Tech Services. If not, update 1 year from the date Tech Services signed Form 906
RR	Various Other IRC's that Override IRC 6501(a)	6 months from last day of current month
SS	Financial Disability - IRC 6511(h)	N/A
TT	Mitigation - IRC 1314(b)	1 year from received date on Form 2259, Agreement as Determination Pursuant to Section 1313(a)(4) of the Internal Revenue Code
UU	Failure to Notify Secretary of Foreign Transfers - IRC 6501(c)(8)	N/A
VV	Gifts Not Adequately Disclosed on Return - IRC 6501(c)(9)	6 months from end of current month
WW	Failure to Disclose Information with Respect to "Listed Transactions" - IRC 6501(c)(1)	N/A
XX	Return Preparer, Promoter and Aiding/Abetting Penalties (Only used for ERCS Controls, not an AIMS entry)	N/A
YY	Participation in Abusive Offshore Arrangements	OVDI - Update 1 year from Commissioner's signature date
ZZ	AIMS Database Transfer - Temporary ASER Alpha Code (Not to be used/input unless receiving (gaining) unit approves)	Used to transfer between areas where there is less than 13 months on Statute. Refer to case file for new ASER date.

4.38.1.7.1.1  
(03-28-2024)

**Statute Expiration Date  
60 Days or Greater**

- (1) Close case using normal procedures for Statute Expiration Date(s) greater than 60 days in the future.
- (2) Use 90 days if closing cases in the month of December.

- 4.38.1.7.1.1.1  
(03-28-2024)  
**Statute Expiration Date  
60 Days or Less**
- (1) Close case using manual assessment procedures for Statute Expiration Date(s) less than 60 days in the future. Refer to IRM 4.38.1.7.1.1.3 for Manual Assessment responsibilities.
- 4.38.1.7.1.1.2  
(03-28-2024)  
**Statute Expiration Date  
is TODAY and it is  
After-Hours**
- (1) Follow procedures for After-Hours Assessments if after 3:30 p.m. local time and manual assessment procedures are required.
- a. Refer to IRM 4.38.1.7.1.1.3 for more information about Manual Assessment procedures.
- (2) If the need arises for an after-hours assessment, follow the guidelines below:
- a. The Manual Assessment Originator will contact the Revenue Accounting "After Hour Assessment" telephone number for the local site and follow the instructions provided.
- b. Prepare paperwork using manual assessment procedures.
- 4.38.1.7.1.1.3  
(03-28-2024)  
**Manual Assessments**
- (1) This section defines CCP Department Manual Assessment responsibilities and complies with IRM 4.38.1.7.2. This includes processing procedures to manually assess an adjustment.
- (2) CCP Tax Examining Clerks are responsible to:
- Send Form 2859, Request for Quick or Prompt Assessment, to Accounting daily and obtain Form 3210 reflecting Accounting's "date received" stamp reflecting the Document Locator Number (DLN) of the Manual Assessment, and Form 3552, Prompt Assessment Billing Assembly, from Accounting.
  - Date stamp each document with "CCP Received Date" and provide to the Team Lead.
- (3) CCP Tax Examiners are responsible to:
- a. Prepare Form 2859 and all required attachments.
- b. Place Manual Assessment Package in Team Lead's designated area for review.
- c. Maintain a separate copy of Form 2859 in a **monitor** folder until the approved Manual Assessment Package is received from the Team Lead.
- Note:** If an approved copy is not received prior to the 23C date, it is the responsibility of the technician to follow up with the Team Lead to obtain an approved copy.
- d. Use processing procedures below titled **Information Data Retrieval System (IDRS) Control Procedures** to open a control base on IDRS and notate history items.
- e. Monitor for the Form 3210 reflecting a **date received** stamp by Accounting.
- Note:** If a copy of the Form 3210 reflecting a "date received" stamp is not received prior to the 23C date, it is the responsibility of the technician to follow up with the Accounting Team to obtain the transmittal reflecting the "date received" stamp before the 23C date.
- f. Associate Form 3210 reflecting the **date received** stamp with the monitor file and Form 2859 until the Form 3210 reflecting the DLN is received.

- g. Associate Form 3210 reflecting the DLN with the monitor file and Form 2859 until the Form 3552 is received.

**Note:** This is no longer the Lead's responsibility.

- h. Associate Form 3552 with the original Form 2859 and Form 3210 reflecting the DLN in the monitor file until the assessment posts to IDRS.
- i. After the Manual Assessment has posted to Master File, Form 2859, Form 3552, and Form 3210, can be destroyed.
- j. File DMI history per Alert 13 procedures. The history sheet should be filed within one week of the assessment's posting.
- k. Input the following on Automated Information Manager System (AIMS):

If the case is <b>not</b> being full closed,	AMAXU the current Manual Assessment amount, plus any prior Manual Assessment amounts posted after the current Transaction Code (TC) 420. This is completed using Command Code (CC) AMAXUE - Item 35.
If the case is being full closed,	Enter the current Manual Assessment amount, plus any prior Manual Assessment amounts that posted after the current TC 420, in Item 35 of the Form 5344.

**Note:** The Manual Assessment amount input should be for the tax period you are working only.

**Note:** Input dollars only. Do not input cents.

- (4) If the Assessment Statute of Expiration Date (ASED) expires on the same day as the 23C date:

- a. Prepare the Form 2859, and all required attachments.
- b. Deliver the completed Manual Assessment Package to Team Lead for review.
- c. Ensure faxed copy of Form 3210 is received back with a DLN the same day.

- (5) CCP Team Leads are responsible to:

- a. Review the Form 2859. This review should be a thorough review of all of the required boxes, amounts and attachments to prevent the Form 2859 from being rejected from Accounting.

**Reminder:** Do not review interest computations.

- b. Sign and date Form 2859.
- c. Prepare three (3) copies of Form 3210, for each Manual Assessment Package.
- d. Send the Manual Assessment Package to the appropriate Accounting SharePoint site.

## 4.38 Centralized Case Processing (CCP)

- e. Provide a copy of the Form 3210 reflecting the **date received** stamp, the Form 3210 reflecting the DLN of the Manual Assessment, and the Form 3552 from Accounting to the applicable TE within 24 hours of receiving each form back from Accounting.

(6) IDRS Control Procedures

- Open an IDRS control base on all Manual Assessment cases to ensure an appropriate audit trail and visual comments for anyone needing to verify current activity.

Actions to Take
Input Status "M" on any follow up actions made after the stamped transmittal is received.
Input Status "C" when the assessment posts. <b>Note:</b> Control base must stay open on IDRS until the assessment is posted.
The category control for CCP cases is SPC4.

(7) IDRS Control Activity and IDRS History must include:

- a. MAAS23Cdate (i.e. MAASMMDDYY)
- b. **HOLD4DOC51**

(8) Special Notes:

- a. Elevate to the Team Lead or Manager any manual assessment that does not post within the 6-8 week time period, including those in an un-postable status.
- b. File DMI history per Alert 13 procedures. The history sheet should be filed within one week of assessment's posting.

(9) Follow the processing procedures below in situations where it is discovered (before the 23C date) the amount of a manual assessment request is incorrect.

Assessment is Incorrect	Actions to Take
If the requested amount assessed is too low,	<p>Withdraw the entire Form 2859, with a written request to Accounting. The written request for withdrawal of the Form 2859 should be faxed to Accounting and contact should be made to the Lead, Manager or TE to ensure Accounting is adequately alerted. Verify the request is received and acknowledged by Accounting. Prepare a new Form 2859, with the correct assessment amounts following the above procedures. Update the history section of the IDRS account reflecting the correction and resubmission of the corrected Form 2859.</p> <p><b>Note:</b> This situation should rarely occur.</p> <p><b>Note:</b> If the TC 370 has already posted, you cannot withdraw the Form 2859. Complete a new Form 2859, for the additional amount.</p>
If the requested amount is too high,	Allow the assessment to post and make corrections manually to the account after the manual assessment has posted.

(10) Accountability:

- a. TEs are responsible for ensuring the Form 2859 and the Form 3210 reflecting a **date received** stamp is received prior to the expiration of the 23C date.
- b. Accounting is accountable for the manual assessment from the time they received and date stamp the Form 3210 for receipt of the Form 2859 until the assessment is journaled into **Interim Revenue Accounting Control System (IRACS)** and subsequently to IDRS.
- c. In unpostable situations, Accounting may make contact with the initiator to obtain information to correct the unpostable condition. The TEs are responsible for a case assessment until it posts. TEs will monitor unpostables created by Accounting and assist in the resolution of the unpostable, if needed.

4.38.1.7.1.1.4  
(03-28-2024)

**Statute Expiration Date  
is Questionable**

- (1) Memphis CCP Tax Examiners (TE) should send a technical request to the FORT team for clarification on any Statute Expiration Date that is questionable. The CCP Statute Coordinator will verify what the valid statute expiration date is.

4.38.1.7.1.1.5  
(03-28-2024)

**Barred Statutes**

- (1) If a CCP employee discovers a potentially expired statute, the Tax Examiner (TE) should complete a CCP Exam Field Office Resource Team (FORT) Referral Form. The TE needs to identify that this is an expedite **statute** case. In the additional case information box, write "Potential Barred Assessment" and immediately send the form to their manager. The manager will initial and date the bottom of the referral form. The manager will follow procedures outlined in Alert 14 and work the CCP Department Manager and CCP Statute Coordinator to take appropriate action.

**Exception:** Cincinnati CCP Exam should provide the information to their Field Liaison as they do not have a FORT team.

- (2) Find the definition of a Barred Statute in IRM 25.6.1.13.2.4, Statute of Limitations Processes and Procedures.

4.38.1.7.2  
(03-28-2024)

**Manual (Quick)  
Assessments**

- (1) Manual assessments should be limited to those cases meeting one of the following criteria:
  - a. Imminent Statute - There is a deficiency, and the statute is due to expire within 60 days or will not be received in CCP before the statute is within 60 days of expiration.
  - b. Agreed Unpaid Deficiency over \$100,000 - If there is a deficiency over \$100,000, which is agreed and unpaid, that will not be received in CCP for final closure within 30 days of the agreement date.

**Note:** Due to the critical nature of these cases, manual assessments will be given a higher priority than partial assessments.

- (2) When submitting a request for a manual assessment, Field Groups should:
  - a. *Contact the Field Office Resource Team (FORT) Manager for SB/SE or LB&I cases or CCP Field Liaison for Specialty cases to notify them a manual assessment will be needed on the case. Please find the FORT/Field Liaison Contacts [here](#).*
  - b. Send CCP the required information, depending on the site's requirements.
  - c. Do not ship the entire case file.
  - d. Do not update ERCS out of the group status.
  - e. In the subject line of the email or e-Fax, notate " **Manual Assessment Request**".

- (3) CCP will:

1. Acknowledge the request within 48 hours of receipt.

**Note:** Requests received on Friday afternoon will be acknowledged by Close of Business (COB) Monday.

2. Complete the assessment within five (5) business days of receipt, whenever possible. Assessments involving complex and restricted interest computations may take longer.



3. Mark Form 5344, **Request Completed**.
  4. E-Fax or email a copy of the Form 5344 back to the group for association with the original case file to verify the assessment was completed.
- (4) Please allow at least 10 business days from your original request before following up with CCP.

**Note:** For multiple manual assessments being sent to either Cincinnati or Memphis CCP, the field groups should contact the CCP Field Liaison or FORT Manager to inform them that the assessments are being sent using overnight mail. Overnight mail should only be used when the faxing of multiple assessment documents would be too time consuming and inefficient.

**Note:** The Field Office **should not** route the case file to CCP or any other function until verification of **Request Completed** has been received and associated with the case file.

- (5) The following steps are needed to complete a Form 2859 to send to Accounting for a manual assessment.
- a. Field Exam updates ERCS records to Status 51 (only if it is a final closure) and sends closing documents to CCP Exam. Paper files remain in the field group and are not shipped to CCP Exam.
  - b. The CCP Process involves clerks, tax examiners, RGS cases, IMS cases, closing letters, and other pertinent information.

Required Participant are	Actions Needed
Clerk	<ol style="list-style-type: none"> <li>a. Opens e-Fax in mailbox.</li> <li>b. Acknowledges Form 3210 in ERCS.</li> <li>c. Assigns cases on ERCS with IAT Tool.</li> <li>d. Forwards documents to TE via email.</li> <li>e. Moves original e-Fax to TE folder in mailbox.</li> </ol> <p><b>Reminder: Do Not Delete.</b></p>
Tax Examiner	<ol style="list-style-type: none"> <li>a. Works case.</li> <li>b. Inputs closure (or sends to file server for International).</li> <li>c. Updates ERCS to Status 90 (on a final closure only) and generates Form 3210 as a PDF.</li> <li>d. Saves the edited Form 5344, Form 3198 history sheet, and closing Form 3210 in their team's Closure folder on the Common Drive.</li> </ol>

## 4.38 Centralized Case Processing (CCP)

Required Participant are	Actions Needed
For RGS Cases Only	<ul style="list-style-type: none"> <li>a. Manager / Lead and Clerk run RGS GII.</li> <li>b. Clerk notifies TE and manager of any rejected closures.</li> <li>c. Clerk updates ERCS to Status 90 (only if a final closure) and generates Form 3210 as PDF.</li> <li>d. Clerk saves RGS closure listing and Form 3210 in their team's Clerical folder on the Common Drive.</li> </ul>
For IMS Cases Only - Form 5344	<ul style="list-style-type: none"> <li>a. CCP Tax Examiner must return a revised Form 5344 to the LB&amp;I examiner/manager for electronic cases maintained in IMS after the case is closed, if applicable.</li> <li>b. Refer to IRM 4.46.5.11.2, General Information for all Paperless Case Closures, for additional information.</li> </ul>
Closing Letters	<ul style="list-style-type: none"> <li>a. The Revenue Agent or TCO will mail the closing letter when the case is closed out of Field Exam.</li> <li>b. The LB&amp;I revenue agent will also mail the closing letter to the taxpayer when the case is closed to CCP by the exam team. Refer to, IRM 4.46.5.11.2.2(2), General Information for all Paperless Case Closures, for additional information.</li> </ul>

Required Participant are	Actions Needed
Other Pertinent Information	<p>Case Document Retention:</p> <ul style="list-style-type: none"> <li>a. Each team will have a folder on the Common Drive for closures (for edited Forms 5344, 3198, history sheet, and closing 3210, as closed by TEs)</li> <li>b. Documents in these files can be accessed by managers and PAS for quality review.</li> <li>c. Original eFax's will be retained in the mailbox folders.</li> </ul> <p>Sample Review:</p> <ul style="list-style-type: none"> <li>a. After Accounting inputs the assessment and the case is closed by the Tax Examiner, sample review is performed just as on any Examined Closure. Please refer to IRM 4.38.1.7.5.1 for more information about CCP sample review procedures.</li> </ul>

4.38.1.7.3  
(03-28-2024)  
**Examined Closings,  
Surveyed Claims and  
Partial Assessments**

- (1) This IRM subsection will explain the general procedures and information for Centralized Case Processing (CCP) Tax Examiners to work the following types of cases received from Field Examination and Technical Services.

4.38.1.7.3.1  
(03-28-2024)  
**Examined Closures**

- (1) Examined case closings must contain any one of the following items:
  - a. Original Paper return or copy of the return for a paper case,
  - b. Electronic print (i.e., RTVUE/BRTVU, TXMODA, etc.) or
  - c. SFR.

4.38.1.7.3.1.1  
(03-28-2024)  
**Forms to be Used**

- (1) Form 5344 and Form 3198 are required when closing examined closures.
- (2) Form 15292, Case Closing Cover Sheet, is used by LB&I to close cases electronically.

4.38.1.7.3.1.2  
(03-28-2024)  
**Form 5344 Entries**

- (1) The following items must be completed before the form can be input for closing. Report Generation Software (RGS) carries over items from Form 4549, Report of Income Tax Changes, and other fields within RGS such as grade of examiner, hours, etc. to the Form 5344.

4.38.1.7.3.1.3  
(03-28-2024)  
**Item A: CC TSCLS**

- (1) Depending on the function closing the case to CCP, a check mark will be placed in the box if the Form 5344 is for a full closure of any Pass-through Control System (PCS) linked investor. CC TSCLS releases a freeze on AIMS to allow the return to close. A PICF Code 4, 5 or 6 denotes an investor case is linked through Pass-through Control System (PCS) and prevents the premature closing of the investor return until all necessary pass-through adjust-

## 4.38 Centralized Case Processing (CCP)

ments from the related key-case(s) to the investor return have been resolved. CC TSCLS must be entered at the terminal before a final closure of a PCS linked case. CC TSCLS should not be input if a partial assessment is appropriate and the case is being transferred to the Campus Pass-through Function (CPF), or it is being closed to Appeals. When entered, the CC TSCLS will automatically check all of the investor's linkages to determine if they have been closed. If all linkages are closed, then CC TSCLS will set the PN-SUM-CLOSED-IND on the partner PCS record. The PICF-DC will update to a closed status 7 or 8 on the PCS and AIMS databases. When the "Request Completed" message is transmitted to the IDRS screen, CCP can proceed to enter the CC AMCLS.

**Note:** The PICF code can be located on page 1 of the AMDISA screen, Line 14.

- (2) Should all linkages not be properly closed upon input of the CC TSCLS, the error message "Cannot Close, PCS Control" will be displayed on the IDRS screen. CCP will input CC TSUMY, secure a print, attach it to the Form 5344 and route the case file back to the originator for resolution.
- (3) All Pass-through Control System linkages must be released before the investor return can be surveyed. Partnership Inventory Control File (PICF) Codes 4, 5 and 6 prevent the premature closing of the investor return until all necessary pass-through adjustments from the key case(s) to the investor return have been resolved. Command Code (CC) TSCLS releases the freeze on AIMS to allow the input of CC AMSOC. When CC TSCLS is entered, it will automatically check all the of the investor's linkages to determine if they have been closed. If all linkages have been closed, then CC TSCLS will set the PN-SUM-CLOSED-IND on the partner record and the PICF-CD to a closed status on the PCS and AIMS databases. When the "Request Completed" message is transmitted to the screen, the operator can proceed to enter the CC AMSOC.
- (4) Should all linkages not be properly closed, upon input of the CC TSCLS the error message "Cannot Close, PCS Control" will be displayed on the screen. Secure a CC TSUMY print, attach it to the closing request and route the case file back to the originator. The file should be suspended by the appropriate function. Coordination with the Technical Services Pass-through Coordinator (TSPC) may be required to transfer the file to the Campus Pass-through function (CPF).

4.38.1.7.3.1.4  
(03-28-2024)

### P 1-6: CC AMCLS

- (1) Add the definer to CC AMCLS depending on the type of closure. Definers are:
  - a. E = Examination (Long Closure),
  - b. F = Examination/Appeals (Partial Assessment),
  - c. I = IRAF (Individual Retirement Account File),
  - d. S = Separate Spousal Agreement (MFT 31 adjustment), or
  - e. U = Unpostable (input of correction).

**Note:** For RGS users, the AMCLS definer is input by CCP. If you are trying to set up an MFT 31 case on RGS, the Form 5344 will have to be manually prepared for input of the AMCLSS closure.

4.38.1.7.3.1.4.1  
(03-28-2024)  
**AMCLSS P-56**

- (1) AMCLSS is the command code used to send an adjustment to an MFT 31 module for an assessment, abatement, refund, or surveyed claim. MFT 31 modules are not controlled on AIMS. The AMCLSS is input on the MFT 30 module which sends the adjustment to the MFT 31 module. Some examples of why an MFT 31 account may be necessary are:
  - a. An individual assessment on a joint account,  
**Example:** One taxpayer agrees to the tax deficiency and one taxpayer does not agree to the tax deficiency and requests to go Appeals (An MFT 31 account is created for the agreeing spouse).
  - b. An individual assessment on a joint account where one taxpayer agrees to the tax deficiency and one taxpayer does not agree and petitions tax court as a result of a Statutory Notice of Deficiency (an MFT 31 account is created for the agreeing spouse),
  - c. An innocent spouse case where an assessment is being made against only one taxpayer (An MFT 31 account is created for the agreeing spouse), and
  - d. Criminal Restitution assessments.
- (2) MFT 31 accounts created by Examination are not mirrored accounts. Therefore, interest may need to be manually computed. If any of the following conditions apply, annotate Form 3198 with "Interest may need to be manually computed and restricted due to (List reason why)"
  - a. Interest-free refunds,
  - b. Refunds with interest,
  - c. -I Freeze on MF, or
  - d. Taxpayer filed an extension (TC 460).
- (3) Enter a "P" if the assessment is against the primary taxpayer. Enter an "S" if the assessment is against the secondary taxpayer.

4.38.1.7.3.1.4.2  
(03-28-2024)  
**AMCLSS P-57**

- (1) If an "S" is entered in Item 56, the name control of the secondary spouse is required in Item 57. This is to prevent unpostables when the taxpayer's last names are not the same.

4.38.1.7.3.1.5  
(03-28-2024)  
**P 7-34 TIN, MFT, Tax Period, CD/NC**

- (1) Complete Positions 7-34 and Item B using the following instructions.

4.38.1.7.3.1.5.1  
(03-28-2024)  
**P 7-18: TIN**

- (1) Enter either an EIN or SSN. The first digit of the number must be entered in the left most position
  - a. EIN Format is NN-NNNNNNNN.
  - b. SSN Format is NNN-NN-NNNN.
- (2) Form 706, U.S. Estate Return: the SSN of the decedent must be used followed by the letter "V" or "W".
- (3) Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return: the SSN of the donor must be used, followed by the letter "V" or "W".

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- (4) Non-Master File (NMF): an “N” must be entered immediately after the EIN or SSN.
- (5) A temporary TIN secured through the AIMS command code AMTIN7 will be entered with no hyphens followed by a - (dash) and the letter “D,” for example: 123456789-D. The AMTIN7 command code is only available to the Area Office AIMS/ERCS analysts. Contact your local AIMS/ERCS analyst for assistance if you need to secure a temporary TIN through AMTIN7.

**Note:** An assessment cannot be made against an SSN followed by a **D** because this SSN is not on Master File.

- (6) If an asterisk (\*) is present indicating an invalid SSN, correction may have been made since the original opening. Research both the valid number and the invalid number to determine whether the account has been corrected.
  - a. If information has been secured to resolve the invalid SSN, contact should be made with the Entity Function at the campus. The Austin, Cincinnati, Fresno, and Ogden Campuses have entity contacts. The contacts can be located on the *Area and Campus Program Contacts* in the Audit Information Management System (AIMS) book of the Exam Procedures Knowledge base.
  - b. An invalid SSN may also involve a duplicate filing condition caused by returns of two different taxpayers trying to post the same account.
  - c. Do not attempt to correct the invalid condition with Form 2363, Master File Entity Change. When an account number is changed, all data posted to the incorrect number is transferred to the correct number. Carefully study transcripts of all accounts involved before making any adjustments.
- (7) If it has been determined that a return has posted to a different taxpayer’s account, refer to IRM 4.38.1.10.2, Credit Transfers and IRM 4.38.1.10.3, Re-processing Returns, for closing instructions.

4.38.1.7.3.1.5.2  
(03-28-2024)

### Taxpayers with no TIN

- (1) When the taxpayer does not have a TIN and an adjustment needs to be made to the taxpayer’s account on Master file the following options are available:
  - a. The taxpayer may request a temporary TIN called an IRS Individual Taxpayer Identification Number (ITIN). The ITIN is given by the IRS, not the Social Security Administration (SSA), and begins with the number “9”.
  - b. The IRS may request a TIN for the taxpayer called an Internal Revenue Service Number (IRSN).
- (2) If the taxpayer does not have an EIN or SSN and refuses to file Form SS-4, Application for Employer Identification Number, the examiner can secure an IRSN by completing Form 4442, Inquiry Referral, or Form 9956, Request for Temporary SSN. Follow the instructions below:
  - a. Form 4442, Inquiry Referral, is faxed to the Entity function at the Cincinnati Campus or Ogden Campus for BMF taxpayers.
  - b. Form 9956, Request for Temporary SSN, is faxed to the Entity function at the Austin Campus or Fresno Campus for IMF taxpayers.
  - c. Instructions for completion of Form 4442, Inquiry Referral, are included on the form. In addition, when requesting an EIN for a BMF taxpayer, include your request in “Section B - Taxpayer Inquiry/Proposed Resolu-

tion” stating you are requesting an IRSN for a BMF taxpayer and request the account be established on Master File.

- d. When completing Form 9956 be sure to check the “YES” box next to the question: “Would you like the account established on Master File?”

- (3) For additional information on TINs, refer to IRM 3.13.2, BMF Account Numbers, and IRM 3.13.5, Individual Master File (IMF) Account Numbers.

4.38.1.7.3.1.5.3  
(03-28-2024)  
**MFT**

- (1) Enter the Master File Tax Code (MFT) or Non-Master File Tax Code (NMFT) for the tax return.

4.38.1.7.3.1.5.4  
(03-28-2024)  
**P24 - 29 Tax Period**

- (1) Enter tax period using YYYYMM format.

**Example:** Enter 201312 for a 2013 calendar year return.

- (2) Use the following information for these forms:

- a. For Form 706, U.S. Estate Tax Return, enter all zeroes (000000).
- b. Form 11-C, Occupational Tax and Registration Return for Wagering, Form 730, Monthly Tax Return for Wagers, or Form 2290, Heavy Highway Vehicle Use Tax Return, can have different month ending tax periods depending on the situation. For example, Form 2290 could have a tax period of 201407 if a vehicle was first used during the month of July in 2014.

4.38.1.7.3.1.5.5  
(03-28-2024)  
**Check Digit/Name Control (CD/NC)**

- (1) Enter the check digit in positions 33 and 34. If the check digit is not available, the name control should be used. If the check digit was used to establish the account, the check digit must be used at closing.

4.38.1.7.3.1.5.6  
(03-28-2024)  
**Item B: Name**

- (1) Enter the name of the taxpayer as shown on the tax return. If necessary, edit the name not to exceed 35 characters.

- (2) Enter the name as follows:

Individual Master File (IMF)	Business Master File (BMF)
Enter the last name (comma), first name, then the middle initial, if any.	Enter the name as it appears on the return.

4.38.1.7.3.1.6  
(03-28-2024)  
**P36: Batch Position Indicator**

- (1) Only NMF accounts require a batch position indicator. This field is used to indicate whether the record being processed is the first, last, continuation, addition to a block, or a single closing of a block.

- (2) Valid indicators are as follows:

- a. “**F**” - first closing within a block. After this record is processed, the computer will change the F to a C.
- b. “**C**” - continuation with a block as interrupted and left open.



- c. “**L**” - last closing within the block. If this is not entered with the last closing, it is not possible to begin a new book.
- d. “**R**” - reopen a previously closed book. After this record is processed, the computer will change the R to a C.
- e. “**S**” - single closing (one case for the block). This indicator will open the block, process the account, and close the block.

4.38.1.7.3.1.7  
(09-12-2024)

**P38-40: Blocking Series Number**

- (1) All closures require a blocking series number. For a list of blocking series, refer to *Document 6209, Section 12*, Examination.

4.38.1.7.3.1.8  
(03-28-2024)

**P45-48: Sequence Number**

- (1) This field is used by the terminal operator to number the input documents.

4.38.1.7.3.1.9  
(03-28-2024)

**Item 01: Secondary Spouse SSN**

- (1) Enter the SSN of the spouse when there is an adjustment to the spouse's Individual Retirement Account (IRA).

4.38.1.7.3.1.10  
(03-28-2024)

**Item 02: Penalty Reason Code**

- (1) The Penalty Reason Code is a two-digit number and a required entry if penalties are being abated.
- (2) Refer to IRM 20.1.1, Introduction and Penalty Relief, for procedures pertaining to penalties.
- (3) For additional information on penalty reason codes, refer to Section 10-9 in Document 6209.

4.38.1.7.3.1.11  
(03-28-2024)

**Item 03: Letter Date (Large Corporate Taxpayer C-Corporations BMF Only)**

- (1) When preparing Form 5344 for any partial assessment or final closing, input of this date causes the taxpayer's account to reflect a Master File Status 30. If the **C-Corporation** taxpayer does not pay the balance timely, 30 days are added to this date to establish a Large Corporate Underpayment (LCU) trigger date. The accuracy of this date is critical because once the 30th day from the notice date elapses without a payment, the taxpayer is subject to an underpayment interest rate which is 2% higher than the normal interest rate until the account is full paid.
- (2) Refer to IRM 20.2.5, Interest, Interest on Underpayments, Large Corporate Underpayments (LCU) Introduction, for all procedures pertaining to interest.

4.38.1.7.3.1.12  
(03-28-2024)

**Item 04: Letter Amount**

- (1) When Item 03 is entered, Items 04 and 05 must also be completed.
- (2) The amount must be over \$100,000 in tax.
- (3) Item 04 letter amount must equal the tax amount on the earliest 30 or 90-day letter sent to the “C-Corporation” taxpayer.
- (4) Refer to IRM 20.2.5.8, Interest, Interest on Underpayments, Large Corporate Underpayment (LCU) Introduction, for all procedures pertaining to interest.



4.38.1.7.3.1.13  
(03-28-2024)  
**Item 05: 2% Int Date**

- (1) This entry must be 30 days later than the date entered in Item 03 and serves as the trigger date for LCU interest accrual. Entry in this item requires a TC 340 for interest and Item 6A "Debit Interest to Date". CCP will enter the TC 340 amount and the Item 6A date.
- (2) Refer to IRM 20.2.5.8, Interest- Interest on Underpayments, for all procedures pertaining to interest.

4.38.1.7.3.1.14  
(03-28-2024)  
**Item 6A: Debit Interest to Date**

- (1) Refer to IRM 20.2.5, Interest, Interest on Underpayments, for all procedures pertaining to interest.

4.38.1.7.3.1.15  
(03-28-2024)  
**Item 6B: Credit Interest**

- (1) Refer to IRM 20.2.4, Interest, Overpayment Interest, for all procedures pertaining to interest.

4.38.1.7.3.1.16  
(03-28-2024)  
**Item 6C: Computer Interest Amounts**

- (1) Refer to IRM 20.2.8.11, Interest, Restricted Interest, Non-Restricting Transaction Code (TC 340), for all procedures pertaining to interest.

4.38.1.7.3.1.17  
(09-12-2024)  
**Item 07: Hold Code**

- (1) Hold codes, ranging from 1 through 5, are used to restrict certain Master File actions with the posting of adjustment transactions. Only use one of the following when applicable.

Code	Action
0	No Hold Code
1	If net module balance after posting is a credit, holds credit until: Doc. Code 24 or 34 posts, TC 820 or 830 posts, TC 29X or 30X posts, Doc. Code 51 with secondary TC 300 posts, or total module balance becomes zero or debit. Set -K freeze.
2	Same as "1" but holds notice and credit.
3	Prevents the issuance of the adjustment notice for the adjustment transaction on which it is entered. It does not prevent the issuance of any other notice.
4	Same as "1" except that a notice will not be issued at any time.
5	If both Hold Codes 4 and 5 should be used, use Hold Code 4.

**Note:** Provided to the right of the hold code field for a short explanation of why the hold code is necessary. The remarks will assist the unpostable examiner if the transaction unposts.

4.38.1.7.3.1.17.1  
(03-28-2024)

#### Hold Notices

- (1) Hold Code 2 - If the module balance after posting the adjustment is zero or debit, a notice is not issued, and no credit freeze is set. If the module balance after posting the adjustment is a credit, neither a refund nor an overpayment notice will be issued until one of the following occurs:
  - a. A record with Document Code 24 or 34 posts.
  - b. TC 29X, 30X, 820, or 830 posts.
  - c. The net module balance becomes zero or debit (releases notice freeze).
  - d. Enter Hold Code 2 on all second adjustment Form 5344, when a quick assessment is made unless a manual offset is involved or an overassessment was processed using quick assessment procedures.
  - e. Do not use Hold Code 2 on partial assessments unless it has been specifically requested on Form 3198 that the taxpayer not receive a notice.
- (2) Hold Code 3 - A notice is not issued at any time for this adjustment. Also allows any credit to refund when assessing a partial.
- (3) Hold Code 4 - If the module balance after posting the adjustment is a credit, a notice is not issued at any time, and a refund is not issued until one of the following occurs:
  - a. A Record with Document Code 24 or 34 posts.
  - b. TC 29X, 30X, 820, or 830 posts.
  - c. The new module balance becomes zero or debit.
- (4) Hold Code 5 will suppress a CP 243 notice. CP 243 will be generated if the adjustment takes the module balance from debit to zero or credit. If both Hold Codes 4 and 5 are applicable, use Hold Code 4.

4.38.1.7.3.1.18  
(03-28-2024)

#### Item 08: Agreement Date

- (1) This date is used at Master File (Waiver 870 date) to identify if the agreed and unpaid assessment was posted to the account within 30 days of the waiver being signed. If the date of the agreed and unpaid assessment (known as the 23C date) is later than the waiver plus the 30-day date, then interest on the agreed amount is suspended from the 30th day after the agreement, until full paid, or the 23C date of the assessment.
- (2) Only returns with an MFT of 02, 05, 12, 30, 31, 51, and 52 require an agreement date. If an agreement date is entered other than for the MFTs above, Master File will allow for an interest-free period, which is not correct.
- (3) An agreement date is required to be entered on agreed deficiency cases if the disposal code is 03, 04 or 09 and Item 12 contains an increase in tax and the MFT is 02, 05, 12, 30, 31, 51, or 52.

**Note:** For MFT 30 returns, the agreement date cannot be earlier than the return due date or return filed date, whichever is later.

**Note:** An agreement date will not be allowed if the disposal code is 08, 10 or 13.

4.38.1.7.3.1.18.1  
(03-28-2024)

#### How to Determine Date

- (1) The agreement date is generally considered to be the IRS received date. If the received date is missing or illegible, enter the postmark date (excluding meter mail) or the signature date, whichever is closer to the current date.
- (2) For Form 870-PT, Agreement for Partnership Items & Partnership Level Determinations as to Penalties, Additions to Tax, and Additional Amounts and Form

870-LT, Agreement for Partnership Items & Partnership Level Determinations as to Penalties, Additions to Tax and Additional Amounts and Agreements for Affected Items, it is the date these forms were executed by an authorized person on behalf of the Commissioner.

4.38.1.7.3.1.18.2  
(03-28-2024)  
**Effective Date**

- (1) When the agreement form contains instructions as to the effective date of the agreement, that effective date should be entered. This date cannot be greater than the current date.

4.38.1.7.3.1.18.3  
(03-28-2024)  
**Payment In Lieu**

- (1) When payment is accepted in lieu of a signed agreement, do not enter an agreement date in Item 08. Use Disposal Code 08 to close the case.

Types of Cases	Action Taken
IRC Section 6603 Deposit (formerly known as Cash Bond)	IRC Section 6603 deposits do <b>not</b> constitute a payment in lieu of an agreement.
90-Day Cases	Payments in lieu of an agreement are <b>not</b> valid for 90-day cases. Refer to IRM 4.8.9, Technical Services - Notice of Deficiency, for more information.
Agreement Received After Payment	Use the received date of the agreement. MF will use the TC 640 date and the "870 Date" to compute interest correctly.
Multiple Signed Agreements	If a second signed agreement is secured for an amount greater than the first agreement, enter the most recent agreement date. <b>Note:</b> If the first signed agreement is not full paid, then underpayment interest has to be manually calculated and input using a Non-Restricting TC 340 whenever possible. CCP will make this computation.
Employment Tax Cases	Do not enter an agreement date since there is no interest-free period for employment tax cases.
Claim for Refund, Overassessment or Abatement Cases	Do not enter an agreement date for claim for refund/abatement cases if entering TC 301 or TC 309.
Surveyed Claims	Do not enter an agreement date for surveyed claims.

Types of Cases	Action Taken
No Signed Agreement	Do not enter an agreement date when there is no signed agreement. If full payment of tax and penalties is received in lieu of a signature, use Disposal Code 08 to close the case.

4.38.1.7.3.1.19  
(09-12-2024)

**Item 09: Priority Code**

- (1) These codes must be used to post adjustments to the Master File (MF) when certain conditions exist. Failure to use the priority code when specified will cause the transactions to unpost, causing erroneous notices, refunding or billing especially in cases where multiple adjustments and/or credit transfers are being processed. If an adjustment needs a priority code it may indicate that Collection, Examination, or Statute should be consulted. It may also question the validity of a tax abatement, such as an abatement of tax on a return with a Collection Field Function Secured Return Code, no math error code, and the module is in Status 60 is questionable as the return was assessed as filed, filed late, and contained the information the taxpayer wanted the Revenue Officer to review.
- (2) Priority Codes (PC) 1, 2, 3, 4, 5, 6, 7, 8, or 9 must be used with extreme care. Priority Codes are input by CCP.
- (3) The table below provides an explanation of the priority codes, when to use them and which Unpostable Code (UPC) with the applicable Reason Code (RC) will be bypassed when you enter a particular PC.

Code	Action	Bypassed UPC
1	Bypass TC 97X freeze <b>Note:</b> Field Exam should notate on Form 3198 the amended return has been considered so Form 5344 can be coded to include the proper priority code to bypass the amended return freeze. If a case should reject for this reason and Form 3198 is not properly notated, CCP will return the case to Field Exam for appropriate action.	UPC 160 RC 4; UPC 150 RC 3
2	Settlement Amount - <b>no longer valid for Exam</b>	UPC 143
3	Amended Return - use when inputting an overpayment adjustment which is IRS initiated to consider the 45-day interest-free back off periods.	UPC 160 RC 4

Code	Action	Bypassed UPC
3	Bypasses the unpostable which would be caused if there is an amended return freeze at MF and a TC 30X is attempting to post. Use when inputting an overpayment adjustment which is IRS initiated to consider the 45- or 180-day interest-free back off periods.	N/A
3	For MFT 30 and 31. It causes MF to compute the credit interest from the normal start date to the 23C date minus 58 days. IRM 20.2.4.5.5, 45-Day Rule and IRS Initiated Adjustments. Use when inputting an overpayment adjustment which is IRS initiated to consider the 45- or 180-day interest free back off periods.	N/A
3	Effective 1/1/2009 - IMF: bypasses the amended return freeze and computes FTP back to RDD for TC 30X adjustment. Use when original return is an SFR. This also ignores the agreement date.	UPC 160 RC 4
4	Amended return - partial assessment	UPC 160 RC 4
5	FTP penalty or interest - causes assessment of accruals	N/A
6	Setting the 2/10 Year settings of the EIC Recertification Indicator. 30X with a 765 and reference code 680 with an amount or zero with a priority code 6, MF will assert the 2-year ban on the appropriate tax year account.	N/A
7	Setting the 2/10 Year settings of the EIC Recertification Indicator & bypass amended return freezes - 30X with a 765 and reference code 680 with an amount or zero with a priority code 7, MFT will assert the 2-year ban on the appropriate tax year account & bypass amended return freeze.	N/A
7	Amended Return	UPC 160 RC 4
7	TC 421	UPC 160 RC 4
8	CREF 806/807 no TC 17X - If Estimated Tax Indicator is present - must enter TC 17X or PC 8. A TC 30X with a PC 8 releases the TDI/DEL RET Refund Freeze.	UPC 158 TC 0; UPC 160 RC 4

Code	Action	Bypassed UPC
9	FTP back to RDD for TC 300 adjustment - only necessary on IMF. BMF automatically generates FTP from RDD unless TC 270 is input. Entering a TC 270 amount will prevent MF from computing back to RDD even though PC 9 is input. Use when inputting a return or adjustment, if the module contains an SFR, to compute FTP from return due date.	UPC 189
9	Use if agreement date is entered and push code 036 is on the module. This prevents the agreement date from going to Master File. Therefore, interest will be computed correctly. Use when inputting a return or adjustment, if the module contains an SFR, to compute FTP from return due date.	N/A
9	Use to bypass UPC 168 for MFT 31 TC 30X with a reference number 765, 767, and 807. Use when inputting a return or adjustment, if the module contains an SFR, to compute FTP from return due date.	UPC 168

4.38.1.7.3.1.19.1  
(09-12-2024)

**Additional Processing  
Procedures and  
Information**

(1) The following additional information is provided when using priority codes:

- a. A restricted module, such as a TC 270 or TC 271, means the computation of the FTP penalty will not automatically be calculated by the computer. If the tax module contains a TC 270 or TC 271 and a G-freeze, the computation of the FTP penalty must be done manually. If there is a TC 340 or TC 341 and a -I freeze, interest must be manually computed and input.
- b. A notice to the taxpayer may be suppressed by input of an appropriate hold code with the adjustment. Accruals will be assessed whether or not a notice is issued. Hold codes can be found in Document 6209, IRS Processing Codes and Information, Section 8C-8.
- c. There may be instances where Form 3870, Request for Adjustment, is used to input a TC 29X (Doc Code 54). The priority codes used by AIMS (TC 30X, Doc Code 47) are not always the same as the priority codes used on Form 3870, Request for Adjustment. Refer to *Document 6209, Section 8C*, Master File Codes, for additional information.

**Note:** Form 3870, Request for Adjustment, should only be used to request adjustments to accounts where there is no -L freeze on the module or to affect account transactions (i.e., credit transfers, freeze releases, etc.).

4.38.1.7.3.1.20  
(03-28-2024)  
**Item 11: Interest  
Computation Date**

- (1) For Cases closed with a TC 304, 305, 308, or 309, CCP will enter the interest computation date which identifies the interest start date for the tax adjustment amount entered with a TC 304/305/308/309.

**Note:** RGS requires an entry in Item 11 when the Carryback Adjustment pop up box is completed. For carrybacks, it is the loss year return due date. The examiner will enter the interest start date and CCP will verify this entry. When the interest start date is other than the loss year return due date, interest may need to be manually computed with a TC 770.

4.38.1.7.3.1.20.1  
(03-28-2024)  
**Interest Computation  
Date for Erroneous  
Refund Cases**

- (1) Enter the interest start date when the erroneous refund is supposed to be paid back.

**Note:** If the interest start date is not known, Field Exam should make the following notation on Form 3198 in "Other Instructions" under the "Special Features" section, "Interest Start Date for Erroneous Refund, Use 23C Date." CCP will need to close the case manually.

- (2) Do not use TC 304 in Item 12 because it will go unpostable unless there is a TC 305 or TC 295 on the module.
- (3) Do not use TC 340 in Item 12 for an erroneous refund case because there is no reason to compute restricted interest or restrict the tax module.
- (4) Refer to IRM 20.2.9, Interest on Carryback of Net Operating Loss, for additional information and special rules applying to overpayment interest. Also refer to IRM 20.2.10.5.1, Underpayment Adjustments on Employment Taxes, where the interest computation date would be different than the return due date.

4.38.1.7.3.1.21  
(03-28-2024)  
**Item 12: Tax, Penalty,  
and Interest  
Adjustments**

- (1) This field is used to enter the examination adjustments. This entry is dependent on the disposal code.

If the disposal code is:	THEN:
01	- Item 12 may be blank. The computer will generate a TC 300 for zero.
02	- if Item 12 has an entry, the net result of all Item 12 entries must equal zero.
02	- if Item 12 is blank. The computer will automatically generate a TC 300 for \$0.00.
03, 04, 08, 09, 10, 12 or 13	- Item 12 may or may not be entered. A terminal reject will occur if no Exam Results are entered at closing.



If the disposal code is:	THEN:
34	- An amount must be entered in Item 12 and/or 15, and the net amount must be negative. For example, Item 12 may contain a tax increase if Item 15 contains an increase in a refundable credit in an amount greater than the tax increase in Item 12.

4.38.1.7.3.1.21.1  
(03-28-2024)  
**Item 12 Entries**

- (1) The majority of Form 5344 entries are generated through a report writing program, for example, Report Generation Software (RGS). Therefore, the entries in Item 12 would be automatically populated on the Form 5344 based on the information contained on Form 4549, Report of Income Tax Examination Changes.
- (2) If more than one deficiency is determined due to multiple agreement dates, Form 5344 should reflect the total tax change and/or penalty. However, interest must be computed manually using the separate agreement dates and a combined interest amount will be entered with TC 340. Check the box on the second page of Form 5344 in the "Special/Restricted Interest Features" section for "Multiple Agreements: Date of first RAR".

#  
#  
#

4.38.1.7.3.1.21.2  
(03-28-2024)  
**Tax Adjustments**

- (1) The following transaction codes are used when making an adjustment to tax.
- (2) TC 300: Assesses an Examination tax deficiency on a tax module containing TC 150.

IF there is	THEN the TC 300 will
Amended Return Freeze	Post only if a priority code is used. PC 1&3 releases the freeze, PC 4 does not.
Interest Due	Generate TC 336 (assessment of interest)
-L Freeze	Generate TC 421 (unless CC is AMCLS which is used to input a partial assessment) to release -L freeze if the Disposal Code is 1-4, 8-10, 12, 13 or 34
TC 470	Release TC 470 (claim pending)



IF there is	THEN the TC 300 will
TC 570	Release TC 570 freeze (additional liability pending) and refund hold
TC 640	Releases TC 640, advance payment of determined deficiency freeze
TC 680 (IMF Only)	Releases TC 680, interest payment, invalid SSN, and account reactivation freezes
TC 720	Release TC 720, refund payment freeze
TC 840	Release TC 840, refund prior to final settlement
TC 841	Releases TC 841, canceled refund check freeze
TC 842 (BMF)	Release TC 842, refund deletion and Joint Committee only freezes

- (3) TC 301 -Abates previously posted TC 150, 290, and/or 300 in full or in part. The TC 301 amount cannot be more than the total tax on the module which is the sum of the TC 150 amount, and all TC 29X and TC 30X amounts. It releases the same freezes and holds as TC 300.
- (4) TC 337 - Generates a TC 337, abatement of computer-generated interest, if applicable.
- (5) TC 304 - Adjusts a previously posted tentative allowance input with TC 295 or 305.
  - a. TC 295 or 305 must be present in the module.
  - b. TC 304 amount cannot exceed the sum of the TC 295 and 305 amounts.
  - c. Contains an interest computation date (interest start date) entered in Item 11 of Form 5344.
  - d. Otherwise, same as TC 300.
- (6) TC 305 - Inputs a tentative allowance from Form 1045, Application for Tentative Refund, or Form 1139, Corporation Application for Tentative Refund, or from an amended return.
  - a. Contains an interest computation date (interest start date) entered in Item 11 of Form 5344.
  - b. Valid only with Tax Class 2 or 3.
  - c. Otherwise, same as TC 301.
- (7) TC 308 - Assesses an Examination tax deficiency on a tax module containing TC 150, must include an interest computation date, entered in Item 11 of Form 5344, can be used with penalty and interest transactions, and same as TC 300 with the following exceptions:

## 4.38 Centralized Case Processing (CCP)

- a. Must include an interest computation date, entered an Item 11 of Form 5344.
- b. Can be used with penalty and interest transactions.
- c. Same as TC 300.

**Exception:** Can be used with another tax adjustment code, except TC 304 or 305.

**Exception:** If the TC 301 is more than the TC 308, interest has to be restricted

**Exception:** If there are multiple TC 308s, CCP can cycle each assessment rather than restricting the module.

**Note:** Refer to IRM 20.2.9, Interest on Carryback of Net Operating Loss and IRM 20.2.10.5, Employment Taxes.

- (8) TC 309 - Input an Examination Overassessment of tax to a module with a TC 150.

- a. Must include an interest computation date, entered in Item 11 of Form 5344.
- b. Can be used with penalty and interest transactions.
- c. Same as TC 301 with the following exceptions:

**Exception:** Can be used with another tax adjustment code, except TC 304 or 305.

**Exception:** If the TC 309 is more than the TC 300, interest has to be restricted. TC 300 and 309 may be input on the same adjustment document with an interest computation date. Interest should **not** be manually computed unless the module is already restricted as MF is capable of calculating the correct interest. TC 309 will post to the module provided the amount is not greater than the net of all TC's 150, 29X, and 30X, **including** the TC 300 processed on the same adjustment document.

**Exception:** If there are multiple TC 309s, CCP can cycle each assessment rather than restricting the module.

4.38.1.7.3.1.21.3  
(03-28-2024)  
**Interest Transaction  
Codes**

- (1) The combined total of the penalty and interest transaction codes input per adjustment document is limited to four. The following table details the actions necessary with each transaction code related to interest.

Transaction Code	Actions to Take
TC 340	<ul style="list-style-type: none"> <li>Assesses manually computed restricted interest</li> <li>After this transaction has posted, no interest for the same module will be assessed or abated by the computer, except as explained below.</li> <li>Any other interest adjustments must be computed manually and input with TC 340 or 341.</li> </ul> <p><b>Note:</b> Use a non-restricting TC 340 whenever possible. Refer to IRM 20.2.5.6.3, Non-Restricting Transaction Code (TC) 340.</p>
TC 341	<ul style="list-style-type: none"> <li>Abates previously posted TC 190, 196, 336, or 340 in full or in part.</li> <li>Cannot be more than the total interest (TC 19X, 33X, and 34X).</li> <li>Interest need not be permanently restricted when a TC 341 is input. Use of a cycle delayed non-restricting TC 340, where MF uses the COMP-INT-AMT and its DB-INT-TO-DT to systemically update interest, will remove the interest restriction. Refer to IRM 20.2.5.6.3, Non-Restricting Transaction Code (TC) 340.</li> </ul>

Transaction Code	Actions to Take
TC 342	<ul style="list-style-type: none"> <li>Removes the restriction on computation of debit TC 340 interest and allows normal recomputation of interest.</li> </ul> <p><b>Caution:</b> Only use if the account was erroneously restricted. TC 342 may not be input without first securing the source document for the TC 340/341 that created the interest restriction. Refer to IRM 20.8.8.3(13)(a), Manual Computations. If unsure, use a non-restricting TC 340 instead.</p>
TC 770	<ul style="list-style-type: none"> <li>Credits the tax module to allow interest on an overpayment that is manually computed.</li> <li>Interest may be allowed when an overpayment is refunded and/or offset.</li> <li>When manually computed interest is posted to a tax module with TC 770, overpayment interest is not computer-generated until the module balance reaches zero.</li> </ul>
TC 772	<ul style="list-style-type: none"> <li>Reverses a TC 770 or TC 776 in whole or in part.</li> <li>Represents manually calculated debit interest that is charged at the credit interest rate when netting is applicable.</li> <li>Cannot exceed the total of TC 770 and TC 776.</li> </ul>

Transaction Code	Actions to Take
TC 720	<ul style="list-style-type: none"> <li>Represents a refund payment and may be associated with a TC 772 reversing the credit interest allowed with the refund.</li> </ul>

**Reminder:** TC 680 - the posting of a TC 680, designating interest payment, generates TC 196, interest assessment in the same amount as the TC 680.

**Reminder:** IMF Only - TC 150 with Condition Code Z, Combat Zone taxpayer, generates TC 340 for zero amount, turning on debit restricted interest indicator and restricted FTP penalty. TC 500 (military deferment) also generates TC 340.

4.38.1.7.3.1.21.4  
(03-28-2024)

**Penalty Transaction Codes**

- (1) The combined total of the penalty and interest transaction codes is limited to four.

**Note:** Penalty transaction codes are not allowed on Employment tax returns with an Employment Code of "F".

Transaction Code	Actions to Take
TC 160	<ul style="list-style-type: none"> <li>Assesses manually computed delinquency penalty.</li> <li>After a TC 160 posts to a module, all subsequent adjustments to the delinquency penalty must be manually computed.</li> </ul>

Transaction Code	Actions to Take
Substitute for Return (SFR) or Delinquent Return	<ul style="list-style-type: none"> <li>On an SFR or delinquent return, the delinquency penalty, TC 160, must be reflected on the Form 5344, even if no penalty is asserted. This excludes Disposal Codes 01 and 02.</li> <li>The first page of the AMDISA has a field titled, "DELQ-RET-IND". If the delinquent return indicator is a "1", the delinquency penalty must be addressed on the Form 5344. There must be a TC 160 or TC 161 in Item 12. If no delinquency penalty is to be asserted, enter TC 160 for 0.00.</li> </ul>
TC 161	<ul style="list-style-type: none"> <li>Abates a previously posted TC 160 or 166 (computer-generated delinquency penalty) in full or in part.</li> </ul>
TC 162	<ul style="list-style-type: none"> <li>Removes restriction on computation of Failure to File Penalty (FTF) on previously posted TC 160 or 161.</li> <li>Causes recomputation and allows normal computation of FTF penalty.</li> </ul>

Transaction Code	Actions to Take
TC 170	<ul style="list-style-type: none"> <li>Assesses manually computed estimated tax penalty applicable to Form 1040, U.S. Individual Income Tax Return, Form 1120, U.S. Corporation Income Tax Return, Form 990-C, Farmer's Cooperative Association Income Tax Return, and Form 8804, Annual Return for Partnership Withholding Tax (Section 1446).</li> <li>After a TC 170 posts to a module, all subsequent adjustments to the estimated tax penalty must be manually computed.</li> <li>To increase a previously posted TC 170 or 176 (computer generated estimated tax penalty), enter TC 170 for the additional amount of the penalty.</li> <li>If there is no previously posted TC 170 or TC 176, the penalty is assessed with a TC 170 in the normal manner.</li> </ul>
TC 171	<ul style="list-style-type: none"> <li>Abates previously posted TC 170 or 176 in full or in part.</li> </ul>

Transaction Code	Actions to Take
TC 180 (BMF Only)	<ul style="list-style-type: none"> <li>Assesses the Failure to Deposit (FTD) penalty for insufficient and/or untimely deposit of taxes.</li> <li>Applies to MFT Codes 01, 03, 09, 10, 11, 12, or 16.</li> <li>To adjust TC 180 or TC 186 (computer generated FTD penalty), follow procedures for adjusting TC 170 or TC 176. Refer to IRM 20.1.4, Penalty Handbook - Failure to Deposit Penalty.</li> <li>After a TC 180 posts to a module, all subsequent adjustments to the FTD penalty must be manually computed.</li> </ul> <p><b>Note:</b> FTD penalty is not allowed on Employment tax returns with Employment Code "A" or "F".</p>
TC 181 (BMF Only)	<ul style="list-style-type: none"> <li>Abates a previously posted TC 180 in full or in part.</li> <li>To adjust TC 181, follow procedures for adjusting TC 171. Refer to IRM 20.1.4, Failure to Deposit Penalty.</li> </ul>
TC 200 (IMF Only)	<ul style="list-style-type: none"> <li>Assesses a penalty for failure to furnish requested identifying numbers.</li> </ul>
TC 201 (IMF Only)	<ul style="list-style-type: none"> <li>Abates a previously posted TC 200 in full or in part.</li> </ul>
TC 234 (BMF Only)	<ul style="list-style-type: none"> <li>Assesses a manually computed \$20 daily delinquency penalty up to a maximum of \$10,000.</li> </ul>
TC 235 (BMF Only)	<ul style="list-style-type: none"> <li>Abates previously assessed daily delinquency penalty, TC 234 or TC 238 (computer generated penalty) in whole or in part.</li> </ul>



Transaction Code	Actions to Take
TC 240	<ul style="list-style-type: none"> <li>• TC 240 is a computer-generated miscellaneous penalty not identified with its own transaction code or reference number. The TC 240 is generated based on the Penalty Reference Number (PRN) entered in Item 15 of Form 5344.</li> <li>• TC 240 is also used to assess the IRC 6698, Failure to File Partnership Return, and IRC 6699, Failure to File S Corporation Return when the penalty is asserted for failure to include all required information with Form 1065, U.S. Return of Partnership Income or Form 1120-S, U.S. Income Tax Return for an S Corporation. However, special procedures apply for these assessments. Refer to IRM 20.1.2.3, Penalty Handbook - Failure to File / Failure to Pay Penalties, Failure to File a Partnership Return-IRC 6698, and IRM 20.1.2.5, Penalty Handbook-Failure to File/Failure to Pay Penalties, Failure to File S Corporation-IRC 6699.</li> <li>• TC 240 should be used rarely. The majority of penalties now have their own penalty reference number (PRN). The PRN should be entered in Item 15 of Form 5344 with the corresponding amount of the penalty.</li> </ul>
TC 241	<ul style="list-style-type: none"> <li>• Input the penalty reference number with a minus in Item 15 of Form 5344 and the computer will generate a TC 241. This action will abate a previously posted TC 240 in full or in part.</li> </ul>

Transaction Code	Actions to Take
TC 270	<ul style="list-style-type: none"><li>Assesses manually computed penalty for FTP tax.</li><li>After TC 270 posts, all subsequent adjustments to penalties must be manually computed.</li><li>Restricts penalty computation for the same module.</li><li>TC 150 with Condition Code Z (combat zone) generates TC 270 for zero amount.</li></ul>
TC 271	<ul style="list-style-type: none"><li>Manual abatement of previously assessed FTP penalty. Restricts penalty computation for the same module. <b>Exception:</b> TC 271 does not restrict penalty computation if the penalty was abated for reasonable cause with Reason Code 062.</li></ul>

Transaction Code	Actions to Take
TC 272	<ul style="list-style-type: none"> <li>Removes restriction on computation of FTP penalty on previously posted TC 270 or 271.</li> <li>Causes recomputation and allows normal computation of FTP penalty.</li> </ul> <p><b>Exception:</b> TC 272 does not cause re-computation if the penalty was abated for reasonable cause with Reason Code 062. If the penalty was abated in error, it must be manually reassessed.</p>
TC 281	<ul style="list-style-type: none"> <li>Abates previously posted TC 280 (manually computed penalty) and TC 286 (computer generated penalty) in full or in part.</li> <li>Will post prior to return (account with no TC 150) if it is the only transaction with TC 290, and the module contains TC 280 or 286 of equal or greater amount.</li> </ul>
TC 310 (IMF Only)	<ul style="list-style-type: none"> <li>Assesses penalty for failure to report tip income.</li> </ul>
TC 311 (IMF Only)	<ul style="list-style-type: none"> <li>Abates previously posted TC 310 in full or in part.</li> </ul>
TC 320	<ul style="list-style-type: none"> <li>Assesses fraud penalty.</li> <li>Restricts FTP penalty.</li> <li>May not be used with another penalty except TC 160, TC 170, or TC 180.</li> </ul>
TC 321	<ul style="list-style-type: none"> <li>Abates previously posted TC 320 in full or in part.</li> <li>Releases the restrictions on FTP penalty.</li> </ul>

Transaction Code	Actions to Take
TC 350	<ul style="list-style-type: none"> <li>Assesses negligence penalty for returns prior to 1989.</li> <li>A TC 350 and a TC 320 may be asserted on the same module but on different portions of the tax. Refer to IRM 20.1.5, Penalty Handbook, Return Related Penalties, for more information.</li> </ul>
TC 351	<ul style="list-style-type: none"> <li>Abates previously posted TC 350 in full or in part.</li> <li>For tax years prior to 1988 the penalty includes 50% of the interest. This needs to be considered when abating part of the TC 350.</li> <li>For more information, refer to IRM 20.2.5.3, Interest - Interest on Underpayments, Interest on Penalties and Additions to Tax.</li> </ul>

4.38.1.7.3.1.22  
(03-28-2024)

**Disposal Code**

- (1) 01-04, 09, 10, 12, 13, or 34 is required on all examined closings.

4.38.1.7.3.1.22.1  
(03-28-2024)

**Validity Checks**

- (1) Certain validity checks must be met, or the document will reject at the terminal.
- (2) Disposal Codes 03, 04, 10, 12, 13, and 34 require Examination Results.
- (3) Disposal Codes 09 and 10 (all pertaining to Statutory Notices of Deficiency) are not valid with MFT codes in which stat notices are not issued (MFTs 01, 04, 09, 10, 11, 14, 16, 17, 18, 19, 71, 72, or 80).
- (4) If Disposal Code is 01, 02, or Item 12 and/or Item 15 must not contain an amount that represents tax, penalty, or credits.
- (5) If Disposal Code is 01, Item 12 must be blank, but Item 15 may contain an entry other than credit reference numbers 301, 302, 303, 304, 307, 310, 312, 318, 680, 681, 682, 685, 686, 764, 765, 766, 767, 806 and 807.

4.38.1.7.3.1.22.2  
(03-28-2024)

**Agreed**

- (1) Use Disposal Codes 03, 04, 08 or 09.

- |                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>4.38.1.7.3.1.22.3<br/>(03-28-2024)<br/><b>Changed Case/No Dollars</b></p>                      | <ul style="list-style-type: none"> <li>(1) Use Disposal Code 12.</li> <li>(2) A changed case with no results requires an amount of \$1 in Item 35, Manual Assessment Amount and Disposal Code 12 in Item 13. Some examples of these types of cases are:               <ul style="list-style-type: none"> <li>a. Barred assessment cases</li> <li>b. Interest assessment only</li> <li>c. Tax assessments offset by credits in the same tax period</li> <li>d. Penalty assessment only</li> </ul> </li> <li>(3) If applicable, enter an agreement date in Item 08.</li> </ul> |
| <p>4.38.1.7.3.1.22.4<br/>(03-28-2024)<br/><b>Defaulted Statutory Notice of Deficiency</b></p>     | <ul style="list-style-type: none"> <li>(1) Use Disposal Code 10.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p>4.38.1.7.3.1.22.5<br/>(03-28-2024)<br/><b>No Change</b></p>                                    | <ul style="list-style-type: none"> <li>(1) Use Disposal Code 01 or 02.</li> <li>(2) PC 5 is automatically generated on all DC 01 and 02 returns. This allows the computer to automatically update the FTP penalty.</li> </ul>                                                                                                                                                                                                                                                                                                                                                |
| <p>4.38.1.7.3.1.22.6<br/>(03-28-2024)<br/><b>Partial Assessments</b></p>                          | <ul style="list-style-type: none"> <li>(1) Only 03, 04, 08, 09, 10, and 13 are valid.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p>4.38.1.7.3.1.22.7<br/>(03-28-2024)<br/><b>Surveyed Claims</b></p>                              | <ul style="list-style-type: none"> <li>(1) Use Disposal Code 34.</li> <li>(2) A claim amount must be present on AIMS.</li> <li>(3) The net of tax and penalties in Item 12 and/or 15 must be negative or a positive credit amount.</li> <li>(4) Items 12, 13, 15 (if applicable), 21 and 36 are required.</li> </ul>                                                                                                                                                                                                                                                         |
| <p>4.38.1.7.3.1.22.8<br/>(03-28-2024)<br/><b>Undeliverable Statutory Notice of Deficiency</b></p> | <ul style="list-style-type: none"> <li>(1) Use Disposal Code 13.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p>4.38.1.7.3.1.22.9<br/>(03-28-2024)<br/><b>Other IRM References</b></p>                         | <ul style="list-style-type: none"> <li>(1) Refer to IRM 4.4.1, Audit Information Management System (AIMS) - Validity and Consistency, Introduction for further information.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                       |
| <p>4.38.1.7.3.1.23<br/>(03-28-2024)<br/><b>Item 14: Statute Extended to</b></p>                   | <ul style="list-style-type: none"> <li>(1) If the statute expiration date has been corrected or extended, and has not been updated on AIMS, enter the extended date in Item 14.</li> <li>(2) Failure to input a numeric date will cause an unpostable condition if the MF statute date has expired and an assessment attempts to post.</li> <li>(3) Item 14 is a required entry if making an adjustment to an Individual Retirement Account (IRA) MFT 29 module.</li> </ul>                                                                                                  |

4.38.1.7.3.1.23.1  
(03-28-2024)

**Alpha Codes**

- (1) If an assessment is input and the AIMS base contains an alpha character in the statute date that date must be updated to a numeric date prior to closing.

**Exception:** When the input is a partial assessment, currently a statute date with an alpha code of EE does not need to be updated to a numeric date. Effective 1/1/2016 a statute date with an alpha code of EE does not need to be updated to a numeric date for a final closure with an assessment.

- (2) AIMS does not send a statute update to Master File if the AIMS statute date contains alpha codes.

- (3) It is not necessary to update the alpha date on no change cases. AIMS does not send an alpha code to Mater File and a TC 300 for zero will not unpost if the assessment statute expiration date (ASED) is expired.

4.38.1.7.3.1.23.2  
(03-28-2024)

**Claims**

- (1) Timely filed examined claims that result in a refund will post to Master File even when the ASED has expired.

4.38.1.7.3.1.23.3  
(03-28-2024)

**Form 872, Consent to Extend Time to Assess Tax**

- (1) If there is a valid Form 872, in the file, if the correct ASED is not on AIMS, then the extended statute date must be entered to ensure Master File is correct.

4.38.1.7.3.1.23.4  
(03-28-2024)

**Form 872-A, Special Consent to Extend the Time to Assess Tax**

- (1) If there is a valid Form 872-A, in the file, if the correct ASED is not on AIMS, then the extended statute date must be entered to ensure Master File is correct.

4.38.1.7.3.1.23.5  
(03-28-2024)

**TC 560**

- (1) When the entry in Item 14 is input and it is not the same date as the current ASED on AIMS, it will generate a new assessment statute expiration date (ASED/TC 560) on the Master File.

4.38.1.7.3.1.23.6  
(03-28-2024)

**SFR Posted**

- (1) If the TC 150 is an SFR, an ASED date is not computed at Master File. Refer to IRM 25.6.1.9.4.5, Statute of Limitations Processes and Procedures, Substitute for Return (SFR), for more information.

4.38.1.7.3.1.23.7  
(03-28-2024)

**Consent Indicator**

- (1) An indicator of X or R will appear after the ASED in the following situations:

INDICATOR	EXPLANATION
X	The statute date has been changed, for example, 04152015X.

INDICATOR	EXPLANATION
R	The statute date has been updated with a Restricted Extension (Statute restricted to a set of issues or flow through entities.)

4.38.1.7.3.1.23.8  
(03-28-2024)

**More Information**

- (1) Refer to IRM 25.6, Statute of Limitations, for more information.

4.38.1.7.3.1.24  
(03-28-2024)

**Item 15: Credit and Tax  
Computation  
Adjustments**

- (1) Entries in this item are used to:
- Update information fields on Master File (not applicable for non-taxable returns),
  - Adjust credits on individual, fiduciary and corporation returns,
  - Post changes to adjusted gross income or self-employment tax on individual returns,
  - Provide Master File a means to distinguish certain miscellaneous penalties on which to generate interest, and
  - Adjust and identify the types of tax being adjusted on excise or employment tax returns.

4.38.1.7.3.1.24.1  
(03-28-2024)

**Maximum Number of  
Entries**

- (1) Eight entries can be input at one time.
- (2) The examiner will identify the reference numbers that do not impact tax or penalties. For examiners using RGS refer to the RGS article, *RGS Form 5344 - Help Sheet for SBSE* and refer to **Important Information** for information regarding the maximum entries in Item 15 of Form 5344. Be sure to annotate Form 3198 in the "Special Features" section on page 1 and check the box for "F5344, Item 15 more than 8 ref codes (REQ54 req'd)".
- (3) When there are more than eight references that impact tax (example: Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return), partial procedures will be used by CCP.

4.38.1.7.3.1.24.2  
(03-28-2024)

**Special Validity Checks**

- (1) A terminal reject will occur if any of the following conditions do not occur:
- (2) Disposal Code 01
- MFT 03: Item 15 may be entered but the net total of all Item 15 entries must equal zero.
  - MFT (other than 03): an amount may be entered if it is other than a reference number that represents a penalty or credit, such as 680 or 806.

4.38.1.7.3.1.24.3  
(03-28-2024)

**FUTA State Code (also known as State Credit Reduction)**

- (1) Federal Unemployment Tax Act (FUTA) state code is valid for MFTs 05, 10 and 30 and is required if the Disposal Code is equal to 03 or 12. The state code is the postal two-letter state abbreviation.

**Example:** The state code for Colorado is CO.

- (2) FUTA state code is invalid if the Disposal Code is 01 or 02.
- (3) If you are adjusting FUTA Tax, a "T" for "taxes" for the primary taxpayer will be entered or a "Z" for taxes for the secondary taxpayer will be entered. If you are adjusting FUTA Wages, a "W" for "Wages" for the primary taxpayer will be entered or a "Y" for wages for the secondary taxpayer will be entered.
- (4) The total of FUTA State Code amounts for codes beginning with a "T" or "Z" must equal Item 12 Tax transaction amounts.

**Example:** To enter an adjustment for FUTA taxes for the primary taxpayer in Item 15, enter at the left most position under "Ref. No." TCO which stands for "Tax Colorado" and the amount of FUTA taxes. The entry would appear as 15-TCO/100000. The corresponding Item 12 entry would be a TC 300 for 100000. For a tax adjustment for the secondary taxpayer, substitute a Z for the T.

- (5) The total of FUTA State Code amounts for codes beginning with a "W" or "Z" will be entered in Item 15 as follows:

**Example:** To enter an adjustment for FUTA wages for the primary taxpayer in Item 15, enter at the left most position under "Ref. No." WCO which stands for "Wages Colorado" and the amount of FUTA wages. The entry would appear as 15-WCO/7500000. For an adjustment to wages for the secondary taxpayer, substitute a Z for the W.

4.38.1.7.3.1.24.4  
(03-28-2024)

**Reference Number Definitions**

- (1) Refer to Document 6209, IRS Processing Codes and Information, Section 8C, Master File Codes, for a complete listing of Reference Numbers for several types of returns.

4.38.1.7.3.1.25  
(03-28-2024)

**Item C: Operator Employee No.**

- (1) This item is entered by the employee inputting Form 5344.
- (2) The entry should include the operator's employee number and the date of input.

4.38.1.7.3.1.26  
(03-28-2024)

**Item D: Rej.**

- (1) This item is only to be completed if the Form 5344, is rejected at input.
- (2) The employee enters the date rejected, the item number that rejected or a screen print of the reject message.
- (3) The employee who corrects the item writes the correction date in Item F block and returns the form for input.

4.38.1.7.3.1.27  
(03-28-2024)

**Item E: Document Locator Number (DLN)**

- (1) A fourteen-digit number by which returns can be stored and associated.



4.38.1.7.3.1.27.1  
(03-28-2024)  
**Master File Cases**

- (1) A portion of the DLN is assigned by the computer. The remainder of the DLN (last digit or the block number, two-digit serial number, and year digit) is assigned during the end of day computer processing.
- (2) The refile DLN is not entered on Master File closing documents.
- (3) The first two digits of the computer assigned DLN is normally the File Location Code (FLC) or Campus Code. The computer keeps track of assigned blocks. When additional blocks are needed to accommodate the volume of closings being processed, the computer will continue to use a District Office Code or Universal Location Code (ULC), beginning with the lowest progressing sequentially to the highest numbered District Office Code valid for that campus.
- (4) Refer to Document 6209, Section 4 - Document Locator Number, for additional information.

4.38.1.7.3.1.27.2  
(03-28-2024)  
**Non-Master File (NMF) Cases**

- (1) The renumbered DLN will be entered for NMF examined closings.

4.38.1.7.3.1.28  
(03-28-2024)  
**Item F: Cor.**

- (1) The date the correction is made will be placed in the corrected block by the person making the correction to the item rejected.
- (2) The Form 5344 will then be reinput.

4.38.1.7.3.1.29  
(03-28-2024)  
**Item 19: NAICS**

- (1) Valid only for MFT's 01, 02, 04, 06, 10, 11, 14, 16, and 30 for tax periods 199812 and subsequent.
- (2) If the NAICS Code is not accurate on the AIMS database, enter Reference Number 410 and the 6-digit NAICS Code in Item 19.

4.38.1.7.3.1.30  
(03-28-2024)  
**Item 20: Claim Rejection Date**

- (1) Enter the agreement date of the formal claim disallowance form, e.g., Form 2297, Waiver of Statutory Notification of Claim Disallowance, if the taxpayer signed the waiver.
- (2) If the taxpayer does not agree, enter the date the formal claim disallowance letter is sent to the taxpayer.
- (3) If this item is entered, Item Numbers 22, 23, 24 and an amount claimed are also required.
- (4) If a date is entered, the Disposal Code must be 01, 03, 04, 08, 09, 10, 12 or 13.

4.38.1.7.3.1.31  
(03-28-2024)  
**Item 21: Amount Claimed**

- (1) Enter the amount of the claim as defined in IRM 4.10.11.2.2.1, Claims for Refund - Forms. The claim amount is only tax and cannot exceed the amount paid by the taxpayer.

**Note:** Do not enter a claim amount for audit reconsideration cases.

4.38.1.7.3.1.31.1  
(03-28-2024)  
**\$1 on Database**

- (1) If \$1 was entered on the database (AMDISA) due to a protective claim, then the correct amount of the claim must be entered when closing the case.

4.38.1.7.3.1.31.2  
(03-28-2024)  
**Source Code 31**

- (1) No entry is made when the Source Code is 31 (paid claim for refund).

4.38.1.7.3.1.32  
(03-28-2024)  
**Revenue Base  
Protection Section  
(Claim for Refund  
Disallowed)**

- (1) Protection of the revenue base is the work performed by Examination personnel to prevent the release of money from the Treasury to a taxpayer.
- (2) The most common example is the examination of a claim for refund filed by a taxpayer. If the claim is disallowed, Examination is preventing the release of money from the Treasury. The protection of revenue is measured through the completion of the Revenue Base Protection (RBP) Section of Form 5344 Items 20-24.

4.38.1.7.3.1.32.1  
(03-28-2024)  
**Outstanding Balance on  
Account**

- (1) If there is an outstanding balance due on the account and the taxpayer's claim for refund includes the balance due, the RBP amount will not be the entire amount of the claim. A calculation must be performed to determine how much of the claim qualifies as RBP. Since the taxpayer can be making payments on the outstanding liability while the examination is taking place, the calculation must be made by the examiner when the examination is completed.

**Example:** The \$10,000 Claim for Refund filed by the taxpayer consists of a request for an abatement of tax for \$8,000 plus a refund of an additional \$2,000. The RBP is the refund requested and disallowed and does not include the \$8,000 request for abatement.

4.38.1.7.3.1.32.2  
(03-28-2024)  
**Example of Non-RBP**

- (1) Reduction of a carryforward to a future return that has not been filed.
- (2) Audit reconsideration (if the tax has not been paid). Since examination received credit for this closure when it was originally closed, if the audit reconsideration is being referred to Appeals, enter \$1 in Item 18 of Form 5344. Entering the amount of the audit reconsideration "claim" will cause duplicate results.

**Note:** This is handled by Technical Services, not Centralized Case Processing (CCP). It is included here for informational purposes only.

- (3) Innocent spouse claims since this does not increase or decrease the actual liability.

4.38.1.7.3.1.32.3  
(03-28-2024)  
**Source Code**

- (1) Not all claims are considered RBP, therefore, a claim amount may or may not be present for all other AIMS source codes.

4.38.1.7.3.1.33  
(03-28-2024)  
**Item 22: Dollars  
Protected**

- (1) Enter the dollar amount of the refund requested by the taxpayer that was protected (disallowed) from leaving the Treasury. This amount cannot exceed the amount claimed (Item 21 or claim amount on AMDISA).

**Note:** Do not enter an amount in Item 22 if the claim was originally paid and the amount paid on the original claim is now being disallowed (recaptured). Item 22 is only completed for unpaid claims.

4.38.1.7.3.1.33.1  
(03-28-2024)

## Required Entries

- (1) If Item 22 is entered, Item Numbers 23 and 24 are also required.

4.38.1.7.3.1.33.2  
(03-28-2024)

## Claim Allowed in Full

- (1) Item 22 must be zero if the claim was allowed in full and/or there are no offsetting issues.

**Example:** A taxpayer filed a claim for \$5,000. It was allowed in full. The final adjustment is -\$5,000. The amount claimed (\$5,000) is entered on Item 21 of Form 5344. \$0 was disallowed and this is entered on Item 22. The final adjustment is entered on Item 12 as -\$5,000. This is the same amount entered as a Transaction Code (TC) 301.

4.38.1.7.3.1.33.3  
(03-28-2024)

## Claim Allowed in Part

- (1) This is to reflect the amount of the claim that was prevented (disallowed) from leaving the Treasury.

**Example:** A taxpayer filed a claim of \$5,000. \$3,000 of the claim was disallowed. This means the final adjustment was -\$2,000. The amount claimed (\$5,000) is entered on Item 21 of Form 5344. \$3,000 was disallowed and this is entered on Item 22. The final adjustment is entered on Item 12 as -\$2,000. This is the same amount entered as a TC 301.

4.38.1.7.3.1.33.4  
(03-28-2024)

## Claim Allowed in Part plus Additional Adjustments in the Taxpayer's Favor

- (1) Follow this example when the claim is allowed in part, and you have additional adjustments in the taxpayer's favor.

**Example:** A taxpayer filed a claim of \$5,000. \$4,500 of the claim was allowed. However, the taxpayer also had \$1,500 of other adjustments. Therefore, the final adjustment is \$6,000. Enter \$5,000 in Item 21 of Form 5344 for the amount claimed. In Item 12, the Final Adjustments is entered as -\$6,000. \$0 is entered on Item 22.

**Note:** Explanation: While \$500 of the \$5,000 claim for refund was disallowed, we did not prevent the release of any money from leaving the Treasury.

4.38.1.7.3.1.33.5  
(03-28-2024)

## Claim Allowed is Greater than Other Adjustments

- (1) Follow this example when the claim allowed equals the other adjustments:

**Example:** A taxpayer filed a claim for \$5,000. \$4,000 of the claim was allowed. However, \$1,000 of tax is due on other adjustments. The final adjustment is -\$3,000 (\$4,000 - \$1,000). The claim amount disallowed is \$2,000 (\$5,000 - \$3,000). On Form 5344 enter \$5,000 on Item 21 for the amount claimed, -\$3,000 in Item 12 / TC 301 for the final adjustment amount, and \$2,000 in Item 22 for the claim amount that was disallowed.

4.38.1.7.3.1.33.6  
(03-28-2024)

**Claim Allowed is Less  
than Other Adjustments**

- (1) Follow this example when the claim allowed is less than the other adjustments.

**Example:** A taxpayer has filed a claim for \$5,000. \$4,000 of the claim was allowed. However, the taxpayer owed \$7,000 of tax due on other adjustments. The final adjustment is \$3,000 (\$7,000 - \$4,000). The claim amount that was disallowed is \$5,000 (equal to the full amount claimed as the amount of claim allowed did not offset the total amount due). You will enter \$5,000 on Item 21 of Form 5344, \$3,000 on Item 12 / TC 300, and \$5,000 on Item 22.

**Note:** Explanation: While \$4,000 of the \$5,000 claim for refund was allowed, all of the \$5,000 was prevented from leaving the Treasury because the taxpayer owes an additional \$3,000.

4.38.1.7.3.1.34  
(03-28-2024)

**Item 23: RBP Hours**

- (1) The first five digits represent whole hours.
- (2) The right most digit:
- For field EGCs enter 0, 3, 5 or 7 which represents quarter hours (0; 15; 30 and 45 minutes).

**Note:** Do not include time entered in Item 28.

4.38.1.7.3.1.35  
(03-28-2024)

**Item 24: Claim Type**

- (1) An alpha code (A-Z) that identifies the type of claim for refund. Please refer to IRM 4.38.1.9.1.6.9 for more information.

4.38.1.7.3.1.36  
(03-28-2024)

**Item 28: Examiner's  
Time**

- (1) The Examiner's time is a required entry made up of the total amount of time spent on non-revenue base protection issues for each return examined. Field groups can only enter time in 15-minute increments.
- (2) The first five digits represent whole hours.
- (3) Enter one of the following numbers in the right most digit to indicate the fraction of an hour charged:
- 0** for 00 minutes,
  - 3** for 15 minutes,
  - 5** for 30 minutes, and
  - 7** for 45 minutes.

4.38.1.7.3.1.36.1  
(03-28-2024)

**Reopened/Returned  
from Appeals Cases**

- (1) If the return has been reopened from Status 90 using CC AMSTUR, or returned from Appeals using CC AMSTUB, the total time from both closings must be entered in this field. The computer will net the amount entered in Item 28 with the amount that is on the database from the prior closure and the correct amount will be reflected on the Examination tables. Because of the automatic netting, the computer will require the amount entered in Item 28 to be equal or greater than the time entered on the original closing. The computer will also prevent a correction to the time field on the database before the case is closed.
- (2) Refer to IRM 4.4.26, AIMS Procedures and Processing Instructions, Reopening/ Reclosing/ Reinputting Records.

4.38.1.7.3.1.37 (03-28-2024) <b>Item 30: Examination Technique Code</b>	(1) An entry of 1-4 or 6-9 is required for all examined returns.
4.38.1.7.3.1.37.1 (03-28-2024) <b>Claims</b>	(1) No entry is made for surveyed claims (Disposal Code 34).
4.38.1.7.3.1.37.2 (03-28-2024) <b>Revenue Agent (EGC 1XXX)</b>	(1) Enter "3" for Revenue Agent.
4.38.1.7.3.1.37.3 (03-28-2024) <b>Tax Compliance Officer/Tax Resolution Representative (EGC 2XXX)</b>	(1) Valid Technique Codes are: <ul style="list-style-type: none"> <li>a. 1 = Interview Held During Examination,</li> <li>b. 2 = Closed by Correspondence / No Interview,</li> <li>c. 6 = No Show / No Response. Only valid with Disposal Codes 01, 08, 10, 12 or 13, and</li> <li>d. 7 = Undeliverable Mail. Only valid with Disposal Codes 01, 10 or 13.</li> </ul>
4.38.1.7.3.1.38 (03-28-2024) <b>Item 31: Examiner's Grade</b>	(1) Enter the grade of the examiner who closed the case. (2) The entry must be two digits, 03 - 14 are valid entries.
4.38.1.7.3.1.38.1 (03-28-2024) <b>Revenue Agent</b>	(1) Entry of 05, 07, 09, 11 - 14 required.
4.38.1.7.3.1.38.2 (03-28-2024) <b>Tax Compliance Officer/Tax Resolution Representative</b>	(1) Entry of 03-09 or 11 required.
4.38.1.7.3.1.39 (03-28-2024) <b>Item 32: Grade of Case</b>	(1) Group managers determine grade of case for all returns with a 1XXX employee group code. (2) The final grade level of difficulty is determined when the examination has been completed. The manager will consider both the primary and related returns to determine the grade level.
4.38.1.7.3.1.39.1 (03-28-2024) <b>Primary Returns</b>	(1) The entry for the primary return is composed of 3 digits and must be entered by Field Exam starting in the left most position. This is generally the return that started the audit.
4.38.1.7.3.1.39.2 (03-28-2024) <b>Related Returns</b>	(1) The related returns are graded to be the same as the primary return. Therefore, the same three-digit code is used followed by an "R".

- a. The primary return information is entered in Items 405-408 for each related return.
- (2) No matter how selected or when assigned, returns may be included as follows:
  - a. Returns filed for prior or later tax periods for the same taxpayer,
  - b. Related returns for the same tax period as the primary return, and
  - c. Related returns for prior or later tax periods than the primary return.
- (3) When the related entities are examined by other examiners, each field manager grades the separate entities as separate cases, and the "R" is not entered.

4.38.1.7.3.1.40  
(03-28-2024)

**Item 33: Examiner's Name**

- (1) This item is required for area examinations only. The examining revenue agent must enter their last name and first initial only.

4.38.1.7.3.1.41  
(03-28-2024)

**Item 34: Adjustment Amount**

- (1) This field is used to reflect adjustments to non-taxable returns to estimated tax results. It is the revenue agent's responsibility to verify the adjustment amount is accurate.
- (2) This is a dollars only field - Do not enter cents.

4.38.1.7.3.1.42  
(03-28-2024)

**Item 35: Manual Assessment Amount**

- (1) Enter the net of all adjustments that are processed using the quick (manual) assessment procedures. For information on quick assessments, refer to IRM 4.38.1.7.3.4, Quick Assessments.
- (2) If more than one quick assessment has been processed, ensure that this entry is the total of all assessments processed. Refer to IRM 4.38.1.7.3, Examined Closings, Surveyed Claims, and Partial Assessments, Reopened Cases.

4.38.1.7.3.1.42.1  
(03-28-2024)

**Tax Adjustments**

- (1) Include the net total of all tax adjustments.

4.38.1.7.3.1.42.2  
(03-28-2024)

**Penalty Adjustments**

- (1) **Do Not Include** penalty adjustments (i.e., TC 160, 320, Credit Reference Numbers 680, 681, 683, 780, 781 and 786-792, etc.).

4.38.1.7.3.1.42.3  
(03-28-2024)

**Tax Credit Adjustments**

- (1) Include the net total of all credits (i.e. Reference Numbers 258, 259, 764, 765, 806, 807, etc.) if processed as part of the quick assessment.

4.38.1.7.3.1.42.4  
(03-28-2024)

**Interest Adjustments**

- (1) Do not include interest adjustments.

4.38.1.7.3.1.42.5  
(03-28-2024)

**MFT 31**

- (1) If the same tax will be assessed against both taxpayers, such as petitioning/non-petitioning spouse cases, do not enter the MFT 31 assessment amount in Item 35. The tax amount for the taxpayer going to Appeals (petitioning spouse) will be entered in Item 18, Unagreed Amount by Technical Services. Otherwise enter the MFT 31 amount in Item 35. Refer to IRM 4.8.9.27.8.1, Statutory

Notices of Deficiency, Split Spousal Assessments. For additional information on MFT 31, refer to IRM 4.19.10.7, Liability Determination, Examination General Overview, Master File Tax (MFT) 31, and IRM 21.6.8, Individual Tax Returns, Split Spousal Assessments (MFT 31).

4.38.1.7.3.1.42.6  
(03-28-2024)  
**Non-Master File (NMF)  
Assessments**

- (1) For returns controlled on NMF AIMS (indicated by an “N” after the TIN, i.e., 123-45-6789N and MFT 20 for an IMF return), if the same tax will be assessed against both taxpayers, do not enter the NMF assessment amount in Item 35 because the tax amount will be entered on the MFT 30 (master file) account of the appropriate taxpayer.
- (2) For returns controlled on NMF AIMS, if a different tax will be assessed such as culpable spouse cases, enter the amount of the NMF assessment in Item 35.
- (3) For information on processing NMF assessments, refer to IRM 4.38.1.8.2, Non-Master File Assessments and Abatements.

4.38.1.7.3.1.42.7  
(03-28-2024)  
**Reference Number  
Adjustments**

- (1) Do not include reference number adjustments which are only used to update information fields on Master File or alert Master File to make special interest computations (i.e. Reference Numbers 221, 320, 878, 881, 882, 885, 886, 887, 888, 889, 890, and 999).

4.38.1.7.3.1.42.8  
(03-28-2024)  
**Reopened Cases**

- (1) Include prior manual or quick assessments on reopened cases if the case was reopened with AMSTUR (TC 300 indicator will be = 6 on page 1 of AMDISA). Do not include prior manual assessment amounts on reopened cases if the case was reopened with AIMS command code AM424.

4.38.1.7.3.1.42.9  
(03-28-2024)  
**Validity Checks**

- (1) AIMS contains numerous computer checks that are based on the disposal code and the Examination Results.
- (2) No Change cases - A manual assessment amount is not valid on:
  - a. No Change (Disposal Code 01 or 02) cases, or
  - b. Non-taxable returns (Activity Codes 224, 234, 288-290, 481-483, 489, 497, 498 and 992).
- (3) Changed Cases/No Examination Results - There are cases that are truly changed cases, but have no examination results. These cases will require an amount of \$1 in Item 35 with a Disposal Code 12 in Item 13. Some examples of these cases are:
  - a. Barred assessment cases,
  - b. Interest assessment only,
  - c. Tax assessments that are offset by credits in the same tax period, and
  - d. Penalty Only cases.



4.38.1.7.3.1.43  
(03-28-2024)

**Item 36: Hash Total**

- (1) All items that are to be included in the hash total are listed on the Form 5344 under Item 36, Hash Total. The Hash Total will include the following items from Form 5344:

Item Number	Description
P24-29	Tax Period
12	Tax, Penalty and Interest Adjustments
15	Credit, Tax Computation Credit Adjustments and Penalties with REF Numbers
18	Unagreed Amount Appealed/ Petitioned
21	Amount Claimed
22	Dollars Protected
23	RBP Hours
28	Examiner's Time
34	Adjustment Amount
35	Manuel Assessment Amount
44	NOL CF Disallowed Amount
46	Credit CF Disallowed Amount
402	International Examiner Time
403	International Exam Results
404c	Form 720, Abstract Time
404d	Form 720, Abstract Examination Results
404e	Form 720, Abstract Claim Time
414	Delinquent Return Amount
415	Amended Return Amount
418	3121Q Amount

**Note:** For items 12 and 15, include only the amounts to the right of the transaction code and **ignore** the decimal point.

- (2) The computer will compare the hash total entered in Item 36 to the total of individual items as entered by the terminal operator. This will ensure the accuracy of the input of individual entries.



4.38.1.7.3.1.44  
(03-28-2024)  
**Item 37: Delinquent Return**

- (1) Item 37 must always be completed when closing delinquent returns picked up during the examination and sent to the campus of a posting for TC 150.
- (2) This entry gives Examination credit for a delinquent return pick-up on Table 37.
- (3) If the delinquent return is incorporated into the examination, this item must be blank.
- (4) If a TC 150 SFR has posted, this item must be left blank.
- (5) If Item 37 is entered, Item 414 is required.

4.38.1.7.3.1.44.1  
(03-28-2024)  
**Valid Code**

- (1) Separate the delinquent returns secured by MFT code. For each MFT code:

If there is	Then enter a
One delinquent return	"T" in Item 37
More than one delinquent return	"T" on 1st Form 5344 and an "R" on all subsequent returns

4.38.1.7.3.1.45  
(03-28-2024)  
**Item 38: Fraud**

- (1) "F" will be entered if criminal prosecution has been successfully concluded.
- (2) "C" will be entered if the 75% fraud penalty was asserted under **IRC 6663**.
- (3) "B" will be entered if both criminal and civil apply.

4.38.1.7.3.1.46  
(03-28-2024)  
**Item 39: Disclosure Code**

- (1) The appropriate three-digit state agency code is entered when disclosure is made to a state agency. The entry of this field causes a TC 120 to be generated. Refer to IRM 11.3.37-4 State Agency Codes, for a list of the codes.

4.38.1.7.3.1.47  
(03-28-2024)  
**Item 41: No Change Issue Codes (IMF ONLY)**

- (1) Identifies examined issues that resulted in no change to taxable income. The no-change issue codes are stored at Master File and can be viewed using IMFOLZ/BMFOLZ. If a subsequent return is examined, these codes are printed on the Form 5546, Examination Return Charge-Out Sheet.
- (2) The codes are entered by the RA/TCO without periods or dashes from Pub 1102, Uniform Issue List.
- (3) Alpha codes are valid in Item 41.
- (4) Up to five entries may be made. If there are more than five no change issues, the five most significant issues may be entered.

4.38.1.7.3.1.47.1  
(03-28-2024)  
**No Change Disposal Codes**

- (1) No Change Issue Codes are required when closing examinations with DC 01 or DC 02.

- 4.38.1.7.3.1.47.2  
(03-28-2024)  
**Changed Disposal Codes**
- (1) A No Change Issue Code should be used with other examined disposal codes if one or more classified issues result in no change to taxable income.
- 4.38.1.7.3.1.47.3  
(03-28-2024)  
**Adjusted Issues with a No Change Disposal Code**
- (1) In some cases, all examined issues are adjusted yet the return is closed as a Disposal Code 01 or 02 due to other circumstances, such as negative taxable income, offsetting adjustments or the deficiency is less than tolerance. In these cases, all 9's will be entered in Item 41.
- 4.38.1.7.3.1.48  
(03-28-2024)  
**Item 53: Posting Delay Code**
- (1) The posting of the adjustment can be delayed from 1-6 cycles. CCP will enter a posting delay code when necessary.
- 4.38.1.7.3.1.49  
(03-28-2024)  
**Item I: Reviewer**
- (1) Reviewer's signature and date must be entered in this field if the return was reviewed.
- 4.38.1.7.3.1.50  
(03-28-2024)  
**Item K: Tax Examiner**
- (1) The name of the tax examiner that processed the Form 5344 must be entered in the space provided.
- 4.38.1.7.3.1.51  
(03-28-2024)  
**Items 51, 52 and 53: Reason Code**
- (1) A three-digit numeric code that indicates the reason a particular adjustment is being made or why a particular reference number is being used. There are several reason codes valid on master file. However, only the reason codes listed below are valid on AIMS.
- (2) The same reason code can appear only once in Items 51-53. Valid reason codes are:
- First-Time Homebuyer Credit (FTHBC): 109-110, 112-123, 125-129, 130, 132 and 133. Requires a credit reference number in Item 15 of Form 5344.
  - 2010 Gulf Region Oil Spill: 135. There is no associated credit reference number with this reason code.
  - Affordable Care Act (ACA): 136 and 137. Requires a credit reference number in Item 15.
  - Identity Theft: 139. There is no associated credit reference number with this reason code.
  - Criminal Restitution: 141-148. There are no associated credit reference numbers with these reason codes.
- (3) For additional information, refer to the Issues and Procedures tab, Close a Case, on the Examination home page, Form 5344 Items 51-53 Valid Reason Codes.
- 4.38.1.7.3.1.52  
(03-28-2024)  
**Item 404: Form 720, Quarterly Federal Excise Tax Return**
- (1) When a Form 720 is established on AIMS, the database contains only one abstract code which is located in the activity code field. All activity codes that were examined must be entered in Item 404.
- (2) Entries for the total time spent on the case and all assessments are made on the front of the Form 5344.

- (3) Entries for AIMS statistical reporting purposes are made in Items 404a - 404e on the back of the form.

4.38.1.7.3.1.52.1  
(03-28-2024)  
**Item 404a: Abstract Code**

- (1) The abstract code for each abstract that was examined will be entered.
- (2) If more than one abstract code was examined, an abstract code that was no-changed on the first line of 404a should be entered, unless the disposal code that was entered on the front of the Form 5344 is also a no-change disposal code. Field Exam will enter the abstract code that resulted in a change on the first line if the disposal code on the front of the Form 5344 is a changed disposal code. If the disposal code for the first abstract code is not consistent with the disposal code entered in Item 13, the case will appear on the Accomplishment Error Register and the results of the audit will not be reflected on the AIMS tables until the correction is input.

4.38.1.7.3.1.52.2  
(03-28-2024)  
**Item 404b: Disposal Code**

- (1) The appropriate disposal code for each abstract code examined will be entered.

4.38.1.7.3.1.52.3  
(03-28-2024)  
**Item 404c: Abstract Time**

- (1) The time charged to the examination for each abstract code examined will be entered.
- (2) The total of all Item 404c entries must total the amount entered in Item 28.
- Time can be reported in 15-minute intervals. Enter the following number in the fraction section of Item 28:

Time Code	Equivalent (in minutes)
Enter a "3"	15 minutes
Enter a "5"	30 minutes
Enter a "7"	45 minutes

4.38.1.7.3.1.52.4  
(03-28-2024)  
**Item 404d: Abstract Examination Results**

- (1) The tax adjustment amount for each abstract code examined will be entered.
- (2) The total of all Item 404d entries must equal the total of the computer-generated Examination results.

4.38.1.7.3.1.52.5  
(03-28-2024)  
**Item 404e: Abstract Claim Time**

- (1) Item 404e should reflect the hours entered in Item 23. If there are no claim time hours entered in Item 23, a 0 (zero) must be entered in Item 404e.

**Note:** Item 404e, Abstract Claim Time, only applies to time spent examining an unpaid claim on Form 720.

**Note:** Refer to IRM 4.24.8, Examination Guidance for Excise Claims for Refund or Abatement, for more information.

4.38.1.7.3.1.52.6  
(03-28-2024)  
**Flip/Flop Issue**

- (1) When a taxpayer has reported an excise tax under an incorrect abstract number, Examination will adjust the excise tax to report it under the proper abstract. In such cases, there will be no additional tax that is assessed. These offsetting adjustments are closed with Disposal Code 01. Item 15 will reflect the decrease (-) to the incorrect abstract number and the corresponding increase (+) to the correct abstract. Item 404a-c will reflect the abstract codes, disposal code and abstract time for each abstract reflected in Item 15. However, the exam results entered in Item 404d is zero. Zero abstract results are entered because the Item 404 results must equal the Exam Results which in flip-flop cases are zero.

4.38.1.7.3.1.52.7  
(03-28-2024)  
**Multiple Abstracts  
Examined**

- (1) Below are procedures for processing returns with multiple abstract codes.
  - a. No Change Abstract: If multiple abstract codes are examined and one is a no-change, do not list the no-change abstract code first in Item 404a. If the disposal code entered in Item 13 is greater than 02, the case will appear on the accomplishment error register.
  - b. If more than 9 abstract codes are examined, Field Exam will check the box in the lower right portion of Section 404, "Check if continued on attached page", and attach an additional Form 5344 as necessary.
  - c. Secured Delinquent Return: Item 404 must not include the amount of the delinquent return. The balance due or refund of the delinquent return secured by Examination and forwarded to the Campus for posting of the TC 150 must be entered in Item 414.

4.38.1.7.3.1.53  
(03-28-2024)  
**Items 405 - 407: Related  
Returns Section**

- (1) When the entry in Item 408 is an "S", Items 405-407 are a required entry for all examined returns worked by:
  - a. Revenue Agents in 1XXX Employee Group Codes,
  - b. Tax Compliance Officers/Tax Resolution Representatives in 2XXX Employee Groups Codes, and
  - c. LB&I examiners in PBC's 320 - 328 and 330.
- (2) Exempt from this requirement are CPF cases in 54XX, 57XX and 58XX employee group codes. EGC 54XX is for ILSC cases and 57XX is for BBA Ch2/2A cases. All three EGCs are for CPF controlled cases.
- (3) The information entered must be from the primary return which is the initial return that started the examination.
- (4) If several returns were assigned initially, the Examining Officer will designate one return as primary.
- (5) Missing or conflicting information will cause a terminal reject.
- (6) Item 405 is for the TIN of the primary return.
- (7) Item 406 is for the MFT of the primary return.
- (8) Item 407 is for the Tax Period of the primary return.

4.38.1.7.3.1.54  
(03-28-2024)  
**Item 408: Related Return  
Alpha Code**

- (1) An entry of "P" indicates Primary Return and Items 405-407 must be left blank.
- (2) An entry of "S" indicates Secondary Related (return). The Primary Return information must be entered in Items 405-407.

4.38.1.7.3.1.55  
(03-28-2024)

**Item 411: Payment Code**

- (1) Required entry on all cases (except employee group code 58XX). This code is used to monitor the number of cases in which Examination has secured a payment and whether the payment has resulted in the account being full paid, full paid due to an offset or part paid.
- (2) To determine whether the account is full paid or part paid, Field Exam will consider the tax, penalty, and interest, adjusted by credits per the Examiner's report. Use the interest amount from the Examiner's report even if a payment is secured at a later date.

**Example:** Examiner's report dated June 1, 2014, shows a balance due of \$5,000 and interest is \$100. A check is received on August 1, 2014, for the entire amount per the RAR. Consider this full paid even though there will be two more months of interest charged after the assessment is made.

- a. Select the code based on the payment status of the account at the time of closing from the group.
- b. No other codes may be used without Headquarters approval.

4.38.1.7.3.1.55.1  
(03-28-2024)

**Valid Codes**

- (1) The following are the **ONLY** valid payment codes.
  - a. F (Full Paid) - Amount shown on RAR paid in full; may be unpaid accruals; Frozen refund, withholding, or payments which cover the balance due in full.
  - b. P (Part Paid) - Includes frozen refund, withholding, payments, or an offset from another tax period which does not completely satisfy the balance due.
  - c. N (No Payment) - Changed cases where there was frozen refund, payment, or offset from another tax period to satisfy the balance due. Also used for no change cases and overassessment cases if no payment is received.
  - d. O (Total Offset) - Offsets from other tax periods that will satisfy the balance due in full.

4.38.1.7.3.1.56  
(03-28-2024)

**Item 412: Installment Agreement Code**

- (1) Required on all Field Exam cases.
- (2) Field Exam should include the code based on the information below:
  - a. I = Installment agreement request received (this includes Estate Tax Return installment agreement requests under IRC Section 6166).
  - b. C = Coordinated with collection (no installment agreement request received).
  - c. N = No installment agreement request received (includes a statement by the taxpayer they will pay within 120 days or are unable to pay).

4.38.1.7.3.1.57  
(03-28-2024)

**Item 414: Delinquent Return Amount**

- (1) This item is for delinquent returns secured by Examination and forwarded to the campus for posting of the TC 150.
- (2) Do not input if an SFR TC 150 DLN is posted to the module.

4.38.1.7.3.1.57.1  
(03-28-2024)

**Taxable Returns**

- (1) Field Exam will enter the balance due or refund amount (excluding penalties and interest) per the delinquent return. If this amount is zero, enter \$1.

- 4.38.1.7.3.1.57.2  
(03-28-2024)  
**Non-Taxable Returns**
- (1) Field Exam will enter the amount of the ordinary net income/loss or special allocation items per the delinquent return. If this amount is zero, enter \$1.
- 4.38.1.7.3.1.57.3  
(03-28-2024)  
**Excise Tax Returns**
- (1) Field Exam will enter the total of all abstract codes in Item 414. Do **Not** make an entry in Item 404 for the delinquent amount. The amount entered in Item 414 will be credited to the Activity/Abstract Code that appears on the AMDISA. Field Exam must change the Activity/Abstract Code if the delinquent return should be credited to a different abstract code.
- 4.38.1.7.3.1.57.4  
(03-28-2024)  
**AIMS Checks**
- (1) If Item 414 is entered, Item 37, Delinquent Return Code, must also be entered and vice versa.
- (2) If Item 414 is entered, Item 13, Disposal Code, must be 01 or 03, 04, 05, 06, 08, 09, 10, 12, and 13 (not valid with Disposal Codes 02 and 34).
- 4.38.1.7.3.1.58  
(03-28-2024)  
**Item 418: 3121Q Amount**
- (1) Reflects the amount of FICA adjustment made by issuing notice and demand to the business for employer's share of FICA on unreported tips.
- (2) Only valid for MFT 01, 11, or 14.
- 4.38.1.7.3.1.59  
(03-28-2024)  
**Item 422: Applicable Credit Adjustment Amount**
- (1) Reflects dollars protected during audits of Estate and Gift Tax returns for Disposal Code 01 cases, which do not necessarily yield tax dollars at the present time but do reflect a tightening of the tax gap.
- (2) Only valid for MFTs 51, 52, 53 and 54.
- 4.38.1.7.3.1.60  
(03-28-2024)  
**Item 425: DSUE Amount**
- (1) Reflects the Deceased Spouse Unused Exemption (DSUE) Amount from audits of Estate and Gift Tax returns.
- (2) Only valid for MFTs 51, 52, 53 and 54.
- 4.38.1.7.3.2  
(03-28-2024)  
**Surveyed Claims.**
- (1) This section contains instructions for the preparation of Form 5344 when closing surveyed claims.
- 4.38.1.7.3.2.1  
(03-28-2024)  
**Form to be Used**
- (1) Form 5344 is used for closing surveyed claims. Surveying a claim is considered an examined closure, not a non-examined closure. The purpose of surveying the claim is to allow the entire refund requested by the taxpayer. The only way to allow the refund is to complete Form 5344. The form has indicators next to the item numbers to indicate required (#) and optional (&) item numbers when using Disposal Code 34.
- 4.38.1.7.3.2.2  
(03-28-2024)  
**Valid Item Numbers**
- (1) Item numbers 12, 13, 21 and 36 are required on Form 5344.
- (2) Item numbers 02, 6A, 6B, 6C, 07, 09, 11, 15, 19, 39, and 43 are optional on Form 5344.
- 4.38.1.7.3.3  
(03-28-2024)  
**Partial Assessments**
- (1) A partial assessment can be input if the status code on AIMS is less than 80.



4.38.1.7.3.3.1  
(09-12-2024)

## Procedures for Sending Partial Assessments to CCP

- (1) When it becomes apparent that the case has an imminent statute date and an assessment is needed for part of the tax, the Field must contact the Field Office Resource Team (FORT) Manager for Small Business/Self-Employee (SBSE) and Large Business & International (LB&I) cases or CCP Field Liaison for Specialty cases to notify them that a partial assessment is needed on the case.

**Note:** Please refer to, *Contacts for Field Office Resource Team (FORT)* for the appropriate contact information.

- (2) Email or e-Fax CCP (depending on the site requirements):
  - a. Form 4549, Report of Income Tax Examination Changes, or equivalent. Be sure to include the taxpayer's signature, as well as any relevant tax and/or penalty computations needed to process the assessment,
  - b. Form 5344, Examination Closing Record,
  - c. Form 3198, Special Handling Notice for Examination Case Processing, and
  - d. Form 2285, Concurrent Determinations of Deficiencies, whenever carryback and restricted issues may apply.
- (3) In the subject line of the email or e-Fax, notate "Partial Assessment Request."

**Note:** Partial assessments that meet manual assessment criteria should be identified as a "Manual Assessment Request."

- (4) Do not ship the entire case file.
  - (5) Do not update Examination Return Control System (ERCS) out of the group status.
  - (6) CCP will:
    - a. Acknowledge the request within 48 hours of receipt.

**Note:** Requests received on Friday afternoon will be acknowledged by Close of Business (COB) Monday).
  - b. Complete the assessment within five business days of receipt in the FORT, whenever possible. Assessments involving complex and restricted interest computations may take longer.
  - c. Stamp Form 5344 **Request Completed**.
  - d. Email a copy of the Form 5344 back to the group for association with the original case file to verify the assessment was completed.
- (7) Please allow at least 10 business days from your original request before following up with CCP.

**Note:** The group should update the Report Generation Software (RGS) electronic case prior to sending to CCP for final closure.

4.38.1.7.3.3.2  
(03-28-2024)

## Form to be Used

- (1) Form 5344, Examination Closing Record, is used to input a partial assessment. The Form 5344 has indicators next to the item numbers that are required (\*) and optional (&) when making a partial assessment.

4.38.1.7.3.3.3  
(03-28-2024)

**Valid Item Numbers**

- (1) Item numbers 02-09, 11-15, 36 and 38 are valid. Refer to specific instructions below.

4.38.1.7.3.3.4  
(03-28-2024)

**Credit Balances**

- (1) Check tax module for credit balances. If a hold code is present, refer to the following instructions.

4.38.1.7.3.3.5  
(03-28-2024)

**Hold Credit Balance**

- (1) A Hold Code 1 is automatically generated to prevent the release of an advance payment pending the processing of the final adjustment return.
- (2) When a partial assessment is processed as a quick assessment, after Centralized Case Processing (CCP) has processed the quick assessment with Form 2859, Request for Quick or Prompt Assessment, prepare Form 3177, Notice of Action for Entry on Master File, requesting input of Transaction Code (TC) 570. The TC 570 will prevent the erroneous refund of a credit balance and advance/subsequent payment that may be on the tax module. Form 3177 should be e-Faxed to your CCP site. E-Fax numbers for CCP can be found at: *CCP e-Fax Numbers*.

4.38.1.7.3.3.6  
(09-12-2024)

**Release Credit Balance**

- (1) If the Examination groups wants a credit balance to be released, they must advise CCP accordingly. Notation should be made on Form 3198, Special Handling Notice for Examination Case Processing, in the "Other Instructions" section. Refer to the instructions below:
- If a partial overassessment is to be released and Command Code (CC) AMCLSF is used, annotate Form 3198 requesting input of Hold Code 3 on Form 5344. Hold Code 3 will allow systemic release of the refund, eliminating the need for cycling and subsequent input of a TC 290 for zero to release the refund.
  - If a partial overassessment is to be refunded using manual refund procedures, annotate Form 3198 with "manual refund requested". Form 5344 for the partial overassessment must be processed within four weeks from the schedule date of the manual refund to prevent the taxpayer from receiving a bill resulting from a debit balance when the manual refund posts to Master File (MF).

**Note:** A regular refund can be processed through AIMS and IDRS up to \$100 million. Therefore, the only time a manual refund would be necessary is if the refund meets the requirements of IRM 21.4.4.2, Refund Inquiries, Manual Refund.

- (2) If the final closure will result in a credit balance that the taxpayer wants to offset to another module, annotate on Form 3198 with "Move overpayment to MFT and Tax Period XX/XXXXXX". For BMF returns, offsets have to be manually moved if the debit balance module has a -E freeze or is being assessed at the same time.

4.38.1.7.3.3.7  
(03-28-2024)

**Amended Return Freeze**

- (1) When a partial assessment is necessary on a module with an amended return freeze, CCP will input Priority Code 4. This will allow the partial to post without releasing the MF freeze.



- (2) On Individual Master File (IMF) partials, if the failure to pay (FTP) penalty should be assessed and there is an amended return on the module, CCP will input Priority Code 3.
- 4.38.1.7.3.3.8  
(03-28-2024)  
**PCS (Pass-through Control) Linkages**
- (1) When a partial assessment has been input and there is an open PCS linkage, an original and copy of the closing document must be included in the case file. The copy of the closing document will remain with the case file which will be forwarded to the Campus Pass-through Function (CPF). Technical Services will provide CPF transfer guidance on the second page of Form 3198. The original Form 5344 must be forwarded to the campus files area as the source document after terminal input.
- (2) CC TSCLS should not be input if only a partial assessment is appropriate, or the case is being transferred to the CPF.
- 4.38.1.7.3.3.9  
(03-28-2024)  
**Final Disposition After Input of Partial Assessment**
- (1) Another Form 5344 must be prepared for the final closure. Refer to the information below for Form 5344 instructions.
- If there are no additional adjustments to the tax previously assessed as a partial, enter a TC 300 for 0.00 in Item 12, use the agreement date from the partial assessment previously input in Item 08 and use Disposal Code 03, 04 or 09 in Item 13. Complete the remainder of Form 5344 items as required (i.e. TIN, MFT, tax period, etc.).
  - If there are additional adjustments to the tax previously assessed as a partial, enter only the increase or decrease from the amount processed as a partial assessment. Complete the remainder of Form 5344 items as required using the applicable disposal code. Depending on the final resolution of the additional adjustments, the return will either be forwarded to CCP (for an agreed closure) or to Technical Services (for an unagreed closure).
  - If the final closing is to Appeals, Item 12 must be left blank and the unagreed amount entered on Item 18 must not include the amount of tax previously assessed as a partial assessment. Complete the remainder of Form 5344, entries as required.
- Note:** If using RGS to generate the Form 5344, uncheck the partial agreement indicator.
- (2) If a situation exists where the final closing is ready to be processed at the same time as the partial assessment, CCP will cycle the final closing Form 5344 using a Posting Delay Code of 1 which delays the final closing one cycle after input of the partial assessment.
- 4.38.1.7.3.3.10  
(03-28-2024)  
**Examination Results**
- (1) All partial assessments processed through AIMS using CC AMCLSF will be reflected in the EXAM-CUM-ASSMNT-AMT field found on Page 3 of an AMDISA print. Upon the final closing, this field will be included in the AIMS/Exam Results field.
- (2) If a partial was assessed as a manual or quick/prompt assessment, be sure to enter the net of all tax adjustments in Item 35, Manual Assessment Amount, of Form 5344. Manual and quick/prompt assessments are not input through AIMS. Therefore, entering the appropriate amount in Item 35 gives Examination credit for the tax.

**Reminder:** Do not include penalties and interest in Item 35.

- 4.38.1.7.3.3.11  
(03-28-2024)  
**Additional Information**
- (1) Additional information for partial assessments can be found on the CCP Knowledge Management SharePoint site: *Quick Prompt and Partial Assessments*.
- 4.38.1.7.3.4  
(03-28-2024)  
**Quick Assessments**
- (1) Quick assessments are prepared to protect the IRS's interest, when a statute expires in 60 days or less or the assessment of taxes or credits is in jeopardy.
- Note:** During the month of December, CCP is required to follow quick assessment procedures for cases with less than 90 days on the Assessment Statute Expiration Date (ASED). This allows the organization time to fix an unpostable situation once the January dead cycles have ended.
- 4.38.1.7.3.4.1  
(03-28-2024)  
**Special Processing - Assessments \$100,000,000 or Greater**
- (1) Quick assessments cannot be transferred to Master File (MF) for amounts of \$100,000,000 (\$100 million) or more.
- (2) If the case is being worked in CCP, they will split and process these as multiple assessments on separate documents. CCP will also alert the campus accounting function by phone that the assessment is being split due to the large assessment.
- 4.38.1.7.3.4.2  
(03-28-2024)  
**Case File Not Ready for Final Closure, CCP Responsibility**
- (1) Upon receipt of the e-Faxed documents from Field Exam, CCP will:
- Acknowledge your request within 48 hours of receipt.
- Exception:** Requests received on Friday afternoon will be acknowledged by close of business the following Monday.
- Complete the assessment within 5 business days whenever possible. Assessments involving complex and restricted interest computations may take longer.
  - Stamp Form 5344, "Request Completed."
  - E-Fax a copy of Form 5344 back to the group for association with the original case file to verify the assessment was completed.
- 4.38.1.7.3.4.3  
(03-28-2024)  
**Quick Assessments on Civil Penalties, Form 8278, Assessment and Abatement of Miscellaneous Civil Penalties**
- (1) Prepare Form 2859, Request for Quick or Prompt Assessment, according to the Form 8278.
- (2) Civil penalties are not controlled on AIMS. Therefore, after a civil penalty quick assessment has been input to MF, the entire civil penalty file will be sent to Files in the campus for refiling under the quick assessment Document Locator Number (DLN).
- 4.38.1.7.3.4.4  
(03-28-2024)  
**Research and Actions Required Prior to Quick Assessment**
- (1) Research IDRS Command Code (CC) TXMOD to determine if a payment has been made on the account, but has not posted to MF.
- (2) Input a history item on CC TXMOD, "MAAS with the 23C date," to alert other IRS employees that an assessment is in the process of being posted. The history item will also prevent a manual refund of any payments sitting on the account that should be used to pay the deficiency.

- (3) Also input on CC TXMOD, "HOLD4DOC51," which translates to holding for the Document Code 51 (assessment document). This action will cause the module to stay active on IDRS until a Doc Code 51 posts to MF.
- (4) Research CCs INOLES, IMFOLE, BMFOLF, AMDIS or ENMOD to verify the most current address for the taxpayer.

## 4.38.1.7.3.4.5 (03-28-2024) 23C Date

- (1) Following is a table used to determine the 23C date based on when the assessment statute will expire:

STATUTE DATE	23C DATE
IF the statute date will expire:	THEN the 23C date will be:
Within two days	The same day that the assessment is e-Faxed to the accounting function
In more than two days	The fifth workday after the assessment is e-Faxed to the accounting function

## 4.38.1.7.3.4.6 (03-28-2024) Excess Credits on Account

- (1) If excess credits are on the account requiring a quick assessment, enter a TC 570 with a zero amount to prevent the credit(s) from refunding.

## 4.38.1.7.3.4.7 (03-28-2024) Deficiency/ Overassessment

- (1) Prompt or quick assessments may sometimes involve a deficiency for one tax period and an overassessment for another tax period. Refer to IRM 20.2, Interest, regarding debit and credit interest computations and dates to use for offsetting. In addition, process these situations as follows:
  - a. For the overassessment tax period(s), manually compute the interest and enter it with the applicable transaction code on the adjustment document along with a Hold Code 2.
  - b. Make the appropriate credit transfers on IDRS. If there is a Form 3870, Request of Adjustment, in the case file, make the appropriate credits transfers according to the form.
  - c. Enter the following caption on Form 2859 to alert the accounting branch of the available credit: **Credit of \$ (amount) being transferred from (period)**. Attach the Form 2859 to the deficiency year and forward to the accounting branch.
  - d. Forward the overassessment document for processing.

## 4.38.1.7.3.4.8 (03-28-2024) Delinquent Return Quick Assessment

- (1) When the quick assessment is for tax shown on a secured delinquent return (for example agreed/unpaid deficiency over \$100,000), process the return the same as for a deficiency, except for the following:
  - a. CCP will enter the tax shown on the delinquent return in Part C, Item 3a (Tax-Original Return-TC 150) on Form 2859.

- b. CCP will enter the return received date in Part C, Item 3b (Return Received Date) on Form 2859.

- (2) Do not forward the secured delinquent return to the campus for processing.

4.38.1.7.3.4.9  
(03-28-2024)

**Forwarding Quick Assessments to the Campus**

- (1) E-Fax or scan quick assessments to the Campus Accounting Branch using the following procedures.

- a. Assign a control number for each Form 2859 that is e-Faxed, i.e., FAX 49-055-1. The 1st and 2nd digits are the processing campus code, the 3rd, 4th and 5th digits are the julian date that the Form 2859 is actually e-Faxed; the last digit(s) is the number of the Form 2859. The control number will continue sequentially throughout the calendar year and will start over each January 1st. The control number should be entered in bold print on the top of each Form 2859.

- (2) Prepare Form 3210 for each type of tax return. List the following:

- a. Name Control,
- b. MFT,
- c. TIN,
- d. Tax Period, and
- e. In the remarks area, enter the 23C date and the note **FAX QUICK ASSESSMENT**.

- (3) Address Form 3210 to the appropriate function. If you are e-Faxing the request, include the originator's complete address, mail stop, and e-Fax number in the "FROM" section for e-Faxing back the received Form 3210.

- (4) E-Fax the assessment forms in the following order with a cover sheet:

- a. Form 3210, and
- b. Form 2859.

4.38.1.7.3.4.9.1  
(03-28-2024)

**Follow-up on Quick Assessment Form 3210, Document Transmittal**

- (1) Receipt of the acknowledged Form 3210 is verification that the quick assessment request(s) was received in the accounting function. Follow-up if the acknowledgement is not received by noon the day after transmission.

4.38.1.7.3.4.10  
(03-28-2024)

**Quick Assessment Verification Form 3552, Prompt Assessment Billing Assembly**

- (1) Receipt of a copy of Form 3552, Prompt Assessment Billing Assembly, is verification the assessment has been made.

- (2) Upon receipt, verify the accuracy of the assessment amount, as well as the name, address, TIN, and tax period on Form 3552 for consistency with Form 2859.

- (3) If any errors are detected on Form 3552 IMMEDIATELY contact the campus accounting function for issuance of a corrected bill.

4.38.1.7.3.4.10.1  
(03-28-2024)

**Follow-up on Form 3552**

- (1) A manager or designated employee must follow-up with the campus if verification of the assessment is not received.

- a. Follow-up on statute cases in sufficient time to prevent barred assessments.

- b. Follow-up on non-statute cases three weeks from the 23C assessment date.

**Note:** All follow-up actions should be documented on Form 2859.

- (2) Upon receipt of verification, the statute control examiner will be notified in order to close the case from the open statute control file.

4.38.1.7.3.4.11  
(03-28-2024)  
**Second Adjustment Document, Form 5344, Examination Closing Record**

- (1) When a return is ready to be closed on AIMS after a quick assessment, the second adjustment document Form 5344 should not be input until after verification of the Form 3552 and a DLN is obtained from Accounting.
- (2) Once the Form 3552 is received, prepare the second adjustment document and process it through IDRS to generate a refile DLN.

**Note:** For electronic cases closed via RGS, include a copy of Form 2859 in Case File Documents as a permanent record before closing on AIMS. For cases closed with a paper case, attach a copy of the Form 2859 to the front of the first page of the return as a permanent record before closing on AIMS.

4.38.1.7.3.4.11.1  
(03-28-2024)  
**Form 5344, Examination Closing Record, Entries**

- (1) Verify there is an entry in Item 35, Manual Assessment Amount, or enter the manual assessment amount if it is blank, the net tax adjusted by prepayment credits that was processed using quick assessment procedures. This step applies for quick assessments done on Non-Master File returns also.
- (2) Enter the applicable disposal code in Item 13.
- (3) Enter applicable reference numbers in Item 15.
- (4) Following is a table to determine the correct Item 12 and/or 15 entries on Form 5344:

Item 12 and/or 15 Entries	Entry Codes
IF the sum of the adjustments, in Item 12 and/or 15, is a	THEN enter:
Net increase	<ol style="list-style-type: none"> <li>1. TC 300 with zero amount in Item 12.</li> <li>2. If there is a credit balance on MF, enter Hold Code 2 in Item 7.</li> </ol>
Net increase AND there is a decrease in tax	<ol style="list-style-type: none"> <li>1. TC 301 with the decrease amount and TC 770 with zero in Item 12.</li> <li>2. Hold Code 1 in Item 7, or Hold Code 2 if there is a credit balance on MF.</li> </ol>

Item 12 and/or 15 Entries	Entry Codes
Net decrease	<ol style="list-style-type: none"> <li>1. If the tax liability is to be decreased, enter TC 301 and amount in Item 12. Otherwise, enter TC 300 with zero amount is entered and there is a credit balance on Master File, enter Hold Code 2 in Item 7.</li> <li>2. If penalty or interest is to be decreased, enter and code the amount in Item 12.</li> <li>3. If credit is to be increased, enter the amount and appropriate credit change reference number in Item 15.</li> <li>4. Hold Code 1 in Item 7.</li> </ol>

4.38.1.7.3.4.12  
(03-28-2024)

**Processing Form 940,  
Employer's Annual  
Federal Unemployment  
(FUTA) Tax Return**

- (1) When adjustments to Form 940, are processed as a quick assessment, the accounting function must ALWAYS be provided with the amount of the TOTAL CORRECTED 940 WAGES.
- (2) If a credit reduction state is involved, the accounting function must also be provided:
  - a. The credit reduction wages,
  - b. The state(s) the credit reduction wages applies to, and
  - c. The total credit reduction amount.

4.38.1.7.3.4.12.1  
(03-28-2024)

**Form 2859, Request for  
Quick or Prompt  
Assessment, Part D  
Entries**

- (1) The following items will be entered on Form 2859 Part D:
  - a. Enter in Item 23, the total corrected 940 wages.
  - b. Enter in Item 24, the total credit reduction amount.
  - c. Enter in Item 25a, the two-digit state abbreviation, and in Item 243, the amount of credit reduction wages paid to each state. The total of the credit reduction wages entered in Item 24 must also be provided to the accounting function.

4.38.1.7.3.5  
(03-28-2024)

**Reopening/Reclosing/  
Reinputting Records**

- (1) This chapter explains how to reopen and reclose Examination records, also referred to as "cases" or "returns" that have been previously closed and the impact these actions have on the Audit Information Management Systems (AIMS) tables.
- (2) This chapter also covers reinputting Form 5344, Examination Closing Record, after Integrated Data Retrieval System (IDRS) Command Code (CC) TERUP or QRACN was input.



4.38.1.7.3.5.1  
(03-28-2024)  
**Impact of Reopening  
Records**

- (1) Examination records that were closed (Status Code 90), but still on AIMS, can be reopened using IDRS CC AMSTUR. Examination records that were closed to Appeals (Status Code 8X), can be returned to Examination from Appeals using IDRS CC AMSTUB.
- (2) Input of the CC AMSTUR generates a TC 420 to Master File. It does not generate a request for the return.

**Caution:** Generally the AIMS database DOES NOT need to be reopened or returned to Examination to make corrections. Returns in Status Code 8X or 90 can be corrected using IDRS CC AMAXUE. Refer to IRM 4.4.34, AMDIS Procedures and Processing Instructions, Updating/Correcting AIMS Database, for the procedures and a list of the items that can be corrected.

4.38.1.7.3.5.1.1  
(03-28-2024)  
**Exceptions to  
Reopening a Record**

- (1) Examination records in Status Code 90 with a prior Status Code of 8X (Appeals) cannot be reopened. You must wait until the case ages off of AIMS before reopening the return. The case will age off AIMS after the third report extraction cycle after the case was closed by Appeals (approximately 3 months).

4.38.1.7.3.5.1.2  
(03-28-2024)  
**Statute Considerations**

- (1) Verify AIMS reflects the correct Assessment Statute Expiration Date (ASED) prior to reopening the case. If the ASED is incorrect, complete Form 5348, AIMS/ERCS Update (Examination Update) to update AIMS before the case is reopened.
- (2) ERCS users may update the statute date on ERCS when re-establishing controls.

4.38.1.7.3.5.1.3  
(03-28-2024)  
**Impact on Exam Results**

- (1) When a case is reopened in the same fiscal year, the Exam Results are deleted from the AIMS tables. If the case is reopened in a subsequent fiscal year, the results cannot be deleted. Therefore, the results will be netted when the case is reclosed.
- (2) When a case is returned from Appeals (even if the case has been transferred to another Appeals Office), the database will automatically revert back to the Exam office that closed the case to allow for the record to be deleted from the ORIGINAL closing office's AIMS table. If the case is in an Appeals office that is serviced by another campus, the case will automatically start the transfer process to the closing office's campus the weekend after CC AMSTUB was input.

**Note:** It is important to secure an AMDISA before the AMSTUR is input. Attach the AMDISA to the inside of the case folder. This will help to ensure the correct amounts are reinput upon final closure.

4.38.1.7.3.5.1.4  
(03-28-2024)  
**Impact on Cycle Time**

- (1) Cycle time is computed from the original Exam Start Cycle until the final closing.

**Example:** The original closing has an Exam Start cycle of 200906. The case was closed in June 2010 making the cycle time one year. The case was reopened 6 months later (December 2010) and reclosed in June 2011. The new cycle time would be 2 years even the case was in a closed

## 4.38 Centralized Case Processing (CCP)

status for 6 months. If the case has aged off the AIMS database, the case cannot be reopened but must be established as if it were a new opening using IDRS CC AM424.

4.38.1.7.3.5.1.5  
(03-28-2024)

### Impact on Exam Tables

- (1) Reopening a return affects the accomplishment tables of the Closing Primary Business Code (PBC) office. How the tables are affected depends on whether the return was reopened or returned from Appeals in the same fiscal year or subsequent fiscal year.

Reopened in the Same Fiscal Year	Reopened in a Subsequent Fiscal Year
If a case is reopened or returned from Appeals in the same fiscal year (this includes the extended fiscal year which ends after the November report extraction cycle) in which it was closed into either Status Code 8X or 90, the original closure is totally eliminated (deleted) from the closing PBC's accomplishment tables and the record is added back into the inventory tables.	If a case is reopened or returned from Appeals after the end of the extended fiscal year of the original closing, the original closure cannot be deleted from the closing PBC's accomplishment tables since the fiscal year tables have been finalized. The record is added back into the inventory tables, and the record is counted again when it is subsequently reclosed.
AIMS retains the Examination Time, Cumulative Assessment Amount, and Manual Assessment Amount from the original closure. All other accomplishment data is deleted from the AIMS record. Refer to IRM 4.4.26.9.3, AIMS/Processing Handbook - Reopening/ Reclosing/ Reinputting Records, for reclosing instructions.	All Prior Fiscal Year (PFY) AIMS information is stored on the history file which the AIMS program uses to NET the figures when the reopened record is subsequently reclosed. Refer to IRM 4.4.26.9.3, AIMS/Processing Handbook - Reopening/ Reclosing/ Reinputting Records, for reclosing instructions.

4.38.1.7.3.5.2  
(03-28-2024)

### Reopening Restrictions

- (1) Restrictions are based on whether the original closing was an examined or no-examined closing.

4.38.1.7.3.5.2.1  
(03-28-2024)

### Reopening Examined Closures

- (1) AIMS uses the Report Extraction Code to determine when a case can be reopened. If the code indicates that the record has been reversed on the AIMS tables (code is not equal to "1") then a CC AMSTUR can be reinput if the current date is at least 21 days from the Status Code 90 date. If the Report Extraction Code is a "1", you will have to wait 40 days from the Status Code 90 date. For more information on the Report Extraction Code Indicator, refer to IRM 4.4.1-1, AIMS Procedures and Processing Instructions, Introduction.



4.38.1.7.3.5.2.2  
(03-28-2024)

## Reopening Non-Examined Closures

- (1) Non-examined closures do not require a waiting period prior to reopening.

4.38.1.7.3.5.2.3  
(03-28-2024)

## Approvals Required

- (1) The Field Exam manager and PSP Support Manager, or Campus AIMS Coordinator must approve the reopening request.

4.38.1.7.3.5.3  
(03-28-2024)

## Identifying Reopened Records

- (1) There are two indicators that reflect if a return has been reopened or backed down from Appeals - the Reopening Indicator and the TC 300 Indicator.
- (2) The Reopening Indicator will be set when a return is reopened on AIMS. It remains set after the case is reclosed. The table below provides the definitions for the reopening indicators. This information is also contained in IRM 4.1.1, AIMS Procedures and Processing Instruction, Introduction.

Indicator	Definition
0	Account never reopened
1	Account reopened using CC AMSTUR
2	Case backed down from Appeals using CC AMSTUB
3	Case has been reopened and backed down

- (3) The TC 300 Indicator is set to a "6" if a return has been reopened or backed down from Appeals. The table below provides the definitions for the TC 300 indicators. This information is also contained in IRM 4.4.1, AIMS Procedures and Processing Instructions, Introduction.

Indicator	Definition
1	IMF/BMF Assessment
2	IRAF Assessment made against primary SSN
3	IRAF Assessment made against secondary SSN
4	IRAF Assessment made against both SSNs
5	The TC 300 indicator has been reset using CC AMAXU causing the return to appear on the Non-Assessed Closure Listing (NACL)

## 4.38 Centralized Case Processing (CCP)

Indicator	Definition
6	The TC 300 indicator has been reset using CC AMSTUR (a Status Code 90 case being reopened by Exam) or CC AMSTUB (case returned to Exam from Appeals)

### 4.38.1.7.3.5.4 (03-28-2024)

#### Reopening Records, AIMS Users

- (1) The need to reopen a return on Audit Inventory Management System (AIMS) in Centralized Case Processing (CCP) Exam should be rare.
- (2) These cases would need to be reopened on AIMS using Command Code (CC) AMSTUR.
  - a. This should only be done if the Tax Examiner (TE) cannot use CC TERUP / QRACN to delete their erroneous entry on the date of input.
- (3) CCP Tax Examiners (TE) will only reopen cases that are in Status 90 if they were closed incorrectly and there is a need to reclose them.
  - a. These situations are non-examined cases and cases that have been closed on Examination Return Control System (ERCS) but are still open on AIMS.
  - b. CC AMSTUR is used when closed examination records are in Status 90, but are still on AIMS. TEs will need to complete Form 5348, AIMS/ERCS Update (Examination Update), and submit the form per local procedures.

**Note:** Returns that are no longer on AIMS cannot be reopened. Please refer to the Lead if this situation occurs.

### 4.38.1.7.3.5.5 (03-28-2024)

#### Reopening Records, ERCS Users

- (1) For Examination Return Control System (ERCS) users, controls may be requested using Form 5345-D, Examination Request- ERCS (Examination Returns Control System) Users. Input of Form 5345-D, Examination Request-ERCS (Examination Returns Control System) Users, reopens the ERCS controls only. Procedures for reopening depend on whether the return is still on AIMS.

### 4.38.1.7.3.5.5.1 (03-28-2024)

#### Return on AIMS

- (1) If the return still has an AIMS record (AMDIS) the user will use the "Re-establish" option to regain control of the return in the group. This option does not produce an AMSTUR. Therefore the group must complete Form 5348 and fax or e-mail the request to their local AIMS/ERCS analyst to re-open the AIMS controls.

**Note:** The case(s) will be reopened on ERCS with all prior examination hours.

### 4.38.1.7.3.5.5.2 (03-28-2024)

#### Return Not on AIMS

- (1) If the return is longer on AIMS (no AMDIS available) the user must request a second exam using the "Request Tax Return" option. This will generate the AM424 or AMNON command code to establish the return on AIMS.

4.38.1.7.3.5.6  
(03-28-2024)

**Charge-Out and Labels**

- (1) Charge-outs and labels are not generated when a return is reopened on AIMS. Use CC AMLAB if labels are needed.

4.38.1.7.3.5.7  
(03-28-2024)

**Source Code, Group Procedure**

- (1) When reopening a return, you must enter the appropriate source code. The following examples provide guidance for determining the source code.
  - a. The return is on AIMS (AMDIS available), use the same source code (SC) as the original opening, unless the original closure was non-examined in which case use an appropriate source code.
  - b. The return is not on AIMS (no AMDIS available), use an appropriate SC.
- (2) For additional assistance in determining the appropriate source code, refer to the Source Code job aid at: *Source Code Job Aid* in the AIMS/ERCS book of the Exam Procedures Knowledge Management Base.

4.38.1.7.3.5.8  
(03-28-2024)

**Reclosing Reopened Cases, Group Procedures**

- (1) Reopening in the same fiscal year or subsequent fiscal year has no bearing on how the case should be reclosed.
- (2) A non-examined closing must be reclosed as examined.

**Exception:** A SC 45 return can be reopened and reclosed as SC 45.

4.38.1.7.3.5.8.1  
(03-28-2024)

**When to Reclose**

- (1) If you reopened the case the same month as the original closure, you can immediately reclose the case.
- (2) If you reopened the case in a reporting cycle after the cycle of the closure, you must wait until the end of the next reporting cycle before the return can be restored. This is to allow the original closure to be removed from the Exam tables.

4.38.1.7.3.5.8.2  
(03-28-2024)

**Form to Use**

- (1) Form 5344 is used to reclose all records. All returns once reopened must be reclosed using Command Code AMCLSE. Form 5344 must be prepared using normal procedures as though the previous closing had not been done with the following exceptions:

**Note:** If using Report Generation Software (RGS), you must manually input the correct amount.

4.38.1.7.3.5.8.3  
(03-28-2024)

**Reclosing Instructions**

- (1) The cumulative amounts of ALL Form 5344 entries, excluding Items 12, 15 and 35, must be reinput.

Form 5344 Entry	Action
Items 12 and 15: Assessment Information	<ul style="list-style-type: none"> <li>Because CC AMSTUB/R does not reverse Items 12 and 15 from the original closing, the Exam Cumulative Assessment Amount (shown on page 3 of CC AMDISA) is retained on the AIMS database when a case is reopened. Therefore, only additional adjustments should be entered in Item 12 and Item 15 of the Form 5344.</li> </ul>
Item 13: Disposal Code	<ul style="list-style-type: none"> <li>All prior non-examined closings must be reclosed as examined.</li> <li>No change from original closing - enter the original disposal code.</li> <li>A change from original closing - enter the new disposal code based on the new closure.</li> <li>Abatement in full - enter the DC 12 and enter \$1 in Item 35, or process the full abatement using CC AMCLSF, then enter the AMCLSE using a no-change DC.</li> <li>A closure to Appeals, if the tax was assessed and Exam is not abating the assessment - DC 07, 11 or 12 and enter \$1 in Item 18.</li> </ul> <p><b>Note:</b> For Audit Reconsideration cases, only use the original disposal code if there is no change to the original determination.</p>
Items 23 and 28: Examiner's Time	<ul style="list-style-type: none"> <li>The total time from both closings must be entered in this field. The computer will net the amount entered in Item 23 and/or Item 28 with the amount that is on the database from the prior closure and the correct amount will be reflected on the Examination tables. Because of the automatic netting, the computer will require the amount entered in Item 28 to be equal or greater than the time entered on the original closing. The computer will also prevent a correction to the time field on the database before the case is closed.</li> </ul>
Item 34: Exam Adjustment Amount	<ul style="list-style-type: none"> <li>The Exam Adjustment Amount is not retained on the AIMS database. Re-enter the amount from the original closure.</li> </ul>

Form 5344 Entry	Action
Item 35: Manual Assessment	<ul style="list-style-type: none"> <li>The manual assessment amount is retained on the AIMS database. IF additional manual assessments were made after the case was reopened, re-enter Item 35 with the total of all TC 30X adjustments. Even though you may be reversing the manual assessment by inputting a TC 301, you still must enter the manual assessment or you end up with negative results rather than zero results.</li> </ul>
Item 414: Delinquent Return Amount	<ul style="list-style-type: none"> <li>The Delinquent Return Amount is not retained on the AIMS database. Re-enter the amount from the original closure plus additional amounts if applicable.</li> </ul>
Item 415: Amended Return Amount	<ul style="list-style-type: none"> <li>The Amended Return Amount is not retained on the AIMS database. Therefore, re-enter the amount from the original closure plus additional amounts if applicable.</li> </ul>

4.38.1.7.3.5.8.4  
(03-28-2024)  
**Impact on Tables**

- (1) How the reclosure affects the tables depends on whether the reopening was in the same fiscal year of the prior closing or for a subsequent fiscal year.

Fiscal Year Reopening	Action
Returns Closed and Reopened in the Same Fiscal Year (FY)	<ul style="list-style-type: none"> <li>Since the original closure was totally eliminated from the AIMS accomplishment tables, all the results from the reclosure will be sent to the accomplishment tables.</li> </ul>

Fiscal Year Reopening	Action
Returns Closed and Reopened in Different Fiscal Years	<ul style="list-style-type: none"> <li>• How the reclosure affects the tables depends on whether the total examination results of the subsequent closure are more or less than the prior year's closure.</li> <li>• Example with Additional Dollars FY 2012 closure = \$10,000 and 10 hours FY 2013 closure = \$4,000 and 5 hours Total = \$14,000 and 15 hours (The computer will NET the FY 2013 closure against the FY 2012 history file resulting in the FY 2013 table reflecting only \$4,000 and 5 hours since credit was already received for the \$10,000 and 10 hours in the FY 2012 tables).</li> <li>• Example with Less Dollars FY 2012 closure = \$10,000 and 10 hours FY 2013 closure = -\$4,000 and 5 hours (Since the FY 2012 tables cannot reduce the FY 2012 tables after November, and prior year results are not backed out from current year figures, an amount of \$0 and 5 hours appear on the FY 2013 table).</li> </ul>

4.38.1.7.3.5.8.5  
(03-28-2024)

**Reinputting Form 5344,  
Examination Closing  
Record, after CC  
TERUP/QRACN, CCP/  
Campus Procedures**

- (1) IDRS Command Codes TERUP and QRACN are used to correct AIMS Exam results and prevent the transaction(s) from going to Master File.

**Note:** IDRS Command Code TERUP allows an employee to delete an erroneous entry on the date of input. Refer to IRM 2.4.13, IDRS Terminal Input, Command Code TERUP, for additional information.

**Note:** IDRS Command Code QRACN is a quality review command code used to perform an action upon the transaction(s) being quality reviewed. The reviewer can accept, reject or review the specific transaction screen input displayed. Refer to IRM 2.4.5, IDRS Terminal Input, Command Codes QRADD, QRADDO, QRNCH, QRNCHG, RVIEW, QRACN, and QRIND for the IDRS Quality Review System, for additional information.

- (2) The procedures to follow when reinputting the assessment depend on whether the original input was a final closure (CC AMCLSE) or partial assessment (AMCLSF).

Reinputting the Assessment	Actions To Take	Impact on Exam Results
Final Closure (CC AMCLSE)	<p>Since the case is in Status Code 8X/90, the following steps are required in order to reinput a long closure (using CC AMCLSE) that was deleted by a CC TERUP/QRACN.</p> <ul style="list-style-type: none"> <li>• Reset the TC 300 Indicator to a <b>5</b> using CC AMAXU.</li> <li>• Reinput the Form 5344 using CC AMCLSU -L.</li> <li>• If the AMCLSU is not input the same week that the TC 300 Indicator was set to a <b>5</b>, the record will appear on the NACL. Refer to IRM 4.4.27, AIMS Procedures and Processing Instructions, Reports, for information on the NACL.</li> </ul>	<ul style="list-style-type: none"> <li>• The computer must remove the amount that was “torn-up” by CC TERUP or QRACN from the Cumulative Assessment Amount field (which is one of the components that make up the Exam Results, page 3 of the AMDISA). This is done automatically when CC AMCLSU-L is input. The computer deletes the amount that appears in the “Last Amt Put in Cum” field (page 3 of the AMDISA) from the Cumulative Assessment Amount field and replaces it with the new amounts reinput.</li> </ul>

Reinputting the Assessment	Actions To Take	Impact on Exam Results
Partial Assessment (CC AMCLSF)	<p>The following steps are required in order to reinput a partial assessment that was deleted by CC TERUP/QRACN.</p> <ul style="list-style-type: none"> <li>Reinput CC AMCLSF with the amounts necessary to reverse the deleted AMCLSF, <b>IMMEDIATELY FOLLOWED BY CC TERUP OR QRACN</b>. This is necessary to delete the original <b>torn-up</b> input from the Cumulative Assessment Amount field.</li> <li>Reinput the corrected CC AMCLSF.</li> </ul>	<ul style="list-style-type: none"> <li>The “torn-up” transaction is not automatically deleted from the Cumulative Assessment Amount field when reinputting a partial assessment.</li> </ul> <p><b>Reminder:</b> Failure to follow the instructions under “Actions to Take” will cause duplicate results.</p>

4.38.1.7.3.6  
(03-28-2024)  
**Installment Agreement  
Procedures**

- (1) The following procedures have been implemented to allow Collection CCP to provide support to the field groups regarding the input of Transaction Code (TC) 971, Action Code (AC) 043. The field groups should email or fax the completed Form 3177, Notice of Action for Entry on Master File, to have the TC 971 / AC 043 input within 24 hours.
- (2) The Collection e-Fax number is 855-389-1533. Collection CCP would prefer that documents be emailed to \*CTR PHI CS GCP.
  - a. Documents should be e-Faxed to 855-389-1533, Attn: GCP (General Case Processing).
  - b. Field Exam must include initiator information (name, phone number, employee SEID), the date, the taxpayer name, and the EIN/SSN.
  - c. The **other**, section of Form 3177, Notice of Action for Entry on Master File, must specify TC 971/AC 043, and include MFT and all tax periods that apply.
- (3) Field Exam and Specialty Tax will e-Fax Form 433-D, Installment Agreement, Form 2159, Payroll Deduction Agreement, and Form 9465, Installment Agreement Request to Collection Compliance Service Collection Operation (CSCO) Memphis at 855-381-6514, per IRM 4.20.1.4.5(6).



- 4.38.1.7.4  
(03-28-2024)  
**Non-Examined Closures**
- (1) Non-Examined Closures are those cases that are closed without going through an examination. Separate procedures are required than those for Examined Closures.
- 4.38.1.7.4.1  
(03-28-2024)  
**Overview**
- (1) This chapter covers the various ways of closing cases as non-examined closures and the deletion of records on Audit Information Management System (AIMS).
- a. Deleting accounts: error accounts and missing returns.
- b. Surveyed returns: DCs, 31, 32, 35, 42 and 45. Refer to IRM 4.38.1.7.3.1.22.7, Surveyed Claims, for DC 34.
- 4.38.1.7.4.1.1  
(03-28-2024)  
**Forms to Use**
- (1) Refer to the applicable section for the form to use to request a non-examined closing.
- 4.38.1.7.4.1.2  
(03-28-2024)  
**Special Conditions That Prevent Non-Examined Closures**
- (1) Certain conditions prevent closing a case as non-examined. The condition must be resolved before a database can be closed as non-examined.
- 4.38.1.7.4.1.2.1  
(03-28-2024)  
**No Return Secured - Credits on the Module**
- (1) Other than the Transaction Code (TC) 640 credit that must be resolved before the case can be closed as non-examined, leave other credits on the module. The credits will be systemically moved to the Unapplied Statute Credits Account after the refund statute expires. Refer to IRM 4.4.21.1.2.4, TC 640, for information.
- 4.38.1.7.4.1.2.2  
(03-28-2024)  
**Reopened Records - TC 300 Indicator Present**
- (1) Records closed and then reopened cannot be reclosed as non-examined. Refer to IRM 4.4.26, Reopening/ Reclosing/ Reinputting Records.
- 4.38.1.7.4.1.2.3  
(03-28-2024)  
**Assessment on AIMS (Audit Information Management System)**
- (1) You cannot close a case as non-examined if there is an amount in the EXAM-ASSESS-CUM-AMT field on page two (2) of the AMDISA.
- 4.38.1.7.4.1.2.4  
(09-12-2024)  
**Amended Return Freeze**
- (1) Generally, the amended return or duplicate return must be secured by Field Examination to determine the correct disposition of the case.
- (2) A case cannot close as non-examined if there is a TC 976 or TC 977 freeze on AIMS (Freeze Code “-A”). A TC 290 for \$0 is required to release the -A freeze before the case can be surveyed if a TC 976 exists on the account.
- (3) Field Examination must verify that the amended return has been considered. This can be done by completing Form 3870 to request a TC 290 for \$0, which will release the -A on Master File. The Forms 3870 should be sent to CCP for input prior to release of the non-examined closure. If the case should reject in CCP at closure due to the amended return freeze, CCP will request Field Examination complete Form 3870 to remove the -A freeze code so the case can be closed.

**Note:** CCP will not be required to adjust Taxable or Adjusted Gross Income on non-examined cases. If adjustments are required for these items, the case should be closed as an examined return and a Form 5344 should be used to adjust the items in Item 15.

4.38.1.7.4.1.2.5  
(03-28-2024)  
**PCS Linkages**

- (1) All Pass-through Control System (PCS) linkages must be released before the investor return can be surveyed. Partnership Investor Control File (PICF) Codes 4, 5 and 6 prevent the premature closing of the investor return until all necessary pass-through adjustments from the key case(s) to the investor return have been resolved. Command Code (CC) TSCLS releases the freeze on AIMS to allow the input of CC AMSOC. When CC TSCLS is entered, it will automatically check all of the investor's linkages to determine if they have been closed. If all linkages have been closed, then CC TSCLS will set the PN-SUM-CLOSED-IND on the partner record and the PICF-CD to a closed status on the PCS and AIMS databases. When the "Request Completed" message is transmitted to the screen, the operator can proceed to enter the CC AMSOC.
- (2) Should all linkages not be properly closed upon input of the CC TSCLS the error message "Cannot Close, PCS Control" will be displayed on the screen. Secure a CC TSUMY print, attach it to the closing request and route the case file back to the originator. The file should be suspended by the appropriate function. Coordination with the Technical Services Pass-through Coordinator (TSPC) may be required to transfer the file to the Campus Pass-through function (CPF).

4.38.1.7.4.2  
(03-28-2024)  
**Non-Filer Account Closures**

- (1) This section provides procedures for closing cases where no return has been filed and a examination is not warranted.

4.38.1.7.4.2.1  
(03-28-2024)  
**Forms to Use**

- (1) Form 10904, Request for Record Deletion from AIMS/ERCS, will be used for Area closures.
- (2) Form 5351, Examination Non-Examined Closings will be used for CCP closures.
- (3) A detailed explanation and sufficient documentation should be provided that allows the AIMS/ERCS Analyst or CCP examiner to evaluate the closing request.
- (4) For area closures, the complete package will be forwarded to the Area AIMS/ERCS Analyst following the area procedures.

4.38.1.7.4.3  
(03-28-2024)  
**Surveys**

- (1) This section covers the procedures for closing surveyed returns.
- (2) The applicable disposal codes are 31, 32, 42 and 45.

4.38.1.7.4.3.1  
(03-28-2024)  
**Forms to Use**

- (1) Three forms can be used to request a non-examined closing:
  - a. Form 4251, Return Charge-Out, (LIN non-examined closings),
  - b. Form 5351, Examination Non-Examined Closings, and
  - c. Form 5546, Examination Return Charge Out.

4.38.1.7.4.3.1.1  
(03-28-2024)

## Managerial Approval

- (1) Managerial approval is required for all non-examined closures.
- (2) The manager's signature and date are entered on the applicable form.

If the request form is from	Then the approval must be from the
The Examining Officer,	Group Manager.
Centralized Case Processing,	Case Processing Support Manager or designee.

4.38.1.7.4.3.1.2  
(03-28-2024)

## Form 4251, Return Charge-Out

- (1) This form is used for LB&I Imaging Network (LIN) closings.
- (2) Enter the two-digit disposal code on the form.
- (3) Attach the prepared Form 4251 to the return or electronic print.

4.38.1.7.4.3.1.3  
(03-28-2024)

## Form 5351, Examination Non-Examined Closings

- (1) Only one type of tax (Master File Transaction-MFT) can be used on each form.
- (2) Each form can be used to transmit up to 20 closings when the MFT is the same. Additional pages can be attached so that up to 100 closings of the same MFT can be transmitted at the same time.
- (3) If more than one page is used, indicate the page number and the total number of pages (maximum of five) in the upper right corner of the form.
- (4) More than one disposal code may be used.
- (5) Enter the requester's initials, organization routing symbols and date.
- (6) Attach the "Audit" label of the case being closed.
- (7) Enter the two-digit disposal code in the lower left of the label below "Status". If you do not have a label, write "DC XX" (where XX is the disposal code) in the lower left corner of the block for that specific taxpayer.

**Note:** After closing each case through AIMS (CC AMSOC), note the side of Form 5351 with the IDRS employee number, date, and document sequence number.

4.38.1.7.4.3.1.4  
(03-28-2024)

## Form 5546, Examination Return Charge Out

- (1) Enter the two-digit disposal code in the space on the second line of the form that follows the words "Non-Examined Disposal Code".
- (2) Attach the prepared Form 5546 to the return or electronic print.

4.38.1.7.4.3.2  
(03-28-2024)

## Type of Return

- (1) Cases that contain an original return, a substitute for return (SFR), an electronic print, or those that are paperless can be surveyed.

4.38.1.7.4.3.2.1  
(03-28-2024)

## Paper Case File

- (1) Attach Form 4251, Form 5351, or Form 5546 to the return or electronic print and forward to CCP.

- (2) If there are workpapers or other documentation (no original return) which must be retained and the information should be retained, send to Files in the Campus. The case can be closed non-examined using a non-examined disposal code (except 28 or 33) with an electronic print. Forward the case to CCP for closure.

4.38.1.7.4.3.2.2  
(03-28-2024)

#### Blocking Series (CCP/PSP)

- (1) For Individual Master File (IMF) returns, use Blocking Series 130 - 179 for non-TEFRA (Tax Equity and Fiscal Responsibility Act) surveys and 190 - 199 for TEFRA surveys.
- (2) For Business Master File (BMF) returns, use Blocking Series 28X.
  - a. Close BMF cases directly on AIMS.
  - b. Do NOT close BMF cases through ERCS.

4.38.1.7.4.4  
(03-28-2024)

#### Disposition of the Forms

- (1) In accordance with IRM 1.15.23, Records Control Schedule:

If source document is	Then the form must be
sent to the Campus for filing (original/facsimile),	forwarded with the file.
maintained in the Area (no return),	attached to the source documents and destroyed 1 year after terminal input.

4.38.1.7.5  
(03-28-2024)

#### Electronic Case Files Closing Procedures

- (1) This IRM section provides procedures for closing SB/SE Field Examination paperless electronic case files in Centralized Case Processing (CCP).

4.38.1.7.5.1  
(03-28-2024)

#### CCP-Program Analysis System (PAS) Pulls

- (1) The Tax Examiner (TE) records the electronic closures on the *TE Daily Manual Closures Spreadsheet* in the Training Materials book of the ECFI Exam Procedures Knowledge Management. At the end of each day, the TE mails the spreadsheet to their team lead and manager.
  - a. The TE begins each day with a new spreadsheet.
  - b. Paper closures are included in the spreadsheet on the day they are brought to the POD.
- (2) The team's lead or manager consolidates all TE Daily Manual Closure spreadsheets and forwards to the Clerical Team Manager.
- (3) The Clerical Team Manager runs the total number of closed cases through the randomizer calculator to get the two random numbers and identifies the selected cases.

**Note:** For Electronic Closures – The clerical team completes the *Transcript Virtual Case Sample Fill in Form* in the Training Materials book of the ECFI Exam Procedures Knowledge Management to submit it to PAS through the CQRSS SharePoint site. PAS uses the information to open the electronic case in CEAS View Case and review the necessary documents/forms.

**Note:** For Paper Closures – The clerical team scans the following documents and uploads them to the CQRSS SharePoint site:

- a. Form 5344,
- b. RAR,
- c. Signed agreement,
- d. Form 3198, and
- e. Form 895, if applicable

**Note:** Certain clerks within the CCP operation have permissions to upload documents to CQRSS. If others need to gain access, they must complete ITM course 70049 and forward the completion certificate to the Senior Analyst, Campus Exam Quality Staff.

## 4.38.1.7.5.2 (03-28-2024) Civil Penalty Cases (Form 8278 or Form 3870)

- (1) When inputting the assessment to IDRS, the Tax Examiner enters the following on the ADJ54 input screen:
  - a. In the ACTIVITY field enter **E8278-CEAS** or **E3870-CEAS**.
  - b. In the SOURCE-DOC-ATTACHED? field enter **N**.
  - c. In the REMARKS field enter **NSD-ELECTRONIC FORM 8278 or FORM 3870 on CEAS**.

**Example:** SOURCE-DOC-ATTACHED>N REMARKS>Electronic Form 8278 on CEAS.

- (2) Archive the RGS file after inputting the adjustment.

## 4.38.1.7.5.3 (03-28-2024) Employee Audit Cases (TE)

- (1) The TE is responsible for sending employee audit information to requesting offices (For example, Labor/Employee Relations, Treasury Inspector General for Tax Administration (TIGTA), or other requesting offices).

**Note:** Locate the instructions from Technical Services on the first page of Form 3198, in the **Forward to Technical Services** section.

- (2) Send the required case documents by encrypted email following the instructions from Technical Services Employee Audit Coversheet (TS-EA Coversheet).
- (3) Note the RGS Folder number in the top right-hand corner of RGS screen. For example, 1040002. The folder number may differ from case to case.
- (4) Open the Case File Documents folder for the case
  - a. Search your computer for the folder number, or
  - b. Open File Explorer (Windows Key + E on your keyboard).
  - c. Select Documents > RGS > DATA > **your RGS login > Case File Number**> Case File Documents.
  - d. Locate the document **TS-EA COVER SHEET**.

**Note:** Send the required documents following the instructions from Technical Services.

- (5) Create a zip file on your desktop (right-click > New > PKZIP File). Name it **EA Case XXXX** where XXXX is the last four digits of the TIN. For example, if the last four digits of the taxpayer's TIN is 5678, the zip file is named **EA Case 5678**.

## 4.38 Centralized Case Processing (CCP)

- (6) Select the documents from the Case File Documents folder that are listed on the cover sheet, including the EA Cover Sheet itself (hold down the Ctrl key as you click on the documents to select them).
- (7) Drag and drop the selected files into the zip file you created in Step 5. When prompted for a pass phrase, enter **employee audit case**.
- (8) Repeat steps 6 and 7 to include the required documents from the Office Documents folder.
- (9) Create an email message to be sent to the correct address listed on the bottom of the EA Cover Sheet. Prepare Form 3210 to transmit the documents.
- (10) Drag and drop the zip file on the email message to attach it.
- (11) Include Employee Audit in the subject line of the email message.
- (12) Make sure the email is encrypted, then click Send.
- (13) Delete the zip folder from your desktop.

4.38.1.7.5.4  
(03-28-2024)

### Field Office Resource Team (FORT) Referrals

- (1) Cases can be referred to the FORT electronically. The person referring the case creates a referral in IAT and saves the referral form to their SBU Data folder as "Referral – XXXX YYYY" where XXXX is the name control and YYYY is the tax year(s). List all tax years included in the referral.
- (2) The referral is attached to an email along with any other relevant forms as a .zip file and sent to *SBSE CCP Memphis FORT*.

4.38.1.7.5.5  
(03-28-2024)

### MFT 55 and 13 Civil Penalty Cases in RGS

- (1) RGS only allows for two civil penalty MFTs (MFT 13 for BMF and MFT 55 for IMF for penalties assessed with Form 8278. There are several different MFTs available in ERCS (PZ, P6, P7, etc.). The alpha numeric MFT in ERCS won't match the RGS civil penalty MFT. To reconcile the alpha numeric MFT with the RGS civil penalty MFT, refer to the Work Unit Codes for Civil Penalties table for WU Code and definitions. The field groups add a Work Unit (WU) Code to the RGS case as the last two digits of the Case Filename. The WU Code explains which civil penalty is being assessed.

**Note:** Civil Penalties assessed using Form 3870 are created in RGS using MFT 99.

**Example:** The examiner closes an income tax case and a shared responsibility payment (SRP) civil penalty case. The cases are listed in CEAS View Case as follows:

TIN	Name Ctrl	Taxpayer's Name	Tax Period	Location	Case File Name	Cycle Tax Prd Count
012-34-5678	MAPL	Maple, John & Alice	201912	Central	012345678013020191200000	00
012-34-5678	MAPL	Maple, John & Alice	201912	Central	012345678015520191200053	00

- (2) The MFT and WU codes identify the first case as the income tax case (MFT 30, WU Code 00). The second case is the SRP civil penalty case (MFT 55, WU Code 53). Referring to the WU Codes Civil Penalties spreadsheet reveals that WU Code 53 is the Individual Shared Responsibility Payment (SRP). Although the Case File name has MFT 55, the SRP civil penalty closure would use MFT 35 as shown on Form 8278, Section J.
- (3) When completing the civil penalty closure, the TE must use the correct MFT as shown on Form 8278 or Form 3870:
  - a. MFT 13 - BMF,
  - b. MFT 55 - IMF,
  - c. MFT 35 - SRP Penalty, and
  - d. MFT 30 - IRC 6676 penalties (MFJ).

4.38.1.7.6  
(03-28-2024)  
**RGS Closures**

- (1) Report Generation Software (RGS) is broken into two sections:
  - a. Clerical Responsibilities and
  - b. Tax Examiner Responsibilities.

4.38.1.7.6.1  
(03-28-2024)  
**Clerical Responsibilities during the RGS Closure Process**

- (1) RGS is a software program that allows clerks to control cases and assign them to tax examiners.
- (2) The clerical staff at the Centralized Case Processing (CCP) sites complete closures of cases from the Audit Information Management System (AIMS), Examination Returns Control System (ERCS), and Report Generation Software (RGS).
  - a. Clerks input closure data provided by tax examiners, document each closed case, and route closed cases to the Files department.

4.38.1.7.6.2  
(03-28-2024)  
**Closing Cases on RGS**

- (1) When examined cases are closed on RGS, the system will also close AIMS.
- (2) Clerks will complete the closure process once they receive a listing of the closures from the manager:

Step	Action
1	Create AIMS.
2	Merge cases.
3	Print and save rejected closures report.
4	Print and save accepted closures report.



4.38.1.7.6.3  
(03-28-2024)  
**Create AIMS**

- (1) AIMS must be created.

Step	Action
1	Click on <b>Tools</b> .
2	Click on <b>Manager/Clerk Options</b> .
3	Click on <b>AIMS</b> .
4	Click on <b>Create/Merge</b> .

- (2) The **Create/Merge** window will open.

Step	Action
5	Select <b>Create</b> .
6	Using the drop-down menu, highlight your campus.
7	Click <b>OK</b> .

- (3) The **Confirm ALL Examiners** window will open. Click **Yes**.

4.38.1.7.6.4  
(03-28-2024)  
**Merge Cases**

- (1) When merging cases, clerks will need to take the following actions:

Step	Action
1	Click on <b>Tools</b> .
2	Click on <b>Manager/Clerk Options</b> .
3	Click on <b>AIMS</b> .
4	Click on <b>Create/Merge</b> .
5	The <b>Create/Merge</b> window will open. Select <b>Merge</b> .
6	Click <b>OK</b> .

- (2) The **Merge** process will transmit the RGS data to IDRS and AIMS.

4.38.1.7.6.5  
(03-28-2024)  
**AIMS Reports**

- (1) After cases have been confirmed and merged, RGS will generate three AIMS Merge Reports, clerks are required to print and save:
- Rejected AIMS Closures,
  - AMCLS Records Sent to AIMS, and
  - Accepted AIMS Closures.
- (2) AIMS report window will open. The box to the left of each report must be marked before selecting OK.
- (3) Each report will display separately and in the order of selection. The reports must be printed and saved.



- 4.38.1.7.6.5.1  
(03-28-2024)  
**AIMS Rejected Closure Report**
- (1) Cases that cannot be closed will generate a Rejected Closure Report. The clerk should take the report to the lead or manager. The report, along with the case file, will then be returned to the tax examiner to correct the problem.
  - (2) The report and rejected cases are required to be taken to the manager or lead.

- 4.38.1.7.6.5.2  
(03-28-2024)  
**AMCLS Records Sent to AIMS**
- (1) This report is used to manually close cases off ERCS. The clerk will line out the periods that rejected to ensure only accepted AIMS closures are closed off ERCS. There is no requirement to keep the report after ERCS has been closed.

- 4.38.1.7.6.5.3  
(03-28-2024)  
**Accepted AIMS Closure**
- (1) Cases that were successfully closed generated a report. The report is used in lieu of Form 3210 which goes to Files with the closed cases.
    - a. The sequence number from the report must be written on the Form 5344.
    - b. Clerks will use the report to close the cases off of ERCS.

- 4.38.1.7.6.6  
(03-28-2024)  
**Closing Cases off ERCS**
- (1) After closing the case off RGS, the clerk will need to close the case off ERCS.

- 4.38.1.7.6.6.1  
(03-28-2024)  
**Examination Main Menu**
- (1) Using the report just printed, the next step is to close cases off ERCS. Starting from **Examination Main Menu**:

Step	Action
1	Select <b>Transfer, Close, Establish Control</b> .
2	Select <b>Transfer/Close</b> .
3	Enter the TIN for each case in the same order as the AMCLSE/ AMSOC report.

- (2) After each entry, use the Enter key to add the TIN to the list. Once all of the TINs are listed, enter "N" to advance to the next screen.

- 4.38.1.7.6.6.2  
(03-28-2024)  
**Close the Case for Each Tax Period**
- (1) **Select Returns to Transfer or Close** screen will display. All tax periods for each TIN that have an ERCS record will be listed. Scroll through each tax period and enter **Y** in the **Select** column for each return that should be closed and **N** for returns that should not be closed.

- 4.38.1.7.6.6.3  
(03-28-2024)  
**Update to Status 90**
- (1) The final step in closing cases on ERCS is updating them to Status "90".

- 4.38.1.7.7  
(03-28-2024)  
**Case File Assembly.**
- (1) Case File Assembly is important as a standard guideline to ensure all necessary documents are present for each case.

4.38.1.7.7.1  
(03-28-2024)

**Reasons for Case Assembly**

- (1) When case files leave CCP, they must be in a specific order.

**Reminder:** Uniform case assembly procedures ensure that all necessary documents are included with each case file, and that all vital information is readily accessible.

4.38.1.7.8  
(03-28-2024)

**Case Types for Examined Paper Closures Case File Assembly**

- (1) The following Examined paper case types will follow these procedures:

- a. No-Change Cases,
- b. Agreed,
- c. 90-Day Unagreed,
- d. 90-Day Agreed,
- e. Claims, and
- f. Surveyed Claim closures.

4.38.1.7.8.1  
(03-28-2024)

**Document Order for Single Year Paper Cases**

- (1) When paper cases are prepared for closing, they are removed from their case file folder and the documents are placed in the following order (from top to bottom):

- a. Form 5344, Examination Closing Records - If a prior audit or adjustment occurred, staple the old Form 5344 to the back of the current Form 5344.
- b. Tax Return - This could be either the original tax return, a copy of the tax return, or a RTVUE/BRTVU or MACS print.
- c. Form 5546 or AMDIS Print - only include this form or print if it was provided by the field.
- d. Closing Examination Report (Form 4549, Report of Income Tax Examination Changes).

**Note:** Form 870, Waiver of Restrictions on Assessment & Collection of Deficiency in Tax & Acceptance of Overassessment, might have been the signature document.

- e. Other forms, letters, and documents enclosed in the case folder.
- f. Form 9984, Examiner Officer's Activity Record.
- g. Form 3198, Special Handling Notice for Examination Case Processing.

**Note:** Non-examined case files may not contain Form 3198. The field determines when to enclose this form.

4.38.1.7.8.2  
(03-28-2024)

**Document Order for Multiple Year Paper Cases**

- (1) When paper cases are prepared for closing, they are removed from their case file folder and the documents are placed in the following order (from top to bottom):

- a. Form 5344, Examination Closing Record.
- b. Tax return - This could be either the original tax return, a copy of the tax return, or a RTVUE/BRTVU or MACS print.
- c. Form 5546, Examination Return Charge-Out Sheet, or AMDIS print - only include this form or print if it was provided by the field.
- d. Copies of Closing Examination Report (Form 4549.)

- (2) These documents must be included in each case year assembly. It is the responsibility of the tax examiner to ensure that the report is attached to each tax year. Input TC 971/057 with the latest tax year. The most current deficiency year should contain all the workpapers.

4.38.1.7.8.3  
(03-28-2024)  
**Items that Should be Removed**

- (1) CCP clerks or tax examiners will remove the following items:
  - a. Transcripts - These should only be retained if data on the transcripts is a part of the examination.
- (2) Other unnecessary items:
  - Fasteners,
  - Rubber bands,
  - Paper clips,
  - Excessive amount of staples,
  - Duplicates of any documents,
  - Correspondence and excess printouts,
  - Labels, or
  - Transmittals.

**Note:** It is not necessary for CCP to inspect each page to determine if a document is a duplicate.

4.38.1.7.9  
(03-28-2024)  
**Case Types for Non-Examined Case File Assembly**

- (1) The following Non-examined cases will follow these procedures:
  - a. Short Closures and
  - b. Survey cases

**Note:** Please note that Surveyed Claims will not follow these procedures.

4.38.1.7.9.1  
(03-28-2024)  
**Document Order for Single Year Cases**

- (1) When cases are prepared for closing, they are removed from their case file folder and the documents are placed in the following order (from top to bottom):
  - a. Form 5546, Place face out on top and folded so that the entity and DLN on the tax return is visible.  
**Note:** An AMDISA print is used if Form 5546 is not present.
  - b. Tax return - This could be either the original tax return, a copy of the tax return, or RTVUE/BRTVU or MACS print.
  - c. Form 1900, Income Tax Survey, or an Agent/Auditory Worksheet (if present).
  - d. Action Sheets, Workpapers, and Miscellaneous Papers.
  - e. Transcripts.
  - f. Statute Control Information.
  - g. History Sheet (Form 9984).
  - h. Form 3198, Special Handling Notice for Examination Case Processing.

4.38.1.7.9.2  
(03-28-2024)  
**Document Order for Multiple Year Cases**

- (1) When cases are prepared for closing, they are removed from their case file folder and the documents are placed in the following order (from top to bottom):
  - a. Form 5546 - Place face out on top and folded so that the entity and DLN on the tax return is visible and AMDISA print is used if Form 5546 is not present.
  - b. Tax return - This could be either the original tax return, a copy of the tax return, or RTVUE/BRTVU or MACS print.

- c. Form 1900, Income Tax Survey, or an Agent/Auditor Worksheet (if present).

**Note:** Input TC 971/057 for paperwork association to the latest year.

4.38.1.7.10  
(03-28-2024)

**Securely Fastening  
Paper Case Files**

- (1) Clerks and Tax Examiners in CCP must ensure all paper case files are securely fastened when preparing for shipment to Files. They will:
  - a. Dispose of unnecessary materials.
  - b. Fasten documents.
  - c. Keep related information together.

4.38.1.7.10.1  
(03-28-2024)

**Dispose of Unnecessary  
Materials**

- (1) Remove all excess metal fasteners, paper clips, rubber bands, and staples.
- (2) Discard all duplicate materials:
  - a. This will include old transcripts, duplicate reports and correspondence, and excess printouts, labels, and transmittals.

**Note:** Tax examiners do not have to take apart the workpapers to get rid of duplicate information and transcripts.

  - b. Transcripts with notated information written on them should be retained.
  - c. Any item containing taxpayer information that is disposed of must be treated as classified waste. Classified waste is documentation containing taxpayer entity or account information that is not part of the case and is not needed for audit trail purposes. Refer to IRM 21.5.1, General Adjustments, for guidance on handling classified waste to prevent inadvertent/unlawful destruction of records.
- (3) Case folders may be discarded if not reusable.

4.38.1.7.10.2  
(03-28-2024)

**Fasten Documents**

- (1) Staple the case file at two separate places on the top to ensure that all documents are securely fastened together.

4.38.1.7.10.3  
(03-28-2024)

**Keep Related  
Information Together**

- (1) Statute control sheets, mandatory review sheets, EQMS, and LQMS flag sheets are attached to the top of this case.

4.38.1.7.10.3.1  
(03-28-2024)

**Multiple Year  
Examinations**

- (1) For multiple year examinations:
  - a. Place a copy of the RAR with all years.
  - b. Place related case files in one stack.
  - c. Place earliest year on top.
  - d. Place other years in sequence below it.
  - e. Input TC 971 AC 057 on all years not containing the workpapers.

**Note:** The most current deficiency year should contain all workpapers. Use the IAT Tool for input.

4.38.1.7.11  
(03-28-2024)

## Tips and Techniques

- (1) Here are some additional tips and techniques to assist you with the general case file assembly.
  - a. Assemble cases in order to ensure all the proper documents are attached.
  - b. Input all transaction codes that are applicable to final case closure.
  - c. Securely fasten the case file with large rubber bands or staples to prevent lost paperwork.

**Note:** Single year case files are assembled differently from multiple year case files.

4.38.1.8  
(03-28-2024)

## Special Handling Procedures

- (1) The following IRM section will outline procedures and processing for cases that require special handling.
- (2) These items include:
  - a. Manual Refunds,
  - b. Non-Master File Assessments and Abatements,
  - c. Master File Tax (MFT) 31,
  - d. Excess Collections,
  - e. Erroneous Refunds,
  - f. Jeopardy Assessments/Termination Requests/ Transferor-Transferee Assessments, and
  - g. Misrouted Cases.

4.38.1.8.1  
(03-28-2024)

## Manual Refunds.

- (1) A Manual Refund is a refund that is generated through normal Master File processing.

4.38.1.8.1.1  
(03-28-2024)

## Purpose of Manual Refunds

- (1) There are various reasons a Manual Refund would be used:
  - a. To expedite the processing of a refund when it is deemed in the best interest of the taxpayer or the IRS.
  - b. The refund is being sent to an entity name other than what is on Master File.
  - c. The refund is not for a Master File account.

4.38.1.8.1.2  
(03-28-2024)

## Importance of Manual Refunds

- (1) Manual Refunds are important to reduce the burden to the taxpayer and to save credit interest the IRS will have to pay.

4.38.1.8.1.3  
(03-28-2024)

## IAT

- (1) Use of the Integrated Automated Technology (IAT) Refund Tool is mandated to prepare and issue all Manual Refunds.

4.38.1.8.1.4  
(09-12-2024)

## Criteria for Issuance of Manual Refunds

- (1) Some of the more common reasons a CCP Tax Examiner would issue a manual refund are:
  - a. The refund will be going to someone other than the entity name or address on the Master File.

## 4.38 Centralized Case Processing (CCP)

- b. A hardship situation necessitates a quicker refund than normal systemic processing can allow.
  - c. The refund is not for a Master File account (Non-Master File (NMF), Excess Collections).
  - d. Refund over \$100 million (including allowable interest). Please refer to IRM 21.4.4.3, Why Would a Manual Refund Be Needed?
- (2) Some system limitations that prevent a normal computer-generated refund are:
- Tentative Carryback claims.
  - Taxpayer is in Bankruptcy.
  - Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax.
- (3) Taxpayer requests an Electronic Fund Transfer (EFT), Automated Clearing House (ACH) or Fedwire or Direct Deposit refund using:
- Form 8302, Electronic Deposit of Tax Refund of \$1 Million or More.
  - Form 8050, Direct Deposit of Corporate Tax Refund.
- (4) Other reasons a Manual Refund may be issued are listed in IRM 21.4.4.3.

4.38.1.8.1.5  
(03-28-2024)

### Preliminary Research of Manual Refunds

- (1) When a refund is issued manually, it greatly increases the chances of a duplicate refund. Therefore, preliminary research must be performed to avoid the possibility of an erroneous refund being issued to the taxpayer.
- (2) Before taking steps to issue a manual refund, research the taxpayer's account to verify the following:
- a. Is the Refund Statute Expiration Date (RSED) still open?
  - b. Are there outstanding balances on other modules?
  - c. Is the credit available to refund?
  - d. Has the refund already been issued?
  - e. Are there any refund holds on the account?
  - f. Does another area need to be coordinated with?
- (3) A research checklist is located below under exhibits.

4.38.1.8.1.5.1  
(03-28-2024)

### IAT Research

- (1) To perform research using the IAT Tool:

Step	Action
1	Pull up TXMOD.
2	Click on the Manual Refund Tool. The fields will populate with information from TXMOD.
3	Click Research. Any conditions that come up in the research field must be researched and resolved prior to continuing.

- (2) Conditions that the Manual Refund Tool checks for were identified by a special team of analysts, Subject Matter Experts, and headquarters as conditions that most commonly cause duplicate and erroneous refunds.

- (3) The IAT Manual Refund Tool has a demonstration and job aid. Refer to: *IAT Webpage*.

4.38.1.8.1.5.2  
(03-28-2024)  
**Research of the RSED**

- (1) CCP tax examiners will need to determine whether the Refund Statute Expiration Date (RSED) is still open.
  - a. Generally, the RSED for payments is 2 years and prepaid credits is 3 years from the return due date.

#### 4.38.1.8.1.5.3 (03-28-2024) Checking for Outstanding Balances

- (1) CCP tax examiners will need to ensure that there are no outstanding balances on other tax modules.
- (2) Debit balances must be satisfied before a manual refund can be issued.
- (3) A TC 130 with an indicator of 99 means that the freeze is the result of a state or federal agency debt on the Debtor Master File (DMF).
- (4) An M freeze indicates a NMF liability may exist.
- (5) If a balance due is present, satisfy the liability by transferring the credit. A TC 570 must be used on the credit transfer, or an erroneous refund may result. Refund the remaining unapplied credit.

4.38.1.8.1.5.3.1  
(03-28-2024)  
**Accounts to Research  
for Outstanding  
Balances**

- (1) Research of the following accounts is necessary to determine if there is an outstanding balance:
- a. IMF,
  - b. BMF,
  - c. CMF, and
  - d. NMF.

4.38.1.8.1.5.4  
(03-28-2024)  
**Duplicate or Delayed Refund**

- (1) It is imperative that CCP tax examiners confirm that neither of the following conditions apply:
  - a. Duplicate Refund, or
  - b. Delayed Refund.
- (2) Failure to notice either of these conditions could result in an erroneous refund.

4.38.1.8.1.5.4.1  
(03-28-2024)  
**Duplicate Refund**

- (1) Review the control bases or history items on TXMOD for any indication that the refund might have already been issued.
- (2) Check the account for indicators that the refund is in the process of being sent out to the taxpayer.
- (3) A TC 971 AC 664 indicates a Form 3753, Manual Refund Posting Voucher, has been processed by Accounting and a TC 840 will post to the account within 4 - 6 weeks.

4.38.1.8.1.5.4.2  
(03-28-2024)  
**Delayed Refund**

- (1) With accelerated refund processing through Customer Account Data Engine (CADE) 2, there are times accounts will not reflect the TC 846 until a systemic refund hold expires (usually one cycle).



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- (2) TC 570 with blocking series “55555” and a TC 971 AC 804 or AC 805 indicates a refund hold.

4.38.1.8.1.6  
(03-28-2024)

### Coordination with Another Area

- (1) There are some account conditions that will require coordination with another area before a manual refund can be requested.
- (2) If coordination with another area is necessary, all information secured from these areas must be included in the manual refund package as documentation.
- a. Notate in the remarks section the contact’s name, telephone number and the date approval was given.

4.38.1.8.1.6.1  
(03-28-2024)

### Types of Conditions that Require Coordination with Another Area

- (1) The following all require coordination with another area.
- a. When issuing a manual refund for a Joint Committee case, a copy of the information from the Chief of Staff must be included as documentation.
- b. Manual Refunds issued to Financial Institutions (Savings and Loan, Banks, etc.) should be reviewed by classifiers or documentation authorizing the refund should be provided by the Revenue Agent.
- c. Additional account conditions requiring coordination are:

Condition	Coordinate With
Account shows no filing requirements	Scheme Development Center
Large Corporation	Technical Unit
M- Freeze	NMF
-Z or Z- Freeze	Criminal Investigation or Scheme Development Center
-U Freeze	Erroneous Refund team in Accounting
-V Freeze	Centralized Insolvency Office (CIO)
-W Freeze	Refer to IRM 21.5.6.4.46 for specific instructions depending on the TC 520 Closing Code.
-R Freeze (TC 570 with 999 in the Julian Date field of the Document Locator Number (DLN) (digits 6, 7, and 8).	Refund Hold Coordinator. These can be found on SERP under Delinquent Refund Hold Coordinators.

4.38.1.8.1.7  
(03-28-2024)

### Miscellaneous Actions

- (1) The following sections explain various miscellaneous actions that may occur when you are working a manual refund. Further explanation is provided in the subsequent IRM subsections:
- a. Tax Adjustment,
- b. Offsetting Credit,
- c. Entity not on ENMOD,
- d. IDRS Control,
- e. Monitoring, or



f. Other Requirements.

4.38.1.8.1.7.1  
(03-28-2024)  
**Tax Adjustment**

- (1) When a tax or credit adjustment is being input with Form 5344, Examination Closing Record, a Hold Code 1, 2, or 4 must be input on the adjustment.
  - a. If multiple adjustments are input, Hold Code 1, 2, or 4 must be used on all of them.
- (2) This will prevent Master File from systemically issuing a refund.
- (3) If Hold Codes are not input by the initiator, Accounting will reject the Manual Refund.

4.38.1.8.1.7.2  
(03-28-2024)  
**Offsetting Credit**

- (1) Where there is a balance due on another module, an offset will be needed before the manual refund can be requested.
- (2) A TC 570 is required on the debit side of the credit transfer.
- (3) If a TC 570 is not input on the debit side, it will release the Hold Code input on the tax adjustment and allow a refund to be systemically released. This can result in an erroneous refund.

4.38.1.8.1.7.3  
(03-28-2024)  
**Entity not on ENMOD**

- (1) Some situations will require that the refund be sent to someone other than those listed on ENMOD.
- (2) An explanation must be provided on Form 5792, Request for IDRS Generated Refund (IGR), or Form 3753, Manual Refund Posting Voucher, of the reason the refund is being issued to a different entity as well as where the supporting documentation can be located.
- (3) When issuing a refund to an entity other than the entity listed on ENMOD or INOLE, input TC 971 AC 037.
  - a. Use the input date of CC RFUND as the transaction date, and enter the TIN of the entity receiving the refund.
- (4) **HOWEVER**, a TC 971 AC 037 is not required on decedent returns when the refund is being issued to the surviving spouse, executor, or appointed administrator.
  - a. The executor or appointed administrator must submit documentation for their appointment.
  - b. A Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer, is required documentation for a decedent manual refund if the refund is over \$100 and it is going to a person other than the surviving spouse.

4.38.1.8.1.7.4  
(03-28-2024)  
**IDRS Control**

- (1) There must be an open control on TXMOD when the manual refund is sent to Accounting.
- (2) The open control must indicate in the activity code the employee is monitoring the account for duplicate refund conditions. Some examples are:
  - a. WT840,
  - b. MONITOR, or

## c. IDRSREFUND.

- (3) The category code will generally be "MISC," but if the case is still being worked or monitored for other reasons, the category code "MISC" is not mandated.

4.38.1.8.1.7.5  
(03-28-2024)  
**Monitoring**

- (1) All manual refunds must be monitored using the Erroneous Manual Refund Tool (EMT) case monitoring tool to ensure duplicate refunds are not sent to the taxpayer.
- (2) When the manual refund tool is used to complete Form 3753, Manual Refund Posting Voucher, or Form 5792, Request for IDRS Generated Refund (IGR), the refund is automatically loaded to the EMT case monitoring tool.
- (3) The lead or a designated employee will perform the required monitoring and documentation until the TC 840 posts to IDRS.
- (4) Managerial review of the EMT monitoring and documentation process is also required.

4.38.1.8.1.7.6  
(03-28-2024)  
**Other Requirements**

- (1) Other situations will require additional action, such as:
  - a. When issuing a manual refund for over \$1 million with credit interest, there is mandatory interest review.
  - b. Due to systemic limitations, a refund for \$100 million and over required two or more Form 3753.
  - c. Accounting must be made aware of cumulative refunds totaling greater than \$50 million on any given day. Accounting has requirements to give Treasury two (2) days' notice if issuing over \$50 million and five (5) days' notice if over \$500 million.
  - d. If an offset credit (TC 706) is being refunded from an IMF account, refer to IRM 21.4.6, Tax Offset Reversal, to determine when the offset must be reversed back to the original module instead of being refunded. A TC 571 input may be needed one cycle after the credit reversal.

4.38.1.8.1.8  
(03-28-2024)  
**Preparation of Manual Refund Documentation**

- (1) It will sometimes be necessary to prepare a Manual Refund request on cases received in Centralized Case Processing (CCP) Exam.

4.38.1.8.1.8.1  
(03-28-2024)  
**Requirements**

- (1) Preparation of Manual Refund Documents must be done through the IAT Manual Refund Tool.
- (2) All manual refunds submitted to Accounting must have the required documentation attached or they will be rejected to the originator:
  - a. Current prints of: TXMOD (must show open control), INOLES, IMFOL/ BMFOL, ENMOD, and Automated Computation Tool (ACT)/Decision Modeling Inc. (DMI) 490 Report (if interest was calculated).
- (3) Sufficient documentation to justify issuing the manual refund must also be included:
  - Taxpayer Correspondence,
  - Internal Transcript,

- Form 8379, Injured Spouse Allocation, or the injured spouse worksheet (if applicable),
- Form 1310, Person Claiming Refund Due a Deceased Taxpayer,
- Form 843, Claim for Refund and Request for Abatement,
- The taxpayer's hardship documentation, or
- A signed statement from the Local Taxpayer Advocate (LTA) approving the taxpayer's hardship refund request.

(4) Accounting will reject any request that:

- a. Has white-out or strike marks on Form 5792 or Form 3753.
- b. Does not have all supporting documentation.
- c. Has missing, incomplete, or incorrect authorized approval signatures.
- d. Does not have an open TXMOD control.

4.38.1.8.1.8.2

(03-28-2024)

**When to Use Which Form**

(1) CCP Tax Examiners will need to determine whether a Form 5792 or Form 3753 is required when requesting a manual refund.

4.38.1.8.1.8.2.1

(09-12-2024)

**Form 5792, Request for IDRS Generated Refund (IGR)**

(1) Form 5792, Request for IDRS Generated Refund (IGR), cannot be used for:

- a. Refunds of \$100 million or more,
- b. Refunds from Excess Collections or Unidentified, and
- c. Electronic Fund Transfers.

(2) The following items are important to know regarding Form 5792:

- a. The account must be on IDRS.
- b. The refund is input to IDRS using CC RFUND.
- c. The account will immediately reflect the TC 840 amount.
- d. The taxpayer will receive the refund within 7 to 10 days.

(3) IRM 21.4.4.5.1 lists the required entries on Form 5792.

4.38.1.8.1.8.2.2

(09-12-2024)

**Form 3753, Manual Refund Posting Voucher**

(1) Form 3753, Manual Refund Posting Voucher, is used for:

- a. Extreme Emergency Hardship Cases,
- b. Refunds in excess of \$100,000,000.00 (\$100 million), and
- c. Accounts not on IDRS such as NMF and Excess Collections.
- d. Electronic Fund Transfers.

(2) The following items are important to know regarding Form 3753:

- a. The account does not need to be on IDRS.
- b. Form 3753 is manually processed.
- c. The account will not immediately reflect the TC 840 amount.
- d. The taxpayer will receive the refund within 3 to 5 days (hardship cases may receive the refund within 2 to 3 days).

(3) IRM 21.4.4.5.2 lists the required entries on Form 3753.

4.38.1.8.1.8.3  
(03-28-2024)

**TOP Offset Bypass  
Indicator (BPI)**

- (1) When issuing a Fedwire refund (Form 3753 the Bureau of Fiscal Services (BFS) (formerly Financial Management Services (FMS)) should be contacted to determine if a Treasury Offset Program (TOP) offset is needed. The current phone number for BFS is located at IRM 21.4.6.5.12.1.
- (2) The BFS initiates refund offsets to outstanding federal agency debts or child support. These offsets are referred to as TOP offsets.
- (3) Fedwire refunds do not allow sufficient time for BFS/ TOP offset processing. In the Remarks section of Form 3753 notate the date, identification number of the BFS representative, and whether a TOP offset is needed.
- (4) Refer to IRM 21.4.6.4.2.1 for all Bypass Indicators that can be used on Manual Refunds.
- (5) Bypass Indicators 0 and 3 are the only indicators that can be used with Form 3753:
  - a. BPI 0 - Indicates TOP Offset.
  - b. BPI 3 - Indicates **no** TOP Offset.

4.38.1.8.1.9  
(03-28-2024)

**Form 5792, Request for  
IDRS Generated Refund  
(IGR)**

- (1) Form 5792, Request for IDRS Generated Refund (IGR), is used when requesting a manual refund from Accounting on a case sent to CCP Exam.

4.38.1.8.1.9.1  
(03-28-2024)  
**IAT**

- (1) The IAT Manual Refund Tool is required to complete Form 5792.
- (2) Ask the lead or On-the-Job Instructor (OJI) to help set up the Manual Refund Tool for the first time.
- (3) On the Fill Form screen, select the radio button.

4.38.1.8.1.9.2  
(03-28-2024)

**Form 5792, Section I**

- (1) Form 5792, Section I, Account Information, is where the entity information as well as the amount of the refund and interest can be found.
- (2) The following boxes are required entries and are auto populated by the tool: 1, 2, 3, 5, 6, 11, 14, 15, 16, 17, 18, and 19.
- (3) The following boxes are required entries and are auto populated by information the tax examiner enters into the Manual Refund Tool:
  - a. 7 - TC 770 amount - Compute the interest using the Automated Computation Tool (ACT)/Decision Modeling Inc. (DMI). Compute the interest to the day after the RFUNDR input.
  - b. 8 - Overpayment amount - If the module is in a credit status, the tool will populate this field; verify that it is the principal amount that needs to be refunded.
  - c. 9 - Line No. RFUND input - The tool has a drop-down menu of valid selections for the MFT. If you are not sure which is the correct option, click on the **Line Number**. This will bring up the definitions.
  - d. 10 - Int'st Ind - Select the correct interest indicator from the drop-down menu.
  - e. 12 - Sequence Number - Will be input by the employee inputting CC RFUND.

- f. 20 - Remarks - List the reason for the refund in the remarks field. Be specific. Include all pertinent information Accounting will need to verify the interest dates and the credit is available for refund.
- g. 21 - Initiating BOD - Select SB/SE from the drop-down menu.
- h. 22 - DLN of return - There is a checkbox **Do not pull DLN**. If the box is checked, the DLN will need to be manually entered. If the box is not checked, the tool will pull the DLN.

4.38.1.8.1.9.3  
(03-28-2024)

## Form 5792, Request for IDRS Generated Refund (IGR), Section II

- (1) Section II, Manual Refund Authority, is made up of all checkboxes. All applicable boxes must be selected based on the case. All actions the checkboxes indicate must be taken.
- (2) The following boxes are required to be checked:
  - a. 1c - Handbook Reference (an IRM tridoc is required here),
  - b. 3 - IDRS and Master File research for outstanding balances and TC 130,
  - c. 4 - Transcript of debit accounts attached,
  - d. 6 - Necessary supporting documents attached,
  - e. 7 - Verify refund amount with source document amount,
  - f. 8 - All items above completed (this box is referencing Section 1), and
  - g. 13 - Control Base Opened.
- (3) Any other boxes in Section II are optional and should only be checked when applicable.
- (4) This section of the Form can be set up with common refund scenarios. To set up and save a scenario (on the fill forms screen), click the Edit button next to the "Refund Reason" drop-down. This will pull up a screen that allows common scenarios to be set up. After an initial setup, the scenarios will be accessible by selecting them from the drop-down menu.
- (5) All checkboxes in Section II and Box 20 "Remarks" in Section I are completed on the Refund Reason screen that is accessed through the edit button. The remarks can also be edited on the fill forms screen.

4.38.1.8.1.9.4  
(03-28-2024)

## Form 5792, Request for IDRS Generated Refund (IGR), Section III

- (1) Data for Section III, Interest Computation, is not input on the Manual Refund Tool screens. The required boxes "Interest to date" and "Amount of interest" will be manually typed into the form after the "Fill Forms" button is clicked.

4.38.1.8.1.9.5  
(03-28-2024)

## Form 5792, Request for IDRS Generated Refund (IGR), Section IV

- (1) Information for the boxes in Section IV, Manual Refund Approval, is pulled from various parts of the Manual Refund Tool.

Box	Where information is pulled from
1- Number of Employee inputting RFUND via IDRS	Fill forms screen On the fill forms screen, next to the "IDRS Number to input RFUND:" field there is a checkbox labeled "fill." If the box is checked, the tool will complete box 1 in Section IV with the IDRS number input.

Box	Where information is pulled from
<ul style="list-style-type: none"> <li>Request prepared by:</li> <li>Phone no.</li> </ul>	Fill Forms Preferences Menu
4a- Print SEID and Name of Approving Official	To access and set up preferences: From the fill forms screen, click on the "Options" drop-down menu, select "Fill Forms Preferences," then select "Form 5792," complete the fields to match tax examiners' needs.
5- Date	Auto fills based on tool programming.

- (2) All boxes in this section are required entries. The signature, SEID and name entered in Box 4 and 4a must be identical to the information on file at the Accounting function or the manual refund will be rejected.

4.38.1.8.1.9.6  
(03-28-2024)

**Important Command Codes Required for Input of Form 5792, Request for IDRS Generated Refund (IGR)**

- (1) Command codes that are necessary for processing manual refunds. They are:
- NOREF,
  - RFUND, and
  - CMODE.
- (2) More information is provided in additional subsections.

4.38.1.8.1.9.6.1  
(03-28-2024)  
**NOREFP**

- (1) CC NOREFP stops an electronic paper refund (TC 846) from being issued. The initiating tax examiner or designated employee must input a NOREFP on all IMF Form 5792, refunds to prevent systemic refunds.

**Exception:** If the module has a -V or -W freeze or contains an open TC 520 (bankruptcy).

**Exception:** If the manual refund is being issued from a module currently in a balance due status (before the manual refund is input).

- (2) The IAT Stop Refund Tool should be used to input CC NOREFP. For future reference, the tool job aid can be found on the IAT website: *IAT Website Home page*.

4.38.1.8.1.9.6.2  
(03-28-2024)  
**RFUND**

- (1) Use of the IAT Manual Refund Tool is required to input CC RFUND. Select the radio button labeled RFUNDR. The Manual Refund Job Aid, Section 3.8 CC RFUNDR input Option, explains how to use this function.
- (2) On an IMF account, if CC NOREF has not been input prior to CC RFUNDR, an error message will be returned. If CC NOREF is not needed, bypass the error message. If CC NOREF is needed, exit the IAT Manual Refund Tool and input the NOREF.
- (3) CC RFUNDR is used to generated IDRS manual refunds. All information input to CC RFUND is gathered from Form 5792. If the tax examiner is located at a campus that does not have an Accounting function, the CC RFUNDR will be input through CMODE.

- (4) The manual refund package must be sent to Accounting the same day CC RFUNDR is input. Follow local procedures regarding timeframes that the RFUND input and manual refund package must be received in Accounting.

4.38.1.8.1.9.6.3  
(03-28-2024)  
**CMODE**

- (1) CC CMODE (change mode) enables IDRS users to access and update taxpayer records on another campus' database.
- (2) If CMODE is needed to input RFUNDR do the following:

Step	Action
1	On the fill forms screen, click "Options."
2	Select "Use CC CMODE."
3	Select a Service Center.

- (3) After the RFUNDR has been input, undo the CMODE selection. All information input to CC RFUND is gathered from Form 5792.

4.38.1.8.1.10  
(03-28-2024)  
**Form 3753, Manual Refund Posting Voucher**

- (1) Form 3753, Manual Refund Posting Voucher, is requested when requesting a manual refund from Accounting on a case sent to CCP Exam under certain conditions.

4.38.1.8.1.10.1  
(03-28-2024)  
**IAT**

- (1) The IAT Manual Refund Tool is required to complete Form 3753.
- (2) Ask your lead or On-the-Job Instructor (OJI) to help set up the Manual Refund Tool the first time it is used.
- (3) On the Fill Form screen, select the radio button for Form 3753, Manual Refund Posting Voucher.

4.38.1.8.1.10.2  
(03-28-2024)  
**Form 3753, Manual Refund Posting Voucher, Section I**

- (1) Entity information as well as the amount of the refund is input to Section I, Account Information.
- (2) The following boxes are required entries and are auto populated by the tool: 1, 2, 3, 7, 8, 10a, 10b, 10c, and 14.
- (3) The following boxes are required entries and are auto populated by information the tax examiner enters into the Manual Refund Tool.
- (4) From and Return to - Enter your Department and Team Information:
  - a. 9 - DLN of return. (On the fill forms screen, there is a checkbox **Do not pull DLN**. If the box is checked, the DLN will need to be manually entered. If the box is not checked, the tool will pull the DLN).
  - b. 10d - Interest - Compute the interest using Automated Computation Tool (ACT)/Decision Modeling Inc. (DMI).
  - c. 13 - Overpayment amount - If the module is in a credit status, the tool will populate the field. Verify that it is the principal amount that needs to be refunded.



## 4.38 Centralized Case Processing (CCP)

- d. 15 - Line number - The tool has a drop-down menu of valid selections for the MFT. If not sure which is the correct option, click on the **Line Number**. This will bring up the definitions.

- (5) If Fedwire or Direct Deposit is needed, then complete the “ABA:” and “Account:” information on the fill form screen. The tool will populate Box 11 with the information entered. Accounting will process the refund on the interest to date located in Section III. However, depending on the taxpayer’s banking, they will not receive the write transfer in their account for a day or two after the scheduled transaction date.

### 4.38.1.8.1.10.3

(03-28-2024)

#### **Form 3753, Manual Refund Posting Voucher, Section II**

- (1) Section II, Manual Refund Authority, is made up of all checkboxes. All applicable boxes must be selected based on the case. All actions that the checkboxes indicate must be taken.
- (2) The following boxes are required to be checked:
  - a. 1c - Handbook Reference (an IRM tridoc is required here),
  - b. 2b - Transcript of account,
  - c. 3 - Interest (select the applicable box),
  - d. All items above completed (this is referring to Section I),
  - e. Control Base Opened,
  - f. IDRS and Master File researched for outstanding balance and TC 130,
  - g. Necessary supporting documents attached, and
  - h. Bypass Indicator 0 or 3. Select either Yes or No.) Refer to IRM 21.4.6 for more information.
- (3) Any other boxes in Section II are optional and should only be checked when applicable.
- (4) This section of the Form can be set up with common refund scenarios. To set up and save a scenario (on the fill-forms screen), click the Edit button next to the “Refund Reason” drop-down. This will pull up a screen that allows common scenarios to be set up. After initial setup, the scenarios will be accessible by selecting them from the drop-down screen.
- (5) With the exception of the Bypass Indicator 0 or 3, all check boxes in Section II and “Other Remarks” in Section IV are completed on the Refund Reason screen that is accessed through the edit button. The Bypass Indicator is elected on the fill-forms screen.

### 4.38.1.8.1.10.4

(03-28-2024)

#### **Form 3753, Manual Refund Posting Voucher, Section III**

- (1) Data for Section III, Interest Computation, is not input on any of the Manual Refund Tool screens. The required boxes “Interest to date” and “Amount of interest” will be manually typed into the form after the “Fill Forms” button is clicked.

### 4.38.1.8.1.10.5

(03-28-2024)

#### **Form 3753, Manual Refund Posting Voucher, Section IV**

- (1) The Other Remarks and Initiating BOD boxes are located in Section IV. The input field for remarks is located in the Reason for Refund. Click on the Edit button next to the Reason for Refund to input any necessary remarks.
- (2) The Initiating BOD can be selected from the fill-forms screen.



4.38.1.8.1.10.6  
(03-28-2024)

## Form 3753, Manual Refund Posting Voucher, Section V

- (1) Information for the boxes in Section V, Manual Refund Approval, is pulled from the Fill Forms Preferences Menu. Tax Examiners have the option to set this section up to autofill or complete it manually each time a Form 3753, is prepared.
- (2) To access and set up the preferences from the fill form screen:

Step	Action
1	Click on the "Options" drop-down menu.
2	Select "Fill Forms Preferences."
3	Select "Form 3753."
4	Complete the fields to match tax examiner's needs.

- (3) All boxes in Section V are required entries. The signature, SEID and name entered in Box 1 and Box must be identical to the information on file at the Accounting function or the manual refund will be rejected.

4.38.1.8.1.11  
(03-28-2024)

## Form 5344, Examination Closing Record

- (1) Form 5344, Examination Closing Record, requires preparation to prevent a manual refund reject.

4.38.1.8.1.11.1  
(03-28-2024)

## Preparation of Form 5344, Examination Closing Record, Regarding Manual Refunds

- (1) Complete Form 5344 per normal procedures paying special attention to the following items:
  - a. Item 7 - A Hold Code 1, 2, or 4 must be input, or Accounting will reject the manual refund.
  - b. Item 12 - Do not input an amount for the TC 770 if it was input on the manual refund.

**Note:** This would give the taxpayer double the amount of credit interest.

4.38.1.8.2  
(03-28-2024)

## Non-Master File Assessments and Abatements

- (1) Non-Master File (NMF) is a manually processed, assessment-based system. A NMF account is a collection of revenue accounting transactions for a particular Taxpayer Identification Number (TIN). Rules and regulations pertaining to Master File (MF) also apply to NMF, although different procedures may be required.
- (2) This purpose of NMF is to accommodate returns that have been programmed to MF and processed through normal processing channels.
  - a. Any adjustments to returns not housed on MF must be input through Automated Non-Master File (ANMF). Certain Examination deficiencies also cannot be processed to MF.
- (3) Adjustments to NMF returns require different forms and procedures than adjustments to MF returns. Some additional code and edit procedures are necessary. Blocking and numbering requirements are also different.

4.38.1.8.2.1  
(03-28-2024)  
**Types of NMF  
Assessments**

- (1) There are six conditions which require NMF processing:
  - a. **Large Dollar Accounts** - Accounts that have balances too large for the Master File to process.
  - b. **Overflow Accounts** - Accounts that have an excessive number of transactions for the Master File to systemically process.
  - c. **New Legislation** - Accounts that require immediate tax law implementation, but time does not permit for extensive modifications to the Master File.
  - d. **Immediate Legal Assessments** - Accounts which require immediate (24 hours) legal assessments when the Master File would be too slow to post the assessments.
  - e. **Reversal of Erroneous Abatements** - Accounts that require reversal of erroneous abatements when the Assessment Statute Expiration Date (ASED) has expired.
  - f. **Child Support Cases** - Child Support cases where collection of payments has been ordered by state courts but has fallen into arrears.

4.38.1.8.2.2  
(03-28-2024)  
**Automated Non-Master  
File (ANMF) System**

- (1) The ANMF system is a standalone database, which contains all:
  - a. Open,
  - b. Closed, and
  - c. Archived accounts.

**Note:** ANMF does not interface with Master File. Many returns that were previously processed on NMF have been moved to Master File.

4.38.1.8.2.2.1  
(03-28-2024)  
**Dummy Tax Period**

- (1) A dummy tax period is required on NMF assessments where there are multiple assessments for the same tax period. NMF can only handle one Collection Statute Expiration Date (CSED) on each account.
- (2) The dummy tax period should be followed by the true tax period under the entity section on the transcript or in the "Pds assessed:" section of the ANMF Research Screen.
- (3) Each additional assessment will be given a dummy tax period.

4.38.1.8.2.3  
(03-28-2024)  
**Research and  
Transcripts**

- (1) CCP Tax Examiners will need to research all of the following:
  - a. Master File,
  - b. Automated Non-Master File, and
  - c. NMF Transcript.

4.38.1.8.2.3.1  
(03-28-2024)  
**Master File Research**

- (1) AIMS will be established with a file source of "N" or "D".
  - a. N is for non-master file (SSN or EIN).
  - b. D is for AIMS dummy Taxpayer Identification Number (TIN).
- (2) Check MF using CC SUMRY and TXMOD with file source of "N" to show any possible history items or case controls.
- (3) A zero balance on MF with a TC 400 and an M- freeze can indicate the account was transferred to NMF.
- (4) TC 400 with a blocking series of:

- a. 00 is a transfer from MF to NMF,
- b. 05 is an Offer in Compromise,
- c. 09 is a transfer from MF to NMF - Special Project, and
- d. 99 is an overflow account.

- (5) Transaction Code 130 with a blocking series of 200-299 on ENMOD indicates that a NMF account is present.

4.38.1.8.2.3.2  
(03-28-2024)

**Automated Non-Master File (ANMF)**

- (1) NMF accounts must be researched before processing any transactions. Research can be done through ANMF and analyzing transcripts.
- (2) Designated tax examiners in CCP have access to ANMF. Research is done by analyzing a NMF transcript in the same way a TXMOD or ENMOD print is used for MF accounts.

4.38.1.8.2.3.3  
(03-28-2024)

**NMF Transcript**

- (1) A current transcript (dated two weeks or less) must accompany adjustments sent to NMF for processing.
- (2) Have a designated TE request a transcript using ANMF.
  - a. The transcript will be faxed to the attention of the TE and fax number submitted on the request. Use this transcript to do the NMF research.

**Note:** Because each NMF assessment must have its own account, there may be more than one transcript for each tax period. Each transcript must be used to piece together the entire picture of the tax period.

4.38.1.8.2.3.4  
(03-28-2024)

**NMF Assessments**

- (1) NMF assessments are processed manually using Form 2859, Request for Quick or Prompt Assessment.
- (2) Prompt the manual assessment document following normal procedures discussed in IRM 4.38.1.7.1, Manual (Quick) Assessments, with the following exceptions:
  - a. Enter an **N** after the TIN.
  - b. A TC 340 is always used when entering debit interest.
  - c. Manager's signature is required.
  - d. In the remarks section, notate NMF and the Disposal Code (DC). ANMF is required to input an Exam disposal code with a TC 30X transaction.
  - e. Information from the remarks section is added to the Cross Reference Information area on ANMF. Enter any information that is used to make the assessment and compute interest.

**Example:** 870 Waiver date xx/xx/xx. 6404(g) Notice date xx/xx/xx, TEFRA OYD xx/xx/xx.

- f. Form 3210, Document Transmittal, must accompany Form 2859. NMF Revenue Accounting will fax or route Form 3210, back to the originating TE with Document Locator Number (DLN) for the assessment. Notate the DLN on the case file and history copy of Form 2859, before taking the next actions on the case. (Closing it off AIMS or routing it to another area for handling.)
- g. Fax or route the NMF assessment package to NMF at Ogden Service Center. The completed package should contain: Form 2859, copy of

## 4.38 Centralized Case Processing (CCP)

Form 5344, Examination Closing Record, interest computation, back up information (Revenue Agent Report (RAR), agreement, or anything else pertinent) and Form 3210.

### 4.38.1.8.2.3.4.1

(03-28-2024)

#### **Monitoring Quick Assessments**

- (1) After the quick assessment has been faxed to Ogden, it must be monitored for posting:
  - a. Do not close the AIMS record. The AIMS base will remain open until the assessment is processed at the Ogden campus.
  - b. On or after the 23C date, ANMF should be reviewed to verify the accuracy of the assessment. If there are any discrepancies, contact the NMF Specialist to coordinate corrections as soon as possible. Statute cases should be verified through ANMF on the 23C date, or before the ASER to prevent barred assessments.
  - c. After the assessment has been verified on ANMF, notate the DLN on the case file and history copy of Form 2859, Request for Quick or Prompt Assessment.
  - d. Now the case can be closed off AIMS and ERCS or routed to another area as needed.

### 4.38.1.8.2.3.5

(03-28-2024)

#### **Abatement Procedures**

- (1) NMF abatements are processed manually using Form 1331-B, Notice of Adjustment. A manager's signature is required on all NMF abatements. The manager signing must be on the authorized listing at the Ogden Service Center, and the signature must be the same on all of the forms submitted.
- (2) This is the procedure for NMF abatements:
  - a. Request a NMF Transcript through the designated Tax Examiner. A current transcript (dated two weeks or less) must be attached to the NMF Abatement Package.
  - b. If the Doc Code is 51, the NMF account is a transfer from MF, use a copy of pages 1 and 2 of the TC 150 return. The original assessment document does not need to accompany the NMF abatement package.
  - c. Prepare Form 1331-B when adjusting tax, penalties, and interest. Include in the abatement package.

### 4.38.1.8.2.3.5.1

(03-28-2024)

#### **Resolving Credits**

- (1) Credit cannot be left on a NMF account. It must be offset to another liability or manually refunded:
  - a. If the abatement results in an overpayment and the credit is needed on an outstanding liability, prepare Form 2424, Account Adjustment Voucher. Form 2424 must be included in the abatement package.
  - b. If there is still credit available after the outstanding liability is satisfied, then a manual refund must be prepared for the remaining credit. A copy of Form 2424 must also be included with the refund package.
  - c. If the abatement results in an overpayment that needs to be refunded, prepare Form 3753, Manual Refund Posting Voucher. A copy must be included in the abatement package to justify that all credits are resolved.

### 4.38.1.8.2.3.5.2

(03-28-2024)

#### **Abatement Package Contents**

- (1) All abatement and refund packages sent to Ogden must have a completed Form 3210, Document Transmittal. The following is a list of required and optional items that should be sent to Ogden with any abatement request:

- a. The abatement package will have Form 1331-B, Notice of Adjustment, interest computation, backup information such as the RAR, and Form 3210 to the Ogden Service Center.

**Reminder:** It may have Form 2275, Records Request, Charge and Recharge, and copy of Form 3753 and Form 2424.

- b. The refund package will have Form 3753, NMF transcript, interest computation, backup information such as RAR and Form 3210 to the Ogden Service Center.

**Reminder:** It may also have a copy of Form 1331-B and Form 2424.

**Note:** Fax or route the completed NMF abatement and refund packages to current fax numbers and mail stops.

4.38.1.8.2.3.6  
(03-28-2024)  
**Closing AIMS**

- (1) Automated Information Management System (AIMS) is used by Centralized Case Processing (CCP) Exam to close Non-Master File (NMF) cases received from the Field.

4.38.1.8.2.3.6.1  
(03-28-2024)  
**General Information**

- (1) The IAT Closure Tool does not currently accept the file source "N" or "D". This means that NMF AIMS must be closed manually.
- (2) NMF AIMS should never be closed with an original document. It will always be closed using the Exam Electronic Prints Blocking Series. If an original return is in the case file, refile it under its original DLN.
- (3) NMF AIMS closures are separated into blocks. Each NMF block can have up to 50 documents, number from 0000 - 0049. A separate gusset is needed for each NMF block closed.
- (4) AMCLS blocks will be numbered 300 for the first, 301 for the second, 302 for the third, and so on.
- (5) AMSOC blocks will be numbered 100 for the first, 101 for the second, 102 for the third, and so on.
- (6) Rarely is more than one block needed for AMSOC or AMCLS. When all cases have been closed in a block, the block must be closed.

4.38.1.8.2.3.6.2  
(03-28-2024)  
**AMCLS**

- (1) CC AMCLSE will be used to close examined NMF cases off AIMS.

- a. Sort NMFTs into separate stacks.

**Example:** All MFT 32s in one stack; all MFT 20s in another stack.

- b. Separate the TINs ending with "N" and "D".

**Note:** The file source **D** indicates a dummy TIN. An assessment can't be made under the dummy TIN. It can either be closed No Change or DC 28.

- (2) Complete Form 5344.

- Complete the blocking series with a 300. The ending digit is a zero instead of an X. (If more than 50 documents, the next block would be 301).

## 4.38 Centralized Case Processing (CCP)

- Complete position 36 of Form 5344 with the Batch Position Indicator. This indicates whether the case is the first, continuation, last, addition to a block, or a single document of a block. Refer to the following table for additional information.
- Items 9, 12, 15, and 41 must be blank. If a Form 2859 has been completed, enter an amount in Item 35. (The manual assessment must be posted to ANMF before AIMS is closed.)
- Input CC AMCLSE. For examples of how to manually input the closure, refer to Exhibit H-6-1, NMF Input Format.
- Print a copy of the **REQUEST COMPLETED** screen. Staple the copy to the front side of Form 5344 as proof of closure. If this step is missed, the AMDISA screen can be printed and attached.
- Write the DLN from the **REQUEST COMPLETED** screen in Item E of Form 5344.

Batch Position Indicator	Definition
<b>F</b>	First document of a block.
<b>C</b>	Center or middle documents in a block.
<b>L</b>	Last document of a block.
<b>S</b>	Single document in a block.
<b>R</b>	Reopen to add another case to a block closed. <b>Note:</b> This can only be done the same day of closure.

### 4.38.1.8.2.3.6.3 (03-28-2024) AMSOC

- (1) Form 5351, Examination Non-Examined Closings, and Form 10904, Request for Record Deletion from AIMS, are used for non-examined AIMS closures.
- (2) CC AMSOC will be used to close non-examined NMF cases off AIMS.
  - a. Sort closing documents by NMFT Code.
  - b. Then sort by Disposal Code (DC) with Disposal Code 28 cases together and all other non-examined disposal codes in another group. Each group requires a separate block.
  - c. Assign appropriate Blocking Series.

**Example:** 100 for first block, 101 for second block, and so on.

- d. Input these closures like a regular MF AMSOC. Number them the same way and write or stamp your IDRS number and date. For examples of how to manually input the closure, refer to Exhibit H-6-1, NMF Input Format.
- e. Write the generated DLN from the “REQUEST COMPLETED” screen on the closure document.
- f. On the final input document of a block, enter a Batch Position Indicator of “L” in position 7 on the AMSOC input screen.
- g. Place case in a gusset to be sent to files. (DC 28 cases will not go to files. They will be maintained in the area. Follow local procedures.)



4.38.1.8.2.3.6.4  
(03-28-2024)  
**AMBLK**

- (1) When all NMF cases have been closed for a particular block, the block must be closed. This is done by entering:
  - a. AMCLSB (transmit) - then type,
  - b. AMBLK (transmit) - the screen will show **BLOCK CLOSED**.

4.38.1.8.3  
(03-28-2024)  
**Master File Tax (MFT) 31**

- (1) Master File Tax (MFT) 31 is an Individual Master File (IMF) MFT account code used for split spousal assessments against an individual taxpayer on a joint module.

4.38.1.8.3.1  
(03-28-2024)  
**Purpose**

- (1) MFT 31 is used when only one spouse is responsible for a debt or will receive the benefits of an overassessment.
- (2) For information on Innocent Spouse procedures and how they apply to MFT 31 and CCP Exam, please refer to IRM 4.38.1.9.10.

4.38.1.8.3.2  
(03-28-2024)  
**Importance of MFT 31**

- (1) Accounts that were previously processed as Non-Master File (NMF) can now be processed on MFT 31 and update through IDRS.
- (2) In certain cases, a spouse will be relieved of liability arising from a joint income tax return. IRC 6015 amended the criteria by which the taxpayer may apply for innocent spouse relief. A Tax Examiner is responsible for the input of the adjustments from the determination.

4.38.1.8.3.3  
(03-28-2024)  
**Reasons MFT 31 is Created**

- (1) Per IRM 21.6.8.4, MFT 31 is created for one or more of the following reasons:
  - a. **Bankruptcy** - involving cases when either spouse claims a bankruptcy.
  - b. **Offer-in-Compromise** - involving cases when either spouse makes an offer on a liability and the IRS accepts it.
  - c. **Innocent Spouse** - one spouse is fully or partially relieved of the liability for an assessment made against a joint module
  - d. **Tax Court** - involving cases when an assessment is made against a joint module, but one spouse is relieved of the liability fully or partially.
  - e. **Exam/ Unagreed Cases** - when only one spouse agrees to the tax deficiency, while the other spouse does not agree, but does not appeal or file a petition.

**Note:** This could include a deceased taxpayer and neither the surviving spouse nor the executor sign the Revenue Agent Report (RAR).
  - f. **Criminal Restitution** - an assessment of criminal restitution ordered payable to the IRS has been made.
  - g. **Taxpayer Assistance Order** - either spouse files Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order).
  - h. **Installment Agreement** - either spouse requests an installment agreement.
  - i. **Currently Not Collectible (CNC)** - account qualifies for CNC based on either spouse's financial status.

4.38.1.8.3.4  
(03-28-2024)  
**Types of MFT 31 Accounts**

- (1) There are three types of MFT 31 modules that function in different ways:

## 4.38 Centralized Case Processing (CCP)

- a. **Split/Transfer** - MFT 31 accounts created or in process prior to January 2005 or a qualifying NMF 20 account (collection statute expiration date (CSED) expired after January 1, 2005). This creates one MFT 31 module for one spouse, and information does not systemically pass between the modules unless a TC 971 AC 110 is posted to the MFT 31 modules.
- b. **Mirrored** - A **mirrored** account creates two MFT 31 modules (one for each spouse), and credits and adjustments are automatically posted to both spouses' accounts.
- c. **Exam/Appeals/Automated Underreporter (AUR)** - This type of account works the same way as a split/transfer account, but has posted after January 2005.

(2) There are several conditions that create a mirrored account:

- Bankruptcy by only one spouse,
- Innocent spouse claim,
- Agreement to tax adjustment by only one spouse,
- OIC filed by only one spouse,
- Joint OIC defaulted by one spouse,
- Form 911 filed by only one spouse,
- One spouse requests an installment agreement, or
- One spouse qualifies for CNC.

(3) Examples of split/transfer account are:

- Only one spouse is going to Appeals or petitions the Tax Court,
- One spouse has petitioned bankruptcy court, or
- A court ordered restitution payable to IRS in a criminal tax case.

4.38.1.8.3.5  
(03-28-2024)

### Creation Procedures

(1) A TC 971 with action codes (AC) 100-109 establishes the MFT 31 module.

(2) TC 971 is input using command code REQ77 via IAT. For further details on the input of CC REQ77 using IAT, access the IAT REQ77 job aid at: *IAT REQ77 Job Aid*.

Originating Office	Action Code	Mirrored (Y or N)
Bankruptcy	100	Y
Offer-in-Compromise	101	Y
Criminal Restitution	102	N
Examination/Appeals/AUR	103	N
Innocent Spouse	104	Y
Reserved for Examination/Appeals/AUR (mirrored)	105	Y
Taxpayer Assistance Order	106	Y
Installment Agreement	107	Y
Collection Due Process	108	Y
Currently Not Collectible (CNC)	109	Y



- (3) The TIN of the obligated spouse (for whom the MFT 31 module is created) is entered in the cross-reference TIN (XREF-TIN) field. In some cases, both spouses may be obligated. If so, two TC 971s are input.
- (4) The TC 971 AC 100-109 generates a TC 971 with the same AC to open the MFT account tax year. The TC 971 posts on MFT 31 with the XREF-TIN field of the primary taxpayer. This is how the primary taxpayer's MFT 30 tax account is identified.

#### 4.38.1.8.3.6 (03-28-2024) How MFT 31 Modules Look

- (1) There won't be a TC 150 on the MFT 31 module in all situations.
- (2) When the "split" assessment is tax, based on the processing of the original return, the MFT 31 separate assessment module will reflect a TC 150.
- (3) When the "split" assessment is due to an audit or other subsequent assessments (increasing tax, decreasing credits, etc.), no TC 150 will be present on the MFT 31 module.
- (4) The TC 971 XREF-TIN on MFT 31 for both primary and secondary TIN will reflect the primary TIN for the joint tax account.

4.38.1.8.3.7  
(03-28-2024)  
**Action Code 110**

- (1) Transaction Code (TC) 971 AC 110 also plays an important role in the MFT 31 process. It links duplicate assessments between the MFT 31 and cross-reference MFT 30 modules to prevent duplicate payments.
- (2) On mirrored modules, the AC 110 posts automatically. On non-mirrored modules (Action Codes 102 and 103), it will need to be input manually.

4.38.1.8.4  
(03-28-2024)  
**Excess Collections.**

- (1) The Excess Collections File (XSF) is a file within IDRS containing all non-revenue receipt credits received since January 1, 1989, in Account 6800, Excess Collections, and Account 9999, Revenue Clearance Accountability. The XSF is often referred to as the "Dump" Account.

4.38.1.8.4.1  
(03-28-2024)  
**Purpose**

- (1) The purpose of excess collection is to transfer unidentified, expired, or barred credits from Master File or Non-Master File (NMF) accounts.

#### 4.38.1.8.4.2 (03-28-2024) Importance of Excess Collections File

- (1) To prevent erroneous refunds of expired or barred credits and applying overpayments to Balance Due accounts when the Refund Statute Expiration Date (RSED) has expired.

4.38.1.8.4.3  
(03-28-2024)  
**Transfer of Credit to  
Excess Collection File  
(XSF)**

- (1) There are several procedures required when transferring a credit to the Excess Collection File.

4.38.1.8.4.3.1  
(03-28-2024)  
**Credit Types**

- (1) Before transferring a credit to XSF, the field determines if the credit or payment is barred from refund or offset.
  - a. Prepaid credits are money amounts allowed to taxpayers to reduce original or additional tax liability.

- b. Payments are money amounts submitted by the taxpayer to satisfy tax liabilities.

(2) Some examples of prepaid credits and payments are:

- a. Earned Income Credit (EIC) (Transaction Codes 764 and 768),
- b. Credit from prior year (TC 710 and 716),
- c. Withholding Tax (TC 800 and 806),
- d. Federal Tax Deposit (FTD) (TC 650) (BMF),
- e. Estimated Tax Payments (TC 660),
- f. Subsequent Payments (TC 670 and 640), and
- g. General Refundable Credits (TC 766).

4.38.1.8.4.3.2

(03-28-2024)

**Credits / Payments  
Defined**

- (1) Claims for credit or refund of non-prepaid credits must be filed within 3 years from the return filed date or 2 years from the date of the payments, whichever is later.

**Example:** A taxpayer filed their Form 1040, Tax Year 2021, return on 07/15/2022 and had only non-prepaid credits to satisfy the tax liability. The taxpayer must file a claim by 07/15/2025 to qualify for a timely filed claim.

**Example:** A taxpayer filed their Form 1040, Tax Year 2021, return on 04/15/2022 and had only prepaid credits to satisfy the tax liability. The taxpayer must file a claim by 04/14/2025 to qualify for a timely filed claim.

**Note:** Credits are transferred to Excess Collections by way of the IAT Tool. Refund of credit expired on Transaction Code 806.

4.38.1.8.4.3.3

(03-28-2024)

**General Refund Statute  
Expiration Rules**

(1) General Rule:

- a. A claim for refund must be filed within 3 years from the date the original return was filed or 2 years from the date the tax was paid, whichever is later.
- b. If no return was filed, the claim may be allowed if filed within 2 years from the date of the payment.
- c. Exception to the general rule - An original return with prepaid credits is considered a timely claim if postmarked within 3 years from the due date, including any extensions of time for filing.

(2) Other Rules:

- a. If a taxpayer made an overpayment of tax from prepaid credits and is also liable for a deficiency of tax for the **same year**, the overpayment credits can be applied to the deficiency, even though the RSED has expired.
- b. An original delinquent return with prepaid credits is considered a timely claim if received (IRS received date) within 3 years from the return due date, including any extension of time for filing.
- c. A refund from a filed claim will not be allowed if the RSED has expired unless the claim is received prior to the expiration date.
- d. If a taxpayer's return is adjusted without a claim (for example, as a result of an audit), the amount allowable cannot exceed the amount that would have been filed on the date the refund or offset of the credit is allowed.

- e. If a taxpayer agrees to an overassessment determined by IRS, a timely filed agreement or waiver is considered to be a valid claim for refund.
- f. If a taxpayer petitions the Tax Court and files a delinquent return after the issuance of a Statutory Notice of Deficiency (SNOD), the allowable credits are limited to those paid within 2 years from the date of the SNOD.

4.38.1.8.4.3.3.1  
(03-28-2024)

**Determining Whether a  
Credit or Refund is  
Allowed**

- (1) The following chart is used to determine whether a credit is barred from refund or offset.

**Note:** This information is for a Tax Decrease.

Guidelines for Tax Decrease	Actions to Take
On a Tax Decrease, you will need to determine if the claim is timely. Was the return filed within 3 years from the received date of the original return?	<ul style="list-style-type: none"> <li>• If yes, you will need to determine if withholding, WPT, ETC, and ES payments, or FTD payments are involved (prepaid credits).</li> <li>• If no, determine if any payments are received in the last two years that pay tax (include payments that pay penalty or interest).</li> </ul>
No withholding, WPT, ETC, and ES payments or FTD payments are involved	<ul style="list-style-type: none"> <li>• Allow the claim as timely.</li> </ul>
There are withholding, WPT, ETC, ES payments, or FTD payments.	<ul style="list-style-type: none"> <li>• Determine if the claim was filed within 3 years of the due date (including extension).</li> <li>• If the claim was filed timely, allow the claim.</li> <li>• If the claim was not timely filed, disallow the claim.</li> </ul> <p><b>Note:</b> Take into consideration any payments of tax made in the last 2 years, which could be refundable.</p>

Guidelines for Tax Decrease	Actions to Take
If the claim was not timely, you need to determine if any payments were received in the last 2 years that pay tax, including payments that pay penalty or interest.	<ul style="list-style-type: none"><li>If no payments were received in the last 2 years that pay tax, disallow the tax.</li><li>If there were payments received in the last 2 years that pay tax, you should allow the tax decrease <b>only</b> up to the amount of tax paid within 2 years of the date the claim was filed.</li></ul>

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4.38.1.8.4.3.3.2  
(03-28-2024)  
Returns Filed Before  
Due Date

(1) The chart below shows the general rules for returns filed before the due date of the tax return.

General Rules		
Return Filed	Claim Filed	Maximum Amount of Refund or Credit Allowable
On or before due date	Within 3 years from due date of return	<ul style="list-style-type: none"><li>Tax paid during the period immediately preceding filing of claim equal to 3 years plus any extensions of time for filing.</li></ul>
On or before due date	More than 3 years from due date of return	<ul style="list-style-type: none"><li>Tax paid during the 2 years immediately preceding filing of claim.</li></ul>

Return Filed	Claim Filed	Maximum Amount of Refund or Credit Allowable
On or before due date	None	<ul style="list-style-type: none"> <li>If allowance within 3 years from due date of return - paid during the 3 years immediately preceding each allowance.</li> <li>If allowance more than 3 years from due date of return - tax paid within 2 years immediately preceding each allowance.</li> <li>Advance payment is considered made on due date.</li> </ul>
After Due Date	Within 3 years from filing of return	<ul style="list-style-type: none"> <li>Tax paid during the period immediately preceding filing of claim equal to 3 years plus any extensions for time for filing.</li> </ul>
After due date	More than 3 years from filing of return	<ul style="list-style-type: none"> <li>Tax paid during the 2 years immediately preceding filing of claim.</li> </ul>
After due date	None	<ul style="list-style-type: none"> <li>Tax paid during the period immediately preceding filing of the return equal to 3 years plus any extensions of time for filing.</li> </ul>
None (e.g., deficiency assessment)	Within 2 years from tax paid	<ul style="list-style-type: none"> <li>Tax paid during 2 years immediately preceding filing of claim.</li> </ul>

Return Filed	Claim Filed	Maximum Amount of Refund or Credit Allowable
None (e.g., deficiency assessment)	None	<ul style="list-style-type: none"> <li>Tax paid during the 2 years immediately preceding allowance.</li> </ul>

4.38.1.8.4.3.3.3  
(03-28-2024)

**Completing Form 8758,  
Excess Collections File  
Addition**

- (1) When the field determines a credit has expired from refunding, they provide instructions on Form 3198, Special Handling Notice for Examination Case Processing, for CCP to transfer a credit to Excess Collections File (XSF). CCP completes the Form 8758, Excess Collection File Addition, using the IAT Tool.
- (2) A separate Form 8758 must be completed and faxed to Campus Accounting for each credit being transferred to XSF.
  - a. A current print of TXMODA must be faxed with the Form 8758 verifying the credit.
  - b. **Hold Code 1** must be input on any adjustment document to prevent the credit from refunding before it is transferred to XSF.
- (3) The field will issue a 105SC letter to notify the taxpayer of the full claim disallowance when the barred refund results from the processing of an original delinquent return.
- (4) The following are reasons the Form 8758 may be rejected:
  - a. Form 8758 is reviewed by Accounting for accuracy, completeness, and proper documentation. Accounting will reject back to the originator when line items and documentation are incorrect, incomplete, or missing. The following items are some reasons for rejection of Form 8758: IRM 3.17.220.1(2).
  - b. No indication of TC 971 AC 296 added to the module whenever taxpayer contact by means of telephone or correspondence is unsuccessful. The field makes the contact. CCP is not responsible for contacting taxpayers.
  - c. Remarks are unclear as to why the credit was unresolved or assessment was not made prior to the Statute expiration.
  - d. Documentation is not attached to Form 8758 as required.
  - e. On large dollar credit modules of \$100,000.00 or more, the field did not perform research and contact with the taxpayer to resolve the credit, no indication that telephone contact was made, or attempted, prior to transferring the large dollar credit to XSF.
  - f. No required manager's signature in Box 30 of Form 8758.

**Note:** Remarks such as "possible barred assessments" are unacceptable.

4.38.1.8.4.4  
(03-28-2024)

**Transfer of Credit From  
Excess Collection File  
(XSF)**

- (1) Form 8765, IDRS Control File Credit Application, is completed to transfer a credit from the XSF. As soon as a record has been added to the XSF, it is available for research through IDRS using Command Code (CC) XSINQ.

4.38.1.8.4.4.1  
(03-28-2024)

**Reasons for Transferring  
Credit from XSF**

- (1) Acceptable reasons for requesting a credit to be transferred from the XSF are:
  - a. A tax liability has been assessed for the same tax period.
  - b. The credit was transferred to XSF in error.
  - c. The credit was intended for another payee or agency.
  - d. Receipt of Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer.
- (2) Refund or transfer of credits from XSF may not be made after the statute of limitations for refund has expired (2 years from date of payment or 3 years from the date the return is filed, whichever is later) unless a valid claim can be established. If a valid claim is established, Form 8765 must be statute cleared by the Statute area, prior to sending to Accounting.

4.38.1.8.4.4.2  
(03-28-2024)

**CC XSINQ**

- (1) CC XSINQ is used to transfer a credit back from Excess Collection. However, on rare occasions, CCP may transfer a credit back from Excess Collection by preparing a Form 8765. As soon as a record has been added to the XSF, it will become available through IDRS using CC XSINQ. Before the credit can be reapplied to TXMODA, several steps must be taken:
  - a. Form 3198 or Form 3870 must be received requesting the credits be applied to an account.
  - b. CCP tax examiner must manually complete Form 8765.
  - c. If the credit was expired from refunding before going to Excess Collection, the tax examiner must send the Form 8765 to the AM Statute Team for clearance.
  - d. If the credit has not expired from refunding, the Form 8765 must be e-faxed to Campus Accounting.
  - e. If the AM Statute Team clears the credit to be reapplied to an account, the Form 8765 is stamped for clearance and sent back to the tax examiner.
  - f. The tax examiner must e-Fax the Form 8765 to Campus Accounting for processing.

**Note:** Additional research may be required before transferring cases to and from Excess Collection.

4.38.1.8.4.5  
(03-28-2024)

**Tips and Techniques for  
Transferring of Credits  
To and From Excess  
Collections File (XSF)**

- (1) Additional research may be required before transferring cases to and from Excess Collection. Contact with other Operations may be necessary.

**Example:** Accounts Management Statute Teams

- a. When transferring credits to XSF, always verify for credit availability to prevent erroneous refund or offset.
- b. When transferring Claims for credit or refund of prepaid credits review to determine if they were filed within 3 years of the due date or extended due date of the return, or 2 years from the payment date for Subsequent Payments.



- c. When transferring credits from XSF, if the research shows the record is **CLOS**, do not prepare Form 8765. **CLOS** means the credit has already been reapplied or is no longer available.
- d. When transferring credits to XSF, if the transcript shows credit applied to XSF but does not show on XSINQ, contact Excess Collections to research their listing. If found on their listing, enter remarks in Box 17 of Form 8765 "**XSINQ not available.**"

4.38.1.8.5  
(03-28-2024)

#### Erroneous Refunds

- (1) An erroneous refund is "the receipt of any money from the IRS to which the recipient is not entitled."
- (2) More information about Erroneous Refunds can be found in IRM 21.4.5, Erroneous Refunds.

4.38.1.8.6  
(09-12-2024)

#### Transferring Credits Between Related Taxpayers

- (1) If the offset is to be made, follow the instructions below in addition to routine processing.
  - a. For a Related Taxpayer, immediately input a Hold Code "1" in Item 07 of Form 5344, to prevent a refund.
  - b. Input Form 3870, received from Field Exam to post once cycle after the related or overpaid Form 5344.
  - c. Input Form 5344 to the Primary tax module receiving the credit once cycle after Form 3870 to ensure that the credit is available at the time of settlement.

**Note:** The Revenue Agent or TCO must prepare two Form 5344. Two forms are required with each credit transfer. One for the taxpayer requesting the offset and one for the related taxpayer receiving the offset.

**Note:** Field Exam should complete Form 3870 in lieu of Form 2424 to transfer credits between modules. Form 3870 allows for a manager's signature, where the Form 2424 does not.

4.38.1.8.7  
(03-28-2024)

#### Refunds to Other Taxpayers

- (1) These procedures should be followed when a refund is to be issued to someone other than the taxpayer in whose name the tax was paid.
- (2) Make sure the name entered on the allowance document is that of the person in whose name the check should be drawn. The refund checks are prepared and distributed by the disbursing center directly from the allowance documents - refer to IRM 21.4.3.5.5.2.1, Issuing Checks in Another Name for additional instructions.

4.38.1.8.8  
(03-28-2024)

#### Recovery of Erroneous Refunds

- (1) The case file will be identified by Field Exam on Form 3198 by notating in the "Other Instructions" box of the "Special Features" section and provide the following information:
  - a. The taxpayer's name, address, and Taxpayer Identification Number (TIN) from whom the erroneous refund is to be recovered;
  - b. The tax period,
  - c. The tax return form number, and
  - d. The amount of refund to be recovered.



- (2) Forward the request for recovery of the erroneous refund to the Campus Accounting Branch.
- (3) Include a transcript of the account from which the erroneous refund was issued.

4.38.1.8.9  
(03-28-2024)  
**Jeopardy  
Assessments/  
Termination  
Assessments/  
Transferor-Transferee  
Assessments**

- (1) It is necessary, at times, for CCP employees to receive assessment requests from Field Exam which require special procedures. These assessments are:
  - a. Jeopardy Assessments,
  - b. Termination Assessments, and
  - c. Transferor / Transferee Requests.

4.38.1.8.9.1  
(03-28-2024)  
**Jeopardy Assessments**

- (1) Jeopardy assessments allow for the collection of taxes in circumstance in which it is determined that collection of tax would be endangered if normal procedures were followed. Jeopardy assessments protect the government's interest under **IRC 6861(a)**, Jeopardy Assessment of Income, Estate, Gift and Certain Excise Taxes.
- (2) A jeopardy assessment must be approved by the Area Director and Area Counsel **And** be made within 48 hours of the Area Director's approval. Refer to IRM 4.15.1.7.5, Secure Approval of the Report.

**Reminder:** Written approval by Area Counsel is required under the provisions of the IRS Restructuring and Reform Act (RRA) of 1998. Failure to do so will result in the abatement of any assessment made under IRC 6201.

- (3) Jeopardy assessments are made on either Master File (MF) or Non-Master File (NMF).

**Note:** NMF are generally processed in the same manner as MF, except the numbering is different and abstract codes are needed for individual MF and Business Master File (BMF) adjustments. NMF assessments are handled by Kansas City Submission Processing Center (KCSPC) rather than Ogden Campus Accounting. NMF assessments post to the Automated Non-Master File (ANMF) system which is a stand-alone system for maintaining accounts that cannot be processed on MF.

- (4) CCP should refer all cases to a Restricted Interest Tax Examiner immediately upon the receipt of a Jeopardy or Termination Assessment request. Requests for quick assessments will be made by telephone or electronic facsimile using the Enterprise e-Fax system (EEFax). E-Fax is the preferred method to request a quick assessment. Form 2644, Recommendation for Jeopardy/ Termination Assessment, will be used to request quick assessments, in addition to Form 2859.

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IF the request is made by	THEN provide the following information
Telephone	<ul style="list-style-type: none"> <li>a. Affirmative statement that the Area Director approved Form 2644.</li> <li>b. Name, address and TIN of the taxpayer,</li> <li>c. Type of tax,</li> <li>d. Taxable period,</li> <li>e. Amount of tax, penalties with the appropriate transaction code(s), interest to be assessed, credit adjustments and/or reference numbers</li> <li>f. Amount of payment, if any, the balance due, 23C date (refer to IRM 20.2.1-2, Definition of Terms, for definition of 23C date), and</li> <li>g. Document locator number (DLN).</li> </ul>
Electronic Facsimile/ E-Fax	<ul style="list-style-type: none"> <li>a. Form 2859 for each type of tax return, with a control number, and</li> <li>b. Form 3210 for each type of tax return. Include the name control, MFT, TIN, tax period and Control number. In the remarks area, enter the 23C date and "FAX QUICK ASSESSMENT". Address the form to the appropriate function and include the originator's complete address, mail stop and e-Fax number as the receipted Form 3210 may be e-Faxed back.</li> </ul>

- (5) CCP will transmit the quick assessment to Ogden Campus Accounting (MF) or Kansas City Submission Processing Center (KCSPC) (NMF).
- (6) Faxing should be done only once each day, if possible, and prior to 12:00 p.m. CST. If there are numerous entities and returns, the information should be transmitted as early as possible.

**Note:** If two work days or less remain before the statute of limitations will expire, follow telephonic quick assessment procedures. Refer to **IRC 6871**, Claims for Income, Estate, Gift and Certain Excise Taxes in Receivership Proceedings.

4.38.1.8.9.1.1  
(03-28-2024)  
**Types of Jeopardy Assessments**

- (1) There are two types of Jeopardy assessments:
  - a. Against the Taxpayer's Correct Taxpayer Identification Number (TIN) and
  - b. Possessor of Certain Cash.

4.38.1.8.9.1.2  
(03-28-2024)  
**Area Procedures Against the Taxpayer's Correct TIN**

- (1) The Area Office must provide notice, by email or telephone, to the Centralized Case Processing (CCP) Field Office Resource Team (FORT) manager or the Field Liaison as soon as it is known that a jeopardy assessment is being made (preferably within 48 hours before assessment).
- (2) E-Fax all preliminary paperwork to FORT manager or Field Liaisons.
  - a. Form 2644, Recommendation for Jeopardy/Termination Assessment, with the Area Director's signature;
  - b. Area Counsel's Approval Memorandum;
  - c. Completed Form 3198, Special Handling Notice for Examination Case Processing, for each year;
  - d. Completed Form 5344, Examination Closing Record, for each year;
  - e. Form 4549, Income Tax Examination Changes with all schedules for all years; and
  - f. Specific written instructions stating to whom the FORT manager should e-Fax the completed Form 3552, Prompt Assessment Billing Assembly, once the assessment is made.

**Note:** Typically the Technical Services Manager and the Collection Officer are designated to receive the Faxed Form 3552.

- (3) The original Form 2644 will be sent to the FORT manager via express mail.

4.38.1.8.9.1.3  
(03-28-2024)  
**FORT Procedures**

- (1) Upon receipt of the faxed package listed in IRM 4.38.1.8.9.1.2, the following information must be provided to either Kansas City Submission Processing Center (KCSPC) for Cincinnati and Memphis CCP and Ogden Submission Processing Center (OSPC) for Ogden CCP, to advise them that a jeopardy assessment is being e-Faxed:
  - a. Taxpayer's name, address and TIN;
  - b. Taxable period;
  - c. Type of tax;
  - d. Amount of tax, penalty (with appropriate transaction codes), interest to be assessed (computed by the examiner to the likely assessment date) and credit adjustments and/or credit reference numbers;
  - e. Amount of payment if any;
  - f. Balance due and
  - g. Document Locator Number (DLN) and 23C date.

**Note:** If the jeopardy assessment is for a delinquent return or a terminated period, it must be shown separately and called to the attention of the assessment officer.

- (2) Either the FORT Manager or employees will prepare Form 2859, Request for Quick or Prompt Assessment, by year, using the information provided by the Area and approved by the Area Director, referenced in IRM 4.38.1.8.9.1.2.

**Note:** Form 2749, Request for Trust Fund Recovery Penalty Assessment(s), will be used for Trust Fund assessments.

- (3) The 23C date must be the date Form 2644 was signed by the Area Director.
- (4) "JEOPARDY ASSESSMENT" will be notated across the top of Form 3210 and include e-Faxing instructions (as determined in IRM 4.38.1.8.9.1.2 ) for the confirmation Form 3552.
- (5) E-Fax all forms received from the Area plus the Form 2859 to Ogden Campus Accounting at (855)235-8844.
- (6) Within one day of the assessment, the following will be e-Faxed to the Campus Accounting Operation, Accounting Control System, Journal and Ledger Unit:
  - a. The **original** and one copy of Form 2644;
  - b. Form 3198;
  - c. Form 5344 for each year;
  - d. Form 4549 and
  - e. Copy of narrative and pattern letter (with attached tax computation).
- (7) A package of the above documents listed in paragraph (6) should be mailed to the attention of the assessment officer Ogden Internal Revenue Service Campus (OIRSC) previously contacted for verification that the correct assessment has been made.

4.38.1.8.9.1.4  
(03-28-2024)

**Possessor of Certain Cash**

- (1) Jeopardy Assessments made under IRC 6867 require a new taxable entity by created for the person who is in physical possession of the cash.
- (2) The procedures for this type of jeopardy assessment are the same as those for an assessment made under the taxpayer's correct TIN except the assessment is made under a temporary TIN obtained from the campus Entity function. Refer to IRM 3.13.5.79, Assignment of an IRS Number for Termination/Jeopardy Assessment.
- (3) The TIN is established on Master File.
- (4) The use of a temporary TIN enables separate tax liability treatment for the possessed cash and avoids any effect on the possessor's personal individual tax liability which remains separate and apart from the IRC 6867 assessment.
- (5) All documents requiring entity information must use "**(Possessor's Name) as Possessor of Certain Cash**" in the name line.

4.38.1.8.9.2  
(03-28-2024)

**Termination Assessments**

- (1) A termination assessment is made when it is found that a taxpayer would act to prejudice, or to render wholly or partially ineffectual, the collection of income taxes for a current or immediately preceding taxable year, unless collection proceedings are brought without delay.
- (2) Each termination assessment must be approved by the Area Director (or delegate) and Area Chief Counsel (or delegate).
- (3) Termination Assessment:
  - a. Against the Taxpayer's Correct TIN IRC 6851 and
- (4) A termination assessment consists of two parts:
  - a. Assessment of the short tax period (the termination period) and

b. Assessment of the full tax period (the taxpayer's normal tax year).

4.38.1.8.9.2.1  
(03-28-2024)  
**Against the Taxpayer's  
Correct TIN**

- (1) A Termination Assessment is one of two types of an assessment.
- (2) Termination applies if a return is not due yet (including extensions) and can be a partial year.
- (3) Since a return is not yet due, the case is controlled on Non-Master File (NMF), using Form 5354, Examination Request Non-Master File.
- (4) An immediate assessment is made on the termination year.
- (5) After the assessment is made, the case is held in suspense pending action by the taxpayer.
- (6) A Transaction Code (TC) 914, **Active Criminal Investigation** is placed on the Master File account and should not be removed until a return is filed or a return is due and not filed and Master File controls are needed.

4.38.1.8.9.2.1.1  
(03-28-2024)  
**Termination of a  
Taxpayer's Year**

- (1) When the assessment involves the termination of a taxpayer's year, the liability for the terminated tax period is handled as a jeopardy assessment at the time of termination. Refer to IRM 4.38.1.8.9.1.
- (2) The package sent to the FORT by the Area is the same as described for Jeopardy Assessments in IRM 4.38.1.8.9.1.2, except Form 5344 is **not** prepared.
- (3) The termination assessment is made as a short period NMF assessment.
- (4) To prevent possible forfeiture of lien rights, the original short period assessment must not at any time (prior to determination of the tax liability for the full year) be reduced to an amount less than the current tax liability for the full year.
- (5) When the case is received by CCP for assessment of the full period, the termination NMF assessment will be transferred to Master File.

4.38.1.8.9.2.2  
(03-28-2024)  
**How Assessment is  
Made**

- (1) The assessment is made according to the type of assessment:
  - a. Jeopardy- Assessment is made on MF for the full period  
**Note:** CCP can still process the jeopardy assessment and should then forward the package to the RACS Unit in KCSPC If a tax year is not on MF. RACS will input the assessment on the Automated Manual Assessment (AMA). The signed **Form 23C, Assessment Certificate - Summary Record of Assessments**, secures the assessment. The assessment will not appear right away but it will be a legal assessment as long as there is a signed Form 23C certificate. The assessment will post once the account is established on MF.
  - b. Termination- Assessment is made on NMF as a short period, even though the period may be a full period. The assessment is made as a short period to differentiate between the termination period and the full period under normal filing requirements. NMF assessments are done by KCSPC. CCP will prepare and send Form 2859 and Form 2644 to the

## 4.38 Centralized Case Processing (CCP)

RACS Unit in KCSPC. The RACS Unit will generalize the transactions and then route them to the NMF group to post the NMF assessments.

- (2) Possessor of Cash — The possessor of cash assessment is made as either a jeopardy or termination assessment, as noted above. A new taxable entity and temporary TIN is created for possessor of cash assessments.
  - a. New Taxable Entity — A new taxable entity (dummy file) is created for the individual who is in physical possession of the cash. All documents requiring entity information must use possessor's name as **Possessor of Certain Cash** as the name line.
  - b. Temporary TIN — A temporary TIN must be obtained for all assessments made under IRC 6867, Presumptions Where Owner of Large Amount of Cash is not Identified, regardless of information indicating the possessor's personal TIN. Contact the campus entity function to obtain a temporary TIN. The use of the temporary TIN will enable separate tax liability treatment for the possessed cash and avoid any effect on the possessor's personal individual tax liability, which remains separate from the IRC 6867 assessment.

### 4.38.1.8.9.2.2.1 (03-28-2024)

#### Assessing Amounts

- (1) CCP must forward the following items to Ogden Campus Accounting (jeopardy assessments) and/or KCSPC (termination assessments):
  - a. Copy of Form 2644, Recommendation for Jeopardy/Termination Assessment;
  - b. Copy of Form 2859, Request for Quick or Prompt Assessment;
  - c. Copy of Form 5344, Examination Closing Record, prepared in accordance with IRM 4.10.8.17.1;
  - d. Copy of Form 3198, Special Handling Notice for Examination Case Processing, prepared in accordance with IRM 4.10.9;
  - e. Copy of Pages 1 and 2 of applicable Form 4549, Report of Income Tax Examination Changes, portion of the tax computation prepared in accordance with IRM 4.10.8.4.1; and
  - f. Copy of narrative.

**Note:** All forms in this section can be faxed to the respective recipients through e-Fax. Ogden e-Fax number for Jeopardy Assessments is 855-235-8844. Kansas e-Fax number for Termination Assessments is 866-805-2235.

- (2) After the jeopardy/termination assessment information is transmitted to Ogden Campus Accounting (jeopardy assessments) or KCSPC Campus Accounting (termination assessments), respectively, will process the assessment and provide CCP with the required information showing that an assessment was made.
- (3) For MF, Ogden Campus Accounting will process the jeopardy assessment and forward Form 3552, Prompt Assessment Billing Assembly, to CCP. For NMF, KCSPC will generate Form 6335, NMF First Notice, and forward to CCP. NMF assessments will post immediately to Taxpayer Delinquent Account (TDA) and be posted to IDRS with a "N" after the taxpayer's SSN. Refer to IRM 3.17.244.3.5, Termination Assessments, for further information.



- (4) After the assessment is made by Ogden Campus Accounting (Jeopardy Assessments) and/or KCSPC (Termination Assessments), CCP will return one copy of Form 2644 to the examiner.
- 4.38.1.8.9.2.2.2  
(03-28-2024)  
**Confirming the Assessment**
- (1) After the jeopardy/termination assessment is processed by CCP, Ogden Campus Accounting will provide Form 3552 to CCP for Master File assessments. The form will be reviewed by CCP to verify the name, address, TIN, tax period and assessment information are consistent with Form 2859. KCSPC will provide Form 6335, for Non-Master File assessments.
- (2) After processing, Form 3552 (MF) or Form 6335 (NMF) and Form 2859 are faxed to the Area Office through EEFax. Form 3552 (MF) or Form 6335 (NMF) must be associated with the control copy in CCP.
- (3) Upon request, the campus will withhold manual and/or computer billing.
- (4) Immediately contact Ogden Campus Accounting and/or KCSPC for issuance of a corrected bill if any errors are detected on Form 3552 (MF) or Form 6335 (NMF). If verification of the assessment is not received, the CCP Manager, or designated employee must follow-up with Ogden Campus Accounting and/or KCSPC.
- (5) CCP will follow-up in sufficient time to prevent barred assessments.
- (6) Follow-up will be done three weeks from the 23C assessment date for non-statute assessments.
- Note:** All forms in this section can be sent to the respective recipients through e-Fax.
- 4.38.1.8.9.3  
(03-28-2024)  
**Transferor / Transferee Requests**
- (1) A transferor is one who created the tax liability and transferred assets that could potentially satisfy the tax liability to another party or multiple parties. The transferor may be a corporation, an individual or an estate.
- (2) A transferee is the person(s) or entity(ies) who received the assets for less than full, fair and adequate consideration and who is additionally liable for the tax due to this transfer. A transferee may be a corporation, an individual, an estate or an executor or administrator of an estate or a fiduciary or a combination of these entities.
- (3) If multiple transferees exist, each transferee is controlled separately.
- (4) The transferee individual/entity will have the title "Transferee" after the transfer-ee's name.
- 4.38.1.8.9.3.1  
(03-28-2024)  
**General Instructions**
- (1) IRM 4.11.52.5(3), Administration Procedures, instructs Field Exam to establish a transferee case as a DUMMY record.
- a. ERCS will not allow both a Master File and a Non-Master File (NMF) control for the same person/entity.
- b. AIMS will not allow a Social Security Number (SSN) with a Business Master File (BMF) Master File Transaction (MFT) code.
- c. A DUMMY file must be established for the transferee's TIN with "-D" (dummy) and "Transferee" after the name to indicate the transferee status.

## 4.38 Centralized Case Processing (CCP)

- d. Using the “-D” eliminates the other dashes in the TINs so both ERCS and AIMS will accept the number with the NMF MFT of the transferor.

**Example:** Smith, John, Transferee, 123456789-D, MFT 80, or Big Trucks, Transferee, 123456789-D, MFT 80.

4.38.1.8.9.3.2  
(03-28-2024)

### Closing Agreed Cases

- (1) Technical Services will:

- a. Prepare Form 1296, Assessment Against Transferee or Fiduciary, for the transferee reflecting the transferee’s TIN using the **N** format:

**Note:** If the transferee has limited liability, Form 1296 will be annotated with the date(s) the interest should begin and the amount of tax associated with each date. For individual transferees, nnn-nn-nnnnN. For non-individual transferees, nn-nnnnnnnN.

- b. Prepare and input Form 5354 to provide CCP inventory controls on AIMS and ERCS during the assessment process.
- c. Prepare Form 3198 with “TRANSFEROR” or “TRANSFEE” notated across the top. Clearly note on the Form 3198 that both the transferor and transferee files are included.
- d. Close the transferor master file record and the transferee “N” record(s) on ERCS to CCP Status Code 51 with Disposal Code 03, 04, or 09, as appropriate.

**Note:** ERCS will update the AIMS record with the new status.

- e. Prepare Form 10904, Request for Record Deletion from AIMS, for the -D record to be deleted from AIMS. Forward to the local AIMS/ERCS staff for processing using Disposal Code 28 or AMNON **D**.

- (2) If the transferor case has been previously closed and the transferee case is to be closed:

- a. Prepare Form 1296 for the transferee reflecting the transferee’s TIN using the “N” format as instructed in IRM 4.38.1.8.9.3.2.1.
- b. Prepare and input Form 5354 to provide CCP inventory controls on AIMS and ERCS during the assessment process.
- c. Prepare Form 3198 with “TRANSFEE” across the top.
- d. Prepare a copy of the transferee administrative file to be associated with the transferor file under the TC 421 DLN of the transferor TIN.
- e. Close the transferee NMF “N” records on ERCS to CCP Status Code 51 with Disposal Code 03, 04 or 09, as appropriate.

**Note:** ERCS will update the AIMS record with the new status.

- f. Prepare Form 10904 for the “D” record to be deleted from AIMS. Forward the Form 10904 to the local AIMS/ERCS staff for processing using Disposal Code 28 or AMNON**D**. Include a copy of the administrative file to be associated with the transferor/ transferee file.
- g. The AIMS/ERCS unit will process the Form 10904 and will forward the transferee administrative file to the campus to be associated with the transferor file using the TC 421 DLN found on Master File.

- (3) CCP will:

- a. Prepare Form 2859 to process the adjustment per Form 1296.
- b. Forward Form 2859 to CIRSC Accounting Control/Service Operations. The adjustment will be reflected under the “N” TIN.



**Note:** This assessment may be mailed, telephoned, or e-Faxed to Accounting.

4.38.1.8.9.3.2.1

(03-28-2024)

**Closing Defaulted from 90-Day**

(1) Technical Services will:

- a. Prepare Form 1296 for the transferee reflecting the transferee's TIN using the "N" and formatted as instructed in IRM 4.38.1.8.9.3.2.1. Also, if the transferee has limited liability, annotate the Form 1296 as stated in IRM 4.38.1.8.9.3.2.1.
- b. Prepare and input Form 5354 to provide CCP inventory controls on AIMS and ERCS during the assessment process.
- c. Prepare Form 3198 with "TRANSFEROR" or "TRANSFEE" across the top. Clearly note on the Form 3198 that both the transferor and the transferee files are included.
- d. Close the transferor master file record and the transferee NMF "N" record(s) on ERCS to CCP Status Code 51 with Disposal Code 10 or 13, as appropriate.

**Note:** ERCS will update the AIMS record with the new status.

- e. Prepare Form 10904 for the "D" record to be deleted from AIMS. Forward to the local AIMS/ERCS staff for processing using Disposal Code 28 or AMNOND.

(2) If the transferor case has been previously closed and the transferee case is to be closed:

- a. Prepare Form 1296 for the transferee reflecting the transferee's TIN using the N format as instructed in IRM 4.38.1.8.9.3.2.1.
- b. Prepare and input Form 5354 to provide CCP inventory controls on AIMS and ERCS during the assessment process.
- c. Prepare Form 3198 with "TRANSFEE" across the top.
- d. Prepare a copy of the transferee administrative file to be associated with the transferor file under the TC 421 DLN of the transferor TIN.
- e. Close the transferee NMF "N" record(s) on ERCS to CCP Status Code 51 with Disposal 10 or 13, as appropriate.

**Note:** ERCS will update the AIMS record with the new status.

- f. Prepare the Form 10904 for the "D" record to be deleted from AIMS. Forward the Form 10904 to the local AIMS/ERCS staff for processing using Disposal Code 28 or AMNOND. Include the copy of the transferee administrative file to be associated with the transferor file.
- g. The AIMS/ERCS unit will process the Form 10904 and will forward the transferee administrative file to the campus to be associated with the transferor file using the TC 421 DLN found on Master File.

(3) CCP will:

- a. Prepare Form 2859 based on information on Form 1296.
- b. Forward Form 2859 to CIRSC Accounting Control / Service Operations for assessment. The adjustment will be reflected under the "N" TIN.

**Note:** This assessment may be mailed, telephoned, or e-Faxed to Accounting.

4.38.1.8.9.3.3  
(03-28-2024)

**Form 5344, Examination  
Closing Record**

- (1) Work the transferor case file as a unit following normal procedures using the appropriate disposal code on Form 5344.

**Note:** The transferor whipsaw indicator will be “K”.

- (2) The transferee Form 5344 is completed as follows:

- a. Item 13: the disposal code must be an examined disposal code. It cannot be Disposal Code 28, non-master file closings.
- b. Item 35: must include the adjustment amount from Form 2859.
- c. Item 401: must reflect the whipsaw indicator “R”.

4.38.1.8.9.3.4  
(03-28-2024)

**Limited Liability  
Involving Multiple Years**

- (1) The assessment may be made against the transferor, as well as one or more transferees.
- (2) The assessment against the transferee may be for the full amount due by the transferor or may be a lesser amount (limited liability).
- (3) If liability is limited and more than one year is involved, one assessment will be made for the multiple years.
- (4) List on Form 1296 the total amount to be assessed and amounts for each transferee. Refer to IRM 4.38.1.8.9.3.2.

4.38.1.8.9.3.5  
(03-28-2024)

**IRC 6901(a)(2)**

- (1) Under IRC 6901(a)(2), assessment may be made of the liability of a transferee for excise and employment taxes incurred under the 1954 Code if the transferee liability arises from the liquidation of a partnership or a corporation or a reorganization within the meaning of IRC 368(a).
- (2) In such a case, if the transferee agrees to pay the tax due, the examining officer will prepare a supplemental return for the taxpayer or collecting agency involved. The transferee will evidence their agreement by signing the return as transferee under IRC 6901(a)(2).

4.38.1.8.9.3.5.1  
(03-28-2024)

**Processing Instructions  
for 6901(a)(2)**

- (1) Do not process the supplemental return prepared by the revenue agent.
- (2) Prepare Form 1296 as the assessment document.
- (3) Examination or Appeals will complete the following items:
  - a. The type of tax;
  - b. Transferor name, address, TIN, taxable year or period and Code section;
  - c. Transferee name, address, TIN, taxable year or period and Code section; and
  - d. The amount of and type transferee tax and penalty.
- (4) Specify the type of tax as “Other Tax”.
- (5) If an Appeals hearing is requested, transfer the case to the Appeals Office prior to assessment.

4.38.1.8.10  
(03-28-2024)

**Misrouted Cases**

- (1) The field offices and Technical Services will occasionally send cases to the wrong CCP site.
- (2) These procedures will alleviate this situation when they occur.

**Note:** The majority of cases are closing to CCP electronically. The following procedures apply in instances where Field Exam was required to assemble a paper case file.

4.38.1.8.10.1  
(03-28-2024)  
**What to do with  
Misrouted Mail**

- (1) The CCP clerk is required to promptly take all misrouted mail to their lead, manager, or technical unit so the cases can be reviewed for imminent statute assessments.
- (2) CCP clerks are required to return misrouted mail back to the sender after the statute has been protected.
- (3) If the cases are in Status 51, the CCP site returning the case must contact the AIMS/ERCS analyst where the database is controlled and provide a copy of the Form 3210 being returned with the case.
  - a. This allows for an accurate account for cases on the In-Transit Status 51 listing.
  - b. This will allow the CCP site that has control of the case to update the ERCS database back to the appropriate status.
- (4) If the cases were shipped to the correct CCP site, but the Form 3210 is addressed to the incorrect campus, the sender must be notified to provide CCP with a corrected Form 3210.

4.38.1.8.10.2  
(03-28-2024)  
**Handling of Misrouted  
Mail**

- (1) If Field Exam or Technical Services routes a case to the incorrect CCP site, the following procedures must be followed to ensure that the campus who should have received the case is aware of the misroute, depending upon the number of days until the ASED expires:
  - a. IRM 4.38.1.8.10.2.1, Cases with Statutes Greater than 60 Days from ASED
  - b. IRM 4.38.1.8.10.2.2, Cases with Statutes Less than 60 Days from ASED
- (2) If the case is being forwarded to the incorrect CCP site, it will appear on the Status 51 In-Transit Listing longer which will make it appear as if the case is taking more time to come in from Field Exam or Technical Services.

**Note:** There is nothing on the listing that indicates the case was shipped correctly.

4.38.1.8.10.2.1  
(03-28-2024)  
**Cases with Statutes  
Greater than 60 Days  
from ASED**

- (1) The CCP site that received the misrouted cases must prepare a Form 3210 to accompany the case back to the originating function.
  - a. This is either Field Exam or Technical Services.
- (2) A notation should be made on the Form 3210 that the case was shipped to the incorrect CCP site.
- (3) The CCP site which is returning the case must contact the AIMS/ERCS analyst where the database is controlled in Status 51 and provide a copy of the Form 3210 being returned with the case. This helps with two items:
  - An accurate account for the case on the In-Transit Status 51 Listing.
  - The CCP site which has control of the case can update the ERCS database back to the specific status.

**Note:** This will either be 10, 12, or 21.

**Note:** Use Reject Reason Code 410 (case misrouted; mailed to the wrong CCP site).

- The status must be returned to the originator to show the correct audit trail on AIMS.

4.38.1.8.10.2.2  
(03-28-2024)

**Cases with Statutes  
Less than 60 Days from  
ASED**

- (1) The CCP site that received the misrouted case must make contact with the originator to notify them that the case was sent to the incorrect CCP site, **and** the statute is within 60 days of expiration.
- (2) The applicable documents must be secured to ensure that a manual assessment can be input **or** obtain proof from the originator that the statute has been protected.
- (3) No matter whether the incorrect CCP site makes a protective assessment, or the field provides proof that the statute was protected, the assessment documents (Form 2859) should be included in the case file.

4.38.1.9  
(03-28-2024)

**Special Handling Cases**

- (1) Some cases require special handling and the following IRM section has procedures that will help when working these cases.

4.38.1.9.1  
(03-28-2024)

**Claims/Amended  
Returns**

- (1) A claim is a request from a taxpayer for a refund or credit to the taxpayer's account, or an abatement of penalties and interest.
- (2) The purpose for the filing of a claim by a taxpayer is usually to give additional information that will change the tax account.
- (3) CCP tax examiners must know how to process adjustments on claims to accurately update the taxpayer's account.

4.38.1.9.1.1  
(03-28-2024)

**Claim Forms**

- (1) There are different types of claims that can be closed in CCP:
  - a. Regular Claims,
  - b. Carryback Claims, and
  - c. Excise Fuel Claims.
- (2) This section will explain the three types of claims:
  - a. Claims for Credit,
  - b. Claims for Refund, and
  - c. Claims for Abatement.
- (3) It will also show how to identify claims and the statutes of limitation on claims.

4.38.1.9.1.1.1  
(03-28-2024)

**Filing Regular Claims**

- (1) There are four ways to file a regular claim:
  - a. An amended return. Amended returns can be identified in most cases by being followed by an "X" in their form name, such as Form 1040-X, Amended U.S. Individual Income Tax Return. There are also "X" returns for corporate and employment returns.
  - b. Form 843, Claim for Refund and/or Request for Abatement.

- c. Form 8849, Claim for Refund of Excise Taxes.
- d. Also, a claim could be an informal inquiry letter, in lieu of a specific form.

4.38.1.9.1.1.2  
(03-28-2024)  
**Carryback Claims**

- (1) It can be more beneficial for a taxpayer to spread the declaration of a business operating loss over multiple tax years instead of a single tax year. This is referred to as a "carryback".
- (2) Carryback claims are filed on Form 1045, Application for Tentative Refund (IMF), or Form 1139, Corporation Application for Tentative Refund (BMF). The Revenue Agent Report (RAR) may state "NOL C/B", which stands for Net Operating Loss, Carryback in Section A.
  - a. These cases are assigned to Restricted Interest Tax Examiners.

**Note:** If Carryback and General adjustments pertain to a case, Form 2285, Concurrent Determinations of Deficiencies, must be in the case file.

4.38.1.9.1.1.3  
(03-28-2024)  
**Excise Fuel Claims**

- (1) Fuel claims are not established on AIMS. These are filed on Form 843 and Form 4136, Credit for Federal Tax Paid on Fuels. These claims are processed in the Centralized Specialty Tax Operation located in the Cincinnati Service Center.

4.38.1.9.1.2  
(03-28-2024)  
**Claim Types**

- (1) There are three types of claims:
  - a. Claims for Credit: A claim for credit is for money not paid into the system by the taxpayer.

**Note:** Child Tax Credit and Earned Income Credit.
- (2) Claims for Refund:
  - a. A claim for a refund is a request for a reduction of tax, penalty, or interest **the taxpayer has paid.**
- (3) Claims for Abatement:
  - a. A claim for abatement is a request for reduction of tax, penalty, or interest **the taxpayer has not paid.**
  - b. A claim for abatement is considered a **reconsideration of a tax assessment**, commonly referred to as a **recon.**

4.38.1.9.1.3  
(03-28-2024)  
**Identifying Claims**

- (1) Claims are not specific to any type of class return or work type. They are assigned with other work.
- (2) Form 3198 is notated to indicate a case is a claim and the document that posted as a TC 97X on the transcript has been considered.
- (3) As with any case, a review of AIMS prior to beginning work on the case is imperative. Common ways to identify a claim are:
  - a. Source Code

Type of Source Code	Definition
30	Claim for a Refund
31	Claim for Refund - Paid
32	Claims - Carryback Year - Paid or Unpaid
35	Administrative Adjustment Request
73	Taxpayer's Request

- a. **AIMS Freeze Code O**, which will prevent case closure before the claim is considered.
- b. **TC 97X** Claim or duplicate return filed on Master File.
- c. An **AA** Alpha Statute.

4.38.1.9.1.4  
(03-28-2024)

#### Claims & Statutes of Limitations

- (1) In order for a claim to be considered timely, it must be filed by the **latest** of the following dates:
  - a. 3 years from the date the return was due.
  - b. 3 years from the date the return was filed.
  - c. 2 years from the date the tax was paid.

**Reminder:** A claim **never** extends the statute of limitations for assessing an additional deficiency or for obtaining a refund. Attention must be paid to both the Assessment Statute Expiration Date (ASED) and the Refund Statute Expiration Date (RSED) when working claims.

4.38.1.9.1.5  
(03-28-2024)

#### Survey Claims

- (1) A Survey Claim is when the IRS accepts a claim for refund without the time and expense of an audit.
- (2) These cases are closed with a survey stamp on the front page of the return or claim form.
- (3) Survey claims should have an amount present on the AIMS database.
- (4) All adjustments that the taxpayer claims must be entered in Item 12 or 15 as applicable.
- (5) Examination results must be negative.
- (6) On the Form 5344:
  - a. Use **DC 34** in Item 13.
  - b. Items 12, 13, 15 and 36 are required entries.
  - c. Item 21 is only needed if the amount in Item 12 is different than the claim amount in the AIMS database. This database amount appears on CC AMDISA on the line labeled CLAIM AMT/DT>.
  - d. Items 06, 07, 09, 11, and 39 are optional entries.

4.38.1.9.1.6  
(03-28-2024)

## Form 5344, Examination Closing Record, Completion for Examined Claims

- (1) CCP Tax Examiners will complete Form 5344 as normal. Items that affect claims specifically are addressed below.

4.38.1.9.1.6.1  
(03-28-2024)

### Item 09, Priority Code

- (1) Input of a priority code will bypass certain conditions on IDRS and prevent the case from rejecting from closing from the AIMS terminal or prevent an un-postable condition.
- (2) Enter a "1" if there is a 97X on AIMS.
- (3) Enter a "3" if there is an IRS-initiated claim.

**Note:** Priority Code 3 will allow credit interest to be computer generated from the interest start date to the 23C date less the applicable back off days. Please refer to IRM 20.2.4 for more information.

- (4) Leave blank if this is a taxpayer-initiated claim and no TC 97X.

**Reminder:** Review the claim received date on the document. If the received date is before the TC 420 date on TXMOD, then it is a taxpayer-initiated claim.

4.38.1.9.1.6.2  
(03-28-2024)

### Item 12, Transaction Codes

- (1) Enter a TC 301 for the claim amount being allowed, which will be stated as a negative number. This is the amount of tax being decreased.
- (2) Use TC 161 or TC 271 respectively decreases of "Failure to File" or "Failure to Pay" penalties. Input the amount as a negative number.
- (3) Always verify that the amount being decreased matches the amount posted on IDRS exactly.
  - a. If the amount on the Form 5344 exceeds the amount of tax or penalty on the module, the transaction will unpost.

4.38.1.9.1.6.3  
(03-28-2024)

### Item 13, Disposal Code

- (1) There are two disposal codes used for claims:
  - a. **DC 01** - Claim examined and disallowed in full or
  - b. **DC 03** - Claim examined and allowed in part or full

4.38.1.9.1.6.4  
(03-28-2024)

### Item 15, Reference Codes

- (1) Reference codes are only required if adjustments are being made per the revenue agent report (RAR).

4.38.1.9.1.6.5  
(03-28-2024)

### Item 20, Claim Reject Date

- (1) For Item 20, enter the Claim Reject date. Use the date of the:
  - a. Form 2297, Waiver of Statutory Notification of Claim Disallowance,
  - b. Letter 905, Final Partial Claim Disallowance or Letter 906, Final Full Claim Disallowance, or
  - c. Signed report with disallowed adjustments.



4.38.1.9.1.6.6  
(03-28-2024)  
**Item 21, Amount  
Claimed**

- (1) Enter the amount of the claim or reduction of tax requested by taxpayer if the amount on the database is not correct. If there was a \$1 protective claim amount on the AIMS database, then the correct amount of the claim must be entered when closing the case.
- (2) Leave blank if AIMS database is correct.

4.38.1.9.1.6.7  
(03-28-2024)  
**Item 22, Dollars  
Protected**

- (1) This is the reduction in tax requested by the taxpayer that was protected from leaving the Treasury. This amount cannot exceed the amount claimed.
- (2) This item will be left blank if the amount is allowed in full.

4.38.1.9.1.6.8  
(03-28-2024)  
**Item 23, RBP Hours**

- (1) This is the amount of time spent on revenue-based protection, and can be entered in fifteen- minute increments (.0, .3, .5, or .7) for field examinations.
- (2) If not present, enter as 1.0 hours.

4.38.1.9.1.6.9  
(03-28-2024)  
**Item 24, Claim Type**

- (1) The field will provide the appropriate claim type in Item 24.
- (2) Claim types are:

<b>Claim Type</b>	<b>Definition</b>
A	Joint Committee Case
B	Form 843
C	Form 1040
E	Additional Documentation/Informal Claim
F	Reserved
G	Form 1139, Corporation Application for Tentative Refund
H	Form 1045, Application for Tentative Refund
I	Return File
J	Affirmative Issues
K	Form 1120X
L	Employment Tax Claims (941-X, 943-X, 944-X, 940-X, 945-X, etc.
Z	Other Situations

- (3) If a claim type is not provided by the field, the first document that should be examined by the tax examiner to determine the action that initiated the claim should be the revenue agent's Form 9984, Examining Officer's Activity Record, that was provided with the case file.
  - a. This is the history of the examination including what initiated the audit. If the claim type cannot be determined based on this information, refer the case to the Lead or FORT for handling.

4.38.1.9.1.6.10  
(03-28-2024)  
**Item 41, No Change  
Issue Codes (MFT 30  
only)**

- (1) Required on all MFT 30 (IMF) **DC 01** No-Change closings.
- (2) If not present, use all 9's.

4.38.1.9.1.7  
(03-28-2024)  
**Closing Letters**

- (1) The field, during the examination, may determine a portion of the claim will be disallowed. If this determination is made, Form 2297, Waiver of Statutory Notification of Claim Disallowance and Form 3363, Acceptance of Proposed Disallowance of Claim for Refund or Credit, are sent to the taxpayer along with a copy of the RAR showing the adjustments that were allowed on the claim.
- (2) If there is no reply, then the field sends Letter 569 allowing the taxpayer **30** days to request Appeals Consideration.

4.38.1.9.1.7.1  
(03-28-2024)  
**Most Common Letters**

- (1) CCP should follow the instructions provided on Form 3198 and send only the letters prepared by the revenue agent to the taxpayer. The most common letters sent with claims are:
  - a. Letter 905, Partial Claim Disallowance (sent through certified mail),
  - b. Letter 906, Full Claim Disallowance (sent through certified mail), and
  - c. Letter 570, Claim Allowed in Full.

**Note:** This list is not all-inclusive.

- (2) Like all other case types, CCP is not responsible for the preparation of closing letters for SB/SE and LB&I cases. Any closing letters that are required will be prepared and issued by Field Exam.

4.38.1.9.2  
(03-28-2024)  
**Delinquent Returns and  
Substitute for Return  
Processing**

- (1) A delinquent return is a return filed by the taxpayer(s) or their representative, subsequent to the normal due date of the return including properly executed extensions.
- (2) A substitute for return (SFR) is a return prepared and submitted by the IRS when it is determined the taxpayer has a filing requirement and has failed to comply.
- (3) The purpose of a delinquent and a substitute for return is to assist taxpayers in complying with the Internal Revenue Code requirement for filing tax returns.
- (4) Tax Examiners must be familiar with the procedures for processing SFR and delinquent return cases in the different situations that may occur.

4.38.1.9.2.1  
(03-28-2024)

**Similarities and Differences Between Delinquent and Substitute for Returns**

- (1) The basic similarities between SFR and delinquent returns are:

Substitute for Return	Delinquent Return
<ul style="list-style-type: none"> <li>• Posts a dummy TC 150 in order to establish AIMS.</li> <li>• Posts a TC 150 with a DLN consisting of repeating 0, 8, or 9.</li> <li>• <b>Does not</b> have the taxpayer signature.</li> <li>• <b>Does not</b> start the running of the ASSED.</li> </ul>	<ul style="list-style-type: none"> <li>• Posts the TC 150 in order to establish AIMS.</li> <li>• Posts the tax according to the return.</li> <li>• Has the taxpayer's signature.</li> <li>• Does start the running of the ASSED.</li> </ul>

4.38.1.9.2.2  
(03-28-2024)

**Identifying SFRs and Delinquent Returns on IDRS**

- (1) SFR and Delinquent Returns can be identified on IDRS in the following ways:

- SFR's will have a Push Code 036 on AIMS.
- SFR's will have a Return Condition Code (RCC) 4 will post in return information and will often read **6020B** or **SFR** next to TC 150 on TXMOD.
- IDRS will often show **SFR** indicator on TXMODA or IMFOL/ BMFOL.
- Delinquent returns will show the date the return was filed.

4.38.1.9.2.3  
(03-28-2024)

**Statute Issues**

- There are several special statute issues on Delinquent and Substitute for Return cases.
- SFRs will show "EE" on AIMS if the ASSED has not been properly set.
- The filing of a delinquent return at any time during an examination begins the running of the ASSED.

4.38.1.9.2.4  
(03-28-2024)

**Processing of SFR and Delinquent Returns**

- (1) This IRM subsection will provide information on the following subjects when working with SFR and Delinquent Returns:

- Setting the ASSED.
- Penalty Considerations.
- Credits and Potential Barred Refunds.
- Closing for Delinquent Returns and SFR Returns.
- Secured Delinquent Return and SFR Return Additional Adjustments (Agreed).

4.38.1.9.2.4.1  
(03-28-2024)

**Credits and Potential Barred Refunds**

- Research credits on the account, and verify the Refund Statute Expiration Date (RSED) to prevent potentially barred refunds.
  - Bring back credits from Excess Collections on Form 8765 as necessary.
  - Move credits that are barred from refund to Excess Collections using Form 8758.

4.38.1.9.2.4.2  
(03-28-2024)

**Closing Procedures for  
Delinquent Returns**

- (1) If no changes are warranted to the original return, close case as a no-change case and complete the following entries on the Form 5344:
  - a. Item 13, Disposal Code - 01.
  - b. Item 37, Delinquent Return - this entry should reflect a **T** for the first return secured or an **R** for the subsequent returns secured.
  - c. Item 414, Delinquent Return Amount - this entry should reflect the refund or balance due shown on the return.
- (2) If changes are warranted, follow normal closing procedures for changed cases but include the following entries on Form 5344:
  - a. Item 12, TC 160 - The delinquency penalty must be addressed on late filed returns. Enter the applicable delinquency penalty or a zero if the delinquency penalty will not be asserted.
  - b. Item 13, DC - Use the applicable DC of the examination: agreed, unagreed, etc.
  - c. Item 37, Delinquent Return - This entry should reflect a **T** for the first return secured, an **R** for the subsequent returns secured.
  - d. Item 414, Delinquent Return Amount - This entry should reflect the refund or balance due shown on the return.
- (3) Follow normal closing procedures for changed or no-change with adjustments cases. For changed cases, ensure the examination report started with the amounts from the original return. For no-change cases, ensure DC 01 is entered in Item 13; Disposal Code. For all cases, ensure Item 37: Delinquent Return and Item 414; Delinquent Return Amount are present.

4.38.1.9.2.4.3  
(03-28-2024)

**Closing Procedures for  
SFR Returns**

- (1) AM424 with Push Code 036 will generate a TC 595 for IDRS SC 03. If the input passes the AIMS and Master File checks, TC 424s with PC 036 before COB on Thursday, will generate a TC 150 over the weekend. Close the case using normal procedures for agreed closures including the following entries on the Form 5344:
  - a. Item 38-40, Ensure an original return blocking series (00X) is used.
  - b. Item 9, Complete this block **only** for IMF returns. This code instructs MF to compute the FTP penalty from the return due date, eliminating the need to use TC 270 which restricts MF from generating future FTP penalty accruals.
  - c. Item 12, TC 160, The delinquency penalty must be addressed on late filed returns. Enter the applicable delinquency penalty or a zero if the delinquency penalty will not be asserted.
  - d. Item 13, Use the applicable DC.
  - e. Item 34 and Item 414 - **Do Not** complete. Not applicable for SFR cases.

4.38.1.9.2.4.4  
(03-28-2024)

**Delinquent Return  
Received After SFR 150  
Posted - Accepted As  
Filed Procedures**

- (1) If a return is received after an SFR TC 150 has posted, the amounts on the secured return must be incorporated into an examination report and assessed as a TC 300.
- (2) The input of a TC 971 AC 282 using the return received date in the Trans Date field must be requested by Field Exam as soon as the return is secured. This updates MF to show that Examination secured a delinquent return. This also establishes the ASER at MF for IMF cases. The duplicate return freeze on MF is not set and an AIMS weekly update is not generated.

## 4.38 Centralized Case Processing (CCP)

- (3) Field Exam will start with zero per return, to reflect tax, credits, etc. per return.
- (4) Field Exam or CCP will need to complete the following entries on the Form 5344:
  - a. CCP will enter in Item 09 priority code 9 when assessing additional tax.
  - b. Field Exam will enter in Item 13 the applicable DC. If agreed (DC 03/04/09) use the return received date as the agreement date.
  - c. Field Exam will enter in Item 12 or 15, certain line items taken from the return using the appropriate reference/TCs:
  - d. Item 12, TC 160 - The delinquency penalty must be addressed on late filed returns. Enter the applicable delinquency penalty or a zero if the delinquency penalty will not be asserted.
  - e. Item 37, Do not make an entry in Item 37. This field is only used for secured delinquent returns if there is NO TC 150 posted.
  - f. DO NOT enter anything in Item 414: Delinquent Return Amount - The examination results will be calculated on the examination adjustment.
- (5) Form 3198 will have a notation on the "Other Instructions" line of the "Special Features" section "SFR TC 150 Posted - Process delinquent return as final closure."
- (6) If multiple returns were secured, Field Exam will instruct CCP to process the balance due years first and cycle in the refund years (if the RSED is not expired) to ensure the refunds are applied to the balance due years.
- (7) Verify the transcript attached to the return is for the same TIN, name, and MFT as reflected on the delinquent return. If not, reject the package back to the Field Office Resource Team (FORT).
- (8) Verify an SFR TC 150 has posted on the transcript. If no TC 150 is posted on the module, forward the package to the FORT Unit explaining there is no TC 150 posted for the TP.
- (9) Determine whether the TP owes a balance due on the tax period being processed. The refund may be used to pay off any balance due on the module being processed, but it CANNOT be used to offset any outstanding balance due on any other tax periods.
- (10) Process the Form 5344 using a Hold Code 4 to freeze the expired refund.
- (11) If payments, credits, or both were transferred from the TP's account to the Excess Collections File, complete Form 8765, IDRS Control File Credit Application, and forward it to Campus accounting function to have the credits transferred back.
- (12) If it is determined the refund is barred from being refunded to the TP, it is to be sent to the Excess Collections File via Form 8758, Excess Collections File Addition.
- (13) Additional requirements can be found in IRM 3.17.220.2.11, Manually Refunding from the XSF.
- (14) Verify entries on Form 5344 match the secured delinquent return.
- (15) Request input of CC AMCLSE to close the case to SC 90.

4.38.1.9.2.4.5

(09-12-2024)

**Delinquent Return Secured by Examination After TC 150 SFR Posted, With Audit Potential - Process Partial Assessment Procedures**

- (1) When a delinquent return is secured after a SFR TC 150 has posted and the secured return has audit potential but zero tax liability, no partial assessment is required.
- (2) Field Exam will prepare an RAR starting with zero per return to reflect tax, credits, etc. per return. If tax per return is zero (before withholding credits or refundable credits or both), a partial will not be requested. Field Exam will prepare a final examination report starting with per return figures of zero.
- (3) Field Exam will e-Fax the partial assessment request to CCP and include the following:
  - a. First 2 pages of the return - include Schedule SE, if applicable,
  - b. Examination Report,
  - c. Form 5344
  - d. Form 3198 **SFT TC 150 Posted - Process delinquent return as partial assessment** entered in the **Special Features** section.
- (4) Verify an SFR TC 150 is posted on the transcript. If no TC 150 is on the module, send the package to the FORT.
- (5) If payments, credits, or both were transferred from the TP's account to the Excess Collections File and the RSED has not expired, complete Form 8765 and forward it to Campus accounting function to have the credits transferred back.
- (6) Request input of CC AMCLSF or manual assessment if required, to assess the partial assessment. Stamp Form 5344 **Request Completed** and e-Fax copy back to the field group for association with the original return in the case file.

4.38.1.9.2.4.6

(03-28-2024)

**Delinquent Return Secured by Examination After SFR TC 150, With Audit Potential - Final Closing Package (Partial Assessment Processed)**

- (1) Field Exam will prepare the RAR using the partial assessment amounts as the starting figures. If no partial assessment was processed because the tax was zero, the starting figures will be the amounts shown on the return filed by the TP.
- (2) Field Exam will complete Form 5344 paying special attention to the following fields:
  - a. Items 12 and 15 as applicable. TC 160 - The delinquency penalty must be addressed on late filed returns. Enter the applicable delinquency penalty or a zero if the delinquency penalty will not be asserted.
  - b. Item 13, DC. Use the applicable changed DC.
  - c. Item 37, Delinquent Return. Do not make an entry in Item 37: Delinquent Return. This field is only used for secured delinquent returns if there is NO TC 150 posted.
  - d. Item 414, Delinquent Return Amount. DO NOT enter anything in Item 414. The examination results will be calculated on the partial assessment made previously and the final assessment.
- (3) Request input of CC AMCLSE to assess final closure.

4.38.1.9.3

(03-28-2024)

**Estate Returns**

- (1) Estate Tax Returns are returns that must be filed for the estate of every citizen or resident of the U.S. whose gross estate at date of death exceeds the amount defined by law. Non-resident non-citizens must also file an estate tax return if the gross estate includes property situated in the U.S..

- (2) Gift Tax Returns are returns that must be filed when a gift is made to someone other than a person's spouse that exceeds the amount defined by law.

4.38.1.9.3.1  
(03-28-2024)

**Purpose and Importance  
of Estate and Gift Tax  
Returns**

- (1) The purpose of this IRM is to acquaint the CCP TE on properly closing estate and gift tax return case files.
- (2) It is important for the CCP TE to identify what comes in a virtual Estate Return case file so that they can process the closing documents correctly.

4.38.1.9.3.2  
(03-28-2024)

**General Information**

- (1) This IRM subsection is to give general information such as the following:
  - a. Types of returns.
  - b. SSN format.
  - c. Statute of limitations.
  - d. Case Assembly.

4.38.1.9.3.2.1  
(03-28-2024)

**Types of Returns**

- (1) The two returns discussed here are:
  - a. Form 706 (MFT 52), U.S. Estate Tax Return, and
  - b. Form 709 (MFT 51), United States Gift (and Generation - Skipping Transfer) Tax Return.

4.38.1.9.3.2.2  
(03-28-2024)

**SSN Format**

- (1) All Estate and Gift tax modules are identified by a "V" at the end of the taxpayer's SSN.

**Example:** 000-00-2689V

4.38.1.9.3.2.3  
(03-28-2024)

**Statute of Limitations**

- (1) The Assessment Statute Expiration Date (ASED) for Estate and Gift returns is computed as follows:
  - a. Form 706 U.S. Estate Tax Return - 3 years from the due date of return or 3 years from the IRS received date, whichever is later. Form 706 returns are due 9 months from the exact date of death for any taxpayer who has passed away after 01/01/1971.
  - b. Form 709 United States Gift (and Generation - Skipping Transfer) Tax Return - 3 years from the due date of return or 3 years from the date the return was actually filed, whichever is later. Form 709 returns are due 3 1/2 months after the end of the taxable year (April 15th).

4.38.1.9.3.3  
(03-28-2024)

**Estate Case Processing  
Procedures**

- (1) This section will assist CCP TEs in processing Estate cases.

4.38.1.9.3.3.1  
(03-28-2024)

**Forms**

- (1) Several forms will be present in the virtual case file when processing adjustments to Form 706, United States Estate Tax Return.
- (2) These forms are:
  - a. Form 706, U.S. Estate Tax Return,
  - b. Form 5344, Examination Closing Record,
  - c. Form 1273, Report of Estate Tax Examination Changes,



- d. Form 890, Waiver of Restriction on Assessments & Collection of Deficiency & Acceptance of Overassessments - Estate, Gift and Generation - Skipping Transfer Tax, and

**Note:** This will generally not be present on no-change cases.

- e. Form 3198, Special Handling Notice for Examination Case Processing.

4.38.1.9.3.3.2  
(03-28-2024)  
**Assessing MFT 52  
Modules on IDRS**

- (1) When accessing Form 706 modules on IDRS, there will not be a numeric YYYYMM tax period. Instead, a series of six zeroes (000000) will stand in for the year and month.

4.38.1.9.3.3.3  
(03-28-2024)  
**Form 5344, Examination  
Closing Record**

- (1) Estate Case Processing entries on the Form 5344 that are different from other types of closures are as follows:
  - a. Item 15 - An Item Reference (IREF) code is input relating to the type of return in the file:

Item Reference Code (IREF)	Definition
074	Generation Skipping Tax
076	Estate Tax
078	Interest Assessment for State Death Tax Credit Taken But Not Paid

- (2) For IREFs 074 and 076, the total tax adjustment may consist of one or all of these types of tax depending on the date of validity and whether adjustment to a specific tax is warranted. The sum of the IREFs used to reflect the change in tax must equal the TC 30X amount entered in **Item 12** of the Form 5344.
- (3) For IREF 078, Interest Assessment for State Death Tax Credit taken but not paid, the related dollar amount must be greater than zero. A TC 340 must be present.

**Note:** Adjustments of this type are usually handled by Tax Examiners who have received Restricted Interest training.

4.38.1.9.3.3.4  
(03-28-2024)  
**Identifying Restricted  
Interest**

- (1) It is important that these cases are reviewed for Interest that should be restricted.

4.38.1.9.3.3.4.1  
(03-28-2024)  
**Review TXMODA for -I  
Freeze**

- (1) Access CC TXMODA and review the freeze section for a -I freeze. A -I freeze means the module has been restricted from interest due to the posting of a TC 340.
- (2) Because of Restricted Interest involvement, if the case is a Form 709 or if the case is a Form 706 and the case has not been granted Section 6166 Installment Privileges, it must be forwarded to a Tax Examiner who has received training on Restricted Interest issues.

- (3) If the taxpayer has been granted Section 6166 Installment Privileges on a Form 706 Estate case, the case may be handled with only a few small changes to the Form 5344 to enable closing.

4.38.1.9.3.3.4.2  
(03-28-2024)  
**Section 6166 Installment Privileges**

- (1) The taxpayer's election of Section 6166 Installment Privileges will be notated at the top of Page 2 of the Form 706 enclosed in the case file. If the taxpayer has chosen to use this election, the box will be checked "Yes." The case file will also generally contain a Form 4349, Computation of Estate Tax Due with Return and Annual Installment.

4.38.1.9.3.3.4.3  
(03-28-2024)  
**Special Instructions for Form 5344, Examination Closing Record**

- (1) In Line 6A, use the 23C date for the current day for the **Debit Interest "To" Date**.
- (2) Input a Hold Code of 2 in Line 07 to hold both notices and credits. Next to "Remarks," write "6166 Election".
- (3) In Item 12, a TC 340 for .00 must be input to bypass the -I freeze on TXMODA and enable the case to close.
- (4) Prepare a Form 2275, Records Request, Charge and Recharge, to refer the case to the Estate and Gift Department at the Cincinnati campus to have the installment agreement input after the case has been successfully closed and the assessment input. Attach the Form 2275 to the case and refer to local procedures.

4.38.1.9.3.4  
(03-28-2024)  
**Gift Case Processing Procedures**

- (1) This section will assist CCP TEs in processing Gifts cases.

4.38.1.9.3.4.1  
(03-28-2024)  
**Forms**

- (1) Several forms will be present in the virtual case file when processing adjustments to Form 709, United States Gift Tax Return.
- (2) The forms are:
  - a. Form 709, United States Gift Tax Return. It is also common for Form 709 cases to be a Substitute for Return, so they may contain electronic prints instead of an original return signed by the taxpayer, or a delinquent return that is not stamped with a DLN,
  - b. Form 5344, Examination Closing Document,
  - c. Form 3233, Report of Estate Tax Examination Changes),
  - d. Form 890, Waiver of Restriction on Assessments & Collection of Deficiency & Acceptance of Overassessments - Estate, Gift, and Generation-Skipping Transfer Tax. This will generally not be present on no-change cases, and
  - e. Form 3198, Special Handling Notification for Examination Case Processing.

4.38.1.9.3.4.2  
(03-28-2024)  
**Statutes of Limitations**

- (1) There are several special situations that may be encountered when working MFT 51 cases that are unique to this type of case:

- a. **Alpha statute “VV” Gifts Not Adequately Disclosed on Return - 6501(c)(9):** If an assessment is being made on the return, update the statute in Line 14 of Form 5344 to six months from the last date of the current month.
- b. **Alpha statute “EE” No Return Field - 6501(c)(3):** Update to 3 years from the 23C date of the current date unless a delinquent return is enclosed in the case file. If a delinquent return signed by the taxpayer was received and not addressed prior to receipt of the case file, update to 3 years from the stamped received date of the return.

4.38.1.9.3.4.3  
(03-28-2024)

**Item Reference Numbers**

- (1) There are several Item Reference (IREF) Numbers that are used in Item 15 on Form 5344 specifically on MFT 51 Gift cases:
  - a. **077** - Gift tax - This amount must match the TC 300 or 301 amount in Item 12 on Form 5344.
  - b. **115** - Taxable Gifts Current Period Amount.
  - c. **116** - Taxable Gifts Prior Period Amount.
  - d. **117** - Total Gifts Current Period Amount.
- (2) Adjustments to IREFs 115, 116, and 117 do not affect tax and will appear on Form 3233 on Lines 15, 16, and 17. Adjustments to these items do not appear on every return.

4.38.1.9.3.4.4  
(03-28-2024)

**Unified Credit Adjustment**

- (1) Another adjustment that is specific to MFT 51 cases is the Unified Credit Adjustment, which is reported on Line 422 of Page 2 on Form 5344, and appears as “Applicable Credit Adjustment Amount.” The adjustment appears on Line 26 on Form 3233.
- (2) A Unified Credit Adjustment is required on any MFT 51 case that is being closed with a Disposal Code 01, and will reject from closure if an adjustment is not present.
  - a. If an adjustment is not being made per the Revenue Agent Report, it is necessary to input an adjustment of \$1 in Line 422 of the Form 5344 in order to allow the case to close.

4.38.1.9.3.5  
(03-28-2024)

**Helpful Hints While Closing Estate and Gift Cases**

- (1) Here are some helpful hints while working Estate and Gift cases in CCP Exam:
  - a. Verify the entire case belongs to the same taxpayer.
  - b. Regarding Form 3198, follow all instructions received from Specialty Field Exam.
  - c. Verify the freeze codes (if any are present).

Freeze Codes	Definition
-A Freeze	Make sure amended return is in the case file. If it is not, refer the case to the lead.
-I Freeze <b>and</b> 6166 applies	Follow procedures in IRM 4.38.1.9.3.3.2.
-I Freeze ONLY	Send case to Cincinnati CCP Exam Team 101.

## 4.38 Centralized Case Processing (CCP)

**Note:** Do not send any no change or survey cases.

d. Edit the Form 5344 correctly:

Item Number	Item Name	Actions to Take
P38-40	Blocking Series	<ul style="list-style-type: none"> <li>00X - Original Return/ SFR/ 6020b</li> <li>30X - Electronic Prints</li> <li>40X - Electronic Case</li> </ul>
08	Agreement Date Required	<ul style="list-style-type: none"> <li>This is <b>not</b> required on TC 301 or No Change cases.</li> </ul>
09	Priority Codes	<ul style="list-style-type: none"> <li>1 - To release a -A Freeze if an amended return is in the case file.</li> <li>3 - To release an -A Freeze and computer generate a Failure to File (FTF) penalty (TC 27X) on SFR/ 6020b returns.</li> </ul>
12 / 15	Tax & CREF	CCP is required to verify amounts and/or enter amounts per RAR in case file. <ul style="list-style-type: none"> <li>Form 706 - MFT 52 (TC 30X/ Ref Code 076)</li> <li>Form 709 - MFT 51 (TC 30X/ Ref Code 077). You will rarely use 115, 116, and 117.</li> <li>Form 1041 - MFT 05 (TC 30X/ Ref 886 only)</li> <li>Form 706 - GS - MFT 52 (Ref 074)</li> </ul>
13	Disposal Code	If this is not entered, use the code shown on Form 3198.
14	Statute Extended To	This is a CCP field. Follow statute procedures.
20, 21, 22, 23, and 24	Claims & Amended Returns	If required, please follow Claims procedures.
28, 30 and 31	Examiner's Time, Examination Technique Code, and Examiner's Grade	This is generally completed by the revenue agent. If it is blank, CCP TEs need to complete.
32	Grade of Case	Required Field
39	Disclosure Code	Complete as applicable.

Item Number	Item Name	Actions to Take
408, 411, and 412	Related Ret Alpha Code, Payment Code, and Installment Agreement Code	Required fields. CCP TE must complete this field to avoid a reject.

4.38.1.9.4  
(03-28-2024)  
**Employment Taxes**

- (1) Audits for Employment Tax returns are sent to Centralized Case Processing (CCP) Exam, Cincinnati for closure.

4.38.1.9.4.1  
(03-28-2024)  
**Purpose and Importance of Employment Taxes**

- (1) The purpose of Employment Tax Returns is to process adjustments to Social Security taxes, income tax withholding and unemployment tax by employers for their employees.
- (2) It is important for the CCP TE to recognize the forms needed to process an employment tax case file and the adjustments required to process either assessments or overassessments correctly.
  - a. Form 2504, Agreement to Assessment and Collection of Additional Tax and Acceptance of Overassessment (Employment Tax Adjustments Not Subject to IRC 7436).

4.38.1.9.4.2  
(03-28-2024)  
**Types of Employment Returns**

- (1) There are five employment tax returns that could be sent to CCP. They are:
  - a. Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return,
  - b. Form 941, Employer's Quarterly Federal Tax Return,
  - c. Form 943, Employer's Annual Return for Agricultural Employees,
  - d. Form 944, Employer's Annual Federal Tax Return, and
  - e. Form 945, Annual Return of Withheld Federal Income Tax.
- (2) Employment tax adjustments may also be made to Form 1040, U.S. Individual Income Tax Return, using *Form 1040 Schedule H*, Household Employment Tax.

4.38.1.9.4.3  
(03-28-2024)  
**Statute of Limitations**

- (1) Federal employment taxes must be assessed for Federal Insurance Contributions Act (FICA), Federal Unemployment Tax Adjustments (FUTA) and withholding taxes within the 3-year statute of limitations.
- (2) The Assessment Statute Expiration Date (ASED) for employment tax returns is computed as follows:
  - a. Form 940 - 3 years from the due date of the return or the received date, whichever is later. The return due date is January 31st.
  - b. Form 940, Form 941, Form 943, Form 944, and Form 945 - 3 years from April 15th of the following year for which the return was due or the received date of the return, whichever is later. The return due date is the last day of the month following the end of the quarter.

## 4.38 Centralized Case Processing (CCP)

- (3) The ASER on employment tax adjustments processed to a Form 1040 return is 3 years from April 15th of the following year for which the return was due, or 3 years after the date the return was actually filed, whichever is later.

### 4.38.1.9.4.4

(03-28-2024)

#### Disposal Codes

- (1) The following disposal codes are used for Employment Tax case files:

Disposal Code	Description
DC 01	No change with adjustments. This can refer to a change that has been disallowed in full, or a case that has no adjustments to tax or penalties.
DC 02	No change. This refers to a case where no changes are being made to tax, penalties, or reference items.
DC 03	Agreed cases closed before issuance of a 30-day letter.
DC 04	Agreed cases closed after issuance of a 30-day letter.
DC 07	Appealed unagreed cases.
DC 08	<p>Other (08 is considered agreed on the AIMS tables)</p> <p><b>Note:</b> Disposal Code 08 is used on the Form 5344 generated by RGS on cases that are being closed out of the group as unagreed for the issuance of a stat notice. Technical Services will update the disposal code to the correct code upon final closure.</p> <p><b>Note:</b> Effective 03/2009 DC 08 is no longer used when closing SFR cases. Use the applicable disposal code.</p> <p><b>Note:</b> Effective 01/2010 an agreement date is not valid for DC 08.</p>

### 4.38.1.9.4.5

(03-28-2024)

#### Adjustments to Railroad Retirement Tax Act (RRTA)

- (1) CCP will forward copies of Form 4668, Form 886-A, Explanation of Items, and attachments pertinent to Chapter 22 taxes, for all agreed railroad employment tax examination reports to the Railroad Retirement Board (RRB). The address for the RRB is: Railroad Retirement Board, Chief Financial Officer, 844 N. Rush Street, Chicago, IL 60611.

4.38.1.9.4.6  
(03-28-2024)

## Employer Identification Number (EIN)

- (1) If the EIN per the original Schedule H, (Form 1040) is incorrect or there was no Schedule H, (Form 1040) filed as follows:
  - a. Use IRS Reference Number (IREF) 993 to add or correct the primary taxpayer's nine digit EIN.
  - b. Use IREF 994 to add or correct the secondary taxpayer's nine digit EIN.

4.38.1.9.4.7  
(03-28-2024)

## Form 940 Case Processing Procedures

- (1) Centralized Case Processing (CCP) Tax Examiners (TEs) at the Cincinnati Service Center are responsible for processing Form 940 cases sent by Employment Revenue Agents (RA). CCP Tax Examiner's at the Memphis Service Center are responsible for processing "tag-along" Form 940 cases sent in by a Revenue Agent or TCO.

4.38.1.9.4.7.1  
(03-28-2024)

## Forms Required

- (1) Several forms will be present in the case file when processing adjustments to Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return.
- (2) These forms are:
  - a. Form 4666, Summary of Employment Tax Examination,
  - b. Form 4667, Examination Changes - Federal Unemployment Tax,
  - c. Form 2504, Agreement to Assessment and Collection of Additional Tax and Acceptance of Overassessment (Employment Tax Adjustments Not Subject to IRC 7436), and
  - d. Form 5344, Examination Closing Record.
- (3) Form 4666, Form 4667 and Form 2504 should be checked to verify that all corresponding information matches.
- (4) Form 2504 may be present in the file, but it does not have to be signed for an assessment to be made on the employment case file. Deficiencies can be assessed even if the taxpayer does not agree.
- (5) An agreement date is never entered on Form 5344 for employment tax cases. Normal interest is computed from the return due date, refund date, or TC 826/836 date to the payment date or 23C assessment date, whichever is earlier.
- (6) If the case is being closed with no changes (DC 01 or 02), Form 4666, Form 4667, and Form 2504 are not always included and are not required for closure.
- (7) Closing letters will be mailed by Specialty Employment Tax Field prior to the case closing to Exam CCP.

4.38.1.9.4.7.2  
(03-28-2024)

## Form 5344, Examination Closing Record

- (1) Tax increases or decreases are found on Line 8 of Form 4667. These adjustments are entered by the field with Transaction Code (TC) 300/301 in Item 12 of Form 5344.
- (2) Penalty increases or decreases are found on Line 9 of Form 4667. These adjustments are entered on Form 5344 in Item 12 section using the appropriate TCs.
- (3) Increases and decreases in FUTA tax will have reference codes related to the tax with the state where the adjustment is notated on Form 5344, Item 15.



- a. Adjustments due to an increase or decrease in wages require a reference code in Item 15 of Form 5344. The three-letter reference code will be the letter **T** for Taxes followed by the two-letter state abbreviations.

**Example:** TOK for taxes in Oklahoma and TWI for taxes in Wisconsin.

- b. If more than one state is involved, a separate reference is listed for each.
- c. If no increase or decrease is being made, no reference code is needed.
- d. The total of the tax reference code amounts in Item 15 of Form 5344 must equal the TC 300/301 adjustment in Item 12.

- (4) Increases and decreases in wages are found on Line 8 of Form 4667. These adjustments are entered with a three-letter reference code in Item 15. The three-letter reference code will be the letter “W” for Wages followed by the two-letter state abbreviation.

4.38.1.9.4.8  
(03-28-2024)  
**Forms 941/943/944/945  
FICA Case Processing  
Procedures**

- (1) Form 941, Form 943, Form 944, and Form 945 cases are processed by Centralized Case Processing (CCP) Tax Examiners (TEs) at the Cincinnati Service Center.

4.38.1.9.4.8.1  
(03-28-2024)  
**FICA Adjustments**

- (1) Several forms will be present in the case file, when processing adjustments to FICA tax.
- (2) These forms are:
  - a. Form 941, Employer’s Quarterly Federal Tax Return,
  - b. Form 943, Employer’s Annual Tax Return for Agricultural Employees,
  - c. Form 944, Employer’s Annual Federal Tax Return,
  - d. Form 4666, Summary of Employment Tax Examination,
  - e. Form 4668, Employment Tax Examination Changes Report,
  - f. Form 2504, Agreement to Assessment and Collection of Additional Tax and Acceptance of Overassessment (Employment Tax Adjustments Not Subject to IRC 7436)), and
  - g. Form 5344, Examination Closing Document.

4.38.1.9.4.8.2  
(03-28-2024)  
**Processing FUTA Forms**

- (1) Form 4666, Form 4668, and Form 2504 should be checked to verify that all corresponding information matches.
- (2) On Form 4668, Columns (b) through (e) of Line 1 through 12 should be added together and the totals compared to Form 4666 Column (f), Summary of Employment Tax Examination.
- (3) If Form 2504 is present, the IRC 6205(a) Interest Free Period will need to be considered.
- (4) Normal interest is computed from the return due date, refund date, or TC 826/836 date to the payment date or 23C assessment date, whichever is later.
- (5) Form 2504 may be present in the file, but it does not have to be signed for an assessment to be made on the employment case file. Deficiencies can be assessed even if the taxpayer does not agree.

- (6) Cases closed with no changes (DC 01 or 02) may not include Form 4666, Form 4668, or Form 2504. They are not required for closure in these situations.
- (7) Closing letters will be mailed by Specialty Employment Tax Field prior to the case closing to CCP.

4.38.1.9.4.8.3  
(03-28-2024)

**Form 5344, Examination Closing Record, FICA Process**

- (1) Tax increases or decreases will be found on the line entitled "Delinquent tax or increase (decrease) in tax of Form 4668 which is the total of Lines 1 through 5." Adjustments to tax will be entered in Item 12 on Form 5344 as TC 300/301.
- (2) Penalty increases or decreases will be found on Lines 7 - 12 of Form 4668. These will be entered using the appropriate TCs in Item 12.
- (3) Reference Codes are required in Item 15 to notate account changes. They are listed in the FICA Input Reference Codes chart in IRM 4.38.1.9.4.8.4.

**Note:** The sum of Reference Codes 003/111, 007/112, and 008 will equal the TC 30X amount.

4.38.1.9.4.8.4  
(03-28-2024)

**FICA Reference Codes**

- (1) Use Item Reference Numbers (IRNs) to adjust tax, wages, and Credit Reference Numbers (CRNs) to adjust applicable credits on employment tax returns.
- (2) The valid reference numbers for 2004 and prior Form 941 accounts and 2005 and subsequent are listed below.

**FICA Input Reference Codes**

Ref Code	Adjustment to	Found on Form 4668, Line(s)	Entry in Item 15 of Form 5344	Entry in Part D of Form 2859
003 (2004 and prior) 111 (2005 and current)	Adjusted total income tax withheld	11	003/111 and amount	On Line 1 - 003 and amount
004	Taxable Social Security wages	1	004 and amount	On Line 2 - 004 and amount
005	Taxable Social Security tips	4	005 and amount	On Line 3 - 005 and amount
007 (2004 and prior) 112 (2005 and current)	Total Social Security tax	01	007/112 and amount	On Line 6 - 007 and amount

## 4.38 Centralized Case Processing (CCP)

Ref Code	Adjustment to	Found on Form 4668, Line(s)	Entry in Item 15 of Form 5344	Entry in Part D of Form 2859
008	Total backup withholding	11	008 and amount	On Line 7 - 008 and amount
073	Taxable Medicare wages and tips	1 and 4	073 and total amounts from Line 1 and 4	On Line 5 - 073 and total amounts from Line 1 and 4
079	IRC 3509 rate	2, 3 & 6	079 and zero amount	On Line 11 - 079 and zero amount

4.38.1.9.4.9  
(03-28-2024)**Interest Free Adjustments**

- (1) Interest free adjustments are spelled out in IRC 6205(c).
- (2) If a taxpayer filed a timely Form 941, Form 943, Form 944 or Form 945 and an error is found in the tax liability by the field, the taxpayer is entitled to an "interest free period" if they agree to the adjustment and sign the Form 2504 or Form 2504-T. IRC 6205(a) privileges must be notated on the Form 3198 by the field.
- (3) Always verify the dates to make sure the taxpayer has agreed.
- (4) Penalties do not get an interest free period.
- (5) Form 5344 entries made by the field:
  - a. An agreement date is required.
 

**Note:** An agreement date is needed for computation of the Interest Free period.
  - b. The tax amount will be entered as TC 308 in Item 12. TC 308 requires an interest computation date in Item 11 of Form 5344. (This will enable the computer to compute the interest and eliminate the need to manually compute the interest.)

4.38.1.9.4.10  
(03-28-2024)**Schedule H, Household Employment Tax Case Processing Procedures**

- (1) In 1995, household employers were no longer required to file Form 942, Employer's Quarterly Federal Tax Return for Household Employees. Any FICA, FUTA taxes and withheld income tax in regard to the taxpayer's household employees are reported on *Form 1040 Schedule H*, Household Employment Tax. Employers have the option to report this type of employee's wages on Form 941 or Form 943, if applicable. *Form 1040 Schedule H* is filed with the employer's Form 1040, U.S. Individual Income Tax Return, but the taxes are still considered employment taxes.
- (2) *Form 1040 Schedule H* may be filed by either the primary or secondary taxpayer.

4.38.1.9.4.10.1  
(03-28-2024)

## Forms Required

- (1) Several forms will be present in the case file when processing adjustments to *Form 1040 Schedule H*, Household Employment Tax.
- (2) These forms are:
  - a. Form 2504, which is an agreement to changes from the taxpayer.
  - b. Form 4667, which is used to report FUTA adjustments to Schedule H.
  - c. Form 4668, which is used to report FICA adjustments to Schedule H.

**Note:** Form 2504, Form 4667, and Form 4668 should be checked to verify all information matches.
- (3) Form 4667 is used to report FUTA adjustments to Schedule H. Increases or decreases to FUTA employment tax will be found on Line 8 of Form 4667. On Form 5344, enter these amounts using TC 300/301 in Item 12.
- (4) Form 4668 is used to report FICA adjustment to Schedule H. Quarterly entries in Columns (b) through (e) will be totaled to arrive at the correct adjustment amount for the calendar year. Increases or decreases to FICA employment tax will be found on Line 5 of Form 4668. This amount will be entered in Item 12 of Form 5344 using TC 300/301.

### FICA Reference Codes for Schedule H Cases

Primary Ref Code	Secondary Ref Code	Adjustment to	Form 4668, Line	Entry in Item 15
003 (2004 and prior) 111 (2005 and current)	903	Income tax withheld	11	003/111/903 and amount
004	904	Taxable Social Security wages	1	004/904 and amount
007 (2004 and prior) 112 (2005 and current)	907	Total Social Security and Medicare tax	10	007/112/907 and amount
073	973	Taxable Medicare wages and tips	1	073/973 and amount
993	994	To correct SSN on Schedule H	-	993/994 and correction

4.38.1.9.4.10.2  
(03-28-2024)

## FUTA Employment Tax and Wage Tax Changes

- (1) FUTA employment tax increases/decreases will be entered in Item 15:
  - a. The reference codes for a primary taxpayer consists of a **T** followed by the two-character state code.

**Example:** TTX for Texas.

- b. Secondary taxpayers consist of a **Y** followed by the two-character state code.

**Example:** YTX for Texas.

- (2) FUTA wage increases/decreases will be entered in Item 15 as follows:

- a. The primary taxpayer reference code consists of a **W** followed by the two-character state code.

**Example:** WTX for Texas.

- b. The secondary taxpayer reference code consists of a **Z** followed by the two-character state code.

**Example:** ZTX for Texas.

**Reminder:** If there is insufficient space in Item 15 on the Form 5344 for all the entries required, input REQ54 with additional reference numbers.

4.38.1.9.5  
(03-28-2024)

#### Excise Tax Cases

- (1) Excise tax returns are filed by taxpayers for internal taxes levied on the manufacture, sale, or consumption of a commodity within a country, and any various taxes on privileges often assessed in the form of a license or fee.

4.38.1.9.5.1  
(03-28-2024)

#### Purpose and Importance of Excise Tax Returns

- (1) The purpose of this IRM is to acquaint the CCP TE on properly closing excise tax return case files.
- (2) It is important for the CCP TE to identify what comes in an Excise, case file so that they can process the closing documents correctly.

4.38.1.9.5.2  
(03-28-2024)

#### General Information

- (1) This IRM subsection is to give general information such as the following:
  - a. Types of returns,
  - b. Statute of limitations, and
  - c. Case Assembly.

4.38.1.9.5.2.1  
(03-28-2024)

#### Types of Returns

- (1) The type of returns discussed here are:
  - a. Form 720, Quarterly Federal Excise Tax Return,
  - b. Form 2290, Heavy Highway Vehicle Use Tax Return,
  - c. Form 8849, Claim for Refund of Excise Taxes,
  - d. Form 4136, Credit for Federal Tax Paid on Fuels,
  - e. Form 6627, Environmental Taxes,
  - f. Form 730, Monthly Tax Return for Wagers, and
  - g. Form 11-C, Occupational Tax and Registration Return for Wagering.

4.38.1.9.5.2.2  
(03-28-2024)

#### Statute of Limitations

- (1) The Assessment Statute Expiration Date (ASED) for Excise returns is computed as follows:
  - a. Form 720 - Three years after the due date of the return, or three years after the return was actually filed, whichever is later.
  - b. Form 2290 - Three years after the due date of the return, or three years after the return was actually filed, whichever is later.

- c. Form 730 - Three years after the due date of the return, or three years after the return was actually filed, whichever is later.

**Reminder:** Form 8849, Form 4136, Form 6627, and Form 11-C do not have any statute of limitation.

4.38.1.9.5.3  
(03-28-2024)

## Excise Case Processing Procedures

- (1) This section will assist CCP TEs in processing Excise electronic cases.
- (2) Procedures for the following forms and claims will be listed:
  - a. Form 720,
  - b. Form 730,
  - c. Form 2290,
  - d. Form 11-C,
  - e. PCOR,
  - f. Medical Device Tax, and
  - g. MFT 40.

4.38.1.9.5.3.1  
(03-28-2024)

## Closing Package

- (1) Several forms will be present in the case file when processing adjustments to Excise Tax Returns, including Forms 720, 730, 2290, 11-C, and 8849.
- (2) These forms are:
  - a. Form 5344, Examination Closing Document,
  - b. Form 3198, Special Handling Notification for Examination Case Processing, and
  - c. Form 5384, Excise Tax Examination Changes and Consent to Assessment & Collection (if agreed).

4.38.1.9.5.3.2  
(03-28-2024)

## Form 720, Quarterly Federal Excise Tax Return, Helpful Hints

- (1) Form 720 is listed under Master File Tax (MFT) 03.
- (2) There are four different due dates:
  - a. April 30th,
  - b. July 31st,
  - c. October 31st, and
  - d. January 31st.
- (3) If a credit reference number (CRN) is present, send the case to Team 101 in Cincinnati CCP Exam.
  - a. The credit reference numbers will begin with either a **3** or **4**.

4.38.1.9.5.3.2.1  
(03-28-2024)

## Form 5344, Examination Closing Record

- (1) Item 28 will equal the amount in Item 404(c).
- (2) Item 23 will equal the amount in Item 404(e).
- (3) Item 15 which totals the abstracts will equal the amount in Item 12. Item 12 is the TC 300 or 301 amount.
  - a. Abstracts will start with either 0 or 1.
  - b. Each abstract has its own ASER.
- (4) If multiple abstracts are present in Item 404, do a DC 03 or 08 before you input a DC 02.

4.38.1.9.5.3.3  
(03-28-2024)**Form 730, Monthly Tax Return for Wagers, Helpful Hints**

- (5) Item 39 is the entry for the State Disclosure Program.
- (1) Form 730 is listed under Master File Tax (MFT) 64.
- (2) This is a form filed monthly.
- a. The due date is the last day of the month following the month when wages were paid.
- (3) The Failure to Deposit (FTD) penalty does not apply to Form 730.
- (4) When reporting interest, refer to Form 3198 or the Revenue Agent Report (RAR).

**Reminder:** Do not place anything into Item 15 on Form 5344 **EXCEPT** for the accuracy-related penalty.

4.38.1.9.5.3.4  
(03-28-2024)**Form 2290, Heavy Highway Vehicle Use Tax Return, Helpful Hints**

- (1) Form 2290 is listed under Master File Tax (MFT) 60.
- (2) This is a prepaid return.
- (3) The due date is August 31st or the last day of the month following the month truck was purchased / put on the road for use.

**Example:** September - the due date is October 31st.

- (4) The Failure to Deposit (FTD) penalty does not apply to Form 2290.

**Reminder:** Do not input TC 180 as it will unpost.

- (5) On Form 5344, Item 15 should be left blank unless there is an accuracy-related penalty or credit reference number (CRN) 365.
- (6) If there is a Claim on Form 2290:
- a. Look at Schedule 6 attached to Form 2290 for the reason the claim was requested.

Reason for Claim	Description of Reason
Truck was sold, destroyed, or stolen	<ul style="list-style-type: none"> <li>Item 12 should include TC 300 for \$0.00.</li> <li>Item 15 will have CRN 365 with the amount as a positive (+).</li> </ul>
Truck was under 5,000 miles (or 7,500 agricultural miles) were driven	<ul style="list-style-type: none"> <li>Item 12 will include the TC 300 for \$0.00 and TC 770 for \$0.00.</li> <li>Item 15 will have CRN 365 with the amount as a positive (+).</li> </ul>



4.38.1.9.5.3.5  
(03-28-2024)

## Form 11-C, Occupational Tax and Registration Return for Wagering, Helpful Hints

- (1) Form 11-C is listed under Master File Tax (MFT) 63.
- (2) This form is filed annually.
- (3) The Failure to Deposit (FTD) penalty does not apply to Form 11-C.
- (4) The form must be completed by July 1st.

4.38.1.9.5.3.6  
(03-28-2024)

## PCOR Helpful Hints

- (1) Patient-Centered Outcomes Research (PCOR) uses Abstract 133. It is equal to either the TC 300 or 301.
- (2) On Form 5344, follow the information below:
  - a. Item 15 - Shows Abstract 133 and credit reference numbers (CRN): 813/814/815/816.

**Note:** The CRNs 813/814/815/816 will not show in Item 404; only Abstract 133 will show on the Form 5344.

Credit Reference Numbers (CRN)	SHIP-LIVES Reference
813	70-906 <b>Note:</b> CRN 813 amount = amount input for SHIP-LIVES reference.
814	70-907
815	70-908
816	70-909

- b. Make sure you have all zeroes (0) in your count before the number (#).

**Example:** 70-906 0000000007

- c. If you have no LIVES, put zeroes (0) all the way across.

4.38.1.9.5.3.7  
(03-28-2024)

## Medical Device Tax Helpful Hints

- (1) The Failure to Deposit (FTD) penalty does not apply to the Medical Device Tax.
- (2) On Form 5344, enter the TC 300/301 in Item 12.
  - a. This is included in Credit Reference Number 812 and is equal to Abstract 136.

4.38.1.9.5.3.8  
(03-28-2024)

## MFT 40 Helpful Hints

- (1) MFT 40 is used for Form 8849, Schedule 1, Fuel Claims only.
- (2) Tax cannot be assessed on MFT 40 cases.

**Note:** If this situation occurs, reject the case back to the Revenue Agent and inform them to open the controls on MFT 03.

- (3) This is a non-interest MFT. The system will not generate interest, so you will not need a TC 770 for \$0.00.

(4) Disclosure is not on these cases.

4.38.1.9.5.3.8.1  
(03-28-2024)

**Credit Reference  
Numbers**

(1) Following is a table of Credit Reference Numbers (CRN) with their corresponding Abstract numbers.

CRN	Abstract	Description
303	105	Dyed Diesel Fuel
304	109	Taxable tires, bias ply or super single tires
305	113	Taxable tires, super single tires designed for steering
306	104	Diesel Water - Fuel Emulsion
307	60	Renewable Diesel Mixtures
308	110	Fishing Rods and Fishing Poles
309	104	Diesel - Water Fuel Emulsion Exports
310	60	Diesel - Water Fuel Emulsion Blending
322	22	Telephone
324	14	Aviation Gasoline
326	26	Transportation of Persons by Air
327	27	Use of International Air Travel Facilities
328	28	Transportation of Property by Air
329	29	Transportation by Water
340	40	Gas Guzzler Automobiles <b>Note:</b> If sold to police, interest is accrued.
341	41	Sport Fishing Equipment
342	42	Electric Outboard Motors
344	44	Bows, Quivers, Broadheads, and Points
345	20	Ozone-depleting Chemicals
346	35	Kerosene - not in aviation
347	35	Kerosene used in buses
348	71	Nontaxable use of undyed kerosene in trains
349	19	Domestic Oil Spill or Imported Petroleum Products Oil Spill Tax
350	60	Diesel used in buses
351	51	Alcohol sold as but not use as fuel
353	60	Diesel used in trains

CRN	Abstract	Description
354	14	Aviation Gasoline
355	69	Kerosene - Aviation
360	60	Diesel Fuel
361	61	LPG (other than CRN 352 or CRN 419)
362	62	Gasoline
364	64	Inland Waterways Fuel Use
365	196	Form 2290
366	33	Highway Type Tires
367	197	Form 11-C
368	198	Form 730
369	69	Kerosene
370	102	Arrow Components
371	71	Dyed Diesel Fuel used in trains
377	77	Kerosene
379	79	Other fuels
380	30	Foreign Insurance
381	31	Obligations not in Registered Form
382	36	Coal - Underground mined or Coal Export Claims / Producer filed by November 3, 2008. Abs. No. is not applicable on the Export Claims.
383	33	Truck, trailer
384	37	Coal - Underground mined
385	38	Coal - Surface mined or Coal Export Claims/ Exporter filed by November 3, 2008. Abs. No. is not applicable on the Export Claims.
386	39	Coal - Surface mined
387	114	Fishing Tackle Boxes
388	60	Biodiesel
389	106	Arrow Shafts
390	60	Agri-biodiesel
392	92	Passenger Vehicles (luxury tax)
393	62	Alcohol - ethanol
394	62	Alcohol - not containing ethanol
395	61	Liquefied Petroleum Gas (LPG)

## 4.38 Centralized Case Processing (CCP)

CRN	Abstract	Description
396	108	Taxable tires other than bias ply or super single tires
397	97	Vaccines
398	98	Ozone-depleting Chemicals
411	62	Exported Gasoline
412	14	Exported Aviation Gasoline
413	60	Exported Diesel Fuel
414	35	Exported Kerosene
415	105	Exported Dyed Diesel Fuel
416	107	Exported Dyed Kerosene
417	35	Kerosene used in commercial aviation
418	69	Kerosene used in noncommercial aviation
419	112	Liquefied petroleum gas (LPG)
420	118	"P" Series Fuels
421	120	Compressed Natural Gas
422	121	Liquefied hydrogen
423	122	Fuel from the Fischer-Tropsch Process
424	123	Liquid Fuel from biomass
425	124	Liquefied Natural Gas
426	112	Liquefied petroleum gas (LPG)
427	118	"P" Series Fuels
428	120	Compressed Natural Gas
429	121	Liquefied Hydrogen
430	122	Fuel from the Fischer-Tropsch Process
431	123	Liquid Fuel from biomass
432	124	Liquefied Natural Gas
433	111	LUST on fuels used in foreign trade
434	125	LUST fuels used in train or inland waterways
435	79	Liquefied gas derived from biomass (effective 10/01/2008)
436	79	Liquefied gas derived from biomass (effective 10/01/2008)
437	79	Compressed gas derived from biomass (effective 10/01/2008)

CRN	Abstract	Description
438	136	Taxable Medical Devices
439	133	PCORI (Patient-Centered Outcomes Research Institute fee)
812	136	Adjust Taxable Medical Devices
318	133	Adjust PCORI Specific Health Insurance Policies (SHIP)
814	133	Adjust PCORI Applicable Self Insurance Health Plans (ASIHP)
140	140	Indoor Tanning Services (there is no corresponding CRN)

- (2) Below is a table of Credit Reference Numbers (CRN) with their corresponding Abstract numbers that have expired that might still be eligible for credit.

CRN	Abs No	Description
323	101	Compressed Natural Gas
352	61	Non-taxable use of LPG in certain intercity and local buses
356	58	Use of gasoline for 10% gasohol BI
357	73	Use of gasoline for 7.7% gasohol BI
358	58	Gasoline for 10% gasohol
359	59	10% gasohol
363	74	Use of gasoline for 5.7% gasohol BI
373	73	Gasoline for 7.7% gasohol
374	74	Gasoline for 5.7% gasohol
375	75	7.7% gasohol
376	76	5.7% gasohol
378	78	Dyed diesel fuel used in certain intercity and local buses

4.38.1.9.6  
(03-28-2024)  
**Bipartisan Budget Act  
(BBA)**

- (1) This section will go into detail for the following case types:
  - a. Bipartisan Budget Act (BBA) of 2015

4.38.1.9.6.1  
(03-28-2024)  
**Definitions**

- (1) The Bipartisan Budget Act (BBA) of 2015 affects all partnerships filed with tax years beginning on or after January 1, 2018.

4.38.1.9.6.2  
(03-28-2024)  
**BBA**

- (1) Section 1101 of the Bipartisan Budget Act (BBA) of 2015 created a program that repealed the TEFRA partnership procedures.
- (2) The examination process is for partnership returns that are subject to the BBA centralized partnership audit regime.

**Note:** These procedures apply to SB/SE cases sent to Memphis CCP Exam and LB&I cases sent to Ogden CCP Exam.

4.38.1.9.6.2.1  
(03-28-2024)  
**BBA Work Process**

- (1) IDRS views the Transaction Code (TC) 240 without a Penalty Reference Number (PRN) as a duplicate of the prior TC 160 or 166.
- (2) The previous PRNs (other than 722 and 723) will not work as they have not been programmed to be accepted for MFT 06.
- (3) This is a requirement for Failure to File (FTF) Penalties (TC 160 / 166).

4.38.1.9.7  
(03-28-2024)  
**Large Dollar Cases**

- (1) This section covers unique processing instructions for large dollar cases. In determining whether a case should be considered a large dollar case, treat each tax period separately.

**Exception:** Cases over \$10 million in deficiency - Refer to IRM 4.38.1.9.7.4, Over \$10 Million Deficiency.

- (2) Large dollar cases are:
  - a. Agreed and unpaid deficiencies of \$100,000 and greater. Refer to IRM 4.38.1.9.7.2.
  - b. Overassessment Cases of \$100,000 or more. Refer to IRM 4.38.1.9.7.3.
  - c. Over \$10 Million in Deficiency. Refer to IRM 4.38.1.9.7.4.

4.38.1.9.7.1  
(03-28-2024)  
**Flagging Large Dollar  
Cases By Field Groups**

- (1) All large dollar cases with agreed and unpaid deficiencies or overassessments of \$100,000 and greater must be flagged on Form 3198, Special Handling Notice for Examination Case Processing, in the **Expedite Processing** section. Requirements for CCP and Technical Services (TS) to complete this section have been removed.

4.38.1.9.7.2  
(09-12-2024)  
**Processing Agreed and  
Unpaid Deficiencies**

- (1) This section pertains to income, estate, gift, and certain excise taxes with agreed and unpaid deficiencies of \$100,000 and greater that are subject to the interest-free waiver period under IRC 6601. These procedures do not apply to employment tax returns or delinquent returns secured by Examination after a Substitute for Return has posted.

- (2) The "Expedite Processing" section of the Form 3198 must be completed by the field group for all case files with agreed unpaid deficiencies or overassessments of \$100,000 and greater. The \$100,000 criteria is not cumulative, but is determined per year.
- (3) Due to interest paid on the deficiency or overassessment, these cases must receive expedite processing. Every effort should be made to assess the deficiency within 30 calendar days of the agreement date if the unpaid deficiency is greater than \$100,000. In addition, a quick assessment will be necessary **ONLY** if the 23C date will not be within 30 calendar days after the agreement. Please refer to IRM 3.17.244.3.2(6), Quick Assessment, for more information.

**Note:** For LB&I cases: If there is an unpaid balance due of \$100,000 and greater on an agreed case, the case is referred to Collections. If the case is unagreed, it will close to either TS for Statutory Notice of Deficiency or Appeals.

- (4) Every effort should be made to forward these cases as expeditiously as possible. The following timeframes have been established and should be followed:
  - a. The group has 4 calendar days after receipt of the waiver to forward the case for processing.
  - b. Technical Services has 8 calendar days to review the case if it was forwarded to them.
  - c. Centralized Case Processing (CCP) has 9 calendar days to input the case for closure if the case has been through Technical Services. If the case did not go through Technical Services, CCP has 17 calendar days.

- (5) The quick assessment guidelines found in IRM 3.17.244.3.2, Quick Assessment, allow the assessment of unpaid income, estate or gift tax deficiencies

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cannot be input through IDRS in time to have the 23C date within 30 days of the agreement date.

- a. Less than \$99,999 - Quick assessment not required.
- b. \$100,000 and greater - A quick assessment is necessary if the 23C Date will not be within 30 days of the agreement date.

**Note:** For additional guidance for when quick assessment is necessary, Refer to IRM 25.6.1.5, Basic Guide for Processing Cases with Statute of Limitations Issues and IRM 25.6.23.7.1 , Minimum Time Remaining on Assessment Statute Expiration Date (ASED). For additional information on the 23C Date - Refer to IRM 20.2.1-2, Definition of Terms and IRM 20.2.1-3, Interest Effective Date Chart for additional information on the 23C Date.

**Reminder:** Regardless of the dollar amount, quick assessments are not required on civil penalty assessments because they do not fit the criteria for agreed, unpaid deficiencies. However, a quick assessment would be required on Form 8278 if the civil penalty had an imminent statute date of less than 60 days.



4.38.1.9.7.3  
(09-12-2024)

**Overassessment Cases**

- (1) Overassessments of \$100,000 or more must receive expedite processing. Refer to IRM 4.38.1.9.7.2, Processing Agreed and Unpaid Deficiencies.
- (2) Overassessments of \$100 million or more (including allowable interest) will be refunded using manual refund procedures. Refer to IRM 21.4.4, Refund Inquiries - Manual Refunds.

4.38.1.9.7.4  
(02-14-2025)

**Over \$10 Million Deficiency**

- (1) Each year the General Accounting Office (GAO) examines the Internal Revenue Service (IRS) financial statements. As a part of this audit, they review documentation for taxpayers whose balance due (including interest and penalties) is over \$10 million dollars.
- (2) To adequately review this information, copies of forms related to a balance due adjustment over \$10 million are required to be sent to the Office of Unpaid Assessment Analysis.
- (3) Follow the processing procedures below when an assessment results in a balance due or the assessment for a single tax period, not combined or offset by another tax period, will be \$10 million or more. This applies to CCP partial and full closures.

**Note:** Definition of assessment for a single tax period includes a combination of: tax (Transaction Code 300 or 308), penalties and interest to be assessed, and tax to be abated (Transaction Code 301 or 309).

**Note:** Definition of assessment for a single tax period does not include: credits on the account and offsets to be applied to the account from another tax period.

- (4) For each tax period, where the balance due (this includes interest and penalties) is \$10 million or more, (total unpaid assessment of \$10 million or more per tax period) a copy of the following forms must be sent by CCP to the Office of Unpaid Assessment Accounting and Analysis after the case has been closed.
  - a. Form 4318, Examination Workpapers Index - Refer to IRM 4.10.15.7.8, Workpapers/ Adjustments - Administrative.
  - b. Form 4700, Examination Workpapers - Refer to IRM 4.19.13-3 through IRM 4.19.13-5, Taxpayer Services Form 4700, Examination Workpapers - pages 1-3 and IRM 4.19.13-6 through IRM 4.19.13-8, SB/SE Form 4700, Examination Workpapers - pages 1-3. (Form 4318 and Form 4700 are not required for LB&I).
  - c. Form 4549, Income Tax Examination Changes - Refer to IRM 4.10.8-1, Preparation of Form 4549 and Form 4549-A for completion instructions.
- (5) The most important document that the Chief Financial Office (CFO) Unpaid Assessments Accounting and Analysis office needs is the Form 4549 for each tax period with an unpaid assessment of \$10 million dollars or more. If the case is agreed, they need a signed Form 4549. The document cannot be submitted via e-Fax but can be submitted via mail or emailed to:

Chief Financial Office of Unpaid Assessment Analysis  
 Attn: OS:CFO:R:R:B  
 333 W. Pershing Rd.  
 Mail Stop S-2 1035  
 Kansas City, MO 64108-4302

or Email *IRS Financial Audit*.

4.38.1.9.7.5  
 (03-28-2024)  
**Identifying a Large Dollar Case**

- (1) Functions such as LB&I, SB/SE, E&G, and Joint Committee send large dollar cases to Centralized Case Processing (CCP). The Form 3198 attached to the front of the case file identifies the special handling that must be performed.

4.38.1.9.7.5.1  
 (03-28-2024)  
**Form 3198, Special Handling Notice for Examination Case Processing**

- (1) Information on Large Deficiency and Large Overassessment cases is recorded on Form 3198. There is a checkbox on the first page. The case should also be assigned on AIMS/ERCS in Status 54 to indicate it is a high-priority case that must be worked expeditiously.
- (2) Each tax period is considered separately in determining whether the case meets the \$100,000 criteria. This is the *combined total* of adjustments to tax and penalties.

**Example:** A case with a tax increase of \$85,000.00 with an increase in penalties of \$20,000.00 would exceed \$100,000.00 because the amounts are combined.

- (3) Timely filed (not delinquent) large cases must receive expedited processing within 30 calendar days of the agreement date, or the date the signed waiver was received from the taxpayer.
  - a. The IRS must wait 30 days after an agreement to assess deficiency interest on taxes and penalties.
  - b. The IRS has 45 days to process overassessments before interest is paid.
  - c. The expedited processing is intended to prevent interest from being charged or paid when it can be avoided.

4.38.1.9.7.5.2  
 (03-28-2024)  
**Timeframe**

- (1) The following timeframes must be followed:

Case Status	Time Frame
The group received the waiver to forward the case for processing.	4 days
Technical Services review after case has been selected.	8 days
CCP receives the case from Technical Service for closure.	9 days
CCP receives the case for closure (not received from Technical Services)	17 days

- (2) To verify if a case has been through Technical Services, review the AMDISA page labeled "AIMS STATUS CODE HISTORY". If a case has ever been in a status beginning with a "2" (2X), the case has been to Technical Services.

4.38.1.9.7.5.3  
(09-12-2024)

#### Processing a Large Dollar Case

- (1) When a large dollar case is assigned to the TE for closure, it remains an "expedite case" even if the calendar processing days are up.
- (2) There are two ways to process these cases.
  - a. Quick Assessments for deficiencies, or
  - b. Manual refund for abatements over \$100,000,000.
- (3) A quick assessment is required if the 23C date of the assessment will not be within 30 days of the agreement date.
- (4) When any of the following apply, a case is *no longer considered an "expedite case"* and will be closed using normal procedures:
  - a. Form 3344, Payment Posting Voucher, is on the front of the return,
  - b. A payment of tax is on the transcript,
  - c. A Quick Assessment has been processed for the deficiency, or
  - d. A manual refund has been issued for the overassessment.

4.38.1.9.8  
(03-28-2024)

#### Conversions

- (1) A conversion occurs when a taxpayer files one income tax form and needs to change to another income tax return.

4.38.1.9.8.1  
(03-28-2024)

#### Types of Conversions

- (1) It is important for Centralized Case Processing (CCP) Tax Examiners (TEs) to understand that they may receive various types of conversions from Field Exam.
- (2) Refer to IRM 3.11.3.72.3.5, Form 1040A, IRM 3.11.3.72.3.6, Form 1040EZ, for Field Exam procedures with respect to the process related to the conversion of these type returns.

4.38.1.9.8.1.1  
(03-28-2024)

#### Conversion of 1120S to 1120

- (1) If not done previously, process Form 2363, that should have been completed by the Field Exam.
- (2) Process the Form 5344, accordingly.
- (3) Prepare Form 1725, Routing Slip, addressed to the Campus Entity Control function. Form 1725, must include the statement, "**Form 1120-S**, converted to **Form 1120**, by Examination"; update Form 2553, Election by a Small Business Corporation. The following information must be furnished:
  - a. The taxpayer's name, address and EIN.
  - b. Effective date of the termination.
  - c. Reason for the termination.
  - d. The Area Office Code.
  - e. A statement indicating that Form 2363, has been input.
- (4) Form 2553, should be e-faxed to the appropriate Campus either Kansas or Ogden.

If	Then
If the corporation's (entity's) principal business, office, or agency is located in:	Use the following address or e-Fax number:
Connecticut, Delaware, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin	Department of the Treasury Internal Revenue Service Center 333 W. Pershing Rd. Kansas City, MO 64108 Stop 6055 - C1 (KCSPC) Attn. Entity E-fax: 855-887-7734
Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming	Department of the Treasury Internal Revenue Service Center 1973 Rulon White Blvd. Attn. Entity Stop 6272 (OSPC) Ogden, UT 84201 E-fax: 855-214-7520

- (5) Refer to IRM 3.11.217.4.2, Conversion of Form 1120 to 1120-S for additional information.

4.38.1.9.8.2  
(03-28-2024)  
**Agreed Conversion Cases**

- (1) Conversion cases will be identified on Form 3198. Agreed cases will include the newly converted Form 1120, or Form 1041, (or a photocopy).
- (2) Process agreed cases as directed by Field Exam. The newly converted Form 1120, or Form 1041, will have been previously forwarded to Master File, posted to the account and now full record on AIMS.
- (3) Process Form 2363, to eliminate Form 1041 and Form 1065, filing requirements, if not previously done.

4.38.1.9.9  
(03-28-2024)  
**Separate to Joint/Joint to Separate**

- (1) There are times during an examination that married taxpayers who originally filed their returns separately may request that joint tax computations be used as it will reduce their tax liabilities.
- (2) Refer to IRM 4.10.8.14.5, Filing Status: Joint Return Converted to Separate Returns, for further information and IRM 4.10.8.14.6, Filing Status: Separate Returns Converted to Amended Joint Return.

4.38.1.9.9.1  
(03-28-2024)  
**Filing of Return**

- (1) Taxpayers must file a joint return to make the election, either original or amended if a Married Filing Separately return was originally filed.
- (2) Taxpayers making this election must sign a joint return.

## 4.38 Centralized Case Processing (CCP)

- a. Signing Form 4549, Income Tax Examination Changes, or Form 870, Waiver of Restrictions on Assessment & Collection of Deficiency in Tax & Acceptance of Overassessment, without the appropriate signed return does not constitute a joint election because these documents do not have the penalty of perjury clause.

4.38.1.9.9.2  
(03-28-2024)

### Identifying Separate to Joint Cases

- (1) For Separate to Joint cases, there will be two case files (one for each SSN).
- (2) Under the "Special Features" section on Form 3198, Special Handling Notice for Examination Case Processing, "Separate to Joint" will be checked, and in the "Other Instructions," there should always be a statement indicating to keep the two cases together. In the "Related Taxpayers or Key Cases," the other spouse will be cross-referenced.

4.38.1.9.9.3  
(03-28-2024)

### Separate Returns Filed

- (1) On cases where both spouses filed separate returns and now choose to file a joint return, CCP will need to take actions on both the primary and secondary taxpayers.

4.38.1.9.9.3.1  
(03-28-2024)

### Closing Action on Primary Taxpayer's Account

- (1) When both spouses filed separate returns, the field makes the following entries on the Form 5344, Examination Closing Record:
  - a. The secondary spouse's name in Item B.
  - b. The tax and penalties for the joint account in Item 12.
  - c. The secondary spouse's unrefunded prepayments as an increase in Item 15.
  - d. The corrected Adjusted Gross Income and Taxable Income in Item 15.
- (2) CCP should make the following entries on the Form 5344:
  - a. Enter a Hold Code 4 in Item 07. In the "Remarks" Box, write: "To prevent incorrect refunds or notices".
  - b. Enter \$1 in Item 35.
  - c. A posting delay code of 4 should be entered in Item 43 so the adjustment to the joint return happens **after** the action on secondary taxpayer's SSN to **zero out** the return.

4.38.1.9.9.3.2  
(09-12-2024)

### Closing Action on Secondary Taxpayer's Account

- (1) The field makes the following entries to close the secondary taxpayer's account on Form 5344:
  - a. The appropriate transaction codes and amounts in Item 12 necessary to reduce all tax and penalties to zero.
  - b. Reference Number 999 with zero amounts in Item 15 to indicate that the account has been changed to file with another SSN.
  - c. Reference Codes to reduce the Adjusted Gross Income and Taxable Income to zero and enter in Item 15.
  - d. Reference Codes necessary to reduce any unrefunded prepayment credits by the same amount allowed as a credit on the return.
- (2) CCP should make the following entries on the Form 5344:
  - a. Enter a Hold Code 4 in Item 07 to prevent incorrect refunds and notices.
  - b. Enter \$1 in Item 35.

**Note:** All amounts being decreased should be carefully verified to prevent unpostable or small amounts of tax, penalty, or income from being left behind on the secondary taxpayer's account.

(3) Additional actions required on the secondary taxpayer's account:

- a. If not done previously, process Form 2363, adding the secondary taxpayer's name to the primary taxpayer's account and change the marital status code to married filing joint.

**Note:** If the name and filing status has not been updated, perform the update using CC INCHG. (Per IRM 4.10.8.14.4, Form 2363, the field is responsible for e-Faxing a Form 2363, Master File Entity Change, to CCP in advance of sending the case file. The update to the name and filing status should be complete prior to beginning work on the case.)

- b. Input a TC (Transaction Code) 971, Action Code 001, via Form 3177, Notice of Action for Entry on Master File, on the secondary account using CC REQ77.
- c. To prevent a future Collection Information Return Penalty (IRP) activity, input TC 594, Closing Code 84 on both taxpayer's accounts using CC FRM49.
- d. Move the unrefunded payments from the secondary account to the primary account.
- e. Prepare Form 12857, Refund Transfer Posting Voucher, when the secondary taxpayer received EITC (Earned Income Tax Credit) or ACTC (Additional Child Tax Credit) and the entire refund must be transferred to the joint account to be collected. These forms are mailed to: Ogden Service Center ATTN: RACS M/S 6261 1973 N. Rulon White Blvd. Ogden, UT 84404
- f. Transfer any remaining cash credits to the joint account.

**Note:** Use TC 570 to prevent a refund of any credits that post before Form 5344 is processed.

4.38.1.9.9.3.3  
(03-28-2024)

**Cycling of Adjustments**

(1) Cycle forms as follows:

- a. Input secondary spouse's Form 5344.
- b. Input credit adjustment two cycles after the secondary Form 5344 is input.
- c. Input the primary Form 5344 two cycles after the credit transfer is input.

(2) All command codes and documents may be input in the same cycle by entering posting delay codes on the credit transfer and the primary Form 5344.

**Example:** Use a Posting Delay Code 2 on the credit transfer. Using a Posting Delay Code of 4 on the joint Form 5344.

4.38.1.9.9.4  
(03-28-2024)

**Earned Income Tax Credit (EITC) Backout Procedures**

(1) It is possible with a separate to joint filing condition that Earned Income Tax Credit (EITC) will be involved.

(2) Action will need to be taken to correct the EITC depending on whether there is a refund issue.



4.38.1.9.9.4.1  
(03-28-2024)

**No Refund Issue Exists**

- (1) Take the following actions when no refund was issued for Earned Income Tax Credit (EITC):
  - a. Adjust the EITC following the normal procedures.
  - b. Use TC 764 with Priority Code 8 for an increase.
  - c. Use TC 765 for a decrease with Hold Code 3 to prevent the issuance of an erroneous notice.

4.38.1.9.9.4.2  
(03-28-2024)

**Refund Issue Exists**

- (1) Take the following actions when the Refund has been issued:
  - a. Perform a credit transfer using IAT to move the TC 846 from the secondary account to the primary. Enter a TC 570 to prevent the refund from going out before the adjustment posts.
  - b. Input TC 971 AC 030 to the secondary account to cross-reference the TC 840/841 refund reversal.
  - c. Input TC 971 AC 001 to the primary account to cross-reference where the secondary return will post.

**Note:** TC 840 with blocking series 900 indicates a TC 840 posted to a module per Form 3753 (no check issued). TC 840 with blocking series 200 indicates a valid manual refund was issued to the taxpayer.

4.38.1.9.9.5  
(03-28-2024)

**Only One Spouse Filed**

- (1) These procedures apply on separate to joint returns when only one spouse filed a separate tax return.

4.38.1.9.9.5.1  
(03-28-2024)

**Closing Action**

- (1) When only one spouse filed a separate return, the field makes the following entries on the Form 5344, Examination Closing Record.
  - a. Spouse's name in Item B.
  - b. Tax and penalty adjustments in Item 12.
  - c. The corrected Adjusted Gross Income and Taxable Income in Item 15.
  - d. The credit adjustments in Item 15.
  - e. Verify that the name of the spouse who has not filed has been added and the marital status code has been corrected to **2**. If this has not been done, complete the entity update using CC INCHG.

**Reminder:** This type of change should not occur frequently. Field Exam is responsible for e-Faxing a Form 2363 to CCP in advance of sending the case file. The update to the name and filing status should be completed prior to receiving the case for closure.

4.38.1.9.9.6  
(03-28-2024)

**Joint to Separate**

- (1) At times, it is determined during an examination that the taxpayers are not entitled to file a joint return. In this instance, Form 3198 will be noted, "Joint to Separate".

4.38.1.9.9.6.1  
(03-28-2024)

**Closing Action**

- (1) The field will prepare and e-Fax Form 2363 to remove one taxpayer's name from the Closing Master File Account and update the filing status on both taxpayers' files.
  - a. The Form 2363 may be enclosed in the case file.



- b. Verify it has been processed. If not, process the update using CC INCHG.
- (2) If the spouse whose name is removed from the account is required to file a return, the field will prepare a return using normal Substitute-for-Return procedures.
- (3) If the spouse under whom the joint return posted is not required to file a separate return, they are processed as follows:
  - a. A Form 5344 is completed with appropriate codes and amounts in Item 12 to zero out the tax and penalties on the erroneous joint account.
  - b. Reference Codes are entered in Item 15 to reduce the unrefunded prepayment credit by the amount allowed as a credit on the secondary taxpayer's separate account.
  - c. Process the Form 5344 with the original return.
  - d. Transfer any cash payments to the secondary account.
  - e. A second Form 5344 will be provided by the field for the secondary return. The amount in Item 12 will be the total tax including any adjustment by Examination and, in Item 15, the amount of withholding credit will appear equal to what was decreased on the joint return.

4.38.1.9.10  
(03-28-2024)  
**Innocent Spouse**

- (1) Please refer to IRM 4.38.1.8.3, Special Handling Procedures, Master File Tax (MFT) 31 for more information about Innocent Spouse cases.

4.38.1.9.10.1  
(03-28-2024)  
**Verification of Closing Instructions**

- (1) Form 3198, Special Handling Notice for Examination Case Processing, will be notated with "MFT 31 Adjustment" and "Innocent Spouse".
- Note:** It may also indicate "Separate Spousal Adjustment". This is another indication there is Innocent Spouse involvement.

4.38.1.9.10.2  
(03-28-2024)  
**Research**

- (1) Before processing an Innocent Spouse request, secure a TXMODA print of the account.
  - a. If payments of the requesting spouse are available for refund or offset under IRC 6015(b), or possibly IRC 6015(f), research the requesting spouse's SSN using CC IMFOLI for other liabilities.
  - b. Research using CCs INOLET and INOLES for other Taxpayer Identification Numbers where the requester may owe as a secondary spouse.
- (2) Prior to moving or posting transaction codes, review the accounts for:
  - a. Liens,
  - b. Levies,
  - c. Offers In Compromise (OIC),
  - d. Installment Agreements (IA),
  - e. Missing Payments, and
  - f. Collection Status.

**Note:** These situations must be addressed before processing. You should prepare a technical referral per local procedures to gain resolution.

4.38.1.9.10.3  
(03-28-2024)

#### Innocent Spouse Tracking System

- (1) The Innocent Spouse Tracking System (ISTS) was established as a means to track the claim from receipt to closing. Field and CCP employees are responsible for updates to the stage in ISTS.

4.38.1.9.10.3.1  
(03-28-2024)

#### Tracking of Innocent Spouse Requests

- (1) Check TXMODA to make sure Transaction Code (TC) 971 with Action Code (AC) 065 is on the account. There should be an L- Freeze on the account if the TC 971 AC 065 has posted and a TC 130 freeze on the entity of the non-requesting spouse. The TC 130 will hold refunds of the non-requesting spouse because the TC 971 prevents an offset. The date of the TC 971 indicates the received date of the Form 8857, Request for Innocent Spouse Relief.
- (2) A TC 972 AC 065 indicates that the Innocent Spouse determination has been made and the adjustment actions are completed. The date of the TC 972 indicates the extended time for the collection statute. A TC 972 carrying the same date as the TC 971 indicates that the collection statute was not extended. The field should instruct CCP to input a TC 972 after the required adjustments are made to the account.
- (3) Check CC ISTSRA for the current state of the case file on the Innocent Spouse Tracking System (ISTS). If the case is not already in stage 27, ensure that it is updated to stage 27, using ISTSR. Stage 27 indicates the case is waiting to be processed.
- (4) Update to stage 28 when MFT 31 processing has been initiated. This means Form 12810, Account Transfer Request Checklist, has been submitted to the campus.
- (5) When all adjustments and actions have been processed, and the case file is closed, update to stage 30 with the applicable activity code.

4.38.1.9.10.4  
(03-28-2024)

#### Statute Issues - Collection Statute Expiration Date

- (1) Requests under IRC 6015(b) and IRC 6015(c) require that the Collections Statute Expiration Date (CSED) be extended for the requesting spouse. IRC 6013(e) and IRC 6015(f) do **not** require update of the CSED.

**Note:** The section the relief is granted under will be indicated by the revenue agent in their case documents.

- (2) When making a Master File assessment, even if Innocent Spouse is granted under IRC 6015(b) and IRC 6015(c), do **not** update the CSED. IDRS will automatically update it to ten years from the 23C (assessment) date of the TC 300.
- (3) If IRC 6015(b) and IRC 6015(c) have been granted, the MFT 30 balance is zero, and the assessment will be made on Non-Master File (NMF)/MFT 31, do **not** update the MFT 30 CSED.
- (4) Determinations allowing full relief under IRC 6015 do not extend the CSED since the claimant is no longer liable. A TC 972 AC 065 will carry the same date as the TC 971. This is the indicator that shows the CSED was not extended.
- (5) Determinations allowing partial relief or denying relief could extend the statute. Case denied or partially allowed under IRC 6015(f) do not extend the CSED and the TC 972 AC 065 would carry the same date as the TC 971.

4.38.1.9.10.5  
(03-28-2024)  
**Manual Refund**

- (6) Determinations denying relief or partially allowing relief under IRC 6015(b) or IRC 6015(c) would extend the CSED and the TC 972 would carry a date 60 days beyond the agreement date or the default date. The default date is 90 days from the date of the letter giving petition rights was issued.
- (1) It may be necessary to issue a manual refund to the requesting spouse if Master File is unable to refund the credit.
- (2) Some circumstances that may require processing a manual refund are:
  - a. An inapplicable TC 130 freeze.
  - b. Primary taxpayer is the non-requesting spouse, and the tax period is in IDRS Status 60.
  - c. If multiple credit transfers are required prior to systemic refunds a single manual refund reduces the opportunity for errors.
- (3) Manual Refunds are **REQUIRED** in the following situations:
  - a. Dual status returns filed by taxpayers in District 98 (Philadelphia Service Center).
  - b. Civil Cases where a court decision has resulted in a refund to the taxpayer are to be processed as normal on the appropriate voucher.
  - c. Instances when a refund check is to be issued in a name or address other than that of the taxpayer, but is not a permanent change.
- (4) Manual Refunds may be issued when there is a hardship request for a refund of a Master File overpayment.
  - a. These requests must be accompanied by a written request or statement from the taxpayer. Discretion must be used in determining whether an actual hardship exists and warrants the extra cost of a manual refund.
  - b. A hardship is imminent bankruptcy, failure to meet payroll, or other situations of a similar magnitude.

**Note:** All managers are responsible for ensuring this criterion is not abused.
- (5) If the refund is being issued on the claim year, input TC 971 AC 037. This indicates that the refund was issued to a TIN or address other than the address posted on ENMOD. Enter the date to which the credit interest is computed on the manual refund as the transaction date.

**Note:** Offsets should be moved back to the module of origin before refunding it at all possible. A manual refund of offsets should only be input as noted above.

4.38.1.9.10.6  
(03-28-2024)  
**Situation of Assessments**

- (1) There are five types of situations which may occur when processing an assessment:
  - a. An assessment against the culpable spouse.
  - b. Two assessments; one against the culpable spouse and one against the joint account.
  - c. An assessment against the culpable spouse and an overassessment to the innocent spouse.

- d. An assessment against both taxpayers and an assessment to the joint account.

**Note:** This situation occurs when both taxpayers filed for relief.

- e. A denied claim processed by Case Processing as a normal claim disallowance. However, some cases may need account operations.

4.38.1.9.10.6.1  
(03-28-2024)

#### Assessing Culpable Spouse Only

- (1) The Form 5344 is used when processing the assessments for innocent spouse. The procedures are as follows:

- a. On the Form 5344 for the joint account, mark out the name of the innocent spouse and note the top center of the form "Innocent Spouse Case".
- b. Process as an MFT 31 assessment by posting a TC 971 AC 103 to establish an account for the culpable spouse.

**Note:** Process to NMF if the social security number is scrambled or invalid and the entity cannot be resolved.

- c. Prepare a Form 5344 for the MFT 31 account.

#### Actions to take on Form 5344 for the MFT 31 Account

- AMCLSS routes the assessment to MFT 31 and Item 56 on the Form 5344 indicates which SSN established the MFT 31 account.
- To assess on MFT 31, place an "S" behind the CC AMCLS on Form 5344. In Item 56, input "PE" for Primary Exam if the MFT 31 was set up for the primary taxpayer, or "SE" for Secondary Exam if the MFT 31 was set up for the secondary taxpayer.

- d. Process the MFT 30 for the joint account using Form 5344 with Disposal Code 12 and TC 300 with zero dollars through the terminal.
- e. Input a TC 972 with the same date as the TC 971 AC 065.
- f. Update ISTS to the appropriate stage:

Stage	Definition
27	Shows the case is in CCP.
28	Waiting for MFT 31 creation.
30	When the Form 5344 is input.

4.38.1.9.10.6.2  
(03-28-2024)

#### Assessing Both Culpable Spouse and Innocent Spouse

- (1) The Revenue Agent Report (RAR) will show the amount to be assessed jointly and the additional amount of the assessment against the culpable spouse.

- a. Prepare two Form 5344: one for the joint account and one for the culpable spouse account.
- b. Process the Form 5344 for the culpable spouse as an MFT 31 assessment, as noted in IRM 4.38.1.9.10.6.3, using AMCLSS.
- c. Process the Form 5344 for the joint account through the terminal.
- d. Input a TC 972 AC 065 with the appropriate date.

- e. Update ISTS to the appropriate stage.
- f. Reverse the TC 130 generated by the TC 971.

**Note:** In this situation, both accounts will reflect an assessment.

4.38.1.9.10.6.3  
(03-28-2024)

## Assessing Against Culpable Spouse and Overassessment to Innocent Spouse

- (1) The Revenue Agent Report (RAR) will show the amount to be assessed and the amount of the overassessment.
  - a. Prepare one Form 5344 for the joint account and another for the culpable spouse only.
  - b. Input a TC 971 AC 103 to establish the MFT 31 account for the culpable spouse.
  - c. Process the Form 5344 for the culpable spouse as an MFT 31 assessment using CC AMCLSS.
  - d. If an overassessment of innocent spouse results in a refund, prepare Form 3753 (or the local procedure for manual refund) so the refund will be issued in the name of the innocent spouse only.
  - e. Enter amount of allowable interest.
  - f. Use joint Form 5344 to process overassessment for the innocent spouse; do not initiate a name change.
  - g. Use Hold Code 1 in Item 7 and include Item 12 TC 770 as a zero amount.
  - h. Submit Form 5344 and Form 3753 at the same time.
  - i. Input a TC 972 AC 065 with appropriate date.
  - j. Updates ISTS to the appropriate stage.
  - k. Reverse the TC 130 generated by the TC 971 after the refund is issued.

**Note:** The refund should offset or be moved to any account in which the claimant still has a balance owed.

4.38.1.9.10.6.4  
(03-28-2024)

## Assessing Both Culpable Spouses and the Joint Account

- (1) The Revenue Agent Report (RAR) will show the amount to be assessed jointly and the additional amount of the assessment against both taxpayers. This situation may occur when both taxpayers file for relief and relief is granted in part to both.
  - a. Prepare three Form 5344: one for the joint account and one for each separate account.
  - b. Input two TC 971 AC 103 to establish the MFT 31 account for both taxpayers.
  - c. Process the Form 5344 for the individual accounts as an MFT 31 assessment.
  - d. Process the Form 5344 for the joint account.
  - e. Input a TC 972 AC 065 with the appropriate date.
  - f. Update ISTS to the appropriate stage.
  - g. Reverse the TC 130 generated by the TC 971 on both entity accounts.

**Note:** In this situation, both MFT 31 accounts as well as the joint account will show an assessment.

4.38.1.9.10.6.5  
(03-28-2024)

## Claim is Denied

- (1) The workpapers in the case file will show that the claim is denied. This situation would be processed as a normal claim disallowance.

## 4.38 Centralized Case Processing (CCP)

- a. In some situations, a Form 3198 may request the account needs to be corrected. The correction to the account may be the reason for denying Innocent Spouse relief.
- (2) The most common situations are:
  - a. Invalid joint returns (only one signature on the return). This is an entity change to filing status and removing claimant's name and will be accomplished using the IAT Address Tool.
  - b. Invalid assessments (only one signature on the waiver or 1040X). This involves moving the assessment to MFT 31 using a Form 12810.
  - c. Forgeries. This is an entity change just like invalid joint returns.
  - d. Community Property issues. This may involve abatements or refunds.
  - e. Offsets that should not have occurred because the CSED was expired. This involves moving offsets back to the account of origin for refund and clearing the debt or moving the debt to the taxpayer who extended the collection statute.
- (3) There are specific actions that must be taken on denied claims:
  - a. Post a TC 972 AC 065 with the appropriate date depending on the reason for denial.
  - b. Reverse the TC 130 generated by the TC 971 AC 065, if no longer needed. Please reference IRM 25.15.9.3.3.1(3) for information on determining if a TC 130 should be reversed.
  - c. Input TC 290 for \$0.00 with Blocking Series 98 or 99, Adjustment Reason Code 097, and Hold Code 3 (only post assessment case type).
  - d. Update ISTS on Stage 27 and 30 using the appropriate activity codes.

4.38.1.9.10.7  
(03-28-2024)

### Types of Assessments

- (1) There are two types of Innocent Spouse cases, and they are:
  - a. Pre-Assessment Cases are open audit cases involving an innocent spouse issue. Pre-assessments are processed by Case Processing.
  - b. Post-Assessment Cases are Innocent Spouse claims and requests related to previous assessments. Post-assessments are processed by the Cincinnati Centralized Innocent Spouse Operation (CCISO) at the Cincinnati Campus.
- (2) Innocent Spouse cases are handled by Technical Services before being sent to CCP and will contain a sheet of instructions along with Form 3198.

**Reminder:** You will want to read the Form 3198 carefully for all directions regarding the handling of both Pre-Assessment and Post-Assessment cases.

4.38.1.9.10.7.1  
(03-28-2024)

### Pre-Assessment Cases

- (1) When a case file is received from Technical Services, instructions for the disposition of any applicable credits on the joint account should be included.
  - a. Move credits from MFT 30 account to the MFT 31 account as necessary.
  - b. Determine if a manual refund is needed.



- (2) If Innocent Spouse relief is granted, process the Innocent Spouse assessment to MFT 31. Input of TC 971 AC 103 on the joint MFT 30 account will create an MFT 31 account with a TC 971 AC 103 on the account. This is accomplished using the IAT REQ77 tool.
- (3) Update ISTS to Stage 27 when received in CCP, and update to Stage 28 when the MFT 31 account creation is requested. Update to Stage 30 - NOACCTP when the MFT 31 assessment is complete.
- (4) After the MFT 31 assessment is complete, input TC 972 AC 065 using IAT to reverse the TC 971 AC 065 that was placed on the account when the innocent spouse claim was received.
- (5) After Items 1 - 4 have been completed, the case can be closed.

4.38.1.9.10.7.1.1  
(03-28-2024)  
**Valid Entries for Form 5344, Examination Closing Record**

- (1) Process Form 5344, Examination Closing Record, using Command Code AMCLSS to process any spousal assessment amounts. Valid items for the Form 5344 are P1-34, P38-40, P45-47, 02, 03, 04, 05, 06A, 06B, 06C, 07, 08, 09, 11, 12, 13, 14, 15, 36, 43, and 56. Complete as any other type of case, with the following exceptions:
  - a. P6 - Enter **S**.
  - b. P7-18 - Enter the primary SSN of the Form 1040 return.
  - c. P21-22 - Enter **30**.
  - d. P38-40 - Enter **10X**.
  - e. 14 - Must be entered,
  - f. 15 - Do not enter reference adjustments, such as Adjusted Gross Income, Taxable Income, Self-Employment Tax, etc. These will be entered on the CC AMCLSE document for the joint account.
  - g. 43 - Enter a posting delay code as necessary. This will allow you to input this document on the same day as the transactions.
  - h. 56 - Enter **P** if the Primary Spouse is culpable, or **S** if the Secondary Spouse is culpable.
- (2) Process the final closure to the MFT 30 joint account, including any assessments or overassessments not related to Innocent Spouse, using CC AMCLSE on Form 5344. Include any reference adjustments in Item 15 on this document.

4.38.1.9.10.7.2  
(03-28-2024)  
**Post-Assessment Cases**

- (1) Instructions will be received from Technical Services indicating that the AIMS controls will be closed using the enclosed Form 5344.
- (2) Cases that are fully disallowed will be closed and sent to Files according to the instructions provided on the Form 3198 attachment.
- (3) Cases that are fully allowed or partially allowed must be forwarded to the CCISO after closure from the AIMS database. Prepare a Form 2275 and recharge the case to CCISO at the address instructed by the form. Do not process the Form 3870 enclosed in the case file as it is intended to be processed by CCISO.

4.38.1.9.10.7.3  
(09-12-2024)  
**Injured Spouse**

- (1) If an Injured Spouse Request is received, it will be sent on a Form 8379, which is attached to either Form 1040 or Form 1040-X.



- (2) In situations when married taxpayers file a joint return and one spouse has not paid child or spousal support or certain Federal debts, such as student loans, all or part of the tax overpayment shown on the delinquent spouse's return may be used to satisfy the past-due debt. However, the non-obligated spouse may be entitled to a refund of this or part of the overpayment if that individual:
  - a. Is not required to pay the past-due amount;
  - b. Received and reported income, such as wages, taxable interest, etc., on the joint return; and
  - c. Made the reported payments, such as withheld Federal income taxes or estimated taxes, on the joint return.
- (3) To make this type of claim, the non-obligated spouse must write "Injured Spouse" in the upper left corner of Form 1040 and attach Form 8379.
- (4) If an "Injured Spouse" claim on Form 8379 is identified or received as a return, refer to IRM 21.1.7-17, Forms-Routing Guide and local *Mail Routing Guide* to send to the correct Submission Processing Image Control Team.

4.38.1.9.11  
(03-28-2024)  
**Individual Retirement  
Account (IRA)**

- (1) There are three types of Individual Retirement Accounts (IRA):
  - a. Regular - for the taxpayer alone,
  - b. Spousal Agreement - for the taxpayer and non-working spouse, and
  - c. Simplified Employee Pension (SEP) - a taxpayer's IRA to which the employer contributes in lieu of an approved pensions plan.

4.38.1.9.11.1  
(03-28-2024)  
**IRA Penalties**

- (1) The penalties associated with IRAs are taxed on:
  - a. Premature distributions,
  - b. Excess contributions,
  - c. Undistributed retirement accounts or annuities,
  - d. Excess regular distributions from a qualified retirement fund, and
  - e. Excess lump-sum distributions from a qualified retirement fund.

4.38.1.9.11.2  
(03-28-2024)  
**Tax on Premature  
Distribution**

- (1) This tax is computed at 10% of the premature distribution. The amount will be considered when the total corrected income tax is determined. This type of tax requires no special handling because it is considered an income tax.
- (2) The tax for premature distributions is assessed as an income tax, and is calculated on the taxpayer's Form 1040.

4.38.1.9.11.3  
(09-12-2024)  
**IRA Excise Taxes**

- (1) The Excess Contributions Tax on Undistributed Retirement Accounts and Tax on Excess Distributions from a qualified retirement fund are excise taxes and must be assessed on the IRAF. The filing of a Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts, creates an account on the IRAF. If the taxpayer has not previously filed a Form 5329, there will not be an IRAF account for the taxpayer.
- (2) If the field determines that the taxpayer is liable for any of these taxes, they will prepare a Form 5344 and request an AMCLSI with any applicable IRA penalties notated on Form 3198.

- (3) Upon receipt of the Form 5344 with AMCLSI, Field Exam will have researched the IRAF to determine if an IRAF MFT 29 module is present. If there is an existing account, CCP will process the Form 5344 using AMCLSI.
- (4) After the MFT 29 adjustment is made, make a printout of the CC AMDIS to accompany the MFT 30 case file. The final closing of the MFT 30 module can now be input using CC AMCLS "E".

4.38.1.9.12  
(03-28-2024)  
**IRC 965 Deferral/Election Cases**

- (1) This IRM spells out the procedures for working IRC 965 Deferral/Election cases in the following situations:
  - a. IMF cases, and
  - b. BMF cases.
- (2) Since 1986, U.S. taxpayers' foreign earnings were legally deferred from taxation as long as they were kept overseas.
  - a. The Tax Cuts and Jobs Act under Section 965 allowed those earnings to be repatriated or returned to the U.S. at a lower income tax rate than U.S. based earnings.
  - b. Also, these elections could be made to defer payment of the tax.

4.38.1.9.12.1  
(03-28-2024)  
**IMF Cases with IRC 965 Inclusions / Adjustments**

- (1) IMF cases with IRC 965 adjustments will still use the virtual case closure process.
- (2) The appropriate closing documents will be sent via encrypted email with one of the following included in the subject line:
  - a. **Agreed,**
  - b. **No Change,** and
  - c. **No Change with Adjustments.**
- (3) Indicators of IRC 965 involvement on CCP cases will have at least one of the following:
  - a. Section 965 notated in Form 3198,
  - b. Section 965 notated on RAR (commonly found on Line 10d and in the Remarks section on page 2),
  - c. Form 3870 containing Section 965 information,
  - d. Deferral Calculator attached to the case file, and
  - e. TC 971 AC 114 and/or TC 76X CRN 263 and/or TC 971 AC 165 on TXMOD.

**Note:** Memphis CCP Exam will receive cases via RGS and close the case via RGS.

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4.38.1.9.12.1.1  
(03-28-2024)

**Case Closing  
Documents Needed by  
CCP**

- (1) If the following documents are not included with the case closing documents for a case with Section 965 involvement, they must be requested from the field before processing the case:

- a. Form 3198,
- b. Form 4549-A or Form 4549 (Agreed or Unagreed) or RAR,
- c. Form 3870 if the Revenue Agent (RA) is requesting changes to the TC 971 AC 114, TC 971 AC 165 and/or TC 76X CRN 263, and

**Note:** A Deferral Calculator should be attached if changes are requested to the IRC 965 total tax amount (equal to TC 971 AC 114) and the installment amounts (TC 76X CRN 263).

**Reminder:** A Form 3870 will not be required if the changes made do not impact the IRC 965 liability (i.e. no change to the 965 tax amount, 965 tax is full paid, and the exam is a “no change” or tax decrease.

- d. Form 5344.

4.38.1.9.12.1.2  
(03-28-2024)

**Form 3198, Special  
Handling Notice for  
Examination Case  
Processing**

- (1) “Section 965(x) Handling” should be notated on the Form 3198 on Page 1, Special Features, Other Instructions. The election should be specified (i.e. Section 965(h) Handling, Section 965 - No Election, etc.).

4.38.1.9.12.1.3  
(03-28-2024)

**Form 4549, Report of  
Income Tax Changes**

- (1) Form 4549 should report the changes to the Total Tax, which include:

- a. The 965 Total Tax is reported on Line 10d and included in the total tax calculation reported on Line 12. Line 10d is ONLY used to report TY 2017 IRC 965 Total Tax.
- b. The total IRC 965 tax amount is included in the amount reported on Line 12 (the 965 tax is included in the total tax amount unless it was deferred under 965(i). The 965(i) net tax liability is not assessed until the year of the triggering event, not in the inclusion year.
- c. Adjustments with respect to the 965(h) tax liability that will require changes to the TC 76X CRN 263 amount will be reported on Line 15.
- d. Page 2, Other Information should include Exam findings regarding 965 elections.

- (2) Page 2, Other Information includes the following:

- Changes to Section 965(h) installment amounts.
- Section 965(i) net tax liability.
- Information on whether the TP has entered into a Transfer and/or Consent Agreement.
- Exam adjustments that result from a denial of the taxpayer’s 965 election causing the balance to become due immediately.

4.38.1.9.12.1.4  
(03-28-2024)

**Form 3870, Request for  
Adjustment**

- (1) Form 3870 should be signed by the case manager and include the following as applicable:

- a. The new total 965 tax amount (i.e. TC 971 AC 114), if changed by the audit.

- b. The new total 965(i) deferral amount (TC 971 AC 165), if changed by the audit.
- c. The updated IRC 965(h) installments/payment schedule if the TP has an established 965(h) election (i.e. will reflect the updates needed to the TC 76X CRN 263 amounts).
- d. Deferral Calculator Worksheet used to calculate the adjusted 965(h) installments and the TC 76X CRN 263 representing remaining unpaid 965 balance.

**Note:** Taxpayer signature is not required on Form 3870.

4.38.1.9.12.1.5  
(03-28-2024)

**Form 5344, Examination Closing Record**

- (1) Form 5344 should include the following:

- a. On Page 1, Line 12, the Exam changes to total tax are entered as normal.

Transaction Code	Action
TC 300/308	Increase to Total Tax
TC 301/309	Decrease to Total Tax

**Note:** If the TP made a 965(i) election, no Exam TC 300/301 is required. The informational TC 971 AC 165 amount will be updated instead.

4.38.1.9.12.2  
(03-28-2024)

**BMF Cases with IRC 965 Inclusions / Adjustments**

- (1) BMF cases with IRC 965 adjustments will still use the virtual case closure process.
- (2) The Paperless Process Form 15292, Case Closing Cover Sheet, will be sent via encrypted email with one of the following in the subject line:
  - a. "Section 965 tax - Agreed",
  - b. "Section 965 tax - No Change", and
  - c. "Section 965 tax - No Change with Adjustment".
- (3) For cases not eligible for the Paperless Process, the appropriate case closing documents will be sent via encrypted email with "Section 965 tax - Agreed," "Section 965 tax - No Change," and "Section 965 tax - No Change with Adjustments" included in the subject line.
- (4) Indicators of IRC 965 involvement on CCP cases will have at least one of the following:
  - Section 965 notated in Form 3198,
  - Section 965 notated on RAR (commonly found on line 10d and in the Remarks section on page 2,
  - Form 3870 containing Section 965 information,
  - Deferral Calculator attached to the case file, or
  - TC 971 AC 114, and/or TC 76X CRN 263, and/or TC 971 AC 165 on TXMOD.

**Note:** Memphis CCP will receive cases via RGS and close the cases through RGS.

4.38.1.9.12.2.1  
(03-28-2024)

**Case Closing  
Documents Needed by  
CCP**

- (1) If the following are not included with the case closing documents for a case with 965 involvement, it must be requested from the field before processing the case:

- a. Form 3198,
- b. Form 4549-A or Form 4549 (Agreed or Unagreed) or RAR, and
- c. Form 3870 if the Revenue Agent (RA) is requesting changes to the TC 971 AC 114, TC 971 AC 165 and/or TC 76X CRN 263.

**Note:** A Deferral Calculator should also be attached if changes are being requested to the 965 total tax amount (TC 971 AC 114) and the installment amounts (TC 76X CRN 263).

**Reminder:** A Form 3870 will not be required if the changes made do not impact the 965 liability (i.e. no change to the 965 tax amount, 965 tax is full paid, and the exam is a “no change” or tax decrease.

- d. Form 5344.

4.38.1.9.12.2.2  
(03-28-2024)

**Form 3198, Special  
Handling Notice for  
Examination Case  
Processing**

- (1) “Section 965(x) Handling” should be notated on the Form 3198 on page 1, Special Features, Other Instructions. The election should be specified (i.e. Section 965(h) Handling, Section 965 - No Election, etc.

4.38.1.9.12.2.3  
(03-28-2024)

**Form 4549, Report of  
Income Tax Changes**

- (1) Form 4549 should report the changes to the Total Tax, which include:

- a. The 965 Total Tax is reported on Line 10d and included in the total tax calculation reported on Line 12. Line 10d is ONLY used to report TY 2017 965 Total Tax.
- b. The total IRC 965 tax amount is included in the amount reported on Line 12 (the 965 tax is included in the total tax amount unless it was deferred under 965(i). The 965(i) net tax liability is not assessed until the year of the triggering event, not in the inclusion year.
- c. Adjustments with respect to the 965(h) tax liability that will require changes to the TC 76X CRN 263 amounts will be reported on Line 15.

- (2) Page 2, Other Information should include Exam findings regarding 965 elections including the following:

- Changes to Section 965(h) installment amounts,
- Section 965(i) net tax liability,
- Information on whether the TP has entered into a Transfer and/or Consent Agreement, and
- Exam adjustments that result from a denial of the taxpayer’s 965 election causing the balance to become due immediately.

4.38.1.9.12.2.4  
(03-28-2024)

## Form 3870, Request for Adjustment

- (1) Form 3870 should be signed by the case manager and include the following as applicable:

- a. The new total 965 tax amount (i.e. TC 971 AC 114), if changed by the audit.
- b. The new total 965(i) deferral amount (i.e. TC 971 AC 165), if changed by the audit.
- c. The updated IRC 965(h) installments/payment schedule if the taxpayer has an established 965(h) election (i.e. will reflect the updates needed to the TC 76X CRN 263 amounts).
- d. Deferral Calculator Worksheet used to calculate the adjusted 965(h) installments and the TC 76X CRN 263 representing remaining unpaid 965 balance.

**Note:** Taxpayer signature is not required on Form 3870.

4.38.1.9.12.2.5  
(03-28-2024)

## Form 5344, Examination Closing Record

- (1) Form 5344 should include the following:

- a. On Page 1, Line 12, the Exam changes to total tax are entered as normal.

Transaction Code	Action
TC 300/308	Increase to Total Tax
TC 301/309	Decrease to Total Tax

**Note:** If the TP made a 965(i) election, no Exam TC 300/301 is required. The informational TC 971 AC 165 amount are updated instead.

4.38.1.9.12.3  
(03-28-2024)

## IRC 965(h) Tool

- (1) The IRC 965(h) Tool is an Excel Tool created to assist in determining the proper TC 76X CRN 263 adjustments needed to correct 965 modules where a 965(h) election was made to prevent and/or correct erroneous penalty and interest assessments.

**Caution:** The tool has limitations and should be used in conjunction with manual review of the account to ensure the action you intend to take is accurate.

4.38.1.9.12.3.1  
(03-28-2024)

## IRC 965(h) Tool Setup

- (1) Prior to using the Tool, you must ensure you have the proper settings on the spreadsheet you are using. Follow the steps below to perfect the setting prior to use:

- a. Click on Formulas.
- b. Click on Calculation Options.
- c. Make sure "Automatic" is checked.

4.38.1.9.12.3.1.1  
(03-28-2024)

## How to Use the IRC 965(h) Tool "Import IMFOL/BMFOL Data"

- (1) Follow the steps below to use the Tool:

- a. Step 1: Input the EIN or SSN in Column "B", Line "1" of the Data Tab.
- b. Step 2: Enter the MFT in Column "B", Line "2" of the Data Tab.
- c. Step 3: Enter the Tax Period in Column "B", Line "3" of the Data Tab.
- d. Step 4: Click in an empty Cell of the Data Tab.

- e. Click "Import IMFOL Data" for an IMF account or click "Import BMFOL Data" for a BMF account on the macro.

**Note:** "Import IMFOL Data" is only valid for MFT 30 and 31. "Import BMFOL Data" is only valid for MFT 02, 05, and 34.

4.38.1.9.12.3.1.2  
(03-28-2024)

#### Transaction History Section

- (1) IDRS data will import in the "Transaction History" section of the Data tab on IRC 965 Tool after the "Import IMFOL Data" for an IMF account or "Import BMFOL Data" for a BMF account is clicked on the macro.

**Note:** IRC 965 Tool does not pull in pending transactions, so you will need to review IDRS CC TXMOD for pending transactions that may need to be inserted into the transaction history section of the tool.

4.38.1.9.12.3.1.3  
(03-28-2024)

#### How to Use the IRC 965(h) Tool "Evaluate Due Dates"

- (1) Follow the steps below to use the "Evaluate Due Dates" tool:
  - a. Step 6: Click "Evaluate Due Dates" on the macro.
- (2) If the taxpayer is granted an extended due date because they reside outside of the U.S., follow Step 7 below to ensure the Tool takes the extended due date into account:
  - a. Step 7: Input the extended "foreign" due date in the "Override" Column on the corresponding line, if applicable, and click "Evaluate Due Dates".
- (3) If there is an approved disaster period on the module that is not reflected in Columns E & F of the Tool, follow Step 8 below:
  - a. Step 8: Enter the disaster period dates in Columns E & F and click "Evaluation Due Dates".

4.38.1.9.12.3.1.4  
(03-28-2024)

#### How to Use the IRC 965(h) Tool "Build TC 76X Table"

- (1) Follow the step below to use the Tool:
  - a. Step 9: Click "Build 76X Table" on the macro.
- (2) This will populate the tax and installment payments as listed in the table below, in addition to populating the TC 76X Table.

4.38.1.9.12.3.1.5  
(03-28-2024)

#### How to Use the IRC 965(h) Tool "Build Interest Table"

- (1) Follow the step below to build the interest table:
  - a. Step 10: Click "Build Interest Table" on the macro.  
**Note:** When you click **Build Interest Table**, the macro will disappear.
- (2) Interest table populates on the INT Table tab instead of the Data Tab in the tool.



Interest Table Instructions
<ul style="list-style-type: none"> <li>Column “G” of the interest table will indicate whether interest will be assessed on a module or not.</li> </ul> <p><b>Note:</b> When making the “proposed” adjustments indicated on the 76X Table, you must look at the interest table to determine if you need to make a final adjustment for overpayments of the 965 liability.</p>
<ul style="list-style-type: none"> <li>If the last amount in column <b>G</b> is a credit amount <b>And</b> all the amounts in column <b>G</b> are credit amounts, you will input a TC 767 CRN 263 for the last credit amount, using the current date.</li> </ul>
<ul style="list-style-type: none"> <li>If the last amount in column <b>G</b> is a credit amount <b>and Any</b> of the other amounts in column <b>G</b> are debit amounts, you must wait for the adjustments you made to post (to correct any Penalty and Interest amounts). Once posted, input a final TC 767 CRN 263 for the module credit balance amount, using the current date.</li> </ul> <p><b>Caution:</b> If the TC 767 CRN 263 adjustment needed on a BMF module is for an amount greater than the largest unreversed TC 766 CRN 263 on the module, the TC 767 CRN 263 adjustment will unpost unless you split the adjustment into multiple adjustments and input them in a manner in which the amounts of the TC 767 CRN 263 adjustments do NOT exceed the amount of the unreversed TC 766 CRN 263 on the module.</p>
<ul style="list-style-type: none"> <li>If the last amount in column “G” is a debit amount, the “proposed” adjustment(s) on the 76X Table will create a debit balance on the module. No additional adjustments to the deferral amount are required. However, this is a good indication that the case may need to be accelerated.</li> </ul>

4.38.1.9.12.3.1.6  
(03-28-2024)

**How to Use the IRC  
965(h) Tool “Build FTP  
Penalty Table”**

(1) Follow the steps below to use the Tool:

- a. Step 11: Click in the TIN cell (Column “B”, Line “1” of the Data Tab) to pull the macro back up.
- b. Step 12: Click “Build FTP Penalty Table” on the macro.

FTP Penalty Table
<ul style="list-style-type: none"> <li>The Penalty Table is used to help determine the remaining balance of 965 Liability (aka 965 deferral amount).</li> </ul>

FTP Penalty Table	
<ul style="list-style-type: none"> <li>The Penalty Table is grouped by assessment and/or adjustments to tax. <ul style="list-style-type: none"> <li>Credits or Payments used to pay the <b>assessment</b> or <b>amount due</b> in each section are listed within that section. If there are multiple transactions with the same date, the tool will <b>net</b> the amount.</li> </ul> </li> </ul> <p><b>Note:</b> Since the Tool “nets” transactions with the same date, the TC number in Column “A” may not match what is on the data tab, since only one TC from the multiple netted transactions can be displayed.</p>	
<ul style="list-style-type: none"> <li>The first assessment section typically consists of the TC 150 (which includes the full 965 liability) along with the deferral (DEF) amount (92% of the 965 liability).</li> </ul>	
<ul style="list-style-type: none"> <li>Subsequent assessment sections typically consist of installments due (Due) along with any payments that were available to apply towards the installment due. <p><b>Note:</b> Adjustments total (TC29X/ TC30X) will also typically have their own “assessment” section.</p> </li> </ul>	
<ul style="list-style-type: none"> <li>The last amount listed in each group on the FTP Table is typically the balance due for that installment due date.</li> </ul>	
<ul style="list-style-type: none"> <li>If the amount is 0.00, then available credits paid or overpaid the installment amount due for the respective installment due date. <p><b>Caution:</b> If the amount on the last line of the last assessment is 0.00. <b>Always</b> review the Interest Table to determine if there is a credit balance reflected on the module that will require the input of a TC 767 CRN 263 in addition to the “proposed” adjustments on the 76X Table. That credit, once posted, will reduce the remaining deferral balance.</p> </li> </ul>	
<ul style="list-style-type: none"> <li>If there is an amount other than 0.00 listed on the last line of the last assessment, there will NOT be a credit balance on the Interest Table.</li> </ul>	

4.38.1.9.12.3.1.7  
(03-28-2024)

**Summary of How to Use  
the IRC 965(h) Tool**

- (1) Enter SSN/TIN.
- (2) Enter MFT.
- (3) Enter tax period.
- (4) Click in any cell.
- (5) Click “Import IMFOL Data” for IMF or “Import BMFOL Data” for BMF.

- (6) Click "Evaluate Due Dates" (if any dates are missing, add them according to Steps 7 and 8 before clicking "Evaluate Due Date").
- (7) Click "Build TC 76X table" (if there are any pending transactions on TXMOD, manually add them to the transaction history section before clicking "Build TC 76X Table").
- (8) Click "Build Interest Table".
- (9) Click in the "TIN" cell (Cell 1b) to bring the macro back up.
- (10) Click "Build FTP Penalty Table".

## 4.38.1.9.12.3.1.8 (03-28-2024) Common Error Messages

- (1) The following are common error messages you may encounter:
  - a. **Abort INT Table, INT\_COMP\_DT not found.**
  - b. **Microsoft Visual Basic Run-time error "1004".**
  - c. **End MFT must be 02, 05, or 34 for BMFOL.**
  - d. **End MFT must be 30 or 31 for IMFOL.**
- (2) If an error message is generated, please refer the case to the Lead Tax Examiner.

## 4.38.1.9.13 (03-28-2024) Criminal Restitution and Restitution Based Assessments

- (1) Criminal Restitution is an assessment of criminal restitution ordered payable to the IRS which has been made.

## 4.38.1.9.14 (03-28-2024) Employee Audits

- (1) Employee audit cases are closed by Memphis CCP for SB/SE Areas 201-207 and Cincinnati CCP for International Area 330.
- (2) The cases are sent to Memphis and Cincinnati with "Employee Audit" clearly identified on the Form 3198.

## 4.38.1.9.14.1 (03-28-2024) Source, Tracking, and Project Codes

- (1) Employee Audit cases, as defined in the chart below, usually carry a certain Source Code, Tracking Code and Project Code.
  - a. Tracking Code 7569 is generally used to track an employee audit that originated in a source code other than source code 46.
  - b. The following table shows the Project and Source Codes used with Employee Audits:

Project Codes	Definition	Source Codes
0206	Executive Selection	46 for primary year and 40 for secondary year
0207	Treasury Mandates (All referrals, including those considered no longer employees)	46 for primary year and 40 for secondary year unless a non-filer. A non-filer would be 24.

Project Codes	Definition	Source Codes
0389	"New Employees"	46 for primary year and 40 for secondary year
0913	Employee Audit (Transfers from the Campuses)	Primary year non-filer would be 24. All other related years would be 44. Filed returns would maintain the original source code since case originated in the campus.
1030	Criminal Investigation Pre-Hire (All Referrals)	46 for primary year and 40 for secondary year

4.38.1.9.14.2  
(03-28-2024)  
**Employee Audit  
Procedures**

- (1) Procedures on Employee Audit cases will follow different procedures based on closure type.
- (2) They are:
  - a. No Change cases and
  - b. Cases with Adjustments.

4.38.1.9.14.2.1  
(03-28-2024)  
**No Change Cases**

- (1) All Employee Audit cases closed as No-Change or No-Change with Adjustments must be closed with normal procedures, except:
  - a. Project Code 1030, which requires the no-change letter to be scanned and sent to the email referenced in IRM 4.38.1.9.14.3.
  - b. Project Code 0207, which follows the procedures in IRM 4.38.1.9.14.2.2.

**Reminder:** The case should have gone from Status 12 to Status 21. If the case went from Status 12 to Status 51, this is an indication the case did not go through Technical Services.

**Reminder:** Update the case back to Status 12 and forward back to the field group using proper routing to the appropriate Technical Services office within that area. Technical Services should review the case and return it to CCP for closure after their review is complete.

4.38.1.9.14.2.2  
(03-28-2024)  
**Cases with Adjustments**

- (1) If an additional tax adjustment is required on an Employee Audit case, the following procedures must be taken in addition to normal process procedures:
  - a. The assigned Tax Examiner should verify the \*AIMS STATUS-CD HISTORY\* page on AMDISA to verify the case was routed through Technical Services before it was sent to CCP.

**Reminder:** The case should have gone from Status 12 to Status 21. If the case went from Status 12 to Status 51, this is an indication the case did not go through Technical Services.

**Reminder:** Update the case back to Status 12 and forward back to the field group using proper routing to the appropriate Technical Services office within that area. Technical Services should review the case and return it to CCP for closure after their review is complete.

- b. Close case to Status 90.
- c. Scan the following documents from the case file prior to sending the case to Files:

Documents for the Case File (In Order)
Tax Return (must include all pages)
Activity Record (Form 9984 or Case History Report)
Revenue Agent Report (Form 4549 with all attachments)
Form 3198 or Form 4318 (Workpapers) as indicated on the Employee Audit Check Sheet
Any other workpapers that are identified on the Employee Audit Check Sheet provided by Technical Services. <b>Note:</b> These coversheets should be maintained in the CCP Operation for one (1) year.
Any other information that may have prompted the request. <b>Note:</b> This could include TIGTA memorandum or classification sheet.

**Exception:** For Project Code 1030 cases, the only document required is the Revenue Agent Report.

4.38.1.9.14.3  
(03-28-2024)  
**Contacts**

- (1) The following list shows current contacts on the Employee Audit program. Via a secure email, forward all scanned documents to the appropriate email address:
  - a. Project Code 0207 *Andrew. McKay@tigta.treas.gov*,
  - b. Project Code 1030 for All Referrals: *Mia.M.Cooper@irs.gov*, and
  - c. Project Code 0206 and all other Employee Audit case documents should be emailed to *\*HCO ECCO ETC AUD*.
  - d. All Employee Audit cases are scanned to the appropriate email address. Any request for changes must be forwarded to Headquarters for approval prior to implementation.

4.38.1.9.14.4  
(03-28-2024)  
**Additional IRM  
References**

- (1) IRM 4.2.6, Examination of Employee Returns
- (2) IRM 4.1.1.1.6.7, Employee Audits
- (3) IRM 4.8.4.2.3, Mandatory Review, Employee Audits

4.38.1.10  
(03-28-2024)  
**Other Functions  
Performed by CCP**

- (1) These are other functions performed by CCP:
  - a. Miscellaneous IDRS Inputs,
  - b. Credit Transfers,
  - c. Reprocessing Returns, and
  - d. Unpostable Resolutions.

4.38.1.10.1  
(03-28-2024)  
**Miscellaneous IDRS  
Inputs**

- (1) Miscellaneous Integrated Data Retrieval System (IDRS) Input procedures have been implemented to provide continued support to the field group.
- (2) Types of IDRS Input include documents, such as:
  - a. Form 2363, Master File Entity Change,
  - b. Form 3177, Notice of Action for Entity on Master File,
  - c. Form 3870, Request for Adjustment,
  - d. Form 4844, Request for Terminal Action,
  - e. Form 8278, Assessment and Abatement of Miscellaneous Civil Penalties, and
  - f. Form 9440, Taxpayer Levy Source and Contact Information.
- (3) All IDRS inputs are sent to the regular Centralized Case Processing (CCP) campus site.

4.38.1.10.1.1  
(03-28-2024)  
**Form 2363, Master File  
Entity Change**

- (1) Form 2363, Master File Entity Change, is used by the field to request changes to the Business Master File (BMF) and Individual Master File (IMF) entity modules.
- (2) Field Exam must prepare Form 2363 per IRM 4.10.8.14.4, form 2363. The revenue agent or TCO must e-Fax the Form 2363 to CCP as soon as possible.
- (3) The most common changes made with Form 2363 are:
  - a. Name changes;
  - b. Address changes; and
  - c. Filing status changes.
- (4) It is not necessary to delay the input of Form 5344 awaiting the posting to Master File of the Form 2363 transactions. Master File is programmed to sort entity transactions before adjustment transactions, thereby ensuring that notices to the taxpayer are for the correct name and/or address. When Form 2363 is input to change the name control on Master File, Form 5344 may be processed, even in the same cycle, using the old name control. Master File is also programmed to match either on the new (as changed via Form 2363) or prior name control. This is true even if the new name control and Form 5344 (with old name control) post in the same cycle).
- (5) Always verify the completeness of the Form 2363. Compare the update being requested with the information posted to ENMOD.

**Note:** If ENMOD reflects different information, input the update. If ENMOD reflects the requested changes, no input is needed.

4.38.1.10.1.2  
(03-28-2024)

**Form 3177, Notice of Action for Entity on Master File**

- (1) Form 3177, Notice of Action for Entity on Master File, is used to request miscellaneous IDRS updates.
- (2) This form will often be e-Faxed to CCP and worked by the designated employee. However, if a Form 3177 is located in a case file, the tax examiner must identify whether an input action is needed.
- (3) Some common changes made with Form 3177 are:
  - a. Update the ASER (TC 560);
  - b. Hold Credit (TC 570);
  - c. Notice Delays (CC STAUP); and
  - d. Input of amended received date (TC 971 AC 082).
- (4) **Always:**
  - a. Verify the completeness of Form 3177.
  - b. Compare the update being requested with the information posted to Master File.
- (5) Exam Alert 016, Information regarding miscellaneous IDRS input, provides procedures to process Form 3177 when received separately from the case file.

4.38.1.10.1.3  
(03-28-2024)

**Form 3870, Request for Adjustment**

- (1) Form 3870, Request for Adjustment, by the field when there are miscellaneous adjustments and actions to be taken on an account.
- (2) It is used as a “catch-all” adjustment form. Ensure the form in its entirety is read to fully understand it and determine the correct input actions.
- (3) Form 3870 must have signatures in both Item 13 and 14. These signatures provide CCP with the authorization to input the requested action.
- (4) It is usually e-Faxed to CCP, but it can also be mailed with the case file for closure.
- (5) If Form 3870 is being routed to another employee for input and it came with supporting documentation, the documentation should be kept with the form.
- (6) Exam Alert 016, Information regarding miscellaneous IDRS input, provides procedures to process Form 3870.

4.38.1.10.1.4  
(03-28-2024)

**Form 4844, Request for Terminal Action**

- (1) Form 4844, Request for Terminal Action, is a multi-purpose request form used primarily used to either input or extract IDRS (Integrated Data Retrieval System) data.
- (2) Form 4844 should only be e-Faxed to CCP to input transaction codes that cannot be input via Form 3177, Notice of Action for Entry on Master File.
  - a. **Do not** input the following transaction codes on Form 4844:



Transaction Code	Explanation
130	Account frozen from refunding
460	Extension of time for filing granted to (enter date)
470	Taxpayer claim pending
480	Offer in Compromise Pending
481	Offer in Compromise Rejected
482	Offer in Compromise Withdrawn
520	Account in Suit
530	TDA's changed to "Uncollectible Status"
531	Uncollectible account changed to "TDA Status"
550	Collection Expiration Date changed to (enter date)
560	Assessment Expiration Date changed to (enter date)
570	Additional Liability Pending

4.38.1.10.1.5  
(03-28-2024)

**Form 8278, Computation and Assessment of Miscellaneous Penalties**

- (1) Form 8278, Computation and Assessment of Miscellaneous Penalties, is the document used to post adjustments to the Civil Penalty module.
- (2) Form 8278 lists the descriptive name of the Civil Penalty, along with the IRC Code Section and Reference Code.
- (3) Please refer to IRM 4.38.1.11.4, Civil Penalties, for more information about Civil Penalties.

4.38.1.10.1.5.1  
(03-28-2024)

## Necessary Items

- (1) The field is responsible for completing the Form 8278 and signing as “Originator” in Item 10 of the form.
- (2) CCP must verify Form 8278 to ensure the necessary information is present:

Form 8278 Necessary Items	Additional Information
Taxpayer’s Name in Item 1	The name listed on Form 8278 must be a single name. <b>Note:</b> A special situation exists when a “Frivolous Tax Return” Civil Penalty is assessed against a Joint return. This assessment will be made on a Non-Master File account.
Tax Period in Item 5	Tax periods must end in a “12” indicating a calendar year for both IMF and BMF Civil Penalty accounts. <b>Note:</b> Assessments of Civil Penalties for “Failure to File Form 5471 and Schedule O” according to IRC 6679 and IRC 6046 may be input with either a Fiscal or Calendar year.
Statute Date	An entry is required in either: <ul style="list-style-type: none"><li>• Item 4 if there is no statute for the Civil Penalty, or</li><li>• Item 6 if there is a statute date.</li></ul>
SSN or EIN in Item 7	Enter Taxpayer Identification Number as appropriate for the taxpayer listed in Item 1.
MFT in Item 3	Place a checkmark in the appropriate box.
Penalty Description in Item 9	The Number of Violations and the Amount Assessed/Abated must be indicated for each Civil Penalty. <b>Note:</b> IRC Code Sections and Reference Numbers are necessary for each Civil Penalty. Any Civil Penalty that is handwritten onto Form 8278 must include a valid IRC Code Section and Reference Code.
Originator’s information in Items 10a - 10c	N/A
Manager’s signature and date in Items 11a and 11b	N/A

Form 8278 Necessary Items	Additional Information
Terminal operator and date input into Items 12a and 12b	This is the information for the CCP tax examiner who input the form.

**Note:** Multiple violations for the same taxpayer and the same tax period that are subject to the same IRC Code Section must be consolidated onto one Form 8278.

4.38.1.10.1.5.2  
(03-28-2024)

#### Assessment Statute Expiration Date

- (1) The Assessment Statute Expiration Date (ASED) for Civil Penalties must be noted on Form 8278.
- (2) The ASED for a Civil Penalty must be:
  - a. The same ASED as the return with regards to extensions,
  - b. The same ASED as the return without regards to extensions, or
  - c. No ASED.
- (3) The ASED is addressed in two locations on Form 8278:
  - a. Item 4: **No Statute**, and
  - b. Item 6: **Statute Date**
- (4) Either Item 4 or Item 6 must be completed for each Civil Penalty listed on Form 8278.
- (5) Only one penalty code or violation may be listed per Form 8278.

**Note:** Civil Penalties with an ASED within 60 days must be processed as a Quick Assessment. Regular Quick Assessment procedures are followed. Refer to IRM 4.38.1.7.2 for more information on Quick Assessments.

4.38.1.10.1.5.3  
(03-28-2024)

#### Blocking Series

- (1) A Blocking Series is assigned to each Civil Penalty adjusted on Form 8278. The Blocking Series will become part of the Document Locator Number (DLN) for the Civil Penalty, and indicates where the documentation for the Civil Penalty may be found.
- (2) The CCP Tax Examiner will enter the Blocking Series on the right margin of the same line as the Civil Penalty on Form 8278.
- (3) The Blocking Series used on Form 8278:
  - a. **52** for the first Civil Penalty for a specific tax period on the Form 8278, and
  - b. **53** for each subsequent Civil Penalty for the same tax period on the Form 8278 within the same case.

**Reminder:** The first Civil Penalty assessed on a specific tax period for a specific case file uses a Blocking Series "52". All other Civil Penalties on the same Form 8278 for the same tax period within the same case use Blocking Series "53".

4.38.1.10.1.5.4  
(03-28-2024)

## Processing Civil Penalty Adjustments

- (1) There are three steps CCP Tax Examiners will need to take to process Civil Penalty adjustments.
- (2) Those steps are:
  - a. Verify Entity.
  - b. Verify Form 8278.
  - c. Assemble the Civil Penalty Case File.

4.38.1.10.1.5.4.1  
(03-28-2024)

## Verify Entity

- (1) Research IDRS using Command Codes ENMOD, INOLES, or MFTRA to determine if a Civil Penalty Name Line (CVPN) must be established.
- (2) Use Form 2363 to establish a CVPN or to add an account to assess the Civil Penalty.
- (3) The Form 2363 must be input before or at the same time as the Form 8278.
- (4) Depending on local procedures, the Tax Examiner may be required to:
  - a. Submit Form 2363 and wait for verification of input prior to forwarding the Form 8278 case file for input, or
  - b. Submit both Form 2363 and Form 8278 at the same time, **Posting Delay Code 2** must be written on the top of Form 8278. The Posting Delay Code 2 on the Form 8278 allows time for the processing of the entity change on Form 2363 before the posting of the Civil Penalty on Form 8278.

4.38.1.10.1.5.4.2  
(03-28-2024)

## Verify Form 8278

- (1) Verify that all required information is input on Form 8278.
- (2) Refer the case to the FORT for any necessary corrections.
- (3) The following items are required inputs when executing the transaction:
  - a. **Name Control** - first four letters of taxpayer's last name in Item 1,
  - b. **Tax Period** - Item 5,
  - c. **Statute Information** - Either in Item 4 or Item 6,
  - d. **Taxpayer Identification Number** - Item 7,
  - e. **MFT Code** - Item 3,
  - f. **Code, Penalty Amount, and Blocking Series** - One line across from each Civil Penalty being adjusted in Item 9.

**Note:** Civil Penalty adjustments must be legible. Do not use a dash (-) in place of cents in Item 9 of Form 8278. Cents are a required entry item. Correct all amounts to include cents (.00) on Form 8278 if necessary.

**Note:** Place a plus sign (+) next to all assessments, and a minus sign (-) next to all abatements in Item 9. This ensures that the Civil Penalty is posted correctly.
- (4) Tax Examiners will include their name and the date the adjustment was input in Line 12a and 12b.

4.38.1.10.1.5.4.3  
(03-28-2024)

**Assemble Civil Penalty  
Case File**

- (1) When Form 8278 is completed, the case file should be ready for Files.
- (2) The Civil Penalty case file should be stripped from its file folder and assembled, from top to bottom as follows:
  - a. Form 8278,
  - b. Form 3465, Computation of Penalty for Failure to File Information Returns or Furnish Statements, if present,
  - c. Examination Workpapers,
  - d. History Sheet, and
  - e. Form 3198.
- (3) Staple all the papers in the case file securely together at two separate places on the top.

4.38.1.10.1.5.5  
(03-28-2024)

**Special Instructions**

- (1) CCP tax examiners may encounter where a civil penalty is assessed on frivolous tax returns.
- (2) Frivolous Tax Return Civil Penalties assessed according to IRC 6702 with Reference Code 665 may be assessed against a single taxpayer or against both spouses on a joint account.
- (3) The Frivolous Tax Return Civil Penalty is assessed under normal Civil Penalty procedures if the taxpayer's filing status is:
  - a. Single,
  - b. Married Filing Separate, or
  - c. Head of Household.
- (4) If the Frivolous Tax Return Penalty is assessed against a joint account, it is processed on a Non-Master File module.
- (5) The case file for a joint account must include:
  - a. Form 3198, Special Handling Notice/Examination Case Processing, which should indicate that the Frivolous Tax Return Civil Penalty, according to IRC 6702, is to be assessed.
  - b. Form 5734, Non-Master File Assessment Voucher, which is completed by the field.
  - c. A statement by the field establishing the basis for the Frivolous Tax Return Civil Penalty.
  - d. A copy of the front page of the tax return.
- (6) CCP tax examiners must review the Form 5734 for completeness and accuracy. If any information is missing or incomplete, refer the case file to the FORT.
- (7) Verify the following items on Form 5734:
  - a. Item 1 - Full name and address of taxpayer,
  - b. Item 3 - Taxpayer Identification Number (TIN),
  - c. Item 4 - Type of Tax **Civil Penalty**,
  - d. Item 5 - Form number, **1040**,
  - e. Item 6 - (Must end in **12**),
  - f. Item 7 - MFT Code **20**,
  - g. Item 10 - IRC Section or Type of Penalty, Transaction Code and Amount,

**Example:** IRC 6702 - "Frivolous Tax Return" Transaction Code "240"  
Amount

- h. Item 12 - Total (Sum of Line 9, 10 and 11),
- i. Item 13 - Reason for Adjustment,
- j. Item 14 - Signature of preparer - Examining Officer's signature and information, and
- k. Item 15 - Date (the date the Form 5734 was prepared).

4.38.1.10.1.5.6  
(03-28-2024)  
**Form 9440, Taxpayer  
Levy Source and  
Contact Information**

- (1) Form 9440, Taxpayer Levy Source and Contact Information, must be included by Field Exam in all unpaid cases (agreed and disagreed) to capture financial data about a taxpayer gathered during the examination to assist in future collection efforts.
- (2) Form 9440 is not required on fully paid cases (tax, penalties and interest are paid in full, including outstanding deficiencies in other periods).
- (3) Field Exam will check the Form 9440 box on Form 3198 to notify CCP that the document needs to be pulled (for paper cases) or information needs to be input (for electronic cases). For electronic cases, Form 9440 should be pulled from RGS Case File Documents and enter the information contained on the Form 9440 into IDRS using CC LEVY.
- (4) Refer to IRM 4.20.1.3.3, Form 9440, Taxpayer Levy Source and Contact Information, for additional information.

4.38.1.10.1.6  
(03-28-2024)  
**Unpostable Conditions**

- (1) In order to prevent case files from rejecting at the terminal, the case file and Form 8278, Assessment and Abatement of Miscellaneous Penalties, should be reviewed before they are input.
- (2) Common items to verify when correcting unpostable or rejected Civil Penalty case files are:

- a. An entity module must exist for the specific taxpayer being assessed the Civil Penalty.

**Reminder:** When the entity does not exist, the module must be created using CC ENREQ.

- b. The tax period must end in **12** for BMF (MFT 13) Civil Penalty Adjustments.

**Reminder:** BMF Civil Penalties will reject from the terminal if the tax period entered on Form 8278 does not end in "12".

**Exception:** Civil Penalty assessments according to IRC 6702 and IRC 6046 with Reference Code 613 may be input with either a Calendar or Fiscal year tax period.

4.38.1.10.2  
(03-28-2024)  
**Credit Transfers**

- (1) Field Exam may at times request a specific credit transfer on Form 3198, Special Handling Notice for Examination Case Processing. Process the request. When there are no specific instructions on Form 3198, offset the earliest overassessment to the earliest unpaid deficiency.

- (2) When possible, perform credit transfers using the IAT Credit Transfer Tool. The IAT website has more information for this tool that may be referred to while working these cases.

**Example:** 201812 is a \$15,000.00 deficiency and 201912 is a (\$10,000.00) over-assessment. Offset all of the 201912 (\$10,000.00) credit to 201812. The taxpayer will get a bill for the rest of the deficiency (\$5,000.00) on 201812.

**Example:** 201812 is a (\$5,000.00) overassessment, 201912 is a (\$20,000.00) overassessment, and 202012 is a \$20,000.00 deficiency. Offset all of the 201812 credit (\$5,000.00) to 202012. Then, offset enough of the 201912 credit (\$15,000.00) to 202012 to fully pay it. The remaining credit (\$5,000.00) will be allowed to refund to the taxpayer.

4.38.1.10.3  
(09-12-2024)

#### Reprocessing Returns

- (1) This section provides information related to processes performed in Centralized Case Processing (CCP) when it is necessary to reprocess a return to a correct TIN or a tax period.
- (2) A statement **must** be made on Form 3870, in Item 30, “**Remarks**”, if the Assessment Statute Expiration Date (ASED) on the incorrect TIN or Tax Period has expired or is within six months of expiring.

**Reminder:** If the ASED (Assessment Statute Expiration Date) on the incorrect TIN or Tax Period has expired or is within six months of expiring, special handling is **required** to avoid a barred assessment. A notation **must** be made on Form 3870, Request for Adjustment, in Item 30, “**Remarks**”. The notation should include remarks that “**The ASED is Imminent Or Expired and that an account transfer may be necessary**”. An account transfer is necessary in this instance. Refer to IRM 25.6.1.9.9.3, Correct Records on Expired Statute Periods.

- (3) Most requests for reprocessing will come through the FORT. When the request comes into the FORT team, CCP will determine if all of the information is available to reprocess a return. If not, instructions are provided to the field revenue agent as to what additional information is needed to reprocess the return.

**Note:** If a return has never been processed (i.e., has not posted to another TIN or Tax Period), attach a Form 1725, or local routing slip, and forward the return as received to Submission Processing. Ensure the IRS’ “Date Received” is entered on the return. If a Correspondence Imaging Inventory (CII) image is used and the return is signed, edit **CII Image-Do not correspond for signature** on the return. Submission Processing will correspond for any missing information on these returns. Refer to IRM 21.5.1.5.5, Processing/ Reprocessing CII Tax Returns, for additional information regarding CII returns.

- (4) Please refer to IRM 3.14.2.4.22 for more information regarding Reprocessing Tax Returns.



- 4.38.1.10.3.1 (03-28-2024)  
**Reprocessable Requests vs. Reinput Requests**
- (1) Reprocessable requests are used when a document has posted to Master File incorrectly, such as an incorrect TIN or tax period.
  - (2) Reinput requests are used when a document was processed but never posted to Master File (SC reject, tape deletion, or cancelled DLN).

- 4.38.1.10.3.1.1 (03-28-2024)  
**Reprocessable Requests Upon Receipt in CCP**
- (1) Most of the requests received are Reprocessable requests.
  - (2) These will generally come into the Field Office Resource Team (FORT), if applicable for the respective CCP operation.
    - a. After the FORT receives the case, they will research to determine if all information was provided to consider it a workable case.

Determining Criteria	Action Needed
If it is workable,	it will be sent to a CCP tax examiner to work.
If it is not workable,	they will provide instructions to the field of the information that is required for CCP to reprocess the return.

**Note:** Field Exam should provide the original return for reprocessing. An imaged return cannot be used as the document to be reprocessed. If the original return cannot be obtained from Files via CC ESTAB, a **Special Search** should be requested. If this is still unobtainable, a copy of the return can be used. Documentation showing the attempts to obtain the original return should be attached to the case file.

- 4.38.1.10.3.1.1.1 (03-28-2024)  
**FORT Actions Needed After Requests Are Received**
- (1) After the proper information is received in CCP, the FORT will issue a Tech Request to have the return reprocessed by a CCP tax examiner.
    - a. CCP tax examiners will take the appropriate actions to reprocess the return to the correct tax period or TIN. They will make any required tax adjustments using CC REQ54 and move the related payments as warranted. Refer to IRM 4.38.1.10.3.1.2, Actions Needed by Tax Examiners to Reprocess Tax Returns.
    - b. They will also monitor the account for both TC 971s, including the appropriate action codes (AC), to post.
    - c. They will monitor for the TC 150 to post to the correct module. This typically takes between 4 and 8 weeks.
    - d. After this is completed, they will notify the Field that the reprocessing has been completed.

**Note:** After CCP has completed their actions, the Field is responsible for working with their local AIMS/ERCS Coordinator to establish the correct AIMS/ERCS information on the correct tax period.

- 4.38.1.10.3.1.2 (03-28-2024)  
**Actions Needed by Tax Examiners to Reprocess Tax Returns**
- (1) CCP Tax Examiners will need to take the following actions to resolve the cases:
    - a. Input any applicable adjustments using the appropriate hold codes (to prevent erroneous refunds) and priority code.
    - b. Input any applicable credit transfers.

## 4.38 Centralized Case Processing (CCP)

- c. Input required cross-reference transactions (TC 971 with the appropriate action code). Input required transactions to close or prevent a TDI issuance, which is the TC 590/591/599 with the appropriate closing code.

**Note:** If moving a BMF return to different fiscal year than the one shown on ENMOD, do not input a TC 971 AC 017. If this occurs, it will create an unpostable.

- d. Attach the completed Form 13596, Reprocessing Returns, below the entity section of the return being reprocessed or reinput.
- e. Monitor the account for correct posting of reprocessed returns and respond to the Field Office / Revenue Agent when the posting is complete.

**Caution:** The reprocessable instructions do not pertain to tax returns that have not been reprocessed (i.e., never received a DLN). Follow normal routing procedures to send any unprocessed return through processing.

### 4.38.1.10.3.2 (03-28-2024)

#### Processing Cases When the Return is Not Available

- (1) When a return posts to an incorrect TIN or period, it must be reprocessed to establish the account under the correct TIN or tax period.
- (2) After all research has been completed for the needed return, close the case using the following method:
  - a. Input an adjustment transaction to reduce the tax and refundable credits on the incorrect module to zero, or the appropriate amount. Use a Hold Code 2 to hold the credits or a Hold Code 4 to hold the credit and prevent a notice from being issued.
  - b. Input a credit transfer transaction to move all payments to the correct TIN or tax period. Use a TC 570 on the credit side, if applicable.

**Note:** The account must be established on the correct TIN before payments can be moved, which is to prevent the credit transfer from posting.

- c. Input required cross-reference transactions (TC 971 with the appropriate action code). Input the required transactions to close or prevent a TDI issuance (TC 590/591/599 with the appropriate closing code).

**Note:** If moving a BMF return to a different fiscal year than the one shown on ENMOD, do not input a TC 971 Action Code 071 unless you are changing the Fiscal Year Month (FYM) change. If so, input a 1 cycle delay on your TC 971 input to force it to post after the FYM change. Failure to do so may create an Unpostable 307.

- d. Prepare a dummy return using the data from IMFOL/RTVUE or BMFOL/BRTVU, or use a copy provided by the taxpayer or Revenue Agent and process the return to the correct TIN or tax period.

- When a dummy return is reprocessed in place of an original or duplicate return, write the original DLN on the dummied return and draw a green line through the DLN.
  - Write the Entity and the same received date as the original or duplicate return respectively.
  - The correct received date is needed to maintain the correct ASSED/CSSED/RSED.
- Write "Dummy Return" across the top of the form and on the signature line, write "Signature on file, do not correspond."
  - Input the appropriate TC 971 codes on all applicable modules.

**Note:** Edit the address on the return only when the taxpayer has provided a new one.

**Reminder:** If the address shown on ENMOD is more current than what is on the return being processed/reprocessed or the information listed on the copy of the return or IMFOL/RTVUE or BMFOL/BRTVU, correct the address on the return to that shown on ENMOD. This will prevent the IDRS address from being changed to the old, incorrect address during processing.

4.38.1.10.3.3  
(03-28-2024)

**Preventing Unpostable  
Code 307 Reason Code  
1**

- (1) Reason Code 1 of Unpostable Code 307 occurs when the input transactions fiscal year month (FYM) is attempting to establish a tax module but did not match the fiscal year month on the Entity account.
- a. When reprocessing a return to a different tax period, review of CC ENMOD is necessary to verify the FYM for the account.
  - b. If the return which is being reprocessed is not marked as a "Final" or "Initial" return, the FYM on ENMOD must match the FYM of the return being reprocessed.

**Note:** If it doesn't match, an Unpostable Code 307 occurs. A short period return marked "Final" or "Initial" will override the unpostable check.

- c. To prevent an unpostable, take all of the following actions:

- Initiate CC ENREQ and change the FYM to the FYM for the return being reprocessed. Allow one week to allow the TC 016 to post to ENMOD and update the FYM.
- Send the return for reprocessing, per the instructions in the IRM 3.12.279.
- If the FYM needs to be updated for subsequent returns after the reprocessed returns has posted to Master File, initiate CC ENREQ and change the FYM to the updated fiscal or calendar year end.

4.38.1.10.4  
(03-28-2024)

**Unpostable Resolution**

- (1) The Generalized Unpostable Framework (GUF) system creates an inventory of transactions (i.e. an attempt to post to the Master File due to validity/consistencies checks). When these types of transactions are not accepted and do not post to Master File, it will generate an unpostable. Unpostables require a thorough review and a resolution must be determined.

- (2) The purpose of an unpostable is to alert the Tax Examiner (TE) of an error in processing an adjustment.
- (3) It is important for TEs to know how to research and resolve unpostable conditions to make sure the case files are processed and closed.
- (4) Refer to IRM 3.12.32, Error Resolution-General Unpostables for further information.

4.38.1.10.4.1  
(03-28-2024)  
**Stages of Unpostable Resolution**

- (1) An unpostable is simply a failed transaction.
- (2) Each transaction goes through three stages before it posts. The stages are:
  - a. AP - Pending adjustment that is subject to Quality Review.
  - b. PN - Pending adjustment that has passed IDRS check and has a complete DLN.
  - c. Adjustment is fully posted.

**Note:** It is during the pending phase (PN) that if a problem exists the transaction goes unpostable. If the unpostable is not corrected, the transaction will **Never** post.
- (3) It is important that all accounts are monitored to identify an unpostable condition as early as possible.

4.38.1.10.4.2  
(03-28-2024)  
**Reports for Monitoring Unpostables**

- (1) Unpostable adjustments are monitored on the Generalized Unpostable Framework (GUF) Reports.
- (2) Each week, a tax examiner or other designated person will access the Case Control Activity System (CCA) 4243 Overage Report from Control D to generate the nullified transactions for CCP. This report does not include TC 30X transactions. It must be reviewed for unpostable conditions so that timely actions can be taken to correct them.
- (3) The Exam case closures are listed on the weekly GUF 11-40, New Unpostable Report for Examination and the GUF 55-40, Employee Assignment/Aged List in categories E1 and E2. These are open on the GUF and do not generate a control on IDRS or show up on the CCA 4243 report.
- (4) Unpostable conditions will have a Category Code of NLUN. The Activity Code will reflect the Unpostable Code (UPC) and cycle the transaction originally attempted to post.
- (5) Form 4251, Return Charge-Out, is automatically generated by GUF for all unpostable cases requiring the return or document to resolve the unpostable condition. If Form 4251 is received by Exam, it will be given to the tax examiner. However, it is not necessary to wait to receive Form 4251 before starting to resolve an unpostable condition.

4.38.1.10.4.2.1  
(03-28-2024)  
**How to Recognize an Unpostable on CC TXMOD**

- (1) After an adjustment has been input into IDRS, it appears in the Posted or Pending Transaction Section. If there is an Unpostable Code (UPC) to the left of the transaction code, the adjustment is unpostable.

- (2) Unpostable Codes (UPC) identify the condition which caused a transaction to become an unpostable. A UPC consists of three-digits along with a one-digit Reason Code (RC).
  - a. A complete list of unpostable codes and reason codes can be found in Document 6209, Section 8B. There are different codes for IMF and BMF accounts.
- (3) Accessing CC UPTIN helps identify if the transaction has been corrected or not.

4.38.1.10.4.2.2  
(03-28-2024)  
**CC UPTIN**

- (1) CC UPTIN displays all open and three months of closed unpostable information for a specific TIN. This listing is updated daily.
- (2) CC UPTIN can be accessed through the IAT Quick CC Tool.
- (3) The UPTIN display shows the following information:
  - a. Unpostable Sequence Number
  - b. Employee Resolved or Assigned
  - c. Area Assigned
  - d. Unpostable Code and Reason Code
  - e. Unpostable Resolution Codes
  - f. Case Status/Date
  - g. Change/Correction Line

**Note:** Once the unpostable is reinput, the UPTIN control must be closed.

4.38.1.10.4.3  
(03-28-2024)  
**Resolving Unpostables  
with and without Source  
Documents**

- (1) The unpostable document must be secured for reinput. Request the unpostable document from Files using the IAT CC ESTAB Tool. Place the cursor on the DLN that is being requested, then press the **ESTAB** button on the IAT Task Manager (ITM).
- (2) When the document is received, verify it is the document that was requested.
- (3) Occasionally, the Source Document needed to resolve an Examination unpostable condition cannot be located and secured. The Source Document is required for corrective action. In those instances, use the following procedures to secure the Source Document:
  - a. Make at least three attempts to secure the unpostable document. The second request should be made approximately two weeks after the first and third request the unpostable document must be secured for reinput. Request the unpostable document from Files using the IAT CC ESTAB Tool. Place the cursor on the DLN that is being requested, then press the **ESTAB** button on the IAT Task Manager (ITM).our weeks later. If the Assessment Statute Expiration Date (ASED) is imminent (six months or less remaining), requests can be made at more frequent intervals and a manual assessment must be made if the statute needs protection.
  - b. If the return charge out indicates the return is charged out to another area, follow-up to locate the return.
  - c. If the return still has not been secured, initiate a special search.
  - d. If unsuccessful, additional research will be needed to remake Form 5344. This research may include, but is not limited to AMDISA, TXMOD, MFTRA, area office contact, securing the RAR, contacting the taxpayer,

and a search of local files. The remade Form 5344 should be clearly annotated **Duplicate Form 5344 prepared by CCP to Correct an Unpostable**.

- e. If Form 5344 is recreated, send to files attached to a Form 2275 with the following in the comments section **Reinput Unpostable Document-Unable To Secure Original Doc From Files. Please Locate Unpostable Doc And Refile Under New DLN**.

4.38.1.10.4.3.1  
(03-28-2024)  
**Statute Protection**

- (1) Statute control is a requirement for all Category E2 unpostables.
- (2) All unpostable cases must be screened for statute protection prior to attempting to resolve the unpostable condition. All examination unpostable cases must be worked on a priority basis, completing manual assessments when it is necessary to protect the statute.

4.38.1.10.4.3.2  
(03-28-2024)  
**Correcting Unpostable Transactions**

- (1) It is important that CCP tax examiners know how to correct unpostables. This is needed to protect statutes and reinput the transaction so that it will post to the account
- (2) Once the unpostable document is secured, CC AMCLS 'U' is used to correct Document (Doc.) Code 47 adjustments that have unposted on Master File. An **Unpostable Indicator** (two digit alpha character) is required on Form 5344, Examination Closing Record, (Position (Pos.) 49–50 of Line 1) to identify the type of unpostable and the function resolving the unpostable. Take the following steps:

Step	Action
1	Research the unpostable condition using CC UPTIN, Document 6209, and IRM to determine corrective action.
2	Correct the information on Form 5344 and initial the changes. Remember to change the hash total if needed.
3	If correcting a full closure, input CC AMAXUE 60-5. CC AMAXUE is used to change the TC 300 indicator to <b>5</b> . TC 300 indicator of <b>5</b> adds it to the Non-Assessed Closure Listing and allows the audit adjustment to be reinput. The case file will remain on the listing until the subsequent assessment is completed.

Step	Action
4	<p>Input AMCLSU; using applicable un-postable indicator in Position 49 of Form 5344. The indicators for AMCLSU are based on blocking series.</p> <ul style="list-style-type: none"> <li>• If correcting a Partial, use indicator: PE.</li> <li>• If correcting a Full Closure, use indicator: LE.</li> </ul> <p>When CC AMCLSU/ <b>PE</b> is used, Exam Results will not be recalculated. The following procedures must be followed to prevent duplicate exam results.</p> <ul style="list-style-type: none"> <li>• Enter another AMCLSF with amounts necessary to <b>reverse</b> the unpostable.</li> <li>• IMMEDIATELY INPUT CC TERUP. This removes the unpostable amount from the Cum-Assmnt field.</li> <li>• Enter the AMCLSU/ PE with the correct amounts. This will correct AIMS and update Master File.</li> </ul> <p>If the unpostable was corrected with manual assessment procedures, TC 300 for .00 must be entered in Item 12 and the manual assessment must be entered in Item 35 on Form 5344.</p>
5	Complete the Form 2275 (if unable to secure the unpostable document).
6	Close TXMOD control base using CC ACTON.
7	Close UPTIN control using the IAT Universal Unpostable Tool (UUT).
8	Place case in the source document folder, which identifies it as a reinput.

4.38.1.10.4.4  
(09-12-2024)

**Frequent Unpostable Conditions**

- (1) Refer to *Document 6209, Section 8B*, Master File Codes, for definitions of un-postable codes and how to resolve them.
- (2) The following are some frequent unpostables that TEs may encounter:

Type	IMF UPC Code	BMF UPC Code
Duplicate Assessment	158	328
Duplicate Filing	160	330



Type	IMF UPC Code	BMF UPC Code
No Related Transaction	168	313
Money Amount Mismatch	189	316

4.38.1.10.4.5  
(03-28-2024)

**Tips and Techniques  
While Working  
Unpostables**

- (1) The following sections will provide CCP tax examiners with tips and techniques for working unpostable adjustments related to:
  - a. Prepayment Credit Adjustments,
  - b. Penalties,
  - c. Civil Penalties, and
  - d. General CCP Suggestions.

4.38.1.10.4.5.1  
(03-28-2024)

**Prepayment Credit  
Adjustments**

- (1) When recapturing or decreasing Earned Income Credit (EIC), Withholding (WH) or Refundable Credits, ensure that there was EIC, WH or Refundable Credits posted on the module for the same or greater amount than what is being recaptured.

4.38.1.10.4.5.2  
(03-28-2024)

**Penalties**

- (1) When abating a penalty, the original penalty assessment must be on the module. Also, the penalty abatement must not be greater than the posted amount. Do not round up the cents as abatements must be for the identical amount.
- (2) When abating a miscellaneous penalty, the reference code used to assess the penalty must be used to abate the penalty.
- (3) Do **not** attempt to assess incompatible penalties.

4.38.1.10.4.5.3  
(03-28-2024)

**Civil Penalties**

- (1) The Tax Period must end in **12** on MFT 13 Civil Penalty Adjustments. For exception, refer to IRM 2.4.16-7.
- (2) An entity module must exist for the specific taxpayer and year being assessed the civil penalty.
- (3) Use the correct reference codes to abate penalties.

4.38.1.10.4.5.4  
(03-28-2024)

**General CCP  
Suggestions**

- (1) The following suggestions may help prevent an unpostable condition:
  - a. Thoroughly review IDRS before making any adjustments.
  - b. When decreasing a tax, penalty, or credit, verify that it is not dropped below zero.
  - c. Certain reference numbers cannot be changed to below zero. They are:

Reference Numbers	Definition
878	Primary SE Income
879	Secondary SE Income

Reference Numbers	Definition
885	Advance EITC
886	Taxable Income
887	Number of Exemptions
889	SE Tax
891	Primary Tip Income
892	Secondary Tip Income
895	Primary Medicare Income
896	Secondary Medicare Income
897	Spousal Claim on DMF (IMF only)

**Note:** This list is not all inclusive. Only the most common reference numbers are listed.

- d. Verify that the dates and money on credit transfers match the dates and amounts of the credits being moved.
- e. Contact other employees with an open control base to prevent duplicate actions.
- f. If the adjustment is within \$10 of a previous adjustment, use PC 8.
- g. Consider freeze codes.
- h. Determine if a priority code is needed.

4.38.1.11  
(03-28-2024)  
**Penalties and Interest.**

- (1) The purpose of penalties is to encourage voluntary compliance from taxpayers.
- (2) Taxpayers voluntarily comply by timely filing and paying accurate returns.
- (3) It is important for CCP tax examiners to accurately input penalty adjustments recommended by the field. CCP tax examiners must verify that the assessments of penalties found on the Revenue Agent Report (RAR) is on the Form 5344.

4.38.1.11.1  
(03-28-2024)  
**Compliance Penalties**

- (1) Compliance penalties are imposed by the Internal Revenue Service when taxpayers have not timely filed and/or timely paid taxes due by the due date of the return.
- (2) The following are Compliance Penalties discussed in this IRM:
  - a. Failure to File,
  - b. Failure to Pay, and
  - c. Failure to Deposit.

4.38.1.11.1.1  
(03-28-2024)  
**Failure to File Penalty - IRC 6651(a)(1)**

- (1) The Failure to File (FTF) penalty is assessed when a return is late filed and there is an unpaid net tax due on the return due date or extended return due date. If the net tax due is full paid as of the due date or extended due date, the penalty is not applicable.
- (2) The Failure to File penalty appears on Master File as TC 16X.

- (3) It is entered with TC 16X and amount in Item 12 of the Form 5344.
- (4) The FTF penalty on the Revenue Agent Report (RAR) may be labeled as:
  - a. Failure to File,
  - b. IRC 6651(a)(1), and
  - c. Delinquency.

4.38.1.11.1.1.1  
(03-28-2024)

#### AIMS Penalty Reject

- (1) When AIMS reflects a Delinquency Indicator of 1, a TC 160 must be entered in Item 12 of Form 5344 or the adjustment will reject at input.

4.38.1.11.1.1.2  
(03-28-2024)

#### Minimum Penalty Rate

- (1) If a return is more than 60 days past due, refer to IRM 20.1.2.3.7.4 for further information. This does not apply to accounts where the only tax liability comes from employment, excise, gift, or estate tax.

4.38.1.11.1.1.3  
(03-28-2024)

#### Maximum Penalty Rate

- (1) The FTF penalty is computed by the field based on the amount of tax required to be shown on a late-filed return, reduced by any allowable credits.
- (2) The FTF penalty rate is 5% of the net tax for each month, or part of a month the return is late, but not more than 25% (5% x 5 months).

**Example:** A 201612 tax period Form 1040 is examined. The original return was 5 months late. The RAR reflects a tax increase of \$4,753.00 and a withholding allowance of \$3,250.00. The net tax amount is determined as follows:

\$4,753.00 Tax - \$3,250.00 Credits = \$1,503 Net Tax Amount

\$1,503.00 Net Tax x 25% FTF Rate = \$375.75 FTF Penalty

**Note:** If a Failure to Pay Penalty (FTP) also applies, the FTF penalty rate drops to 4.5% per month to a maximum of 22.5% of the net tax (4.5% x 5 months).

4.38.1.11.1.2  
(03-28-2024)

#### Failure to Pay Penalty - IRC 6651(a), (2), and (3)

- (1) A Failure to Pay (FTP) Penalty is imposed on any return that the field determines is not paid by the due date of that return. A separate penalty computation applies to tax shown on the return, and to each notice reflecting additional tax required to be shown on the return that was not included in a prior notice.
- (2) The Failure to Pay (FTP) penalty appears on Master File as TC 27X.
- (3) It is entered with TC 27X and amount in Item 12 of the Form 5344.
- (4) The FTP penalty on the Revenue Agent Report (RAR) may be labeled as:
  - a. Failure to Pay.
  - b. IRC 6651(a)(2).

4.38.1.11.1.2.1  
(03-28-2024)

#### Extension of Time to File

- (1) The IRS allows for a reasonable extension of time to file a return.

- (2) An extension of time to file is not an extension of time to pay. However, if the taxpayer:
  - a. Has a valid extension of time to file,
  - b. Has paid 90% of the tax due by the return due date,
  - c. Files the return by the extended due date, and
  - d. Pays remaining amounts due in full with the return.
- (3) The FTP penalty will not be assessed.
- (4) If any of the above items are not met, the revenue agent will impose the FTP penalty, as long as reasonable cause is not granted due to other reasons.

4.38.1.11.1.2.2  
(03-28-2024)  
**Penalty Rate**

- (1) The basic Failure to Pay (FTP) penalty rate is one-half of 1% per month (or part of a month) on the net amount due until the tax is paid in full or the maximum 25% is reached.
  - a.  $\text{FTP Penalty Rate} = .005 \text{ per Month} \times \text{Number of Months}$
- (2) The Failure to Pay Penalty is computed by applying the following computation:
  - a.  $\text{FTP Penalty} = \text{FTP Penalty Rate} \times \text{Net Unpaid Tax}$

**Example:** A revenue agent secures a 201812 delinquent return and full payment from a taxpayer on August 5, 2020. The tax is paid in full 17 months late. The return reflects \$10,000.00 in tax and no prepayment credits. The penalty is computed as follows:  
 **$.005 \times 17 = .085 \text{ (8.5\%)}$**   
 **$\$10,000.00 \times .085 \text{ (8.5\%)} = \$850.00$**

- (3) There are special circumstances where the FTP penalty can be calculated at .25% or 1%, but they are not common. For more information on these rates, please refer to IRM 20.1.2.2.8.

4.38.1.11.1.3  
(03-28-2024)  
**Failure to Deposit - IRC 6656 (BMF Only)**

- (1) The Failure to Deposit (FTD) penalty applies to employment and excise taxes.
- (2) Taxpayers must periodically deposit their employment taxes using either the monthly or semi-weekly deposit schedule. Taxpayers are penalized for not depositing on time, in the correct amount, or in the manner required.
- (3) Beginning January 1, 2011, Electronic Funds Transfer (EFT) is the only authorized deposit method.
- (4) The Failure to Deposit (FTD) penalty appears on Master File as TC 18X.
- (5) Centralized Case Processing Examiners will use the figures provided by the revenue agent on the Revenue Agent Report (RAR). The penalty will generally not exceed 10%.
- (6) It is entered with TC 18X and the amount on Item 12 of the Form 5344.

4.38.1.11.1.3.1  
(03-28-2024)  
**Computing the Penalty**

- (1) The FTD penalty percentage rate charged depends on the following:
  - a. The number of calendar days a deposit is late, or
  - b. Whether it involves a direct payment.

- (2) There is a time sensitive four-tier penalty system for late deposits. The penalty rate assessed depends on the number of calendar days a deposit is late starting from the due date of the liability.
- (3) The FTD penalty is calculated based on a formula in CC FTDPN.

**Note:** CCP Examiners will not need to compute FTD penalties. Accept the figures provided on the RAR.

4.38.1.11.2  
(03-28-2024)  
**Accuracy-Related  
Penalty/Fraud Penalty**

- (1) Accuracy-related and Fraud penalties are asserted by Examination when it is established that misconduct by the taxpayer occurred in the preparation of the tax return.
- (2) Examples of Accuracy-related and Fraud Penalties are:
  - a. Fraudulent Failure to File - IRC 6651(f),
  - b. Accuracy-related Penalty - IRC 6662(c), IRC 6662(d), IRC 6662(e), IRC 6662(f), IRC 6662(g), and IRC 6662(h), and
  - c. Civil Fraud Penalty - IRC 6663.

4.38.1.11.2.1  
(03-28-2024)  
**Fraudulent Failure to  
File - IRC 6651(f)**

- (1) When it is determined that a taxpayer's failure to file is due to fraud, then IRC 6651(f) provides for an increase in the penalty rate for the FTF penalty.
- (2) The Fraudulent Failure to File (FFTF) penalty is a counterpart of the civil fraud penalty under IRC 6663.
- (3) The FFTF penalty is asserted on a case-by-case basis after the field considers all the facts and circumstances surrounding the failure to file and Area Counsel approves the penalty.
- (4) The Fraudulent Failure to File (FFTF) penalty appears on Master File as TC 240 with Penalty Reference Number (PRN) 686.
- (5) The FFTF penalty is entered with Penalty Reference Number 686 and amount in Item 15 of the Form 5344.
- (6) The FFTF penalty on the Revenue Agent Report (RAR) may be labeled as:
  - a. Fraudulent Failure to File.
  - b. IRC 6651(f).

4.38.1.11.2.1.1  
(03-28-2024)  
**Penalty Rate**

- (1) The penalty rate is increased from 5% per month to 15% for each month or part of a month the return is late.
- (2) The maximum penalty increases to 75% of the net tax due.

4.38.1.11.2.2  
(03-28-2024)  
**Accuracy-Related  
Penalty - IRC 6662(c),  
(d), (e), (f), (g), and (h)**

- (1) The accuracy-related penalties are asserted during the course of an examination when the revenue agent discovers an underpayment attributable to one or more of the following:
  - a. Negligence or disregard of rules and regulations - IRC 6662(b)(1),
  - b. Any substantial understatement of income tax - IRC 6662(b)(2),
  - c. Any substantial valuation misstatement under chapter 1 - IRC 6662(b)(3),
  - d. Any substantial overstatement of pension liabilities - IRC 6662(b)(4),

- e. Any substantial estate or gift tax valuation understatement - IRC 6662(b)(5),
- f. Any disallowance of claimed tax benefits by reason of transaction lacking economic substance (within meaning of section 7701(o)) or failing to meet the requirements of any similar rule of law - IRC 6662(b)(6),
- g. Any disclosed foreign financial asset understatement - IRC 6662(b)(7),
- h. Any inconsistent estate basis - IRC 6662(b)(8),
- i. Any overstatement of the deduction provided in section 170(p) - IRC 6662(b)(9), and
- j. Any disallowance of a deduction by reason of section 170(h)(7) - IRC 6662(b)(10).

- (2) The accuracy-related penalty appears on Master File as TC 240 PRN 680.
- (3) The accuracy-related penalty amount is computed. The field revenue agent should notate the applicable IRC section and amount on Form 3198.
- (4) It is entered with Penalty Reference Number 680 and amount in Item 15 of the Form 5344.
- (5) The accuracy-related penalty on the Revenue Agent Report (RAR) may be labeled in one of many ways:
  - a. IRC 6662,
  - b. Accuracy-Related,
  - c. Negligence,
  - d. Substantial Valuation, and
  - e. Gross Valuation.

4.38.1.11.2.2.1  
(03-28-2024)  
**Penalty Rate**

- (1) The accuracy-related penalty rate is 20% of the underpayment (or portion of the underpayment) of tax attributable to misconduct by the taxpayer.
- (2) The penalty increases to 40% when there is a gross valuation misstatement.
- (3) Regardless of the number of IRC 6662 component types of misconduct present, only one 20% penalty can be asserted for the accuracy-related penalty.

4.38.1.11.2.3  
(03-28-2024)  
**Civil Penalty - IRC 6663**

- (1) The Civil Fraud Penalty (IRC 6663) applies when any part of the underpayment of tax is due to fraud with intent to evade tax.
- (2) A portion of the taxpayer's underpayment can be subject to the fraud penalty while another portion of the underpayment is subject to the accuracy-related penalty.
- (3) The Civil Fraud Penalty appears on Master File as TC 320.
- (4) The Civil Fraud Penalty is computed by the field. They should notate the applicable IRC section and amount on Form 3198. The penalty will be on the Revenue Agent Report (RAR) prepared by the field.
- (5) The CCP tax examiner is responsible for verifying that the Form 5344 includes the penalty assessment.
- (6) The Civil Fraud Penalty is assessed by entering Transaction Code 320 with the amount of the penalty in Item 12 of Form 5344.

- (7) The Civil Fraud Penalty on the Revenue Agent Report (RAR) may be labeled as:

- Fraud Penalty
- IRC 6663

4.38.1.11.2.3.1  
(03-28-2024)

#### Penalty Rate

- (1) The penalty is applied at the rate of 75% on any portion of the underpayment attributable to civil fraud.

4.38.1.11.2.4  
(03-28-2024)

#### Penalty Abatements

- (1) It is possible a revenue agent will request to abate penalties which were previously assessed to a tax module. CCP examiners will need to follow these tips to prevent any errors:

- a. Do not abate more penalty than what is posted to the tax module.
- b. If a penalty is adjusted below zero, it will create an unpostable condition.
- c. A small penalty amount should not be left on the tax module either due to improper rounding.

**Note:** If there is a question whether the revenue agent meant to abate the full penalty or not, please refer the case to the Field Office Resource Team (FORT) for resolution.

4.38.1.11.2.4.1  
(03-28-2024)

#### Transaction Codes

- (1) The following penalties should be abated using Transaction Codes with a negative amount in Item 12 of Form 5344.

- a. Failure to File - TC 161,
- b. Failure to Pay - TC 271,
- c. Failure to Deposit - TC 181, and
- d. Civil Fraud Penalty - TC 321.

4.38.1.11.2.4.2  
(03-28-2024)

#### Penalty Reference Numbers

- (1) The following penalties should be abated using a Penalty Reference Number with a negative amount in Item 15 of Form 5344.

- a. Fraudulent Failure to File - PRN 686,
- b. Negligence or Disregard of the Rules and Regulations - PRN 786,
- c. Substantial Understatement - PRN 787,
- d. Substantial Valuation Misstatement - PRN 788,
- e. Substantial Overstatement of Pension Liabilities - PRN 789,
- f. Substantial Estate or Gift Tax Valuation Understatement - PRN 790, and
- g. Increase in Penalty in Case of Gross Valuation Misstatement - PRN 792.

**Note:** Penalties under PRN's 786 through 792 were all previously housed under PRN 680. Now, when the penalty is for substantial understatement and negligence is secondary consideration, PRN 680 will still be used.

4.38.1.11.2.5  
(03-28-2024)

#### Excise Civil Penalty Procedures (Fuel Compliance Program Penalties)

- (1) The following procedures apply to excise civil penalties proposed by fuel compliance officers (FCOs) and fuel compliance agents (FCAs).
- (2) The Issue Management System (IMS) computer application allows FCOs and FCAs to enter inspection and penalty information into a laptop computer. The information is transmitted to a host server. The group manager accesses the server to review cases and approve recommended penalties. Once the penalty



is approved, the penalty case will be established and controlled utilizing the Examination Returns Control System (ERCS). After group manager approval of the penalty, the case will be closed to CCP.

4.38.1.11.3  
(03-28-2024)  
**Interest on Penalties**

- (1) Interest is generally charged on unpaid tax deficiencies or penalties.
- (2) Master File is capable of computing interest accruals unless there is a -I freeze on the module, which indicates the deficiency interest is restricted.
  - a. If a -I freeze is present on the module or the module needs to be re-restricted, the deficiency interest must be manually computed.
  - b. For penalties, interest will accrue from a determined date, based on the type of penalty.
- (3) Please refer to Exhibit 4.38.1.11.3-1 - Interest on Penalty Table for situations when interest will accrue, and a manual computation is required.

**Note:** More comprehensive information can be found in IRM 20.2.5.3. Refer to section IRM 20.2.5.3 of archived IRM 20.2.5 dated July 25, 2017, for the appropriate interest start date on penalties assessed before July 18, 1984, for guidance on the 50% interest component that's applicable to negligence and fraud penalties assessed on returns due after December 31, 1981 and before January 1, 1989, and for penalties assessed on returns with due dates prior to January 1, 1990.

4.38.1.11.3.1  
(03-28-2024)  
**Types of Penalties that May Require Interest Computations**

- (1) This IRM will describe the conditions when interest is due to be charged on the following penalties
  - a. Failure to File,
  - b. Fraudulent Failure to File,
  - c. Failure to File,
  - d. Failure to Deposit,
  - e. Accuracy-related, and
  - f. Civil.

4.38.1.11.3.1.1  
(03-28-2024)  
**Interest on Failure to File Penalty - IRC 6651(a)(1)**

- (1) Interest is charged on the Failure to File penalty from the later of the return due date or the extended due date to:
  - a. The date of payment, or
  - b. Waiver date plus 30 days.

4.38.1.11.3.1.2  
(03-28-2024)  
**Interest on Fraudulent Failure to File Penalty - IRC 6651(f)**

- (1) Interest is charged on the Fraudulent Failure to File penalty from the return due date or extended return due date, whichever is later, until full paid.

4.38.1.11.3.1.3  
(03-28-2024)  
**Interest on Failure to Pay Penalty - IRC 6651(a), (2), and (3)**

- (1) Interest is charged on the Failure to Pay penalty from the 23c date of assessment until full paid.

- 4.38.1.11.3.1.4  
(03-28-2024)  
**Interest on Failure to Deposit - IRC 6656 (BMF only)**
- (1) Interest is charged on the Failure to Deposit penalty from the 23C date of the penalty assessment until paid in full.
- 4.38.1.11.3.1.5  
(03-28-2024)  
**Interest on Accuracy-Related Penalty - IRC 6662(c), (d), (e), (f), (g), and (h)**
- (1) Interest is charged on the accuracy-related penalty from the due date of the return, including extensions, until the date of payment.
- 4.38.1.11.3.1.6  
(03-28-2024)  
**Interest on Civil Penalty - IRC 6663**
- (1) Interest is charged on the Civil Fraud penalty from the due date of return, including extensions, until the date of payment.
- 4.38.1.11.3.2  
(03-28-2024)  
**Helpful Reminders**
- (1) Do not unnecessarily manually compute interest if systemic interest can be calculated.
- (2) When posting a penalty (except a failure to pay penalty) related to a carryback re-capture, interest on the penalty is computed from the due date or extended due date of the loss year return, whichever is later. A restriction of interest and a manual computation of the interest is necessary as Master File cannot consider the penalty stems from a loss year. Failure to pay penalties still accrue interest from the 23C date and Master File can figure the accruals.
- (3) Refer to IRM 20.2.5.3 for guidance on computing interest when multiple penalties of the same type are asserted on a module and a reduction of one of the penalties is observed.
- 4.38.1.11.4  
(03-28-2024)  
**Civil Penalties**
- (1) Civil Penalties penalize taxpayers for acts not directly related to filing a tax return. Civil Penalties can relate to acts committed by the person penalized, or for failure to file or furnish certain information and information documents.
- 4.38.1.11.4.1  
(03-28-2024)  
**Overview**
- (1) Congress established civil penalties to address the problem of non-compliance with tax laws.
- (2) Civil Penalties are not asserted directly in connection with an income tax deficiency. Some Civil Penalties relate to acts committed by the penalized taxpayer. Other Civil Penalties are asserted for failure to file or furnish certain information and information documents.
- (3) The general categories of Civil Penalties are:
- Information Returns,
  - Excise,
  - False Withholding Statements,
  - Preparer Penalties, and
  - Tax Shelters.
- (4) Civil Penalties are assessed on separate Master File Tax (MFT) Civil Penalty modules:

- a. Business Master File (BMF) uses MFT 13 and
- b. Individual Master File (IMF) uses MFT 55

**Note:** Civil Penalty modules are not established or controlled on the Audit Information Management System (AIMS).

- (5) Civil Penalties are processed on a Form 8278, Computation and Assessment of Miscellaneous Penalties, by CCP, as completed by the field.
- (6) Civil Penalties are input using Transaction Code 240 with a three-digit Reference Code. The Reference Code is posted to the right of the TC 240 on the account transcript.

4.38.1.11.4.2  
(03-28-2024)  
**Civil Penalty Modules**

- (1) The Civil Penalty Module is divided into two parts. They are:
  - a. Entity and
  - b. Name Line.

4.38.1.11.4.2.1  
(03-28-2024)  
**Civil Penalty Entity Modules**

- (1) Civil Penalties are controlled on Master File Civil Penalty modules:
  - a. Business Master File (BMF) uses MFT 13 and
  - b. Individual Master File (IMF) uses MFT 55
- (2) The Civil Penalty module is a single entity module. Master File reconciles the taxpayer's account with the entity module and creates a Master File Civil Penalty module. The Civil Penalty adjustments post to this Civil Penalty module.
- (3) Civil Penalty modules are identified by using:
  - a. Command Code ENMOD, or
  - b. Command Code INOLES.

**Reminder:** When a Civil Penalty Module exists for the account, a Civil Penalty Name Line (CVPN) appears on the ENMOD or INOLES printout.

4.38.1.11.4.2.2  
(03-28-2024)  
**Civil Penalty Name Line**

- (1) The name line is created automatically when the entity is created. This occurs either when the Form 8278 is input or when the entity is created manually in IDRS.
- (2) If the name line does not exist prior to the assessment of the Civil Penalty (for instance, a taxpayer who did not exist on the Master File previously), a name line must be established.
- (3) Access the TIN for which the name line needs to be established using CC ENMOD on IDRS. Overlay ENMOD with CC ENREQ. If the record for the TIN was not accessible via ENREQ, when transmitting CC ENREQ, a "1" will need to be input in Column 20 of IDRS as an "Intent to Build" indicator to establish a "dummy entity" on the system so the information can be filled in.
- (4) The response screen for CC ENREQ will be either INCHG if the TIN entered is IMF or BNCHG if the TIN entered was BMF. Transaction Code 013 will need to be input in the field labeled "TC" to establish the civil penalty name line. The taxpayer's name, name control, and address will also need to be input.

4.38.1.11.4.3  
(03-28-2024)

**Form 8278**  
**Requirements for CCP**

- (1) The field is responsible for completing the Form 8278 and signing as **Originator** in Item 10 of the form.
- (2) CCP must verify Form 8278 to ensure that necessary information is present:
  - a. Taxpayer's Name in Item 1 - The name line listed on Form 8278 must be a single name.  
  
**Note:** A special situation exists when a "Frivolous Tax Return" Civil Penalty is assessed against a Joint account. This assessment will be made on a Non-Master File account.
  - b. Tax Period in Item 5 - Tax periods must end in a **12**, indicating a Calendar year for both IMF and BMF Civil Penalty accounts.  
  
**Note:** Assessments of Civil Penalties for "Failure to File Form 5471 and Schedule O" according to IRC 6679 and IRC 6046 may be input with either a Fiscal or Calendar year.
  - c. Statute Date - An entry is required in either Item 4 (if there is no statute for the Civil Penalty), or Item 6 (if there is a statute date).
  - d. SSN or EIN in Item 7 - Enter Taxpayer Identification Number as appropriate for the taxpayer listed in Item 1.
  - e. MFT in Item 3 - Place a checkmark in the appropriate box.
  - f. Penalty Description in Item 9 - The Number of Violations and the Amount Assessed / Abated must be indicated for each Civil Penalty.  
  
**Note:** IRC Code Sections and Reference Numbers are necessary for each Civil Penalty. Any Civil Penalty that is handwritten onto Form 8278 must include a valid IRC Code Section and Reference Code.
  - g. Originator's Information in Items 10a - 10c
  - h. Manager's signature and date signed in 11a and 11b
  - i. Terminal operator and date input in 12a and 12b - This is the information for the CCP tax examiner who input the form.  
  
**Note:** Multiple violations for the same taxpayer and the same tax period that are subject to the same IRC Code Section must be consolidated onto one Form 8278.

4.38.1.11.4.3.1  
(03-28-2024)

**Assessment Statute**  
**Expiration Date**

- (1) The Assessment Statute Expiration Date (ASED) for Civil Penalties must be notated on Form 8278.
- (2) The ASED for a Civil Penalty may be:
  - a. The same ASED as the return with regard to extensions,
  - b. The same ASED as the return without regard to extensions, or
  - c. No ASED.
- (3) The ASED is addressed in two locations on Form 8278:
  - a. Item 4: **No Statute**, and
  - b. Item 6: **Statute Date**
- (4) Either Item 4 or Item 6 must be completed for each Civil Penalty listed on Form 8278.
- (5) Only one penalty code or violation may be listed per Form 8278.

**Note:** Civil Penalty cases with an ASER within 60 days must be processed as a Quick Assessment. Regular Quick Assessment procedures are followed.

4.38.1.11.4.3.2  
(03-28-2024)  
**Blocking Series**

- (1) A Blocking Series is assigned to each Civil Penalty adjusted on Form 8278. The Blocking Series will become part of the Document Locator Number (DLN) for the Civil Penalty, and indicates where the documentation for the Civil Penalty may be found.
- (2) The CCP Tax Examiner will enter the Blocking Series on the right margin of the same line as the Civil Penalty on Form 8278.
- (3) The Blocking Series used on Form 8278 are:
  - a. **52** for the first Civil Penalty for a specific tax period on the Form 8278, and
  - b. **53** for each subsequent Civil Penalty for the same tax period on the Form 8278 with the same case.

**Reminder:** The first Civil Penalty assessed on a specific tax period for a specific case file uses a Blocking Series "52." All other Civil Penalties on the same Form 8278 for the same tax period within the same case use Blocking Series "53."

4.38.1.11.4.4  
(03-28-2024)  
**Processing Civil Penalty Adjustments**

- (1) When processing Civil Penalties, there are three steps to take:
  - a. Verify Entity,
  - b. Verify Form 8278, and
  - c. Assemble Civil Penalty Case File.

4.38.1.11.4.4.1  
(03-28-2024)  
**Step 1, Verify Entity**

- (1) Research IDRS using Command Codes ENMOD, INOLES, or MFTRA to determine if a Civil Penalty Name Line (CVPN) must be established.
- (2) Use Form 2363 to establish a CVPN or to add an account to assess the Civil Penalty.
- (3) The Form 2363 must be input before or at the same time as the Form 8278.
- (4) Depending on local procedures, the Tax Examiner may be required to:
  - a. Submit Form 2363 and wait for verification of input prior to forwarding the Form 8278 case file for input, or
  - b. Submit both Form 2363 and the Form 8278 case file at the same time.

**Note:** When submitting both Form 2363 and Form 8278 at the same time, "Posting Delay Code 2" must be written on the top of Form 8278. The Posting Delay Code 2 on the Form 8278 allows time for the processing of the entity change on Form 2363 before the posting of the Civil Penalty adjustment on Form 8278.

4.38.1.11.4.4.2  
(03-28-2024)

**Step 2, Verify Form 8278**

- (1) Verify that all required information is completed on Form 8278.
- (2) Refer the case to the FORT for any necessary corrections.
- (3) The following items are required inputs when executing the transaction:
  - a. Name Control - First four letters of taxpayer's last name in Item 1.
  - b. Tax Period - Item 5.
  - c. Statute Information - Either in Item 4 or Item 6.
  - d. Taxpayer Identification Number - Item 7.
  - e. MFT Code - Item 3.
  - f. Code, Penalty Amount and Blocking Series - One line across for each Civil Penalty being adjusted in Item 9.

**Note:** Civil Penalty adjustments must be legible. Do not use a dash (-) in place of cents in Item 9 of Form 8278. Cents are a required entry item. Correct all amounts to include cents (.00) on Form 8278 if necessary.

**Note:** Place a plus sign (+) next to all assessments, and a minus sign (-) next to all abatements in Item 9. This ensures that the Civil Penalty is posted correctly.
- (4) Tax examiners will include their name and the date the adjustment was input in Lines 12a and 12b.

4.38.1.11.4.4.3  
(03-28-2024)

**Step 3, Assemble Civil Penalty Case File**

- (1) When Form 8278 is completed, the case file should be ready for Files.
- (2) The Civil Penalty case file should be stripped from its file folder and assembled, from top to bottom, as follows:
  - a. Form 8278,
  - b. Form 3465, Computation of Penalty for Failure to File Information Returns or Furnish Statements, if present,
  - c. Examination Workpapers,
  - d. History Sheet, and
  - e. Form 3198.
- (3) Staple all the papers in the case file securely together at two separate places on the top.

4.38.1.11.4.5  
(03-28-2024)

**Special Situations**

- (1) On frivolous tax return civil penalties, CCP tax examiners must review the Form 5734 for completeness and accuracy. If any information is missing or incomplete, refer the case file to the FORT.
- (2) Verify the following items on Form 5734:
  - a. Item 1 - Full name and address of taxpayer,
  - b. Item 3 - Taxpayer Identification Number (TIN) / Social Security Number (SSN),
  - c. Item 4 - Type of Tax **Civil Penalty**,
  - d. Item 5 - Form Number **1040**,
  - e. Item 6 - Period (must end in **12**),
  - f. Item 7 - MFT code **20**,
  - g. Item 10 - IRC Section or Type of Penalty (**IRC 6702 - Frivolous Tax Return**), Transaction Code (**240**) and Amount,

- h. Item 12 - Total (Sum of Lines 9, 10 and 11),
- i. Item 13 - Reason for Adjustment,
- j. Item 14 - Signature of preparer - Examining Officer's signature and information, and
- k. Item 15 - Date (the date Form 5734 was prepared).

4.38.1.11.4.6  
(03-28-2024)  
**Unpostable Conditions**

- (1) In order to prevent case files from rejecting at the terminal, the case file and Form 8278 should be reviewed before they are input.
- (2) Common items to verify when correcting unpostable or rejected Civil Penalty case files are:
  - a. An entity module must exist for the specific taxpayer being assessed the Civil Penalty.  
**Note:** When the entity does not exist, the module must be created using CC ENREQ.
  - b. The Tax Period must end in **12** for BMF (MFT 13) Civil Penalty adjustments.  
**Reminder:** BMF Civil Penalties will reject from the terminal if the tax period entered on Form 8278 does not end in "12".  
**Exception:** Civil Penalty assessments according to IRC 6679 and IRC 6046 with Reference Code 613 may be input with either a Calendar or Fiscal year tax period.

4.38.1.11.5  
(03-28-2024)  
**Syndicated Conservation Easement Penalties.**

- (1) Conservation easements are binding restrictions on the use and development of property such as parks, wetlands, farmland, forested land, scenic areas, historic lands, or historic structures.
  - (2) A conservation easement is a recorded agreement between a property owner and the holder of the easement which describes the restrictions and allowed uses of the property to ensure the conservation values are protected. An easement is not enforceable in perpetuity before it is recorded.
  - (3) CCP Tax Examiners will assert the penalties provided on Form 8278 from Field Exam. These penalties include:
    - a. IRC 6695(a) - Substantial and Gross Valuation Misstatements Attributable to Incorrect Appraisals,
    - b. IRC 6700 - Promotion of Abusive Tax Shelters, and
    - c. IRC 6701 - Aiding and Abetting Understatement of Tax Liability.
- Note:** Please refer to IRM 20.1.12.11 for more information about Case Processing and Assessment Instructions.

4.38.1.11.5.1  
(03-28-2024)  
**Various Penalties Asserted on Syndicated Conservation Easement Cases**

- (1) The following penalties could be asserted as part of the Syndicated Conservation Easement case process:
  - a. IRC 6695(a) - Substantial and Gross Valuation Misstatements Attributable to Incorrect Appraisals,
  - b. IRC 6700 - Promotion of Abusive Tax Shelters, and
  - c. IRC 6701 - Aiding and Abetting Understatement of Tax Liability.



- 4.38.1.11.5.1.1  
(03-28-2024)  
**IRC Section 6695a - Substantial and Gross Valuation Misstatements Attributable to Incorrect Appraisals**
- (1) IRC 6695(a), Substantial and Gross Valuation Misstatements Attributable to Incorrect Appraisals, is asserted on Syndicated Conservation Easement cases under the following two conditions:
- IRC 6695a(a)(1) - a person prepares an appraisal of the value of property and such person knows, or reasonably should have known, that the appraisal would be used in connection with a return or a claim for refund, and
  - IRC 6695a(a)(2) - the claimed value of the property on a return or claim for refund which is based on such appraisal results in a substantial valuation misstatement under chapter 1 (within the meaning of IRC 6662(e)), a substantial estate or gift tax valuation understatement (within the meaning of IRC 6662(g)), or a gross valuation misstatement (within the meaning of IRC 6662(h)), with respect to such property.
- 4.38.1.11.5.1.1.1  
(03-28-2024)  
**Amount of IRC Section 6695a Penalty**
- (1) IRC 6695a Penalty is asserted at the lesser of:
- The greater of 10% of the amount of the underpayment of \$1,000, or
  - 125% of the gross income received by the person described in subsection (a)(1) from the preparation of the appraisal.
- Exception:** No penalty is asserted if the person establishes to the agent's satisfaction that the value established in the appraisal was more likely than not the proper value.
- 4.38.1.11.5.1.2  
(03-28-2024)  
**IRC Section 6700, Promotion of Abusive Tax Shelters**
- (1) IRC 6700, Promotion of Abusive Tax Shelters, is asserted at 50% of the gross income derived or to be derived any activity by the person on which the penalty is imposed if the activity involves false or fraudulent statements.
- An activity which constitutes a penalty encompasses the entire promotion facilitated and organized by the promoter.
- 4.38.1.11.5.1.3  
(03-28-2024)  
**IRC Section 6701, Aiding and Abetting Understatement of Tax Liability**
- (1) IRC 6701, Aiding and Abetting Understatement of Tax Liability, is asserted on any person who aids or assists in the preparation of a return or other document and
- the person knows or has reason to believe that the information will be used for tax purposes, and
  - knows that the document, if used, will result in an understatement of a tax liability.
- (2) The penalty is:
- \$1,000.00, unless it relates to the tax liability of a corporation, where it is \$10,000.00.
- Note:** Only one penalty per person per tax period may be asserted.
- 4.38.1.11.5.2  
(03-28-2024)  
**Process for Working Syndicated Conservation Easement Penalty Cases**
- (1) A cross-BOD penalty case team has been established between LB&I and SB/SE to work the IRC 6695a penalty cases. ERCS controls will be established for each appraiser by the penalty case team.

- (2) Multiple assessments will be made via Form 8278 on each appraiser based on statute date. Therefore, the penalty case file will not be closed from the group via ERCS until the last assessment is made per the appraiser.

- (3) Form 8278 will include multiple penalty violations by statute date.

**Example:** One Form 8278 will be generated per appraiser for penalties controlled by a May 2020 statute date.

- (4) If a penalty is proposed:

- a. Send an e-Fax to Memphis CCP or email to Ogden CCP with the following information:

Form	Actions
Form 8278	Field Exam should ensure that all appropriate signatures are on the form.
Form 3198	<ul style="list-style-type: none"> <li>Check the block for Civil Penalties in the Special Features Section</li> <li>In the subject line of the e-Fax or email, notate: <b>Syndicated Conservation Easement - IRC 6695A Penalty Assessment</b></li> </ul>

- b. CCP will e-Fax or email a copy of the Form 2859 back to the group for association with the original case file to verify that the assessment was completed. The Field can also pull a TXMODA print.
- c. The Field should not ship the penalty case file or update ERCS until the last assessment is made per the appraiser.

**Note:** SB/SE electronic penalty case files do not have an associated paper case file. The Field will update ERCS and send the RGS case to Memphis CCP to make regular penalty assessments, using the RGS case file.

4.38.1.11.5.2.1  
(03-28-2024)

**Contacts for Syndicated Conservation Easement Penalty Cases**

- (1) SB/SE Field Exam should send cases to Memphis CCP Exam at the following e-Fax Number:
- a. 855-235-6795
- (2) LB&I Field Exam should send cases to Ogden CCP Exam at the following email address:
- a. \*CCP Ogden.

4.38.1.11.5.3  
(09-12-2024)

**Cases with Imminent Statutes Due to Expire within 60 Days**

- (1) When it is apparent that the penalty case has an imminent statute date (less than 60 days from expiring), the Field is **required** to contact the FORT Manager (on SB/SE and LB&I cases) to notify them that a quick assessment will be needed on the case.
- (2) FORT Management Contacts are:
- a. SB/SE cases should be sent to Memphis CCP at 901-707-5740.
- b. LB&I cases should be sent to Ogden CCP at 801-620-2488.

- (3) After discussion with the FORT Manager, send an e-Fax to Memphis CCP or email to Ogden CCP to the contacts in IRM 4.38.1.11.5.2.1 with the following information:
  - a. Form 8278.
  - b. Form 3198 with the block for Civil Penalties checked and notate under Other Instructions with the following line: **SHORT STATUTE Syndicated Conservation Easement - IRC 6695A Penalty Assessment** in the Special Features Section of Form 3198.
  - c. In the subject line of the e-Fax or email, notate: **SHORT STATUTE Syndicated Conservation Easement - IRC 6695A Penalty Assessment**.

4.38.1.11.5.4  
(03-28-2024)  
**Electronic IRC 6695A  
Penalty Case Files  
(SB/SE Only)**

- (1) These procedures only apply to SB/SE cases sent to Memphis CCP Exam.
- (2) The examiner saves all assessment documents to the Case File Documents folder in the RGS file using the following naming convention:
  - a. 6695A Penalty Assessed - YYYYMMDD NAME Form 8278,
  - b. 6695A Penalty Assessed - YYYYMMDD NAME Form 2859, or
  - c. 6695A Penalty Assessed - YYYYMMDD NAME TXMOD.

**Note:** YYYYMMDD is the year, month, and day of the assessment; NAME is the name control of the ERCS penalty record.

- (3) The examiner checks the box on Form 3198 for “Civil Penalties (Form 8278)” and includes in Other Instructions the following information:
  - a. “8278 penalties previously assessed”
- (4) The field group closes the RGS file and updates the ERCS record to Memphis CCP. The ERCS record should be closed as an electronic case to ensure the “E” indicator is present.
- (5) Memphis CCP closes the ERCS record and archives the RGS file.

4.38.1.11.6  
(03-28-2024)  
**Overview of Restricted  
Interest**

- (1) Restricted interest is a term applied to a module in which a systemic calculation of deficiency or credit interest cannot be performed by IRS computer systems.
- (2) Modules can be restricted on either deficiency or credit interest prior to an adjustment, resulting from an audit, or the module may need to be restricted on either, according to the complexity of the audit closing package in conjunction with Master File systemic limitations. In addition, careful consideration should always be given as to whether restricting interest on a module is necessary. Interest calculated systemically is preferred, removes the element of human error, is more efficient, and requires no future computational maintenance to the module regarding the interest.
- (3) TC 340 and 341 represent a restricted interest adjustment of interest. TC 770 and 772 represent a manual computation of credit interest but doesn't necessarily restrict the module credit interest. TC 190 is utilized for deficiency interest on manual assessments that don't lead to a restriction of deficiency interest, allowing the system to resume calculations after it has posted. Generally, an amount accompanies these transaction codes although .00 can be input in specific circumstances.

- (4) A manual computation of interest should be distinguished from the term, restricted interest. Although restricting a module's interest requires a manual computation, not all manual computations necessitate restricting the module's interest. A manual computation of interest may be completed to assist with time-sensitive processes, such as manual assessments and manual refunds, where the computation is necessary to accurately administer the assessment or refund, that are completed through a process that bypasses systemic calculations of interest.
- (5) For comprehensive details and specific instructions on all aspects of restricted and manually computed interest, IRM 20.2 should always be utilized.
- (6) Only tax examiners who have received the required interest as recommended by the Office of Servicewide Interest (OSI) should be performing manual computations of interest, as the application of interest provisions can be complex and are subject to human error.

4.38.1.11.6.1  
(03-28-2024)

**Freeze Codes Affecting Interest**

- (1) The following are freeze codes on Master File that can alert a tax examiner to restricted interest conditions already present.

***Master File Freeze Codes that Impact Interest***

Freeze Code	Definition
-I	Computer generation of underpayment interest is blocked from calculation.
I-	Computer generation of overpayment interest is blocked from calculation.
-C	Computer generation of underpayment interest is blocked from calculation, when set by TC 500 with closing codes 51/52 for military deferment.
-Y	Offer in Compromise. Computer generation of underpayment <i>and</i> overpayment interest is blocked from calculation.

**Note:** Other freeze codes, such as a -O Freeze for a disaster area, can indicate special interest provisions to be followed if you will be restricting the interest on a module for another reason. Freeze codes should always be considered when performing interest calculations.

4.38.1.11.6.2  
(03-28-2024)

**Reasons for Restricted Interest**

- (1) Some of the reasons for restricting underpayment interest on a tax module are listed in the table below. Please note this list is not all inclusive.

Description	Reference
Carryback and general adjustments using Form 2285, Concurrent Determinations of Deficiencies (Increases in Tax) and Overassessments (Decreases in Tax) in Cases Involving Restricted Interest Provisions of the Internal Revenue Code	IRM 20.2.9, Interest on Carryback of Net Operating Loss
Carryback adjustments with related penalties, such as the accuracy-related penalty (Master File uses the carryback year due date as the effective date for the penalty, instead of the loss year return due date).	IRM 20.2.5.3(5) Note, Interest on Penalties and Additions to Tax
<p>Carryback adjustments posted with refundable tax credits prior to 2016. (Master File used the carryback (gain) year due date as the effective date for the credits, instead of the loss year return due date. Starting January 2016, Master File is using the Interest Comp Date (INT-CMPTN-DT) of the carryback adjustment as the effective date of associated credits).</p> <p><b>Exception:</b> For carryback adjustments containing refundable credits received and processed prior to the loss year return due date, but the current date is used as the INT-CMPTN-DT, interest must still be manually computed.</p>	IRM 21.5.9.5.15, Carryback Net Operating Loss (NOL) Effect on Refundable Credits.
Combat zone with multiple in/out tours within a 6-month period	IRM 20.2.7.11, IRC 7508, Combat Zone.
Credits reversals with interest suspension periods prior to July 2015, such as fuel credits, withholding credits, education credits, or credits from Form 8839, Qualified Adoption Expenses, Form 8801, Credit for Prior Year Minimum Tax-Individuals, Estates, and Trusts, Form 8885, Health Coverage Tax Credit, Form 8827, Credit for Prior Year Minimum Tax - Corporations, Form 3800, General Business Credit, etc. with interest suspension periods.	IRM 20.2.7.9.1, IRC 6601(c) Suspension Period Calculation.

Description	Reference
Dividend Deficiencies	IRM 20.2.11.2.2, Criteria to Claim a Deficiency Dividend Deduction.
Disaster Areas	IRM 20.2.7.13, IRC 7508A, Presidentially Declared Disaster or Terroristic or Military Actions.
Employment Tax ascertained date under IRC 6205	IRM 20.2.10.5, Employment Taxes.
Estate tax returns	IRM 20.2.10.2, Interest on Estate Tax Returns.
Expired CSED - accounts with one or more expired CSEDs	IRM 20.2.5.2.1.1, Allocation of Payments.
Foreign tax credit adjustments	IRM 20.2.10.3, Foreign Tax credits.
IRC 6404(g) with previously posted TC 29X/30X adjustments including TC 29X/30X for zero when TC 971 AC 064 is pending or posted and the input adjustment results in an increase in liability (tax, penalties, or decrease in refundable credits)	IRM 20.2.7.8.6, IRC 6404(g) Interest Computation.
Large corporate underpayment (LCU)	IRM 20.2.5.8, Large Corporate Underpayment (LCU) Introduction.
Ministerial or managerial acts causing errors or delays	IRC 20.2.7.5, IRC 6404(e)(1), Unreasonable Error or Delay in Performing a Ministerial or Managerial Act.
Multiple waiver dates	IRM 20.2.7.9, IRC 6601(c), Suspension of Interest on Deficiencies.
<b>Multiple</b> IRC 6404(g) notice dates	IRM 20.2.7.8.5.1, Multiple IRC 6404(g) Notices.
Net rate interest netting	IRM 20.2.14, Netting of Overpayment and Underpayment Interest.
Non-Master File assessments	IRM 21.7.12, Business Tax Returns and Non-Master File Accounts, Non-Master File (NMF) Adjustments.
Non-Mirrored MFT 31 modules	IRM 20.2.5.14, MFT 31.

Description	Reference
Offers in compromise (OIC)	IRM 20.2.11.11, Offers in Compromise (OIC).
Personal holding company tax	IRM 20.2.11.2.4, Decreases in PHC Tax, and IRM 20.2.11.2.5, Underpayment (Debit) Interest on PHC Tax Adjustments.
Reinstated from retention	IRM 20.2.5.6.3, Non-restricting Transaction Code (TC) 340.
Rev. Proc. 2002-18	IRM 8.6.3.10, Changes in Accounting Practice or Method, and IRM 4.11.6, Changes in Accounting Methods.
Rev. Rul. 99-40	IRM 20.2.5.7, Revenue Ruling 99-40 (Modifies and Supersedes Revenue-Ruling 88-98) Use of Money.
Section 3082(a), Public Law 110-289 of the Housing and Economic Recovery Act of 2008	IRM 20.2.7.13.2, Amended Returns for Hurricane Related Casualty Losses With Subsequent Grant Reimbursement.
Tax motivated transactions	IRM 20.2.5.9, Tax Motivated Transaction (TMT) Interest.

#### 4.38.1.11.6.3 (03-28-2024)

##### Tool Utilized for Computing Interest

- (1) Automated Computation Tool (ACT) / InterestNet (often referred to as Decision Modeling Inc. (DMI)) is the preferred software to complete interest computations although COMPA with various definers can also be used in limiting circumstances.
- (2) ACT / InterestNet has the ability to import account data from IRS computer systems. The importing of an account populates the posted account data and based on module conditions, pre-sets initial interest effective dates and suspension periods. Refer to additional information in the article, *ACT/DMI InterestNet Updates*.
- (3) Anytime underpayment interest is manually computed, leading to a restriction of interest, it is necessary to recompute the entire tax module, using running module balance methodology, to ensure an accurate computation is made. When the tax module is recomputed, all prior overpayment and underpayment interest transactions, whether systemically or manually computed (e.g., TC 19X, TC 34X, TC 77X), must be verified. When manually computing overpayment interest, a recomputation of the entire module, including verification of past systemic and manual interest transactions, is not required **unless**:



- a. There is a prior **manual** computation of underpayment interest on the tax module, or
- b. The current manual overpayment interest computation also includes a manual computation of underpayment interest.

**Note:** While the program will capture taxpayer account data and establish initial interest positions (e.g., “Adj/End” date and some suspensions periods), the interest technician is still responsible for the analysis of the taxpayer’s account, the application of the proper provisions and settings of interest effective dates/positions prior to the calculation and final interest adjustment determination. Import functionality is not an “import” and “process” product.

4.38.1.11.6.4  
(03-28-2024)  
**Restricted Interest  
Blocking Series**

- (1) It is not necessary, when inputting manual underpayment interest restriction transaction codes (TC 34X) in ADJ54 or AMCLS, to use a blocking series that will create a refile DLN, **if sufficient documentation is attached to the adjustment source document.**

4.38.1.11.6.5  
(03-28-2024)  
**Required Input With All  
Restricted Interest  
Adjustments**

- (1) All manual underpayment interest transactions input through CC ADJ54 or CC AMCLS must have an interest-to-date in the “DB-INT-TO-DT” field (MMDDYYYY format). Interest is generally computed to the full paid date, 30 days from the agreement date, or the 23C date of the assessment, whichever is the earliest. The “DB-INT-TO-DT” field posts to the module and identifies to whichever date the manual underpayment interest was computed. Accurate entry of this field assists employees who are responsible for performing subsequent interest computations, account updates, and account inquiries.

**Exception:** The following are exceptions to using a date other than the date interest was computed to in the “DB-INT-TO-DT” field:

- |                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. If a TC 340 for zero is input to stop erroneous accruals, then the 23C date of the assessment can be used.                                                            |
| 2. If no interest is due on the module, then use the return due date (RDD).                                                                                              |
| 3. When non-restricting TC 340 is used, enter the 23C date of the non-restricting TC 340 adjustment. Refer to IRM 20.2.5.6.3, Non-Restricting Transaction Code (TC 340). |

- (2) Use TC 190 to post manually computed underpayment interest on quick and prompt assessment documents when the tax module is not restricted and does **not** require interest to be restricted. Do **not** post a TC 190 for zero unless no interest is due. If interest needs to be restricted, then, when possible, input a non-restricting TC 340 after a quick or prompt assessment has posted with a restricting TC 340 to allow Master File to update interest. Refer to IRM 20.2.5.6.3, Non-Restricting Transaction Code (TC) 340, for input details.

**Note:** Master File does not recognize TC 772 as a total consideration of all overpayment interest (e.g., an overpayment interest combination adjustment which may include netted or additional overpayment interest, etc.). As a result, if the tax period has an overpayment at the time of posting, it will recalculate overpayment interest, post an erroneous TC 776 amount, and

## 4.38 Centralized Case Processing (CCP)

issue a refund with excessive overpayment interest. To avoid this, it is necessary to cycle the adjustment by performing the following processing steps:

- |                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Calculate interest to the 23C date of the following cycle.                                                                                                           |
| 2. Post the necessary adjustments, including the TC 772 to the current cycle, using a hold code to prevent Master File from posting a TC 776, and releasing the credit. |
| 3. Input a TC 340 for zero and TC 770 for zero to release the credit for refund with a one-week cycle delay (to match the interest-to date).                            |
| 4. Post a hold code that only holds the notice.                                                                                                                         |

4.38.1.11.6.6  
(03-28-2024)

### Non-Restricting TC 340

- (1) The non-restricting TC 340 is an enhancement to Master File programming to allow a systemic interest update on a tax module after interest has been manually computed, and it should be used whenever possible. Refer to IRM 20.2.5.6.3 for specific instructions regarding this enhancement and exercise caution due to its limitations. Often, a review of the interest computed in different scenarios by the system, due to the use of the non-restricting TC 340 is necessary, to ensure it has been computed accurately. This will allow technicians to determine the types of modules scenarios the enhancement may work on.

4.38.1.11.6.7  
(03-28-2024)

### Audit Management Services (AMS)

- (1) When Account Management Services (AMS) is available to a user, it is advised to notate the following in the AMS case history narrative, which will allow the information to be shared across multiple functions working the taxpayer's account.
  - a. Reason interest has been manually computed.
  - b. Relevant interest computation dates and amounts for the adjustment.
  - c. Any specific information that would be helpful to someone in reconstructing the posted manual interest amount.

4.38.1.11.6.8  
(03-28-2024)

### Form 3198 Instructions

- (1) In order for CCP to process Restricted Interest cases, the field must mark instructions on Form 3198. The following steps should be taken:
  - a. The Field will notate the Form 3198 before updating the status to 51 and forwarding it to CCP.
  - b. The CCP Clerical function will sort and assign the cases according to the instructions on Form 3198 and update the case to the appropriate status code.
  - c. A Restricted Interest Tax Examiner will process the case based on the instructions on Form 3198. A Restricted Interest Tax Examiner will almost always process these cases using ACT DMI (Automated Computational Tool Decision Modeling Inc).