



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

5.7.1

JUNE 23, 2025

EFFECTIVE DATE

(06-23-2025)

PURPOSE

- (1) This transmits updated IRM 5.7.1, Trust Fund Compliance Handbook, FTD (Federal Tax Deposit) Alerts.

MATERIAL CHANGES

- (1) IRM 5.7.1.1.2 has been updated to comply with January 2025 Executive Orders and OPM guidance.
- (2) IRM 5.7.1.1.3 Updated roles and responsibilities.
- (3) IRM 5.7.1.1.6 has been updated to comply with January 2025 Executive Orders and OPM guidance.
- (4) IRM 5.7.1.1.6 Added Acronyms.
- (5) IRM 5.7.1.1.7 Added Related Resources.
- (6) IRM 5.7.1.5(1)(a) & (j) Revised to convert list to tables.
- (7) IRM 5.7.1.5(2)(c) Deleted broken link and revised request for transfer instructions.
- (8) IRM 5.7.1.6(4) Repaired broken link.
- (9) IRM 5.7.1.7(3) Repaired broken link.
- (10) IRM 5.7.1.9(6)(g) Revised to convert list to table.
- (11) Editorial changes made throughout this IRM section.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 5.7.1, dated February 21, 2020.

AUDIENCE

Revenue officers in SB/SE Field Collection

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Small Business/Self-Employed

5.7.1
FTD Alerts

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5.7.1.1
(06-23-2025)
Program Scope and Objectives

- (1) **Purpose:** This IRM provides IRS guidance on processes and procedures when working Federal Tax Deposit (FTD) Alerts.
- (2) **Audience:** The primary users of this IRM are Revenue Officers in Field Collection.
- (3) **Policy Owner:** Director, Collection Policy, SB/SE.
- (4) **Program Owner:** Collection Policy, SB/SE, Employment Tax (ET) is the program owner of this IRM.
- (5) **Primary Stakeholders:** Field Collection.
- (6) **Program Goals:** Federal Tax Deposit (FTD) Alerts are used to determine an employer's compliance with employment tax deposit requirements for the quarter of the Alert issuance, and for subsequent quarters until the taxpayer is brought into full compliance. The FTD Alert process identifies, at an early stage (i.e., before the return is due), taxpayers who have fallen behind in their deposits.
- (7) **Contact Information:** Recommendations and suggested changes to this IRM should be emailed to the content product owner. The owner is indicated on the Product Catalog Information page which is found in the Forms and Publications, IRM Numerical Index of the Media and Publications Electronic Publishing website.

5.7.1.1.1
(05-10-2017)
Background

- (1) The FTD Alert Program is the only Collection tool available that identifies anomalies in an employer's pattern of payroll tax deposits. Using this tool to anticipate deposits that are missed allows Field Collection the opportunity to interact with the taxpayer and proactively address potential problems as they develop, but before the amount owed exceeds the taxpayer's ability to pay.

5.7.1.1.2
(06-23-2025)
Authority

- (1) The authorities for these policies are:
 - Congress mandated that IRS establish a system of making deposits by electronic fund transfer in order to expedite the collection of depository taxes. See IRC 6302(h)(1)(A), *Establishment of system*.
 - Congress has provided special procedures for the collection of depository taxes held in a special fund in trust for the United States. See IRC 7501(a).

5.7.1.1.3
(06-23-2025)
Roles and Responsibilities

- (1) The Director, Collection Policy, is the executive responsible for ensuring IRM internal control content is complete, accurate, and reviewed at least annually, to promote consistent tax administration.
- (2) Field Collection group managers and revenue officers are responsible for ensuring compliance with the guidance and procedures described in this IRM.
- (3) Group managers have the authority to review and approve FTD Alerts.
- (4) Revenue officers are responsible for ensuring FTD Alerts case files contain all documentation needed to support the case resolution.
- (5) Field Collection is responsible for ensuring taxpayers are informed of their rights in accordance with the Taxpayer Bill of Rights (TBOR).

5.7.1.1.4
(05-10-2017)
**Program Management
and Review**

- (1) **Program Reports:** FTD Alert Reports are located on the Control D database. Form 5081 must be completed to obtain access to the Control D database. These reports provide the monthly activity regarding FTD Alert issuances, open FTD Alerts and FTD Alert closures.
- (2) **Program Effectiveness:** The annual FTD Alert work plan volume is determined by Field Collection.

5.7.1.1.5
(02-21-2020)
Program Controls

- (1) FTD Alerts (A/B) are sent directly from Master File to the Integrated Collection System (ICS) for direct assignment to the Field.
- (2) FTD Alerts (X) are created through Integrated Production Model (IPM) data obtained directly from Master File that is sent to ICS for direct assignment to the Field.

5.7.1.1.6
(06-23-2025)
**Terms/Definitions/
Acronyms**

- (1) The tables below provides a list of defined terms and abbreviations used throughout this IRM section.
- (2) Defined terms are as follows:

Defined Terms

Word	Definition	Example of using a word that is open to interpretation
Timely - Group Manager	Group Managers are to ensure FTD Alerts are assigned to ROs within seven calendar days of receipt	Assignment to RO is considered timely when conducted within 7 calendar days.
Timely - Revenue Officer	The RO is to contact the taxpayer with 15 Calendar days of assignment of the FTD Alert.	Initial contact is considered timely when made within 15 calendar days.
Inventory Delivery System	IDS reflects the anticipated level of difficulty of working on an entity and it is the primary system used to determine case difficulty level which is used to assign work by employee grade level. Work not graded by IDS receive their grade from the Resources and Workload Management System (RWMS) to determine the case difficulty level.	FTD Alerts are usually graded as GS-11.

- (3) Acronyms are as follows:

Acronyms

Acronym	Definition
ACS	Automated Collection Systems
BMFOLR	Business Master File Return Information
BMFOLU	Business Master File CAWR Response Screen
BMFOLK	Business Master File Look back Information
BMFOLI	Business Master File Summary Response
CFINK	Centralized Authorization File Inquiry
CI	Criminal Investigations
EFTPS	Electronic Federal Tax Payment System
FTD	Federal Tax Deposits
ICS	Integrated Collection System
IDRS	Integrated Data Retrieval System
IDS	Inventory Delivery System
INOLES	Information On line Entity Summary
IPM	Integrated Production Model
IQA	ICS/ENTITY Quality Analyst
IRPTRI	Information Returns Processing Transcript(s)
NFTL	Notice of Federal Tax Lien
OOB	Out of Business
PEO	Professional Employer Organization
POA	Power of Attorney
PSP	Payroll Service Provider
RA	Reporting Agent
RO	Revenue Officer
RWMS	Resources and Workload Management System

Acronym	Definition
STAUP	Suppressing Balance Due Notices
TAS	Taxpayer Advocate Service
TBOR	Taxpayer Bill Of Rights
TC	Transaction Code
TFRP	Trust Fund Recovery Penalty
TPP	Third Party Payer
TXMODA	Tax Module(s)

5.7.1.1.7
(06-23-2025)

Related Resources

- (1) IRM 1.4.50, Collection Group Manager, Field Compliance Manager and Area Director Operational Aid
- (2) IRM 5.1.1.12.1, TPC Advance Notification Procedures
- (3) IRM 5.1.10, Taxpayer Contacts
- (4) IRM 25.27.1, Third-Party Contact Program
- (5) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See **IRC 7803(a)(3)**, Execution of Duties in Accord With Taxpayer Rights. For additional information about **TBOR** see: *Taxpayer Bill of Rights* and Policy Statement 1-236 in **IRM 1.2.1.2.36**.
- (6) IRM 5.2.1, Collection Time Reporting
- (7) IRM 5.3.1.2.2, Entity Research-Overview
- (8) IRM 5.17.8.10, Automatic Stay - 11 USC 362
- (9) IRM 5.1.24.5, Collection Actions in Cases Involving Third Party Payers
- (10) IRM 5.1.11.7.1, Enforcement Determination

5.7.1.2
(05-10-2017)

Criteria for FTD Alert Issuance

- (1) FTD Alerts are issued on taxpayers who are classified as semiweekly depositors and who have not made FTDs during the current quarter or who have made them in substantially reduced amounts. They may be identified by the presence of TC 971 AC 046 on a tax module.
- (2) The selection model analyzes past compliance history and current deposit patterns to identify taxpayers who are least likely to self-correct their tax deposit issues.
- (3) There are three types of Alert issuances that are assigned for field contact. They are identified by the following systemically generated codes:
 - Potential Pyramider, identified by an Alert priority code of "A". The taxpayer had modules in notice status in each of the prior two quarters.

- Potential Noncompliant, identified by an Alert priority code of “B”. The taxpayer is considered to be likely to owe without intervention based on our identification and selection process.
- Potentially At Risk, identified by an Alert priority code of “X”. The taxpayer is considered at risk of falling behind on their FTDs in the current quarter.

- (4) The FTD Alert priority code will be present on the ICS FTD Alert Case Summary Screen.

5.7.1.3
(05-10-2017)
Process for Alert Issuance

- (1) Master File conducts the FTD Alert analysis in the twelfth cycle week of each calendar quarter. The FTD Alerts generate in the thirteenth week of each calendar quarter, in the months of March, June, September, and December.

5.7.1.4
(02-21-2020)
Receipt of FTD Alerts

- (1) Revenue Officer inventories should be at a level that will allow for the immediate assignment of the Alerts; however, under no circumstances should the assignment date exceed seven calendar days from the date the Alert arrives in the group designation hold file.
- (2) Ensure the case sub code is listed as FTD Alert 105, per IRM 5.2.1.7.1, *Field Collection Procedures* and IRM 5.2.1.9(2), *ICS and Entity Subcodes* (Field Collection Area only). If the sub code is not listed as 105, immediately update ICS. FTD Alert sub codes are automatically changed by ICS when the FTD module closes, see IRM 5.2.1.9(5).

5.7.1.5
(06-23-2025)
Pre-Contact Research and Analysis

- (1) Pre-contact analysis must be conducted on all Alerts prior to making contact on the FTD Alert.
 - a. The example below provides a list of required IDRS command codes to review and analyze, as appropriate. Research available tools to secure relevant information needed for an effective initial contact and case resolution. Document the findings in ICS.

Example: Some examples of required command codes include:

Command Code	Description
BMFOLR	Monthly Tax Liabilities
BMFOLU	All wages reported on Form 941, W-2 & W-3. This information can assist with identifying W-3 discrepancies and facts to assist with preparing unfiled returns
BMFOLK	Type of Depositor
BMFOLI	Verify Compliance History
CFINK	Determine if the taxpayer has a representative
INOLES	Address information, filing requirements, cross reference information

Command Code	Description
TXMODA	All prior assessed penalties including TFRP assessments
EFTPS	Potential levy sources
IRPTRI	Income and employee information (W-2)

- b. Review and analyze the prior quarter deposits made, the same quarter prior year tax due on the return and the prior assessed FTD penalties. Document the findings in ICS.
- c. Prepare Letter 5664, *FTD Alert Field Contact Letter*.
- d. The FTD Alert field contact letter will be used when the taxpayer is not present during the initial field call. A business "taxpayer" is not present if the sole proprietor, partner or a corporate officer who has authority to bind the partnership or the corporation is not present. The RO may provide the letter, in a sealed envelope, addressed to the sole proprietor, partner or corporate officer, to inform them of the purpose of the field visit.

Note: The letter can also be used as an official document for the taxpayer to provide to their preparer, accountant, or agent to assist in resolving the outstanding deposit discrepancies.

- e. The FTD Alert Field Contact Letter will be used when the taxpayer is not present, during the initial field call, and the RO meets with the third-party representative authorized to meet with the IRS regarding federal tax deposits. If the Form 2848, *Power of Attorney and Declaration of Representative* does not include the FTD Alert module, the RO may provide the letter to the authorized representative, in a sealed envelope, addressed to the taxpayer to inform the taxpayer of the purpose of the field visit.
- f. The table at the bottom of Letter 5664 will be completed by the RO to include the deposit information made on the prior quarter, including penalties, and the deposits that appear on IDRS for the current quarter, to compare the difference (decrease) in the deposits received.
- g. The completed table will assist the taxpayer in understanding the purpose of the visit and guide the RO when explaining the specific decrease in deposits made along with the cost associated with making late federal tax deposits.

Note: The table below provides an example of the tax return, deposits made and penalties assessed on the prior and current quarters:

Tax Quarter	Tax Return	Deposits Made	Penalties Assessed
Prior Quarter	12/31/2018	56,500.24	5,650.00
Current Quarter	03/31/2019	15,225.24	N/A

- h. If the taxpayer has a representative or POA on file and all open periods, including the FTD Alert module are not reflected on Form 2848 or Form 8821, prepare to contact the taxpayer to secure an up-to-date form per IRM 5.1.10.7.2(3), *Right to Representation*. IRM 5.7.1.6, *Contact Proce-*

dures for additional information regarding contacting POA.

Note: Form 8821 permits the appointee to receive confidential tax information for the purpose of assistance with a tax matter with the IRS. Form 8821 does not authorize a person to represent a taxpayer before the IRS: e.g., the appointee cannot negotiate with the IRS on behalf of the taxpayer or advocate the taxpayer's position to IRS.

- i. The example below provides a list of questions to address during the initial contact with the taxpayer.

Example: Examples of questions to consider:

Examples of questions to consider:
Is the business current with FTDs?
Why did the FTDs decrease?
Are there delinquent TDA/TDI modules?
Does the taxpayer have the ability to get current with deposits and delinquent returns today or with a short deadline?
Is the business seasonal, if yes, what are the taxpayer's productive seasons?
Are the officers of the corporation in compliance?
Does the taxpayer have a history of non-compliance?

- j. If the RO determines during Pre-Contact analysis that the assigned FTD Alert was created in error, see IRM 5.7.1.9, *Alert Closing Procedures* for additional information.

Note: ICS will only display the new closing code option "Alert Erroneously Created" on GM and IQA authorized access. RO's will not be able to see the new FTD Alert closing code option on their ICS screen, however; RO's should be aware that this option is available to discuss with their GM.

- (2) If pre-contact research and analysis reveals:

- a. The taxpayer is no longer required to deposit employment taxes or file employment tax returns, verify final return information is posted on IDRS and close the FTD Alert as **Not Required to Deposit**. If you suspect the business is "out of business", and the final return information has not posted to IDRS, work the FTD Alert to verify status of the business before closing the FTD Alert.
- b. The taxpayer is not liable for deposits for the FTD Alert quarter, make the field call to verify the deposit frequency, then close the FTD Alert as **Not Required to Deposit**. Remember to input TC 590:50 for the FTD Alert module only. The taxpayer may be liable for future quarter employment tax.
- c. The taxpayer has other modules in status 22 and assigned to Automated Collection Systems (ACS), the RO needs to contact the ACS Support Liaison for the corresponding call site to request case transfer. The ACS

contact information can be found on SERP under the Who/Where tab. First, click on ACS Support and Status 22 TAS Liaisons. Use the drop down menu on the left hand side of the screen to select the correct Business Operating Division (BOD). Next, enter the State and input if there is TAS involvement. Lastly, click submit.

- d. Once the transfer/assignment request has been submitted, close the FTD Alert as **TDA/TDI Received** and create a ICS only Bal Due module on ICS. Continue to work the entire case.
- e. Not all FTD Alerts are issued as “stand alone” FTD Alerts. If there are balance due periods in notice status, create an ICS module for the balance due periods that are in notice status and input a STAUP via IDRS, as appropriate.

Note: Field call **must** still be made within 15 calendar days.

- f. The taxpayer is in bankruptcy, inform Insolvency of the FTD Alert and determine if Insolvency is monitoring the taxpayer’s compliance. If Insolvency is monitoring compliance, request input of TC 136, if it has not already been input and close the FTD Alert. A TC 136 prevents future FTD Alerts from generating. It is reversed with a TC 137. If Insolvency is not monitoring the taxpayer’s compliance, continue working the FTD Alert. Do not, however, request a collection information statement, demand payment or take any enforced collection action unless Insolvency indicates that the collection action will not violate the automatic stay.

Note: Some of the acts prohibited under the automatic stay include: collecting debts incurred before the filing of the bankruptcy petition, as well as taking possession of, or exercising control over, property of the estate and/or attempts to create, perfect, or enforce liens against property of the estate (or against property of the debtor when the lien secures a pre-bankruptcy debt). See IRM 5.17.8.10, *Automatic Stay -11 USC 362*, regarding acts specifically prohibited. Other actions that must be avoided because of the automatic stay are listed in IRM 5.17.8.10(2); e.g., sending balance due notices on pre-petition taxes other than the “first” or new assessment notice, assuming the assessment is allowable under the Bankruptcy Code.

- g. The new FTD Alert module received is on a taxpayer that is currently assigned to an RO and in status 26, including TDA/TDI/CIP on ICS, the RO should notify their manager. The group manager will contact the FTD Alert Senior Program Analyst to discuss closure of the FTD Alert. Once the FTD Alert Analyst determines the FTD Alert module is actually in status 26, the GM will enter an ICS history explaining the circumstances and the FTD Alert will be closed by the GM as “Alert Erroneously Created”. See IRM 5.7.1.9. The RO will not be required to work the FTD Alert in these specific circumstances. The open TDA/TDI/CIP case will be used to control the case and worked according to the existing IRM guidance.

Note: The new closing code option should rarely be used and only when authorized by a specific policy directive, memorandum or Headquarters staff. Headquarters will track the use of closing code “Alert Erroneously Created” to evaluate the frequency and the rationale for its use.

- (3) Schedule Field contact on your calendar.

5.7.1.6
(06-23-2025)
Contact Procedures

- (4) Clearly document a plan of action.

- (1) Contact the taxpayer within 15 calendar days of assignment of the FTD Alert. If timely contact is not possible, notify the group manager. The group manager will decide if reassignment of the FTD Alert is appropriate. If contact is delayed for more than 15 calendar days, note the reason for the delay in the case history.

Note: Attempted contact is considered made during the initial field call by providing the Letter 5664 addressed in IRM 5.7.1.5 even when the taxpayer is not present.

- (2) When the taxpayer has a representative, make initial contact with the POA of record. Procedures outlined in IRM 5.1.10.3(5) and (7) and IRM 5.1.10.7.2, *Right to Retain Representation* should be followed.

Note: A field visit must still be made to the business address to assess the taxpayer's operation and view the assets.

- (3) Make contact with the taxpayer or taxpayer's representative at the taxpayers place of business to discuss the FTD Alert. Making initial contact in the field allows the RO the opportunity to view the business/operation, assets, make informed decisions regarding collectability and educate the taxpayer regarding their filing and deposit requirements.
- (4) Additionally, a face-to-face visit can be an effective opportunity to provide and explain the *TBOR*, *Taxpayer Advocate Service (TAS)* discussed in IRM 5.1.1.1.7, *Related Resources*, and the consequences of non-compliance, such as penalties, including the Trust Fund Recovery Penalty.
- (5) In those rare instances where the RO determines initial contact in the field is not possible, a telephone call is the next option for initiating contact with the taxpayer.
- (6) If the initial contact with a taxpayer is not in the field, document the case history outlining the circumstances supporting this determination.
- (7) If the initial contact is not at the taxpayer's place of business, a field visit to the taxpayer's place of business must still take place. See IRM 5.1.10.3(7). If a subsequent field contact is not practical, document the case history outlining the circumstances.
- (8) If the Revenue Officer makes the initial taxpayer contact by telephone, the contact will be considered timely as long as the phone call is made within 15 calendar days from the date of receipt of the FTD Alert.
- (9) Prior to making an attempt to contact a FTD Alert taxpayer by telephone, Letter 5857, *FTD Alert Telephone Contact Letter* must be sent to the taxpayers address on record to inform them that a Revenue Officer will call the taxpayer by the specified date entered on the letter.
- (10) Letter 5857 is not required prior to making initial contact in the field.

Note: When a valid Form 2848, *Power of Attorney and Declaration of Representative*, or Form 8821, *Tax Information Authorization*, is on file for the taxpayer,

mail a copy of Letter 5857 to the representative, and include Letter 937, *Transmittal Letter for Power of Attorney*.

- (11) Complete the table at the bottom of Letter 5857. See the example below:

Tax Quarter	Tax Due on Return	Deposits made	Penalties assessed
Prior Quarter	15,000.00	5,000.00	2,525.00
Current Quarter	N/A	3,500.00	N/A

Note: The above table provides an example of the tax on the return, deposits made and penalties assessed on the prior and current quarters.

- (12) On Letter 5857, complete the boxes as follows:
- Enter the RO's name and the specific date the RO plans to call the taxpayer in the first paragraph.
 - Add the prior quarter date information, e.g. 06-30-2017.
 - Add the current quarter FTD Alert module date, e.g. 09-30-2017.
 - Enter the total tax listed (TC 150) on the prior filed return. This information will be located on IDRS.
 - Enter the total amount of deposits made on the prior return.
 - Enter the total amount of penalties assessed on the prior quarter.
 - Enter the total amount of deposits made on the current quarter.
 - Enter a convenient time for the taxpayer or representative to contact the RO.
- (13) The table illustration will assist the taxpayer to understand the purpose of the phone call and assist the RO when explaining the specific decrease in deposits made and the cost associated with making late deposits.
- (14) A telephone call that does not result in taxpayer contact will not meet the timely contact requirements. Leaving a message within this period is also not considered a timely contact. All attempted contacts should be documented in the case history.
- (15) Follow the procedures in IRM 5.1.10.3.2, *Effective Initial Contact*.
- (16) Explain the reason for the visit/call. Recognize that FTD Alerts generate based on the probability that the taxpayer has fallen behind in deposit payments.
- (17) Provide the taxpayer with Pub 1, *Your Rights as a Taxpayer*.
- (18) If the FTD Alert is a "stand alone" Alert, meaning there are no associated modules on IDRS, it's possible that the taxpayer has not been provided with advance notice that third party contacts may be made. See IRM 25.27.1, *Third-Party Contacts (TPC)*.

Note: Effective August 15, 2019, the Taxpayer First Act of 2019, P.L. 116-25, requires collection employees, absent jeopardy circumstances, to provide the taxpayer with advance notice at least 45 days before a third-party contact. This new general advance notice must inform the taxpayer that the IRS intends to make third-party contacts within a specified time period, not to exceed one year. Such advance notice of third-party contacts may be

renewed by the IRS, by notice given 45 days in advance of the new specified period, if the IRS intends to continue to make third-party contacts.

- (19) If the RO is not able to meet with or discuss the FTD Alert directly with the taxpayer or POA, leave Form 2246, *Field Contact Card* at the taxpayer's place of business, per IRM 5.1.10.3(6), *Initial Contact*.

Note: Do not leave Form 2246 with third parties unless the third party notification has been provided and the 45-days has passed.

- (20) If the taxpayer provides documentation or other substantiating information confirming full compliance, verify that the amount deposited is accurate based on prior quarter deposits. The only way to verify complete compliance for the FTD Alert quarter is to keep the FTD Alert open until the Form 941 return is secured.

Note: See IRM 5.7.1.8 requires the Form 941 return for the FTD Alert quarter be secured prior to closing the FTD Alert.

- (21) If the amount of the deposits are less than prior quarters, ask additional questions regarding possible reduced payroll or wages.
- (22) If the taxpayer is no longer required to deposit (e.g., out-of-business, no employees), ensure there are no other outstanding modules. Secure final return, if out of business. Promptly request input of TC 591 and close the FTD Alert.
- (23) If the taxpayer is in compliance, but due to sporadic or seasonal payrolls the Alert programming analysis is unable to predict deposit compliance, request input of TC 136. During the contact, briefly review Federal Tax Deposit requirements with the taxpayer and provide Notice 931, *Deposit Requirements for Employment Taxes*, or other documents outlining the deposit rules to help explain the requirements. This may help ensure the taxpayer maintains future compliance.

5.7.1.7
(06-23-2025)
Taxpayer Not in Compliance

- (1) FTD Alerts on delinquent taxpayers provide an early opportunity to assist and educate taxpayers before their liability pyramids and the growing debt becomes more difficult to resolve.
- (2) Review Federal Tax Deposit requirements with the taxpayer. Give the taxpayer Notice 931, *Deposit Requirements for Employment Taxes*, Pub 15, *Circular E*, *Employer's Tax Guide*, Pub 3151-A, *The ABCs of FTDs* or other documents outlining the deposit rules to help explain the requirements.
- (3) If the taxpayer claims to be in compliance because they use a third-party payer (payroll service provider, reporting agent, professional employer organization), secure information about the third-party arrangement and verify compliance. Explain that the employer is ultimately responsible for withholding, reporting, and paying federal employment taxes (see IRM 5.1.24.5, *Collection Actions in Cases Involving Third-Party Payers*). Revenue Officer questions or concerns about third-party payer issues should be directed to the appropriate Area PSP/PEO Coordinator. A list of coordinators can be found at *Collection PSP/PEO Coordinators by Area*.

- (4) Discuss the cost for failing to make timely deposits. Explain the FTD penalty to the taxpayer. Show the taxpayer the penalties incurred in the prior quarters.
- (5) Ensure that the taxpayer understands the consequences of continued noncompliance. Discuss the Notice of Federal Tax Lien (NFTL), levy and seizure provisions. When applicable, discuss the provisions for the Trust Fund Recovery Penalty (TFRP).
- (6) Monitor and document the taxpayer's compliance with deposits for the FTD Alert quarter and subsequent quarters until the account is resolved. If the taxpayer cannot satisfy past due deposits while meeting current deposits, encourage the taxpayer to make current deposits first while working to resolve past due deposits.
- (7) After contacting the taxpayer, document the case history to show FTD requirements and penalty assessment were discussed with the taxpayer. Also, document that the taxpayer was informed of the consequences of non-compliance.
- (8) If the taxpayer is unable to make the required deposits or become compliant, after initial contact, see IRM 5.7.1.8, *Working FTD Alerts*.

5.7.1.8
(02-21-2020)
Working FTD Alerts

- (1) If the taxpayer is unable to make required deposits or become compliant, at initial contact, secure a Collection Information Statement and follow the procedures listed in IRM 5.1.10.3.2, *Effective Initial Contact*.
- (2) Secure the Form 941 return for the FTD Alert quarter. Use the appropriate closing code with TC 599 for the return secured.
- (3) If full payment of tax, including penalties and interest, is not received with the return, determine if it is in the best interest of the government to prompt assess the return.
- (4) Explain the TFRP provisions, provide Notice 784, *Could you be Personally Liable for Certain Unpaid Federal Taxes?* and make TFRP determination.
- (5) Ensure ICS histories are clearly documented. See IRM 5.1.10.8, *Case Histories*.
- (6) Ensure timely follow-ups are met. See IRM 5.1.10.9, *Timely Follow-ups*.
- (7) If the FTD Alert is assigned with no related Bal Dues and the RO is unable to locate the taxpayer during the field call to the FTD Alert address, all available internal and external locator sources should be exhausted in an effort to locate the taxpayer.
- (8) If the RO determines the business is OOB, then the FTD Alert can be closed as **Not Required to Deposit**. Make sure all business return filing requirements are closed.
- (9) If there are deposits made on the module and the RO determines the business is OOB, the RO must make an effort to secure the FTD Alert module Form 941 return before closing the FTD Alert.
- (10) Consider all possible resolutions for the unfiled FTD Alert return on a case-by-case basis, including 6020(b).

- (11) If the RO determines, after contact, the business is in bankruptcy litigation, see IRM 5.7.1.9, *Alert Closing Procedures*.
- (12) If the RO determines that enforcement should not be pursued for the unfiled Form 941 return for the FTD Alert module, close the FTD Alert as "Bal Due/Due Ret Received," open an ICS only Del Ret and follow the procedures in IRM 5.1.11.7.1, *Enforcement Determination*, to close the Del Ret.

5.7.1.9
(06-23-2025)
**Alert Closing
Procedures**

- (1) Close the FTD Alert when the taxpayer is **brought** into full compliance. Full compliance includes, filing of all tax returns on or before the required due date; making appropriate tax deposits in the proper amount, by the appropriate due date; and paying any tax due with the return at the time the return is filed.
- (2) If the taxpayer is not in compliance and there is a Bal Due, or Del Ret open on IDRS, request assignment of the case.
- (3) Once the STAUP request has been submitted, document the case history that the STAUP request was input, close the FTD Alert as "Bal Due/Del Ret Received" and create a ICS Only Bal Due or Del Ret on ICS to control the case and continue working the entire case.
- (4) If a Bal Due or Del Ret is received on the FTD Alert module, prior to requesting assignment, the FTD Alert will systemically close and will be assigned to the RO.
- (5) The only way to open a ICS Only Bal Due or Del Ret on the FTD Alert module is to close the FTD Alert first.
- (6) The following ICS options are available to close an FTD Alert:
 - a. **TP is in Compliance:** The taxpayer is required to make deposits and is current with payment and filing requirements at the time of initial contact on the Alert.
 - b. **Not Required to Deposit:** The taxpayer was not required to deposit for the specific FTD Alert quarter.
 - c. **TP is Sporadic/Seasonal:** The taxpayer is either a sporadic or seasonal employer with a fluctuating payroll. If the Alert programming analysis would be unable to predict the taxpayer's deposit compliance, the revenue officer should manually request input of TC 136 to suppress future Alerts when closing the FTD Alert.
 - d. **Brought into Compliance:** The revenue officer brought the taxpayer into compliance on all required deposits and secured the return for the FTD Alert quarter. The taxpayer is now fully current on the FTD Alert and current quarter at the time the FTD Alert is ready for closure, and there are no additional balances owed, including penalties and interest.
 - e. **Bal Due/Del Ret Received:** The revenue officer received another ICS module by which to control the case. FTD Alerts should be closed when there is an open Bal Due or Del Ret on ICS.

Note: If another module is listed on IDRS in various statuses for the same taxpayer, use appropriate procedures to request assignment. Once the STAUP request has been submitted, close the FTD Alert, create a ICS only Bal Due module on ICS and continue working the Bal Due according to current procedures.

- f. Return Secured is no longer available as a closure option on ICS. If the RO secures a balance due in the field, first attempt to secure full

payment, including penalties and interest. If a balance due return is secured without full payment, determine if it is in the best interest of the government to prompt assess the return. The RO should close the FTD Alert using closing option, **Bal Due/Del Ret Received**, create a pre-assessed or prompt assess Bal Due on ICS and continue to pursue collection. The pre-assessed/prompt assessed ICS Only Bal Due will be used to control the case in inventory until the module is assigned to the RO.

- g. **Alert Erroneously Created:** The table below list examples of when a revenue officer or GM may determine during initial analysis that the FTD Alert should be closed, due to extenuating circumstances, such as:

Example: Examples of FTD Alerts, extenuating circumstances:

Extenuating Circumstances	Description
Alert Erroneously Created	FTD Alert created as a systemic error (See IRM 5.7.1.5 if RO or GM identifies a systemic error while conducting pre-contact analysis or HQ will ask the IQA to close a large volume of Alerts created erroneously).
Newly input TC 914/916	CI requests no initial or further contact with the TP.
FEMA designations	FTD Alert located in a designated disaster area for which the relief period is open.
Bankruptcy	FTD Alert Created on an account that recently transitioned to status 72.
Case assigned to Advisory	FTD Alert created on a case already assigned to Advisory involving a subordination or discharge.

- h. If the FTD Alert circumstances fits one of the options listed above, the RO **must** discuss the reason for closure **without** a Field Call with their GM. The RO will include a detailed ICS history providing the specific reason for using this closing code option in their ICS closing summary. The GM will notate the ICS history with concurrence of the closure type. And finally, The GM will close the FTD Alert on ICS as **Alert Erroneously Created**.

Note: This new closing code option should **rarely** be used and only when authorized by a specific policy directive or memorandum. Headquarters will track the use of closing code, "Alert Erroneously Created" to evaluate its frequency and the rationale for its use.

- (7) If a new FTD Alert is issued while an FTD Alert from a prior quarter is still open in inventory, the old Alert will be systemically close and be replaced with the new Alert.

5.7.1.10

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Transfer of FTD Alerts

- (1) If the taxpayer is in another area, the FTD Alert can be transferred without a prior Courtesy Investigation.
- (2) Due to the time-sensitive nature of FTD Alert contacts, call and advise the receiving office of the transfer.
- (3) Transfer FTD Alerts only if the business itself, not merely one or more officers or partners, is located in the transferee area.

