



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

5.1.15

MARCH 17, 2025

EFFECTIVE DATE

(03-17-2025)

PURPOSE

- (1) This transmits revised IRM 5.1.15, Field Collecting Procedures, Abatements, Reconsiderations and Adjustments.

MATERIAL CHANGES

- (1) Material changes are reflected in the following table.

IRM	Description
IRM 5.1.15	Deleted usage of name control and taxpayer identification numbers, updated Wage and Investment (W&I) to Taxpayer Services (TS), and updated links throughout.
IRM 5.1.15	Added Contact Information and made grammar edits throughout.
IRM 5.1.15.1.1	Added additional grammar edits to reconsideration and added additional content indicating when adjustments may be required.
IRM 5.1.15.1.2	Updated the Regulations link.
IRM 5.1.15.1.3	Added additional details regarding revenue officer roles and responsibilities.
IRM 5.1.15.1.4	Added Program Management and Review subsection
IRM 5.1.15.1.5	Added Program Controls subsection
IRM 5.1.15.1.6	Added additional Acronyms and Definitions to the chart.
IRM 5.1.15.3	Added additional details regarding Audit Reconsideration.
IRM 5.1.15.3.1	Made grammar edits throughout. Added a "Note" indicating that CCP does not process reconsideration requests.

IRM	Description
IRM 5.1.15.3.2	Added a "Note" indicating that CCP does not process reconsideration requests.
IRM 5.1.15.3.3	Provided IRM 5.1.5.18.8 as a reference for Restitution Based Assessments and updated links.
IRM 5.1.15.4	Updated the link by adding the Centralized Reconsideration Unit addresses and updated the chart format for (e) and added a "Note" indicating that request of this type if not processed by CCP.
IRM 5.1.15.4.2	Updated the link for AUR Coordinators, added a "Note" indicating that CCP does not process AUR requests, and added a "Note" that adjustments of \$100,000 or more require managerial approval.
IRM 5.1.15.4.3	Added a "Note" that adjustments of \$100,000 or more require managerial approval.
IRM 5.1.15.4.4	Added contact information for SFR Operation for Fresno Service Center.
IRM 5.1.15.4.5	Added a "Note" indicating that request of this type if not processed by CCP.
IRM 5.1.15.4.6.1	Added a "Note" indicating that request of this type if not processed by CCP.
IRM 5.1.15.5	Added a paragraph to determine the Refund Statute Expiration Date for adjustments and included IRM 25.6.1, State of Limitations Processes and Procedures for further explanations.
IRM 5.1.15.5.1	Added a "Note" that adjustments of \$100,000 or more require managerial approval.
IRM 5.1.15.5.3	Added IRM 21.5.9.4.1, Carryback Research and added a "Note" that adjustments of \$100,000 or more require managerial approval.

IRM	Description
IRM 5.1.15.5.4	Added a "Note" that adjustments of \$100,000 or more require managerial approval.
IRM 5.1.15.6	Included contact information for Employment Tax Non-Filer Program and added a "Note" that adjustments of \$100,000 or more require managerial approval and added a "Note" that Form 1065 amended returns are not processed by CCP.
IRM 5.1.15.7	Added "Note" stating, Chief Counsel has determined the First Time Abate Penalty relief option does NOT apply to the Intentional Disregard Penalty (PRN 549) under IRC Section 6721(e) or the Late Filing Penalty (PRN 550) under section 6721(a). These penalties can only be abated based on Reasonable Cause criteria. Added IRM 4.19.4.3.1.1, Intentional Disregard Failure to File Penalty as a reference. Updated links and added Share-Point information established for Field Collection.
IRM 5.1.15.7.1	Updated contact information and links for SSA-CAWR and IRS-CAWR.
IRM 5.1.15.7.2	Updated contact information and links for IRS-CAWR.
IRM 5.1.15.7.3	Included IRM 4.19.25, Information Return Penalty (IRP) Procedures as a reference, added Exhibit 20.1.1-6, Penalty Reference Number (700 series), and updated Trade Preferences Extension Act (TPEA) of 2015 penalty amounts.
IRM 5.1.15.8	Included 53 agencies who participate in the Federal Unemployment Tax Act (FUTA) Certification Program and deleted Exhibit 5.1.15-1, FUTA Worksheet.

IRM	Description
IRM 5.1.15.9(7)	Added "Note" stating that the Form 3870 itself isn't sufficient documentation for abating a penalty.
IRM 5.1.15.10.1	Added new subsection, Adjusting Excise Claims and Returns.
IRM 5.1.15.11(2)	Deleted the first option regarding reprocessing a return.
IRM 5.1.15.11(4)	Added "Reminder" to check all related accounts regarding reprocessing the return or moving any credits.
IRM 5.1.15.15	Added Forms 3809 and 4446 which can be used for a credit transfer.
IRM 5.1.15.15(2)	Added paragraph 2 regarding IDRS research and effects of each module, added links to IRM 25.6, Statute of Limitations, and included a "Note" not to move payments until they post to IDRS.
IRM 5.1.15.15(3)	Added paragraph 3 advising that all credit transfer requests must contain sufficient information to transfer the available credit
IRM 5.1.15.15(5)	Removed paragraph 5. It does not refer to the credit transfer process.
IRM 5.1.15.15(7)	Added additional information to that all required fields on the Form 2424 or Form 3809 need to be completed and reviewed for accuracy and added a "Note" that managerial approval is needed for credit transfers over \$100,000.
IRM 5.1.15.15(8)	Added paragraph 8 advising that transaction codes must be compatible and added Document 6209 and Exhibit 1.5.8-1, TRANSACTION CODES AND REVERSALS.
IRM 5.1.15.16.3	Added a new subsection for Penalty Abatements for Penalties Assessed under IRC 6721 and 6722.

IRM	Description
IRM 5.1.15	Removed former Exhibit 5.1.15-1, FUTA Worksheet.
IRM 5.1.15-1	Added IRM references and updated the chart to the new Exhibit, IRM 5.1.15-1, Identifying Reasonable Cause Categories.
Exhibit 5.1.15-2	Updated State Mapping for IRS-CAWR for 2021 and prior and added contact information for IRS-CAWR Cincinnati Service Center.
Exhibit 5.1.15	Removed former Exhibit 5.1.15-4, Penalty Appeals Request Check Sheet.
Exhibit 5.1.15-3	Added State Mapping IRS-CAWR for 2022 and subsequent and added contact information for IRS-CAWR Cincinnati Service Center and Memphis Service Center.
IRM 5.1.15-4	Added Sample Language for Letter 2413 for IRC 6721 and 6722 Denials.

EFFECT ON OTHER DOCUMENTS

IRM 5.1.15 dated 03-09-2021 is superseded: IPU 23U0256 issued 02-14-2023, IPU 23U0365 issued 03-09-2023, IG Memorandum SBSE-05-0723-0041, Rescission: IRM Deviation for Manual Adjustments of Taxpayer Accounts Related to COVID-19 Legislation, dated 07-25-2023, IG Memorandum SBSE 05-1124-0066, Re-Issuance of Interim Guidance for Manual Adjustments of Penalties Assessed under IRC 6721 and 6722, dated 11-21-2024 is incorporated.

AUDIENCE

Revenue officers in SB/SE Field Collection

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Small Business/Self Employed

5.1.15

Abatements, Reconsiderations and Adjustments

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- 5.1.15-3 State Mapping IRS-CAWR (2022 and subsequent) is worked in Cincinnati Service Center (CSC) or
Memphis Service Center (MSC)
- 5.1.15-4 Sample Language for Letter 2413 for IRC 6721 and 6722 Denials

5.1.15.1
(03-17-2025)
Program Scope and Objectives

- (1) **Purpose:** This IRM provides guidance and instruction to SBSE employees in Field Collection for requesting abatements, adjustments, and processing reconsiderations.
- (2) **Audience:** The primary audience for this IRM is Field Collection employees and Field Collection group managers.
- (3) **Policy Owner:** The policy owner of this IRM section is the Director, Collection Policy.
- (4) **Program Owner:** The program owner of this IRM section is SB/SE Collection Policy, Campus Policy.
- (5) **Primary Stakeholders:** In addition to Field Collection employees, employees in Automated Underreporter, Field Examination, Campus Examination, CAWR/ FUTA, and Campus Collection are also impacted by the appropriate use of this IRM.
- (6) **Program Goals:** The purpose of this IRM is to ensure that Field Collection employees understand the various types of requests for abatements, reconsiderations, and adjustments and ensure that they understand the different routing requirements.
- (7) **Contact Information:** Email recommendations and suggested changes for this IRM to the Content Product Owner. The owner is listed on the Product Catalog Information page which is found in the Forms/Pubs/Product IRM listing of the Media and Publications website, *Media and Publications*.

5.1.15.1.1
(03-17-2025)
Background

- (1) A taxpayer may request abatement of tax, penalty, and interest providing certain criteria for each are met.
- (2) A reconsideration is when a taxpayer submits information that was not previously considered after the issuance of a final determination. In order for the reconsideration request to be considered, the information must be different than what was previously submitted.
- (3) An adjustment is an action taken on a tax module requested by a revenue officer to correct the tax module using the Integrated Data Retrieval System (IDRS). Adjustments may be required because of:
 - Processing errors on returns
 - Missing schedules
 - Claims
 - Amended returns

5.1.15.1.2
(03-17-2025)
Authority

- (1) According to the Code and Regulations, the IRS has the authority to abate tax or any liability in respect thereof (which would include penalties and interest).
- (2) **Code** - The IRS's general abatement authority is found in IRC 6404(a). It provides: The Secretary is authorized to abate the unpaid portion of the assessment of any tax or any liability in respect thereof, which is excessive in amount, or is assessed after the expiration of the period of limitation properly applicable thereto, or is erroneously or illegally assessed.
- (3) 26 CFR 301.6404-1 Code of Federal Regulations 301.6404-1 provides (in part):

- a. The district [area] director or the director of the regional service center [servicing campus] may abate any assessment, or unpaid portion thereof, if the assessment is in excess of the correct tax liability, if the assessment is made subsequent to the expiration of the period of limitations applicable thereto, or if the assessment has been erroneously or illegally made.
- b. No claim for abatement may be filed with respect to income, estate, or gift tax.
- c. Except in case of income, estate, or gift tax, if more than the correct amount of tax, interest, additional amount, addition to the tax, or assessable penalty is assessed but not paid to the district [area] director, the person against whom the assessment is made may file a claim for abatement of such over assessment. Each claim for abatement under this section shall be made on Form 843, Claim for Refund and Request for Abatement.
- d. The Commissioner may issue uniform instructions to district [area] directors authorizing them, to the extent permitted in such instructions, to abate amounts the collection of which is not warranted because of the administration and collection costs.

5.1.15.1.3
(03-17-2025)

**Roles and
Responsibilities**

- (1) The Director, Collection Policy is responsible for providing guidance in routing requests for abatements, reconsiderations, and adjustments.
- (2) The Collection Policy Program Manager, Campus Policy is responsible for overseeing the proper application of the policies and procedures established.
- (3) Field Collection employees are responsible for securing accurate returns, schedules/attachments, and sufficient documentation to satisfy and support abatement, reconsideration, and adjustment requests. Field Collection employees are also responsible for proper routing of their requested actions.
- (4) The Internal Revenue Code (IRC) provides taxpayers specific rights. The Taxpayer Bill of Rights (TBOR) groups these rights into ten fundamental rights. See IRC 7803(a)(3). IRS employees are responsible for being familiar with and following these rights. For additional information about your taxpayer rights, please see Pub 1, Your Rights as a Taxpayer, *Taxpayer Bill of Rights*.

5.1.15.1.4
(03-17-2025)

**Program Management
and Review**

- (1) The program management and review is measured by the following review types and by the level of management.
- (2) Group Managers and on-the-job instructors (OJIs) use the Embedded Quality Review System (EQRS) to input case reviews. EQRS is used to evaluate employee performance and provide feedback and the National Quality Review System (NQRS) is used to ensure program delivery with this IRM. NQRS data is used to report the official organizational business quality results.
- (3) Case reviews are conducted by group managers to ensure compliance with this IRM.
- (4) Operational reviews are conducted by field compliance managers/territory managers and area directors annually to evaluate program delivery and conformance to evaluate program delivery and conformance to administrative and compliance requirements.

5.1.15.1.5
(03-17-2025)
Program Controls

- (1) Field Collection uses the Integrated Collection System (ICS) to oversee and manage taxpayer cases worked within Field Collection.
- (2) Collection managers verify program and procedural compliance through case consultations, case reviews, and performance reviews. Collection manager's internal controls are detailed in IRM 1.4.50, Resource Guide for Managers, Collection Group Manager, Territory Manager, and Area Director Operational Aid.

5.1.15.1.6
(03-17-2025)
Terms and Acronyms

- (1) The table below lists common acronyms used in this section:

Acronym	Definition
Appeals	Independent Office of Appeals
ASFR	Automated Substitute for Return
AUR	Automated Underreporter
BSC	Brookhaven Service Center
BMF	Business Master File
CAWR	Combined Annual Wage Reconciliation
CC	Command Code
CCP	Centralized Case Processing
CSC	Cincinnati Service Center
CEASO	Civil Enforcement Advice and Support Operations
DCI	Data Collection Instrument
ECR	Electronic Case Receipts
EGC	Employee Group Code
EIN	Employer Identification Number
EQRS	Embedded Quality Review System
ESRP	Employer Shared Responsibility Provision
FC	Field Collection
FORT	Field Office Resource Team
FRP	Frivolous Return Program
FTA	First Time Abatement
FTD	Federal Tax Deposit
FTF	Failure to File
FTP	Failure to Pay
FUTA	Federal Unemployment Tax Act
GCP	General Case Processing

Acronym	Definition
IAC	Interest Abatement Coordinator
ICS	Integrated Collection System
IRC	Internal Revenue Code
IDRS	Integrated Data Retrieval System
IMF	Individual Master File
IRC	Internal Revenue Code
IRMF	Information Return Master File
IRP	Information Return Program
IRPP	Information Return Penalty Program
IRS	Internal Revenue Service
LLC	Limited Liability Corporation
MFS	Married Filing Separate
MSC	Memphis Service Center
NFTL	Notice of Federal Tax Lien
NQRS	National Quality Review System
OJI	On-the-Job Instructor
PBC	Primary Business Code
PDS	Private Delivery Service
PII	Personally Identifiable Information
POC	Point of Contact
PRC	Penalty Reason Code
PRN	Penalty Reference Number
PSC	Philadelphia Service Center
RBA	Restitution Based Assessment
RCA	Reasonable Cause Assistant
RO	Revenue Officer
SBC	Secondary Business Code
SFR	Substitute for Return
SMO	Single Member Only
SSA	Social Security Administration
TC	Transaction Code
TS	Taxpayer Services
SSN	Social Security Number

Acronym	Definition
TIN	Taxpayer Identification Number

5.1.15.1.7
(03-17-2025)

Related Resources

- (1) Here is a listing of some helpful IRM resources:

IRM	Title
IRM 5.4	Case Processing
IRM 4.19.4	CAWR Reconciliation Balancing
IRM 4.19.25	Information Return Penalty (IRP) Procedures
IRM 5.18.2	Business Returns IRC 6020(b) Processing
IRM 20.1	Penalty Handbook
IRM 20.2	Accounts Management and Compliance Services Operation
IRM 20.2	Interest
IRM 21.2	Systems and Research Programs
IRM 21.5	Account Resolution
IRM 21.6	Individual Tax Returns
IRM 21.7	Business Tax Returns and Non-Master File Accounts
IRM 25.6.1	Statute of Limitations Processes and Procedures

- (2) Helpful websites:

WEBSITES
<i>SERP</i>
<i>Collection Virtual Library Floor</i>
<i>Centralized Field Support Knowledge Base Homepage</i>
<i>Campus Liaison Resources Knowledge Base Homepage</i>

5.1.15.2
(03-17-2025)

Types of Assessments

- (1) The IRS determines the correct amount of assessments:

- a. **Automated Substitute for Return (ASFR)** - is an automated non-filer delinquency program assessment using procedures under IRC 6020(b), Execution of Return by Secretary, when a taxpayer fails to file a Form 1040 return required by any Internal Revenue law or regulation.

- b. **Substitute for Return (SFR)** - assessment procedures under IRC 6020(b), Execution of Return by Secretary, when a taxpayer fails to file a Form 1040 return required by any Internal Revenue law or regulation.
- c. **Audit** - an examination of the taxpayer's books and records based on the original return filed by the taxpayer, whether in a field or campus location, based on the original return filed by the taxpayer.
- d. **Automated Underreporter (AUR)** - matches documents to resolve discrepancies in income/deductions based on the original return filed by the taxpayer using Information Return Program (IRP) documents for IMF and Information Return Master File (IRMF) documents for BMF.
- e. **Combined Annual Wage Reconciliation (CAWR)** - is a document matching program that compares the Federal Income Tax withheld, Medicare wages, Social Security wages, and Social Security Tips reported to the IRS on the Forms 94X and Schedule H against the amounts reported to the Social Security Administration (SSA) via Forms W-3 and the processed totals of the Forms W-2 and amounts reported to IRS on Forms W-2G and 1099R.
- f. **Federal Unemployment Tax Act (FUTA)** - matches documents to resolve discrepancies between the original return filed by the taxpayer and the unemployment amounts reported on the Form 940 and/or Schedule H against the amounts reported to the states. This program is the method IRS uses to verify with the states that the payment claimed on the Form 940 and/or Schedule H were actually paid into the states' unemployment funds.

5.1.15.3
(03-17-2025)

**Types of
Reconsiderations -
Audit, Automated
Underreporter
(IMF/BMF-AUR),
Substitute For Return
(SFR) and Automated
Substitute For Return
(ASFR)**

- (1) There are five distinct types of reconsiderations based on the type of assessment:
 - a. **Audit Reconsideration** is a process IRS uses to reevaluate the results of a prior audit where additional tax was assessed and remains unpaid, or a tax credit was reversed. If the taxpayer disagrees with the original determination, they must provide new information that was not previously considered during the original examination. It is also the process the IRS uses when the taxpayer contests a substitute for return (SFR) determination by filing an original delinquent return or when there is an IRS computational or processing error in assessing the tax. See IRM 1.2.1.4.15, Policy Statement 3-15 (Formerly P-2-89), Reconsideration of Unpaid Assessment.
 - b. **IMF-AUR Reconsideration** is a claim for a credit or refund not previously reported or allowed, or a request for abatement of tax, penalty, and/or associated interest. An underreported condition exists when there is income reported to IRS by payors that was not reported by the taxpayer on Form 1040, Form 1040A, Form 1040EZ, or Form 1040-NR. Proposed tax adjustments are based on these underreported amounts, as well as on reported income amounts for which the taxpayer failed to include the required additional taxes (e.g., Self-Employment tax (SET)).
 - c. **BMF-AUR Reconsideration** is a claim for a credit or refund not previously reported or allowed, or a request for abatement of tax, penalty, and/or interest. BMF-AUR cases are built from two primary sources: The Business Master File (BMF) which contains information reported to the IRS by taxpayers, and the Information Return Master File (IRMF) which contains information submitted by payers. The BMF file contains information reported on Form 1120, U.S. Corporation Income Tax Return, and Form 1041, U.S. Income Tax Return for Estates and Trusts.

- d. **SFR Reconsideration** The SFR program is a non-filer or return delinquency program for individual and individual business non-filers who are identified via matching programs. IRS computes tax, penalty and interest using the Information Return Program (IRP) data and other internally available information and assesses under IRC 6020(b). A reconsideration of SFR is an original filing of a tax return by the taxpayer requesting a decrease or increase of tax, and any associated penalty and/or interest.
- e. **ASFR Reconsideration** The ASFR program is an automated non-filer or return delinquency program for individual and individual business non-filers who are identified via matching programs. IRS computes tax, penalty and interest using the Information Return Program (IRP) data and other internally available information and assesses under IRC 6020(b). A reconsideration of ASFR is an original filing of a tax return by the taxpayer requesting a decrease or increase of tax, penalty, and interest.

(2) The forms assessed under IRC 6020(b) are:

- Individual - Form 1040
- Business - Forms 940, 941, 941-PR, 941-SS, 943, 944, 720, 2290, CT-1, and 1065.

5.1.15.3.1

(03-17-2025)

Reconsiderations - General Procedures - Audit, Automated Underreporter (IMF/BMF AUR), Substitute For Return (SFR) and Automated Substitute For Return (ASFR)

(1) For Audit, IMF/BMF-AUR, and SFR/ASFR reconsiderations, **always**:

- a. Conduct a cross-compliance check and, if necessary, bring any noncompliant taxpayer into compliance. If there is an IMF and a joint assessment, check the secondary social security number (SSN) for compliance.
- b. Secure levy sources for future collection.
- c. Suspend collection only on the amount being considered for an adjustment.
- d. Advise the taxpayer that failure to respond or cooperate with the employee working the adjustment case will result in the case being returned to Collection to resume collection action. At that time, no further consideration will be given to the reconsideration request until the tax is paid in full.
- e. Document the case history on ICS and proceed with appropriate collection action(s) on any additional modules.
- f. If the adjustment results in Status 12, **there is no open Del Ret and the collection investigation on the taxpayer entity is concluded**, the RO is required to send case closing Letter 4222, Notice of Case Resolution, to the taxpayer and/or power of attorney. If there is a POA record in good standing on the module, a POA copy of the letter along with Letter 937 will print. Letter 4222 will generate systemically on ICS and a systemic history will be written on ICS. If managerial approval is required, when the manager selects the approval button, the "Print Manager" will open which includes the option on ICS to allow the manager to print the case closing letter or e-mail it to the initiator of the request for them to print and mail.
- g. Insert your group manager's e-mail address in Item 14 of Form 3870 to facilitate contact by campus employees. Managerial approval is required when requesting penalty abatement due to reasonable cause.

Exception: Audit reconsiderations must be approved by Exam.

Reminder: Effective July 1, 2012, all employees should follow proper procedures when shipping hardcopy documents containing personally identifiable

information (PII) by a carrier other than the United States Postal Service. Additional information about shipping PII can be accessed on the IRS intranet at the publishing web site using the link provided. *Postal and Transport Policy.*

- (2) Form 3870 criteria required for processing all reconsideration requests:

If	Then
Notice of Federal Tax Lien (NFTL) has been filed and lien fee is to be abated	Annotate in Item 11, "Abate TC 360 NFTL fee in amount of \$X.XX." See Caution below the table.
Any obvious errors or discrepancies are identified and unresolved by the taxpayer	Annotate in Item 11 your efforts to resolve those discrepancies and the reason for the reconsideration request. (i.e. If the taxpayer failed to provide the income information to resolve the discrepancy, then state this on Line 11)
The taxpayer is requesting an adjustment for multiple tax years	Complete a Form 3870 for each tax year and include all documents, attachments and/or schedules, and taxpayer supplied information.
Non-resident alien	If circumstances warrant, an adjustment request can be submitted without an original return. Managerial approval is required when an original return is not secured. See IRM 5.21.8.2, Adjusting ASFR/SFR Assessments.
Form 2848 and/or Form 8821 if applicable and available	Attach a copy, if it is not available on IDRS using command code (CC), CFINK.
The adjustment will fully satisfy the module	Close the Bal Due module on ICS by selecting "Abatement" and submit for managerial approval. Once approved, a TC 470 CC 90 will upload to IDRS and suspend further collection notices on the module.

Caution: The determination to abate the TC 360 NFTL fee should be made on a case-by-base basis considering the situation surrounding the adjustment and utilizing the best judgment of the employee assigned the account. The NFTL fee is not addressed in a full abatement of tax, penalty, and interest. It must be annotated separately in Item 11. See IRM 5.12.3.5.6, NFTL Fee Abatements.

Note: Reconsideration requests are not processed by CCP.

- (3) Include the taxpayer's full address and daytime phone number in Item 2. Include your name, e-mail address, work telephone number, fax number, and date in Item 13, to facilitate contact by campus employees. Sign in Item 13 "Signature of Preparer."

Note: Taxpayers need to sign Form 3870 **only** when they have not already provided a signed **written** request for reconsideration. An original tax return or an amended tax return will satisfy this requirement.

Caution: Select the proper collection suspension code when processing a taxpayer claim to adjust taxes and/or locate payments on a balance due account. Do not use TC 470 cc 90 if the account will not update to Collection Status 12. See Document 6209, IRS Processing codes and Information, Section 11 (Collection) for further information on TC 470 and other Closing Codes Chart. See also Document 6209.

5.1.15.3.2
(03-17-2025)

**Criteria for
Reconsideration
Request**

- (1) Taxpayers may request a reconsideration to provide correct or additional information to dispute assessments.

If the taxpayer	Then	Forward for processing
did not receive any notification of the assessment/adjustment prior to Collection contact	the correct information must be provided to dispute the assessment for reconsideration	<ul style="list-style-type: none"> to Examination for audit reconsideration to IMF/BMF AUR for under-reported income reconsideration to ASFR/SFR for reconsideration
has moved since filing the return in question and did not receive any correspondence from IRS such as the notice of the examination results	the taxpayer will be provided an opportunity to produce the information necessary for a reconsideration request	<ul style="list-style-type: none"> to Examination for audit reconsideration to IMF/BMF AUR for under-reported income reconsideration to ASFR/SFR for reconsideration
failed to appear for the audit	the taxpayer will be provided an opportunity to produce the information necessary for a reconsideration request	to Examination for audit reconsideration
never had an opportunity to submit required substantiation and now has the necessary documentation and/or submitted a document that was not considered	the taxpayer will be provided an opportunity to produce the information necessary for a reconsideration request	<ul style="list-style-type: none"> to Examination for audit reconsideration to IMF/BMF AUR for under-reported income reconsideration to ASFR/SFR for reconsideration

If the taxpayer	Then	Forward for processing
disagrees with an audit determination due to additional information not available at the time of the audit	the taxpayer will be provided an opportunity to produce the information necessary for a reconsideration request	to Examination for audit reconsideration
disagrees with a Notice of Deficiency assessment created by either Automated Substitute for Return (ASFR) or SFR processing under the authority of IRC 6020(b) and wants to submit an original return to correct the assessment	the taxpayer will be provided an opportunity to produce the information necessary for a reconsideration request	to ASFR/SFR for reconsideration Reminder: Forward to the reconsideration to the campus determined by the schedules attached to the Form 1040 tax return.
wants to claim tax credits, e.g. Earned Income Tax Credit (EITC), which were denied during a prior audit and/or submitted a document that was not considered	the taxpayer will be provided an opportunity to produce the information necessary for a reconsideration request	to Examination for audit reconsideration

Note: Reconsideration requests are **not** processed by CCP.

5.1.15.3.3
(03-17-2025)

**Exclusions from
Reconsideration
Processing**

- (1) Reconsideration procedures do **not** apply in the following situations:
- The taxpayer paid the liability in full and submitted a claim for refund. Claims are submitted by the taxpayer on Form 843, Claim For Refund and Request for Abatement, and are worked by the appropriate campus. See instructions for Form 843 for appropriate use of claims.
 - Requests for abatement of interest for ministerial or managerial delay under IRC 6404(e)(1), Abatement of Interest Attributable to Unreasonable Errors and Delays by Internal Revenue Service, are processed according to procedures found in IRM 20.2.7, Interest, Abatement and Suspension of Debit Interest. See IRM 5.1.15.16.4, Interest Abatement, for additional information.
 - Restitution-based assessments (RBA) made on MFT 31 with AC 102, cannot be reduced or abated without a court order. This includes penalties and interest. See IRM 5.1.5.18.8, Adjustments to Restitution-Based Assessments (RBA) for Civil Enforcement Advice and Support Operations (CEASO) contact information.

5.1.15.3.4
(03-17-2025)

**Rejecting a Request for
Reconsideration**

- (1) Revenue officers have discretionary authority to reject a taxpayer's request for reconsideration.
- (2) There are three basic reasons taxpayer's request for reconsideration can be rejected. Rejection is appropriate when the request includes returns that are:
- Unsigned,
 - Frivolous, or
 - Filed after the assessment or refund statute expiration date.

Note: However, there are times when the IRS can consider a reconsideration request that will result in an adjustment of the tax due, even after the ASED and RSED have expired. See IRM 25.6.1.9, Assessments and IRC 6501 for Assessment Statute Expiration Date (ASED). See IRM 25.6.1.10, Claims, Abatements, and Refunds, and IRC 6511 for Refund Statute Expiration Date (RSED).

Note: For taxpayers who are absent from the United States for a continuous period of at least six months, see IRC 6503(c). This may be applicable regarding the extension of the collection statute.

- (3) The taxpayers' request for reconsideration can be rejected if they do not provide any new, pertinent information.
 - a. This reason does not apply to an **original return** filed to correct an SFR/ASFR assessment.

Note: The IRS will accept a signed Form 1040-X, Amended U.S. Individual Tax Return, to amend the Form 1040, U.S. Individual Income Tax Return, filed by the IRS during SFR/ASFR processing as the taxpayer's original return if it is complete, **with all required schedules attached**.
 - b. The taxpayer **must** refute the rationale for a tax assessment based on an audit assessment or IMF/BMF AUR adjustment by providing **new information** for the examiner to consider. The amended return (or other written statement requesting reconsideration) **must** address the audit determination or the income/deduction issue(s) that generated the IMF/BMF AUR adjustment. If new information is not provided, reject the reconsideration request and proceed with collection action.
 - c. If it is unclear whether the return or other written statement provides new information for the examiner to consider, then annotate that fact on Form 3870 and forward for processing.
- (4) Forward frivolous returns to the Frivolous Return Program (FRP). Frivolous filers are taxpayers that file non-processable returns based on arguments not supported by tax law. See IRM 5.1.11.5.3, Frivolous Non-filers.
- (5) Check applicable assessment and refund statutes of limitations before accepting signed, non-frivolous returns. See IRM 25.6.1, Statute of Limitations Processes and Procedures, and IRC 6503(c), Suspension of running of period of limitation.
 - a. The **filing** of a SFR/ASFR return by the IRS does not start the running of the period of limitations for assessment or collection (ASED/CSED). The **assessment** based on such a return does start the running of the statute of limitations for collection purposes. See IRM 25.6.1.9.4.5, Substitute for Return (SFR), for the applicable period of limitations for assessment and collection.
 - b. If the IRS has prepared SFR/ASFRs for both spouses, the three-year time limit in IRC 6013(b)(2), Joint returns of income tax by both spouses, is not applicable and the taxpayers can file a joint return at any time. If, however, one of the spouses filed a married filing separate (MFS) return, the joint return must be filed within three years from the due date of the return for that year (excluding extensions).

Note: Married taxpayers who have filed previously and reported their income for any particular year on separate returns, can nonetheless file a joint return for that year so long as they do so within the time limits specified in IRC 6013(b)(2). Under 6013(b)(2)(A), taxpayers cannot switch from separate to joint more than three years after the due date of the return for that year (excluding extensions).

- c. Accept an amended return (or other written statement requesting reconsideration) for Audit or IMF/BMF AUR reconsideration processing **only** if it provides new, pertinent information for the examiner to consider. Generally, to claim a refund, an amended return must be received within three years after the date the taxpayer filed the original return or within two years after the date the taxpayer paid the tax, whichever is later. See IRC 6511, Limitations on Credit or Refunds, for additional information.
- (6) Notify the taxpayer of your decision to reject the request. The taxpayer has the right to raise an objection and provide additional documentation. If the taxpayer requested reconsideration orally, you can reply orally but should follow-up with a written communication. If the request was in writing, reply in writing. In either case, document the history.
- (7) Document case history on ICS and proceed with normal collection actions to resolve any remaining balance.

5.1.15.4
(03-17-2025)

Audit, Automated Underreporter (IMF/BMF AUR), Substitute For Return (SFR) and Automated Substitute For Return (ASFR) Reconsideration

- (1) This section provides guidelines for each distinct type of reconsideration based on the type of assessment.

5.1.15.4.1
(03-17-2025)

Audit Reconsiderations

- (1) Audit reconsiderations are requests to reevaluate the results of an audit assessment when a taxpayer disagrees with the original audit determination and the additional tax has not been full paid. If the tax has been full paid, then it is a claim.

Note: These requests are not processed by CCP.

- (2) An audit assessment is identified on IDRS command code (CC) TXMOD by Transaction Code (TC) 420, indicating an audit assignment, followed by a TC 300 assessment.
- (3) If the assessment is a result of an audit of a previously filed return:
 - Inform the taxpayer that they can only request a reconsideration when new information is now available that was absent in the original audit. If they have new information, inform the taxpayer to submit the information with a written request for audit reconsideration.
 - Provide the taxpayer with Pub 3598, What You Should Know About the Audit Reconsideration Process.
 - Advise the taxpayer that the reconsideration will be worked by the function which previously performed the audit. If that is no longer

possible, the audit reconsideration will be processed by the campus currently working the type of program on which the original audit was based.

- (4) In addition to the steps in IRM 5.1.15.3.1, Reconsiderations - General Procedures - Audit, Automated Underreporter (IMF/BMF AUR), Substitute For Return (SFR) and Automated Substitute For Return (ASFR) and IRM 5.1.15.3.2, Criteria for Reconsideration Request, follow the steps in the table below for Form 3870 Audit Reconsideration requests:

If the assessment is a result of an audit of a previously filed return
a) Select ICS template titled Form 3870- OTHER (Manual Processing) for Audit reconsideration requests.
b) Attempt to secure a copy of the examination report, Form 4549, Income Tax Examination Changes, from the taxpayer. If you secure a copy of the report from the taxpayer, attach it to Form 3870. If unable to secure a copy of the examination report from the taxpayer, do not attempt to secure the original return and audit papers by using CC ESTAB. Annotate your efforts to secure the report from the taxpayer on Form 3870 , item 11, Reason for Adjustment, and submit the reconsideration package with the original return and audit papers.
c) Stamp a copy of the written request for reconsideration on the front and signature pages of the return with the “COPY” stamp or write “COPY” on it for retention in the collection case file along with your copy of Form 3870.
d) Provide the reason and justification for the request on Form 3870, Item 11. If the adjustment results in a credit balance, indicate on Form 3870, Item 11 where the credit should be applied or if it should be refunded. See IRM 5.1.15.3.1, Reconsiderations - General Procedures - Audit, Automated Underreporter (IMF/BMF AUR), Substitute For Return (SFR) and Automated Substitute For Return (ASFR), for information regarding lien fees.

If the assessment is a result of an audit of a previously filed return

e) Attach pertinent supporting documentation to Form 3870

relating to specific issue(s) identified in an audit that caused the tax increase and forward to the campus based on the PBC of the TC 420.

- Assessments made by the SB/SE Area Office (PBC 201-207) are sent to the servicing SBSE campus found in Exhibit IRM 4.13.1-1, Routing of Campus and Area Office Reconsideration Requests.
- Assessments made by Taxpayer Services (TS) Campus PBC will have a PBC of 19X. Assessments made by SB/SE Campus will have a PBC of 29X. Specific PBCs on these cases are found in Exhibit IRM 4.13.1-1, Routing of Campus and Area Office Reconsideration Requests.
- For routing addresses, phone number, and fax number see *Audit Reconsideration Requests - Central Reconsideration Unit (CRU) Addresses*.

Example: If the original audit adjusted a specific Schedule A deduction, and the taxpayer disputes the tax increase, then the only documentation that needs to be attached is the documentation relevant to that Schedule A deduction.

f) Expedite processing of Form 3870 only for an imminent statute. Annotate on Form 3870 Statute Imminent (with date) MM/DD/YYYY.

h) Document ICS with the case history with actions taken and proceed with normal collection actions to resolve any remaining balance.

Caution: If the supporting documentation does not appear to be authentic refer to the frivolous submissions area of IRM 5.20.10, Abusive Tax Avoidance Transactions (ATAT) - Identification and Processing of Frivolous Documents, for additional information.

Example: Audit Reconsideration

Requested Action: Taxpayer requests reconsideration of Audit/Examination assessment.

Abate tax, penalty, and interest (if restricted) according to the secured return attached.

Justification: Provide the reason for the reconsideration, i.e. Taxpayer moved and notices were not sent to new address.

Attach **signed and date stamped** tax return, POA information and substantiation.

Annotate efforts to secure the Exam report from the taxpayer.

Note: Audit Reconsideration requests are **not** processed by CCP.

5.1.15.4.2
(03-17-2025)
**IMF Automated
Underreporter (AUR)
Reconsiderations**

- (1) Automated Underreporter (AUR) is an automated analysis and processing of potential underreported and/or over-reported discrepancies identified through information return matching. AUR matches information returns against individual income tax returns to verify that income is reported and deductions are taken correctly.
- (2) The two primary sources of AUR cases are:
 - Individual Master file (IMF) which contains the information reported to the IRS by taxpayers and
 - Information Return Master File (IRMF) which is information that is matched with the IMF information to verify all income is reported.
- (3) AUR reconsiderations refer to requests to reevaluate the results of a prior AUR assessment when a taxpayer disagrees with the original AUR determination. See IRM 4.19.3, IMF Automated Underreporter, for additional information.
- (4) An AUR reconsideration is identified on IDRS CC TXMOD by a TC 922, indicating an AUR adjustment, followed by a TC 29X assessment.

Note: Although the vast majority of AUR assessments are TC 29Xs, AUR also processes tax decrease issues. It is possible that a taxpayer would want a reconsideration of a refund case that AUR processed.

- (5) **If the assessment is the result of an AUR review of a previously filed return:**
 - Inform the taxpayer that they **must** either submit a written request for reconsideration and/or file an amended return which identifies the specific income/deduction issues that resulted in the AUR adjustment and the reason for the change, i.e., what new information is available that was absent during the AUR process.
 - Advise the taxpayer the reconsideration will be processed by the campus currently working the AUR program where the assessment originated.
 - Secure a copy of the CP 2000 from the taxpayer, if available.
 - If the CP 2000 is not provided by taxpayer, check the AMS Summary screen which may show what the taxpayer reported on Form 1040 and it may provide complete copy of the CP 2000 that AUR sent to the taxpayer.
 - If a copy of the CP 2000 is not available on AMS or it can not be obtained from the taxpayer, you may contact an AUR Coordinator to provide a copy. A listing of AUR Coordinators is provided on Service-wide Electronic Research Program (SERP) under the "Who/Where" tab or refer to, *AUR Coordinators*.
- (6) In addition to the steps in IRM 5.1.15.3.1, Reconsiderations - General Procedures - Audit, Automated Underreporter (IMF/BMF AUR), Substitute For Return (SFR) and Automated Substitute For Return (ASFR) and IRM 5.1.15.3.2, Criteria for Reconsideration Request, follow the steps in the table below for Form 3870 AUR Reconsideration requests:

If the assessment is the result of an AUR review of a previously filed return
a) Select ICS template titled Form 3870 - OTHER (Manual Processing) for AUR reconsideration requests.
b) Attach to Form 3870 a copy of the AUR report CP 2000 and the supporting documents relative to the reported income/deduction that caused the AUR adjustment. Do not attempt to secure the original return and AUR adjustment documents from files using CC ESTAB. <i>Example:</i> If the AUR adjustment was for additional wages, and the taxpayer disputes the amount of additional wages shown on the CP 2000 Notice, then the only documentation that needs to be attached is the documentation relevant to the taxpayer's wages, such as pay-stubs or other documentation to support their claim.
c) Stamp a copy of the written request for reconsideration on the front and signature pages of the amended return with the "COPY" stamp or write "COPY" on it for retention in the collection case file along with your copy of Form 3870.
d) Provide the reason and justification on Form 3870 Item 11. If the adjustment results in a credit balance, indicate on Form 3870 where the credit should be applied or if it should be refunded. See IRM 5.12.3.5.6, NFTL Fee Abatements, for information on lien fee abatements.
e) Refer to IRM 4.13.7-6, Addresses for AUR Reconsideration Requests, for address of AUR reconsideration campus.
f) Expedite processing of Form 3870 only for an imminent statute. See IRM 25.6.1.9.9.1, Procedures for Expeditious Assessments.
g) Document ICS case history with actions taken and proceed with normal collection actions to resolve any remaining balance.

Note: These requests are not processed by CCP.

Caution: If the supporting documentation does not appear to be authentic refer to the frivolous submissions area of IRM 5.20.10, Abusive Tax Avoidance Transactions (ATAT) - Identification and Processing of Frivolous Documents, for additional information.

Example: AUR Reconsideration

Requested Action: Taxpayer requests reconsideration of AUR assessment.

Adjust tax, penalty, and interest (if restricted) according to the secured return.

Justification: Provide the reason for the reconsideration, (i.e. taxpayer disputes income information). Taxpayer must provide pay stubs or documentation to show all income.

Attach **date stamped, signed tax return**, POA information and substan-

tiation.

If there are too many documents then write on 3870 "RO reviewed supporting documents. Taxpayer is holding supporting documents for review by the examiner."

5.1.15.4.3
(03-17-2025)
**BMF Automated
Underreporter (AUR)
Reconsiderations**

- (1) The Business Underreporter (BMF-AUR) Program is the analysis and processing of potential underreported issues identified through information return matching. BMF-AUR cases are built from two primary sources:
 - The Business Master File (BMF) which contains information reported to the IRS by taxpayers
 - The Information Return Master File (IRMF) which contains information submitted by payers
- (2) BMF-AUR Reconsideration cases are responses received after the assessment has been created under the BMF-AUR program. A BMF-AUR is a claim for a credit or refund not previously reported or allowed, or a request for abatement of tax, penalty, and/or interest.
- (3) The IRMF information is matched with the BMF information to verify all income is reported. A BMF-AUR case results when computer analysis detects a discrepancy between the two data sources. Examples (not all inclusive) of the information in the IRMF are:
 - Form 1099-MISC, Miscellaneous Income
 - Form 1099-PATR, Taxable Distributions Received From Cooperatives
 - Schedule K-1, Shareholder's Share of Income, Deduction, Credits, etc.
 - Form 1099-DIV, Dividends and Distributions
 - Form 1099-INT, Interest Income
- (4) BMF-AUR reconsiderations refer to requests to reevaluate the results of a prior BMF-AUR assessment when a taxpayer disagrees with the original AUR determination. See IRM 4.119.4, BMF Underreporter (BUR) Program or IRM 21.3.1.7.47, Letter 2030/2531- BMF Underreporter Program - General Information, for additional information.
- (5) A BMF-AUR adjustment is identified on IDRS CC TXMOD by a TC 925. BMF-AUR tax assessments can be found on MFT 02 (Form 1120) or MFT 05 (Form 1041) accounts. A BMF AUR assessment can be identified by reviewing the blocking series of the TC 290 adjustment.
 - The blocking series will be 55, 57, 58, and 59 on Form 1120 with paper filed tax return or MeF filed tax return.
 - The blocking series will be 64 for all assessments made to Form 1040 series and Form 1041 cases with a paper filed tax return.
 - The blocking series will be 89 for all assessments made to Form 1040, Form 1041, and Form 1065 cases with a MeF tax return

Note: The ninth, tenth and eleventh digits of the DLN represents the Blocking Series.

- (6) BMF-AUR evaluates third party income from information returns against amounts reported on the income section of Form 1120, U.S. Corporation Income Tax Return, for the following areas of income to determine the underreported amount for each income type:

- Gross Receipts or Sales, line 1a
 - Dividends and inclusions, line 4
 - Interest, line 5
 - Gross rents, line 6
 - Gross royalties, line 7
 - Capital Gain net income, line 8
 - Net gain (or loss) from Form 4797, line 9
 - Other Income, line 10
- (7) BMF-AUR evaluates third party income from information returns against amounts reported on the income section of Form 1041, U.S. Income Tax Return for Estates and Trusts, for the following areas of income to determine the underreported amount for each income type:
- Interest income, line 1
 - Total ordinary dividends, line 2a
 - Business income or (loss), line 3
 - Capital gain or (loss), line 4
 - Rents, royalties, partnerships, other estates and trusts, line 5
 - Farm income or (loss), line 6
 - Ordinary gain or (loss), line 7
 - Other income, line 8
- (8) **If the assessment is the result of a BMF-AUR previously filed return:**
- The taxpayer should have received Letter 2030, Initial Notice Issued to Request Verification for Underreported Income, Deductions, Payments and/or Credits on BMF Income Tax Returns Matched to Payer Information Documents or Letter 2531, Initial Contact for Potential Discrepancy of Income, Deductions and/or Credits Claimed on BMF Income Tax Returns Matched to Payer Information Documents explaining what income information doesn't match the information the taxpayer reported on their tax return.
 - Inform the taxpayer that they **must** either submit a written request for reconsideration and/or file an amended return which identifies the specific income/deduction issues, as listed on Letter 2030 or Letter 2531, that resulted in the BMF-AUR adjustment and the reason for the change, i.e., what new information is available that was absent during the BMF AUR adjustment.
 - Advise the taxpayer the reconsideration will be processed by the campus currently working the BMF-AUR program where the original assessment was based.
 - The BMF Coordinator is located on SERP under the "Who/Where" tab then click on BUR Program and click on this link *BUR Program*.
- (9) In addition to the steps in IRM 5.1.15.3.1, Reconsiderations - General Procedures - Audit, Automated Underreporter (IMF/BMF AUR), Substitute For Return (SFR) and Automated Substitute For Return (ASFR), and IRM 5.1.15.3.2, Criteria for Reconsideration Request, follow the steps in the table below for Form 3870 BMF-AUR Reconsideration requests:

If the assessment is the result of a BMF-AUR of a previously filed return:
a) Select ICS template titled Form 3870 - OTHER (Manual Processing - BMF ONLY Cases) for BMF-AUR reconsideration requests.
b) Attach to Form 3870 the supporting documents relative to the reported income/deduction that caused the BMF-AUR adjustment. Do not attempt to secure the original return and BMF-AUR adjustment documents from files using CC ESTAB.
c) Stamp a copy of the written request for reconsideration on the front and signature pages of the amended return. with the “COPY” stamp or write “COPY” on it for retention in the collection case file along with your copy of Form 3870.
d) Provide the reason and justification on Form 3870 Item 11. If the adjustment results in a credit balance, indicate on Form 3870 where the credit should be applied or if it should be refunded. See IRM 5.12.3.5.6, NFTL Fee Abatements, for information on lien fee abatements.
e) All BMF-AUR reconsideration requests are worked at Ogden campus. There is no electronic mailbox. You may either fax or mail your reconsiderations to Ogden. Forward Form 3870, with Form 1120X or Form 1041 amended return and all supporting documentation to: The fax number is 1-855-235-8847. Internal Revenue Service BMF AUR: M/S 6663 1973 North Rulon White Blvd Ogden, UT 84201-0062 Note: These requests are not processed by CCP.
f) Expedite processing of Form 3870 only for an imminent statute. See IRM 25.6.1.9.9.1, Procedures for Expeditious Assessments.
g) Document case history with actions taken and proceed with normal collection actions to resolve any remaining balance.

Caution: If the supporting documentation does not appear to be authentic refer to the frivolous submissions area of IRM 5.20.10, Abusive Tax Avoidance Transactions (ATAT) - Identification and Processing of Frivolous Documents, for additional information.

Example: BMF-AUR Reconsideration

Requested Action: Taxpayer requests reconsideration of AUR assessment.

Adjust tax, penalty, and interest (if restricted) according to the secured return.

Justification: Provide the reason for the reconsideration, (i.e. taxpayer disputes income information). Taxpayer must provide documentation to support adjustment.

Attach **date stamped, signed tax return**, POA information and substantiation.

If there are too many documents then write on 3870 "RO reviewed supporting documents. Taxpayer is holding supporting documents for review by the examiner".

5.1.15.4.4
(03-17-2025)
**Substitute For Return
(SFR) Reconsiderations**

- (1) SFR Reconsiderations refer to reconsiderations of SFR assessments created by SFR (Examination) processing which includes but is not limited to High Income Non-Filer (HINF) processing.
- (2) A taxpayer **must** request reconsideration of an SFR assessment by filing an **original return**.

Note: The IRS will accept a signed Form 1040-X, Amended U. S. Income Tax Return, filed by the taxpayer as the taxpayer's original return if it is complete and signed, with all required schedules attached.

Caution: Brookhaven Service Center (BSC) will **not** process original returns that were not subject to an SFR assessment.

Note: If the TXMOD shows a TC 599 cc 89, the taxpayer submitted an original return and it has already been processed as a reconsideration. SFR will not process these requests because it is not a reconsideration and the tax return should be forwarded to CCP for processing.

- (3) A SFR assessment is identified on IDRS CC TXMOD by the types of assessments:
 - a. TC 150 followed by 0.00 and literal SFR to the right of the TC 150 assessment Document Locator Number (DLN).
 - b. A DLN code of 210 in the 3rd, 4th, and 5th position, Julian date of 888, and Blocking Series 000-299 in the 11th, 12th, and 13th position of the DLN.
 - c. The 420/421 with Primary Business Codes (PBC) 295 through 299 indicates SBSE campus assessments. PBC 201 through 207 indicate SBSE Area Office assessments. PBC 190 through 194 indicates TS campus assessments. The PBC is located to the right of TC 420.
 - d. A SFR Exam assessment will appear with TC 300 with File Location Codes 17, 19, 28, 29 or 49, blocking series 540 - 549 or 640 -649, and a Disposal Code 10 or 13. File Location Codes 07, 08, 09, 18 or 89 are from TS.
- (4) If IDRS CC TXMOD shows an assessment was originally created by SFR, ensure that there are not multiple TC 300s and/or a TC 971 AC 282 on the module. These indicate that an original taxpayer return was filed during the SFR examination. If the assessment was the result of an Exam assessment, secure an amended return or other written request for reconsideration of disputed audit issues.
- (5) If the IRS has prepared SFRs for both spouses, the three-year time limit in IRC 6013(b)(2) is not applicable, and the taxpayers can file a joint return at any time. If, however, one of the spouses filed a Married Filing Separate (MFS) return, the joint return must be filed within three years from the due date of the return for that year (excluding extensions). See the "Note" in IRM

5.1.15.3.4(5)(b), Rejecting a Request for Reconsideration, for additional information. See IRM 25.6.1.9.4.4, Joint Return After Separate Return, for the applicable period of limitations for assessment and collection when taxpayers switch from separate to joint after the IRS has prepared an SFR for at least one of the spouses.

- (6) Follow the criteria for SFR reconsideration requests in IRM 5.1.15.3.1, Reconsiderations - General Procedures - Audit, Automated Underreporter (IMF/BMF AUR), Substitute For Return (SFR) and Automated Substitute For Return (ASFR), and IRM 5.1.15.3.2, Criteria for Reconsideration Request, prior to the steps provided in the table below:

If the assessment is the result of an Individual Master File (IMF) SFR assessment under IRC 6020(b)	
a)	Secure a signed original tax return. The taxpayer must file a signed original return to request reconsideration of an SFR assessment. All secured original tax returns must be date stamped with the date received, using the IRS official date stamp, prior to processing the return for reconsideration. Immediately process all return reconsideration requests.
b)	Check the return for accuracy and completeness. Ensure all forms, schedules, and attachments are included for all requests.
c)	Attempt to resolve errors or discrepancies between income reported on the return and the information located on IRS records using CC IRPTR and/or IRPTRJ. Document errors or discrepancies on Form 3870 and annotate your efforts to have them corrected. SFR should not reject your request for reconsideration if these steps are taken. Write on Form 3870 in Line 11 "Process as Filed".
e)	ROs are not required to request the SFR assessment documents from files using CC ESTAB. Do not attach IDRS CC TXMOD print to Form 3870.
f)	<ul style="list-style-type: none"> Select ICS template titled Form 3870 - EXAM SFR (TC 300), Reconsideration to BSC for SB/SE SFR reconsideration requests. Select ICS template titled Form 3870 - Other (Manual Processing), for TS SFR reconsideration requests. <p>Indicate "SFR RECONSIDERATION REQUEST—TAXPAYER RETURN ATTACHED" on Form 3870, Item 11, "Reason for Adjustment."</p>

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If the assessment is the result of an Individual Master File (IMF) SFR assessment under IRC 6020(b)

g) If the adjustment results in a credit balance, indicate on Form 3870, Item 11 where the credit should be applied or if it should be refunded.

Caution: Annotate “**Pending SFR Assessment**” on Form 3870, Item 11 if the TC 300 SFR assessment is pending on IDRS (shows as PN on IDRS) and there is no TC 300 posted on the module. The campus will reject a Form 3870 if no TC 300 is present on a module when they receive a request for reconsideration.

h) Indicate on Form 3870 Item 11 if any penalty or interest should be abated.

Example: SFR Reconsideration

Requested Action: SFR reconsideration request - taxpayer return attached for reconsideration of SFR assessment. Adjust tax, penalty, and interest (if restricted) according to the secured return.

Justification: Annotate the reason for the reconsideration, (i.e. taxpayers are electing to file joint and meet the criteria to do so).

Attach date stamped, signed tax return, POA information and substantiation.

Document any errors and annotate efforts to secure the correct information.

Indicate where credit should be applied or refunded.

i) Retain a copy of Form 3870 and the return, i.e. either the actual return marked “DUPLICATE” or the photocopy of the actual return marked “COPY”, in the collection case file. Document the case history with actions taken and continue with normal collection actions to resolve any remaining balance.

j) Determine the correct Business Operating Division (BOD) code of the secured tax return based on the schedules and forms attached. The BOD code must be identified in order to determine the correct campus for processing your SFR reconsideration. The BOD code found on TXMOD is not always accurate. The BOD code will change each time a tax return is filed.

- SB/SE - Schedules C, E, F, J, SE and Forms 1116, 2106, and 2555
- TS- Schedules A and/or D only or tax return with no schedules

Note: All IMF international tax returns (Form 1040-NR) are processed at BSC, even those with only wages.

See example in **h** above for suggested wording to use in Item 11 of Form 3870.

- (7) Send the reconsideration request by e-mail, Efax or mail to the Brookhaven or Fresno campus for processing according to the procedures in the tables below.

Requests to BSC or FSC should be sent by e-mail unless it is not practical (e.g., the attachment is too large or a scanner is not available).

Scan and Email	Efax or Mail
<ul style="list-style-type: none"> Stamp the actual return with the "DUPLICATE" stamp or write "DUPLICATE" on the return. Scan the return and save it as a PDF file. Attach the PDF file to an e-mail message along with the completed Form 3870. Send the message and attachments via secure e-mail to the address shown in the table below. Indicate "SFR Recon" in the subject line of your e-mail message. 	<ul style="list-style-type: none"> Stamp the copy of the return with the "COPY" stamp or write "COPY" on the return for retention in the collection case file. Retain a copy of the return in the case file. Attach the actual return and all supporting documentation to Form 3870. Efax or mail the completed Form 3870 package to the Brookhaven campus at either the Efax number or the mailing address shown below.

(8) Forward only SBSE reconsideration returns listed below:

- IMF returns with TC 420 PBC 295 - 299
- IMF returns with TC 420 PBC 19X only if Schedule C,E,F,J, or Form 1116, 2106, or 2555 is attached
- IMF international returns (Form 1040-NR), even those with only wages)

(9) Use the ICS Form 3870 template: **Form 3870 - EXAM SFR TC 300 Reconsideration to BSC (Brookhaven)** and attach return(s) and all supporting documentation and send to the BSC as shown below:

Email Address	Efax Number	Mailing Address
*SBSE EXAM SFR-RECON Note: This is the preferred method of delivery.	855-240-6276	Internal Revenue Service Examination Operation Stop 614 1040 Waverly Avenue Holtsville, NY 11742-9013

(10) Forward only TS reconsideration IMF returns listed below:

- IMF returns with TC 420 PBC 190 - 194
- Schedules A and/or D and returns with no schedules
- The PBC is located to the right of the TC 420

(11) Use the ICS Form 3870 template: **Form 3870 - OTHER (Manual Processing)** and attach return(s) and all supporting documentation and send to FSC as shown below:

Mailing Address	E-Fax Number <i>Note:</i> This is the preferred method of delivery.	Physical Address for overnight mail
Internal Revenue Service SFR Operation Stop 81304 P.O. Box 24015 Fresno, CA 93779	855-798-7874	Internal Revenue Service SFR Operation Stop 81304 5045 E. Butler Ave Fresno, CA 93888

- (12) Requests for SFR Processing should be directed to the Centralized Reconsideration Unit (CRU) as noted in *Audit Reconsideration Requests Central Reconsideration Unit (CRU) Addresses*.

- **These request are not processed by CCP.**
- Follow guidelines for PII shipping procedures. PDS mailings should only be used for urgent shipping.
- Case worked in PBC 315 or 330 are LB&I cases. All LB&I cases are referred directly to the LB&I Reconsideration Team located at:

LB&I Reconsideration Team
2970 Market Street
Mail Stop 2-H08-200
Philadelphia, PA 19104

5.1.15.4.5
(03-17-2025)
**Automated Substitute
for Return (ASFR)
Reconsiderations**

- (1) ASFR Reconsiderations refer to reconsiderations of ASFR assessments created by ASFR (Compliance) processing which includes but is not limited to High Income Non-Filer (HINF) processing
- (2) A taxpayer **must** request reconsideration of an ASFR assessment by filing an **original return**.

Note: The IRS will accept a signed Form 1040-X, Amended U. S. Income Tax Return, filed by the taxpayer as the taxpayer's original return if it appears to be complete and includes all income, with all required schedules attached.

Caution: Brookhaven Service Center (BSC) will **not** process original returns that were not subject to an ASFR assessment.

- (3) If the TXMOD shows a TC 599 cc 89 (taxpayer signed return) or TC 599 cc 13 (taxpayer signed waiver agreeing to assessment), the taxpayer filed a return or agreed to the ASFR assessment. ASFR will not process these requests because it is **not a reconsideration**. The tax return should be forwarded to CCP for processing as an amended return. An ASFR assessment is identified on IDRS CC TXMOD by the following:
- A TC 150 followed by "0.00" and the literal "SFR" to the right of the TC 150 assessment Document Locator Number (DLN),

- b. Tax class 2 with Document Code 10 in the DLN and Julian date of 887 in the DLN,
 - c. Blocking Series 000-299,
 - d. The tax amount assessed will appear as a TC 290 (Collection ASFR Assessment) with blocking series 540-549,
 - e. TC 599 Closing Code cc 88, no response to ASFR notifications, and/or
 - f. TC 599 cc 89, taxpayer filed a return agreeing to the ASFR assessment,
 - g. TC 599 cc 13, taxpayer signed ASFR waiver agreeing to the proposed assessment in lieu of a return secured.
- (4) If the IRS prepared ASFRs for both spouses, the three-year time limit in IRC 6013(b)(2), Joint returns of income tax by both spouses, is not applicable and the taxpayers can file a joint return at any time. If, however, one of the spouses filed a Married Filing Separate (MFS) return, the joint return must be filed within three years from the due date of the return for that year (excluding extensions). See the Note in IRM 5.1.15.3.4 (5)(b), Rejecting a Request for Reconsideration, for additional information. See IRM 25.6.1.9.4.4, Joint Return After Separate Return, for the applicable period of limitations for assessment and collection when taxpayers switch from separate to joint after the IRS prepared an ASFR for at least one of the spouses.
- (5) Follow the criteria for ASFR reconsideration requests in IRM 5.1.15.3.1, Reconsiderations - General Procedures - Audit, Automated Underreporter (IMF/BMF AUR), Substitute For Return (SFR) and Automated Substitute For Return (ASFR), and IRM 5.1.15.3.2, Criteria for Reconsideration Request, prior to the steps provided in the table below:

If the assessment is the result of an Individual Master File (IMF) ASFR assessment under IRC 6020(b)	
a)	Secure a signed original tax return. The taxpayer must file a signed original return to request reconsideration of an ASFR assessment. All secured original tax returns must be date stamped with the date received, using the IRS official date stamp, prior to processing the return for reconsideration. Immediately process all return reconsideration requests.
b)	Check the return to ensure all income is reported and the returns include the correct SSNs.
c)	Attempt to resolve errors or discrepancies between income reported on the return and the information located on IRS records using CC IRPTR and/or IRPTRJ. Document the errors or discrepancies on Form 3870 and annotate your efforts to have them corrected. ASFR should not reject your request for reconsideration if these steps are taken. Write on Form 3870 "Process as Filed".

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If the assessment is the result of an Individual Master File (IMF) ASFR assessment under IRC 6020(b)

e) ROs are not required to request the ASFR assessment documents from files using CC ESTAB. The documents are no longer available from files as the default is now an electronic assessment and files will no longer retain those documents. Do not attach IDRS CC TXMOD print to Form 3870.

f) Select ICS template titled **Form 3870 - ASFR Reconsideration to BSC** for all ASFR reconsideration requests. No BOD code determination is necessary for ASFR Reconsiderations. Indicate **"ASFR RECONSIDERATION REQUEST—TAXPAYER RETURN ATTACHED"** on Form 3870, Item 11, "Reason for Adjustment."

g) If the adjustment results in a credit balance, indicate on Form 3870, Item 11 where the credit should be applied or if it should be refunded.

Caution: Annotate **"Pending ASFR Assessment"** on Form 3870, Item 11 if the TC 290 ASFR assessment is pending on IDRS (shows as PN on IDRS) and there is no TC 290 posted on the module. The campus will reject a Form 3870 if no TC 290 is present on a module when they receive a request for reconsideration.

h) Indicate on Form 3870 Item 11 if any penalty or interest should be abated.

Example: ASFR Reconsideration

Requested Action: ASFR reconsideration request - taxpayer return attached for reconsideration of ASFR assessment.

Adjust tax, penalty, and interest (if restricted) according to the secured return.

Justification: Provide the reason for the reconsideration, (i.e. taxpayers are electing to file joint and meet the criteria to do so).

Attach date stamped, signed tax return, POA information and substantiation.

Document any errors and annotate efforts to secure the correct information.

Indicate where credit should be applied or refunded.

i) Retain a copy of Form 3870 and the return, i.e. either the actual return marked "DUPLICATE" or the photocopy of the actual return marked "COPY" in the collection case file. Document the case history with actions taken and continue with normal collection actions to resolve any remaining balance.

j) All IMF international tax returns (Form 1040-NR) are processed at BSC, even those with only wages. See example in **h** above for suggested wording to use in Item 11 of Form 3870.

- (6) Send the reconsideration request by e-mail, Efax or mail to the Brookhaven campus for processing according to the procedures in the table below. Requests to BSC should be sent by e-mail unless it is not practical (e.g., the attachment is too large or a scanner is not available).

Scan and Email	EFax or Mail
<ul style="list-style-type: none"> Stamp the actual return with the "DUPLICATE" stamp or write "DUPLICATE" on the return. Scan the return and save it as a PDF file. Attach the PDF file to an e-mail message along with the completed Form 3870. Send the message and attachments via secure e-mail to the address shown in the table below. Indicate "ASFR Recon" in the subject line of your e-mail message. 	<ul style="list-style-type: none"> Stamp the copy of the return with the "COPY" stamp or write "COPY" on the return for retention in the collection case file. Retain a copy of the return in the case file. Attach the actual return and all supporting documentation to Form 3870. Fax or mail the completed Form 3870 package to the Brookhaven campus at either the Efax number or the mailing address shown below.

- (7) For Automated Substitute for Return or Substitute for Return (ASFR/SFR) reconsiderations on U.S. citizens and resident aliens living abroad, an original Form 1040, U.S. Individual Income Tax Return, must be submitted with appropriate forms and schedules (i.e. Form 2555, Foreign Earned Income, Form 1116, Foreign Tax Credit). The return must have an official IRS date stamp and an original signature. If a joint return, both parties must sign the tax return. Forward **only** IMF Form 1040 returns and IMF international returns (Form 1040-NR - even those with only wages) to the Brookhaven campus as shown below:

Email Address	EFax Number	Mailing Address
*SBSE ASFR-RECONS (Preferred method of delivery)	855-386-1135	Internal Revenue Service ASFR Operation Stop 654 1040 Waverly Avenue Holtsville, NY 11742-9013

Note: These requests are not processed by CCP.

5.1.15.4.6
(08-11-2015)

**Return Processing
Guidelines for Audit,
Automated
Underreporter
(IMF/BMF-AUR),
Substitute For Return
(SFR) and Automated
Substitute For Return
(ASFR)
Reconsiderations**

- (1) This sub-section provides guidelines for processing returns secured in conjunction with a request for reconsideration.

5.1.15.4.6.1
(03-17-2025)

**Accepting a Return for
Reconsideration
Processing**

- (1) All returns secured (IMF or BMF) by mail, email, in person, or by fax, **must** be signed by the taxpayer. Date stamp each return secured with an official IRS Received Date or they may be rejected to the originator for correction. Review the return. The IRS received date establishes the statute of limitations. Be sure the date stamp is legible. When you secure a tax return in the field and will not return to the office, you may hand write in the upper left hand corner of the first page of the tax return "Received MM/DD/YYYY" and add your signature and title. Do not use red ink for this.

Example: Received 06-01-2023 by F. Green, Revenue Officer

Note: BSC will not process an unsigned tax return.

- (2) Do **not** forward a return for processing filed by the taxpayer unless it is **signed**. If the return is for married filing joint taxpayers, **generally both** taxpayers must sign the return or the return is not processable. Once a signed return is secured and date-stamped, it should be forwarded for reconsideration processing as soon as possible. **Do not hold a signed and date stamped return for any period of time.** The statute begins to run on the date the return is stamped, for a return that will be treated as the taxpayer's original return (e.g. following an SFR/ASFR).

Note: The fact that a return has been date-stamped does not mean it must be accepted for reconsideration processing.

Unsigned Returns with Missing Information	Signed Returns with Missing Information
<ul style="list-style-type: none"> Do not send an unsigned return to the campus for processing. Send an unsigned return back to the taxpayer requesting original signature and any other missing information which may include an Individual Taxpayer Identification Number (ITIN), Adoption Taxpayer Identification Number (ATIN) or EIN. See IRM 5.1.15.4.6.2, Rejecting a Secured Return. Continue with appropriate collection action. 	<ul style="list-style-type: none"> Secure all missing TINs (including dependents SSNs), schedule(s), forms and any supporting documents. Annotate on Form 3870 regarding the obvious errors and your attempt(s) to contact the taxpayer for missing information. Forward the return to the campus for processing.

Note: These requests are not processed by CCP.

5.1.15.4.6.2
(03-17-2025)
**Rejecting a Secured
Return**

- (1) After contact is made with the taxpayer and a return is secured for reconsideration, review the return with the taxpayer to determine if the secured return includes new information. If no new information has been provided by the taxpayer, do not accept the tax return for audit or IMF/BMF-AUR reconsideration processing. The taxpayer has the right to raise an objection and provide additional documentation. Document the case history to reflect action taken and explain the reason(s) for rejecting the return.

Caution: Do not reject a **signed** return filed by the taxpayer to replace an SFR/ ASFR return filed by the IRS.

Caution: If the return appears to include frivolous information refer to the frivolous submissions area of IRM 5.20.10, Abusive Tax Avoidance Transactions (ATAT) - Identification and Processing of Frivolous Documents, for additional information.

- (2) Check the income displayed on IDRS/CFOL and compare it to the income reported on the taxpayer's return. Verify that all income is included or accounted for on the return. If there is a significant income discrepancy on the return, you need to resolve with the taxpayer prior to forwarding the request for reconsideration.
- (3) When returning a rejected return to the taxpayer, include an explanatory note along with the rejected return. It should state the following:
 - Taxpayer identifying information,
 - Identify missing or incomplete information,
 - Your contact information, and
 - The statement *I have attempted to contact you about correcting this return but have not received a reply. I am returning your tax return and*

cannot continue processing the adjustment to your tax account for this tax period until you provide the information needed.

- (4) Proceed with appropriate collection actions to resolve the module balance after rejection of a return.

5.1.15.4.6.3
(03-17-2025)
**Processing Time Frames
for Reconsideration
Requests**

- (1) Do **not** contact a campus employee to follow up on a request for reconsideration before the expiration of the applicable time frame. Unnecessary status update requests will delay processing.
- (2) The specific processing time frames are displayed in the table below:

Type of Reconsideration	Average Time Frame	Delays Beyond the Average Time Frame
Audit Reconsideration	60 - 90 days	<ol style="list-style-type: none"> 1. Check IDRS for an indication that Audit Recon is working the case. IDRS case assignment is located on TXMOD. 2. Campus employees will send Letter 2645-C, Interim Letter, or Letter 2644-C, Second Interim Response, to advise the taxpayer that additional time is needed when an Audit reconsideration is not worked within 30 days. The additional time can range from 120 - 180 days.
AUR Reconsideration (IMF or BMF)	60 days	<ol style="list-style-type: none"> 1. Check IDRS for an indication that AUR RECON is working the case. IDRS case assignment is located on TXMOD. 2. Campus employees will send interim letter, Letter 4314-C, Automated Underreporter Interim Letter as the first or second interim letter, to advise the taxpayer that additional time is needed when an IMF or BMF-AUR reconsideration is not worked within 45 days. The additional time can range up to 60 days.
SFR Reconsideration	60 - 90 days	<ol style="list-style-type: none"> 1. Check IDRS for an indication that EXAM SFR RECON is working the case. IDRS case assignment is located on TXMOD. 2. Do not close the BAL DUE module on ICS if the reconsideration does not resolve the Bal Due.
ASFR Reconsideration	60 - 90 Days	<ol style="list-style-type: none"> 1. Check IDRS for an indication that ASFR RECON is working the case. IDRS case assignment is located on TXMOD. 2. Revenue officers may request a status update via secure e-mail to *SBSE ASFR-Recons if the case-control has not changed and there is no indication that ASFR RECON received the case. 3. Do not close the BAL DUE module on ICS if the reconsideration does not resolve the Bal Due.

5.1.15.4.6.4
(03-17-2025)
Appeal Rights on Reconsiderations

- (1) The taxpayer will qualify for an appeal when the return is accepted for reconsideration and the result of the reconsideration disallowed the taxpayer's request in full or in part.
- (2) The taxpayer will **not** qualify for an appeal if:
 - Reconsideration request is denied
 - Taxpayer does not respond to the appointment letter or
 - Taxpayer does not appear for the appointment

- (3) If the taxpayer wishes to dispute an Audit reconsideration determination that the taxpayer chose not to appeal or for which the taxpayer did not qualify for an appeal, the taxpayer may file a refund claim with the IRS after paying the full amount due. Claims are processed when the taxpayer submits Form 843, Claim For Refund and Request for Abatement. Generally, to claim a refund, Form 843 must be filed within three years from the time the original return was filed or within two years from the time the tax was paid, whichever is later. See IRC 6511, Limitations on Credit or Refund. See IRM 4.13.1.4.11, Appeal Rights, and IRM 8.7.7.17, Audit Reconsiderations Cases.

5.1.15.4.7
(03-17-2025)

**Comparison of Reported
Income on Secured
Return**

- (1) Check the income displayed on IDRS/CFOL and compare it to the income reported on the taxpayer's return. Verify that all income is included or accounted for on the return.

Example: If IDRS/CFOL reflects Non-employment compensation as \$145,233 but the taxpayer's return reflects Non-employment compensation as \$118,227, there is a discrepancy of \$27,006, (\$145,233 - \$118,227 = \$27,006). There is a significant income discrepancy of \$27,006 on this return, which should be resolved with the taxpayer prior to forwarding the request for reconsideration.

- (2) Request CC IRPTR, IRPTRJ or other IDRS or CFOL command code to obtain information from documents such as Form W-2, Form 1099, Form 5498, if necessary.

Note: Command code IRPTRJ is the basis for the ASFR 30/90-day letters.

- (3) Proceed with processing the request for reconsideration if there are no significant income discrepancies.

5.1.15.4.7.1
(03-17-2025)

**Resolving Income
Discrepancies on Audit,
Substitute For Return
(SFR) and Automated
Substitute For Return
(ASFR)
Reconsiderations**

- (1) When discrepancies are identified, inform the taxpayer that they need to include the additional income shown on IRS records, i.e. IDRS/CFOL, to correct their return. If the taxpayer agrees, secure the corrected return.
- (2) If a taxpayer claims to be a victim of Identity theft due to the income discrepancy, see IRM 5.1.28, Field Collection Procedures, Identity Theft for Collection Employees. An Examination, AUR, and SFR/ASFR assessment may have been made against the victim, as a result of income reported on a Form W-2, Wage and Tax Statement, Form 1099, and/or miscellaneous Income associated with the stolen SSN provided by the identity thief. An identity thief may have used a taxpayer's SSN for employment purposes. Employment fraud occurs if someone works using a stolen social security number causing the victim to have unreported income.
- (3) Follow the steps below if the taxpayer disagrees with the income displayed on IDRS or CFOL:
 - a. Request CC IRPTR with definer "W", to receive the IRP information from Form(s) W-2 and /or 1099 for the taxpayer or print a "Wage and Income Document" transcript through the Transcript Delivery System,
 - b. Provide Form W-2 and/or Form 1099 information to the taxpayer for review, and
 - c. Secure a corrected return if the taxpayer agrees with the IDRS/CFOL income.

Note: Up to 10 tax years can be referenced in IRPTR.

- (4) Follow the steps below if the taxpayer still disagrees with the income displayed on IDRS or CFOL:
 - a. Secure a written explanation from the taxpayer regarding the information that is incorrect. Attach the statement and any supporting documentation to the reconsideration request.
 - b. Forward the request for processing.

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5.1.15.4.7.2
(03-17-2025)
**Resolving Income
Discrepancies on
Automated
Underreporter
(IMF/BMF-AUR)
Reconsiderations**

- (1) Compare the issues raised in the taxpayer's request for reconsideration against the AUR Report (CP 2000 Notice for IMF) or against CC IRPTR and/or IRPTRJ information.

Note: AUR Coordinators should be able to obtain an electronic version of the CP 2000 Notice for IMF through AMS if the taxpayer does not provide it. A listing of IMF AUR Coordinators is provided on SERP under the Who/Where tab, then click on AUR Coordinators. A BMF AUR Coordinator is provided on SERP under the Who/Where tab, then click on BUR Program or use this link: *SERP - BUR Program - Who/Where*.

- (2) Ensure that the taxpayer provides an explanation and any applicable documentation to support their claim for income/deduction issues raised on the CP 2000 Notice for IMF or the Letter 2030 for BMF.

Note: IRS operations have an effect on victims of identity (ID) theft, such as resolving duplicate returns or engaging in various compliance activities that target unreported income. When these situations occur, the innocent taxpayer must provide the IRS documentation to establish that they are a victim of ID theft. Click on this link for general information about ID theft: *Identity Theft Cases*. See IRM 5.1.15.13, Identity Theft, for identity theft abatement procedures.

- (3) If the taxpayer includes additional deductions or credits not addressed on the CP 2000 Notice or Letter 2030, e.g. additional IRA deduction or Early Withdrawal Penalty, review CC IRPTR to determine if there is payer information to support the additional deductions.
- (4) Request that the taxpayer provide documentation to support any issue not claimed on the original return, (e. g. additional exemptions, corrected Schedule A, or credits). If there is any issue for which the taxpayer has no supporting documentation, a written explanation must be attached.
- (5) Forward the request for processing.

5.1.15.4.7.3
(03-17-2025)
**Required Forms and
Schedules**

- (1) Check to ensure all appropriate forms and schedules are included with the return and appear to be complete. Inform the taxpayer that they need to submit any missing or incomplete forms or schedules.

- (2) Verify line items on the tax return that require an attachment, (e.g. Form W-2, Schedule D, Capital Gains and Losses, Form 2441, Child and Dependent Care Expenses), and ensure that they are attached. If the forms or schedules are not attached to the reconsideration tax return, your request will be rejected. The return also must include all sources of income.
- (3) Proceed with processing the request if there are no obvious missing or incomplete forms or schedules.
- (4) Document ICS case history.

5.1.15.5
(03-17-2025)

**Adjustments - General
Procedures Form 3870**

- (1) Use Form 3870, Request for Adjustment, for all requests of full or partial tax adjustments and/or penalty or restricted interest abatements when use of Reasonable Cause Assistant is not applicable. Requests should be sent by e-mail unless it is not practical (e.g. the attachment is too large or a scanner is not available). Select the applicable 3870 ICS template based on the type of adjustment request. Use ICS template **Form 3870 - Penalty Adjustments to CCP** for penalty abatements **only** when use of RCA is not applicable. See IRM 5.1.15.16.1, Reasonable Cause Assistant (RCA), for more information.
- (2) For all adjustment requests, select the appropriate Form 3870 ICS Template and complete items 1 - 11 and 13 and Items 12 & 14. If applicable, attach the taxpayer's documentation explaining the reason for the adjustment.

Note: All adjustment requests of \$100,000 or more **require managerial approval**. Secure approval before submitting to CCP for processing.

- (3) If the adjustment fully satisfies the amount owed, select the appropriate Form 3870 ICS template and complete Items 1–11 and 13 and items 12 & 14 as appropriate and write TC 470 cc 90 in Item 3 for master file tax.

Reminder: Request TC 470 and a STAUP 89 if the tax module is Non Master File (NMF). This will remove the NMF account from collection status.

- (4) Identify potential statute cases. Use prompt assessment procedures when within 60 days of the ASER. See IRM 25.6.1.9.9.1, Procedures for Expeditious Assessments, for procedures.

Note: If there is adequate evidence that an adjustment is needed because of an error made by the IRS, (e.g., taxpayer was out of business during the period of an IRC 6020(b) assessment), the above is not necessary.

- (5) Determine the correct Refund Statute Expiration Date (RSED) on Form 3870 and document the RSED on ICS when requesting an adjustment for the following:
 - Penalty Adjustments, other than those processed using RCA (this is a multiple period form for penalties only).
 - 6020(b) Adjustments.
 - 94X-X Adjustments.
 - 1040-X Adjustments.
 - Other Adjustment Request.
 - Other (Manual Processing).

Note: Time for Filing a Claim for Credit or Refund - Generally, a claim for a credit or refund must be filed within 3 years from the filing of the return or 2 years from the payment of tax, whichever is later. See IRM 25.6.1, State of Limitations Processes and Procedures for further explanations.

- (6) If the adjustment results in Status 12 on the module(s), and the collection investigation on the taxpayer entity is concluded, then the RO is required to send case closing Letter 4222, Notice of Case Resolution, to the taxpayer and/or Power of Attorney. Document the case closing summary sheet statement that a closing letter for Status 12 will be issued. There is no requirement to hold the case open on ICS until the closing action posts to IDRS and the account goes to Status 12. If the case and modules are closed on ICS, module information must be manually entered in the ICS template. If Form 3870 requires group manager (GM) approval, when the GM selects the approval button, Print Manager will open. Print Manager includes the option to allow the GM to print the Case Closing Letter or e-mail it to the initiator of the request for them to print.
- (7) If the adjustment does not fully satisfy the balance due, process the request for adjustment, and continue to pursue collection. **Do not close the Bal Due module on ICS.** If the adjustment has not posted prior to closing the case by any other method (IA, CNC, etc.), check the control section of IDRS TXMOD and contact the appropriate campus or CCP to determine the status of the adjustment before closing.
- (8) If the balance that is not to be abated, is full paid before the adjustment posts, close the remaining Bal Due module on ICS selecting "abatement" option. This will upload TC 470 cc 90.

Note: In order to ensure a timely posting of TC 470 cc 90, refer to IRM 5.19.5.7.1.1, Processing Reconsiderations, Claims, Pending Adjustments or Credits with a Posted TC 470.

- (9) Take the following actions on open cases subject to TC 470-XX:
 - a. Set an initial follow-up for 120 days for case resolution.
 - b. Update case an additional 60 days if there is no indication the case is completed (reversal input or adjustment completed).
- (10) If the Collection Statute Expiration Date (CSED) is less than one year from the date the adjustment or payment tracer is being requested, special handling is required.
 - a. If between six and twelve months remain before the CSED expires, write "Statute Expiration Date MM-DD-YYYY" in **BOLD or RED** on the request for adjustment or payment tracer. For payment tracers, close the Bal Due module on ICS by selecting Payment Tracer. This will upload TC 470 cc 93. For abatements, if the adjustment fully satisfies the module, close the Bal Due module on ICS by selecting "abatement". This will upload TC 470 cc 90.
 - b. If less than six months remain before the CSED expires, mark the request as in (a) above, but do not close the Bal Due module. Hold it in inventory and monitor it at least every 30 days until the adjustment or payment tracer has been completed.

Note: IRC 6503(c) provides circumstances under which the CSED may be extended, for example, where the taxpayer is outside the United States for a continuous period of at least six months.

- (11) If a Notice of Federal Tax Lien (NFTL) has been filed on an IMF or BMF liability that is expected to be satisfied by an adjustment or payment tracer, be sure that the lien file indicator TC 582 has been input. This is necessary for timely release of the lien. See IRM 5.1.15.3.1, Reconsiderations - General Procedures - Audit, Automated Underreporter (IMF/BMF AUR), Substitute For Return (SFR).
- (12) If a TC 150 is on the tax module (with no other conditions, ie. TC 922, TC 925, TC 420, TC 300, etc) and a return is secured to increase or decrease the tax, forward the return with Form 3870 to Collection Centralized Case Processing (CCP) for processing.

Caution: If the return is sent for processing without Form 3870 it creates a duplicate return freeze code "-A." Installment agreements can be input if a "-A" freeze is on the account however the RO should resolve the -A freeze condition because if the adjustment posts, and there is an increase in tax, the IA will default.

5.1.15.5.1
(03-17-2025)
**Form 1040X
Adjustments**

- (1) There are two types of Form 1040-X, Amended U.S. Individual Tax Return, processes.
 - a. A Form 1040-X adjustment that is amending an item on the original Form 1040. By filing an amended return, taxpayers may add, delete, update, or change tax information reported on their original tax return. For this type of request: Use ICS template titled **Form 3870 - 1040-X Adjustment to CCP (Philadelphia)** for forwarding your adjustment to Philadelphia CCP.
 - b. A Form 1040-X that is being accepted as an original return for an SFR reconsideration. Use ICS template titled **Form 3870 - ASFR Reconsideration to BSC (Brookhaven)** for an ASFR adjustment. Use ICS template titled **Form 3870 - EXAM SFR (TC 300) Reconsideration to BSC(Brookhaven)** for an SFR adjustment.

Note: All adjustment requests of \$100,000 or more **require managerial approval**. Secure managerial approval before submitting to CCP for processing.

- (2) Check the validity and completeness of the amended return. Secure all applicable schedules and sufficient documentation to satisfy and support the adjustment request. Determine whether or not the claimed adjustment will fully satisfy the tax. If the claim will fully satisfy the tax, request input of TC 470 cc 90 to remove the tax module from collection status. If applicable, continue collection action on all other tax modules on the account.

Caution: If the taxpayer has submitted a tax return with frivolous information do not forward the return for processing. Forward the return to the Frivolous Return Processing (FRP) unit. Refer to IRM 5.1.11.5.3(2), Frivolous Nonfilers.

- (3) If Form 1040-X pertains to a carryback, the credit is available for debit interest purposes on the due date of the loss year return (determined without regard to any extension of time for filing). Carryback claims should be handled expedi-

tiously to meet the 45-day interest free period. See IRM 20.2.9, Interest on Carryback of Net Operating Loss. If the interest free period is missed, credit interest on the overpayment is computed from the later of the:

- a. Due date of the loss year return,
 - b. Received date of the delinquent loss year return,
 - c. Date the loss year return was filed in processable form,
 - d. Claim received date, or
 - e. Claim processable date.
- (4) Computer generated penalties will be automatically recomputed based on the adjustment of tax. Generally, there is no need to include them on Form 3870. The exception to this is TC 176, Failure to Make Estimated Tax Payment Penalty.
 - (5) Estimated tax penalty is computed on the original tax and is not increased or decreased with subsequent changes (after the due date including extensions) to the tax. The exceptions to this rule are:
 - An amended return received before the due date (called a superseding return),
 - Internal or processing error (such as misapplied credits),
 - Withholding taxes allowable as a credit, and
 - Separate filing status to joint filing status (the penalty must be recomputed on the joint liability).
 - (6) An estimated tax penalty cannot be adjusted because of the change in tax unless the amended return was filed before the due date of the original return or the original return was a result of a SFR assessment.
 - (7) Identify potential statute cases. Use prompt assessment procedures when within 60 days of the ASER. See IRM 25.6.1.9.9.1, Procedures for Expeditious Assessments, for procedures.

Example: Form 1040-X Adjustment

Requested Action: Process attached Form 1040X. Adjust tax, penalty, and interest (if restricted) according to the amended return.

Justification: Taxpayer filed corrected return. (i.e. taxpayers are amending Schedule A Itemized Deductions to include Real Estate Tax). Attach date stamped, signed 1040-X tax return, POA information and substantiation.

Attach all schedules and forms to substantiate the tax changes. Indicate where credit should be applied or refunded.

Reminder: If Form 1040-X is a true amended return forward to CCP for processing.

5.1.15.5.2
(03-17-2025)
**Form 1040X Processing
Issues**

- (1) When Accounts Management (AM) Campus Operations receives a Form 1040-X on a status 26 account that is assigned to a revenue officer, IRM 21.3.3.4.8.2, Campus Collection Function Correspondence/Inquiry/Notice, requires them to send the return to the revenue officer. **Do not return these to the AM campus operation as misdirected mail.** The return must be attached to a Form 3870 and state in Item 11 of Form 3870 "Please process" then forward to the appropriate location using ICS template titled **Form 3870 -**

1040-X Adjustment to CCP (Philadelphia). Refer to IRM 5.1.15.5.1, Form 1040X Adjustments.

- (2) If you sent Form 1040-X to the campus for processing, and the campus rejects the adjustment for any reason, that information will be posted to TXMOD on that module, and the return and all documentation will be sent back to the RO. If the adjustment has not been processed within a reasonable amount of time (3 cycles) check CC TXMOD to see if your request has been rejected. If you are checking on the status of your case, do not contact AM directly, contact CCP Collection at (General Case Processing) GCP Internal Line (For Internal Use Only) at 1-800-831-0284.

Note: CCP implemented a 72-hour response time on electronic rejections for the RO to provide a correction or the information requested. If the information requested is not received within 72 hours, the item will be rejected back to the field, and the RO will need to submit a new request through normal processing.

5.1.15.5.3 (03-17-2025)

Amended Return/Claims - Carryback

- (1) Carryback applications/claims require expedite handling due to the 45-day interest free period. Carryback applications/claims can be IMF or BMF. Applications for carryback adjustment are filed using:
- Form 1045, Application for Tentative Refund
 - Form 1139, Corporation Application for Tentative Refund
- (2) Claims for a carryback adjustment are filed using:
- Form 1040-X, Amended U.S. Individual Income Tax Return
 - Form 1120-X, Amended U.S. Corporation Income Tax Return
 - Amended Form 1041, U.S. Income Tax Return for Estates and Trusts
 - Form 1120-C, U.S. Income Tax Return for Cooperative Associations
 - Form 990-T, Exempt Organization Business Income Tax Return, Form 990-T carrybacks are processed at the Ogden Campus. See IRM 21.7.7.6.17, Exempt Organization Carrybacks Overview, for Form 990-T carryback processing
- (3) When you receive an amended Form 1120 tax return with an attached Form 8827, Credit For Prior Year Minimum Tax - Corporations, you must complete ICS template titled, **Form 3870 - Other Adjustment Request to CCP (Philadelphia)** for processing. Route Forms 3870, 1120 and 8827 to CCP using your area electronic mailbox. Add the notation "Includes Form 8827" on the top of Form 3870. This will ensure that processing is completed during the required expedited handling of the 45-day interest free period. This is true for all of the following amended Form 1120 returns:
- Form 1120
 - Form 1120-C
 - Form 1120-F
 - Form 1120-L
 - Form 1120-PC
 - Form 1120-REIT
 - Form 1120-RIC
 - Form 1120-X

- (4) Scan and attach the carryback claim, all required schedules, and supporting documentation with date stamped and signed amended return to the Form 3870. For more information see IRM 21.5.9.4.1, Carryback Research. Write "NOL Carryback" in the "Explanation" section on the Form 3870 and route to CCP for processing. CCP will route to Accounts Management (AM) in accordance with the Service Level Agreement (SLA).

Note: All adjustment requests of \$100,000 or more **require managerial approval**. Secure approval before submitting to CCP for processing.

- (5) **Do not contact** Accounts Management (AM) campus personnel on any issue in accordance with the SLA. Inquiries should be directed to CCP Collection for assistance at, 1-800-831-0284.

5.1.15.5.4
(03-17-2025)
**Employment Tax
Adjustments**

- (1) This section only applies to situations where the taxpayer had originally filed a valid employment tax return, but while working with the revenue officer it is determined the return was inaccurate and a corrected return is necessary. This section does **not** apply to situations where the taxpayer has been audited or the RO created the assessment under IRC 6020(b). See IRM 21.7.2.4.6, Adjusted Employer's Federal Tax Returns or Claim for Refund, for additional information.
- (2) Scan and attach the appropriate amended return (e.g. Form 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund) that corresponds to the return you are correcting, to Form 3870 before electronically transmitting to CCP in all cases where the account to be adjusted is assigned to a revenue officer. RO's should review IDRS to compare with the original filed return.

Note: All adjustment requests of \$100,000 or more **require managerial approval**. Secure approval before submitting to CCP for processing.

- (3) When Accounts Management (AM) Campus Operations receives an amended BMF return on a status 26 account that is assigned to a Revenue Officer, IRM 21.3.3.4.9.2.1, Compliance Criteria for Amended Returns/Claims and/or Balance Due Correspondence, requires them to send the return to the revenue officer. **Do not return these to the AM campus operation as misdirected mail.** The return must be attached to Form 3870 and state in Item 11 of Form 3870 "Please process" then forward to CCP using ICS.
- (4) If you send an amended return to the campus for processing, and the campus rejects the adjustment for any reason, that information will be posted to IDRS CC TXMOD on that module, and you will be notified by e-mail of the rejection. If tax returns with original signatures were sent to CCP they will be returned to the originator. If the adjustment has not been processed within a reasonable amount of time (3 cycles) check CC TXMOD to see if your request has been rejected and contact CCP if necessary. Rejected adjustments received electronically by CCP will be destroyed and will need to be resubmitted with the complete information.
- (5) There is no amended return for Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return. Use Form 940 and check the box in the upper right hand corner of Form 940 marked "Amended" to correct a previously filed Form 940. Attach to ICS template **Form 3870 - 94X-X Adjustment to CCP (Philadelphia)** and forward to CCP for processing.

- (6) The various COVID-19 related legislation implemented non-refundable and refundable employer tax credits as well as deferrals of social security tax. If a Form 94X-X contains COVID-19 employer tax credits and/or social security tax deferrals, complete ICS template **Form 3870 - 94X-X Adjustment to CCP (Philadelphia)**, the Form 94X-X, and forward to CCP for processing.

5.1.15.5.5
(03-17-2025)
Decrease Tax

- (1) If the change involves a decrease in Federal Insurance Contributions Act (FICA) tax, a certification is required on the "X" form. The taxpayer must complete the certification area in Part 2 of the "X" form. Part 5 of the "X" form must be signed by the taxpayer or an authorized representative. Taxpayers are required to certify on the "X" form that they have filed or will file Form W-2, as required. If the taxpayer is unable to contact employees, or if the employees will not comply, the taxpayer can still receive a refund or credit of the employer share only, by certifying that an attempt was made to locate the employees but was unsuccessful or that the employees will not comply.
- (2) Check to ensure all appropriate forms and schedules are included with the return and appear to be complete. Inform the taxpayer that they need to submit any missing or incomplete forms or schedules. Verify line items on the tax return that require an attachment, (e.g., Form 1120 Schedules), and ensure that they are attached.
- (3) Decrease to withheld income tax may only be allowed if the error is identified during the calendar year in which the error occurred and if the employer repays or reimburses the employee the amount of the overwithheld income tax before the end of the calendar year in which the wages were paid. Decreases identified after the end of the year may only be allowed to correct an administrative error or if IRC 3509 rates apply. The adjustment is made to each affected period.

Note: Administrative errors are mistakes in reporting which do not change the amount of income tax, back-up withholding, or Additional Medicare Tax actually withheld from wages or payments. Examples of administrative errors are found in cross reference IRM 21.7.2.4.6.3.1, Administrative Errors.

- (4) Indicate on Form 3870 the amount of the failure to deposit (FTD) penalty, if any, to be adjusted. If the reduction in tax is zero, a TC 181 is not necessary unless there's a TC 180 or 181 on the module. See IRM 20.1.4.23(11)(a), Manual Adjustments.
- (5) If the taxpayer reports the correction is due to an administrative or typographical error, we accept the taxpayer's figures without the certification.

5.1.15.5.6
(03-17-2025)
Increase Tax

- (1) If tax was understated on the original return, the taxpayer can file an "X" form to correct the amount of tax specifically applicable to the tax period being adjusted. If the taxpayer files the "X" form by the due date of the return for the period in which the error was discovered and pays the tax increase in full with the "X" form, IDRS will create an interest free period from the due date of the period which reflected the error until the due date of the period in which the error was ascertained, reported, and paid. An interest computation date will be reflected on CC TXMOD or CC BMFOLT immediately following a TC 298. In this instance the taxpayer will **not** receive a FTD penalty increase.

Example: On August 12, 2023, an employer discovers an error with the Form 941 they filed for the March 31, 2023 tax period. They must file and pay Form 941-X reporting the correction by October 31, 2023 in order to qualify for an interest-free tax adjustment. The tax must be paid when the Form 941-X is timely filed. Otherwise, interest will accrue from the filing date of the Form 941-X. See IRM 20.2.10, Interest, Interest on Estate, Excise, Employment, and Foreign Taxes.

- (2) If the taxpayer does not file the “X” form by the due date of the return for the period in which the error was ascertained, the tax will be increased on the applicable period(s) and interest will be charged from the due dates of that period(s). The taxpayer must submit a new Record of Federal Tax Liability (ROFTL) to determine the increased FTD penalty on each period. If the taxpayer files the “X” form timely, but does not pay when the “X” form is filed, the FTD penalty is 10% of the unpaid tax increase. See IRM 20.1.4.21.5, Adjusted Returns (Forms 941–X, 943–X, 944–X, 945–X, and CT-1X).

5.1.15.6
(03-17-2025)
**Business Master File
(BMF) IRC 6020(b)
Adjustments**

- (1) BMF IRC 6020(b) adjustments refer to an adjustment of a return prepared and assessed under IRC 6020(b). The IRS has the authority to prepare returns for any person who fails to submit a return required by Internal Revenue law or regulation at the time prescribed, or makes (willfully or otherwise), a false or fraudulent return. The following returns may be prepared, signed and executed by revenue officers under the authority of IRC 6020(b):
- a. Form 940, Employer’s Annual Federal Unemployment (FUTA) Tax Return,
 - b. Form 941, Employer’s Quarterly Federal Tax Return,
 - c. Form 941(PR), Employer’s Quarterly Federal Tax Return (Puerto Rican Version),
 - d. Form 941-SS, Employer’s Quarterly Federal Tax Return (American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands),
 - e. Form 943, Employer’s Annual Tax Return for Agricultural Employees,
 - f. Form 944, Employer’s Annual Federal Tax Return,
 - g. Form 720, Quarterly Federal Excise Tax Return,
 - h. Form 2290, Heavy Highway Vehicle Use Tax Return,
 - i. Form CT-1, Employer’s Annual Railroad Retirement Tax Return, and
 - j. Form 1065, U. S. Return of Partnership Income.
- (2) A BMF 6020(b) assessment is identified on TXMOD by the literal “6020B” to the right of the TC 150 assessment DLN. See Document 6209, IRS Processing Codes and Information, for TDI 599XX closing codes.
- (3) If you identify Form 941 and 940 returns that were assessed under SFR instead of 6020(b), they are part of a compliance program conducted by Examination on employment tax at the Cincinnati Exam campus. The project is titled Employment Tax Non-filer (ETNF). The employment tax returns assessed under this program are Forms 941, 943, 944, and 940. They can be identified on TXMOD by a TC 300 assessment with **Project Code 0453 and PBC 296 and Source Code 20** or **Project Code 0983 with PBC 212**. The ETNF cases can also be identified by the TC 150 DLN - 17999-999-99999-6. The 14th digit is the tax year of the assessment and will not always be the same. When you secure the original returns from the taxpayer you need to be sure the return is signed, date stamp the returns, attach them to Form 3870 and forward to Cin-

cinnati Exam Reconsideration Team for consideration. These returns need to be reviewed and adjusted by Examination.

Mailing Addresses and Fax Numbers

If Audit case was closed less than 7 days ago, then send the Form 3870 and original returns to:	If the Audit case was closed over 7 days ago then send the Form 3870 and original returns to:
Internal Revenue Service 7940 Kentucky Drive Stop 827-G Florence, KY 41042	Internal Revenue Service Attn: Reconsiderations 7940 Kentucky Drive Stop 8202G Florence, KY 41042
Fax Number: 855-750-1933	Fax Number: 855-243-0505

- (4) If you identify Form 941 and 940 returns that were assessed by Examination with a TC 300 or TC 308 you will need to look at the Primary Business Code (PBC), Secondary Business Code (SBC), and Employee Group Code (EGC) codes in order to determine where to send your reconsideration for processing. When you secure the original returns from the taxpayer you need to be sure the return is signed, date stamp the returns, attach them to Form 3870 and forward to Examination for classification. The assessments can be adjusted. These returns need to be classified by Examination prior to any adjustment of tax. When routing to Examination for classification click on this link for the Employee Group Code contacts at, *Employee Group Code Listing.xls*.

Note: All adjustment requests of \$100,000 or more **require managerial approval**.

- (5) If you have a Form 1065 or Amended Form 1065 that needs adjusting, scan and attach the return to the ICS template, **Form 3870 - OTHER (Manual Processing - BMF Only Cases)** and forward these to the address below for processing. Ogden campus processes all Forms 1065.

Internal Revenue Center
1973 Rulon White Blvd
Mail Stop 6552
Ogden, UT 84201

Note: There is no electronic mailbox.

Note: These requests are not processed by CCP.

- (6) A taxpayer **must** request adjustment of a BMF 6020(b) assessment by filing a signed **original return**.

Reminder: If the Trust Fund Recovery Penalty (TFRP) assessment was completed on the 6020(b) assessment then the RO must also request an adjustment on the TFRP account(s). See IRM 5.7.7.6, Abatements and Adjustments of a TFRP Assessment.

- (7) If the adjustment results in full abatement, request input of TC 470 cc 90. Any manually assessed penalty and restricted interest, lien fees, and all FTD penalties (manually and computer generated) must be included on Form 3870

for adjustment or abatement at the time of the adjustment request. See IRM 5.1.15.3.1(2), Reconsiderations - General Procedures - Audit, Automated Underreporter (IMF/BMF AUR), Substitute For Return (SFR) and Automated Substitute For Return (ASFR), for information on abatement of lien fees.

Caution: Do not use TC 470 cc 90 if the abatement does not fully satisfy the module or the account will not update to Collection Status 12. See Document 6209, IRS Processing Codes and Information, Section 11 (Collection) for further information on TC 470 and other Closing Codes Chart.

Note: Effective July 1, 2011, CCP began reversing TC 470 cc 90 requests when the adjustment/abatement did not result in the module being resolved in full. The initiating RO now receives an e-mail, with a copy to the GM, about input of the TC 472 so the remaining balance can be addressed. CCP assigns the module back to the RO who requested the TC 470 cc 90. When the case is closed on ICS, CCP assigns the module back to the group hold file.

- (8) For completion of Form 3870 for BMF IRC 6020(b) adjustment requests see below:
- Indicate **BMF IRC 6020(b) Adjustment Request--Taxpayer Return Attached** on Form 3870 Item 11 "Reason for Adjustment".
 - If the adjustment results in a credit balance, indicate on Form 3870 Item 11 where the credit should be applied or if it should be refunded.
 - If the taxpayer was out of business provide the date (MM-DD-YYYY) the business closed. Final out all filing requirements.
 - If the taxpayer is no longer liable, state the reason and effective date on Form 3870. For example, no longer has any employees, out of business, etc. If the taxpayer is out of business, state the date they went out of business.
- (9) See the example below for wording for Item 11 of Form 3870 for a full abatement of a IRC 6020(b) assessment:

Example: BMF IRC 6020(b) Adjustment in full - Taxpayer not liable

Requested action:

Abate tax (TC 150) dated (MM-DD-YYYY)

Abate FTD Penalty (TC 186) dated (MM-DD-YYYY)

Justification: Annotate this was a 6020(b) assessment. Taxpayer was out of business (provide the date the business closed) (MM-DD-YYYY). No employees.

- (10) If the adjustment results in Status 12, and the collection investigation on the taxpayer entity is concluded, then the RO is required to send case closing Letter 4222, Notice of Case Resolution, to the taxpayer and/or Power of Attorney. A systemic history will be written when Letter 4222 is generated. There is no requirement to hold the case open on ICS until the closing action posts to IDRS and the account goes to Status 12. The letter will be systemically generated for the RO to send to the taxpayer once the case is closed on ICS. If the case and modules are closed on ICS prior to the closing letter being generated, module information must be manually entered in the ICS template. If the Form 3870 requires GM approval, when the manager selects the approval button, the Print Manager will open which includes the option to allow the manager to print the Case Closing letter or e-mail it to the initiator of the request for them to print.

- (11) If the adjustment is a partial abatement or an additional assessment, add the statement: Input TC 971 AC 012 to establish ASER in Item 11 of Form 3870. The TC 599 and appropriate closing code must be written on the middle left margin of each tax return secured by the RO.
- (12) Date stamp and scan the original return **signed** by the taxpayer. Forward electronically to CCP in Philadelphia. See the example below for suggested wording to use in Item 11 of Form 3870 for a partial IRC 6020(b) adjustment.

Note: If the return is a Form 940 adjustment scan a copy of the state certification if the adjustment is not a full abatement unless the taxpayer is not claiming a credit.

Exception: The state certification is **not** necessary if it is a full abatement, for example out of business or no employees or no credit is claimed for state contributions. See IRM 5.1.15.8, Federal Unemployment Tax Act (FUTA) Tax Adjustments.

Caution: The Failure to Pay (FTP) penalty will need to be addressed on partial adjustments whether it is IMF or BMF. FTP penalty on 6020(b) assessments comes under the authority of IRC 6651(a)(2) and (a)(3). See Treas. Reg. 301.6020-1(b)(3). FTP begins to accrue 10 business days following the date of the notice and demand for payment if the total assessment equals or exceeds \$100,000. If the total assessment is less than \$100,000, FTP begins to accrue 21 business days following the date of the notice and demand. The return made under IRC 6020(b) is treated as the return filed by the taxpayer for purposes of determining the amount of the addition to tax under IRC 6651(a)(2) and (a)(3). Failure to File (FTF) penalty under IRC 6651(a)(1) will usually have been assessed at the full 25 percent rate and will systemically be adjusted by the concurrent FTP penalty under IRC 6651(a)(2) to 22.5 percent. When full payment is secured, you must manually assess the remaining FTP (TC 270). The accrued FTP may be assessed as a debit entry using Form 3244, Payment Posting Voucher.

Note: Maximum FTP penalty is 25 percent. Maximum FTF penalty is 22.5 percent when FTP under IRC 6651(a)(2) is also assessed.

Example: BMF IRC 6020(b) Assessment Partial Adjustment

Requested action:

Abate tax (TC 150) dated (MM-DD-YYYY)

Abate FTD Penalty (TC 186) dated (MM-DD-YYYY) i

Abate FTF Penalty (TC 166) dated (MM-DD-YYYY)

Assess FTP Penalty (TC 270) if not already assessed under IRC 6020(b).

Justification: Annotate this was a 6020(b) assessment. Taxpayer filed correct return.

Attach original, signed, date stamped return and POA information.

- (13) Retain a copy of Form 3870 and the return, (i.e. either the actual return marked "DUPLICATE" or the photocopy of the actual return marked "COPY"), in the collection case file. Document the case history on ICS and proceed with normal collection action to resolve any remaining balance.

5.1.15.6.1
(03-17-2025)
**Limited Liability
Company (LLC) IRC
6020(b) Adjustments**

- (1) When a disregarded entity Limited Liability Company (LLC) fails to file employment tax returns for tax periods ending before January 1, 2009, prepare an IRC 6020(b) return. Although the single member owner (SMO) may file employment tax returns for these tax periods in the name and EIN of the SMO or the name and EIN of the LLC, the IRC 6020(b) return must be prepared in the name and EIN of the liable party, the SMO. If the SMO has previously filed an employment tax return for another business under the SMO EIN for the same tax period, then the return prepared under IRC 6020(b) should not be submitted to submission processing as a secured return. The return prepared under IRC 6020(b) will be processed on Form 3870 as a supplemental tax assessment. Ensure that an additional assessment is not prohibited by an ASSED. Consult with Area Counsel, if necessary.
 - a. Prepare Form 3870 using the name and Employer's Identification Number (EIN) of the SMO.
 - b. In the Reason for Adjustment section of Form 3870 include the following statement: "This liability resulted from the operation of (Name and EIN of LLC), for which (Name of Single Member Owner) was liable as the employer, it should be added to the original assessment as a supplemental assessment. When the adjustment is processed, CCP should note the name and EIN of the LLC in the IDRS history on the module."
 - c. Select ICS template titled, **Form - 6020(b) Adjustment to CCP (Philadelphia)**
 - d. Attach the entire 6020(b) package (tax return, Form 5604, Section 6020(b) Action Sheet and any supporting documentation) to the Form 3870, and forward to CCP by secure email.

5.1.15.7
(03-17-2025)
**Combined Annual Wage
Reconciliation (CAWR)
Adjustments**

- (1) A CAWR assessment may be identified as shown below:
 - a. Social Security Administration-Combined Annual Wage Reconciliation (SSA-CAWR) - MFT 13 TC 240 Penalty reference number (PRN) 549 for failure to file with intentional disregard (this is a penalty assessment),
 - b. Social Security Administration-Combined Annual Wage Reconciliation (SSA-CAWR) - MFT 13 TC 240 Penalty reference number (PRN) 550 for late filing (this is a penalty assessment),
 - c. Internal Revenue Service-Combined Annual Wage Reconciliation (IRS-CAWR) - MFT 01, 05, 11, 14, 16 (941, 943, 944 or 945) TC 290 DLN blocking series (digits 9, 10, 11) of 500-559 (this is a tax assessment), or

Note: See IRM 4.19.4, CAWR Reconciliation Balancing, for additional information.

- (2) The TC 290 DLN has a source document, which provides information on which the assessment was based. It shows the totals reported on Forms 94X, Forms W-2, and Forms W-3 for the year. It may be necessary to get copies of the taxpayer's filed Forms W-2. Any research request for Form W-2/W-3/Form 1099 information for the most current 10 years can be requested using IDRS CFOL CC IRPTR with definer "I". Lines 6 and 8 of Form 3870 should reflect the assessment date and DLN of the TC 290.
- (3) Research the cause of the CAWR adjustment and include this information with the Form 3870. CFOL command codes PMFOL, BMFOLA, (BMFOLU when an MFT 88 is present), or TXMOD may be used for this research. CC BMFOLU contains CAWR modules for the current CAWR and two prior processing

years. Tax years are available until December, four years after the tax year. See IRM 2.3.53, Command Code PMFOL, for complete information on the use of PMFOL.

- (4) Adjustments for a CAWR assessment **must** include enough documentation to permit necessary adjustments to employees' IMF accounts. The circumstances will dictate the necessary forms. The following are examples of situations and the supporting documents needed:
 - a. For FICA tax adjustments, if there is a balancing error by SSA, attach corrected Forms W-2/W-3, the employers copy of Forms W-2/W-3 or a list of the employees' names, SSNs, and wage information.
 - b. For cases involving EINs, attach copies of all applicable returns or a list of tax liabilities with the FICA tax breakdown for each EIN.
- (5) Employers who do not comply with a request to file correct Forms W-2, are assessed an intentional disregard penalty (PRN 549) under IRC 6721(e), failure to file correct information returns. A CP 215 generates advising the employer of the actual penalty assessment. The penalty is the greater of \$500.00 per Form W-2 or 10 percent of the aggregate amount of the items required to be reported correctly. See IRM 4.19.4.3.1.1, Intentional Disregard Failure to File Penalty, for more information. There is no maximum to the intentional disregard penalty.

Note: Penalties are subject to annual inflationary adjustments. See IRC 6721(f).

- (6) The PRN 549 penalty **cannot** be abated after the 10-day time frame of the CP 215 unless proof of timely filing or reasonable cause must be established. All documentation **MUST** be attached to the Form 3870 in order for the penalty abatement to be considered. Adjustments to the 549 Penalty assessment must include the original Form W-3 and Forms W-2 attached to Form 3870. State on Form 3870 why the Form W-3 and Forms W-2 were not filed timely. The reason for late filing should be addressed using the reasonable cause criteria. Attach the taxpayer's forms and documentation to Form 3870. See IRM 20.1.7.12.1, Reasonable Cause, for additional information.

Note: Chief Counsel has determined the First Time Abate Penalty relief option does NOT apply to the Intentional Disregard Penalty (PRN 549) under IRC Section 6721(e) or the Late Filing Penalty (PRN 550) under section 6721(a). These penalties can only be abated based on Reasonable Cause criteria. **DO NOT** request abatement of PRN 549 or 550 penalties based on First Time Abate Penalty.

- (7) IRS-CAWR (2022 to present) should be routed to either Cincinnati Service Center (CSC) or Memphis Service Center (MSC) based upon the state listed in the taxpayer's address on record. See, *State Mapping for IRS-CAWR Tax year 2022 and Subsequent Only* for guidance based on the taxpayer's address on record.
- (8) IRS-CAWR (2021 and prior) is worked in Cincinnati Service Center (CSC). See *State Mapping for IRS-CAWR Tax Year 2021 and Prior* for guidance.
- (9) Selection of the correct ICS template should route your adjustment to the correct campus. All international CAWR adjustments should be routed to Philadelphia. Refer to the "Note" in, *Campus Program Locator Guide*.

- (10) SSA-CAWR PRN 549-550 Penalties (2020 and prior) adjustments will only be worked at Memphis Service Center (MSC) or Philadelphia Service Center (PSC) based on the location of the taxpayer.
- (11) Timeframes for processing CAWR/FUTA/IRPP Forms 3870 requests are generally 45 days; however, due to inventory workloads at the campuses, the timeframe for responding to the CAWR/FUTA Form 3870s from the revenue officers is 60 days. Please allow at least a full 60 days for this type of adjustment before contacting the campus or liaison. If there is a pending taxpayer burden on a specific taxpayer, for example a levy, the CAWR liaison will be able to provide assistance to the revenue officer. Points of Contact (POCs) were established at each campus for Field ROs or manager to seek assistance from. For a list of contacts see: *CAWR/FUTA Addresses and Contact Information*. It is the POCs responsibility to research problem cases and aid the RO in resolving aged Form 3870s. Also, for additional information click on this link for the CAWR/FUTA web site, *Campus Program Locator Guide*, and scroll down to "SB/SE Exam AUR CAWR" and select the appropriate link for the CAWR issue.

Note: CAWR adjustments are not to be sent to CCP or processed using RCA.

Penalties assessed with the CAWR assessment should be included on Form 3870 with the adjustment of the CAWR assessment. See IRM 20.1.1.3.2, Reasonable Cause and IRM 5.4.10.2.1, Identification of Misrouted Cases. CCP will return all misrouted cases received from Field Collection with original documents to the originator. CCP will send an e-mail informing the originator that the case does not meet CCP criteria if the case is received through the e-mail boxes and/or if the case is received with no original documents.

5.1.15.7.1
(03-17-2025)
**Social Security
Administration-
Combined Annual Wage
Reconciliation
(SSA-CAWR)**

- (1) Social Security Administration-CAWR (SSA-CAWR) is a document matching process initiated by SSA to ensure that all employers are correctly reporting wages paid on Forms W-2 they provide to their employees and that employees receive proper credit from SSA for their earnings. They match all Forms W-2 received in a calendar year against information provided by IRS on wages reported on Form 941, Schedule H (attached to a Form 1040), 943, 944, and 945 returns. If the total of the Forms W-2 is *less* than the return amount, SSA sends the taxpayer up to two notices.
- (2) SSA refers the case to IRS, which can propose and assess either a failure to file (FTF) penalty with intentional disregard (PRN 549) or a late filing penalty for late filed Forms W-2 (PRN 550).
- (3) The employer will be assessed a FTF penalty if the failure was due to intentional disregard. See IRC 6721(e). This will appear as a MFT 13, Reference Number 549, and a CP 215 is sent to the employer.
- (4) The employer will be assessed a late filing penalty applicable under IRC 6721(a), for failure to file or timely file a Form W-2, for failure to include all of the required information, or for including incorrect information. It will appear as a MFT 13, with PRN 550, and a CP 215 is sent to the employer advising them of the actual penalty assessment. A late filing penalty will be assessed for Forms W-2 secured by CAWR in response to the initial CAWR correspondence. This assessment is a penalty.

- (5) The PRN 549 penalty cannot be abated after the 10 day time frame of the CP 215 unless proof of timely filing or reasonable cause can be established. All documentation **Must** be attached to the Form 3870 in order for the penalty abatement to be considered.
- (6) The RO **must** address whether there was reasonable cause for the delay in proper filing of the Forms W-2. The taxpayer must request relief of the intentional disregard penalty under Reasonable Cause provisions and provide appropriate documentation. The RO should secure the missing Forms W-2 and abate the FTF with intentional disregard penalty (PRN 549) if reasonable cause criteria for information penalties is met. If reasonable cause is not met and the documentation is not attached, the campus will reject your request. The taxpayer would still be liable for the late filing penalty (PRN 550). See IRM 20.1.7, Information Return Penalties. Reasonable cause for information return penalties exists when:
- The filer acted in a responsible manner, both before and after the failure occurred, and
 - There were significant mitigating factors, or
 - The failure was a result of circumstances beyond the filer's control.

Note: Secure managerial approval if the penalty is abated based on reasonable cause.

- (7) Prepare Form 3870 using ICS template titled **SSA-CAWR Adjustment** and state in Item 11 of Form 3870 the type of penalty involved (549 or 550) and whether the adjustment is based on missing or amended Forms W-2 or missing or amended payroll tax returns. If reasonable cause is established attach the taxpayer's documentation and forward to the **group manager for approval**. Once approved by the group manager, scan and attach all necessary documents to the Form 3870 and annotate in subject line of e-mail **SSA-CAWR** and send to the mailbox, **SBSE CCS PHILA CAWR-FUTA* or **SBSE CCS MEM CAWR-FUTA*, depending on the appropriate campus using the state mapping guide. See links below for guidance:
- *State Mapping for SSA-CAWR Tax year 2020 and Prior (549-550 Civil Penalties)*
 - *State Mapping for SSA-CAWR Tax Year 2021 and Subsequent Only*
 - Exhibit 5.1.15-2, State Mapping IRS-CAWR (2021 and prior only). Exhibit 5.1.15-3, See example below of suggested wording for Item 11 Form 3870.

Example: SSA-CAWR adjustment of 549 penalty

Requested Action:

Abate SSA-CAWR 549 penalty dated (MM-DD-YYYY) in full or in part. Do not assert penalty code 550 (Late Filing) [in the amount of (provide the amount to be assessed)] due to [state reasonable cause and RC codes].

Missing W-2s and W-3 attached. [or "Amended W-2s attached, etc."]
Annotate on 3870 to adjust the FTD Penalty and penalties assessed when adjusting the CAWR assessment.

Justification: Attach a copy of the taxpayer's letter requesting reasonable cause. Attach W-3 and W-2's or other documents as appropriate.

5.1.15.7.2
(03-17-2025)
**IRS-Combined Annual
Wage Reconciliation
(IRS-CAWR)**

- (1) IRS-CAWR compares Forms W-2, W-3, W-3c, W-2c, 1099-R and W-2G with-holding amounts to the amounts reported on Forms 94X (Forms 941, 943, 945), and Schedule H (Forms 1040, 1041) employment tax returns.
- (2) If the wages on the returns for a given year total **less** than the sum of the W-2 wages for that year and the taxpayer does not respond to notices, an increase in tax is made on the last available quarter of the year for that return. A TC 290 is assessed increasing the amount of tax due.
- (3) If Forms W-2 were not filed, secure them. If Forms W-2 were filed with incorrect amounts, then secure corrected Forms W-2. If the employment tax returns were prepared incorrectly or not filed, then secure the corrected or original returns. Each quarter where the taxpayer is liable must be assessed prior to requesting the IRS-CAWR adjustment.
- (4) Prepare Form 3870 using ICS template titled **IRS-CAWR Adjustment** and state what type of assessment (IRS-CAWR assessment) and what is attached (Amended W-2c, W-3c, or 94X-X attached) on the form. Scan and attach the secured documents, annotate in subject line of e-mail **IRS-CAWR**. Forward to the appropriate campus for processing using the state mapping guide in Exhibit 5.1.15-2, State Mapping for IRS-CAWR (2021 and prior) is worked in Cincinnati Service Center (CSC) or, for IRS-CAWR (2022 and subsequent), refer to Exhibit 5.1.15-3. See example below of suggested wording for Item 11 Form 3870.

Example: IRS-CAWR adjustment of tax

Requested Action: Abate TC 290 dated (MM-DD-YYYY) in amount of (provide amount of adjustment)

Justification: Annotate that taxpayer's 941s were correct as filed, but the original W-2s were prepared incorrectly.

Attach: Copies of W-2Cs and W-3C to correct the W-2s with SSA.

Reminder: The IRS-CAWR assessment is a tax assessment and reasonable cause is not applicable.

5.1.15.7.3
(03-17-2025)
**Information Return
Penalty Program**

- (1) Information Return Penalty Program (IRPP) - MFT 13 (BMF) or MFT 55 (IMF) with TC 240 Penalty reference number of (PRN) 500-514 (this is a penalty assessment).
- (2) IRS receives various information return documents each year that are either incorrect (wrong TIN or name, not on electronic media, etc.) or late. These errors result in various penalty assessments. See IRM 4.19.25, Information Return Penalty (IRP) Procedures.
- (3) Use IDRS CC PMFOL to determine which of the various penalties were asserted on this type of case. See Exhibit IRM 20.1.1-4, Penalty Reference Numbers (500 series), and Exhibit IRM 20.1.1-5, Penalty Reference Numbers (600 Series) for a listing of the penalties by reference code number.
- (4) Penalties may be imposed when information returns are filed:
 - a. After the due date,
 - b. Without all required or correct information, (including missing, incorrect and/or not currently issued Taxpayer Identification Number (TINs),
 - c. On paper when required to be filed on electronic media,

- d. When filed on electronic media, in a manner that does not allow them to be processed or be read by machine (not processable) or,
 - e. In an improper format, (using the wrong year Form 1096).
- (5) The Trade Preferences Extension Act (TPEA) of 2015, Section 806, increased the tiered penalty amounts for IRC 6721. The following penalty amounts (subject to inflationary adjustment) are effective for information returns and statements required to be filed on or after January 1, 2016:
 - a. \$50 per failure, not to exceed an annual maximum of \$500,000 for returns filed correctly within 30 days of the due date.
 - b. \$100 per failure, not to exceed an annual maximum of \$1,500,000 for returns filed correctly after 30 days, but on or before August 1, or
 - c. \$250 per failure, not to exceed an annual maximum of \$3,000,000 for returns filed after August 1.
- (6) These penalties can be either MFT 13 (BMF) or MFT 55 (IMF) with a DLN blocking of 500-514 (digits 9,10,11).
- (7) Information return penalties assessed under IRC 6721 have a penalty reference number (PRN) of 500-514. PRN 502 is a result of TIN errors on information returns such as Form 1099 series. The taxpayer/payer can request a penalty abatement by documenting that a solicitation was made to the payee for an accurate number within 30 days of notification from the campus. Additionally, the taxpayer may qualify for reasonable cause relief of this penalty, according to Pub 1586, Reasonable Cause Regulations and Requirements for Missing and Incorrect Name/TINs on Information Returns (Including instructions for reading CD/DVDs). This penalty can be waived by showing that failure was due to reasonable cause and not willful neglect. The taxpayer must establish that they acted in a responsible manner both before and after the failure occurred, and that:
 - a. There were either significant mitigating factors (for example, an established history of filing information returns with correct TINs), or
 - b. The failure was due to events beyond the filer's control (for example, a payee did not provide a correct name/TIN in response to a request for the corrected information).
- (8) Acting in a responsible manner includes making an initial solicitation (request) for the payee's name and TIN, if required, an annual solicitation. Upon receipt of this information, it must be used on any future information returns filed.

Note: An educational institution or insurer required to file Forms 1098-T acts in a responsible manner in regard to the TINs of students if it follows the solicitation requirements in Treas. Reg. section 1.6050S-1(e)(3). If the institution or insurer does not have a record of the individual's correct TIN, section 1.6050S-1(e)(3)(ii) requires an annual solicitation in the manner described in Treas. Reg. Section 1.6050S-1(e)(3)(iii) for the individual's TIN not later than December 31 of each calendar year during which the institution or insurer receives payments of, or bills for, qualified tuition and related expenses, or makes reimbursements, refunds, or reductions of such amounts respecting the individual.

- (9) The filer must act in a responsible manner both before and after the failure occurs. Acting in a responsible manner generally includes exercising the same degree of care that a reasonably prudent person (or organization) would use in

the course of its business in determining filing obligations and in handling account information such as account numbers and balances. Acting in a responsible manner also includes taking steps to avoid the failure, for example:

- Requesting appropriate extensions of time to file when practical to avoid the failure,
- Attempting to prevent a failure if it was foreseeable,
- Taking steps to ensure future compliance,
- Acting to remove an impediment or the cause of the failure, and
- Correcting the failure as promptly as possible, generally within 30 days.

Note: Different standards apply to different forms. For example, the solicitation requirements for Forms 1098-T are different than those for Forms W-2, yet the same PRN may be used to assess a penalty against either. See IRM 20.1.7, Penalty Handbook, Information Return Penalties, for additional information.

- (10) A waiver should not be automatically granted where the filer claims ignorance of the filing requirements. However, ignorance of the law may be considered as one factor which may indicate that the filer acted in a responsible manner if all the other facts support this contention. Significant mitigating factors - For the filer to establish reasonable cause under this category, the filer must show that they acted in a responsible manner as well as the existence of a significant mitigating factor. Events generally considered to be significant mitigating factors include, but are not limited to:

- First time filer- prior to the failure, the filer had not previously been required to file this particular form or statement. First time filer procedures do not apply to the procedures for information return penalties, although it should be considered, penalties should not be waived or abated citing the first time filing criteria alone.
- The filer has a history of complying with the information return reporting requirements. The filer's history of compliance should be considered whether or not the filer specifically requests waiver on this basis.
- Significant consideration is given if the filer was previously penalized under IRC 6721, IRC 6722, or IRC 6723.

Note: A good compliance history may benefit a filer who can show that they acted in a responsible manner, but cannot show that an event beyond the filer's control caused the failure.

- (11) Prepare Form 3870 using ICS template titled **Form 3870 - TIN/IRP Penalty Adjustment to Philadelphia** and state on the form the specific penalty in question (PRN 500-514) and whether the taxpayer has been advised of the proper submission in the future. Explain whether reasonable cause exists (if so, provide the appropriate reason codes(s)). If reasonable cause exists explain the reason and whether or not corrected documents were secured. See example below of suggested wording to write in Item 11 of Form 3870.

Example: IRP Penalty adjustment [PRN 500-514]

Requested Action: Abate [or adjust] civil penalty dated (MM-DD-YYYY) [in full or partial (state amount)] due to [state reasonable cause and reason codes].

Justification: Annotate the cause of penalty was [state specific cause].

Taxpayer has been advised as to how to file in the future.
Attach supporting documentation. Copies of solicitations sent to the payees.

- (12) Scan and attach the secured documents, annotate in subject line of e-mail **IRP Penalty**, and forward to the appropriate campus for processing. By using the Form 3870 ICS template, the mailbox will auto populate in the "To" field. All IRP Penalty requests are processed at PSC. Provide an explanation on Form 3870 why the documents are being forwarded for abatement. Secure managerial approval if penalty is abated for reasonable cause.

Note: These requests are **not** processed by CCP.

5.1.15.8
(03-17-2025)
**Federal Unemployment
Tax Act (FUTA) Tax
Adjustments**

- (1) The Federal Unemployment Tax Act (FUTA) Certification Program is the method IRS uses to verify with the states if the credit claimed on Form 940 and/or Schedule H (Form 1040) was actually paid into the appropriate state unemployment fund. There are currently 53 participating agencies which encompass the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Employers whose payments are received by the state after the due date are allowed 90 percent of the credit that would have been allowed had the payments been made on time.
- (2) State FUTA certification must be attached to **all** 940 adjustment requests including IRC 6020(b) adjustments. The taxpayer should provide you with both the certification of state payments and a copy of their return. There are two exceptions to this rule:
- Full abatement of a IRC 6020(b) assessment where it was determined the taxpayer was out of business the entire year and not liable for taxes reported on Form 940.
 - No credit is claimed for state contributions.
- (3) The FUTA assessment is assessed as additional tax with a TC 290 on either MFT 10 (Form 940) or MFT 30 (Schedule H, Form 1040) with numbers 50 or 51 in digits 9 and 10 of the DLN.

Caution: If there is no TC 290 assessment on the TXMOD then it is not a FUTA assessment. For example, if a RO secures an amended Form 940 from the taxpayer adjusting the current tax year this is **not** a FUTA adjustment. Use Form 940 and check the "Amended" box to correct a previously filed Form 940. An amended Form 940 is processed by CCP at PSC. Select ICS template marked **Form 3870 - Other Adjustment Request to CCP (Philadelphia)** for an amended Form 940.

- (4) If wages and taxes are being decreased, bracket "()" the line item adjustment amounts in Item 11 of Form 3870. Identify the amount of wages to be decreased.
- (5) Any FTD penalties requiring adjustment must be corrected manually. Do not address any computer generated penalties or interest. See IRM 20.1.4.21.6.1, Computation of the FTD Penalty (CAWR and FUTA notices).
- (6) When requesting State Certification, use Form 940-B, Request for Verification of Credit Information Shown on Form 940. Attach State Certification from each state in which the taxpayer paid wages. Use the ICS template for Form 940-B.

RO's should document ICS history when the state certification information was requested. The State Certification information is not provided by all states.

- (7) Review Form 940 instructions for assistance in computing the correct tax adjustment. Click on this link to go to Form 940 Instructions *About Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return*.
- (8) All FUTA adjustments are processed at the Cincinnati campus, including the international adjustments. Use ICS template titled **Form 3870 - FUTA Adjustment** for FUTA adjustments. Forward FUTA adjustments to the Cincinnati campus electronically or by mail or fax. Click on this link for the state mapping guide for FUTA adjustments *State Labor Department Form 940 Certification Contacts*, State Labor Department Form 940 Certification Contacts.
- (9) State on Form 3870 the cause of the problem and whether the 940 was incorrect or whether the taxpayer has subsequently paid all the contributions to the state. Attach any state certification, if required. Annotate in subject line of e-mail **FUTA Adjustment**. See example of suggested wording for item 11 of Form 3870.

Example: FUTA adjustment of tax

Requested Action: Abate (or adjust) tax (in full or partially) dated (MM-DD-YYYY) in amount of (state amount) due to (state cause of mistake).

Attach: Corrected return, signed and date stamped, and State Certification.

Attach POA information.

5.1.15.9
(03-17-2025)
**Tax Exempt and
Government Entities
(TE/GE) Adjustments**

- (1) TE/GE is comprised of three major business units; Exempt Organizations (EOs), Employee Plans (EPs), and Government Entities (GEs). Click on the link below to access the TE/GE web site for additional information, *TE/GE Connect Home Page*.
- (2) EO customers consist of religious, charitable, social, educational, political and other not-for-profit organizations. EO ensures that these organizations maintain compliance with the complex requirements for tax-exempt status, including an annual return filing requirement. Churches and some other organizations are not required to file an annual return. Under the **Pension Protection Act of 2006**, most small tax-exempt organizations whose gross receipts are normally \$50,000 or less must file Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ. Before this law was enacted, these small organizations were not required to file annually with the IRS. The first filings were due in 2008 for tax years ending on or after December 31, 2007.
- (3) EP services customers with qualified employee benefit plans (such as pension, profit-sharing, 401(k), employee stock ownership (ESOP), and stock bonus plans) that are required to file an annual return. Simplified Employee Pensions (SEPs), SIMPLE plans, 403(b) tax-sheltered annuities, and IRC 457 governmental deferred compensation plans generally are not required to file returns, but they may be required to file an income tax return if they engage in an unrelated business or receive unrelated debt-financed income.
- (4) GE customers consist of three distinct types of customers:
 - a. Federal State and Local Governments (FSLG),

- b. Indian Tribal Governments (ITG), and
- c. Tax Exempt Bonds (TEB).

Note: These customers are not subject to Federal income tax, however, they are responsible for income tax withholding and paying employment taxes.

- (5) IRM 20.1.8, Employee Plans and Exempt Organizations Miscellaneous Civil Penalties, section in the penalty handbook covers the miscellaneous civil penalty provisions of the IRC that apply to EP and EO. Decisions on penalty issues are to be guided by the applicable statutes, regulations, and procedural instructions issued by the IRS. See IRM 20.1.8.3, Exempt Organizations and Certain Trusts, for the applicable IRC sections regarding penalties assessed on EO and Certain Trusts. See IRM 20.1.8.4, Employee Plans (EP), for the applicable IRC sections regarding penalties assessed on EP.
- (6) A Daily Delinquency Penalty (DDP) for failure to file a timely return (unless there is reasonable cause) is assessed on EO. The most commonly worked TE/GE cases by ROs are:

MFT	Form	Title of Form
67	990 or 990-EZ	Return of Organization Exempt from Income Tax
37	5227	Split-Interest Trust Information Return
02	1120-POL	U.S. Income Tax Return of Political Organization
34	990-T	Exempt Organization Business Income Tax Return
36	1041-A	U.S. Information Return- Trust Accumulation of Charitable Amounts
50	4720	Return of Certain Excise Taxes on Charities and Other Persons Under Chap. 41 and 42 of IRC
44	990-PF	Return of Private Foundation

Note: See IRM 21.7.7.4, Exempt Organizations Overview, for a list of all EO forms.

- (7) The Daily Delinquency Penalty (DDP) on Form 990, Form 990-EZ, Form 990-PF, Form 1041-A and Form 5227 may be abated only in the following situations:

- A signed reasonable cause explanation for late filing is provided.
- The missing/incomplete information is submitted, along with a reasonable cause explanation as to why the information was not provided with the initial return.
- A reasonable cause explanation is provided as to why the missing information cannot be provided.

Note: The Form 3870 itself isn't sufficient documentation for abating a penalty.

Note: The penalty may be decreased if the return was filed late and incomplete and the removal of the "incomplete" condition allows for a lowered late filing DDP. The penalty should be adjusted to reflect only the late filing portion. See IRM 21.7.7.6.23.1, Daily Delinquency Penalty, for additional information on penalties.

Note: Certain penalties on EO cannot be abated for reasonable cause. See IRM 20.1.8-3, EO Reasonable Cause Guidelines, for additional information.

- (8) Use ICS template **Form 3870 - OTHER Manual Processing** for penalty abatement requests and any adjustment on an EO or EP tax return that are worked in EO or EP Accounts. A signed reasonable cause statement provided by the organization **must** be included with the Form 3870, along with any missing or incomplete information (if applicable). If the missing or incomplete information cannot be provided, a detailed explanation stating why the information cannot be provided must be included as well. The Form 3870 itself is not sufficient documentation for abating a penalty. Submit to group manager for approval. Form 3870 should be either mailed or faxed to OSC for processing. Annotate in subject line of fax or Form 3210 **EPEO Penalty Abatement**. See the chart below for mailing address:

For EO Accounts send to:	For EP Accounts send to
United States Post Office (USPS): Internal Revenue Service Attn: EO Accounts Unit, M/S 6552 Ogden, UT 84201	United States Post Office (USPS): Internal Revenue Service Attn: EP Accounts Unit, M/S 6552 Ogden, UT 84201
Private Delivery Service Address: Internal Revenue Service 1973 N. Rulon White Blvd. Attn: EO Accounts Unit, M/S 6552 Ogden, UT 84404 Note: The Efax number for OSC is 877-792-2864.	Private Delivery Service Address: Internal Revenue Service 1973 N Rulon White Blvd. Attn: EP Accounts Unit, M/S 6552 Ogden, UT 84404

- (9) The following procedures should be followed when requesting an abatement of a Form 5500, Annual Return/Report of Employee Benefit Plan, MFT 74/76 tax module. The taxpayer may provide the requested information. This includes any of the following:
- a. A copy of an approved extension.

- b. A copy of, or a statement that, an automatic extension was used (Form 4868, 5558, 7004 or 2758).
- c. A reasonable cause statement that is valid according to IRM 20.1.1.3.2, Reasonable Cause.
- d. The requested missing or incomplete information.

Note: Prepare Form 3870, Request for Adjustment, attach the valid supporting documentation, and forward to OSC at one of the addresses or fax numbers provided above.

5.1.15.10
(03-17-2025)

**Adjusting Assessments
of Personal Liability for
Excise Tax**

- (1) CEASO has sole authority for abatements or adjustments to an assessment of personal liability for excise taxes.
 - a. CEASO may abate the assessment when the liability is conceded by the Independent Office of Appeals (Appeals) or when a Federal Court judgment is entered in favor of the taxpayer. Form 3870 and a revised Form 9494, Request For Assessment of Personal Liability For Excise Tax, page 3 computation will be forwarded to CCP for association with the case file.
 - b. CEASO will prepare Form 3870 and a memorandum of authority to request reversal of a prior adjustment made on the assessment and forward to CCP. The memorandum will request reversal of the previous adjustment and will refer to a specific related Form 3870. **The memorandum must be approved by the preparer's group manager.** Once the adjustment has been made, a new NMF Bal Due will be issued which will be assigned to Field Collection or, if in litigation, to CEASO.
- (2) See IRM 5.7.3.2.1, Personal Liability for Excise Taxable Fuel Taxes, for additional information.

5.1.15.10.1
(03-17-2025)

**Adjusting Excise Claims
and Returns**

- (1) Excise taxes are levied on a wide variety of goods, services, and activities. The tax may be imposed at the time of sale by the manufacturer, sale by the retailer, or use (by the consumer). Many excise taxes are set aside into trust funds earmarked for related capital projects, such as highway and airport improvements. Excise taxes are independent of income taxes. For more information see IRM 4.24.1, Introduction to Excise Taxes and IRM 4.24.8, Examination Guidance for Excise Claims for Refund or Abatement.
- (2) The following Excise tax returns and claims are worked in the Cincinnati Campus:
 - Form 637, Application for Registration (For Certain Excise Tax Activities)
 - Form 720-TO, Terminal Operation Report
 - Form 720-CS, Carrier Summary Report
 - Form 720-X, Amended Quarterly Federal Excise Tax Return
 - Form 2290, Heavy Highway Vehicle Use Tax Return
 - Form 8849, Claim for Refund of Excise Taxes
- (3) Send all centralized excise claims, returns, or adjustments requests to the Cincinnati Campus for processing. The following address and fax number should be used for internal mail routing:

Internal Revenue Service
Excise Operation, Stop: 5701G

7940 Kentucky Drive
Florence, KY 41042
Fax: 855-386-5122

- (4) The following Excise tax returns and amended returns are processed at the Ogden Campus:
- Form 11-C, Occupational Tax and Registration Return for Wagering,
 - Form 730, Monthly Tax Return for Wagers
- (5) Send all original excise tax returns and amended returns for Ogden Campus for processing. The following address should be used for internal mail routing:

Internal Revenue Service
1973 N Rulon White Blvd, Stop 6110
Ogden, UT 84404

Note: There is no electronic mailbox or Efax. The documentation must be mailed to the address above.

- (6) Secure a signed return from the taxpayer and date stamp the return with the received date. Review the return and taxpayer substantiation for accuracy to ensure the documentation will satisfy and support the adjustment request. Be sure to address any statute issues. See IRM 25.6.1.6.4, Statute of Limitations Chart for Tax Returns.
- (7) Use ICS template titled **Form 3870 OTHER (Manual Processing)**, include the signed returned return, and forward to the Excise Operation according to the Forms listed above.

Reminder: These requests are **not** processed by CCP.

5.1.15.11
(03-17-2025)
**Tax Assessed on
Incorrect Entity or Tax
Period**

- (1) If a return is processed to an incorrect tax period or TIN and needs to be corrected, the return will need to be reprocessed to the correct tax period or TIN. The IRS cannot assess additional tax on a return if the statute of limitations on assessment with respect to that return has already expired. The adjustment can still be made, but it requires a manual process. Indicate on the Form 3870, "Request criteria transfer per ASER expiration." The tax period will be reassessed on NMF.
- (2) Secure a correct, signed return under the correct entity or TIN and send for processing on your Form 795-A, Remittance and Return Report. Once the correct return has posted to IDRS, use ICS Form 3870 to request an abatement of all assessments under the incorrect assessment. This option will be particularly useful if you need to do an immediate prompt or quick assessment to correct the accounts or if for some reason it is important to have the correct return signed by the taxpayer. Under this option, the FTF penalty will be assessed if the return has a balance due even though the incorrect return may have been assessed timely and no FTF penalty was assessed.
- (3) Do not address any of the computer-generated penalties or interest unless restricted when you are eliminating the tax completely. See IRM 20.1.4.23(11)a, Manual Adjustments.

- (4) If there are credits on the module you are abating that you want transferred, add this statement to ensure they do not refund prior to transfer: **“Please Input TC 570 .00 to hold credits.”** Make sure the RSED hasn’t expired prior to refunding or transferring credits. (See IRM 5.1.15.15, Credit Transfers.) Check IDRS CC IMFOLT for IMF and/or CC BMFOLT for BMF to see if there is a current TC 846 on the module. If a TC 846 has posted on the module the refund can no longer be stopped. Command code NOREF should be used to stop a refund.

Reminder: Check all related accounts (e.g., secondary TINs and receiving account) prior to reprocessing the return or moving any credits.

- (5) When using Form 3870 template available through ICS, you will be asked the question, “Do you want TC 570 .00 to be input to hold credits?” If the answer is yes, the following statement will be added in Item 11 “Input TC 570 .00 to hold credits.”
- (6) Request the original return from files using CC ESTAB and attach the original return and documents received from files for both entities, if available, to Form 3870. If the ESTAB document is not available, note on Form 3870. Annotate in subject line of e-mail **Return Assessed Under Incorrect TIN**. See example of suggested wording for BMF adjustment for Item 11 of Form 3870, Reason for Adjustment, below:

Example: Return Assessed Under Wrong Entity

Requested Action: Abate tax (TC 150) dated (MM-DD-YYYY) in the amount of (state amount),

Transfer the following FTD payments from the EIN, MFT, and Tax Period listed on Form 3870 to EIN (XX-XXXXXXX), MFT (XX) Tax Period (XXXXXX): TC 650 dated (MM-DD-YYYY) in amount of (state amount).

List all credits here that need to be transferred to the correct EIN.

Request input of TC 570 .00 to hold all credits till transfers are completed.

Reprocess the return from the above entity to (provide name of correct entity and EIN XX-XXXXXXX, MFT (XX), and tax period (XXXXXX)).

Justification: Annotate TP incorporated on (provide date of incorporation) MM-DD-YYYY i.e., tax return erroneously filed using the old Sole Proprietorship EIN. Delete all filing requirements under (provide the old Sole Prop EIN) XX-XXXXXXX.

Attach statement from the taxpayer that the return was filed under the incorrect TIN.

5.1.15.12
(03-17-2025)

**Multiple Taxpayer
Identification Numbers
(TINS) - Same Taxpayer**

- (1) If a taxpayer has multiple TINs and the tax modules under the TINs reflect different amounts, the accounts may be merged using Form 2363, Master File Entity Change. If multiple TINs exist and returns have been filed for different amounts for the same period, prepare Form 3870 abating tax under the wrong number and requesting assessment of additional tax under the correct TIN. Request that any credits be transferred to the correct TIN. Indicate on Form 3870 that refunds should be held until the account is corrected.

Note: Advise the taxpayer to file corrected state reporting information and Forms W-2 as appropriate to avoid a future CAWR adjustment.

- (2) When requesting an abatement of tax under an incorrect TIN and an assessment under the correct TIN, consider ASSED problems, if applicable. The IRS cannot assess additional tax on a return if the period of limitations on assessment with respect to that return has already expired. The adjustment can still be made, but it requires a manual process. Indicate on Form 3870, **Request criteria transfer per ASSED expiration**.
- (3) Use IDRS and Corporate Files On Line (CFOL) command codes (BMFOL for BMF and IMFOL for IMF) to research entity and account records for both entities to determine if the accounts can be merged. If there are no identical tax periods with assessments (TC 150s) under both TINs, you can merge the accounts. Use Form 2363 requesting that the incorrect TIN be merged to the correct TIN. Form 2363 can be emailed to CCP.
- (4) If you cannot merge the accounts, then take the following steps:
 - a. If the TP filed two separate returns (each with a different TIN) prepare Form 3870 under the incorrect number, abating the tax and requesting that an additional assessment be made under the correct number. Prepare a separate Form 3870 for each tax period involved. For a BMF case Form 3870 for the latest tax period involved should include a statement "Delete all filing requirements on this EIN". Request that refunds be held and all credits be transferred to the correct TIN, if applicable.
 - b. If the TP filed duplicate returns (one under each TIN) prepare a Form 3870 to abate the duplicate assessment under the incorrect TIN. Request that refunds be held and all credits be transferred to the correct number, if applicable. For a BMF case where both EINs have open 941 filing requirements but only one EIN is needed, retain the oldest EIN. For the newer EIN, include a statement on Form 3870 "Delete all filing requirements on this EIN".

Note: Advise the taxpayer to file corrected state reporting information and Forms W-2 as appropriate to avoid a future CAWR adjustment.

- (5) If there are credits on the module you are abating which you want transferred, add this statement to ensure they do not refund prior to transfer, **"Please Input TC 570 .00 to hold credits."** If a TC 846 has posted on the module, the refund can no longer be stopped. Command code NOREF should be used to stop a refund.
- (6) When using Form 3870 template available thorough ICS, you will be asked the question, "Do you want TC 570 .00 to be input to hold credits?" If the answer is yes, the following statement will be added in Item 11, "Input TC 570 0.00 to hold credits". Email the Form 3870 to CCP in Philadelphia.

5.1.15.13
(03-17-2025)
Identity Theft

- (1) Identity (ID) Theft occurs when someone uses an individual's personal information, such as name, Social Security Number (SSN), or other identifying information without permission, to commit fraud or other crimes. Instances of identity theft can either be alleged by the taxpayer or can be identified by an IRS employee.

- (2) If it is determined that the taxpayer is a victim of identity theft, a Form 3870 is prepared to correct the victim's account. See IRM 5.1.28, Field Collection Procedures, Identity Theft for Collection Employees, for information on processing guidelines.
- (3) If the taxpayer presents proof that they do not owe the tax due to identity theft, have the taxpayer provide substantiating documentation. Substantiating documentation includes a copy of the police report or Form 14039, Identity Theft Affidavit, and a copy of a valid United States federal or state government issued form of identification. Substantiating documentation is not required in instances of IRS identified ID theft. See IRM 5.1.28.8.3, IRS Identified Identity Theft, for more information.
- (4) Conduct research to determine if identity theft occurred. If after investigation it is determined that the taxpayer is a victim of identity theft, prepare Form 3870 for partial or full abatement and write **Identity Theft** in Item 11 Reason for Adjustment in bold letters. State on the Form 3870, "Abate TC 290 and indicate the amount". Include an explanation for the adjustment on Form 3870 and provide appropriate substantiation. Notate on Form 3870 to input TC 971 AC 501 or AC 506. The completed Form 3870 and all attachments are routed based on the type of assessment that needs adjusting. See complete instructions for guidelines and processing of Form 3870 in IRM 5.1.28, Field Collection Procedures, Identity Theft for Collection Employees.
- (5) Request input of the Identity Theft action code using Form 4844, Request for Terminal Action, to flag the account according to the procedures in IRM 5.1.28.8.5.1, ID Theft Action Code Input Procedures.
- (6) Review the Virtual Library Identity - Assistance to Victims website by clicking on this link, *Identity Theft - Assistance to Victims*.
- (7) Refer a taxpayer to the Identity Theft Toll-free number 1-800-908-4490 when the taxpayer needs assistance regarding non tax-related identity theft with no known tax administration impact.

5.1.15.14
(03-17-2025)
Tracing Payments

- (1) A payment tracer is the process used to locate a missing or misapplied payment made by a taxpayer. A payment tracer case is not resolved until the missing or misapplied payment is correctly applied to the taxpayer's account. Payments can be misapplied when the payment:
 - Is separated from the return during processing.
 - Posts to another account or tax period.
 - Posts before the return is assessed and taxpayer fails to properly identify the payment.
- (2) Use IDRS to access the module where the taxpayer intended the payment to be applied. Ask the taxpayer for proof of payment such as the front and back of a cancelled check. The back of most cancelled checks contains endorsement data that allows you to determine where a payment posted. A cancelled check with the endorsement data will provide the information to locate the payment using IDRS or CFOL command codes. If the taxpayer cannot provide the cancelled check, see IRM 5.1.15.14.1(6), Requesting Campus Tracing.
- (3) Check IDRS CC IMFOLP or BMFOLP using an appropriate date range that includes dates before and after the date the TP indicated the payment was made. IRS uses the date we received the payment as the payment date, not

the date mailed. Be alert to payments that might have been split by the remittance unit when the payment was not intended to be split by the taxpayer. Add payments with the same date to see if they total the overall payment amount secured from the taxpayer. ROs may research payments using the IAT Tool bar using the **Payment Tracer** option. Another tool that may be used is the RTR research tool to research payments by the DLN or routing number. Click on this link for additional information on using the RTR research tool *Log On/Off the Remittance Transaction Research (RTR) System* If the payment is located, prepare Form 2424 for transferring the payment and forward to CCP for processing.

- (4) Use CC URINQ to research the Unidentified Remittance File. This file can be researched by the amount of the payment, the name control, or the DLN. If the DLN is not known, adding the Area Office code to one of the items used for the search will narrow the search to one Area, instead of all Areas covered by the campus. This can be useful when the amount of the payment is a common one, (e.g. \$100, \$500, or \$1000).
- (5) For BMF cases, check the FTD credit module. If there is at least one balance due module on IDRS, the credit module is available using CC SUMRY. The FTD credit module is indicated on IDRS by the presence of MFT 01 and tax period YYYYMM. If there are no balance due modules on IDRS, use CC BMFOLI or BMFOLT to research the FTD credit module.
- (6) Use CC IMFOL/BMFOL to research other modules for the taxpayer that are not on IDRS.
- (7) Use CC UPTIN to check the Generalized Unpostable Framework (GUF) for a condition that might have made the payment go unpostable. Document information on Form 4446, Payment Tracer Research Record. Send your request electronically to CCP for processing.
- (8) Check the excess collection file using CC XSINQ. The excess collection file can be researched in three different ways:
 - By amount of remittance,
 - Name control, or
 - DLN.

Note: If the DLN is not known, adding the Area Office to one of the other data elements will narrow the search down from region wide to that area.

- (9) Document all these steps in the case file before forwarding to CCP for payment tracing. These payments must be manually applied and may not be on IDRS immediately. Please allow 60 days for this process. Do not contact campus employees regarding this issue. See IRM 5.1.15.5(3), Adjustments - General Procedures Form 3870, for information on issuing a case closing letter when the credit transfer will result in Status 12 on the account.

5.1.15.14.1 (03-17-2025) **Requesting Campus Tracing**

- (1) Use Form 4446, Payment Tracer Research Record, to request the campus to trace payments.
 - a. If the tracer will fully satisfy the amount owed, close the Bal Due module on ICS by selecting, "Payment Tracer" as closure type. This request will be send to the manager for approval. Once approved, a TC 470 CC 93 will upload to IDRS.

- b. If the tracer will not fully satisfy the amount owed, process the Payment Tracer Request, but **DO NOT** request input of TC 470 cc 93.
 - c. If the payment tracer will not fully satisfy the amount owed and the remaining balance due is later full paid before the credit posts, then close the payment tracer BAL DUE module on ICS by selecting, "Payment Tracer" as closure type. This will upload TC 470 cc 93.
- (2) Actions required on payment tracer requests based on the Collection Statute Expiration Date (CSED) are shown in the table below.

If	Then
more than 12 months remain until the CSED expires,	close the Bal Due as "Payment Tracer" on ICS. This will upload TC 470 cc 93.
between 6 and 12 months remain until the CSED expires,	<ul style="list-style-type: none"> • Write "Statute Expiration Date MM-DD-YYYY" in red or bold on the payment tracer in the "Other Details" section. • Close the Bal Due as "Payment Tracer" on ICS. This will upload TC 470 cc 93.
less than 6 months remain until the CSED expires,	<ul style="list-style-type: none"> • Write "Statute Expiration Date MM-DD-YYYY" in caps on the payment tracer in the "Other Details" section, • Do not close the Bal Due, and • Set a follow-up and monitor it every 30 days until the action is completed.

- (3) When preparing a payment tracer, include the following information, as applicable:
- a. Taxpayer's name and address,
 - b. Taxpayer's identification number,
 - c. Type of tax (MFT code),
 - d. Tax period,
 - e. Amount of payment,
 - f. Type of payment,
 - g. Endorsing IRS office,
 - h. Issue date of check, money order, etc.,
 - i. Date of receipt, receipt number, and type of receipt,
 - j. Date of IRS endorsement and information to identify the voucher or document used to process the payment, and
 - k. DLN from back of check.

If the payment was processed. . .	Then. . .
through IDRS	a 13-digit Remittance Sequence Number is stamped on the front of the remittance (canceled check, money order, etc). See Document 6209 under chapter entitled "IDRS Sequence Number" for an explanation of the 13-digit number.
<ul style="list-style-type: none"> Manually by the campus, Through the Remittance Processing System, or Through the Optical Character Recognition Remittance Processing System, 	the endorsement information is on the back of the canceled check or money order.

- (4) If possible, attach a clear photocopy of both sides of the canceled check or money order used to make the payment that needs to be traced.
- (5) If the payment was made by cashier's check or money order, and a copy of the canceled document is not readily available, get the serial number of the payment, the date it was purchased, and the name and address of the business that issued it to the taxpayer.
- (6) If the taxpayer cannot provide the cancelled check, you may be able to locate the missing payment from available information. Gather basic information from the taxpayer, including:
 - Amount of the payment.
 - Approximate date of the payment.
 - Where the payment was mailed.
 - Type of payment made, such as, cash, cashier's check, money order, levy, direct debit, Electronic Funds Tax Payment System (EFTPS), and payroll deduction.
 - Whether the taxpayer received any refunds since the date of payment.
 - Whether the taxpayer has multiple EINs for BMF cases.
- (7) When preparing a request for a payment tracer, be sure the complete 14 digit DLN on the back of the check or money order is included rather than other numbers that are stamped on the payment.
- (8) Beginning January 1, 2011, businesses must use electronic funds transfer (EFT) to make all federal tax deposits (such as deposits of employment tax, excise tax, and corporate tax). Prior to January 1, 2011, many employers were permitted to make their federal tax deposits at an authorized financial institution accompanied by an FTD coupon. The EFTPS is a system designed to use EFT to pay Federal taxes. The EFT number is shown on IDRS for the given module. Prior to submitting a payment tracer on a deposit made electronically, research the payment using CC EFTPS by:
 - EIN, EFT amount, and payment date,
 - Taxpayer supplied EFT number, or

- Taxpayer supplied reference number (confirmation number of credit card payments).
- (9) Forward to CCP for processing. See IRM 5.1.2.7.4.1, The Electronic Federal Tax Payment System (EFTPS), or IRM 21.5.7.3.2, Integrated Data Retrieval System (IDRS) Research for Payment.

Note: If it is necessary to submit a payment tracer for an FTD made prior to January 1, 2011, furnish a photocopy of both sides of the cancelled check or money order. The campus will request a photocopy of the bank's transmittal sheet for the payment in question, if necessary.

- (10) If the payment tracer case involves numerous other actions, (e.g. claims, amended returns, offsets of overpayments, returns filed later, etc.), no initial research is needed. Instead, prepare Form 4446, Payment Tracer Research Record, with TC 470 cc 90 rather than 93, and close the Bal Due module on ICS after securing managerial approval.

Caution: Select the proper collection suspension code when processing a taxpayer claim to adjust taxes and/or locate payments on a balance due account. Do not use TC 470 cc 90 if the account will not be fully satisfied or if the account will not update to Collection Status 12. See Document 6209, IRS Processing Codes and Information, Section 11 (Collection) for further information on TC 470 and other Closing Codes Chart.

- (11) Attach supporting documents to the request for a payment tracer. Requests should be sent by e-mail to CCP unless it is not practical (e.g. the attachment is too large or a scanner is not available). Attach Form 3210 if sent by mail.

5.1.15.15
(03-17-2025)
Credit Transfers

- (1) A credit transfer moves a payment or credit from one account to another or reverses a credit previously applied. Credit transfer requests are sent on a Form 2424, Account Adjustment Voucher, Form 3809, Miscellaneous Adjustment Voucher or, at times, Form 4446, Payment Tracer Research Record. If possible, these Forms should be generated using the ICS template listing. A credit can also be transferred from one TIN to another if a valid relationship exists, such as:
- The same taxpayer with more than one business,
 - Two businesses with the same bookkeeper,
 - A parent company and subsidiary company, or
 - Transfers between spouses depending on the facts and circumstances.
- (2) Before requesting any credit transfer, research IDRS (including CC TXMOD, CC IMFOLT for IMF and CC BMFOLT for BMF) for both **to** and **from** accounts to view any recent account activity. Consider the effects of pending transactions, previous actions, freeze codes, module balances, and posted penalty and interest adjustments. If the Refund Statute Expiration Date (RSED) has expired, **do not transfer the credit**. Refer to procedures in IRM 25.6, Statute of Limitations.

Note: Do not move payments until they post to IDRS. See IRM 21.5.8.4.7, Avoiding Credit Transfer Unpostables, for more information.

- (3) All credit transfer requests must contain sufficient information, for both the account to be debited and the account to be credited, to accurately transfer the available credit, including the designated payment code, if applicable. The “Explanation” field on the Form 2424, Account Adjustment Voucher or Form 3809, Miscellaneous Adjustment Voucher must include a brief explanation for the transfer.

Note: If multiple credits need to be moved, separate Form 2424s need to be completed and submitted to CCP for processing.

- (4) Identify the two modules affected by the credit transfer:
- The debit module - where the credit is moved from, and
 - The credit module - where the credit is moved to.
- (5) The RSED is generally three years from the Return Due Date or Extended Due Date for prepaid credits if a return was filed, or two years from the payment date for other payments, whichever is later. See IRC 6511, if the module credit created by the posting of an adjustment exceeds the amount of the credit that can be refunded or offset due to the recomputation of tax, penalties or interest. The revenue officer must transfer the barred portion of the overpayment to Excess Collection via Form 8758, and forward to CCP using the area CCP mailbox. See IRM 5.1.15.15.1, Transferring Credits to Excess Collection. A manual refund may be needed to allow the correct refund.
- (6) Whenever possible, use the ICS Payment Transfer option in ICS to transfer a credit if case conditions allow. See chapter 7 of the ICS User Guide for guidance. If case conditions do not allow the credit transfer within ICS, use the ICS template, Form 2424, Account Adjustment Voucher or Form 3809, Miscellaneous Adjustment Voucher to transfer credits between two modules on the same Master File or between Master Files. Complete all required fields on the Form 2424 or Form 3809 and review all fields for accuracy. Obtain approval from Group Manager, when applicable.

Note: Credit transfer requests requiring the transfer of credit in excess of \$100,000 will require managerial approval.

- (7) To successfully request a transfer, transaction codes must be compatible. Refer to Document 6209, Transaction Codes, for a list of transaction codes and document codes and IRS Processing codes and Information, Section 11 Collection, for their definitions. Refer to Exhibit in IRM 21.5.8-1, Transaction Codes and Reversals for a list of common credit and debit reversals.
- (8) Changes in payment dates are also requested on Form 2424. Explain the reason for the change in the date on the “Explanation” line of the Form 2424. To change a payment date:
- Debit module out with TC 672 (if payment is a TC 670), same credit date, same credit amount, same DPC, and
 - Credit module in with TC 670 with correct credit date, same credit amount, and same DPC.
- (9) To change an existing Designated Payment Code (DPC) code:
- Debit module out with TC 672 (if payment was a TC 670), same credit date, same credit amount, same DPC, and

- Credit module in with TC 670 with same credit date, same credit amount, and **new** DPC.

(10) When transferring an overpayment using Form 2424, use the codes shown below for transferring this credit:

- Debit module out with TC 820 using the date the overpayment became available (use the later of the return due date; received date on delinquent filed returns; or date on which the credit was available).
- Credit with TC 700 using same transaction date as debit.

5.1.15.15.1
(03-17-2025)

**Transferring Credits to
Excess Collection**

- (1) Internet research should be used in an attempt to locate a phone number or address for taxpayers with large dollar modules of \$100,000 or more, if one cannot be obtained through IDRS or locator services. See IRM 5.1.18, Locating Taxpayers and their Assets. All research actions must be documented on Form 8758, Excess Collections File Additions. Whenever a taxpayer contact is unsuccessful, a TC 971 AC 296 must be requested on the module to indicate that the account has been thoroughly researched prior to transferring to excess collection. Request TC 971 AC 296 using Form 8758, Item 30.
- (2) Funds are only to be moved to Excess Collection (XSF) after completing all research to establish that the funds could not be applied to a specific account or could not be refunded to the taxpayer. All credit modules of \$100,000 or more, require managerial approval (originator's manager) on Form 8758 prior to the transfer of credit to XSF or Unidentified Remittance File (URF). Any large dollar case sent to XSF that is not signed by the manager will be rejected back to the originator for a manager's signature. Attach current IDRS print (TXMOD/IMFOL/BMFOL) that shows the amount of credit on the account as well as the research performed prior to transferring to XSF. Prepare Form 8758 and transmit to CCP. For guidance in preparation of Form 8758 refer to IRM 3.17.220.2.2.1, Preparation of Form 8758. Form 8758 can be transmitted electronically using the Area CCP mailbox. CCP will route Form 8758 to the appropriate accounting function for processing.

5.1.15.15.2
(03-17-2025)

**Transferring Credits
from Excess Collection**

- (1) Credits previously sent to XSF need to be returned to the taxpayer's account before the processing of a return is completed. This will prevent any balance due notices from being sent in error. Research CC XSINQ to research the credit and once located, complete Form 8765, IDRS Control File Credit Application, to transfer credits from XSF. Consult IRM 3.17.220.2.12, Applying Amounts From the XSF - General, for instructions on preparing the form. Further guidance on completing Form 8765 is contained in IRM 21.5.7.4.4.2, Form 8765, IDRS Control File Credit Application.
- (2) CCP will forward Form 8765 and XSINQ prints to the statute unit for clearance, if necessary. If the request is not approved by the statute function, Form 8765 will be rejected back to the originator (RO). If the Statute Unit clears the request, CCP will forward Form 8765 to the appropriate accounting function for processing.

5.1.15.16
(03-17-2025)
**Penalty and Interest
Abatements**

- (1) Review IRM 20.1, Penalty Handbook, and the Penalty Policy Statement in IRM 1.2.1.12.1, Policy Statement 20-1 (Formerly P-1-18), Penalties are used to enhance voluntary compliance, when processing reasonable cause penalty relief requests. Review IRM 20.2.7, Interest, Abatement and Suspension of Debit Interest, for procedures and guidelines in processing requests for relief of interest.
- (2) The IRC contains numerous civil penalty provisions. Some penalties are assessed with a specific Transaction Code (TC), while others are assessed with a TC 240 and a 3-digit Penalty Reference Number (PRN) (5XX, 6XX, or 7XX). Miscellaneous penalties assessed with a TC 240 and 3-digit PRN, (e.g. MFT 55 and MFT 13), are referred to as "Civil Penalty Modules." The various penalties are identified with reference numbers as indicated in Document 6209, IRS Processing Codes and Information, and IRM Exhibits IRM 20.1.1-4, Penalty Reference Numbers (500 Series), IRM 20.1.1-5, Penalty Reference Numbers (600 Series), and IRM 20.1.1-6, Penalty Reference Numbers (700 series). Not all of these penalties are subject to reasonable cause abatement.
- (3) Computer generated penalties will automatically recompute. If payments/deposits are transferred in or out of a module, the TC 186 will systemically recompute. If tax is reduced to zero, the TC 186 will reverse systemically. When penalties are abated or reduced, interest will systemically adjust.
- (4) If the adjustment will fully satisfy the module and the collection investigation on the taxpayer entity is concluded, then the RO is required to send case closing Letter 4222, Notice of Case Resolution, to the taxpayer and/or Power of Attorney. A systemic history will be written when Letter 4222 is generated. There is no requirement to hold the case open on ICS until the closing action posts to IDRS and the account goes to Status 12. The letter will be systemically generated for the RO to send to the taxpayer once the case is closed on ICS. If the case and modules are closed on ICS prior to the closing letter being generated, module information must be manually entered in the ICS template. After Form 3870 is approved by the GM, when the manager selects the approval button, the Print Manager will open which includes the option to allow the manager to print the case closing letter or e-mail it to the initiator of the request for them to print.

5.1.15.16.1
(03-17-2025)
**Reasonable Cause
Assistant (RCA)**

- (1) ROs are required to use RCA when the taxpayer requests relief of certain penalties due to reasonable cause. All tax adjustments, credit transfers, etc. should be resolved prior to processing a penalty relief case using RCA.
- (2) RCA **must** be used for the following penalties:
 - a. IMF Failure to File (FTF) and Failure to Pay (FTP)
Note: RCA can be used for MFT 31 (but only Innocent Spouse/Mirrored Assessment Modules), and
 - b. BMF Failure to Deposit (FTD)
Note: BMF FTD penalty relief using RCA is currently limited to MFTs 01, 10,11,14 and 16.

Caution: RCA cannot be used for ASFR, SFR, IMF/BMF AUR, CAWR, FUTA or EXAM penalty abatement.

(3) Additional resources include:

- IRM 20.1.1, Penalty Handbook - Introduction and Penalty Relief
- The Reasonable Cause Assistant (RCA) for Revenue Officers (Desk Guide), Document 13139
- The RCA Quick Reference Guide for FC Employees, Document 12874

(4) If the taxpayer has not previously been required to file a return or if no prior penalties (except the Estimated Tax Penalty, TC 17X) have been assessed on the same MFT in the prior 3 years, RCA provides an option for First Time Abate (FTA). See IRM 20.1.1.3.3.2.1, First Time Abate (FTA), for additional information. A penalty assessed and subsequently reversed in full will generally be considered to show compliance for that tax period. RCA considers fully reversed penalties in its FTA analysis. If any tax modules are on retention register, RCA will not read those. Each module on retention register must be manually reviewed by the RO. FTA is provided to the taxpayer under an Administrative Waiver and does not require managerial approval. If RCA reaches an FTA conclusion, RCA will create one of three letters after CCP inputs the adjustment. The RO has to print the letter and either hand it or mail it to the taxpayer. The letters below are not systemically generated to the taxpayer. The letters are as follows:

- Letter 4722, First Time Abate Letter (IMF), used to notify taxpayers that relief of certain penalties (FTF and FTP) on IMF was granted.
- Letter 4723, First Time Abate Deposit Frequency Letter (BMF), used to notify taxpayers that relief was granted for the FTD penalty.
- Letter 4724, First Time Abate FTD Penalty Letter (BMF), used to notify taxpayers that the FTD penalties were abated.

Caution: FTA can only apply to a single tax period on a given MFT and to those taxpayers that have filed all returns (on the same, or associated, MFT) and paid, or arranged to pay, all tax currently due. Subsequent periods will be based on reasonable cause.

Note: When determining if a taxpayer is eligible to receive First Time Abatement (FTA) penalty relief, for the 2019 and/or 2020 years, see IRM 20.1.1.3.3.2.2, Administrative Waiver - Penalty Relief for Certain Taxpayers Filing 2019 and 2020 Returns (08/25/2022). The FTF penalty is waived for the following applicable returns filed on or before September 30, 2022, with conditions. See the table below:

RETURNS
Form 1040 series (MFT 29, 30, 31)
Form 1120 series (MFT 02)
Form 1041 (MFT 05)
Form 1066 (MFT 07)
Form 990-T (MFT 34)
Form 990-PF (MFT 44)
Form 1120-S (MFT 02 Doc Code 16)

RETURNS
Form 1065 (MFT 06)
Form 5471 PRN 599 or 712)
Form 3520 (PRN 659, 668, and/or 677)
Form 3520-A (PRN 660)

- (5) The reasonable cause explanation provided by the taxpayer will be considered after RCA performs the First-time Abate/Clean Compliance History analysis. If FTA criteria does not apply then the taxpayer's explanation will be used to determine if reasonable cause penalty relief criteria is met. The taxpayer is required to provide documentation to support their claim before a penalty relief determination can be reached.
- (6) Prior to processing a request for penalty relief using RCA, the RO must check TXMOD on IDRS and verify that the action was not previously taken on the module. Otherwise, an unpostable action will occur.
- (7) The RO must input the date they received the correspondence from the taxpayer requesting penalty relief. Ensure that the "Received Date" is not older than one year. If the received date is older than one year, the abatement may be rejected by CCP.

Note: If the abatement request received date is more than one year old, manually prepare Form 3870 using ICS template titled Form 3870 - Penalty Adjustments to CCP and forward to CCP for processing.

- (8) Reasonable cause penalty abatements must be approved by the group manager when RCA reaches the "Abate Conclusion". A determination to override RCA's conclusion must be justified. The reason(s) the RCA conclusion is being overridden is required and must clearly state why the RCA conclusion is incorrect and why, or why not, the facts and circumstances of the case support the action being taken. Managerial approval is required on the Form 3870 prior to submitting the request to CCP.
- (9) Forward the approved penalty abatement to CCP using RCA and retain the taxpayer's letter and any other supporting documentation with the case file.
- (10) The Reasonable Cause Assistant Expansion II Project team established a mailbox to provide continuous customer service to Field Collection Function RCA users. Revenue officers can send questions to the project team and a response will be provided within 24 to 48 hours. For assistance, send questions or comments to RCA for assistance **sbse.rca.help*.

5.1.15.16.2
(03-17-2025)
**Reasonable Cause
Penalty Abatements**

- (1) Use ICS template **Form 3870 - Penalty Adjustment to CCP** for processing penalty abatements only when RCA cannot be used. Multiple tax periods for the same taxpayer, for **penalty abatement only**, can be included on a single Form 3870.
- (2) Submit Form 3870 - Penalty Adjustment, including a complete explanation to justify the reason for the abatement to the group manager for approval. Group

managers will review the taxpayer's letter with supporting documentation and IDRS prints verifying the amount of the proposed abatement when approving penalty abatements.

#

- (3) If you are abating Failure to Pay (FTP) penalty now accrued and wish to have the penalty continue to be waived in the future, request input of TC 270 in the amount of ".00". This will remove and stop the accruals. See IRM 20.1.2.2.4.1, Penalty Abatement and Re-assessments, for information on restricting accrual of the FTP penalty.
- (4) Adjust any manual assessment for Failure to File (FTF) penalty (TC 160) as it will not automatically recompute.
- (5) Computer generated penalties will automatically recompute. The exception to this is TC 186, FTD penalty. Request adjustment of the FTD penalty as it will not automatically recompute regardless of whether it is a manual assessment or a computer generated assessment.
- (6) When a manual computation is used for FTD computation, if there is a penalty code 11 on IDRS located below the Failure to Deposit (TC 186) amount, the penalty was imposed because the original return contained an incomplete or missing Record of Federal Tax Liability (ROFTL). Command Code FTDPN may be used for computing FTD Penalty. See IRM 20.1.4.23, Manual Adjustments, for additional information on using FTDPN. Attach a Failure to Deposit Penalty Computation, or an accurate Form 941 Schedule B with a completed liability section to support your adjustment.
- (7) Revenue Procedure 84-35 may allow some partnership entities reasonable cause abatements if the individual partners have reported their shares of the partnership income on their timely filed income tax returns. See IRM 20.1.2.4.3, Penalty Relief.
- (8) Penalties asserted by Examination (including SFR, IMF/BMF AUR or Field Audit) may not be abated by Collection and require a request for reconsideration. Forward the request for abatement to Examination for approval.
- (9) Penalties or interest sustained by Appeals may only be abated by Appeals. A TXMOD will show a TC 290 for zero using Blocking Series 96, with a Penalty Reason Code (PRC) 062 (reasonable cause) in the first position and PRC 041 (sustained by Appeals) in the 4th position. This indicates that the penalty was appealed at one time and the penalty was sustained by Appeals. If Appeals partially abates a penalty using PRC 042 in the 4th position, that generally indicates they sustained the rest of the penalty and the case should be treated the same as those that Appeals sustained the entire penalty. The taxpayer should have received a letter from Appeals advising the next steps in the Appeals process. Forward to Appeals for the appropriate determination.

- (10) See Exhibit 5.1.15-1, Identifying Reasonable Cause Categories.
- (11) Forward the approved Form 3870 - Penalty Adjustment to CCP by e-mail and retain the taxpayer's letter and all other supporting documentation with the case file. Annotate in subject line of e-mail **Penalty Abatement**,. See example below for suggested wording in Item 11 of Form 3870 (use this only when RCA cannot be used):

Example: Abatement of FTF Penalty for Reasonable Cause

Requested Action: Abate FTF penalty (TC 166) dated (MM-DD-YYYY) in amount of (provide amount to be abated)

Justification: Annotate the taxpayer has established reasonable cause.

Provide reason for delay in filing timely. (Reason has to fall within timeframe of the filing date.) State when the return was filed and provide verification where available.

5.1.15.16.3
(03-17-2025)

**Abatement of Penalties
Assessed under IRC
6721 and 6722,
Employer Shared
Responsibility Provision
(ESRP) Civil Penalty**

- (1) Applicable Large Employers (ALEs) are required to file informational returns. If the employer fails to file or furnish the informational returns timely, penalties are assessed under IRC 6721 (failure to file with IRS) or 6722 (failure to furnish information to employees). This section provides guidance to Field Collection employees working penalty relief requests for penalties assessed under IRC 6721 and 6722.
- (2) A ESRP civil penalty assessment can be identified by:
 - a. MFT 13 with a TC 290 for .00 (always on BMF, no TC 150 associated.)
 - b. Three-digit assessment number of TC 24X (TC 240 is the most common).
 - c. PRN 600 for failure to file correct information return.
 - d. PRN 612 for failure to file furnish correct payee statement.
- (3) Take the following steps to request abatement:
 - a. Secure an abatement request from taxpayer or authorized representative.
 - b. Confirm with taxpayer or authorized representative that F1094-C and F1095-C have been filed for the period of abatement request.

Note: If taxpayer informs the RO that they have not filed F1094-C and 1095-C, advise the taxpayer or authorized representative to file before an abatement request is considered.

- c. Forward the abatement request with supporting documentation to the ESRP team's electronic mailbox: **SBSE ESRP Questions*.
- d. In the subject line of the email the RO **must** indicate: **"Status 26 ESRP Civil Penalty Abatement Request"**.
- e. The ESRP team will verify F1094-C and F1095-C have been filed through IDRS via command code IRPOL, assemble the case and forward it through SharePoint Site for an Exam determination to abate or deny the penalty abatement request.
- f. Once Exam makes a determination, it will upload the determination to the ESRP SharePoint site.
- g. Centralized Case Processing (CCP) will access the SharePoint site on a weekly basis to retrieve casework assigned to CCP. See if and then chart below:

If:	Then:
Exam decides to abate the penalty,	CCP will input the adjustment and notify the RO. The RO will communicate the determination of the abatement request to the taxpayer or authorized representative and notate in ICS history.
Exam decides to deny the penalty abatement in part or in full,	CCP will input the adjustment and notify the RO to send the ICS Letter 2413 with Exam's applicable verbiage.

- (4) After CCP takes the appropriate adjustment actions based on the Exam response, CCP will document the ICS history and email the RO with actions taken. CCP employee will copy and paste the Exam determination from the SharePoint site and enter an ICS history to the originating RO.

If:	Then:
Exam makes a determination to fully abate the penalty,	notify the taxpayer or the authorized representative of the determination and document the communication on ICS.
Exam makes a determination not to abate or partially deny the abatement,	the RO will copy and paste the determination for the full or partial denial of the abatement request. Use the ICS template entitled, Letter 2413 - Deny Adj. Req (Assessed) , to send the taxpayer. For full or partial denials, see Exhibit 5.1.15-4 below for sample verbiage that must be copied into the radio box of Letter 2413 labeled as Enter brief narrative explaining results of investigation , and send to the taxpayer after all above actions have been completed.

- (5) If the taxpayer or authorized representative requests an appeal in response to the Letter 2413, the RO will transfer all documents by uploading the documents to the Appeals Electronic Case Receipts (ECR) Sharepoint site at *Appeals Electronic Case Receipts SharePoint* site and take the following actions:

STEPS
1. Select Add New Electronic Case Receipts

STEPS
2. Select the appropriate Business Unit from the drop down list.
3. Select PENAP (Penalty Appeals) in the Type of Case field.
4. Choose All Other for the type of PENAP case from the drop down field.
5. Input the taxpayer name, TIN, MFT(s), and tax period(s) being appealed. Note: The MFT and Tax Period fields permit multiple entries for the same taxpayer.
6. Input the requestor's name or SEID in the Requestor field and then select that name in the pop-up box so the Requestor , Email , Telephone , and POD fields auto-populate.
7. Click Add Attachment and use the Choose File Button to browse and select the following documents: <ul style="list-style-type: none"> • The taxpayer's written request for an appeal and other pertinent documents. • A copy of the ICS history. • A copy of the disallowance letter, Letter 2413, and Letter 2413-M, if appropriate. Note: Files selected for upload should be in PDF format. Each file should not exceed 25 pages. Files larger than 25 pages will need to be split before uploading.
8. Click the Submit button when all information has been input and all files necessary to work the case have been added as attachments.

- (6) If the appeal contains new information that requires additional investigation or ICS documentation, the revenue officer will take the following actions in IRM 5.1.15.16.5(6), IRM 5.1.15.16.5(7), and IRM 5.1.15.16.5(8).

5.1.15.16.4
(03-17-2025)
Interest Abatement

- (1) **The IRS does not abate interest for reasonable cause.** IRC 6404(e)(1), abatement of interest attributable to unreasonable errors and delays by Internal Revenue Service, provides that the Commissioner may in their discretion abate interest on certain tax deficiencies, i.e. income, estate, gift, certain excise taxes (employment taxes are specifically excluded) assessed as a result of unreasonable errors or delays in the performance of a ministerial or managerial act by the IRS. For assistance regarding ministerial act and managerial act, see IRM 20.2.7.5.1, IRC 6404(e)(1) Criteria and Examples. These requests **must** be routed to the Interest Abatement Coordinator (IAC) in the Area where the alleged error or delay occurred. The names and contact information of each IAC is on the Interest Knowledge Base Virtual Library, found at: *Interest Abatement Coordinators - Field Collection/CEASO*. (internal use only.)
- (2) An Interest Abatement referral to the IAC should have the following critical items attached:

- A detailed description as to when, how and to what length of time the IRS caused a delay or how an unreasonable error caused increase interest.
 - Supporting documentation letters, payoff letters, and date specific information. This information is of the utmost importance, as it provides the IAC with the points in time in which the interest will be determined, should their request prevail.
 - The Form 843 Claim for Refund and Request for Abatement requires the following words across the top of the form, **"IRC 6404(e)(1) Interest Abatement Request"**.
- (3) Collection Advisory Interest Abatement Coordinators work claims under **IRC 6404(e)(1) ONLY**. Collection Advisory Interest Abatement Coordinators **DO NOT** work:
- Interest Abatement Claims due to Exam/SFR assessments or Appeals requests.
 - Penalty and Interest abatement claims.
 - Form 1120 complex restricted interest cases.
 - Frivolous Claims.
 - Interest on employment tax.
- (4) An extension of time to file does not extend the time to pay. Therefore, interest is due from the due date of the return without regard to any extension of time to file. However, the Commissioner at their discretion may abate the interest on any payment of tax to the extent that an officer's or an employee's erroneous or dilatory actions in performing a ministerial or managerial act in their official capacity caused an unreasonable error or delay in the payment of the tax. See IRC 6404(e)(1)(B).
- (5) When calculating a payoff for interest that is systemically assessed, do not use ICS for calculating the payoff amount. Calculation of accruals must be verified with IDRS. The taxpayer will receive a notice for additional accruals if the payoff amount is not accurate. **A request for abatement of the remaining interest "due to service error" is not appropriate.** A manual calculation of the full pay amount and comparison with CC INTST calculated on IDRS should be completed.
- (6) Interest may be limited to specific time periods or rates, or it may be statutorily prohibited, which gives rise to the term "restricted interest". Restricted interest is subject to the same variables (time, rate, amount) as **normal** interest calculated by the IRS. The primary difference between normal and restricted interest is that the IRS computer may **not** be able to identify all the conditions involved in a restricted interest situation. Transaction Codes 340 and 341 or a Master File -I freeze code will indicate restricted interest was computed on a tax module. See Document 6209, IRS Processing Codes and Information, Section 8A, Master File Codes, for a list of freeze codes and transaction codes that restrict interest from being systemically computed. Interest that is restricted from systemic calculation must be manually computed. Anytime debit interest is manually computed, it is necessary to recompute the entire tax module to ensure an accurate computation is made. When a tax module is recomputed, all prior manually computed interest transactions (e.g., TC 19X, TC 34X, TC 770, TC 772) must be verified. ROs should forward their request for restricted interest computations to the FORT unit at CCP, see IRM 5.4.12.2.8, Restricted Interest Computation. ROs should refer interest computations on Exam related assessments to Exam CCP. Contacts for Exam related interest computations

can be located using this link, *Contacts for FORT (Field Office Resource Team)*. See IRM 20.2.7, Interest, Abatement and Suspension of Debit Interest for additional information.

5.1.15.16.5
(03-17-2025)
**Penalty Relief Denial
and Appeals**

- (1) The RO will inform the taxpayer of the determination to not abate a penalty for reasonable cause. The RO must provide written notification to the taxpayer of the denial and of the taxpayer's appeal rights, regardless of whether the request was received in person, over the phone, or in writing. Use Pattern Letter 2413 available as an ICS template.
- (2) If a request for penalty relief is denied after assessment, request TC 290 for zero amount, using Blocking Series 98/99 with Reason Code 062 and Hold Code 3 using Form 4844. Forward the Form 4844 to CCP for input. When RCA is used, RCA sends the adjustment information to CCP for input and Form 4844 is not required. For additional information see IRM 20.1.1.3.5.3, Taxpayer Not Entitled to Relief.
- (3) If the taxpayer disagrees with the determination and maintains that the penalty should be abated, provide written notification to the taxpayer using Pattern Letter 2413, available as an ICS template.
- (4) If the taxpayer submits a written appeal, the revenue officer who rejected the abatement request will review the appeal to determine if the taxpayer has raised new information. New information is information that was not previously discussed with or raised by the taxpayer, or not previously investigated and documented by the revenue officer. If the appeal contains new information that changes the abatement decision, the revenue officer will take the following actions:
 - Document receipt of the appeal in the ICS case history, and include details of the new information and basis for penalty abatement.
 - Secure managerial approval of the penalty appeal and follow abatement procedures.
- (5) If the taxpayer submits a written appeal, the revenue officer who rejected the abatement request will review the appeal for additional information which may change the original determination to sustain the penalty. If there is no change in the penalty determination, document the receipt of the appeal request in the ICS case history with the statement that the taxpayer appeal was received on (date), did not contain new information and the case is being forwarded to the group manager for review prior to transmission to Appeals. Access the Appeals Electronic Case Receipts (ECR) Sharepoint site at: *Appeals Electronic Case Receipts SharePoint* site, prepare the appeal request for transmittal to Appeals, and attach the following:
 - a. The taxpayer's written request for appeal and other pertinent documents,
 - b. A copy of the ICS history,
 - c. A copy of the disallowance letter, Letter 2413, and forward the request to the group manager for review and concurrence. Refer to the Case Routing Into The Independent Office of Appeals site or click on this link, *Case Routing Into The Independent Office of Appeals*.

Caution: The revenue officer should not make any commentary in the ICS history regarding the merits of the penalty appeal. The ICS case history made at the time of the original penalty denial determination should have sufficient documentation regarding the determination to sustain the penalty. No

separate memorandum should be prepared for Appeals discussing the basis for the original penalty abatement denial. The manager must ensure this requirement is met and that no prohibited ex parte communications are included before approving the transmittal of the case to Appeals. Refer to IRM 5.1.9.5, Communications with Appeals, for additional information.

- (6) If the appeal contains new information that requires additional investigation or ICS documentation, the revenue officer will take the following actions:
 - Document the receipt of the appeal request in ICS with a statement that the appeal was received on (date) and only the facts concerning the new information requiring additional investigation or consideration.
 - Conduct any additional consideration or investigation of the new information as appropriate and document the results in the ICS history.
 - Secure managerial concurrence of decision to sustain penalty abatement denial.
 - Attempt to make telephone contact with the taxpayer to explain the results of the additional investigation. The revenue officer will document the ICS history, notating if contact was made with the taxpayer.
 - If the revenue officer is unable to make contact with the taxpayer within a reasonable time period, the revenue officer will forward the case file to the group manager.
- (7) The group manager will take the following actions:
 - Prepare Letter 2413-M to the taxpayer that identifies the new information and a brief summary of the results of the additional investigation.
 - Document issuance of the letter to the taxpayer in the ICS history and attach a copy of the letter to the taxpayer appeal.
 - The manager must ensure that the ICS history is attached to the appeal request and that no prohibited ex parte communications are included before approving the transmittal of the case to Appeals.
- (8) The revenue officer will then prepare the request for transmittal to Appeals, access the Appeals Electronic Case Receipts (ECR) Sharepoint site, *Electronic Case Receipts*, and attach the following:
 - The taxpayer's written request for appeal and other pertinent documents
 - Copy of the ICS history
 - Copy of the disallowance letter, Letter 2413
 - Copy of Letter 2413-M issued by the group manager
- (9) The revenue officer may then forward the request to the appropriate Appeals office. Incomplete packages will be returned to the originating RO. Refer to the Appeals Case Routing Guide available on the Appeals intranet site.
- (10) Encourage the taxpayer to full pay the liability prior to submitting an appeal to avoid further interest and penalties on the tax amount and interest on the penalty amount. If the taxpayer has submitted an appeal, continue collection activity on the unpaid tax and interest.
- (11) Suspend collection activity only on the unpaid penalty portion of the assessment during the 15-day period granted to the taxpayer to file an appeal. Continue to suspend collection activity on the unpaid penalty portion during the

period the penalty abatement is under consideration by Appeals unless collection of the tax liability is in jeopardy or the taxpayer is attempting to delay collection.

- (12) A jeopardy situation may be characterized by the appearance that the taxpayer is placing assets beyond the reach of the IRS by concealment or transferring assets to other individuals or entities. See IRM 5.11.3, Jeopardy Levy without a Jeopardy Assessment.
- (13) If it is determined that collection of the tax liability is in jeopardy or that the taxpayer has submitted an appeal solely to delay collection, secure group manager approval to pursue collection of the penalty while the penalty abatement is under consideration by Appeals. See IRM 5.1.9.4, Collection Appeals Program (CAP). Also see IRC 6330(f) Exceptions.
- (14) Document the ICS case history with the factors used to conclude that the abatement appeal was submitted primarily to delay collection.
- (15) If the remaining balance on the account is the penalty portion of the assessment, close the Bal Due module on ICS selecting "Abatement". This will upload TC 470 cc 90.

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Exhibit 5.1.15-1 (08-11-2015)

Identifying Reasonable Cause Categories

These are only guidelines and are not to be used independently for determining reasonable cause.

Category	IRM Reference
Reasonable Cause	IRM 20.1.1.3.2
Ordinary Business Care and Prudence	IRM 20.1.1.3.2.2
Death, Serious Illness, or Unavoidable Absence	IRM 20.1.1.3.2.2.1
Fire, Casualty, Natural Disaster, or Other Disturbance-Reasonable Cause	IRM 20.1.1.3.2.2.2
Unable to Obtain Records	IRM 20.1.1.3.2.2.3
Mistake Was Made	IRM 20.1.1.3.2.2.4
Erroneous Advice or Reliance	IRM 20.1.1.3.2.2.5
Ignorance of the Law	IRM 20.1.1.3.2.2.6
Forgetfulness	IRM 20.1.1.3.2.2.7
Inaccessible Notices	IRM 20.1.1.3.2.2.8
Undue Hardship	IRM 20.1.1.3.3.3
Advice	IRM 20.1.1.3.3.4
Written Advice From the IRS	IRM 20.1.1.3.3.4.1
Oral Advice From IRS	IRM 20.1.1.3.3.4.2
Correction of Service Error	IRM 20.1.1.3.4

Exhibit 5.1.15-2 (03-17-2025)**State Mapping IRS-CAWR (2021 and prior only) is worked in Cincinnati Service Center (CSC)**

All International, Puerto Rico and Virgin Islands CAWR adjustments are worked at Philadelphia. IRS-CAWR (2022 and subsequent), refer to Exhibit 5.1.15-3.

Note: All Forms 941 Schedule D should be forwarded to the PSC CAWR/FUTA Operation.

State	Campus	State	Campus
Alabama	CSC	Montana	CSC
Alaska	CSC	Nebraska	CSC
Arizona	CSC	Nevada	CSC
Arkansas	CSC	New Hampshire	CSC
California	CSC	New Jersey	CSC
Colorado	CSC	New Mexico	CSC
Connecticut	CSC	New York	CSC
Delaware	CSC	North Carolina	CSC
Florida	CSC	North Dakota	CSC
Georgia	CSC	Ohio	CSC
Hawaii	CSC	Oklahoma	CSC
Idaho	CSC	Oregon	CSC
Illinois	CSC	Pennsylvania	CSC
Indiana	CSC	Rhode Island	CSC
Iowa	CSC	South Carolina	CSC
Kansas	CSC	South Dakota	CSC
Kentucky	CSC	Tennessee	CSC
Louisiana	CSC	Texas	CSC
Maine	CSC	Utah	CSC
Maryland/DC	CSC	Vermont	CSC
Massachusetts	CSC	Virginia	CSC
Michigan	CSC	Washington	CSC
Minnesota	CSC	West Virginia	CSC
Mississippi	CSC	Wisconsin	CSC
Missouri	CSC	Wyoming	CSC

Reminder: *California/Oregon, route IRS CAWR 2013 and SSA CAWR 2012 and subsequent tax years to PSC CAWR and route IRS CAWR 2012 and SSA CAWR 2011 and prior to MSC CAWR.

Exhibit 5.1.15-2 (Cont. 1) (03-17-2025)**State Mapping IRS-CAWR (2021 and prior only) is worked in Cincinnati Service Center (CSC)**

IRS-CAWR (2021 and prior only) route to:
Email (preferred method): <i>*SBSE CCS CINCY CAWR-FUTA</i>
Fax: 1-844-255-7911
Mail: Internal Revenue Service 7940 Kentucky Drive Mail Stop 815G Florence, KY 41042

Exhibit 5.1.15-3 (03-17-2025)

State Mapping IRS-CAWR (2022 and subsequent) is worked in Cincinnati Service Center (CSC) or Memphis Service Center (MSC)

All International, Puerto Rico and Virgin Islands CAWR adjustments are worked at the Philadelphia Service Center.

Note: All Forms 941 Schedule D should be forwarded to the PSC CAWR/FUTA Operation.

State	Campus	State	Campus	State	Campus	State	Campus	State	Campus
Alabama	MSC	Hawaii	MSC	Massachusetts	CSC	New Mexico	MSC	South Dakota	CSC
Alaska	MSC	Idaho	CSC	Michigan	CSC	New York	CSC	Tennessee	MSC
Arizona	MSC	Illinois	CSC	Minnesota	CSC	North Carolina	CSC	Texas	MSC
Arkansas	MSC	Indiana	CSC	Mississippi	MSC	North Dakota	CSC	Utah	MSC
California	CSC	Iowa	CSC	Missouri	MSC	Ohio	CSC	Vermont	CSC
Colorado	MSC	Kansas	MSC	Montana	CSC	Oklahoma	MSC	Virginia	CSC
Connecticut	CSC	Kentucky	CSC	Nebraska	CSC	Oregon	CSC	Washington	MSC
Delaware	CSC	Louisiana	MSC	Nevada	MSC	Pennsylvania	CSC	West Virginia	CSC
Florida	MSC	Maine	CSC	New Hampshire	CSC	Rhode Island	CSC	Wisconsin	CSC
Georgia	MSC	Maryland/DC	CSC	New Jersey	CSC	South Carolina	CSC	Wyoming	CSC

Reminder: *California/Oregon, route IRS CAWR 2013 and SSA CAWR 2012 and subsequent tax years to PSC CAWR and route IRS CAWR 2012 and SSA CAWR 2011 and prior to MSC CAWR.

States for CSC	States for MSC
Email (preferred method): *SBSE CCS CINCY CAWR-FUTA	Email (preferred method): *SBSE CCS MEM CAWR-FUTA
Fax: 844-255-7911	Fax: 855-690-7864
Mail: Internal Revenue Service Cincinnati Service Center (CSC) 7940 Kentucky Drive Mail Stop 815G Florence, KY 41042	Mail: Internal Revenue Service Memphis Service Center (MSC) P.O. Box 87 Mail Stop 814 D6 Memphis, TN 38101-0087 Express Mail Street Address: 5333 Getwell Rd Mail Stop 814 D6 Memphis, TN 38118

Exhibit 5.1.15-4 (03-17-2025)**Sample Language for Letter 2413 for IRC 6721 and 6722 Denials**

Below is the language needed to insert for Letter 2413 regarding denial of fully or partial:

We've denied your request for penalty adjustment, based on the information you provided on **(Insert the dates of the abatement request from the TP)**, because it doesn't establish reasonable cause to adjust the penalty for the tax periods references above. Our investigation of this issue determined:

Our records show that you failed to timely file and furnish Forms 1095-C and 1094-C required under IRC Section 6056 of the Affordable Care Act, so penalties were assessed. You were allowed 2 years beyond the due date to file but, did not file within the extended timeframe. Reasonable cause relief can be granted when the taxpayer exercises ordinary business care and prudence in determining their tax obligations, but nevertheless is unable to comply with those obligations. Ordinary business care dictates that the taxpayer comply with their filing obligations and ignorance of the law and failure to follow through is no excuse for non-compliance. Reasonable cause has not been established.

