



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

5.7.9

JANUARY 13, 2025

## EFFECTIVE DATE

(01-13-2025)

## PURPOSE

- (1) This transmits revised IRM 5.7.9, Trust Fund Compliance, Federal Contractors, dated February 09, 2023.

## MATERIAL CHANGES

- (1) Editorial changes have been made throughout this IRM. Website addresses, and IRM references were reviewed and updated as necessary. Also, based on program realignment, updated W&I to TS.

## EFFECT ON OTHER DOCUMENTS

This supersedes IRM 5.7.9 dated February 09, 2023.

## AUDIENCE

Small Business/Self-Employed Revenue Officers, SBSE Campus Employees

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5.7.9

Federal Contractors

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5.7.9.1  
(01-13-2025)  
**Program Scope and Objectives**

- (1) **Purpose:** This IRM is intended for SBSE employees, specifically Revenue Officers (RO) in Field Collection (FC) when handling cases identified as federal contractors and vendors.
- (2) **Audience:** The primary users of this IRM are directed to SBSE Collection Field employees, FAD team in Brookhaven Campus, and Taxpayer Services (TS) Large Corp. team in Ogden. However, the guidance is applicable to any employee working federal contractor cases.
- (3) **Policy Owner:** Director, SBSE Collection Policy.
- (4) **Program Owner:** SBSE Collection Policy, Campus Operations.
- (5) **Primary Stakeholders:** SBSE Collection employees, FMSS Procurement, TS Accounts Management employees.
- (6) **Program Goals:** The goal of the Federal Contractor program is to correctly identify taxpayers with a federal contract, in order to ensure filing and paying compliance for collection purposes. The Office of Procurement has oversight of approving IRS contracts. However, SBSE has the authority to collect any tax debts through a FPLP - FEDCON process. In addition, SBSE has the responsibility to validate tax balances owed on contractor's accounts which failed Procurement's tax check process.

5.7.9.1.1  
(01-13-2025)  
**Background**

- (1) A federal contractor is any person or entity who currently has a contract with the federal government to sell or lease property, goods or services. This **does not include** a taxpayer who was a federal contractor in the past, but one who is not currently involved in any contractual relationship with the federal government.
- (2) For Collection purposes, Federal Contractors are often referred to as FEDCON. The term is used throughout this IRM.
- (3) Definition of a federal contract: A mutually binding legal relationship obligating the contractor to furnish property, goods, or services and the Federal Agency to pay for them. Federal contractors can be partnerships, corporations, LLCs, or sole proprietorships.
- (4) Form 8596 Information Return for Federal Contracts is filed quarterly by federal agencies to report all federal contractors and vendors information, including name, address, TIN, and their contract time line (start and end date of contract). The data is matched to IRS taxpayer records, and generates a systemic input of the Federal Contractor Indicator- TC 971 AC 647 on their accounts.
- (5) Per the Office of Procurement, Contracting Officers (COs) follow established guidelines outlined in *PGI, Part 1009, Contractor Qualifications* for performing a tax check on prospective contractors to determine eligibility to receive an award (contract). Refer to *Office of the Chief Procurement Officer Customer Portal*, for additional information on their process.
- (6) To ensure collection of any federal debts, the **PGI 1009.70** instructs the COs to forward any potential contractors that failed their tax check process to the SBSE organizational mailbox: \*SB/SE IRS Contractor Compliance Check. Within 24 hours of receipt, SBSE Collection Policy analyst will conduct an initial review of the account on IDRS to validate the tax compliance status of

the account. If the potential contractor's account is not in compliance, the account is assigned to the SBSE - Brookhaven Collection FAD team who must determine if IRS actions are needed to resolve the balance or if contact with the potential contractor is needed. If IRS actions are necessary to resolve the balance, the FAD team will take corrective actions. Examples are, but not limited to, available credit on account, pending adjustment, taxpayer correspondence, first time abatement, or IRS error. If contact with the potential contractor is needed, the FAD team will inform them their pending federal contract is in jeopardy of not being approved.

5.7.9.1.2  
(02-09-2023)  
**Authority**

- (1) To protect the government's interest, collection procedures exist to ensure the effectiveness of the Federal Contractor program. In 2004, the Taxpayer Relief Act revised the Internal Revenue Code Section 6331(h) to allow a continuous levy of up to 100 percent of any specified payment due to a vendor of property, goods, or services sold or leased to the Federal Government. In addition, the law permits the IRS to levy Federal contractor payments prior to providing Collection Due Process rights. Refer to IRM 5.7.9.3.2, Federal Payment Levy Program (FPLP) on Federal Contractors, for additional information.
- (2) In addition to the FPLP process, potential vendors must pass a tax check process. Government agencies are prohibited from approving an award to corporations that have a delinquent federal tax liability. The IRS has an exception to the rule and generally will not approve an award to any potential contractor/vendor that has an unresolved tax debt.

5.7.9.1.3  
(02-09-2023)  
**Roles and Responsibilities**

- (1) **The Director, Collection Policy** is responsible for all policy and procedures related to collection processes with regards to federal contractors identified as not being in tax compliance. This includes oversight of the federal contractor indicator- TC 971 AC 647.
- (2) **SBSE Collection Policy, Campus Operations** has oversight over the collection process for delinquent federal contractors, and also over the \*SBSE IRS Contractor Compliance Check organizational mailbox for receipt of tax check requests from FMSS Procurement.
- (3) **Collection Inventory Delivery and Selection (CIDS)** has oversight of the FedCon Federal Payment Levy Program (FPLP) which is addressed in this IRM.
- (4) **Field Group Managers** are required to select stand-alone Delinquent Return (Del Ret) cases annotated with a federal contractor indicator and a high-risk code prior to selecting other stand-alone Del Ret cases.
- (5) **Field Revenue Officers** are required to follow normal collection processes on cases identified as federal contractors, with the exception of the issuance of levies. If the taxpayer is a federal contractor, Revenue Officers (ROs) should consider issuance of a FEDCON levy (post levy CDP rights), if appropriate.
- (6) **Campus Employees** both the SBSE FAD (Federal Agency Delinquency) team in the Brookhaven Campus and AM Large Corp. teams in the Ogden Campus have the responsibility to work tax check validation inquiries assigned to them by their HQ staff.

- (7) **Tax Exempt & Government Entities (TE/GE)** has compliance oversight responsibility for Form 8596, Information Return for Federal Contracts.
- (8) **Procurement** provides acquisition services for all business units of the IRS and other bureaus and offices within Treasury. Vendor contracts for tax administration services are administrated by Procurement. Procurement is responsible for informing vendors and all IRS business units of the awards status.

5.7.9.1.4  
(02-09-2023)  
**Program Controls**

- (1) SBSE Collection Policy monitors/analyzes monthly reports stored on the Control D (SYSL) Web Access Server. The report tracks the start and finish contract dates of identified federal contractors' data that is derived from the Form 8596 filed by Federal Agencies.
- (2) The Federal Contractor Indicator (FCI) is utilized by Field Collection when selecting inventory. Cases identified as Federal Contractors are considered business priorities, which provides an opportunity for Field Group Managers to ensure these cases are selected and worked accordingly to the guidelines in IRM 1.4.50, Resource Guide for Managers, Collection Group Manager, Territory Manager and Area Director Operational Aid.
- (3) Program effectiveness is measured through periodic program reviews.

5.7.9.1.5  
(02-09-2023)  
**Acronyms**

- (1) The following acronyms are mentioned throughout the IRM

Acronym	Definition
CAP	Collection Appeals Program
CDP	Collection Due Process
CII	Correspondence Imaging Inventory
CKGE	CDW Knowledge Graph Environment
CO	Contracting Officer
FC	Field Collection
FCI	Federal Contractor Indicator
FEDCON	Federal Contractor
FPLP	Federal Payment Levy Program
FIRE	Filing Information Returns Electronically
GM	Group Manager
ICS	Integrated Collection System
IDRS	Integrated Data Retrieval System
RO	Revenue Officer
TBOR	Taxpayer Bill of Rights

Acronym	Definition
TPC	Third Party Contact
PGI	Procedures, Guidance, and Information

5.7.9.1.6  
(01-13-2025)

#### Related Resources

- (1) Pub 1516 Specifications for Electronic Filing of Forms 8596, Information Returns for Federal Contracts
- (2) IRM 5.11.7.3.1.1, IRS/BFS Interagency Agreement- Federal Payments Subject to FPLP
- (3) *Procurement Policy Updates*, for reference to FMSS Procurements Policy updates on eligibility criteria, including tax check process conducted by SBSE Compliance
- (4) *Office of the Chief Procurement Officer Customer Portal*
- (5) Form 8596 Information Return for Federal Contracts

5.7.9.2  
(02-09-2023)

#### Form 8596- Information Return for Federal Contracts

- (1) Form 8596 Information Return for Federal Contracts, and Form 8596-A Quarterly Transmittal of Information Return for Federal Contracts, are filed by federal agencies. The form is processed at Kansas City Processing Service Center. The forms are filed by federal executive agencies to report the name, address, and the taxpayer identification numbers of the persons or corporations with whom they have entered contracts totaling \$25,000, or more. For additional questions or information regarding the filing of the Form 8596, refer to Pub 1516, Specifications for Electronic Filing of Form 8596, Information Returns for Federal Contracts.
- (2) The IRS matches the taxpayer identification number (TIN) from the quarterly Form 8596 filed by Federal Agencies, against the Individual Master File (IMF) and Business Master File (BMF) TINs, and systemically posts a TC 971 AC 647 on each entity. The posting cycle and date of the TC is the quarter end date of the Form 8596. The TC 971 AC 647 identifies the taxpayer as a federal contractor and a TC 972 indicates the reversal/ ending contract date. Refer to the bullet list below for additional information regarding the indicator.
  - The TC 971 AC 647 transaction results in a Federal Contractor Indicator (FCI) to be set on the entity for both IMF and BMF accounts.
  - The TC 971 AC 647 posts to the entity, regardless of whether the taxpayer has a balance due or un-filed return on any module. In addition to the TC 971 AC 647, a FCI is displayed on CC ENMOD as FCI> 1.
  - The TC 971 AC 647 displays the quarterly posting cycle, and the contract end date that is reported on the Form 8596.
  - If there are multiple Forms 8596 reported for one taxpayer in a quarter, then the latest of the contract dates is displayed.
  - If no contract end date is on the Form 8596, then a default 3-year date expiration is displayed (from the posting cycle/date).



- If the contract end date has expired, then a TC 972 AC 647 is posted. BMF generates these reversals once a year in January, and IMF posts the reversals twice yearly (January and June).
- The TC 971 AC 647 may also be updated by subsequent approved contracts.

## 5.7.9.2.1

(02-09-2023)

**Identifying Federal Contractors (FEDCON)**

- (1) There are various available indicators to assist in identifying federal contractors:
  - a. A Federal Contractor Indicator (FCI) can be found on CC ENMOD screen.
  - b. Entity Case Management System (ENTITY) users can query INDICATOR- FEDERAL CONTRACTOR in Inventory Management to identify federal contractors in the Queue inventory or Open inventory.
  - c. Federal Payment Levy Program (FPLP) Transaction Code (TC) 971 Action Code (AC) 062.
- (2) Our computer systems identify the federal contractor indicator with the following codes:

IDRS Screen	Descriptor	Instruction
Integrated Data Retrieval System (IDRS) ENMOD screen	"FCI>1"	BMF and IMF indicator
IDRS CC BMFOLE	971 MM-DD-YYYY ACTION CD: 647 SEC DT:MM-DD-YYYY	<ul style="list-style-type: none"> <li>• BMF indicator "971 MM-DD-YYYY" will display a date which is the actual posting date of the latest TC 971 AC 647.</li> <li>• BMF will also display a date in the secondary date field "SEC DT:MM-DD-YYYY" which is the actual contract end date from the Form 8596 .</li> <li>• If a contract end date is not indicated on the Form 8596, then a "default" date will be displayed in the field.</li> </ul> <p><b>Note:</b> The default date is 3 years from the 971 transaction date.</p>

IDRS Screen	Descriptor	Instruction
IDRS CC IMFOLE:	971 MM-DD-YYYY DLN AC: 647 SECONDARY-DT:MMDDYYYY	<ul style="list-style-type: none"> <li>IMF indicator “971 MM-DD-YYYY” will display a date which is the actual posting date of the latest TC 971 AC 647.</li> <li>IMF will also display a date in the secondary date field “AC: 647 SECONDARY-DT:MMDDYYYY” which is the actual contract end date from the Form 8596.</li> <li>If a contract end date is not indicated on the Form 8596, then the <b>default</b> date will be displayed in the field.</li> </ul> <p><b>Note:</b> The default date is 3 years from the 971 transaction date.</p>
Integrated Collection System (ICS) case summary screen	“FCA”	<ul style="list-style-type: none"> <li>A red literal “FCA” indicator is displayed on the case summary screen.</li> <li>The red “FCA” is generated from the IDRS entity screen indicator “FCI&gt;1” or “FED-CON-IND&gt;1”</li> </ul>
Entity Case Management System (ENTITY)	INDICATOR - FEDERAL CONTRACTOR = 1 - YES	Inventory Management Query

5.7.9.2.2  
(01-13-2025)

**Federal Contractors  
Identified During Case  
Investigation**

- (1) Situations may arise when there is an indication the taxpayer is a Federal Contractor, and the Federal Contractor Indicator (FCI) (TC 971 AC 647) is not posted to the account. If the employee suspects the taxpayer may be a federal contractor or vendor, then the employee should:
  - a. Ask the taxpayer if they are a federal contractor or vendor,
  - b. Secure the name of the agency the taxpayer does business with, the contract number and contract end date,
  - c. Document the case history accordingly.

**Note:** If doubt remains whether or not the taxpayer is a Federal Contractor, the field employee can research the *System for Award Management (SAM)* or forward your request for validation to SBSE Collection Policy to the following e-mail address: sbse.irs.contractor.compliance.check@irs.gov. A response will generally be received within 2 business days.

- (2) Another indication is if the taxpayer indicates on their Form 433-A, Collection Information Statement for Wage Earners and Self-Employed Individuals, by

answering “yes” to question number 55 “Is the business a Federal Contractor?” or question number 15 on Form 433-B, Collection Information Statement for Businesses.

(3) If it is confirmed the taxpayer is a federal contractor, and:

- You are a field employee, and the case is on ICS, submit a request for input of the Federal Contract Indicator (FCI) to the Centralized Case Processing Unit in the Philadelphia Campus by completing Form 4844, Request for Terminal Action, on ICS. The form must include the contract end date. If the contract end date is known, request input of that date. If the contract end date is not known, select a date 1 year from the input request date. It may be necessary to conduct further research to ascertain the correct end date. Once the Form 4844 is submitted, it will generate a request to Centralized Case Processing (CCP) to input of the Federal Contractor Indicator (FCI)- TC 971 AC 647 on the account.
- If the case is in any other collection status other than status 26, notate your findings in AMS history, and input the Federal Contractor Indicator (FCI)- TC 971 AC 647 on the account. Follow the instructions in the above regarding the contract end date.

**Caution:** Make sure the taxpayer is not an employee or a sub-contractor of a federal contractor. If the taxpayer is the employee or a sub-contractor, do not request the TC 971 AC 647 on the account.

(4) A systemic process posts reversals of the FCI to the Master File once a year for BMF accounts and twice a year for IMF accounts based on the expiration of the contract end date. TC 972 AC 647 is posted when the FCI is reversed. Reversals may also be manually input at any time by requesting input of TC 972 AC 647 using the Form 4844 on ICS. A manual reversal would be appropriate if you determine that the taxpayer federal contract has been completed or the end date has expired. For example:

- Case investigation and verification supports a finding that the taxpayer has not received any federal payments during the current year.
- Most recent contract end date has expired.
- RO determines that the Federal Contractor Indicator was erroneously input because the taxpayer was never a federal contractor.

5.7.9.2.3  
(01-13-2025)  
**Working Federal  
Contractor Cases**

- (1) Follow normal collection process on cases identified as federal contractors, with the exception of the issuance of levies. If the taxpayer is a federal contractor, Revenue Officers should consider the issuance of a FEDCON levy (post levy CDP rights), if appropriate.
- (2) Part of the initial analysis of every assigned case must include documentation as to whether the taxpayer is a federal contractor. If there is an unreversed TC 971 AC 647, Federal Contractor Indicator (FCI) on the taxpayer's account, the taxpayer is a federal contractor.

**Note:** An ICS case activity history picklist exists for a Revenue Officer to identify a taxpayer as a Federal Contractor.

- (3) As part of the strategy for case resolution, Revenue Officers must determine and document if the continuous FPLP levy payments are being received, and if

the FPLP will remain on the account until the balance is full paid. If not, additional collection methods should be considered.

- (4) If the decision is to manually block the taxpayer from inclusion in the FPLP, document the reason for your determination in the case history, including next actions. Refer to IRM 5.7.9.3.2, Federal Payment Levy Program (FPLP) on Federal Contractors.
- (5) For employment taxes on wages paid prior to January 1, 2009, if the assessment is in the name of a single member Limited Liability Company (LLC) that is a disregarded entity, block the assessment from inclusion in the FPLP. A levy in the name of the disregarded entity would not be appropriate as it is not the taxpayer. However, it would be appropriate to issue a paper levy or a FPLP under IRC 6331(h) in the name of the owner of the disregarded entity, and should be considered. See IRM 5.11.7.3.5.1, FPLP or Paper Levy (Form 668-A).
- (6) When a taxpayer is identified as a federal contractor or vendor and a TC 971 AC 062, indicating a federal payment levy or match is present on at least one module, research the CDW Knowledge Graph Environment (CKGE) tool, to identify other entities related to the taxpayer. The CDW Knowledge Graph Environment (CKGE):
  - a. Is a collection of analytic tools specifically designed to help explore relationships between taxpayers. Currently, it focuses on flow-through relationships (K-1 data) created by partnerships, trusts, S corporations, and corporations.
  - b. Is most beneficial when it is known that the taxpayer has flow through income, e.g., parent/subsidiary relationships, abusive transaction, other related entity relationships.
  - c. Provides a graphic representation of the taxpayer and their investment relationship to other entities. It is not limited to direct investment and displays multiple levels of investment tiering, i.e., one entity is invested into another that is invested into a third.
  - d. Uses information from filed Forms 1120, 1120S, 1041, and 1065, and the K-1 associated with those returns.
  - e. Uses individual tax return information of high income individuals.
  - f. Can be searched using an SSN or EIN.

**Caution:** Accessing CKGE and reviewing the information obtained from it is only allowed when the information is needed to carry out assigned tax administration duties. Accessing or reviewing this information without a tax administration reason is a UNAX violation.

- (7) The output from CKGE (electronic or hardcopy) contains tax return information of multiple taxpayers.

**Note: CKGE Disclosure:** Pursuant to IRC Sections 6103, 7213, 7213A, and 7431 this information cannot be disclosed to the taxpayer or their representative.

- (8) The CKGE is accessible to Compliance employees, at their manager's discretion, through the BEARS process. More information on how to use CKGE can be found on the *CKGE* website.
- (9) Other research resources to consider accessing when investigating a taxpayer who is a federal contractor or vendor include,

- cc UNLCER
- cc IRPTR
- Currency Banking and Retrieval System
- Lexis/Nexis
- Google

5.7.9.3  
(02-09-2023)  
**Levy Issuance on  
Federal Contractors-  
Overview**

- (1) IRC 6331(h) authorizes the IRS to issue continuous levies on payments referred to as “specified payments”. In regards to federal contractors, the law allows for a continuous levy of up to one hundred percent (100%) of any specified payment due to a vendor of property, goods or services sold or leased to the federal government. The following sections provides an overview of the issuance of levies; FPLP (automated process), and the Form 668-A, Notice of Levy (manual process). For additional information refer to:
  - IRM 5.11.7.3, Federal Payment Levy Program
  - IRM 5.11.1.6.2, Federal Contractor Levy
  - IRM 5.11.6.6, Federal Contractors

5.7.9.3.1  
(01-13-2025)  
**Levy/Post CDP/CAP and  
Taxpayer Bill of Rights-  
Overview**

- (1) As a reminder, all employees are responsible for being familiar with and acting in accordance with the taxpayer rights prior to taking any collection actions. For information refer to the *Taxpayer Bill of Rights (TBOR)* site. The TBOR links to listing of those rights already existing in the tax code, putting them in simple language, and grouping them into 10 broad categories. For additional information, refer to IRM 1.2.1.2.36, Policy Statement 1-236.
- (2) The Small Business Jobs Act of 2010 (SBJA) section 2104, amended IRC 6330 (f) and (h), to allow the Collection Due Process (CDP) notice and hearing to occur post-levy when issuing levies on federal contractors. However, prior to issuing a levy, Revenue Officers must exercise good judgement and ensure there is no indication of pending resolution that may prohibit the levy (pending Offer in Compromise, Installment Agreement, etc).
- (3) FEDCON levies may be served during a timely requested pre- or post-levy CDP hearing or judicial review of such hearing to collect liabilities for all outstanding balance due periods including periods that are the subject of the hearing. Follow the guidance in IRM 5.1.9.3.5.1, Levy Action during the Period of the CDP or EH for contacting the Independent Office of Appeals or Counsel.
- (4) Refer to IRM 5.11.1.2.1, Appeals, and IRM 5.1.9.4, Collection Appeals Program for additional information, if necessary.

5.7.9.3.2  
(02-09-2023)  
**Federal Payment Levy  
Program (FPLP) on  
Federal Contractors**

- (1) The Federal Payment Levy Program (FPLP) was developed to interface with the Treasury Offset Program (TOP) as a systemic and efficient means for the IRS to collect delinquent taxes by levying federal payments disbursed or administered through Bureau of the Fiscal Service (BFS). Generally, it may be more effective to allow the automated FPLP process to levy the federal payment source rather than using a paper levy. FPLP would be more effective method since IRC 6331(h)(3) allows for a continuous levy of up to one hundred percent (100%) of any specified payment due to a vendor of property, goods or services sold or leased to the federal government. Refer to IRM 5.11.7.3.1.1, IRS/ BFS Interagency Agreement- Federal Payments Subject to FPLP.

- (2) This automated FPLP levy program may issue on cases in ST 22, 23, 24 or 26 and IDRS TC 530 with closing codes 03, 06, 09, 10, 12 and 39. Refer to IRM 5.11.7, Automated Levy Programs, which provides an in depth description of how the program works between IRS and BFS.
- (3) The FPLP TC 971 AC 062 is an indication the taxpayer is receiving federal contractor or vendor payments. If the TC 971 AC 062 DLN positions 11 and 12 are '03', then the taxpayer may be a federal contractor or vendor.

**Caution:** The DLN is also identified for federal employee travel payments or 'miscellaneous' payments, so further research may be necessary to confirm whether the taxpayer is a contractor or vendor.

- (4) To ensure the most productive accounts are levied via FPLP, levy source information obtained through FPLP is uploaded to IDRS. The FPLP matches and levies federal payments identified under the secondary or cross-reference (X-REF) SSN on the IMF joint liabilities and BMF sole proprietor liabilities.
- (5) A balance due module or an entity may not be included in the FPLP because of a certain condition or freeze code. See IRM 5.11.7-3, FPLP Exclusion Criteria, for a list of entity and module transaction and freeze codes that are not included in the FPLP. Determine if the exclusion from FPLP is appropriate or if action needs to be taken so the module or entity is included in the FPLP.

**Example:** The taxpayer previously requested a CDP hearing and the case has been returned from Independent Office of Appeals, but the TC 520, closing code 77 was never reversed.

- (6) A balance due module or entity may be manually or systemically blocked from being issued or included in the FPLP levy with the input of a TC 971 AC 061. If you determine that there is a need to exclude the module or entity from the FPLP issuance, or for additional guidance to assist with your determination, refer to IRM 5.11.7.3.6, Blocking or Releasing FPLP levy.

**Note:** A TC 971 AC 061 must be manually input on each applicable module, and will expire in 52 cycles.

- (7) ICS will issue a reminder notification to the primary user every 90 days for modules manually blocked from the FPLP. Upon notification, determine if the module or entity should continue to be excluded from the FPLP.

**Example:** The FPLP was blocked initially as the taxpayer was in full compliance and was cooperating to resolve the tax liabilities; however, after the 90 days has elapsed, the taxpayer is no longer in compliance and not cooperating and should now be considered in the FPLP.

- (8) See IRM 5.11.7-5, TC 971 AC 062 (Document Locator Number (DLN) Format, Miscellaneous Field, XREF Field).
- (9) For situations when a FPLP levy needs to be released, refer to procedures in IRM 5.11.7.3.6.1, Requesting Assistance from the FPLP Coordinator in Certain Emergency Levy Release Situations.



**Note:** FPLP Coordinator listing can be found on the IRS Intranet Servicewide Electronic Research Page (SERP), under “Who/Where”. The coordinators are assigned based on geographical location.

5.7.9.3.3  
(02-09-2023)  
**Considerations on  
Issuance of a Form  
668-A Levy on Federal  
Contractors**

- (1) Use Form 668-A to levy payments owed to federal contractors. The levy has no continuing effect, it only attaches to payments owed to the contractor when the levy is received. Prior to levying the federal agency with the Form 668-A on either the primary or secondary taxpayer, release or block the module from the FPLP. See IRM 5.11.7.3.6, Blocking or Releasing FPLP Levy.
  - Wait at least 30 days after the module(s) is removed from the FPLP (TC 972 AC 060 posting date) to ensure that the Bureau of Fiscal Service (BFS) or the Federal agency source’s records no longer have the FPLP in effect.
  - Issue Form 668-A directly to the Federal agency.
  - See IRM 5.11.7.3.5.1, FPLP or Paper Levy (Form 668-A/668-W).

**Example:** During your investigation you identify the taxpayer has recently secured a federal contract with General Services Administration (GSA), but the account is still not in the FPLP (no TC 971 AC 060) for it to levy 100 percent of the contract payments. To ensure you receive the levy proceeds, you decide to issue the Form 668-A to GSA directly, and block the account from inclusion in the FPLP so that the Form 668-A and FPLP do not levy the same payment at the same time.

**Note:** The FPLP is not considered a third-party contact (TPC) because the contact is made between electronic databases; however, issuing a paper levy is considered a third-party contact. See IRM 25.27.1, Third Party Contact Program, for servicewide guidance on third-party contact notice and reporting requirements.

- (2) Field Collection (FC) Revenue Officers may issue FEDCON levies after expiration of the 30-day Notice of Intent to Levy per IRC 6331(d). The issuance of the CP 504, Final Balance Due Notice, meets the 30-day pre-levy requirement of IRC 6331(d). In addition, prior to issuing a paper levy, employees must ensure the taxpayer was issued an advance third party contact notification. See IRM 25.27.1.3.1, TPC Notification Procedures. Refer to IRM 5.11.1.6.2, Federal Contractor Levy for additional guidance prior to issuing the FEDCON levy.

**Caution:** If the CP 504 notice was not issued, issue the pre-levy CDP notice, Letter 1058, Final Notice Reply Within 30 Days. This meets the IRC 6331(d) and IRC 6330 requirement. FEDCON levy can only be issued 30 days after you issue the Letter 1058 per IRC 6331(d).

- (3) ICS will block the issuance of the FEDCON levy unless the RO responds **yes** to the following ICS prompt question: **Final Notice Delivery Date is not 30 days prior to levy. Is this a FEDCON levy? (Yes or No)?**

**Caution:** This is a requirement because there would be no TC 971 AC 069 on the module.

- (4) Include Letter 1058-F, Post Levy Federal Contractor Collection Due Process with the taxpayer's copy of a FEDCON levy for post-levy CDP notices. In situations where the taxpayer files a timely request for CDP hearing, the collection statute is suspended on the periods that are the subject of the CDP **even if** FEDCON levy action continues for those periods. Refer to IRM 5.11.1.6.3, Issuing Notice of Intent to Levy and Notice of Your Right to a Hearing in Field Collection FEDCON case.

**Caution:** If the taxpayer was issued a pre-levy CDP notice Letter 1058 for the FEDCON tax period(s) being levied, do not issue a post-levy CDP notice Letter 1058-F.

- (5) Prior to issuing a levy to the Beckley Finance Center, the Area Director or Territory Manager should notify the Director, Collection Policy or their delegate. Approval of the levy by Collection Policy is not required.

**Note:** The IRS is a levy source for the taxpayer awarded the contract. Use the following address on Form 668-A, Notice of Levy: Internal Revenue Service Beckley Finance Center 110 North Heber Street Beckley, WV 25801 Attention: Accounts Payable.

- (6) When issuing levies to the Department of Defense, the contract number **must** be included on the levy, if available. It may be good practice to include the contractor number on all agency levies, as it would be helpful for the agencies to identify the contractor and honor the levy.

**Note:** Current federal contractor levy sources can be found on IDRS using "CC LEVYS". The contract number may appear on the levy source's name line after, "Contract number", "FC" to the right of the number means this is a federal contract.

- (7) Refer to the ICS User Guide for additional information on utilizing ICS to issue FEDCON levies.

#### 5.7.9.4

(02-09-2023)

#### ENTITY – Query for Federal Contractor TDIs in the Queue

- (1) The ENTITY query **Federal Contractor TDI Case** in Inventory Management can locate federal contractor cases that have ENTITY INDICATOR - FEDERAL CONTRACTOR value 1.
- (2) Follow the steps below to run the query in ENTITY:
- In ENTITY select the Inventory Management view.
  - F3 Query
  - F2 View-QUEUE
  - F6 Load
  - Select Federal Contractor TDI Case
  - Select F7 RUN

**Note:** When unpaid delinquent returns are secured from a federal contractor or vendor, the delinquent returns will be prompt assessed unless it is determined prompt assessing will not facilitate collection, i.e., nominal balance due, installment agreement to be entered into, accounts to be reported currently not collectible. See IRM 5.1.4.5, Prompt Assessments.



## 5.7.9.5

(02-09-2023)

**Tax Check Validation -  
SBSE Referral Process**

- (1) It is the policy of the Government to award contracts only to responsible prospective contractors. There are various Federal laws and regulations that prohibit the Federal Government from entering into a contract with an entity where the awarding agency is aware of an unpaid liability.
- (2) As of October 19, 2016, "all" IRS potential contractors/vendors are subject to a tax check to determine eligibility for contract award. Taxpayers identified with an unresolved tax delinquency are not eligible to receive a contract award. To be eligible for an IRS contract/award, potential contractors/vendors cannot have an outstanding balance unless they have an approved payment agreement in place.

**Note:** There is no dollar tolerance for the eligibility determination.

- (3) If a taxpayer fails a compliance check in the FMSS Procurement process, the Contracting Officer (CO) will email the account information to the SBSE Federal Contractor organizational mailbox, \*SB/SE IRS Contractor Compliance Check for a review.

**Note:** PGI 1009.70 instructs that Procurement, to the maximum extent practicable, should complete their tax checks 20 business days prior to award to allow for SB/SE validation, and/or revalidation procedures.

- (4) The SBSE Federal Contractor Program analyst will conduct an in-depth preliminary review of the account to determine the status of the account. If the account has been resolved, the CO is notified the taxpayer is in compliance and no action is needed. Per FMSS Procurement guidelines a potential contractor/vendor is considered in compliance if the account is in the following status conditions:

- ST 60- Installment Agreement
- ST 71- Offer in Compromise
- ST 53- only when a TC 470 cc 90 is used on the account in situations where a pending action has not posted but there is supporting documentation received which will resolve the account. An input of the transaction code will remove the case from being listed on the FMSS Procurement report as a delinquent and eligible for the contract/award.

**Note:** Situations may arise when an account is in pending status at time of initial research but may require an input of a TC 470 cc 90 to remove the account from FMSS Procurement "debt" listing. Accounts will remain on the "debt" listing until the account is shown as resolved in Master File status or in one of the statuses listed in the bullets above.

- (5) If the taxpayer is not in compliance, the case is referred to SBSE - Brookhaven Collection FAD team to validate the failed tax check.
  - FEDCON Tax Check Sheet must be completed and forwarded to the FAD team to ensure proper processing.
  - If SBSE FAD Team needs technical guidance, they will reach out to the Accounts Management HQ Analyst for assistance.
  - Within 24 hours of receipt, SBSE-Brookhaven Collection FAD team will provide the SBSE Collection Analyst with a status update of the account.

**Note:** In unusual case scenarios, HQ may need to collaborate with other areas within the IRS to assist with an issue to expedite case resolution. An example may be a questionable penalty assessment, or recent activity on the case which may have an impact.

- (6) Due to the Office of FMSS Procurement's short time frame to approve contracts, tax check cases are worked as a priority, and must be completed within 3-5 business days. Approval for extension for resolution will be based on the deadline Procurement has to approve the contract.

**Note:** FAD team must obtain approval of the SBSE Collection Policy Analyst before granting an extension.

- (7) The CO will generally include the taxpayer point of contact (POC) information in the tax check request. If the POC information is not available, use the contact information available on IDRS CC ENMOD.
- (8) **SB FAD Employees:** Manually assign cases as Other Investigation (OI) on ICS. Maintain case as open on ICS until all actions are taken, and the TC 470 cc 90 is input. Close off ICS once the TC 470 cc 90 is input or telephone contact attempt(s) was made. Utilize ICS "Program Name 1 & 2 to document Cause and Case Resolution, per IRM 5.19.15.3.1 ICS-Tracking Cause and Case Resolution. As an audit trail, also input a history item on AMS indicating a tax check request was received from FMSS Procurement, and actions taken.
- (9) **Account Management Large Corp. Employees:** Refer to IRM 21.7.1.4.11, Large Corp. Unit, for additional guidance.

5.7.9.5.1  
(02-09-2023)

**Tax Check Research- No  
Taxpayer Contact**

- (1) Research the account and determine if the balance is accurate or if it can be resolved without taxpayer contact. Examples of resolution with no taxpayer contact are listed below.
- Available credit on the account which can be moved to satisfy the liability
  - A pending adjustment to the account which will resolve balance
  - Indication TP has submitted documentation or response on issue, supporting whether or not the balance was resolved. Correspondence Imaging Inventory (CII) or history documentation on AMS can be used to resolve the balance.
  - Abatement of penalty due to research or via RCA process.
- (2) If an action is taken to resolve the balance due (pending adjustment and/or payment), input a TC 470 cc 90 to remove the account from the FMSS Procurement delinquency listing.

**Note:** Although action was taken to resolve the balance due issue, Procurement records will not reflect the taxpayer is in compliance unless the tax module is in ST 12 or in the collection status notated in above section.

- (3) Refer to the chart below for guidelines to follow in specific case scenarios:

IF	AND	THEN
There is a pending adjustment on the account, which will resolve the balance owed,	The account is not in status 12,	<ul style="list-style-type: none"> <li>• Input a TC 470 cc 90.</li> <li>• Update AMS history of actions taken, including TP has pending IRS federal contract. Also, document input of TC 470 input to remove account from collection status, if applicable.</li> <li>• <b>FAD employees:</b> Update ICS history also and close OI. Do not monitor account for posting of actions taken.</li> <li>• Notify HQ of findings and action taken, per local guidelines.</li> </ul>
There is a balance on the account,	There is available credit on a satisfied tax module which will satisfy the balance,	<ul style="list-style-type: none"> <li>• Transfer the credit to the balance due module.</li> <li>• Input the TC 470 cc 90.</li> <li>• Update AMS of actions taken including TP has pending IRS contract.</li> <li>• Include reason to support the input of the TC 470 cc 90</li> <li>• <b>FAD Employees:</b> Update ICS of actions taken, close OI.</li> <li>• Notify HQ of findings and action taken, per local guidelines.</li> </ul>

IF	AND	THEN
There is a balance on the account,	Per AMS CII, the taxpayer sent in documentation or correspondence related to the balance due,	<ul style="list-style-type: none"> <li>• Research to determine if issue can be resolved with CII information. If issue can be resolved, take necessary actions to satisfy the balance.</li> <li>• If the issue cannot be resolved, contact the taxpayer to inform them their pending contract is in jeopardy unless their balance due issue is resolved within the next 5 days. Refer to IRM 5.7.9.5.2 Tax Check, TP Contact, for additional guidance.</li> <li>• Encourage TP to full pay immediately to prevent their contract from being voided. Once payment is made, request that the taxpayer e-mail or fax confirmation of payment so the account can be considered in compliance. <b>Note:</b> Receipt of proof of payment made is sufficient enough to input the TC 470 cc 90. No need to wait for payment to post to IDRS.</li> <li>• Strongly encourage the TP to fax over any documentation to expedite the resolution.</li> <li>• If no response 2 days after TP deadline date given, notify HQ of findings and action taken, per local guidelines.</li> <li>• <b>FAD Employees:</b> Update ICS of actions taken, and close OI.</li> </ul>

IF	AND	THEN
There is a balance on the account,	There is an indication the balance is not accurate due to an IRS error,	<ul style="list-style-type: none"> <li>Take the appropriate actions to resolve the error,</li> <li>Input the TC 470 cc 90.</li> <li>Update AMS of actions taken.</li> <li><b>FAD Employees:</b> Update ICS of actions taken, close OI.</li> </ul>

**Note:** The scenarios listed above is not a reflection of all situations.

- (4) In all situations, summary of actions taken and case resolution must be forwarded to the SBSE Federal Contractor analyst via your local procedures. For AM Large Corp. Employees, refer to IRM 21.7.1.4.11, Large Corp. Unit, for additional guidance.

5.7.9.5.2  
(01-13-2025)  
**Tax Check – Taxpayer  
Contact**

- (1) If the failed tax check is valid, taxpayer contact is required to inform the taxpayer a tax delinquency will jeopardize the approval of their federal contract with the IRS. Overall, the taxpayer is given up to 5 days to resolve the account by either paying, establishment of an installment agreement, or submit supporting documentation a payment was made or balance is not accurate.
- (2) If TP contact is necessary, attempt to contact the taxpayer by phone. If there is no response, attempt a second contact the next business day. After the second attempt, close the case as no response, update the case history and notify SBSE Collection Policy Analyst of actions taken, per local guidelines.
- (3) If contact is successful, ensure you are speaking to a responsible party in the business. Refer to IRM 11.3, Disclosure of Official Information.
- (4) Inform the TP the call is regarding a balance on their account. The outstanding liability has placed their IRS federal contract in jeopardy and we are calling to resolve the balance. Offer assistance while explaining their options for immediate resolution. As a courtesy, inform the taxpayer of any other compliance issue and stress the importance of remaining in compliance.
- (5) If the taxpayer agrees to full pay the balance, encourage them to make an electronic payment via the Electronic Federal Tax Payment System (EFTPS) or online at *IRS.GOV*.

**Note:** If electronic payment is made, inform the taxpayer to fax or e-mail confirmation of payment made directly to you. The confirmation can be used to input the TC 470 cc 90, and consider the account resolved. It is not necessary to wait for the payment to show as pending on IDRS to input the TC 470 cc 90. The payment confirmation is sufficient supporting documentation.

- (6) If the taxpayer submits sufficient documentation to support the balance was resolved or submits documentation for an adjustment to be input to resolve the balance,
- Take the appropriate actions / adjustment to the account,
  - Input a TC 470 cc 90,

- Update AMS of actions taken.
  - **For FAD Employees:** Also indicate on ICS of actions taken, and close the case off ICS accordingly.
- (7) If the taxpayer requests additional time to review the issue, or indicates they will fax documentation to resolve the balance, provide up to 5 days for the TP to respond back. Stress their federal contract is in jeopardy unless the balance is resolved.
  - (8) If the taxpayer requests additional time to resolve the balance, determine if the taxpayer qualifies for an installment agreement. If the taxpayer qualifies for an installment agreement, discuss installment agreement options with the taxpayer and establish the IA.
  - (9) If the taxpayer does not respond back in 5 business days, close the case as a "No Reply".
  - (10) Update AMS of actions taken. **FAD employees:** Update ICS history of actions taken, and close the case off ICS, accordingly.
  - (11) Notify SBSE HQ analyst of actions taken, and negative response from TP.