



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

5.19.7

AUGUST 26, 2025

EFFECTIVE DATE

(08-26-2025)

PURPOSE

- (1) This transmits a revised IRM 5.19.7, Liability Collection, Monitoring Offer in Compromise.

MATERIAL CHANGES

- (1) The following table outlines changes made throughout IRM 5.19.7 Monitoring Offer in Compromise:

IRM Section Revised	Summary of Changes
Throughout	Editorial updates were made to this IRM section to comply with the January 2025 executive orders and OPM guidance.

EFFECT ON OTHER DOCUMENTS

This supersedes IRM 5.19.7, dated December 09, 2024.

AUDIENCE

Small Business Self Employed (SB/SE) campus employees who process Collection work.

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Director, Collection Policy
Small Business / Self Employed

5.19.7

Monitoring Offer In Compromise

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5.19.7.1
(08-26-2025)
Program Scope and Objectives

- (1) **Purpose:** An accepted Offer in Compromise (OIC) is a legally binding agreement between a taxpayer and the IRS that resolves the taxpayer's tax liability. IRS has the authority to settle, or compromise, federal tax liabilities by accepting less than full payment under certain circumstances. Internal Revenue Service (IRS) has a requirement to monitor all accepted offers for payment of the offered amount, refund recoupment, if applicable, monitoring lien releases, and the mandatory 5 year compliance period with the exception of Doubt as to Liability (DATL) offers. After the IRS has determined the disposition of an Offer in Compromise, various procedures must be followed. This section discusses how to treat these situations that involve the Monitoring Offers in Compromise (MOIC) program.
- (2) **Audience:** These procedures apply to IRS employees who are responsible for the processing and monitoring of closed offers in compromise.
 - Tax Examiners in Monitoring Offer in Compromise (MOIC)
 - Additional IRS employees assigned to the offer program
- (3) **Policy Owner:** Director, Collection Policy
- (4) **Program Owner:** SBSE Collection Policy, Offer in Compromise (OIC) Program
- (5) **Primary Stakeholders:** The primary stakeholders are MOIC employees
- (6) **Program Goals:** This IRM provides the fundamental knowledge and procedural guidance for the tax examiners engaged in the monitoring of offers. By following the processes and procedures provided by this IRM, employees will process accepted offers in a manner that follows IRS policy and procedures while promoting the best interests of the government.

5.19.7.1.1
(08-25-2017)
Background

- (1) This section provides direction for monitoring accepted offers in compromise and other related processing action taken by the MOIC program.

5.19.7.1.2
(10-30-2018)
Authority

- (1) Authorities relating to this section include:
 - IRC 7122 Compromise
 - Code of Federal Regulations (CFR) 301.7122-1 - Compromise
 - Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA)
 - Delegation Order 5-1 (Rev. 5) To Accept, Reject, Return, Terminate, or Acknowledge Withdrawals of Offers in Compromise
 - IRC 7809- Deposit of Collections

5.19.7.1.3
(08-25-2017)
Roles and Responsibilities

- (1) The Director, Collection Policy is responsible for all policies and procedures within the Offer in Compromise program.
- (2) The National Program Manager, Offer in Compromise is responsible for development and delivery of policies and procedures within the program.
- (3) IRM authors are responsible for writing the policies and procedures and clearing documents through all affected offices.
- (4) Employees in MOIC are responsible for the processes and procedures outlined in this IRM.

- 5.19.7.1.4
(07-09-2020)
Program Management and Review
- (1) Operational and program reviews are conducted on a yearly basis with the use of data and reports from the Automated Offer In Compromise (AOIC) system. See IRM 1.4.52, Resource Guide for Managers, Offer in Compromise Manager's Resource Guide.
 - (2) National quality reviews and consistency reviews are routinely conducted to ensure case actions are timely and in accordance with the procedures in this IRM.
- 5.19.7.1.5
(07-09-2020)
Program Controls
- (1) AOIC is used to track offers submitted by taxpayers and record case actions and history. Ability to take action on AOIC is limited to specific offer employees. Additional permissions are provided based on an employee's duties and responsibilities. Manually Monitored offers are tracked on IDRS and Accounts Management System (AMS).
 - (2) Managers are required to follow program management procedures and controls addressed in IRM 1.4.52, Resource Guide for Managers, Offer in Compromise Manager's Resource Guide.
- 5.19.7.1.6
(12-09-2024)
Terms/Definitions/ Acronyms
- (1) A list of common abbreviations, definitions, and acronyms used throughout this IRM may be found in the following table:

Abbreviation	Definition
AOIC	Automated Offer in Compromise – Computer application where offers in compromise are recorded and monitored from receipt to closure. History of the offer investigation conducted by COIC employees and of actions taken by Monitoring OIC (MOIC) units is also maintained on this system.
ASED	Assessment Statute Expiration Date – The date the statutory period for assessing tax expires.
BOE	Business Objects Enterprise – Computer application used for running reports.
COIC	Centralized Offer in Compromise – Taxpayers send Form 656, Offer in Compromise, to one of the two COIC sites; located at the Brookhaven or Memphis sites. Units located in Brookhaven or Memphis complete initial processing and forward processable offers to offer examiners at the sites or to FOIC for investigation.
CSED	Collection Statute Expiration Date – The date the statutory period for collecting the tax expires.
DATC	Doubt as to Collectibility – Basis for acceptance of an offer where there is doubt that the tax can be paid in full.
DATL	Doubt as to Liability – The centralized DATL processing unit located at the Brookhaven site receives all Form 656-L submissions on the basis of DATL. COIC will process Trust Fund Recovery Penalty (TFRP) and Personal Liability of Excise Tax (PLET) offers and forward them to FOIC offices for investigation.
DCSC	Doubt as to Collectibility with Special Circumstance – Basis for acceptance of an offer where there is doubt that the tax can be paid in full and special circumstances exist that warrants accepting the offer for less than the reasonable collection potential (RCP).

Abbreviation	Definition
ECR	Electronic Case Receipt - Used for Independent Office of Appeals (Appeals) to receive electronic OIC cases.
ETA	Effective Tax Administration – Basis for acceptance of an offer where this is no doubt that the liability is correct or can be paid in full. However, requiring the taxpayer to fully pay the tax would either create an economic hardship or be a public policy/equity issue.
FOIC	Field Offer in Compromise – Area offices where offer specialists investigate offers.
ICS	Integrated Collection System – Computer application used by Compliance employees to monitor inventory. Histories of OIC investigations conducted by FOIC employees are maintained on this system.
MOIC	Monitoring OIC Unit – Unit in Compliance Services located in a campus that completes end processing and monitoring of accepted offers.
MMA	Manually Monitored Acceptances are offers that are not on AOIC and require manual monitoring.
NFTL	Notice of Federal Tax Lien - The notice of the filed Federal Tax Lien.
RPA	Robotic Process Automation. RPA is a rules-based software program designed to assist MOIC inventory processing for certain statuses.
TFRP	Trust Fund Recovery Penalty – Assessments made on individual taxpayers for the withheld or trust fund portion of delinquent employment taxes.
TIPRA	Tax Increase Prevention and Reconciliation Act of 2005 – Section 509 – Legislation enacted in May, 2006, which made major changes to the OIC program.

- (2) AOIC Service Center (SC) uses different status codes to the offers as they proceed in the monitoring process. A complete list of the status codes and full definition can be found on the SERP Compliance Part 5 Job Aid in the *Monitoring Offer In Compromise (MOIC) - User Guide*. The following table is a list of the most commonly used MOIC status codes:

MOIC Status Code Abbreviation	MOIC Status Definition	Expanded Definition
NW	New Work	Generated when Appeals, FOIC or COIC has accepted, closed, and validated an offer to transfer to MOIC.
OA	Opened and Assigned	Use when an accepted offer is assigned to the tax examiner.
OD	Open, Potential default	Use when a Default letter has been sent to the taxpayer.
OI	Other Investigation	Use when a Form 2209, Courtesy Investigation, has been prepared and sent to Appeals, FOIC or COIC and MOIC is waiting for the response.

MOIC Status Code Abbreviation	MOIC Status Definition	Expanded Definition
OU	Open and Unassigned	Use when an offer is accepted for transfer by MOIC but is not assigned to a tax examiner.
MB	Monitor Bankruptcy	Use for accepted offers when the taxpayer has filed bankruptcy.
MC	Monitor Collateral Agreement	Use for accepted offers with all Journal and Recoupment actions completed (full paid), and an open collateral agreement is being monitored. This status is used for taxpayers currently in compliance with a collateral agreement.
MD	Monitor Disaster	Use to suspend monitoring when tax accounts are identified with a -O freeze or a -S freeze and the taxpayer self identifies as effected.
ME	Monitor Exam	Use when Examination is reviewing for validity of computations. This status is only used with offers including a collateral agreement.
MI	Monitor TFRP	Use for accepted offers with all Journal and Recoupment actions completed and TFRP is reviewing the offer before putting into 5M or 5B status.
ML	Monitor Lien	Use for monitoring payment on offers that liens are established. These cases must have a follow up completed within 25 days.
MO	Monitor Other	Use for accepted offers when all journal actions are complete (full paid), all recoupment actions have been completed, and the terms of the collateral agreement are current. However, other actions related to the offer may be fulfilled. This status is utilized to identify offers with additional IDRS actions needed.
MP	Monitor Payment	Use when monitoring for payment. The journal screen must reflect the amount and the next due date of the next scheduled payment.
MR	Monitor for Refund Recoupment	Used for offers accepted prior to November 01, 2021 when all journal actions were complete (full paid) and refund recoupment actions were necessary and collateral terms are current. Currently used by RPA when an offer in MP status is found to be full paid. This allows for TE review prior to updating to 5M or 5B status.
MS	Monitor for Split Assessment	Use when the request for Transaction Code (TC) 400 is made and the posting of the MFT 31 or Non-Master File (NMF) assessment is being monitored.

MOIC Status Code Abbreviation	MOIC Status Definition	Expanded Definition
MT	Monitor for Tax Return	Used by RPA when research results indicate a return in the pipeline during compliance checks. RPA establishes a 45 day follow up for the assigned tax examiner to research for posted returns.
5M	Monitor for 5-year Compliance	Monitoring for 5-year compliance IMF account.
5B	Monitor for Business 5-year Compliance	Monitoring for 5-year compliance BMF account.
I5	Investigate Five Year Compliance-Potential Default	Use when the taxpayer is not in compliance with the five-year compliance requirements and a Potential Default letter has been issued advising of this non-compliance.
IC	Investigate Collateral Agreement-Potential Default	Use when a Potential Default letter has been issued for failure to meet the terms of a Collateral Agreement.
IP	Investigate Payment- Potential Default	Use when a Potential Default letter has been issued for failure to meet payment terms.
IR	Investigate Refund Recoupment-Potential Default	Use when a refund has been mistakenly issued to the taxpayer.
C5	Closed, Defaulted due to Five Year Compliance Issues	Use when a Default letter has been issued to the taxpayer for failure to meet the Five-Year Compliance requirements. MOIC has completed all actions to restore the compromised liabilities to an active collection status on IDRS or Non-Master File (NMF) account on Manual Accounting Replacement System (MARS)
CF	Closed file	Use when all terms applicable to the accepted OIC have been satisfied and monitoring is complete. Accounts on AOIC and IDRS must be in zero balance and have a Transaction Code (TC) 788 input.
CI	Closed, Defaulted for Income Collateral Agreement Issue	Use when a Default letter has been issued to the taxpayer for failure to meet the terms of a collateral agreement. MOIC has completed all actions to restore the compromised liabilities to an active collection status on IDRS and/or NMF (MARS).
CP	Closed, Defaulted for Payment Issues	Use when a Default letter has been issued to the taxpayer for failure to meet the payment requirements. MOIC has completed all actions to restore the compromised liabilities to an active collection status on IDRS or NMF (MARS).

MOIC Status Code Abbreviation	MOIC Status Definition	Expanded Definition
CR	Closed, Defaulted for Refund Recoupment Issues	Use when a default letter has been issued to the taxpayer for failure to meet the refund recoupment requirements. MOIC has completed all actions to restore the compromised liabilities to an active collection status on IDRS and/or NMF (MARS).
CW	Closed, Defaulted on Waiver Collateral Agreement Issues	Use when the taxpayer has been issued a default letter for failure to meet the waiver requirements of the collateral agreement Forms 2261B, Reduction of Basis or 2261C, Waiver of Loss. MOIC has completed all actions to restore the compromised liabilities to an active collection status on IDRS and/or NMF (MARS).

- (3) Below is a list of MOIC tax examiner time codes. Time reporting should be recorded in accordance with the appropriate OFP time codes. To determine the appropriate count see the major operations found at: *Organization Function Program (OFP) Code*

OFP Code	Action Performed
61900	Perfection
61910	Monitoring
61920	Potential Default
61930	Phone Calls
61940	Correspondence
61950	4710 Deposit Actions
61960	Closed Case Actions

- (4) Additional acceptable acronyms and abbreviations are found in the *ReferenceNet Acronym Database*

5.19.7.1.7
(12-09-2024)

Related Resources

- (1) Additional resources can be found in:

IRM	Title	Guidance On
IRM 5.8	Offer in Compromise	Offer in Compromise processes and procedures
Document 6209	Document 6209 (IRS processing Codes & Information)	IRS Processing Codes and Information

IRM	Title	Guidance On
IRM 1.2.2	Servicewide Delegations of Authority	Delegation Order 5-1 to Accept, Reject, Return, Terminate or Acknowledge the Withdrawal of Offers in Compromise
IRM 5.19.24	Doubt as to Liability Offer in Compromise	Doubt as to Liability offer process and procedures
IRM 21.4.4	Manual Refunds	Preparing and issuing manual refunds when a systemic refund will not generate

(2) Employees can find helpful information on these websites:

- *SERP Home page*
- *MOIC Job Aid*
- *Offer in Compromise (OIC) Knowledge Base*

(3) 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.

5.19.7.2
(12-09-2024)
**Monitoring Offers in
Compromise (MOIC)**

(1) An accepted Offer in Compromise (OIC) is a legally binding agreement between a taxpayer and the IRS that resolves the taxpayer's tax liability. IRS has the authority to settle, or compromise, federal tax liabilities by accepting less than full payment under certain circumstances. IRS has a requirement to monitor all accepted offers for payment of the offered amount and for the mandatory 5 year compliance period.

Note: DATL accepted offers are not monitored for 5 year payment and filing compliance.

(2) This subsection provides:

- Procedures for processing OIC deposits
- Procedures for accepting OICs into the campus inventory
- Procedures for monitoring accepted OICs
- Procedures for processing OIC payments and refund recoupments
- Procedures for applying or refunding the OIC application fee
- Procedures for transferring accounts to NMF (non master file)
- Procedures for creating mirror assessments (MFT 31 accounts)
- Procedures for processing compliance listings and / or Business Objects Enterprise (BOE) reports
- Procedures for processing defaulted offers
- Procedures for processing OIC collateral agreements
- A guide for Customer Service Representatives assisting taxpayers with an OIC inquiry

- (3) The following reference documents must be available to MOIC tax examiners for procedural guidance, this is not an all inclusive list of IRMs. Additional IRMs needed to complete their procedures can be found on SERP.
- IRM 4.18, Exam Offer-In-Compromise
 - IRM 5.8, Offer in Compromise
 - IRM 5.19.7, Monitoring Offer in Compromise
 - IRM 8.23, Offer in Compromise
 - IRM 11.3, Disclosure of Official Information
 - IRM 21.1, Accounts Management and Compliance Services Operations
 - IRM 25.6, Statute of Limitations
 - Document 12803, AOIC-SC User Guide for MOIC Campus Tax Technicians
 - The Internal Revenue Code (IRC)
 - Document 6209, IRS Processing Codes and Information
- (4) Generally offers in compromise are accepted to meet the following objectives:
- To resolve accounts when it is unlikely that the tax liability can be collected in full and the amount offered reasonably reflects the collection potential
 - To resolve accounts with a legitimate dispute as to the amount of tax assessed
 - To collect an amount which can reasonably be collected at the earliest time possible and at the least cost to the Government
 - To collect funds which would not be collectible through any other means
 - To give taxpayers “a fresh start” toward future compliance with the tax laws
- (5) If contacted by a taxpayer wishing to submit an offer, advise that before the offer can be processed all applicable lines on the Form 656 or Form 656-L must be complete, and only the most recent revision of the form must be submitted. Missing information may result in significant delays. The following information must be included:
- Taxpayer’s full name and address
 - Taxpayer’s identification number
 - All outstanding balance due liabilities by tax period
 - Basis for compromise
 - Amount offered
 - Payment terms
 - Signatures of all persons submitting the offer
- Note:** If the taxpayer is homeless and living on the street, then they do not have a physical address. The physical address line can be left blank and a statement provided that the taxpayer is living on the street and the city and state where they live could be listed. If the taxpayer indicates they are staying with friends, then the friends’ home address will suffice as a physical address.
- (6) Except with respect to DATL offers, a Form 433-A, Collection Information Statement for Wage Earners and Self Employed Individuals, Form 433-B, Collection Information Statement for Businesses, is also required with requested attachments, required application fee or the Low Income Certification check box on Form 656, if applicable, and required initial offer payments, if applicable.

- (7) If the taxpayer indicates during contact that an offer will be submitted, send the Correspondence Letter 278-C, Offer in Compromise: Forms Requested and provide the appropriate COIC address. Refer to the SERP website on the intranet, click on the **Who/Where** tab and scroll down to **Offer in Compromise(OIC) Centralized Service Center Locations**.

Note: When possible, taxpayers should be directed to obtain forms and publications by accessing our website at *irs.gov*. A taxpayer without internet access can get forms and publications by calling 800-829-FORM (3676).

- (8) The Document Upload Tool (DUT) is an application on IRS.gov where taxpayers can upload documentation they are requested or required to provide; by using a one-time use only Unique Access Code (10-digit alphanumeric code provided by an IRS employee). The DUT provides employees with an option to receive necessary documentation from taxpayers in real time while on the phone. It also provides taxpayers with an alternative to provide necessary documentation securely to the requesting employee.
- (9) Secure Messaging is a web-based system that allows SCOIC employees a convenient way to communicate, send, and receive documentation from taxpayers/representatives. It allows the IRS and the taxpayer/representative to share messages and supporting documents through a digitally secure portal, reducing the need for phone calls and mailing documents. Secure Messaging should be offered as another option for taxpayers/representatives, allowing them to submit requested information online quickly and securely in lieu of mailing correspondence while the offer is being monitored.
- (10) The taxpayer or representative does not have the right to record a telephone interview, with or without the IRS's knowledge. If a taxpayer begins to record a conversation during a telephone call, and you are aware of it, advise the taxpayer or representative that the recording must be stopped. If the recording is not stopped, politely terminate the call, and document the case history accordingly.

5.19.7.2.1
(08-25-2017)
OIC Payment Terms

- (1) Taxpayers are expected to pay the entire amount offered in the shortest time possible based on the terms of their accepted agreement.
- (2) The amount and due dates of payments must be specified.

Note: The taxpayer and the IRS can agree to modify the OIC-contract by changing the monthly payment date. If the taxpayer misses a monthly payment, that is a breach of the OIC-contract.

- (3) For non-DATL offers there are two (2) types of payment terms that IRS and the taxpayer may agree to:
- **Lump sum** - payable in five or fewer offer payments within 5 or fewer months of the date of the notice of acceptance; Form 656 must be accompanied by a payment of 20% of the amount offered.

Note: An exception may be allowed to the five month payment requirement when more flexible payment terms are warranted. Also, in these cases, while they may be submitted and considered as lump sum offers, the RCP should be calculated as a periodic offer (24 months). See IRM 5.8.4.

- **Periodic payment** - offer payments payable in 6 - 24 months. Form 656 must be accompanied by the first proposed offer payment, and addi-

tional offer payments must be paid in accordance with the taxpayer's proposed offer terms while IRS evaluates the offer.

Note: DATL offers are payable within 90 days of the notification of acceptance, unless an alternative payment term is approved at the time the offer is accepted. See Form 656-L, section 3.

5.19.7.2.1.1
(07-09-2020)

OIC Application Fee

- (1) The IRS established this fee to recover part of the cost of processing, reviewing and providing a specialized service to a limited segment of taxpayers.
- (2) The application fee will be applied to the taxpayer's liability as a payment once the processability determination has been made.
- (3) All taxpayers who submit a Form 656, Offer in Compromise, must pay the application fee, except in certain instances explained below.
- (4) If the taxpayer is a low income taxpayer, falling into either of the following two categories, the application fee is waived:
 - a. The taxpayer is an individual whose adjusted gross income (AGI), as determined for the most recent taxable year for which such information is available, does not exceed 250 percent of the applicable poverty level as determined by the Secretary.
 - b. The taxpayer is an individual whose gross monthly income x 12 months falls at or below 250 percent of the applicable poverty level.
- (5) There is no application fee for an OIC submitted based solely on Doubt as to Liability (DATL), including DATL of Trust Fund Recovery Penalty.
- (6) The fee is either refunded or applied against the amount of the offer if the offer is accepted to promote effective tax administration, or accepted based on certain economic hardship criteria (special circumstances).
- (7) Submission of the fee with the Form 656 is also a processability criteria.
- (8) If multiple offers submitted with one remittance intended as the application fees and required TIPRA payments are deemed processable the payments will be applied to tax liabilities and any shortage will be requested.

5.19.7.2.2
(10-06-2022)

OIC Determinations

- (1) COIC process examiners are responsible for determining processability and perfecting offers before they are assigned for investigation.
- (2) An offer may be returned for various reasons, including failure to provide information and solely to delay. See IRM 5.8.7, Return, Terminate, Withdraw, and Reject Processing, for additional reasons for returns.
- (3) OIC determinations are made by Examination, Appeals, FOIC or COIC. The Department of Justice may settle court cases that are ultimately sent to MOIC for monitoring.
- (4) One of the following determinations will be made following the OIC investigation:
 - a. Rejection: A determination is made that more can be collected than is being offered or acceptance will not be in the best interest of the government. All reject determinations must be reviewed and agreed to by an

independent reviewer. The taxpayer will be given appeal rights with the rejection letter, unless the offer was submitted as a collection alternative in Collection Due Process.

- b. Withdrawn: The taxpayer requests or agrees to withdraw the offer. The taxpayer is asked to provide the withdrawal in writing in the form of a letter.
- c. Accepted: The offer is accepted and forwarded to MOIC for monitoring through the completion of the mandatory 5-year compliance period.
- d. Return: An offer can be returned as either a “not processable return” or a “processable return.” It is important to note the distinction because when there is a not processable return, the collection statute is not suspended. The application fee is returned to the taxpayer in all cases involving a not processable return; however, the IRS keeps the application fee when it is a processable return.

Note: DATL accepted offers are not monitored for 5-year payment and filing compliance.

- (5) COIC loads the offer, the application fee, and TIPRA payment onto the AOIC database. If the offer is determined to be processable, AOIC systemically uploads the following to IDRS:
 - a. Transaction code (TC) 480 With the appropriate jurisdiction code (1= Collection, FOIC or COIC, 2= Examination, 3= Appeals, 9= SC Collection DATL). Jurisdiction codes 2 and 3 are manual inputs.
 - b. CSED indicator P= Primary taxpayer, S= Secondary taxpayer, B= Both taxpayers.
 - c. Status 71 Creates a “-Y” freeze, suppresses balance due notices and suspends collection and levy action.

5.19.7.2.3 (10-06-2022) **Powers of Attorney (POA)**

- (1) Taxpayers who wish to be represented submit a properly executed Form 2848, Power of Attorney and Declaration of Representative.
- (2) When an offer is received with a Form 2848, COIC checks it across CC CFINK and if the POA is not there the original is forwarded to the Centralized Authorization File (CAF) for input on to the CAF system. If the POA sends in a copy of an already recorded Form 2848 then it is not forwarded unless additional tax periods are being added or there is some change to what the current CAF reflects.
- (3) The representative’s information is loaded onto AOIC and a copy is placed in the paper case file.
- (4) When responding to a third party (anyone other than the taxpayer), who indicates they have a third party authorization on file, complete the appropriate search using CC CFINK before providing any tax account information.

Note: When a taxpayer authorizes a POA via Form 2848, that authorization is no longer valid in the event of death. It may be more appropriate to secure Form 56, Notice Concerning Fiduciary Relationship. For additional information, see IRM 5.8.10.4.1(3), Death of Taxpayer

- (5) If the POA information is on the CAF file but not on AOIC due to an oversight, add the POA information and continue your contact as long as guidelines found in IRM 21.1.3, Operational Guidelines Overview are followed.

5.19.7.2.4
(10-06-2022)
**Automated Offer in
Compromise (AOIC)**

- (1) The AOIC application tracks and controls offers in compromise. FOIC, MOIC, DATL and Appeals Area Office share a common database that contains relevant offer information. AOIC allows the user to process, view, and track the status of each offer. The program also generates forms, letters, and managerial reports.
- (2) AOIC consists of four parts:
 - a. The Area Office segment is designed to assist COIC staff, FOIC specialists, and other Area Office personnel manage offers up to the point the offer is returned, rejected, withdrawn, or accepted.
 - b. The Service Center segment is designed to assist MOIC control inventories; post and journalize payments, deposits, refund recoupments; prepare and generate forms, letters reports; and monitor collateral agreements and taxpayer compliance for offers that are accepted.
 - c. The Appeals segment is designed for Appeals to view offer data and status up to the point the offer is rejected, withdrawn, or accepted.
 - d. The DATL segment is also designed to assist the DATL staff up to the point the offer is rejected, withdrawn, return, or accepted.
- (3) Generally, all offers investigated by Collection are on the AOIC application. However, Department of Justice (DOJ) Settlement cases are not loaded on AOIC.
- (4) Cases not on AOIC must be manually monitored. See IRM 5.19.7.5, Accepted OICs Requiring Manual Monitoring.

5.19.7.2.5
(10-06-2022)
**Taxpayer Advocate
Service (TAS)**

- (1) Taxpayers have the right to expect a fair and just tax system which provides taxpayers with the opportunity to have their facts and circumstances considered when it might affect their underlying liabilities, ability to pay, or ability to provide information timely.
- (2) Taxpayers have the right to receive assistance from the Taxpayer Advocate Service (TAS) if they are experiencing financial difficulty or if the IRS has not resolved their tax issues properly and timely through normal channels. For additional information on the Taxpayer Bill of Rights, visit *Taxpayer Bill of Rights*.
- (3) Refer taxpayers to TAS when the contact meets TAS criteria (see IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria or when Form 911, Request for Taxpayer Advocate Service Assistance (and Application for Taxpayer Assistance Order), is attached and steps cannot be taken to resolve the taxpayer's issue the same day.
- (4) "Same day "includes cases that can be resolved in 24 hours, as well as cases where steps can be taken within 24 hours to begin resolving the issue. See also IRM 13.1.7.5, Same Day Resolution by Operations.
- (5) When making a TAS referral, use Form 911, and forward to TAS in accordance with your local procedures.
- (6) The National Taxpayer Advocate has reached agreements with the Commissioners of the various IRS Divisions, including the Small Business & Self Employed (SB/SE) Division, that outline the procedures and responsibilities for the processing of Taxpayer Advocate Service (TAS) casework when either the statutory or delegated authority to complete case transactions rests outside of

TAS. These agreements are known as Service Level Agreements (SLAs). The SLAs can be found on the TAS SharePoint site under: *Service Level Agreements*.

- (7) When appropriate, TAS employees may issue Form 12412, Operations Assistance Request (OAR). Upon receipt of an OAR, MOIC management will:
1. Control the request and ensure a response is provided to the TAS office within the requested time frames.
 2. Research AOIC or pull the case file (manually monitored) to review the case history.
 3. Discuss actions taken with the assigned tax examiner.
 4. Contact the TAS office and discuss the OAR issue with the TAS employee.
 5. Contact the TAS office and negotiate additional time if it is determined that the time frame cannot be met.
 6. Respond to the OAR indicating how the issue is being addressed or resolved within the requested or extended time frame.

Note: See IRM 5.8.1.6.7, Taxpayer Advocate Service, for a detail of responsibilities and time frames for SB/SE.

- (8) As part of the Identity Theft Program, the AM IPSU Team will begin assisting taxpayers whose situations meet TAS criteria 5–7 **and** involve identity theft. Applicable cases will now be considered IPSU criteria.

Note: If the taxpayer specifically requests TAS assistance, or is facing economic burden (TAS criteria 1-4), refer the case to TAS. IRM 13.1.7.3, TAS Case Criteria.

5.19.7.2.6
(12-09-2024)
**Extension and
Suspension of the
Statutory Period for
Collection**

- (1) The Collection Statute Expiration Date (CSED) is the length of time established by law that IRS can collect any unpaid liabilities.
- (2) The CSED is normally ten years from the date of assessment.
- (3) Each assessment on a module has a separate CSED. Assessments include but are not limited to:
 - TC 150, Entity Created by Posting of a Return
 - TC 290, Additional Tax Assessment
 - TC 300, Additional Tax or Deficiency Assessment by Examination or Collection Division
- (4) Generally, the CSED is suspended when the taxpayer files for or submits a request for a specific case action. See IRM 5.1.19.3, Case Actions That Can Suspend and/or Extend a CSED and IRM 5.8.10.7, Effect of Previous Offers on Collection Statute.
- (5) When an offer is deemed processable, a TC 480 is systemically uploaded via AOIC on each tax module included on the offer. If the offer is not on the AOIC system, then TC 480 is manually input. TC 480 suspends the CSED until a TC 481, TC 482, or TC 780 posts. The CSED is extended by the amount of time between the posting of TC 480 and the reversing or accepted transaction code.
 - TC 481 = Rejected or Returned (Processable)
 - TC 482 = Withdrawn or Terminated

- TC 780 = Accepted

Reminder: Input of TC 480 and a subsequent TC 483, Erroneous Posting of a TC 480, Returned (Not Processable), on the tax module does not suspend the CSED, as this was an erroneous input of TC 480. The CSED reverts back to the original CSED.

- (6) Several legislative changes have provided or revoked IRS' ability to suspend the statutory period of collection for Offers in Compromise.

Law	Change
The IRS Restructuring and Reform Act of 1998 (RRA '98)	Section 3461 of RRA '98 eliminated IRS' ability to extend the CSED after December 31, 1999. All extensions secured prior to December 31, 1999, and extended beyond December 31, 2002, expired on December 31, 2002 or the original CSED date whichever is later. (Offers that were accepted for processing prior to December 31, 1999, but remained pending after that date were treated the same.) Thereafter, the CSED is only suspended while the offer is pending, during the 30-day period following the rejection of the offer, or during the time an appeal of the offer rejection is under consideration.
Community Renewal Tax Relief Act dated December 21, 2000	The CSED was not suspended for pending offers for the period of December 21, 2000 to March 09, 2002 because the CRTRA inadvertently removed the suspension provision from the IRC.
The Job Creation and Worker Assistance Act of 2002	Enactment of the Job Creation and Worker Assistance Act of 2002 on March 9, 2002, reinstated the suspension. Effective March 09, 2002, input of the TC 480 suspends the CSED period during the time an offer is pending, during the thirty days following rejection of an offer, and for any period when a timely filed appeal from the rejection is being considered by Appeals. That is for the period of time between the TC 480 and the TC 481, TC 482, or TC 780 only (do not add a year to this suspension). This law change is not retroactive.

- (7) Computing the CSED using the Julian date:

If	Then
The date of the transactions will extend through the calendar year, take the Julian date for the last day of the year. This will give the amount of days the CSED was suspended for that period.	Convert the date of the TC 480, 481, 482, 521, or 780 to the Julian date for that date. Add the two dates together and that is the amount of days the CSED was suspended. Once the days of suspension is obtained it will then be added to the TC 150, TC 290, or TC 300 date for the correct CSED.

- (8) When a payment is received on an accepted OIC, determine which module has the earliest CSED. Use the table below as a guide to determine the CSED suspension periods:

If	Then	Limited to:
The offer was pending on or after March 9, 2002	The statute is suspended for the period the offer is open (including any time the offer was open prior to December 21, 2000)	The number of days the statute was suspended. Upon acceptance, the statute begins running again.
The offer was submitted on or after January 1, 2000 and closed on or after December 21, 2000	The statute is suspended until December 21, 2000	The days the offer was pending prior to December 21, 2000.
The offer was submitted and pending prior to January 1, 2000 and closed on or after 12/21/2000	The statute is suspended while the offer was pending up to December 21, 2000 and extended for an additional year	The time the offer was pending. Upon acceptance, the statute begins running again.
The offer was submitted and pending prior to January 1, 2000 and closed between 01/01/2000 and 12/21/2000	The statute is suspended for the period the offer was pending to the date of acceptance and extended an additional year	The original CSED or December 31, 2002, whichever is later.
The offer was submitted, pending and accepted prior to January 1, 2000	The statute is suspended for the period the offer is pending, during the time the terms are monitored and extended for an additional year	The original CSED or December 31, 2002, whichever is later.

Note: Several events can suspend or extend the statute. Guidance is provided in IRM 5.19.10.4.4, Determining the Correct CSED. In addition, there is a downloadable CSED calculator, CCalc, and a CSED Calculator (CCalc) Quick Start Guide found on OIC SharePoint which can assist in complex calculations of the CSED.

- (9) COIC and FOIC are responsible for calculating the CSED and ensuring all statute issues are addressed.

5.19.7.2.7
(05-10-2019)
**Amended Offer in
Compromise (OIC)**

- (1) While an offer is under consideration, taxpayers may make changes to the original offer. Changes to the amount, terms, tax class, or tax periods, are considered amendments. The taxpayer can submit a new Form 656 or make changes to the original Form 656. The form is marked "Amended" in red on the top margin of page one. Refer to IRM 5.8.8.2, Amendment or Addendum to Form 656.

Reminder: If a Form 656 is inadvertently sent to MOIC marked **Amended**, forward the form to the MSC/BSC COIC Unit or FOIC office where appropriate changes and updates to the AOIC record can be made.

5.19.7.2.8
(12-09-2024)
**Integrated Automation
Technologies (IAT) Tools**

- (1) IAT provides tools that simplify research, reduce keystrokes, eliminate repetitive typing, and increase the accuracy of regular work processes.
- (2) The use of IAT is mandatory, if applicable, during the work process. For User Guides, see *IAT website*.
- (3) If an IAT tool is not available, or an employee has a problem with the IAT Task Manager, the case should be processed through IDRS, following established procedures. See the IAT Website for how to report/fix problems with IAT tools.
- (4) Additional IAT tools will be added to the following list when one is deemed beneficial and seen as adding quality to MOIC work processes.
- (5) IAT tool users can visit the IAT Website to become a subscriber to the IAT newsletter. The iNews details all ongoing IAT activity with tool retirements and rollouts.
- (6) Various IAT tools are available for MOIC employees, the list below is not all inclusive.

IAT Tools for MOIC Employees:

Address
Compliance Suite
Credit Transfer
Disclosure (Phone Calls Only)
Erroneous Manual Refund Tool (EMT)
Fill Forms
FRM49
Letter Tool
Manager Security Tool (MST)
Manual Refund
OIC Screening and Research
Payment Tracer
Quick CC
REQ54

IAT Tools for MOIC Employees:

REQ77

TC Tracer

UP Histories

5.19.7.3
(12-09-2024)**Initial Processing of
Accepted OICs**

- (1) MOIC units monitor accepted offers from COIC, FOIC, Appeals and Examination and settlements referred to the IRS by the Department of Justice.
- (2) The majority of paper case files for accepted offers controlled on AOIC will be held for a short period at the campus before being sent to the Federal Record Center (FRC). The frequency of the shipment will be per FRC guidelines. MOIC will use the AOIC system to ensure receipt and control of these files to the FRC as well as to ensure timely release of the Federal tax lien on any of these cases that are paid in full prior to receipt at the campus for monitoring.

Note: Subsequent requests for any accepted offer file from the FRC is the responsibility of the function needing the file.

- (3) There are specific case files that will be held by the campus during the monitoring period. In addition, offers accepted prior to 2012 were not loaded on AOIC, these case files are considered manually monitored. They include but are not limited to:
 - Examination and Appeals DATL offers
 - Appeals CDP offers that are not loaded on AOIC
 - Accepted offers with collateral agreements, refer to IRM 5.19.7.12.2, Setting up Collateral Agreement Files
 - Department of Justice (DOJ) offers

Note: Defining a DOJ case: **Any module in status 72 and/or with an unreversed TC 520 cc: 70, 75, 80, 82 **Any module with a TC 550 and definer code 04 (judgment) **Actions on cases where DOJ is litigating or has secured a judgement, without DOJ concurrence/approval may have a negative and serious impact on the ongoing litigation or secured judgment.** The IRS does not have authority under IRC 7122 to take actions, including establishing an OIC, on cases referred to DOJ without DOJ's consultation and agreement. Please refer to: IRM 21.5.6.4.46, -W freeze, IRM 21.5.6.4.44, -V freeze or IRM 25.3.8, TC 520 - W Freeze Servicewide Guide.

- Any other offer requiring manual monitoring
- (4) When COIC or FOIC accepts an offer and closes their assignment (release and validate) on AOIC, the offer record transfers to the campus (service center) side of AOIC. The record appears on AOIC in NW status.
 - a. The "Release and Validate" Screen is selected from the Maintenance Menu on the Area Office side of AOIC.
 - b. The "Destination Listing Report" displays which compliance campus the case is assigned.
 - c. COIC accepted offers will be forwarded to the same Campus MOIC site for acceptance into inventory.

- d. AOIC systemically loads the correct campus monitoring address on the Acceptance Letter.
- (5) Taxpayers required to submit more than one offer may have the accepted offers directed to different campuses for monitoring:

If	And	Then
There are two accepted offers filed by the same taxpayer	One is accepted before the other	The first site assigned to monitor will monitor both offers.
A taxpayer has more than one accepted offer; the offers are accepted, released and validated at the same time	One is assigned to Brookhaven and the other to Memphis	The site that monitors offers for the taxpayer's state of residence will monitor both or all.

- (6) There are two SBSE sites (Brookhaven and Memphis) that monitor accepted offers.
- (7) MOIC accepts transfer of the accepted offer by updating the service center status on AOIC to "OU". The open unassigned record is now part of the MOIC inventory.
- (8) Manually monitored or cases listed under exceptions must include the following documents:

- Acceptance Letter
- Form 7249, Offer Acceptance Report
- The "original", Form 656, Offer in Compromise
- Any Amendments or addendum(s) to the original Form 656

Note: Effective April 22, 2024, when taxpayers are asked to amend the terms of their offer in compromise (OIC) prior to acceptance, SCOIC employees will complete an amended Form 656 and new Letter 6594, Offer in Compromise Amended Form 656 Request for each OIC, instead of utilizing Form 14640 and cover Letter 6437, Offer in Compromise Addendum Request.

- Collateral Agreement, if applicable

Note: Copies of the above documents are acceptable.

- (9) For those offers listed under the exceptions that are not loaded onto AOIC, check the file for the above documents before accepting into MOIC inventory. If any of the documentation listed above is missing or the case file is missing, contact the originating office and request the missing information (or file) be faxed or mailed to the campus. Allow the originating office 15 days to provide the missing information.

Note: Once the campus accepts the transfer on AOIC, the case cannot be re-assigned to COIC or FOIC.

- (10) If Appeals accepts a previously rejected and timely appealed offer, Appeals will submit all acceptance documents to the SCOIC SharePoint site, so MOIC will

no longer receive paper files from Appeals. MOIC clerks will go into the Share-Point (SP) site to retrieve acceptance documents from Appeals, which will be located on the MOIC page of the SP site and labeled with the name control, OIC number, and Appeals acceptance date. **Note:** Do not print the documents. ACDS is the official storage site for Appeals documents, and they do not need to be associated with the physical case file. Clerks will check the SP site at least once per week for new work documents and check AOIC to verify the case is on Service Center (SC) AOIC. Clerks will check to make sure all necessary acceptance documents are included and complete (accepted Form 656, signed Form 7249, Offer Acceptance Report, signed and dated acceptance letter, Appeals case memo, and collateral agreement if applicable) and share the documents with the assigned MOIC technician to make sure the terms on AOIC match the terms on the accepted Form 656 and the offer acceptance report. If there is a mismatch in terms, or not all documents are included, the MOIC manager will contact the manager of the Appeals Account and Processing Support (APS) employee who uploaded the documents to the SP site to resolve the issue. Clerical managers will do a weekly check of the SP documents and verify they are accepted on AOIC and follow up if required. Case documents will be kept on the SP site by MOIC until the taxpayer pays the offer amount in full and liens are released, and then they will be archived on the SP site.

- (11) For offers accepted by Appeals, check the file for the Acceptance letter and Form 5402, Appeals Transmittal and Case Memo to identify offers accepted under ETA or DCSC. Clerical must forward copies of these documents to the assigned Tax Examiner so the application fee can be addressed appropriately.
- (12) Review the accepted terms on AOIC and confirm they match the terms specified on Form 7249, Offer Acceptance Report and/or Form 656. If there is a discrepancy in the accepted terms, this requires resolution and should be considered incomplete. Elevate the issue for managerial review and if clarification isn't received on the same day, use sub code IC.

Note: Simple mathematical miscalculations don't require clarification if the terms reflect the same miscalculations on AOIC and in the case file. Clearly document AOIC remarks for clarity.

Example: The payment terms reflect as a lump sum offer of \$12,637.00 with \$296.00 paid with the offer and \$2,177.40 paid with any amended 656. The remaining balance of \$9,893.60 to be paid in 5 months. The taxpayer's Reasonable Collection Potential was \$12,637 and the accepted offer amount therefore MOIC must monitor for a payment of 10,163.60, not \$9,893.60.

- (13) Update AOIC status code NW with the appropriate sub code:
 - a. MC = Missing Case.
 - b. IC = Incomplete Case.
- (14) Campuses generate a report using the NW and sub status code to follow up with the originating office.
- (15) If the missing information is not received after the 15 day period or the case file cannot be located, accept transfer and follow procedures in IRM 5.19.7.3.3 Processing OICs Without the Case File. Once the case file is received, continue to IRM 5.19.7.3.2, Processing OICs With the Case File on AOIC.

- (16) Research IDRS to verify that all balance due modules assessed at the time the offer was accepted are included on the Form 656 or addendum (if applicable). When overlooked period(s) are discovered by MOIC, update AOIC and add a narrative in the remarks referencing the overlooked periods and follow the procedures in IRM 5.19.7.3.4, Overlooked Periods.

Note: Effective April 22, 2024, when taxpayers are asked to amend the terms of their offer in compromise (OIC) prior to acceptance, SCOIC employees will complete an amended Form 656 and new Letter 6594, Offer in Compromise Amended Form 656 Request for each OIC, instead of utilizing Form 14640 and cover Letter 6437, Offer in Compromise Addendum Request.

- (17) Research IDRS, if there is a dishonored Application Fee or TIPRA payment that was not replaced, contact a Collection Policy Analyst to have the offer returned to the Offer Examiner (OE), Offer Specialist (OS), or Appeals Settlement officer (SO) see IRM 5.8.8.17, Notification of Dishonored Application Fee and/or TIPRA Payment after Notification of Acceptance. Do not send a default letter. CC BDINQ can be used to display an entire dishonored check record. All data on the Dishonored Check File (DCF) pertaining to a particular dishonored check will be displayed. This consists of the basic dishonored check data plus history records of all actions taken and current status.
- (18) The IAT OIC Screening and Research tool is a helpful resource for identifying accounting conditions that impact monitoring actions.
- (19) While researching IDRS:

Check for	And	Then
TC 922	If present	Follow procedures in IRM 5.19.7.4.11, Automated Underreporter (AUR) Assessments.
Unreversed TC 530	If present	Input TC 531 to reverse the currently non-collectable transaction code. Update the module to Status 71.
Unreversed TC 520	If present and closing code 76 or 77	Allow 150 days from acceptance for reversal before contacting Appeals for updated information.

Check for	And	Then
The taxpayer's date of death is prior to the acceptance date	If present	<ol style="list-style-type: none"> 1. Elevate to manager 2. MOIC manager should forward to the accepting manager and CC the *SBSE Coll Policy OIC mailbox. 3. Allow 10 days for response
Bankruptcy filed prior to acceptance	If present	<ol style="list-style-type: none"> 1. Elevate to manager 2. MOIC manager should forward to the accepting manager and CC the *SBSE Coll Policy OIC mailbox. 3. Allow 10 days for response
Department of Justice (DOJ), Restitution Based Assessment (RBA) or IRC 965i net tax liabilities	If present	<ol style="list-style-type: none"> 1. Elevate to manager. 2. MOIC manager should forward to the accepting manager and CC the *SBSE Coll Policy OIC mailbox. 3. Allow 10 days for response. 4. See IRM 5.8.9.3, Department of Justice Controlled or Restitution Cases for additional information.

Check for	And	Then
Remaining liability on compromised periods	have all been full paid prior to acceptance.	<ol style="list-style-type: none"> 1. Elevate to manager 2. MOIC manager should forward to the accepting manager and CC the *SBSE Coll Policy OIC mailbox. 3. Allow 10 days for response

- (20) TC 480 and STAUP 71 is uploaded onto each tax module for offers controlled on AOIC. The STAUP updates the module to Status 71, OIC. Occasionally, the TC 480 or the STAUP will go unpostable. If the unpostable is not corrected by the FOIC or COIC, TC 480 and Status 71 will not show on the tax module.

Exception: OICs accepted by Appeals through a timely-requested CDP hearing will be in Status 72. Any periods of liability not included in the CDP but included on the offer would be in Status 71.

Note: It is the responsibility of the MOIC Tax Examiner to verify that the MFT screen has been input correctly and that all IDRS systemic actions created due to the input of the MFT screen are correct.

Example: Ensuring the correct Statute Exp Codes (CSED indicator) B (Both), P (Primary), S (Secondary), and Status 71 if appropriate.

Example: Taxpayers who owe joint and separate liabilities are required to file two Forms 656. If one Form 656 was submitted including joint and separate liabilities or separate liabilities are identified during the investigation, the OE/OS must perfect the issue by ensuring there is one amended Form 656 for one taxpayer, which includes only that taxpayer's joint and/or separate liabilities and one related Form 656 for the remaining taxpayer, which includes only their own joint and/or separate liabilities.

- (21) Ensure that TC 480 has posted to each tax period shown on the Form 656:

If	Then
TC 480 is not present,	Input TC 480 using CC REQ77. Use the date the IRS official signed the Form 656, which should be the same date entered as pending on AOIC. Generally, the IRS official does not sign the Form 656 on the same date that the taxpayer signs.
All TC 480s present do not have the same date the Form 656 was signed,	<ol style="list-style-type: none"> 1. Input TC 483 using CC REQ77. 2. Input TC 470 using CC REQ77 to prevent balance due notices from issuing. 3. Input TC 480 using CC REQ77 with the correct date, include a posting delay code of 1. <p>Note: If the posted date does not agree with signature date on the amended Form 656, follow the above procedures.</p> <p>Exception: If an additional period was assessed after the original Form 656 pending date on AOIC, refer to IRM 5.8.8.3, Pen and Ink Changes to Form 656, for information on the TC 480 date.</p>
NMF period (MFT 20) on MFT screen	<ol style="list-style-type: none"> 1. Verify TC 480 has been input with the correct date. 2. If present, verify the waiver date is correct. 3. If incorrect or not present, input TC 480 via Form 3177, Notice of Action for Entry on Master File.

- (22) Once initial research is complete and the offer is updated to a monitoring status by the Tax Examiner, use the MOIC Acknowledgement letter to advise the taxpayer(s) where to mail payments and provide the contact information for the assigned TE.

Exception: Do not send the MOIC Acknowledgment letter on offers accepted as Doubt as to Liability (DATL).

5.19.7.3.1 (07-09-2020) Transfers

- (1) An offer may be transferred from one campus's jurisdiction to another's if a related offer is being worked at the other campus.
- (2) A transfer option has been programmed on AOIC in the Headquarters module. Before a case may be transferred it must be accepted into the SC inventory. If a case is in NW the transfer will not be completed. Once the case is in the

Service Center (SC) inventory an e-mail may be sent to the Headquarter's analyst requesting the case be transferred to the other MOIC site. Be sure to explain in the e-mail why the transfer is necessary.

- (3) If contact was made with the taxpayer prior to the transfer, you must contact the taxpayer by telephone or letter to advise of the transfer to the new location and provide the campus hotline number found in SERP Who/Where, *OIC Campus Locations for the Monitoring of an Accepted Offer*.

5.19.7.3.2
(12-09-2024)

**Processing OICs With
the Case File on AOIC**

- (1) Review and compare Form 656 /(Amended) Form 656 and AOIC to ensure all tax modules are included.

If	And	Then
The module is on Form 656 or an amended Form 656	is not on AOIC,	Add the module on AOIC.
The module is not on Form 656 or an amended Form 656	is on AOIC,	<ol style="list-style-type: none"> 1. Contact the investigating employee to determine if the period should be on Form 656. 2. If it should be, follow their direction. 3. If not, zero out the period on AOIC. This will prevent payments from applying to the module. 4. Enter a full explanation in the History file for why this period was deleted.

- (2) Refer to the AOIC User Guide, Chapter 5, Receipt of Accepted Offers and Chapter 6, Processing Accepted Offers for instructions on acceptance and control of OICs.
- a. Update the campus Main Screen and assign the offer to a tax examiner.
 - b. Update the Balance (Liabilities) Screen.

Note: Ensure that the liability screen matches IDRS, this will prevent TC 971/032 errors.

- c. Set up the Journal to post and schedule payments.
- d. Identify receipt of levy payments. If present, research AOIC remarks to determine if a levy release was issued and refer to IRM 5.19.7.8.5 Releasing Continuous Wage Levies and other levy programs.

- e. Process deposits and payments as outlined in IRM 5.19.7.8, Applying Payments on Accepted OICs.

- (3) When the campus accepts transfer of an offer on AOIC, the system creates a TSiGN 8500 for each unique TIN in the MFT Screen, then systemically uploads to IDRS. Tax Examiners must review IDRS tax modules and ENMOD when an offer is initially assigned to them to ensure the TSiGN 8500 is updated successfully. If not posted within 3 weeks, input manually. Follow-up to monitor for unpostables.

Note: In June 2022 AOIC programming was updated to remove the systemic TC 130 input.

- (4) Review the case file and AOIC to ensure that the correct date has been entered in the waiver and acceptance date field on the Service Center Main Screen. TC 780 uploads to IDRS systemically using this acceptance date when the AOIC record changes to a monitoring status. Therefore, the correction(s) are made prior to moving the offer to a monitoring status on AOIC. If TC 780 are manually input, remove from the transaction screen when accepting offer into inventory. Set a 3 week follow up to confirm systemic posting was successful and if not, input TC 780 manually to each applicable tax period.

Note: If the offer includes MFT 74 and/or 76, a manually input TC 780 is required.

- (5) If the error is identified after the systemic upload, then the TC 780 must be reversed and manually re-input on IDRS. Be sure to correct the AOIC waiver date and document the case history with your actions. In order to correct the waiver date, forward the request with all information to HQ Policy.
- (6) Update NMF (MFT 20) period(s) by requesting input of TC 780, TC 550 with the new CSED date, and accrued penalty and interest up to offer acceptance date via Form 3177, Notice of Action for Entry on Master File. Send Form 3177 to the Kansas City Submission Processing Campus (KCSPC) NMF unit. A copy of the Form 656 and acceptance letter must be submitted when requesting an adjustment to the NMF periods. The TE should create a dummy file to include these documents. When it is time to place the module in 5M status the documents will be available.

Note: All CSED computation must be reviewed and approved by a manager before a TC 550 may be requested on a NMF.

5.19.7.3.3
(07-09-2020)
**Processing OICs
Without the Case File**

- (1) The following procedures apply to accepted offers that have been sent directly to FRC or offers missing from a shipment.
- (2) Perfection of case files sent directly to the FRC is the responsibility of the originator.
- (3) If the file is missing from a shipment (manually monitored cases) for less than one year, attempt to secure a copy of the Form 7249, Offer Acceptance Report, from the Public Inspection File.
- (4) Research IDRS to verify that all balance due modules assessed at the time the offer was accepted are included on the AOIC MFT screen. If any module is missing, refer to IRM 5.19.7.3.4, Overlooked Periods.
- (5) Ensure that TC 480 has posted to each tax period shown on the MFT Screen:

If	Then
TC 480 is not present,	<p>Input TC 480 using CC REQ77. Use the processable date/waiver date shown on AOIC.</p> <p>Note: Overlooked periods that were assessed prior to the acceptance date should have a TC 480 date of the original Form 656 processable date/waiver date since an amended Form 656 is not required for overlooked periods. See IRM 5.19.7.3.4, Overlooked Periods, for instructions on pen and ink changes.</p>
All TC 480s present do not have the same date,	<ol style="list-style-type: none"> 1. It is assumed that the originating office received a related offer with new periods. 2. If there is no indication that a related offer was filed, the TC 480 dates will need to be the same for correct CSED calculations. 3. Input TC 483 using CC REQ77 on the tax period with the different TC 480 date. 4. Also input TC 470 using CC REQ77 to prevent balance due notices from issuing. 5. After the TC 483 posts, re-input TC 480 using CC REQ77 with the correct date, include a posting delay code of 1. <p>Note: Joint periods that were split to a related offer will always have the same TC 480 date. The waiver date for the joint offers may not be correct on AOIC, review IDRS for the correct waiver date. If the TC 480 CSED indicator is a B on IDRS, then the offer does not have to be mirrored.</p>
NMF period (MFT 20) on MFT screen	<ol style="list-style-type: none"> 1. Verify TC 480 has been input with the correct date. (Waiver date shown on the MFT or AOIC Service Center Main Screen.) 2. If not present, request input of TC 480 via Form 3177. 3. If present, verify the waiver date is correct. (If not make the correction via Form 3177.)

- (6) Review the terms screen; research IDRS to determine if the taxpayer is in compliance.

If	Then
The taxpayer is in compliance with the terms of the offer	<ol style="list-style-type: none"> 1. Update AOIC appropriately. (Including the history.) 2. Journal all payments on AOIC in date order. 3. Place the offer in the correct AOIC status. 4. Release Federal Tax Liens, if appropriate. IRM 5.19.7.8.9, Releasing the Federal Tax Lien. 5. Proceed with monitoring the offer.
The taxpayer is not in compliance with the terms of the offer	<ol style="list-style-type: none"> 1. Update AOIC. 2. Place the offer in the correct AOIC status. 3. Send the potential default letter.
The taxpayer does not respond or adhere to the potential default letter within the allowed schedule time frame.	<ol style="list-style-type: none"> 1. Default the offer. 2. Place the offer in correct default AOIC status. (IRM 5.19.7.15, Processing Defaulted OICs)

(7) Update the AOIC remarks and status.

5.19.7.3.4 (12-09-2024)

Overlooked Periods

- (1) Occasionally additional periods or years are discovered subsequent to the acceptance of an offer. Missing liabilities assessed before the acceptance are considered only a defect of the offer. When such liabilities are discovered, the offer agreement should be modified to include the additional period(s).

Note: Such modification of the offer agreement would not require a determination of “mutual mistake of material fact”. If the modification results in the unpaid amount of tax equaling or exceeding \$50,000 and an opinion from Counsel had not previously been obtained, the file must be sent to Counsel for the required opinion.

- (2) When overlooked period(s) are discovered by MOIC (after acceptance), update AOIC to add a history narrative referencing the overlooked periods. This includes tax years listed on the Form 656 or amended Form 656 not on AOIC.

Note: There are various liabilities that may be intentionally omitted from the offer such as Restitution Based Assessments and IRC 965(i) net tax liabilities. Also, DATL offers are accepted only on disputed modules, not all liabilities are compromised. Refer to IRM 5.8.4.23.1.2, Identification of Restitution Assessments and IRM 5.8.4.22.7, IRC 965 (Transition Tax) Liabilities for information on how these may be identified.

- (3) Return the case file to the originator for a determination via Form 3210, Document Transmittal, and follow-up for receipt of the acknowledgement copy.

- (4) If the file has been sent to Federal Record Center (FRC), update AOIC history and request the file be returned to MOIC. Send the file to the originator for a determination and any necessary pen and ink changes to the appropriate forms as well as for the required signatures.
- (5) If the overlooked period(s) are discovered by FOIC or COIC, they will add the periods to AOIC and make pen and ink changes to the Form 7249 and Form 656 to include the additional period(s). The appropriate official must initial the recommended change on the Form 7249.

Note: If the Form 7249 is modified and it's within 12 months of offer acceptance, it must be reflected in the PIF document as well.

- (6) Upon receipt of pen & ink changes, add modules to the MFT screen as applicable.

5.19.7.3.5
(12-09-2024)
**Case History
Documentation**

- (1) Initial case review and documentation are required as each case is received into the Tax Examiner inventory and/or re-assigned to another Tax Examiner's inventory. The case remarks should be clear, concise and easy for another employee, lead, manager, etc. to follow and determine the actions taken.

Required documentation includes:

Case type (IMF, BMF, NMF, Corporate, TFRP)

Related offers (include offer number in history)

Collateral agreement (type)

Offer type (lump-sum, or periodic payment)

NFTL (document filed or not filed and also document whether a release is required when the offer is received in MOIC inventory)

Offer amount

Accepted CDP offer

POA indicated

Payments received before acceptance and remaining balance on amount offered

If mirroring will be required or not

Levy research: If a levy release was issued or levy payments need to be addressed

Assigned SC status

Document any other issues that require follow up or impact acceptance monitoring

Follow-up action and the date required (enter a history narrative and the appropriate date on the AOIC follow-up screen)

- Any offer in a status other than MP or 5M requires a follow-up established to timely work the actions on the account.

Note: If the offer has not been paid in full, a follow-up is required on all cases where NFTLs are on the accounts. The follow-up may not be longer than 25 calendar days.

- Offers in ML status which have the follow up adjusted due to not finding a payment on IDRS require no additional remark in AOIC since the Follow up will flow to the case remark section. This is only when no action was taken due to a payment not being found and no other action/research was completed.
- (2) Accepted offers processed under TIPRA guidelines will have payments applied to the liability while the offer is under consideration and after the liability has been established on AOIC. Refer to IRM 5.8.1.13, The Tax Increase Prevention and Reconciliation Act of 2005. Take the following actions on all accepted TIPRA offers:
- a. Review pre-acceptance history entries and verify all payments using IDRS.
 - b. If the lump-sum or periodic payment offer has been paid in full, take the necessary actions and follow normal processing procedures for full paid offers, including release of the federal tax lien, if appropriate.
 - c. If the lump-sum or periodic payment offer has remaining payments due, follow normal processing for each offer type and schedule appropriate follow-ups based on the terms of the offer. If there is a NFTL on the account, the maximum number of days for the follow-up cannot exceed 25 days in order to ensure the lien release is processed timely based on the method of final payment. If the lien was self-released on ALS, it does not require a lien check follow-up.

Note: There should be a prior history entry to indicate how any payments received before acceptance were applied. Both the tax period and the amount applied should be evident in the history and verified using IDRS. MOIC is not responsible for the movement of pre-acceptance payments as long as they are on the correct taxpayer's account and were posted to an offer period.

- (3) When MOIC receives an accepted offer and the remarks on AOIC indicate the account is being merged, MOIC is to monitor the merge until completed and ensure all TINs are listed on the MFT screen for the balances owed. The offer must remain in MP/ML if the offer hasn't been full paid. In the event the merge isn't completed after the offer is full paid and there is no collateral agreement, update the offer to MO status with a follow up for the remaining time necessary for the Form 4442, Inquiry Referral, to be worked. The TE is responsible for updating the MFT screen once the merge has been completed. If over 150 days from submission of the Form 4442, Inquiry Referral the TE will request their manager contact the PE manager to inquire about the status of the merge.
- (4) All initial case actions on all offers, AOIC and manually monitored, must be documented in the history with the appropriate OFP codes from count actions taken.

Note: The TE should only be placing an OFP code in the remarks when a count is taken for their action

- (5) All subsequent case actions, (e.g., journaling of payments, recoupment completed or not applicable and why, checked for NFTL, lien released, 3439 verified, collateral to exam or returned from exam, letter sent to taxpayer/POA, received response and state the nature of the response, etc.) must be documented. If taking actions using an IAT/GII tool and multiple transactions are completed due to the tool use, not all actions need to be stated.

Example: "Credit Transfer Completed". No need to state TC 470 transmitted by the IAT tool.

- (6) All contacts, written or verbal, with the taxpayer/POA or internal contacts (e.g., collateral package sent or received, phone calls received or made) or any other contacts relevant to the offer must be documented.
- (7) AOIC remarks must be documented with the date a letter is issued if it is not the date it was generated.
- (8) When reviewing the taxpayer's entity and a discrepancy exists between the AOIC address and the IDRS address, review CC ENMOD for the address cycle to determine which is more recent and update AOIC entity, if appropriate. If unable to determine or confirm, contact should be initiated with the taxpayer. Refer to IRM 3.13.5.29, Oral Statement/Telephone Contact Address Change Requirements.

Caution: When there is a joint entity on IDRS, ensure any address change input belongs to the offer taxpayer. Do not update the IDRS address without authorization and confirmation from the taxpayer.

5.19.7.3.6
(12-09-2024)
**Timely Acceptance of
Incoming OICs**

- (1) Incoming OICs must be accepted and updated on AOIC within twenty-five days of MOIC receipt (NW status) when NFTLs are present to ensure timely release of liens on all full paid offers. On offers where no NFTLs are present, the OIC should be accepted and updated on AOIC within 30 days.

Exception: Incomplete offers with missing documents (Acceptance letter, Form 7249, Offer Acceptance Report, the original Form 656, Offer In Compromise and any amendments, Collateral Agreement, if applicable), signatures, etc. require contacting the originator. A history note should be made when requesting additional information from COIC or FOIC. If documentation indicates the offer is paid in full, verify payment received and posted on IDRS. Take appropriate steps to ensure timely release of liens on such cases.

- (2) Appropriate AOIC screens must be updated to an "MX" status or Form 6314 Deferred Payment Offer Payment Record, prepared for incoming accepted cases.
- (3) TSIGN 8500 systemically uploads when the AOIC status is changed from "NW" (new work unassigned) to "OA" (open assigned).

Note: AOIC programming was updated June 2022 to remove systemic input of the TC 130. If the offer was accepted in June 2022 or prior, or if the TC 130 was previously input on a related TIN, the TE must input a TC 131 once the recoupment is completed. For offers accepted on or after November 1, 2021, refund recoupment is not included in the offer terms.

- (4) When the AOIC status is updated to a “MX” (monitoring) status TC 780 uploads.

Note: When placing an offer in **MO** (monitor other) status the AOIC history should be updated, stating the reason why the case is being monitored. This will allow anyone researching the file to know what is being monitored.

- (5) If incoming accepted offers have not been updated on AOIC within thirty days of receipt, campuses should have the clerical staff make INTST prints and manually input TC 780 to ensure specific restrictions are in place and accounts with recent payments are identified to ensure timely release of the federal tax lien when appropriate. When the case is eventually accepted on the system, delete the systemic upload of TC 780 from the MFT summary screen.

Note: If the amount offered has been paid in full, refer to IRM 5.19.7.8.9 Releasing the Federal Tax Lien. If there are delays in posting payments or transferring credits that may impact the timely release of the lien, contact the centralized lien unit.

5.19.7.3.7 (12-09-2024)

Applying or Refunding the Application Fee

- (1) These procedures are only to be applied on offers accepted on the basis of Effective Tax Administration (ETA) public policy or economic hardship, or if the offer is accepted on the basis of Doubt as to Collectibility with Special Circumstances (DATC-SC) economic hardship. Refer to IRM 5.19.7.7.2, Disposition of OIC Deposits when processing payments that were applied to the 4710 account as a deposit.
- (2) The AOIC system will generate a Form 2424, Account Adjustment Voucher, and journal the fee through the Journal and Balance screens. The Form 2424 must be mailed or remotely printed to the Accounting function affiliated with the COIC site where the offer was initially loaded. Form 2424 will show the designated application fee fund account.
- (3) If the taxpayer requests a refund of the fee, prepare a manual refund, using Form 5792. See IRM 21.4.4.5.1, Preparation of Form 5792, IDRS Generated Refund. The Accounting function requires a signature from someone authorized to sign the manual refund request form. After the form has been signed by someone authorized, it should be sent to Ogden Accounting for refunding. All requests for manual refunds must be controlled and monitored on the Integrated Data Retrieval System (IDRS) by the initiator (or other management designated employee) to prevent duplicate, erroneous refunds. See IRM 21.4.4.6.1, Monitoring Manual Refunds, for more information.

5.19.7.4 (07-09-2020)

Accepted OICs Requiring Special Handling

- (1) The following categories of accepted offers require special or unique handling:

Accepted OICs Requiring Special Handling:

OIC Taxpayer has experienced identity theft
Federal Employee/Retiree Delinquency Initiative (FERDI)
Trust Fund Recovery Penalty (TFRP)
Personal Liability Excise Tax (PLET)
Bankruptcy Filed After Acceptance

Accepted OICs Requiring Special Handling:

Combat Zone

Deceased OIC Taxpayer

OIC Taxpayers Residing in Disaster Areas

Non Master File (NMF) Accounts

CAWR Assessments

Automated Underreporter (AUR) Assessments

Acceptance of a DATL Offer

Amended Tax Returns after Acceptance

Rescission of an Accepted Offer

Accepted Offers Requiring Manual Monitoring discussed in IRM 5.19.7.5

Acceptance of an Effective Tax Administration (ETA) and Doubt as to Collectibility with Special Circumstances (DCSC)

5.19.7.4.1
(10-06-2022)
**OIC Taxpayer has
Experienced Identity
Theft**

- (1) Instances of identity theft can either be alleged by the taxpayer or can be identified by an IRS employee. The taxpayer can self identify by providing any of the following:
 - Form 14039, Identity Theft Affidavit
 - Police report
 - A statement claiming they are a victim
- (2) Below are procedures for inputting the identity theft transaction codes and preparing a referral to report the identity theft case. Prior to inputting an identity theft TC 971 Action Code, review IDRS CC ENMOD to prevent inputting a duplicate TC 971 Action.
- (3) The tax examiner will be responsible for:
 - a. Identifying the identity theft by an TC 971 cc 522 on an offer or recoupment year or if the claim is received from the taxpayer in response to a potential default letter.
 - b. Working offers involving identity theft on a first in first out basis and should take priority over other assignments.
 - c. Input TC 971 code. See IRM 25.23.2.4.4, Initial Allegation or Suspicion of Tax-Related Identity Theft - IMF Identity Theft Indicators, Use Tax Administration Source Code "IRSID" for IRS identified suspected identity theft cases.

Note: Reviewing CC ENMOD is necessary to help prevent duplicative (identical) TC 971 AC 5XX entries. Prior to marking an account with TC 971 AC 522 PNDCLM or IRSID, research CC ENMOD/CC IMFOLE to ensure the account has not already been marked.

Note: When the identity theft victim is the secondary SSN on a joint account, the identity theft indicator is input on the secondary SSN.

Identity theft indicators are not input on the primary SSN in these instances. If both primary and secondary taxpayers are victims, place the indicator on both SSN's

- d. In situations where the taxpayer initially asserts identity theft and provides supporting documents at the same time, follow the procedures in IRM 25.23.2.3.6, When to Request Additional Information to Support an Allegation of Identity Theft.
- e. Request supporting documentation, when appropriate. Generally, taxpayers alleging identity theft will be required to provide supporting documentation. However, there are situations where the taxpayer will not be required to submit documentation.
- f. Set a follow up on AOIC for 45 days for receipt of taxpayer response.
- g. If the taxpayer does not provide substantiation documentation when requested, proceed assuming the taxpayer is not an identity theft victim. Follow procedures in IRM 25.23.2.6.6, Reversing Unsupported Allegations of Identity Theft.
- h. If the liability was assessed in ASFR, AUR or EXAM, determine the source of the identity theft liability (ASFR, AUR, EXAM, etc.) and forward as appropriate with any applicable documentation.

Note: Forward a Form 4442 referral and route using the SERP Who Where, *IDT Liaison Listing*.

- i. The liability was not assessed in ASFR, AUR or EXAM. Complete and Forward a Form 4442 referral and route to the site Revenue Officer. They will determine the validity of the taxpayer's claim and forward to the DITA group if necessary.
- (4) In other instances, a tax return may be delayed in processing if identified by the Return Integrity Verification Operation (RIVO). RIVO works to detect, evaluate and prevent the issuance of improper refunds. While monitoring compliance, MOIC employees periodically encounter returns being worked by the Taxpayer Protection Program (TPP). See IRM 25.25.6.1.7 Taxpayer Protection Program Overview for more information on how to identify these cases. Taxpayers should be encouraged to follow the instructions in the letter they received in order to resolve the delay.
- (5) Although MOIC may not be working the identity theft issue, it is crucial to know the impact the theft has on the monitoring of the offer. If another program is working the identity theft, contact should be made with that program to find out the impact. In some cases, such as a Criminal Investigation (CI) case, the program may request you do not notify the taxpayer of the pending investigation.

5.19.7.4.2
(07-09-2020)
**Federal Employee/
Retiree Delinquency
Initiative (FERDI) Cases**

- (1) OICs may be accepted on federal employees, including IRS employees. Monitoring of accepted IRS employees' offers should be coordinated with the MOIC Tax Examiner designated to work FERDI cases. See IRM 5.19.1.5.6, Federal Employee/Retiree Delinquency Initiative (FERDI).

5.19.7.4.3
(12-09-2024)
**Trust Fund Recovery
Penalty (TFRP) Cases**

- (1) The TFRP is a penalty imposed by IRC 6672 against any person required to collect, account for and pay over taxes held in trust by an employer and who willfully fails to perform any of these activities. Taxpayers are assessed the penalty on the IMF equal to the unpaid trust fund amount (TC 240 Reference Number 618) under MFT 55. See IRM 5.19.14, Trust Fund Recovery Penalty (TFRP).
- (2) There are four different possible types of offers related to the TFRP assessment:
 - An offer filed by an employer before the TFRP is assessed against responsible parties
 - An offer filed by an employer after the TFRP is assessed against responsible parties
 - An offer filed by one or more responsible parties before the TFRP is assessed.
 - An offer filed by one or more responsible parties assessed the TFRP
- (3) IRS will continue to collect any remaining trust fund portion of the Form 941, Employer's Quarterly Federal Tax Return, balance due via TFRP (MFT 55) assessments after the offer amount has been full paid by the employer.
- (4) When the TFRP is assessed at the time we accept an offer from a business, we may still collect from the responsible person(s) any amount not paid by the business.
- (5) After all offer payments have been received (BMF accounts containing a TC 971 AC 093, or an MFT 55 account that contains a TC 240/RN 618) take the following actions before the accounts are written off:

Reminder: Do not consider TC 538 credits on the Form 941 account, or TC 241 / RN 697 credits on the MFT 55 account, after the date of acceptance as offer payments.

- a. MOIC must contact the TFRP liaison. Brookhaven MOIC will contact Brookhaven TFRP, and Memphis MOIC will contact Ogden TFRP. These contacts can be found on SERP under Who/Where.
- b. The TFRP liaison will determine if there is an open TFRP case in current inventory. If so, TFRP will expedite those case actions and close the case. If there is no open case in TFRP inventory, no case actions are required. Then, the TFRP Liaison will inform MOIC that they can proceed with necessary actions to close the offer.
- c. Initiate closing actions on the account per IRM 5.19.7.13, 5-Year Monitoring Status.

5.19.7.4.4
(07-09-2020)
**Personal Liability Excise
Tax (PLET)**

- (1) The Personal Liability Excise Tax (PLET) under IRC 4103 is a collection tool used to collect certain unpaid excise taxes from responsible person(s) affiliated with a business reported on Form 720, Quarterly Federal Excise Tax Return.
- (2) Excise taxes reported on Form 720 are identified on the return as "IRS Numbers". The abstract IRS numbers listed below are for fuel taxes subject to PLET assessment:

Fuel Taxes Subject to PLET Assessment:
60 (a) - Diesel, tax on removal at terminal rack.
60 (b) - Diesel, tax on taxable events other than removal at terminal rack.
60 (c) - Diesel, tax on sale or removal of biodiesel mixture (not at terminal rack).
104 - Diesel-water fuel emulsion.
105 - Dyed diesel, LUST tax.
107 - Dyed Kerosene, LUST tax.
119 LUST tax, other exempt removals.
35 (a) - Kerosene, tax on removal at terminal rack
35 (b) - Kerosene, tax on taxable events other than removal at terminal rack.
69 - Kerosene for use in aviation.
77 - Kerosene for use in commercial aviation (other than foreign trade).
111 - Kerosene for use in aviation, LUST tax on nontaxable uses.
79 - Other fuels.
62 (a) - Gasoline, tax on removal at terminal rack.
62 (b) Gasoline, tax on taxable events other than removal at terminal rack.
13 - Any liquid fuel used in a fractional ownership program aircraft.
14 - Aviation gasoline.

- (3) Separate documents must be prepared for each tax period and separate assessments for each type of excise tax if the Form 720 contains multiple types of excise tax. It is also possible to make the assessment against more than one responsible person.
- (4) Unlike the TFRP which is an assessment of a civil penalty under MFT 55, the PLET is an assessment of the actual unpaid tax and is assessed under TC 150 or TC 290 on NMF. The NMF assessment is made under the individual's SSN on MFT 45 using tax class 6, blocking series 600-619, and Doc Code 30. The literal "Section 4103" appears on the face of the balance due.
- (5) When the PLET is assessed at the time we accept an offer from a business, we may still collect from the responsible person(s) any amount not paid by the business.

5.19.7.4.5
(12-09-2024)
**Bankruptcy Filed After
Acceptance of an Offer**

- (1) Taxpayers may file for bankruptcy relief after an offer has been accepted. The offer should not be defaulted and payment should not be solicited while the taxpayer is in bankruptcy. Defaulting the offer or soliciting payments could violate the bankruptcy automatic stay.

- (2) The Insolvency Interface Program searches for Status 71 upon receipt of bankruptcy notification from the courts. When the application identifies Status 71, Insolvency should contact and work cooperatively with the local OIC specialist group or the campus sites to maintain close coordination.
- (3) A tax liability is either discharged in bankruptcy or excepted from discharge (non-dischargeable). If the taxpayer receives a discharge of a tax liability, any request for payment by IRS would be a violation of the discharge injunction.
- (4) If the tax liability is excepted from discharge, IRS is able to take collection action on any remaining unpaid balance. However, the decision to request payment of unpaid offer balances after the bankruptcy depends on the particular facts of each case and direction provided by Insolvency.
- (5) You may learn that the taxpayer filed bankruptcy by:
 - a. Notification from the taxpayer or the taxpayer's representative.
 - b. Notification from the Insolvency Unit.
 - c. Discovery of a posted TC 520.
- (6) A posted TC 520 with closing codes in the range of 60-67, 81, 83-89 indicates that the taxpayer's account is in bankruptcy, See IRM 5.9, Bankruptcy and Other Insolvencies, for additional information.

Note: A posted TC 520 with closing codes 70-79, and 82 indicates another type of litigation such as Tax Court, refund litigation, or a suit by the government. See IRM 25.3.8, Litigation and Judgments, TC 520 - W Freeze Servicewide Guide.

- (7) The freeze indicators used for bankruptcy (-V and -W) affect notices, offsets and refunds depending on the closing code used.

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is not assigned to CIO, the CIO caseworker will refer the caller to the Field Insolvency caseworker assigned to the case and provide the caller with the caseworker's telephone number. Depending on the bankruptcy chapter and status of the OIC, Insolvency will provide the appropriate instruction. The following questions must be asked:

- a. What is the docket number?
 - b. What is the bankruptcy chapter the taxpayer has filed under? If Chapter 7, ask if assets are involved. See note in item 9 below.
 - c. Is there a bankruptcy plan involved? If so, how long is the taxpayer expected to make payments under the plan?
 - d. Are the offer periods included in the proof of claim? (Only applies to Chapter 13 otherwise N/A.)
 - e. Should we suspend OIC monitoring or should we continue?
 - f. When can we resume monitoring?
 - g. Will MOIC be notified of the discharge order and provided with appropriate instructions regarding the offer?
- (9) Immediately following your contact with the Insolvency:
 - a. Document in the AOIC or manual history file including all information secured.

Note: If the taxpayer has already paid the offer amount and the bankruptcy is a Chapter 7 with no assets, the Tax Examiner may

continue monitoring as usual. The offer will only be impacted if the taxpayer has a tax liability assessed while the TC 520 is still on the account or fails to comply with any other terms of the offer. Insolvency will then need to be notified to see if collection actions may be taken.

- b. Set a six month follow up for the bankruptcy issue.

Note: A 25-day follow-up to check for full payment is still required if there is a NFTL on the account.

Note: At the 6 month follow up check IDRS for a TC 520 reversal. If the Insolvency contact states that payments are involved and it will be several years of payments then consider a follow up with Insolvency when the last payment is near. The taxpayer could default the bankruptcy.

- c. Update the AOIC status to MB.

Reminder: Always follow Insolvency's direction on whether to suspend or continue monitoring an offer.

- (10) Contact Insolvency with questions regarding overpayments, including refund recoupment, prior to resolving the credit. Document AOIC remarks with the response received.
- (11) The taxpayer's account should be monitored for discharge:

If the	And	Then
Tax liability is fully discharged	The offer amount has been full paid and the offer is in 5M status	Close the offer and move the offer to CF status.
Tax liability is fully discharged	The offer amount has been full paid but not in 5M status	<ol style="list-style-type: none"> 1. Input the offer to 5M status. 2. Delete all 5M systemic uploads except TC 788 using the XMIT screen. 3. Input the offer to CF status.

If the	And	Then
Tax liability is fully discharged	The offer amount has not been full paid	<ol style="list-style-type: none"> 1. Input the offer to 5M status. 2. Delete all 5M systemic uploads except TC 788 using the XMIT screen. 3. To provide a complete audit trail, do not alter any AOIC screen except the Liability screen. 4. Input the offer to CF status. 5. Input history documentation on AOIC. Including the values input as Other Amounts Applied.
Tax liability is partially discharged (excepted)	The offer amount has been full paid and all refund recoupments complete	<ol style="list-style-type: none"> 1. Input the offer to 5M status. 2. Input the offer to CF status.
Tax liability is partially discharged (excepted and TC 521 has posted)	The offer amount has not been full paid	Contact the Insolvency Unit to ask if we can resume monitoring terms of the offer. (See below)

Note: When placing an offer in CF status, be sure to remove the OIC indicator.

- (12) A full discharge of debt in bankruptcy enjoins the collection of the debt of a personal liability of the debtor. Tax liabilities unpaid at the close of the bankruptcy proceedings must be adjusted, reactivated or reported currently not collectible. However, a partial or excepted discharge allows the remaining liability to be collected according to terms of an accepted OIC. For example, after the 5th payment of a 24 month Periodic Payment offer, taxpayer filed bankruptcy and has a non-dischargeable liability, the taxpayer wants to continue with the monthly offer payments (after bankruptcy), thus when the IRS continues the OIC contract after bankruptcy, the taxpayer would submit their 6th payment and continue making payments based on the terms of the accepted offer.

If	Then
Insolvency states that we should not resume monitoring	<ol style="list-style-type: none"> 1. Input the offer to 5M status to systemically upload transaction codes to write off the remaining liabilities. 2. Send Letter 2908, Automated Offer In Compromise-Miscellaneous, to advise the taxpayer that the offer terms have been fully satisfied. 3. Input the offer to CF status.
Insolvency states that we should resume monitoring	<ol style="list-style-type: none"> 1. Change the AOIC status from MB to MX. 2. Send Letter 2908 to advise the taxpayer that we are re-activating the offer in compromise and provide the date their payment is due. 3. If the offer amount exceeds the tax liability, advise the taxpayer of the adjusted offer amount. 4. Update the AOIC remarks to indicate the adjusted amount. 5. Reactivate the offer; start monitoring for payments at the payment that the offer was placed on hold. Update the Journal Screen with the new payment date.

5.19.7.4.6
(07-09-2020)
Combat Zone

- (1) IRC 7508 postpones the time for performing various tax acts for individuals serving in the Armed Forces of the United States, or serving in support of such Armed Forces, in a designated combat zone, or when deployed outside the United States away from the individual's permanent duty station while participating in a contingency operation (as defined in 10 U.S.C. Section 101(a)(13)). See IRM 5.19.10.6.3, Combat Zone Freeze Code.
- (2) The postponement lasts for the period of time the individual serves in, or in support of, the combat zone or contingency operation, plus the period of continuous qualified hospitalization attributable to an injury received while serving in, or in support of, such combat zone or contingency operation, plus another 180 days.
- (3) The acts postponed include filing any return of income, estate, gift, employment, or excise tax; payment of any income, estate, gift, employment, or excise tax or any installment thereof; filing certain petitions with the Tax Court; filing a refund claim; and bringing a refund suit. The time for performing certain acts performed by IRS are also postponed, including giving or making a notice

or demand for payment of tax, collecting by levy or otherwise, assessing any tax, charging any penalty or interest, or taking enforcement activities against individuals during the postponement period. This includes attempts to collect offer payments or instituting potential default actions against individuals with an accepted offer.

Exception: Per IRC 7508(e)(3) the section 6502 collection statutory period is not extended (even if a deadline is postponed under IRC 7508(a)) during any period of continuous qualified hospitalization as a result of injury received while serving in the combat zone or contingency operation and the following 180 days. Refer to IRM 5.1.19.3.8, Combat Zone or Contingency Operation.

Note: If contacted by the taxpayer affected by the combat zone freeze, at their request, any postponement may be overridden.

- (4) Because Section 7508 only applies to individuals, the relief does **not** apply to partnerships or personal service corporations (e.g., doctor, dentist, CPA, etc.) where the key individual is/was serving in the combat zone. Thus, while IRS can make an administrative determination to allow additional time to make a payment or to not default the partnership or personal service corporation, interest and penalties will continue to accrue (unless reasonable cause for penalty abatement exists - interest cannot be abated for reasonable cause) while such key individual is/was serving in a combat zone or contingency operation. Section 7508 does, however, apply to sole proprietorships because the individual in the sole proprietorship is serving in the combat zone or contingency operation, while the partnership or personal service corporation itself is not serving in the combat zone or contingency operation. Thus, no penalties and interest will accrue against an income tax liability of a sole proprietorship during the postponement period. For purposes of employment and excise liabilities, however, penalties and interest will accrue for payments due before August 25, 2005. Section 403(a) of the Katrina Emergency Tax Relief Act of 2005.
- (5) Those serving in support of the Armed Forces in a combat zone include any support personnel on official duty in the combat zone such as Merchant Marines, Department of Defense contractors, Red Cross workers, and accredited news correspondents. See IRM 5.19.10.6.2, Combat Zone Qualified Individuals and Areas.
- (6) Determining whether a taxpayer is entitled to section 7508 relief can be based on correspondence, case history entries or telephone contact.
- (7) The following provides instructions for handling taxpayers identified as being entitled to section 7508 relief:
 - a. Input TC 500 with the appropriate closing code (CC) for the following combat zones:

Note: See IRM 5.19.10.6.3, Combat Zone Freeze Code for information about the TC 500 closing code entry and exit dates and when evaluating -C Freeze accounts.

- b. Use the current date for an incoming telephone call or the IRS received date for correspondence when a service member advises of impending deployment to a combat zone.

- c. The case should be suspended for 180 calendar days without taking any further action. Cases can be placed in MO status and a follow-up date entered on AOIC (or IDRS if manually monitored).
- d. Management should use the AOIC Follow up Screen to monitor the progress of the case until the TC 500 is reversed.
- e. If there is a joint offer and the spouse is willing to maintain terms, monitoring may continue.
- f. IRS established an email site that military personnel, support personnel and their families may use to contact the IRS. It is *combatzone@irs.gov*.

5.19.7.4.7
(12-09-2024)

**Death of the Taxpayer
While Monitoring the
OIC**

- (1) When IRS receives notification or identifies that an OIC taxpayer has died while monitoring an offer, MOIC will follow the below procedures in working the offer.
- (2) Record or note the taxpayer's date of death on Form 6314 or on the AOIC history, if available.

If	And	Then
The offer is not full paid and (if applicable) the recoupment has not been completed	The liabilities have not been written off	<ol style="list-style-type: none"> 1. If the account is not in filing and payment compliance, which is a breach of the OIC contract, send a potential default letter and then follow the default procedures in IRM 5.19.7.15, Processing Defaulted OICs. 2. Input TC 540 on the tax year of death and update the name line on CC ENMOD. Note: If the year of death is on a tax year not yet posted, create a dummy module using CC MFREQD. Reverse accruals on IDRS by overlaying CC TXMODA with REQ54, input TC 272 and TC 342 for \$.00. 3. Input TC 781 on each offer module by overlaying CC TXMODA with REQ77, using the date of the default letter and a posting delay of 1. 4. Reverse TSIGN from 8500 to 0000 by overlaying CC ENMOD with ASGNID. 5. If an unreversed TC 130 is present, input TC 131 on ENMOD to stop refund hold by overlaying CC ENMOD with REQ77. 6. Remove the OIC indicator. Overlay ENMOD with ENREQ and input 1966 by the OIC year. 7. Input TC 591/75 for the tax year following the death by using CC FRM 49. The unpaid balance due tax periods will return to open collection status and any federal tax liens will remain in priority. 8. Update AOIC to the appropriate closing status corresponding with whichever monitoring status the offer case was in. Example: Offer was in MP then close using CP, if 5M then C5 etc

If	And	Then
The offer is full paid and the account is in 5-Year (5M) compliance monitoring	Single assessment (FS 1, 3, or 4) and the last legally due return was not filed and or paid	<ol style="list-style-type: none"> 1. If the account is not in filing and payment compliance, which is a breach of the OIC contract, send a potential default letter and follow default procedures per IRM 5.19.7.15, Processing Defaulted OICs. 2. Input TC 540 on the tax year of death and update the name line on CC ENMOD. Note: If the year of death is on a tax year not yet posted, create a dummy module using CC MFREQD. 3. Input TC 480, 780 and 781. Overlay CC TXMODA with REQ77 and input TC 480 and 780 with original dates with a posting delay of 2. 4. Remove the OIC indicator by overlaying CC ENMOD with CC ENREQ, input 1966 by the OIC year. 5. Input TC 591/75 on the year following the death using CC FRM 49. 6. Reinstate the tax liabilities. 7. Update AOIC to C5.
The offer is full paid and the account is in 5-Year (5M) compliance monitoring	we know the last legally due return was filed and paid,	<ol style="list-style-type: none"> 1. Close the offer. 2. Update the case or AOIC history. 3. Input TC 540 and update the name line on ENMOD. Note: If the year of death is on a tax year not yet posted, create a dummy module using CC MFREQD. 4. Remove the OIC indicator by overlaying CC ENMOD with ENREQ and input 1966 by the OIC year. 5. Verify that TC 788 has posted to all modules. 6. Input TC 591/75 for the tax year following the year of death using CC FRM 49. 7. Do not reinstate the tax liabilities. 8. Do not generate or send the default letter. 9. Update AOIC to CF.
The offer is a full paid joint assessment in 5M compliance monitoring	The surviving spouse is not in compliance	Follow potential default procedures in IRM 5.19.7.14.5, Defaults on Joint Offers Due to Non-Compliance.

Note: In the case of a joint offer if one spouse dies and the other remains compliant with the terms of the offer no action is necessary.

- (3) If a copy of the death certificate is submitted and there is a physical file, place the copy in the file and return the original to the submitter. If no case file, annotate the AOIC history and return the original to the submitter.
- (4) Terminate the offer as directed above unless the offer was accepted by DOJ. If the offer originated with or was accepted by DOJ, take the following actions:
 - a. Record the Date of Death (DOD) on Form 6314 or on AOIC.

- b. Prepare a Form 2209, Courtesy Investigation, to request a determination to either keep the offer open or to close the offer without reinstating the liability.
 - c. Provide your information source in the "Remarks" section.
 - d. Send Form 2209 to the to the appropriate Advisory function.
 - e. Update IDRS control to reflect Form 2209 issued to DOJ, if the account is not on AOIC.
- (5) If DOJ requests the case file, send the case file via Form 3210. Place Form 2275, Records Request, Charge and Recharge, in the suspense file. Request the case file if it was previously sent to FRC. See IRM 1.15.4, Retiring and Re-requesting Records, for guidance on how to return the case files to the FRC.
 - (6) Upon receipt of Form 2209, Courtesy Investigation response, with or without the case file, follow the directed disposition.

5.19.7.4.8
(12-09-2024)

**Disaster Relief for OIC
Taxpayers**

- (1) Section 7508A provides the IRS with authority to postpone the time for performing various acts for a taxpayer affected by a federally declared disaster. These acts include, but are not limited to: the filing of certain tax returns; the payment of certain taxes (including any installment of these taxes); the filing of a Tax Court petition; the filing of a claim for credit or refund of tax; and the bringing of a refund suit.
- (2) Taxpayers identified by the IRS as "affected taxpayers" are eligible for the relief stated in (1) above. These affected taxpayers include any individual whose principal residence, and any business entity whose principal place of business, is located in county, or parish identified as being part of a "covered disaster area" by the IRS.
- (3) Tax accounts with a -S freeze will continue with normal MOIC processing, there is no restriction on sending letters. Employees should exercise good judgement and sensitivity.
- (4) OIC taxpayers may contact the Taxpayer Advocate Service (TAS) or MOIC stating that they have suffered a disaster, such as a fire, or flood that prevents timely mailing of a payment, return, or other information. Taxpayers should be allowed a reasonable amount of time to adhere to the offer terms. No relief from interest is available unless the disaster is a federally declared disaster, and then only for current year taxes. Refer to IRM 21.5.6.4.30, -O Freeze, or IRM 21.5.6.4.37, -S Freeze, for additional information.

Note: Disasters affecting the taxpayer's representative generally would not apply since the taxpayer has the responsibility to maintain terms of the offer. The only exception might be in a federally declared disaster where the representative is located in the covered disaster area and the representative maintains the taxpayer's books and records necessary to meet a filing or payment deadline. In such a circumstance, the taxpayer is considered to be an affected taxpayer.

- (5) Tax accounts identified with the **-O freeze** will be moved to **MD** status with the remarks indicating the date the **-O freeze** expires, and establish the appropriate follow-up. Offers in **ML** status will continue in this status and with their normal follow-up time frame. The journal due date is not changed.

5.19.7.4.8.1
(07-09-2020)
**Disaster Relief
Procedures after -O
freeze release**

- (1) These procedures will be followed when a -O freeze placed on accounts in disaster impacted areas is released. Always verify the IRS News Release beginning and ending dates for disaster relief in the applicable state or territory that can be found on SERP Who/Where, *Disaster Declaration/FEMA web page*. The -O freeze must be removed from the account prior to proceeding with the offer monitoring.
- (2) All -O freeze disaster accounts in MOIC that were previously removed from active inventory should be returned to the appropriate AOIC monitoring status, if it has not already been done. Manually monitored inventory should also be reviewed and returned to active monitoring.
- (3) When reviewing the account, if it is determined the taxpayer is delinquent in paying their offer payment, filing a tax return, or paying a liability when filing their tax return, the first contact with the taxpayer should be the Status Inquiry Letter. Indicate in the letter what is needed to become compliant. Review the taxpayer's entity on IDRS to verify the address. It is important to use good judgment and sensitivity when resuming monitoring activity on these cases.

Note: If there is no delinquency issue, the Status Inquiry Letter is not required; the offer will resume normal monitoring.

- (4) Actions to be taken on AOIC:
 - a. Return the offer to the status it was prior to the -O freeze.
 - b. Send the Status Inquiry Letter, refer to Exhibit 5.19.7-1. Document AOIC remarks and establish a 30-day follow-up. Document AOIC remarks if sent to a different address.
 - c. Do not update the journal payment due date until a response is received from the taxpayer. If no response is received, proceed with potential default procedures.
 - d. If the taxpayer can pay the regularly scheduled payment and continue with monthly payments, reactivate the offer. Start monitoring for payments at the payment that the offer was placed on hold. Update the Journal Screen with the new payment date.

Example: After the 5th payment of a 24-month periodic payment offer, the offer was suspended due to an -O freeze. The taxpayer wants to continue with the monthly offer payments, thus when the IRS continues the OIC contract after the -O freeze release, the taxpayer would submit their 6th payment and continue making payments based on the terms of the accepted offer.

Note: As a matter of policy in these circumstances, the IRS will not require the taxpayer to immediately make up all payments missed while the IRS -O freeze was in effect. Absent a Modification of a Compromise discussed in (6) below, however, the IRS would require the taxpayer to agree to make up the missed payments within the CSED.

- (5) If the accepted payment terms will no longer fully pay the accepted offer amount within the CSED take the following actions:
 - a. If the taxpayer cannot increase or make up their payments to fully pay the accepted offer amount within the CSED, issue a Form 2209 to the

- accepting official to request managerial approval to settle for the amount already paid or the amount that will be paid within the CSED.
- b. If the taxpayer requests an extension to pay, review the account to ensure the extension allows for full payment of the accepted offer amount within the CSED.
- (6) Use good judgment when assisting the taxpayers and understanding their financial situation. Will the taxpayer be able to comply with the agreement? When considering the options available to the taxpayer, take into consideration the CSED:
- If the taxpayer can continue with the terms of the accepted offer but indicates additional time is needed to submit a payment, the CSED must be reviewed prior to granting an extension. You may provide an extension up to 120 days due to special circumstances. If the taxpayer was previously granted an extension to pay prior to the -O freeze, a second extension may be granted based on the facts of the taxpayer's circumstances. AOIC remarks must document the granting of the second extension was due to the -O freeze and the taxpayer's circumstances.
 - If the taxpayer responds they cannot fulfill the payment terms of the offer or they cannot full pay within the CSED, verify they are in filing and payment compliance, then advise the taxpayer of the option to submit a Modification of a Compromise. Follow the guidelines in the IRM 5.19.7.9, Modifying the Accepted OIC, by obtaining a written statement from the taxpayer regarding their situation and a request for a Modification of a Compromise. Send the Form 2209 request to the accepting office per IRM 5.19.7.9. The subject line of the email must include the offer number and Form 2209 -O freeze. On the first line of the Form 2209 explanation annotate in "CAPS" that the modification of a compromise request is due to an -O freeze.
 - If the taxpayer does not reply to the Status Inquiry Letter by the follow-up date, make one telephone contact attempt if a number is available. Follow IRM 10.5.1.6.7.2, Answering Machine or Voicemail, and allow three days for a call back. If the response indicates the taxpayer can no longer make payments, or there is no response, follow normal default procedures per IRM 5.19.7.14, OIC Potential Defaults.

5.19.7.4.9
(07-09-2020)
**Non Master File (NMF)
Accounts**

- (1) Non-Master File (NMF) was centralized on November 5, 2018, in Kansas City Submission Processing Campus (KCSPC). All new assessments and/or documents to establish accounts on NMF must be sent to KCSPC.
- (2) The following NMF account types are established at the KCSP Campus:
 - Business Master File (BMF)
 - Internal Revenue Service Closing Agreements
 - Form 1120-DISC and Form 1120-IC DISC
 - Full Collection Child Support
 - Form CT-2, Employee representative Quarterly Railroad Retirement Tax Returns
 - Individual Master File (IMF)
 - International Returns BMF
 - IRC 6702, Frivolous Income Tax Return Penalty

5.19.7.4.10
(07-09-2020)

CAWR Assessments

- (3) To find the contact go to SERP, Who/Where, Accounts Management and Accounting Point of Contact, see the Accounting and KCSPC contact listed.
- (1) The IRS CAWR (Combined Annual Wage Reporting) program ensures that employers have paid the proper amount of taxes, withholding, and advanced earned income credit. This is done by comparing the Form W-3, Transmittal of Wage and Tax Statement, Form W-2, Wage and Tax Statement, Form W-2 C, Statement of Corrected Income and Tax Amount, Form W-3 C, Transmittal of Corrected Wage and Tax Statements, totals and the Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., and Form W-2 G, Certain Gambling Winnings withholding amounts to the amounts reported on the employment tax returns.
- (2) The SSA-CAWR program addresses apparent “missing” Form W-2. These cases are referred to IRS by SSA (Social Security Administration) for follow-up and, if necessary, to make penalty assessments for failure to file.
- (3) Cases that are determined to have discrepancies or that are referred by SSA, are loaded onto the CAP (CAWR Automated Program) Tier II SUN at TCC. CAP is a stand alone computer (inventory) application that houses the CAWR programs. All master file actions that affect the taxpayer’s account for the years being worked will result in an update to the CAP system. This includes Entity changes, IDRS adjustments and additional Form W-3, Transmittal of Wage and Tax Statement, and Form W-2, Wage and Tax Statement, processing by the SSA.
- (4) BMF taxpayers identified during processing CAWR may have pending or accepted offers on file with IRS. Additional assessments can be made while the offer is pending but, not after the offer is accepted.
- (5) If a TC 780 or TC 788 is on the BMF tax modules, CAWR examiners will forward CAWR CAP documents (Money Screen and Entity Screen) to be associated with the OIC case file.

Note: If the offer file is located at the FRC, create a dummy file to hold the CAWR documents.

- (6) Make a note in the history on AOIC or manually monitored file that the CAWR assessments documents have been placed in the case file or a dummy file has been created.

If	Then
The taxpayer defaults	As part of the default process: <ol style="list-style-type: none"> 1. Return the documents to CAWR for assessment determination if the tax year is within two years of the current year. 2. If more than two years, destroy the documents.

If	Then
The taxpayer meets all terms of the offer	<ol style="list-style-type: none"> 1. Close the offer. (If the CAWR assessment documents are in the case file, they will remain in the closed case file.) 2. If in a dummy file, destroy the documents. (No additional assessment will be made.)

Note: The authority to destroy records is according to the IRS Records Control Schedules. Refer to Document 12990, IRS Records Control Schedules (RCS) and Document 12829, General Records Schedules (GRS), for the National Archives and Records Administration (NARA) approved retention and disposition requirements to prevent inadvertent/unlawful destruction of records. Guidance is provided in IRM 1.15.3, Disposing of Records.

- (7) In accordance with IRC 6721, a penalty for “intentional disregard” systemically generates for CAWR assessed tax periods. Because the CAP system does not recognize Status 71 on an OIC entity, the penalty assessment will generate and is established under MFT 13.
- (8) When this penalty generates following acceptance of an offer:

If	Then
Assessed on any offer tax period	The penalty must be abated.
Assessed on a non-offer tax period	Follow potential default procedures IRM 5.19.7.14.4, Failure to Adhere to Compliance Terms.

5.19.7.4.11
(07-09-2020)
**Automated
Underreporter (AUR)
Assessments**

- (1) The Automated Underreporter Program identifies taxpayers who have not reported all of the income on a filed income tax return. The program compares the total amount from all income reporting documents such as Form W-2, Form 1099 series, etc. to the amount shown on the filed income tax return.
- (2) When an accepted OIC is transferred into MOIC’s inventory by updating to a MX status on AOIC, a TC 780 (-Y freeze) is generated on IDRS. Input of the TC 780 freezes the tax module and causes attempts to input subsequent underreporter adjustments to unpost.
- (3) The Offer Examiner or Offer Specialist must review IDRS before inputting TC 780 because AUR issues must be resolved before transferring an accepted OIC into MOIC’s inventory.
- (4) TC 922 with process code 03 or 06 indicates that AUR has selected the taxpayer’s return for processing.

Note: TC 922 without a process code means the return has not been selected. If there is no process code or process code 03 or 06 is the only process code, TC 780 can be input without contacting AUR.

- (5) If a TC 922 is present followed by one of the following closure process codes (process codes are shown to the right of TC 922), TC 780 can be input without contacting AUR.

If	Then
TC 922 is not followed by a process code	<ol style="list-style-type: none"> 1. The case can be transferred to MOIC on AOIC if all other review conditions are met. 2. For manually monitored cases input TC 780 using CC REQ77 without contacting AUR.
TC 922 is present and followed by one of the following closure process codes: 10 through 18 20 through 29 35 through 53 61 through 69 70 through 74 and 76 80 82 through 89 90 through 94 96	<ol style="list-style-type: none"> 1. The case can be transferred to MOIC on AOIC, if all other review conditions are met. 2. For manually monitored cases input TC 780 using CC REQ77 without contacting AUR.
TC 922 is present and has a process code other than those shown above	<ol style="list-style-type: none"> 1. Contact AUR Branch to advise that an OIC has been accepted and AUR should close their case. (A list of AUR Coordinator contacts is on SERP.) 2. Wait 2 cycles for the closure process to post. 3. Cases on AOIC: Transfer the case to MOIC on AOIC, if all other review conditions are met. 4. For manually monitored cases input TC 780 using CC REQ77. <p>Note: If TC 780 has been input before AUR closes the case, TC 290 .00, using Blocking Series 8XX must be input. Blocking Series 800 is restricted to Collection.</p>

5.19.7.4.12
(12-09-2024)

Acceptance of a DATL offer

- (1) A DATL offer is filed on Form 656-L and will only be accepted for the tax period (s) in question.

Note: Compliance is not a requirement for the acceptance of a DATL offer.

- (2) No TIPRA payment or application fee is required for a doubt as to liability offer.
- (3) Accepted DATL offers are **not** monitored for the 5 year payment and filing compliance nor is the refund recoupment part of the terms.
- (4) A DATL offer is closed to CF status after the payment terms are completed.

5.19.7.4.13
(07-09-2020)

Amended Returns After Acceptance

- (1) Taxpayers may attempt to amend a return for a tax period(s) included on the offer, however, once the IRS has accepted the offer, the tax liability is conclusively settled and changes cannot be made to the amount assessed.
- (2) If an amended return is received for an offer period return the original form, and remittances (if submitted with the amended return), to the taxpayer with a letter advising that we cannot process an amended return on a tax period included in an accepted offer.
- (3) If the offer is being monitored with a physical case file make a copy for the file.
- (4) Update the AOIC or case file history.

5.19.7.4.14
(07-09-2020)

Rescission of an Accepted Offer

- (1) During the 5-year compliance monitoring period of an accepted offer, a determination to rescind an existing compromise agreement may need to be made.
- (2) An offer is an agreement which is binding and conclusive on both the taxpayer and the government, and prohibits further action on periods related to the offer unless
 - The taxpayer supplied false information or documents in connection with the offer; or
 - The taxpayer concealed their ability to pay or assets; or
 - A mutual mistake of a material fact is discovered.
- (3) Requests regarding rescission of accepted offers are routed to the MOIC area from COIC, FOIC, Appeals, or Counsel. MOIC will take the following action to return the original offer file to the originator as required:
 - a. Use AOIC to determine who the originator of the accepted offer was and advise them of the call/contact.
 - b. If the offer file is immediately available, MOIC will forward it to the originator on Form 3210, Document Transmittal and annotate AOIC or the case file if the offer is manually monitored.
 - c. If the offer has been shipped to FRC, MOIC will request the file, forward it to the originator on Form 3210, Document Transmittal when received and annotate AOIC or the case file.
 - d. The originator will prepare the appropriate letter(s), secure required approval and place a copy of the letter(s) in the case file. For information on the retention and disposition of the case file that contains original records, see Document 12990, IRS Records Control Schedules.
 - e. The originator will return the accepted offer file to MOIC via Form 3210, Document Transmittal and provide guidance regarding any necessary changes to AOIC and/or IDRS as a result of the rescission. The guidance

will be either to have the offer returned to the accepting official on AOIC so that a final determination can be made or MOIC will be instructed to close the offer. If MOIC closes the offer they will place the offer in CX status. Refer to IRM 5.8.9.2, Rescission of Accepted Offers.

- f. MOIC will take the required actions, document AOIC as appropriate and return the case file to the FRC. See IRM 1.15.4, Retiring and Requesting Records for guidance on how to return the case files to the FRC.

5.19.7.4.15
(10-06-2022)

**Acceptance of an ETA or
DCSC Offer**

- (1) As part of the IRS Restructuring and Reform Act of 1998 (RRA 98), Congress added section 7122(c) to the Internal Revenue Code. That section provides that IRS shall set forth guidelines for determining when an offer in compromise (OIC) should be accepted and 26 CFR 301.7122-1, Compromises, authorizes IRS to consider OICs raising the issues below. These offers are called Effective Tax Administration (ETA) offers. Congress explained that these guidelines should allow IRS to consider:
 - Hardship
 - Public Policy, and
 - Equity
- (2) Offers listed as Effective Tax Administration (**ETA**) will show as an offer type “A” on AOIC. These offers pertain to accepted offers only and should be resolved by MOIC within 45 days of acceptance. An offer accepted Doubt as to Collectibility with Special Circumstances (**DCSC**) is the basis for acceptance of an offer where there is doubt that the tax can be paid in full and special circumstances exist that warrants accepting the offer for less than the reasonable collection potential (RCP).
- (3) Most offers require an application fee when submitted, however, the fee may become refundable on Offers accepted under Effective Tax Administration (ETA) or certain offer accepted under Doubt as to Collectibility with Special Circumstances (DCSC).
- (4) The Acceptance Letter for ETA or DCSC offers will include a paragraph asking the taxpayer if they want the fee applied or refunded. The taxpayer decides whether the application fee will be refunded or applied.
- (5) Offers accepted under ETA or DCSC in Appeals may not be easily identified on AOIC. Upon receipt of the case file, clerical should forward copies of the Appeals Acceptance Letter and Form 5402, Appeals Transmittal and Case Memo to the assigned Tax Examiner for review and proper handling of the application fee.
- (6) The taxpayer is given 30 days from the date of the letter to notify us in writing. The paragraph reads: “Your offer was accepted based on effective tax administration or doubt as to collectibility with special circumstances. The application fee you paid when you submitted your offer will therefore be applied against the amount of the offer. If you would like the application fee refunded to you rather than applied against the amount of the offer, you must notify us in writing at the address below within 30 days of the date of this letter. If you request a refund, any amount due under the offer will not be reduced by the amount of the fee.”
- (7) The application fee will be applied to the offer amount and tax liability if the taxpayer does not respond or replies late. Allow an additional 15 days following

the 30 days from the date of the letter (total 45 days) before applying the fee. Refer to IRM 5.19.7.3.7, Applying or Refunding the Application Fee.

5.19.7.5
(12-09-2024)
**Accepted OICs
Requiring Manual
Monitoring**

- (1) Some offers cannot be loaded onto AOIC (e.g., Department of Justice settlements) and must be manually monitored by MOIC. Upon receipt of these cases:
 - a. Prepare Form 2515, Record of Offer in Compromise, to document actions taken on the case. (Use information on Form 656 to prepare Form 2515 and Form 7249, Offer Acceptance Report, total of liability). Item 10 may be left blank since it is a duplication of the information entered on Form 6314.
 - b. Prepare Form 6314, Deferred Payment Offer Payment Record (to be attached to Form 2515).

Note: Maintain the file in a chronological order by anniversary date of payment, until the offer is closed.

 - c. Prepare Form 6313, Collateral Agreement Payment Record, if offer has a collateral agreement attached.
 - d. Verify that Form 2515, Form 656, and Form 7249 have the same tax class and periods and that TC 480 has been input.

Note: If tax class and periods do not agree, notify the originating office.

 - e. Review the terms of the offer to ensure the terms match the acceptance letter. If there is a discrepancy, resolve the differences by contacting the originator to verify the correct terms. Include a history narrative identifying the issue and its resolution.
 - f. Input TC 780 and TSIGN 8500.
 - g. Control all manually monitored cases on IDRS and input history on AMS.

Note: The offer status update on AMS history must be entered at least once a year per IRM 21.2.1.8, Account Management Services (AMS) (4) histories are retained for 24 months from the last time the account is assessed.

5.19.7.5.1
(07-09-2020)
**Department of Justice
(DOJ) Settlements**

- (1) The Department of Justice (DOJ) settles certain tax litigation cases by accepting a Settlement. DOJ sends accepted Settlement cases to the Collection Advisory office responsible for that geographic area. See Pub 4235 for a list of Collection Advisory offices by state.
- (2) The Advisory office retains the original accepted case file. If the compromised liability has a deferred payment or collateral agreement, the campus monitors the case to ensure that the taxpayer complies with the terms of the settlement agreement.

5.19.7.5.1.1
(10-06-2022)
**Processing Accepted
DOJ Settlements**

- (1) Advisory sends copies of pertinent documents from the DOJ Settlement file on a Form 3210, Document Transmittal, to MOIC.
- (2) The file should include copies of:
 - a. A copy of Judgment.
 - b. DOJ's acceptance letter.
 - c. DOJ's letter concerning any collateral agreement.
- (3) The documents will provide:

- a. Amount of the offer.
 - b. Amount of the liability.
 - c. MFTs.
 - d. Tax years or periods compromised.
 - e. Terms of the agreement.
- (4) Review the DOJ case file to determine if the necessary information is present for monitoring. If any item is missing, send a written request for the missing documentation to the Advisory office. Place the response from Advisory in the case file and follow the guidance provided below to proceed with monitoring actions.
- (5) DOJ has the inherent authority to settle a debt on a case referred to them. Take no action on a period not included in a DOJ referral or settlement, without DOJ's consent as it could negatively impact their case. Do not input TC 480 or TC 780 on DOJ cases. If no TC 520 cc 80 posted to the module(s), request Advisory input the TC 520 cc 80. This freezes the account during the MOIC monitoring period. When the MOIC monitoring period is complete, request Advisory input the TC 521.
- (6) To set up the DOJ case for monitoring;
- a. Prepare Form 2515, Record of Offer in Compromise. Annotate "DOJ Offer in Settlement."
 - b. Prepare Form 6314, Deferred Payment Offer Payment Record, and maintain in chronological order by payment due anniversary date.
 - c. If a collateral is included in the terms of agreement, prepare Form 6313, Collateral Agreement Payment Record, and file in alphabetical order.
- (7) Payments required by the terms of the agreement are sent directly to MOIC by the taxpayer.
- (8) Post payments received as TC 670 DPC 08 and apply to the tax penalty and interest of the earliest CSED, then to the next period, and so on, unless otherwise directed by DOJ through the settlement document (see (b) below).

If	Then
Deferred payment is not received within 30 days after the due date.	Send Letter 274-C, Offer in Compromise; Installment Payment Due, to the taxpayer.
Payment not received within 45 days after Letter 274-C was sent.	Prepare Form 2209 with copy of Letter 274-C and Form 6314 to the Advisory function requesting DOJ be advised of the taxpayers default. DOJ will take necessary actions to get the taxpayer into compliance or otherwise advise MOIC.

- (9) Payments made based on terms of the collateral are applied in the same manner.

If	Then
Taxpayer fails to comply with the terms of the collateral agreement within 30 days after the due date.	Send Letter 279, Offer in Compromise- Collateral Agreement.
Payment not received within 30 days after Letter 279 sent.	Prepare Form 2209, Courtesy Investigation, with a copy of Letter 279 and Form 6313 to the appropriate Advisory function requesting that DOJ be advised of the taxpayers default. DOJ will take necessary actions to get the taxpayer into compliance or otherwise advise MOIC.

- (10) If the taxpayer requests modifications of the settlement or collateral agreement, immediately notify DOJ through the Advisory function via Form 2209.

Note: Send copies of any correspondence to the Advisory contact.

- (11) Send to DOJ via Advisory a copy of all forms 6314 in October of each year and all forms 6313 in May of each year.

5.19.7.5.1.2
(07-09-2020)
**Form 2209 for
Settlements -
Department of Justice
(DOJ)**

- (1) Form 2209, Courtesy Investigation, is used in MOIC to advise DOJ of potential default situations on accepted settlements or to send taxpayer correspondence that questions the terms of the agreement. MOIC will allow a 90 calendar day response deadline, and establish a 90 calendar day follow up for a response. All DOJ cases are manually monitored and the following actions are to be taken:
- Input case action remarks in an AMS history, and update the status including the follow-up date on IDRS in the activity section of the tax module(s).
 - Provide as much detail as possible in the remarks section of the Form 2209, attach a copy of any correspondence from the taxpayer and a complete print of the AMS history.
 - Place the manually monitored offers in a suspense file.
- (2) Record all Form 2209 responses on AMS and in the OIC case history file and include a follow up date, as appropriate.
- (3) If a response is not received by the investigation due date, send a list of the overdue courtesy investigations to the Advisory contact for offers accepted by DOJ requesting they provide a status update. This list should be sent every 30 calendar days following the initial request for a status update.

5.19.7.5.1.3
(10-06-2022)
DOJ Default Letters

- (1) The OIC Unit cannot generate a default letter from AOIC for DOJ offers.
- (2) In this circumstance, DOJ will issue the default letter and forward a copy to MOIC along with the Form 2209 response.

Exception: MOIC can issue the default letter if the Form 2209 response from DOJ states to take such action.

5.19.7.5.1.4
(07-09-2020)
**Closing DOJ
Settlements**

- (1) When the terms of the deferred payment agreement have been fulfilled, input the appropriate adjustments to zero out any remaining open tax periods.
- (2) When the terms of a collateral agreement have been fulfilled, the offer tax examiner should close out the collateral agreement account.
- (3) When all the amounts under the settlement agreement, including accrued interest and amounts due under a collateral agreement have been received, immediately notify DOJ through the Advisory contact.
 - a. Forward copies of Form 6314 and/or Form 6313.
 - b. Request release of Federal Tax Lien(s).

5.19.7.5.2
(07-09-2020)
**Collateral Agreement
Payment Record File**

- (1) Maintain a file of all forms 6313, Collateral Agreement Payment Records, for all manually processed offers. It is not necessary to maintain a file for any account loaded on AOIC.
- (2) Maintain the file in alphabetical order.
- (3) Maintain forms in the file until the collateral is closed.

5.19.7.5.3
(12-09-2024)
**Closing Manually
Monitored OICs**

- (1) Closing actions for offers not controlled on AOIC must be input manually.
- (2) Input the following on each open period via IDRS:
 - a. If an unreversed TC 130 is present, input TC 131 using CC REQ77, if not previously input.
Note: Any related TIN that had a TC 130 input must also have a TC 131.
 - b. Input TC 971 with AC 032 using CC REQ77.
Note: TC 971 will generate a TC 604 which will zero balance and remove all remaining liabilities.
 - c. Wait for the TC 604 to post.
 - d. TSIGN each TIN to 0000, or as requested by the territory office.
 - e. Input TC 788 using CC REQ77 with Delay Code 2 to allow TC 971/032 to post. Set a follow-up for 2 cycles to ensure TC 788 input on Masterfile.
- (3) Make a photocopy of Form 6314 (showing the zero offer amount balance due) and write or stamp "Notice to Release Lien".
- (4) Notify the Centralized Lien Operation (CLO) to release the Federal Tax Lien(s). Follow guidelines in IRM 5.19.7.8.9, Releasing the Federal Tax Lien.
- (5) If the offer is submitted by one party of a joint assessment, special rules apply. See IRM 5.19.7.11, Separate OICs on Joint Liabilities.
- (6) Note all actions on the case history sheet or AOIC (per campus policy).
- (7) Write or Stamp "Closed" and the date on the case folder and file the case in the closed file.
- (8) For information on the retention and disposition of the case file that contains original records, see Document 12990, IRS Records Control Schedules.

5.19.7.6
(12-09-2024)

**OIC Case Maintenance
and Inventory Control**

- (1) The AOIC program provides a report feature to monitor and maintain control of offer inventories, titled the "Employee Inventory Report". This report should be used to generate a periodic list of all offers in the same status for a certain period of time.
- (2) Procedures for accessing the listings/reports are included in the AOIC User Guide.
- (3) Offers with an "L" Process Definer code (usually ML status) are required to be reviewed for full payment of the offer every 25 days and in most cases, will be completed by the RPA Payment Process tool. This is to ensure the timely release of all liens.
- (4) One of the most important listings is the Follow Up List. Tax examiners should run this list at least weekly to ensure timely action is taken on the active inventory in their assignment.
- (5) The Journal Payment Due Date list is used to identify missed payments. Employees should run this weekly to address any missed payments on offers that are not in ML or MP status. For offers in ML and MP status, refer to paragraph 9 below.
- (6) If a payment is missed or another offer term is not being met, the follow up listing must be used to monitor your attempts to get the taxpayer back into compliance.
- (7) Doubt as to Liability offers are not subject to the 5-year compliance monitoring.
- (8) In order to assist with OIC case maintenance, the following established schedule for generation of BOE/DAE reports will be upheld. All related case actions will be completed within 60 days of receipt of the reports:
 - Collaterals- July 15th and January 15th.
 - Compliance - November 15th.

Note: The compliance run is for IMF cases with no open business filing requirements. Offers with business filing requirements should be monitored in 5B status with an AOIC follow up date established, rather than 5M.

Note: BOE/DAE reports can only verify IMF module information.

- (9) Another tool used to assist with inventory management is the RPA Payment Process tool. The tool runs ML and MP inventories by team and researches IDRS for new payments. The results are captured in an Excel sheet that lists actions the tool has taken and the updated due dates. This Excel sheet shows required actions for MOIC employees to complete and indicates if the payment is over 30 days past due and a potential default letter is needed. All related case actions must be completed within 14 days from the day of receipt.
- (10) RPA software also runs IMF offers in 5M status that were accepted more than five years prior. This process replaces the quarterly Aged 5M DAE Run and completes compliance research in a similar manner. The RPA results are distributed by team indicating actions for MOIC employees to complete. For example: the taxpayer was found to be out of compliance and a potential default letter might be needed. All related case actions should be completed

within 7 days from the day of receipt. Refer to IRM 5.19.7.13.1 Compliance Monitoring Status.

5.19.7.6.1
(07-09-2020)
**Automated
Offer-In-Compromise
(AOIC) Transaction
Listing**

- (1) The AOIC Transaction Listing is a report of error listings for each individual tax examiner and shows all transactions that did not automatically post to IDRS. The report will not give examiners an individual listing, but a listing of all errors for the Campus that is selected. Identify the error by the assigned IDRS number. If there are no employee numbers listed, look up the offer number to determine assignment.
- (2) The Daily Transaction Listing on AOIC should be printed daily. Review the information from the report and determine the actions needed on each offer, if any. Some offers may indicate a pending transaction due to another AOIC download. No required action is needed on these. The listing has three parts.
 - a. Part one shows the transactions that have been sent for processing.
 - b. Part two shows the errors, which must be input manually on IDRS.
 - c. Part three shows Non-Master File transactions which must be input manually on IDRS.

Note: Notate AOIC history with corrective actions, including no action required.

- (3) To resolve the errors, view TXMOD on IDRS. The unpostable will be notated by a transaction "UPC" code. Refer to the 6209 for the explanation of the unpostable and what code will correct it. Refer to the error listing to see if the transaction is being sent out again. Check on IDRS to see if the unpostable is closed. If it hasn't been closed then you can use CC UPDIS to request how to close or correct with the appropriate transaction. If the control has already been closed, you need to contact the Unpostable Unit (SERP, Who/Where, Campus Directory, Unpostable unit for SC) that issued the transaction. These can be either phoned or faxed. The first two digits of the DLN of the unpostable transaction will show where the code originated. The If/Then table listed below has the required action based upon the error received.

Note: If there is a request for a related offer no further action is required until the related offer is received.

- (4) Please see the table below to resolve errors on TC 780/788 errors.

TC 780/788 Errors

IF	THEN
Warning: AOIC corrected name CNTRL - AOIC sending again	Verify on IDRS per ENMOD for valid name control and update AOIC entity screen to correct name control.
Duplicate Status Requested	No action is required.
Data Not on IDRS - Required Manual entry of Transaction	Research IDRS and AOIC to determine correct transaction codes are input on IDRS.

- (5) Please see the table below to resolve TSIGN errors:

TSIGN Errors

IF	THEN
Error invalid DO/AO code	Verify TSIGN is valid on IDRS.
Duplicate assignment requested	Verify TSIGN is valid on IDRS.
Warning: OIC corrected a Name CNTRL - AOIC sending again	Verify IDRS per ENMOD for valid name control and update AOIC entity screen to correct name control.
Data Not on IDRS - Required Manual entry of Transaction	Research IDRS and AOIC to determine correct TIN for input of appropriate transaction code.

(6) Please see the table below to resolve errors on TC 130/131:

TC 130/131 Errors

IF	THEN
Duplicate Status Requested	No action is required.
Data Not on IDRS - Required Manual entry of Transaction	Research IDRS and AOIC to determine correct TIN for input of appropriate transaction code.
Warning: OIC corrected a Name CNTRL - AOIC sending again	Verify IDRS per ENMOD for valid name control and update AOIC entity screen to correct name control.

(7) Please see the table below to resolve errors on TC 971:

TC 971 Errors

IF	THEN
Warning: OIC corrected a Name CNTRL - AOIC sending again	Verify IDRS per Enmod for valid name control and update AOIC entity screen to correct name control.
Data not on IDRS	Research IDRS and AOIC - A balance is showing on the liability screen, liability screen should be updated to reflect no current balance.
Data not on IDRS	TC 971 will not post if TC 780 did not post. Verify posting of the TC 780. Manually input if not post to IDRS.

- (8) MF and NMF transaction error corrections must be input on the same day as the listing is generated.

Note: Although NMF corrections can be requested timely the action may take 6 to 8 weeks to show on the account.

5.19.7.7
(12-09-2024)
OIC Deposits

- (1) Deposits may have been received when the offer was submitted, while the offer was pending, or both.

Note: Deposits are **not required or necessary** for consideration of an OIC and will not be accepted on a Form 656 with a revision date of April 25, 2022 or later.

- (2) Deposits are not applied to the taxpayer's liability, they are held in a special deposit fund (4710 Account), a non-interest bearing account in Revenue Accounting.

5.19.7.7.1
(12-09-2024)
Processing Deposits on AOIC

- (1) Update AOIC with the deposit information from the Form 2515, Form 656, or other documentation. Follow procedures in the AOIC Service Center User Guide, Chapter 3.
- (2) After the deposit information has been input, generate the Form 3244, Payment Posting Voucher, from AOIC.
- (3) Route a copy of the Form 2515 and generated AOIC forms to the RACS Unit through Receipt & Control (R&C), R & C will forward Form 2515 to RACS in Accounting. The remittance will be deposited by R&C.
- (4) Maintain a file of Form 2515 prepared on all offers which have deposits on RACS. Maintain the forms in the suspense file for 18 months following refund of the deposit to ensure there are no undeliverable issues.
 - a. Maintain the file in numerical offer number order.
 - b. Update Form 2515 as necessary.
- (5) Open offer deposits are to be reconciled monthly when the RACS 136 Inventory Report is received.
- (6) For offers on AOIC, the Form 2515 can be destroyed once the 4710 account is clear of the related funds and the AOIC history is documented as to the disposition of the deposit. Form 2515 for all manually monitored offers can be placed in the case file once the deposit has been cleared from the 4710 account listing and the case file documented
- (7) For information on the retention and disposition of the case file that contains original records, see Document 12990, IRS Records Control Schedules.

5.19.7.7.2
(12-09-2024)
Disposition of OIC Deposits

- (1) When the offer investigation is completed and a determination has been made, deposits in the 4710 Account must be refunded to the taxpayer or applied to the tax liability.
- (2) Deposits on accepted offers will be applied to the taxpayer's liability.
- (3) Deposits on withdrawn, rejected or returned offers will be refunded to the taxpayer by completing Form 3753, Manual Refund Posting Voucher, unless

the taxpayer has provided written consent to apply the funds. In most cases, taxpayers authorize the application of their deposit by checking the box and entering their initials in the Deposit section of the Form 656 revised March 2017 through April 2021. Written authorization can be secured at anytime during or following the investigation. AOIC will be documented regarding the authorization and MOIC employees should confirm the written consent was secured and clearly documented in AOIC Remarks prior to applying a deposit to the tax liability. If the AOIC remarks are not clear or lack required remarks, contact the accepting official or secure the case file to ensure the correct action is taken.

Note: The 4710 Account is a non-interest bearing account. Therefore, refunds **never** include interest.

- (4) Although IRM 21.4.4-2, Manual Refund Checklists, instructs employees requesting manual refunds to contact the Financial Management System (FMS), it is not necessary for refunds from the 4710 RACS Account.

5.19.7.7.3 (12-09-2024)

Deposit Dispositions for Offers on AOIC

- (1) Take the following actions to process deposits through AOIC. (Refer to the AOIC User's Guide, Chapter 3.)
- (2) Print the AOIC Closed Offer Deposit Disposition listing monthly after the RACS 136 Inventory report has been imported to the 4710 Database. This listing identifies withdrawn, rejected and returned offers and also indicates the type of disposition. (A= Applied/R= Refund.)

Note: When the disposition indicates "A" (Apply), review AOIC remarks to ensure the OIC employee (OE/OS/PE) secured authorization to have the deposit applied to the liability. The comments should state either a Form 3040, Authorization to Apply Offer in Compromise Deposit to Liability, written statement was secured, or the Form 656 check boxes were initialed by the taxpayer.

If the listing	Then
Indicates "A"	Complete the following actions to apply the deposit to the taxpayer's liability: <ol style="list-style-type: none"> 1. On AOIC, use the Apply option from the Deposit Screen to generate Form 2424. 2. Route Form 2424 to the Accounting RACS Unit. 3. Update the Action Code to "2424 Sent" and set a Follow Up for 120 days in the 4710 Database to allow for proper monthly reconciliation.
Indicates "R" Note: IRC 7809(b) requires deposits to be returned to the maker of a rejected offer. This includes deposits made by a third party.	Complete the following actions to refund the deposit to the taxpayer: <ol style="list-style-type: none"> 1. Prepare Form 3753, Manual Refund Posting Voucher. Refer to IRM 21.4.4.5.2, Preparation of the Form 3753, Manual Refund Posting Voucher. 2. Verify the taxpayer's address and update if necessary. Attach a copy of ENMOD. 3. Attach a copy of the 4710 page that indicates the offer number and amount. 4. Route the original Form 3753, with the required attachments and managerial approval to the Accounting Unit following the routing procedures outlined in IRM 21.4.4.5 Preparation of Manual Refund Forms 5. Update the Action Code to "3753 Sent" and set a Follow Up for 120 days in the 4710 database to allow for proper monthly reconciliation.

- (3) Conduct thorough research when the deposit disposition is "AS" (Apply-Special Instruction) or "RS" (Refund-Special Instruction) as this usually indicates the funds in the 4710 account need to be partially applied and then refunded. Follow the specific instruction in the AOIC remarks.
- (4) All monitoring units must apply or refund deposits controlled by their sites.
- (5) Although OIC deposits may be physically located in the 4710 accounts at the other campus, each campus is responsible for the deposit disposition for the states serviced by their site.

Note: Memphis and Brookhaven will apply or refund deposits related to their monitoring inventory only.

- (6) When disposing of AOIC offers with deposits residing in the 4710 account of the other campus per the state mapping, send an email to the campus's Deposit e-fax mailbox and document AOIC remarks with the appropriate information.
- (7) When a request to refund a deposit is made and it is not on the deposit disposition list, verify that this is what the taxpayer wants by reviewing the AOIC remarks before contacting the requestor (FOIC, COIC, etc.). Remarks must be entered on AOIC. Provide Accounting with a print of the 4710 deposit as indicated in (2) table.
- (8) Rejected Form 2424 and rejected Form 3753 should be documented in AOIC remarks upon receipt in MOIC. Rejections should be worked timely as in most cases are received on offers that are not open on AOIC and a follow up cannot be established.

5.19.7.7.4
(12-09-2024)

**Deposit Dispositions for
Manually Monitored
OICs**

- (1) Deposits may have been recorded on Form 2515 and Form 6313 for manually monitored cases. When the manual control card, Form 2515 or Form 656 indicates the taxpayer made a deposit(s), follow the steps below:

Note: Deposits are **not required or necessary** for consideration of an OIC and will not be accepted on a Form 656 with a revision date of April 25, 2022 or later.
 - a. Check the 4710 Database and/or the RACS 136 monthly report to be sure a credit is available.
 - b. Add any additional deposit amounts to Form 2515.
 - c. Record transfer of the deposit on Form 2515 (enter the amount and periods where the deposit was applied) to zero out the credit.
 - d. Once RACS deposits post, secure an INTST print to the date of acceptance to compute the amount(s) to be applied on each period affected by the deposit.
 - e. Annotate the 4710 Database indicating the date, amount and tax examiner making the transfer of the funds to master file.
 - f. Re-file Form 2515 in 4710 Account file.
 - g. After reconciliation, file Form 2515 in the case file.

Note: For information on the retention and disposition of the case file that contains original records, see Document 12990, IRS Records Control Schedules.

- (2) Process the deposit as follows:

If the deposit is	Then
To be applied to the taxpayer's liability	<ol style="list-style-type: none"> 1. Prepare Form 2424, Account Adjustment Voucher. 2. Use the received date of the deposit as the received date of the payment. 3. Route Form 2424 to the Accounting RACS Unit where the deposit is located. 4. Update the Action Code to "2424 Sent" and set a Follow Up for 120 days in the 4710 Database to allow for proper monthly reconciliation. 5. Document AMS and the history section in the 4710 Database.
To be refunded to the taxpayer Note: IRC 7809(b) requires deposits to be returned to the maker of a rejected offer. (This includes deposits made by a third party.)	<ol style="list-style-type: none"> 1. Prepare Form 3753, Manual Refund Posting Voucher. 2. Attach the source document (copy of Form 1271, Rejection, Returned or Withdrawn Memorandum, if available). 3. Attach a copy of ENMOD. 4. Attach a copy of the 4710 page that indicates the offer number and amount. 5. Route the original Form 3753 with required attachments and manager approval to the Accounting Unit following the routing procedures outlined in IRM 21.4.4.5 Preparation of Manual Refund Forms. 6. Update the Action Code to "3753 Sent" and set a Follow Up for 120 days in the 4710 Database to allow for proper monthly reconciliation. 7. Document AMS and the history section of the database.

- (3) For applying deposits to ANMF tax periods:
 - a. Research the ANMF account via AMS or ANMF, if available.
 - b. Attach an ANMF print for each applicable period to the Form 2424.
 - c. Apply amounts to the oldest CSED on the NMF 1300 Account first.
 - d. Mail the form with attachments to the appropriate NMF site.
- (4) After month-end reconciliation with Accounting, Form 2515 will remain with the open file until the deposit is either refunded or applied to the taxpayer's liability.
- (5) Rejected Form 2424 and rejected Form 3753 should be documented in AMS upon receipt in MOIC. Rejections should be worked timely since these offers that are not open in MOIC and a follow up cannot be established.

5.19.7.7.5
(12-09-2024)
**4710 Account
Reconciliation**

- (1) On the 3rd workday of each month the RACS Accounting function closes the 4710 Account activity for the month and forwards the Offers in Compromise Inventory Detail Report (Also known as the RACS Report 136) showing all OIC deposits in the 4710 Account and the General Ledger Account Details showing the credits and debits in and out of the account to Brookhaven and Memphis. The OIC unit at each site must reconcile the OIC deposits with the General Ledger balance.

Note: Sufficient research through the AOIC remarks is critical to ensure proper handling of funds as there are various reasons the taxpayer's application fee or required TIPRA payments may have been deposited into the 4710 account.

- (2) Upon receipt of the RACS reports from the RACS 4710 Account Coordinator, an MOIC tax examiner generates a Deposits (RACS) Open Balance Report (selection A on the AOIC Reports menu) to reconcile balance amounts.
- (3) The "manual" RACS Report Control File must also be pulled to verify that all credits and debits for the month have been recorded for manually monitored offers.
- (4) The MOIC tax examiner must compare the two reports and research all deposits that do not match. All differences between the AOIC Deposit screen and the 4710 Database (or RACS Report 136) must be investigated and resolved prior to considering the reconciliation complete.
- (5) Copies of the following documents that will impact the 4710 account should be routed, on a daily basis, to the designated MOIC employee responsible for reconciling the account:
 - Form 3753
 - Form 2424
 - Bad Check notification
 - Form 2515
- (6) If a payment does not appear on both Accounting's report and AOIC/Manual RACS report, take the following actions:
 - a. Research to determine where the deposit was applied and the appropriate application.
 - b. Determine if the deposit was placed in the 4710 account using an incorrect RACS number, refunded to the taxpayer or applied to a tax liability.
 - c. Contact Accounting and take the appropriate actions to reconcile accounts (submit Form 2424 or Form 3753, etc.).

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- (7) **If the deposit is on AOIC but not listed on the 4710 Account Report:**

If	And	Then
The deposit is missing for less than 30 days	Intentionally left blank	Consider the amount reconciled (Accounting has probably not yet posted the amount to the RACS account.)
The deposit is missing for 30 days or more	The offer is pending	<ol style="list-style-type: none">1. Research the AOIC history to verify there was a deposit made with the offer.2. If the deposit has not posted to the account; follow the steps below in (8)3. Once the deposit has posted to the account, consider the amount reconciled until action is taken to refund or apply.

- (8) Research IDRS to see if the payment was applied to the tax liability.

If	Then
Found on IDRS	<ol style="list-style-type: none"> Secure a copy of Form 2515 from the case file and add the deposit to the AOIC Deposit screen. Note: If the offer was already closed with a final disposition, the deposit can no longer be added to the deposit screen. Document information from form 2515 clearly in the AOIC remarks. Once 2515 is secured, prepare Form 2424 to journal the deposit from IDRS to the 4710 Account. Route both forms to Accounting following established 2424 routing procedures. Update the Action Code to Account Researched and set a 120 day follow up in the 4710 Database Upon follow up, confirm funds are correctly available in the 4710 Account. If so, take next action as applicable.
Not found on IDRS	Research for a related offer.
A related offer is found	<ol style="list-style-type: none"> Determine by reading the remarks if enough information was documented for MOIC to properly resolve the deposit. Contact the OS or OE who last worked the offer if unable to make a determination.
If unable to locate and resolve the deposit	Elevate to Collection Policy.

(9) **If the deposit is not on AOIC but is on the 4710 Account Report:**

If	And	Then
The deposit is missing for 30 days or more	The offer is not on AOIC	<ol style="list-style-type: none"> 1. Research the history on AMS, ICS and IDRS to determine if this is a manually monitored offer. 2. If so, contact the person assigned the offer investigation for instruction. 3. If a DATL offer, the research must be forwarded to the DATL Unit with a monthly follow up until the deposit is disposed. 4. If unable to locate any offer related information, contact Ogden RACS for documentation to support the amount shown on the 4710 Report. 5. Update the 4710 Database Action Code to "Account Researched" and set a 30 day follow up. Document the 4710 database history with the date and "See AMS".

If	And	Then
The missing deposit is over 30 days	The offer is pending on AOIC, but the deposit is not on the Deposit Screen	<ol style="list-style-type: none"> 1. Contact Ogden RACS for documentation to support the amount shown on the 4710 Report. 2. When documentation received post deposit on to AOIC. 3. Update the 4710 Database Action Code to "Account Re-searched" and set a 30 day follow up.
Offer has been accepted	Assigned to a tax examiner	<ol style="list-style-type: none"> 1. Contact the tax examiner to have the deposit applied to the tax liability. 2. Update the 4710 Database Action Code to "Account Re-searched" and set a 30 day follow up.
Offer has been rejected, returned or withdrawn	Intentionally left blank	<ol style="list-style-type: none"> 1. Contact the SO or OE to determine if the deposit should be applied or refunded. If needed, request the case file for a determination to be made. 2. Update the 4710 Database Action Code to "Account Re-searched" and set a 30 day follow up.

If	And	Then
The deposit RACS number (also the AOIC number) is not on AOIC	Intentionally left blank	<ol style="list-style-type: none"> 1. Research the TIN, DI and related numbers. 2. Update the 4710 Database Action Code to "Account Re-searched" and set a 30 day follow up. Document the 4710 database history with the date and "See AMS".
If all research has been exhausted	A resolution cannot be identified	<ol style="list-style-type: none"> 1. Update the 4710 Database Action Code to "Account Re-searched" and set a 30 day follow up. 2. Elevate to Collection Policy.

- (10) All research and attempts made to process or resolve a deposit issue should be reflected in the 4710 Database. AOIC remarks must clearly document actions taken but if the case cannot be found on AOIC, use AMS to document the history.
- (11) As of April 1, 2005, COIC payments may be processed through the Paper Check Conversion System (PCC) at Brookhaven and Memphis. PCC is a process for converting checks into electronic fund transfers. There will not be a paper check if it is processed through PCC.

5.19.7.7.6
(12-09-2024)
**Undelivered or
Uncashed Returned
Deposits**

- (1) Refunds issued to the taxpayer may be redeposited into the 4710 Account for various reasons. The most common reasons are:
- The refund check was returned as undelivered mail.
 - The refund check was not cashed within one year of the issue date.
 - The check was cancelled by Treasury.
- (2) If the offer was considered on a Form 656 revision prior to March 2019 continue research as outlined below. For revisions dated March 2019, April 2020 and April 2021 the Form 656 terms state if the IRS attempts to return a deposit once and it comes back as undeliverable then the IRS will apply the funds to the taxpayer's liability. Upon the funds being credited back into the 4710 account for any of the above reasons, review to identify any obvious errors regarding the taxpayer's entity information on the original Form 3753,

Manual Refund Posting Voucher. If the entity appears correctly, prepare a Form 2424 to apply the payment(s) in the government's best interest as of the original IRS received date.

- (3) If the refund check was undelivered, research for a new address. Research should include, but not be limited to:
 - a. Check IDRS for last return filed, current address, and a telephone number.
 - b. Contact taxpayer by telephone, if a phone number is available. Follow IRM 10.5.1.6.7.2, Answering Machine or Voice mail.
 - c. BMF accounts check IDRS to see if there is a cross-reference TIN that provides new contact information. This can be found on CC INOLES or CC BMFOLE.
 - d. Check AMS for comments or correspondence.
 - e. Review income information reported on CC IRPTR.
 - f. See also IRM 5.1.18.3, Performing Research on the Internet/Intranet

If	Then
A new address is found on a more recent tax return filed by the taxpayer	<ol style="list-style-type: none"> 1. Document the locator research completed and where the new address was identified in AOIC Remarks. 2. Follow procedures to reissue a new Form 3753 to the new address found. 3. Update the Action Code to "3753 Sent" and set a 120 day follow up in the 4710 Database.
A new address is found through other internal resources such as CC IRPTR or Accurant	<ol style="list-style-type: none"> 1. If all phone attempts are exhausted without successful taxpayer contact, send Letter 6324-C, Offer in Compromise - Deposit Disposition. Choose paragraph E and any other applicable paragraphs. 2. Update the Action Code to "Account Researched" and set a 30 day Follow Up in the 4710 Database to allow response time.
After all locator research and attempts have been exhausted, a new address is not found and the taxpayer couldn't be reached by telephone	<ol style="list-style-type: none"> 1. Document the locator research completed and contact attempts in AOIC remarks. 2. Update the Action Code to "Account Researched" and set a one year Follow Up. Note: If the taxpayer is deceased, update the Action Code to "Deceased" and set a one year Follow up.

- (4) Document AOIC and AMS to indicate MOIC is attempting to validate the taxpayer's current address and telephone number to discuss a deposit that was made on a returned, rejected, or withdrawn offer. If sending a letter or leaving a voice mail, document AMS and AOIC with detailed information as to the phone number(s) attempted and what information was left on the voice mail as well as the address any letters were sent.
- (5) If the Letter 6324-C, Offer in Compromise - Deposit Disposition is returned as undeliverable, check if the USPS yellow sticker provided a new address. If the address on the USPS yellow address sticker is not an address used to correspond with the taxpayer:
 - Re-mail the undeliverable letter to the address on the yellow sticker.

- Enclose Form 8822 Change of Address.
- Update the Action Code to "Account Researched" and set a 30 day Follow Up in the 4710 Database.

- (6) Ensure all addresses used to refund or correspond with the taxpayer are documented in AOIC remarks and AMS.

5.19.7.7.7 (12-09-2024)

Deposits with Insufficient Funds

- (1) Accounting will notify the OIC Unit when a deposit made by check was returned due to insufficient funds.
- (2) A correction should be made to the Deposit screen.
- (3) If the deposit is located at your campus and the account is controlled by another campus, notify the other site that the deposit on their records must be reversed due to insufficient funds.
- (4) Document AOIC remarks with the actions taken and if the notice was referred to the other campus.

5.19.7.8 (12-09-2024)

Applying Payments on Accepted OICs

- (1) OIC units at the compliance campuses monitor offer payments based on the offer terms agreed upon at the time of acceptance.
- (2) IRS policy directs that remittances remain in a secured area. Therefore, in accordance with this policy, payments received at the Kansas City campus are processed by Receipt & Control (R&C) employees who have access to AOIC and are able to research to which module to apply the payment.
- (3) Payments processed by Receipt and Control must be timely input through the AOIC system. Action on the offer case must be taken within 30 days of posting on IDRS. This includes payment transfers for misapplied payments and payment tracers for posted but missing payments.

Note: If a NFTL has been filed on the account the maximum number of days for the follow-up cannot exceed 25 days.

- (4) Payments are applied in the best interests of the Government, usually this is the earliest Collection Statute Expiration Date (CSED), not always the earliest tax period. See Section 3 of Rev. Proc. 2002-26, 2002-1 C.B. 746. See also IRM 5.19.10.4.4, Determining the Correct CSED.

Note: Prior to revision in April 2021, IRS would determine if the final payment exceeded the offer amount by an amount equal to or more than \$50, then the excess amount may be applied to the tax liability. In applying the excess amount, determine accruals computed to the acceptance date of the offer, and assess the accruals to the account. If the taxpayer has multiple offer periods and not all will need an offer payment posted, complete accruals on the modules to which a payment will post. Document AOIC with accrual information. When performing a manual calculation of interest follow procedure in IRM 20.2.1.4.2, Manual Calculation of Interest. For offers submitted on Form 656 with a revision date of April 2021, or later, the excess payments application remains the same, but no refund will be approved.

- (5) When a payment is received on an accepted OIC, determine which module has the earliest CSED. Use the table in IRM 5.19.7.2.6, Extension and Suspension of the Statutory Period for Collection, as a guide to determine CSED suspension periods.

Note: If two modules with the same MFT have the same CSED, apply in the order listed on the MFT screen in AOIC.

Caution: When applying a payment to modules with multiple assessments, check CC IMFOLT for the CSED (FIRST, LAST, NEXT). If a CSED is expired, refer the case per Who/Where - CSED Referrals - Campus to clear the expired assessment per IRM 5.19.10.4.3.

- (6) When moving a credit from one module to another, refer to IRM 21.5.8.4.5, TC 570 and Bypass Indicator, to determine if a TC 570 is required. A follow up must be established on AOIC to ensure the credit transfer has posted and the module is in ST 71.

Note: If the taxpayer's using electronic payment methods and not selecting the correct tax module, the tax examiner may consider making a courtesy phone call to educate the taxpayer in effort to reduce the number of credit transfers needed.

- (7) If the CSED has expired **on all the periods** compromised by an offer:
- Return or refund any subsequent payment received after expiration of the CSED.
 - Send a letter to the taxpayer stating that the payment is being returned because the collection statute has expired and no further offer payments are due.
 - Do not make changes to any AOIC screens.
 - Update the AOIC history.
 - Close and place the offer in AOIC "CF" status.
- (8) Prepare Form 3244 to apply payments.
- Use TC 670 with DPC 09 to indicate OIC.
 - Use the date the payment was received as the transaction date.
 - For zero balance periods, use TC 570, .00 as secondary code.
- (9) Occasionally acceptance letters from Appeals, Exam, FOIC or COIC may direct taxpayers to send their offer payment to the wrong monitoring site. When this occurs:
- Prepare Form 3244 to process the payment.
 - Advise the taxpayer to direct future contacts, payments, or correspondence to the appropriate site. (Provide the site, address and contact name.)
 - Update the AOIC History.
- (10) If there are MFT 30 and MFT 31 accounts for the same tax period due to an innocent spouse claim, payments made by the OIC taxpayer should be applied to the MFT 31 account first.
- (11) Monitor the account on IDRS to verify the payment has posted to the non-offer mirrored assessment.
- (12) Calculate the remaining balance.
- (13) Refer to the revision of Form 656 that was accepted to determine if excess offer payments are to be returned to the taxpayer.

If	Then
The Form 656 is a revision prior to February 2016	<ul style="list-style-type: none"> As a matter of policy, excess offer payments of \$1.00 or more must be refunded to the taxpayer.
The Form 656 is revision February 2016 - 2020	<ul style="list-style-type: none"> Form 656 states if the taxpayer's final offer payment overpaid the offer by any amount under \$50 the funds will be applied to the liability. To determine this, identify the payment that full paid the offer amount. Any additional payments received after, will be considered voluntary and applied to the liability as described in paragraph (4) above. Any amount \$50 and over will be refunded
The Form 656 is revision April 2021 - current	<ul style="list-style-type: none"> Form 656 states If the taxpayer's final payment is more than the agreed amount, the IRS will not return the difference, but will apply the entire payment to the tax debt. Apply the amount that full pays the offer on the journal screen. Document AOIC remarks stating the excess amount will be applied to the liability and not refunded.

Reminder: It is important to verify the Accepted Terms on AOIC are correct and the payments received prior to acceptance are properly addressed in order to determine if an offer was paid in excess.

Note: Any manual refund equal to or greater than \$2,000 must be reviewed by OIC Policy prior to issuance.

- (14) Refund recoupments are not considered offer payments. The credit is, however, applied in the same manner as the offer payment.
- (15) Lien units receiving requests for payoffs from taxpayers with an accepted OIC will be referred to MOIC. MOIC employees should follow IRM 5.19.7.8.9 Releasing the Federal Tax Lien.
- (16) When a taxpayer submits more than the agreed monthly offer payment amount, refer to the below chart. When advancing the journal due date, re-

Regardless of the amount submitted, the payment due date must not be more than 6 months, to ensure the account is reviewed periodically.

If	Then
The amount exceeds the full amount of the next month's agreed payment amount	Advance the journal payment due date to the next month that any amount of a monthly payment is due.
The amount exceeds a full amount by more than six months of the scheduled amount	Advance the journal payment due date to the respective month, without exceeding 6 months to ensure the account is reviewed for a payment, reset the next journal payment date accordingly.
The remaining offer amount due is a lump sum payment due at the end of terms	If the lump sum is due more than 6 months, establish the payment due date for 6 months to verify the status and then reset the date.
The excess amount is a partial payment and therefore will not be considered a full payment for the next month	Establish the payment due date for the next month for the full payment amount

Reminder: If the account is in "ML" status, a follow-up must be established for the required 25 days.

- (17) Tax examiners will generate and send Letter 2908 using the appropriate paragraphs, if applicable, advising taxpayers that they have fully paid the offer amount of the OIC.
- (18) Once the offer is fully paid, review the case to see if NFTLs were filed and need to be released. If so, refer to IRM 5.19.7.8.9 Releasing the Federal Tax Lien to determine next steps.

5.19.7.8.1
(12-09-2024)
**Application of OIC
Payments on All BMF
OICs**

- (1) By signing Form 656, taxpayers agree to Section 3.03(2) of Revenue Procedure 2002-26 which calls for payment application to periods in the order of priority that IRS determines will serve its best interest. The payment will be applied to satisfy the liability for successive periods in descending order of priority until the payment is absorbed.
- (2) If the following corporate liabilities are included in the offer, apply OIC payments in the following descending order:
 - a. To all Form 1120 (regardless of CSED).
 - b. To all Form 940 (regardless of CSED).
 - c. To all Form 941 periods in earliest CSED order.

5.19.7.8.2
(08-05-2021)

Processing Payments on AOIC

- (1) Check the AOIC Balance (Liability) screen to determine if the payment will full pay the period with the oldest CSED date. If it will, update the balance.
- (2) Go to the Journal (payments) screen to generate and print Form 3244, Payment Posting Voucher. AOIC applies the payment posting rule systemically.
- (3) Refer to Chapter 6 of the AOIC User's Guide.
- (4) Payments should be applied to these and all other offers based on the balance due amount shown on the INTST prints and updated when the offer was first received into inventory.

Note: As long as some payment has been made against the offer amount,

offer paid in full and proceed with closing actions. The balance will remain on AOIC with a history item stating that the offer is considered paid in full.

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- (5) Prior to revision in April 2016, Form 656 provided that excess offer payments of \$1.00 or more must be refunded to the taxpayer. The 2016 through 2020 versions of the Form 656 state if the taxpayer overpaid the offer by any amount under \$50 the funds were applied to the liability. Any amount \$50 and over will be refunded. Beginning April 26, 2021 refunds will not be issued on offers accepted on a Form 656 with a revision date of April 2021, or later. Apply the amount that full pays the offer on the journal screen and document AOIC remarks stating the excess payment amount that will be applied to the liability and not refunded.

5.19.7.8.3
(07-09-2020)

Processing Payments Manually

- (1) Analyze tax periods being monitored to determine to which period the payment should be applied. This may have been done when the case was initially processed.
- (2) Prepare Form 3244 to process the payment. Along with taxpayer entity information Form 3244 should include:
 - a. TC 670 with DPC 09 to indicate OIC.
 - b. The date of the payment for the transaction date.
 - c. TC 570 with 00 as a secondary code for zero balance periods.
- (3) Record the payment on Form 6314, Deferred Payment Offer Payment Record.
- (4) Payments erroneously applied to IDRS must be moved to NMF with Form 2424.
- (5) If the 5 year compliance terms have been met when the final deferred payment is received, use procedures outlined in IRM 5.19.7.13, 5-Year Monitoring Status.

5.19.7.8.4
(07-09-2020)

Applying Payments on NMF Accounts

- (1) If the tax period(s) is on NMF, the centralized ANMF databases should be accessed.
 - a. Use AMS or ANMF to verify the payment has been posted and the NMF account and the balance is correct.
 - b. Notate on Form 6314, Deferred Payment Offer Payment Record, "Verified with NMF".

- (2) ANMF was previously centralized in Cincinnati on September 26, 2006. As of November 5, 2018, all NMF processing is now completed in Kansas City Submission Processing Campus.
- (3) On AOIC or Form 6314, record payments and calculate the remaining balance.
- (4) When the final deferred payment is applied to an NMF account:
 - a. Review the NMF account.
 - b. Attach an ANMF print for the applicable period to the Form 2424.
 - c. Apply the final amount to the oldest CSED on the NMF 1300 Account first. Apply payments in the following order; first to tax, second to penalties, interest last.
 - d. Zero balance and remove all remaining liability by reversing the individual transactions and posting a TC 788 on each NMF account covered by the offer.
 - e. Mail the form with attachments to the KCSPC NMF site. Include a copy of the accepted Form 656, copy of Form 7249 or listing of NMF modules and a copy of the Acceptance Letter.

5.19.7.8.5
(12-09-2024)
**Releasing Continuous
Wage Levies and other
levy programs**

- (1) A continuous levy must be released when an offer is being accepted. See IRM 5.8.8.14 Continuous Wage Levy or Federal Payment Levy Program (FPLP) Levy for more information. Research AOIC remarks to determine when the release was sent and if it was mailed or faxed to the levy source. Check the payment history on IDRS to ensure levy payments have discontinued. Allow up to 30 days from the issuance of the levy release for payments to stop. Any levy proceeds received after 30 days from levy release are to be manually refunded to the taxpayer.

Note: Refer to IRM 5.19.9.4.7, FPLP Levy Release: General for more information regarding release timeframes for various types of FPLP levy releases.

- (2) Occasionally the investigating individual overlooks the release of a continuous levy. This should be identified during OA processing and quickly elevated for resolution. Refer the case via email to the site Revenue Officer mailbox corresponding to your site for review. If no response is received within 7 days and the levy remains active, forward the unanswered e-mail to *SBSE Coll Policy OIC for assistance and copy your manager. Use RTR to identify any levy payments dated on or after the acceptance date. Manually refund levy proceeds remitted on or after the date of acceptance when the levy was not released timely.
- (3) For information for other levy programs see IRM 5.19.9.4, Federal Payment Levy Program, and IRM 5.19.9.3, State Income Tax Levy Program (SITLP) General and IRM 5.19.9.5, Alaska Permanent Fund Dividend Levy Program. Releasing levies issued through these Automated Levy Programs (ALP) require special handling.

5.19.7.8.6
(12-09-2024)
**Cross-Referencing TFRP
Payments**

- (1) The investigating function should guarantee that all TFRP payments made prior to acceptance have been cross-referenced, thus the offer taxpayer's TFRP assessment will show the correct balance due.
- (2) Accepting an offer from the employer, or one or more of the responsible officers, does not change the policy that the tax is to be collected only once. All payments should be cross-referenced as they normally would be as if there

were no OIC. The TFRP Units will cross-reference OIC payments to the related TFRP accounts. TFRP transcripts will not be forwarded to MOIC.

- (3) For one offer filed jointly by husband and wife with identical TFRP assessments, apply OIC payments to the primary taxpayer. A TFRP transcript will issue so the payment will be cross referenced by the TFRP Units to the secondary and related accounts. When all terms are met, both TFRP assessment accounts will be compromised. See IRM 5.19.7.8.7, Interest, for IRS policy regarding computation of accruals.
- (4) Upon identification of cross-referenced payments, update the liability screen to ensure the balance matches IDRS.
- (5) When the offer is full paid, see IRM 5.19.7.4.3, Trust Fund Recovery Penalty (TFRP) Cases, for detailed closing requirements.

5.19.7.8.7
(07-09-2020)
Interest

- (1) The input of the TC 780, Offer Acceptance, will prevent computer generated interest. Tax Examiners in MOIC will calculate interest to the acceptance date on the tax modules offer payments will be applied to. If the taxpayer breaches their offer contract and the IRS chooses to end the OIC contract, an accounting entry will be reversed and update accrued penalty and interest.
- (2) Compute interest using CC COMPA or the InterestNet (ACT/DMI).

Note: When the accepted offer includes a tax period with a MFT 15, Form 8752, Required Payments or Refund Under Section 7519 interest is due on the required payment (TC 150) only for a limited time per IRM 21.7.4.4.7.8, Section 7519 Statute of Limitations, Period for Assessment, which is effectively one year plus accruals.

5.19.7.8.8
(07-09-2020)
Dishonored Checks

- (1) A dishonored check is a check received and processed as a payment by the IRS, but the bank does not accept the check as valid.
- (2) A dishonored check penalty **should not** be assessed on offer payments.

Note: If assessed, abate the dishonored check penalty.

- (3) If the notice of dishonored payment is received after the offer is accepted for an Application Fee or TIPRA payment then the OE/OS is to be notified to address the dishonored payment with the taxpayer. IRM 5.8.8, Acceptance Processing and IRM 5.8.8.17, Notification of Dishonored Application Fee and/or TIPRA Payment.
- (4) If a taxpayer's check is dishonored, the IRS could choose to continue the OIC-contract or immediately end it. There is no legal requirement that the IRS send the taxpayer a potential default letter however, the TE is to issue a potential default letter using Letter 274-C, Offer in Compromise; Installment Payment Due, and follow guidance in IRM 5.19.7.14.1, Failure to Remit an OIC Payment, if payment is not received.

If	Then
If the taxpayer sends a replacement check within 30 days,	Process the payment per IRM 5.19.7.8, Applying Payments on Accepted OICs.
If the taxpayer fails to send a replacement check within 30 days,	Refer to IRM 5.19.7.14.1, Failure to Remit an OIC Payment.

5.19.7.8.9
(12-09-2024)
Releasing the Federal Tax Lien

- (1) IRC 6321 allows IRS to file a Notice of Federal Tax Lien (NFTL) to protect the interest of the government and provides other creditors, judgment lien holders, and the public with notice of the government's lien on the taxpayer's assets.
- (2) When tax, penalty, and interest for all tax periods listed on the NFTL are fully satisfied, the Government issues a Certificate of Release of Federal Tax Lien. As a contract provision, the IRS agrees to release the federal tax lien as provided for in Form 656, even though the federal tax liability had not been fully satisfied.
- (3) Under the terms of the OIC contract (Form 656), the lien will generally be released within 45 days of when the offer payment terms have been satisfied and the payment has been verified. If there are delays in posting payments or transferring credits that may impact the timely release of the lien, contact the Centralized Lien Processing Operation. Contact number(s) for the centralized lien unit can be found on SERP under the "Who/Where" tab, Lien - Centralized Lien Processing, Centralized Case Processing.
- (4) If a taxpayer has not finished paying the OIC amount for an accepted offer, the lien has not yet been released, and the taxpayer sells property subject to the lien, the IRS may be entitled to all net sale proceeds that would normally be paid for the taxpayer to obtain a discharge of property from the lien. This will apply even if the total amount of the sale proceeds is greater than the total accepted OIC amount. This provision does not apply to accepted offers based on doubt as to liability. For offers accepted on the basis of NEH-ETA, this issue will be considered on a case by case basis. See IRM 5.8.10.6, Discharge and Subordination Requests. The taxpayer may contact Advisory to discuss the potential for a discharge or subordination.
- (5) Self-released liens occur when the statutory period for refiling for each module on the NFTL has expired and the lien was not refilled. Self-released liens do not have a release document issued systemically nor do they require one unless the taxpayer specifically requests it. MOIC is not required to request a release of these liens. Any request involving a self released lien should be referred to Centralized Lien Operation (CLO).

Note: MOIC should not update IDRS with the lien release transaction (TC 583) unless it is an MFT 31 which requires a manual input of the of the lien release. When a module requires a manual TC 583, the status will remain in ML with a 30 day follow-up to verify the TC 583 posted.

- (6) How the final payment is provided by the taxpayer determines the waiting period for making the release requests. Refer to IRM 5.12.3.3.1.1, Liability Satisfied by Payment, and IRM 5.12.3.3.1.1.1, Electronic and Credit Card Payments, for the appropriate time frame required to release a federal tax lien.

The method of payment can also be identified in the second digit in the EFT Trace number, refer to IRM 3.17.277.5.3, EFT Number. A credit/debit card payment is identified when the second digit in the EFT Trace number is a 6.

Note: If the status of the NFTL on ALS is “new” a release cannot be input. A request to release the lien must be sent to CLO using Form 13794, Request to Release or Partial Release of Notice of Federal Tax Lien.

(7) A lien release may be immediately issued when the final offer payment is made by one of the following forms of payment below. This includes payments made through the EFTPS system, Direct Pay or Online Account (OLA). For EFT number explanations, refer to the subsections in IRM 3.17.277.2.4, EFTPS Payment Methods.

- Cash
- Postal money order
- Bank money order
- Certified check
- Cashier’s check
- Official bank check
- Treasury check
- Guaranteed draft on any federally chartered or state licensed financial institution

(8) When the final offer payment is made by personal check, the release period begins after fifteen (15) calendar days from receipt. This permits sufficient time for the check to clear.

(9) DO NOT issue an immediate release when credit or debit cards are used to full pay the amount offered. See IRM 5.12.3.3.1.1.1, Electronic and Credit Card Payments.

(10) After the offer is full paid, determine if there are account conditions that will significantly delay updating the case to 5M/5B status. In most cases, a systemic IDRS lien release is appropriate and will be prompted by the posting of TC 604. If there’s a situation causing substantial delay beyond 45 days to the systemic lien release, use ALS to manually process the lien release per IRM 5.19.7.8.9.1. Some examples of situations that warrant a manual release include the need to mirror modules or the presence of an income collateral. Every effort should be made to allow for systemic lien releases.

(11) If a potential default letter has been issued due to the taxpayer being out of filing and payment compliance a lien release must be delayed until the taxpayer is in filing and payment compliance.

(12) Document AOIC Remarks to indicate the method of payment and schedule a follow-up to update to 5M/5B status based on payment type.

5.19.7.8.9.1
(12-09-2024)
**Automated Lien System
(ALS)**

- (1) Form 668 (Y) (C), Notice of Federal Tax Lien (NFTL) is generated and printed from the Automated Lien System (ALS). ALS systemically uploads TC 582, NFTL indicator.
- (2) Once the NFTL is printed the Centralized Lien Operation (CLO) mails the printed document to the appropriate office designated by the state for filing. A facsimile of the NFTL or release of a lien can be printed from ALS as needed.

- (3) Access ALS to research the Automated Lien System (ALS) database for all NFTLs filed on a given taxpayer.
- (4) A list of NFTLs filed on the taxpayer's TIN will be displayed on ALS. Each NFTL is assigned a SLID number.
 - a. In the upper right corner of the ALS display screen is a field that indicates if more than one NFTL is on file.
 - b. If, for example, the display says "Selected: 5 Current: 1" this means there are multiple NFTLs filed on this taxpayer not just the one showing on the screen.
 - c. In this example, press 5 to select the NFTL and follow the ALS prompts.

Note: If researching using the ALS slid number the "selected" field won't appear.

- (5) A request to release the federal tax lien must be made for each NFTL on file as determined in (4) above.

Exception: Do not initiate a release on self-released liens.

- (6) To request the release select Request a Lien Release from the ALS Menu option or type release at the prompt.
- (7) You will be prompted by the ALS program to enter data to show that the tax liability has been satisfied.
- (8) Requests for releases will go into the OIC Unit manager's queue for approval. The manager's queue must be cleared of all lien release requests on a weekly basis and a five-day follow-up placed on any requests that are returned for corrections. Any release that required corrective action must be cleared from the manager's queue within two days of receipt of the corrected release request.
- (9) Once the manager approves the release it is printed in CLO. The examiners batch and mail the releases along with the NFTL fee payment to the appropriate recording offices.
- (10) Document the AOIC History, or in the manually monitored case file history, the date of the release (AOIC - if the date of the release is not the date of the remarks entry it must be stated) and released liens from ALS. If a partial release, this must be stated.

Note: MOIC should not update IDRS with the lien release transaction (TC 583) unless it is a MFT 31 which requires a manual input of the lien release. When a module requires a manual TC 583, the status will remain in ML with a 30 day follow-up to verify the TC 583 posted

5.19.7.8.9.2
(07-09-2020)
**Lost Lien on Full Paid
Offers**

- (1) If a NFTL was placed on the liability with a TC 582 and ALS shows no NFTL on record, it is considered a lost lien (the NFTL was not processed by the county it was filed in). To correct the error, submit a request via secured email to the Centralized Lien Operation so it can be resubmitted to the recording office for recording. Include the following in the email:
 - SLID number (if provided by the taxpayer)
 - Social Security Number (SSN) /Employer Identification Number (EIN)
 - Taxpayer name

- (2) Indicate that it is identified as a lost lien and to resubmit to recording office for proper filing. Also indicate that the NFTL is valid and will remain valid until the taxpayer has made the final offer payment, at which point the lien will be released per the contract terms in Form 656. Send the request to the correct centralized lien operation that can be found on SERP per the state in which the taxpayer resides. Copy the manager and lead when sending the email.

Note: There may be instances where a manual input of the TC 583 is necessary on IDRS, if ALS does not upload the release to the system.

5.19.7.9
(12-09-2024)

Modifying the Accepted OIC

- (1) When a taxpayer is unable to pay the balance of an accepted offer and/or the balance due under the terms of a collateral agreement, IRS has the option to modify the accepted OIC. The taxpayer must be current with their filing and payment compliance requirements or the modifying of the accepted OIC will not be considered. In this situation, the IRS has the option to:
- Adjust the payment terms of the offer.
 - Formally compromise the existing offer, see IRM 5.8.9.6, Modification of an Accepted Compromise.
 - Obtain managerial approval to settle the offer for the amount already paid and not default the offer.

Note: Modifying the accepted OIC is not appropriate if the taxpayer is unable to fulfill their 5 year filing and payment requirement of the existing offer. However, they have the option to file a new OIC.

Note: If the taxpayer states they are unable to comply with the original lump sum monthly payment terms of the offer, yet they will full pay the offer balance within 5 months of offer acceptance, then issuance of a Form 2209 is not required. Update the journal tab to indicate the date the full lump sum offer payment is due. If the payment is not received, follow potential default procedures.

- (2) The taxpayer must submit a signed letter to request a modification of an accepted offer. The request must be submitted within 15 days from when the taxpayer is informed this option is available to them. Refer to IRM 5.8.9.6.1, Receipt and Processing for information about Pattern Letter 1603 (P). This should be used as an example of a letter requesting to modify an accepted offer and can be shared with the taxpayer. This letter is available on the OIC SharePoint.

Note: Filing a new Form 656 is not acceptable.

- (3) Advise the taxpayer that:
- MOIC is referring the request to the originating office.
 - A current financial statement will be required.
 - They must remain current with their filing and payment compliance requirements subsequent to the acceptance date of the original offer.
- (4) Use Form 2209, Courtesy Investigation, to send the request for modification of the OIC (allow 90 calendar days for Appeals and 45 calendar days for COIC and FOIC), with a 90 day follow up and update Form 6314 and AOIC.
- Use the most current revision of the Electronic Form 2209 Routing procedures, which can be found in the OIC Share Point Library.

- b. The Form 2209 and attachments are sent via secured email with a read receipt to the COIC or FOIC Group Manager where the offer was accepted. In order to flag the Form 2209 for the recipients, the subject line in the e-mail will read **“New 2209 OIC on OIC.”** The Form 2209 must reflect the return MOIC mailbox address and e-fax number.
- c. For offers accepted in Appeals, the Form 2209 and attachments are routed through the Appeals ECR (Electronic Case Receipt) site.
- d. The table below describes the steps needed depending on where the offer was closed or if it is manually monitored. Document AOIC remarks with the change to the terms the taxpayer is requesting.

If	Then Include
The offer was accepted in Appeals	<ul style="list-style-type: none"> Form 2209 with a clear description of why the taxpayer is requesting a modification of a compromise. Include a statement whether the taxpayer is current or in potential default. Letter from the taxpayer as to why a modification of a compromise is being requested. Attach copy of letters received/issued to the taxpayer. Copy of AOIC- Terms screen, MFT screen, Remarks (pertaining to the 2209 issue only) and a copy of the Journal Screen or amount paid to date on the offer.
The case was accepted in COIC	<ul style="list-style-type: none"> Form 2209 with a clear description of why the taxpayer is requesting a modification of the compromise. Include a statement whether the taxpayer is current or in potential default. Letter from the taxpayer as to why a modification of the compromise is being requested. Provide statement on current offer amount paid by taxpayer to date.

If	Then Include
The case was accepted in FOIC	<ul style="list-style-type: none"> Form 2209 with a clear description of why the taxpayer is requesting a modification of the compromise. Include a statement whether the taxpayer is current or in potential default. Letter from the taxpayer as to why a modification of the compromise is being requested. Provide statement on current offer amount paid by taxpayer to date.
The case is a manually monitored case	<ul style="list-style-type: none"> Print SUMRY, ENMOD, CFINK from IDRS. Print history from AMS (only the section pertaining to the 2209 issue). Attach copy of letters received/issued to the taxpayer. Copy of Form 7249 and Form 6314. Taxpayer telephone number. <p>Note: If the file is needed from the FRC, the originating office will request the file. See IRM 1.15.4 for guidance on how to request case files from the FRC.</p>

Note: Ex parte communication rules prohibit attempts to influence Appeals. Do not include in the Form 2209 addressed to Appeals or its attachments any statements directing Appeals to make a particular determination in the modification of a compromise.

- (5) It is the responsibility of the Form 2209 liaison (MOIC) to set a follow up for 7 calendar days to verify acknowledgment of the Form 2209 by the receiving person. If the Form 2209 is not acknowledged within 7 calendar days with a read receipt, the liaison will follow up by contacting the intended recipient by email or telephone call. This follow up will also be documented in the AOIC remarks.
- (6) The courtesy investigation will be given priority by FOIC or COIC. An extension request Form 2209-A, Status Report, to complete the investigation should be based on extenuating circumstances.

(7) Upon receipt of the Form 2209 response:

Note: Appeals may provide the response on a Form 5402.

If	Then
The modification of the offer is accepted	Update AOIC or Form 2515 with the appropriate adjustments. Note: Do not change the date of the TC 780 or the recoupment tax years.
The modification of the offer is not accepted	Proceed with default procedures, see IRM 5.19.7.14, OIC Potential Defaults.

5.19.7.10
(12-09-2024)
Refund Recoupments

(1) Beginning November 1, 2021, the IRS is no longer keeping any refund, including interest, in accordance with IRC 6402(a) for an original tax return assessed (TC 150) in the year of offer acceptance (TC 780).

Note: For overpayments becoming available prior to offer acceptance date (TC 780), in which the offset has not taken place, a taxpayer under certain hardship conditions may seek an Offset Bypass Refund as provided under IRM 21.4.6.5.7.1, Offset Bypass Refund (OBR) by calling 800-829-1040.

- As a legal matter, offsets cannot be reversed unless there was a clerical error in making the offset. If an offset takes place subsequent to the offer acceptance (TC 780) and the TC 150 date is after the TC 780 date, contact the taxpayer to provide them an opportunity to submit a written request to have the overpayment applied to the offer amount. In this instance, there was a clerical error in making the offset. If the taxpayer does not request the payment be applied as an offer payment or there is no contact, and there are no tax liabilities other than the offer periods, reverse the refund offset to return the credit to the originating tax period and allow the refund to systemically release. If necessary, a manual refund should be issued as long as there are no additional conditions outside of the Offer in Compromise holding the credit.
- If the taxpayer requests a hardship refund of an overpayment that has been offset prior to offer acceptance, tax examiners should respond that, as a legal matter, the offset cannot be reversed unless there was a clerical error in making the offset in the first instance.
- A refund may be offset relating to an amended/adjusted return filed after the offer acceptance date, where the tax period was not listed on the Form 656. If a refund was issued based on an amended return filed for a tax period in which the original assessment was prior to the offer acceptance, follow the procedures in IRM 5.19.7.10.2, Refunds Mistakenly Sent to Taxpayers.
- These offers should not be updated to MR status. Tax examiners should record corresponding years as zero on the Recoupment screen and update to 5M/5B status after all other offer terms and conditions have been met.

Example: An offer was accepted November 29, 2023 and the tax return for 30-202212 was received October 4, 2023 but the TC 150 posted after acceptance with the date February 28, 2024. Even though the return was secured prior to acceptance, the 2022 refund posted after acceptance therefore the tax examiner should reverse the TC 130 (if applicable) and allow the 2022 refund to release systemically.

Note: The AOIC Recoupment screen does not need to be updated for tax years 2022 and later.

- (2) When an IMF offer is accepted, regardless of acceptance date, the TC 780 freezes all credits from refunding for ALL tax modules on the account for 8 weeks from when the refund return's TC 150 posts.
- (3) For an OIC accepted prior to November 1, 2021, IRS will keep any refund, including interest, due to the taxpayer because of an overpayment of any tax or other liability, for tax periods extending through the calendar year in which the offer is accepted. If the taxpayer requests a hardship refund of an overpayment that has been offset, you should respond that, as a legal matter, the offset cannot be reversed unless there was a clerical error in making the offset in the first instance. The legal matter also covers refunds that have not been offset and are subject to recoupment, respond to the taxpayer the refund is part of the terms and conditions of an OIC. Follow the remaining procedures below to process the recoupment.

Note: The only exceptions are:

- DATL offers, unless indicated otherwise on the acceptance letter
 - Department of Justice (DOJ) offers
 - Equity/Public Policy Doubt as to Collectibility ETA
 - Equity/Public Policy Doubt as to Collectibility with Special Circumstances
- (4) For offers accepted prior to November 1, 2021 only, if a recoupment pays off a liability prior to acceptance, the recoupment year may be recorded as zero.

Example: The taxpayer files an offer on 12/20/2019 but the offer is not accepted until 05/05/2020. Prior to acceptance, a tax return is filed on 03/15/2020 with a refund due of \$1,200. The refund paid off an offer module. Since this action took place prior to the acceptance and the module has been removed from the MFT screen by the accepting official, the recoupment will be noted as zero.

Note: If a refund offset occurs prior to acceptance, but did not full pay the liability, complete the recoupment for \$.00 for YYYY. The MFT and liability screens should always reflect the balance due on the day of acceptance. Document AOIC remarks indicating the recoupment was completed for YYYY for \$.00 and the credit systemically offset prior to acceptance.

- (5) TEs should generate an AOIC Open Refund Recoupment Listing or an MR (Monitor Recoupment) Listing to monitor the remaining Refund Recoupment inventory for offers accepted prior to November 01, 2021.
- (6) Additional notification will be issued due to input of TC 130. TC 130 causes a V- freeze and keeps the module from offsetting/refunding.

- a. CP 44 (IMF) or CP 188 (BMF) generates to notify MOIC of the available overpayment.
- b. An OIC transcript will issue three weeks later for any module where the credit balance was not resolved.

Reminder: If an account freeze (TC 130) has not been input, cross-referencing credits between IMF and BMF, this provision does not apply.

Reminder: We cannot ask for any refunds to be returned that were issued prior to the submission date of the accepted offer from the responsible party (IMF) of a business, or if TC 130 was not input on the IMF account allowing the cross reference credits between IMF and BMF accounts.

- (7) Refund recoupments will be applied to that year's individual shared responsibility payment (SRP) MFT 35 prior to other liabilities. Outstanding available overpayments should be applied to the tax period with the earliest CSED, followed by the tax period with the next earliest CSED. Assessment of interest accrued is not required unless the recoupment full pays the module.

Reminder: Unless the OIC falls under one of the earlier exceptions, overpayments do not apply to the offer balance because the recoupment of a refund is in addition to the offer amount.

- (8) Procedures for processing refund recoupments through AOIC can be found in the AOIC Service Center User Guide.
- (9) Process refund offsets for modules previously written off per instructions below:

If the	Then
Refund recoupment will be applied to an account adjusted by TC 971	<ol style="list-style-type: none"> 1. Input TC 972 with A/C 32 to re-establish the liability and apply the refund amount. 2. Input TC 470 (no closing code) to prevent notices from issuing. 3. If the TC 788 has posted, re-input: TC 480/780 with delay code 1, TC 971/032 with delay code 2, and TC 788 with delay code 4. 4. If the offer was in 5M status, update to MO status if no other status is more appropriate.
Overpayment/refund is equal to or less than the TC 605 amount	<ol style="list-style-type: none"> 1. Input TC 972 with A/C 32 to re-establish the liability and apply the refund amount. 2. Input TC 470 (no closing code) to prevent notices from issuing. 3. If the TC 788 has posted, re-input: TC 480/780 with delay code 1, TC 971/032 with delay code 2, and TC 788 with delay code 4. 4. If the offer was in 5M status, update to MO status if no other status is more appropriate.
Overpayment/refund is more than the TC 605 amount	<ol style="list-style-type: none"> 1. Input assessment of accruals using TC 270 and TC 340. Caution: Do not over assess the module. 2. Follow procedures above. Note: When performing a manual calculation of interest follow procedure in IRM 20.2.5.6.2. 3. If the offer was in 5M status, update to MO status if no other status is more appropriate.
Overpayment/refund should be applied to an NMF account	Prepare Form 2424 to transfer the credit from IDRS to NMF.

If the	Then
Overpayment amount applies to penalty and interest only on NMF accounts	Prepare Form 3809, Miscellaneous Adjustment Voucher.
Liability has been mirrored to MFT 31 or split to an NMF for a co-obligor	<p>Apply the overpayment to offer taxpayer; the credit will offset systematically to spouses MFT 31 account. For the NMF account manually offset the credit to the co-obligor account.</p> <p>Caution: See IRM 5.19.7.11.6. This may result in a non-refundable credit on the spouse.</p>

- (10) When a new assessment is made on a recoupment year and IRS has already applied the overpayment, some or all of the recouped monies will be moved back to offset the new assessment.

If	Then
The overpayment does not full pay the balance due	<ol style="list-style-type: none"> 1. Follow appropriate default procedures. 2. Adjust the AOIC recoupment screen.
Part or all of the overpayment will full pay the balance due	<ol style="list-style-type: none"> 1. Adjust the AOIC recoupment screen for the amount being reversed. 2. Input the appropriate credit transfer to the originating tax module. Establish a follow-up to ensure posting. 3. Continue monitoring for compliance.
The overpayment full pays the balance due and taxpayer submitted a payment paying that assessment	<ol style="list-style-type: none"> 1. Adjust the AOIC recoupment screen for the amount being reversed. 2. Input the credit reversal to the originating tax module. Establish a follow-up to ensure posting. Release the TC 570 if the taxpayer submitted payment and allow a refund. 3. Continue monitoring for compliance

- (11) If the earliest CSER has been written off by using TC 291 (accounts prior to implementation of TC 971/AC 32):

1. Use a bypass indicator to post credits to the .00 balance module(s).
2. Use CC REQ54/TC 290 to assess reversals of the written off tax including accrued penalty and interest due to the date of the payment and limited to the amount of overpayment.
3. Input TC 160 and/or TC 180 with a zero money amount, if necessary.

(12) Note all actions on the case history sheet or AOIC.

Example: "2010 refund recoupment applied to December 31, 2000 OIC tax period. Due to acceptance date (February 04, 2012) IRS entitled to refund from 2011."

(13) If the amount of the refund recoupment full pays the tax liability:

1. Input TC 780, if necessary.
2. Input TC 788 on all the offer periods.
3. Input history on AOIC to explain why there is an open offer balance on the AOIC Main Screen.
4. Turn off the OIC indicator as there is no need to monitor for compliance.
5. Change the AOIC status to CF.

(14) Manually input TC 131 to reverse the TC 130 if IRS is not entitled to the current year tax refund and additional offer payments are due. This includes TC 130 on a related TIN, if applicable. Follow up in 3 weeks and if the refund on the non recoupment year is not released, issue the refund by following manual refund procedures.

Note: .Ensure IMFOLT is researched for TC 846 prior to generating the manual refund.

(15) When the refund recoupment condition/term has been met (no collateral agreement, liens released) set up the file for 5-year monitoring. AOIC will systematically upload TC 131 when changing the status to 5M or 5B.

Note: To prevent an unpostable, if TC 131 was previously input manually, delete the upload via the XMIT screen on AOIC.

(16) The agreement to modify the compromise does not impact or change the refund recoupment years.

(17) If there was a Form 8379, Injured Spouse Allocation, filed on the recoupment year, do not reverse the allocation of the non-offer spouse.

5.19.7.10.1
(10-06-2022)
**Recoupment Year
Incorrect in an
Acceptance Letter**

- (1) OIC Acceptance Letters are generated from AOIC or local systems by Collection and Appeals.
- (2) Occasionally, the refund recoupment year(s) may be incorrectly stated. This usually occurs when an offer is accepted at the beginning of the tax year.
- (3) Regardless of the year(s) stated on the acceptance letter, monitoring units are required to monitor for the refund recoupment as stated in the terms of the OIC contract and required by law.
- (4) If contacted by the taxpayer or representative regarding recoupment of a refund for a year other than what is stated on the acceptance letter, apologize

for the error and advise that we are entitled to the refund as a term of the OIC contract. This includes the year of filing (TC 480) through the year of acceptance (TC 780).

Reminder: Beginning November 1, 2021, the IRS is no longer keeping any refund, including interest, in accordance with IRC 6402(a) for an original tax return assessed (TC 150) in the year of offer acceptance (TC 780).

5.19.7.10.2
(10-06-2022)

Refunds Mistakenly Sent to Taxpayers

- (1) When overpayments are mistakenly refunded to the taxpayer, contact the taxpayer and request the refund be returned or the offer will be defaulted.
- (2) Returned refunds are applied to the tax period from which they generated and then applied to the oldest CSED period on the offer. For more information follow procedures in IRM 5.19.7.14.3, Failure to Return Refunds (Refund Recoupments).

5.19.7.10.3
(10-06-2022)

Applying Refunds for Non Recoupment Tax Years

- (1) Taxpayers may request the IRS apply a refund for a non recoupment tax year to the offer amount.

Exception: For offers accepted on or after November 1, 2021, a refund due from an amended/adjusted return, not included on the Form 656 and the original assessment (TC 150) was prior to offer acceptance, the refund offset may still take place but should not be applied to the offer amount.
- (2) Generally this situation may arise when a taxpayer is unable to meet payment terms of an OIC. In such situations take the following steps:
 - a. Request the taxpayer send in written authorization.
Note: The credit cannot be applied without the written authorization.
 - b. Maintain this correspondence in the OIC case file, if available.
 - c. Input TC 130 immediately to hold the pending credit and TC 570 (on TXMOD) to stop the credit from offsetting.
 - d. Document AOIC Remarks.
- (3) When the credit becomes available apply the amount to the outstanding offer amount and oldest CSED period.
- (4) If the credit becomes available and we have not received written authorization from the taxpayer:
 - a. Contact the taxpayer making a second request for written authorization.
 - b. Give the taxpayer 15 days to respond.
 - c. If the written authorization is not received, release the TC 130 freeze.
- (5) Document all actions in the AOIC remarks or note the manually monitored history file.

Reminder: DO NOT SOLICIT REFUNDS.

5.19.7.11
(07-09-2020)

Separate OICs on Joint Liabilities

- (1) An offer in compromise may be submitted separately by one or more of the responsible individuals on joint liabilities.

Note: Taxpayers will be required to submit two offers. One for the joint liabilities and one for any BMF or each party must submit an offer that includes all the liabilities. See IRM 5.8.3, Offer in Compromise, Centralized Offer in Compromise Transfers, Perfection and Case Building.

- (2) Prior to January 1, 2001, all separately submitted accepted offers on IMF joint accounts were moved to Non-Master File (NMF). After January 1, 2001, split accounts were transferred to master file code, MFT 31. Two MFT 31 accounts were established. The offer taxpayer's balance due was for the offer amount with the remaining balance due(s) placed on the non-offer spouse.
- (3) Effective January 1, 2005, OICs on joint liabilities (MFT 30) must be transferred to two MFT 31 accounts which mirror the MFT 30.
- (4) Effective January 1, 2016, OICs on joint liabilities of a shared responsibility payment (MFT 35) must be transferred to two MFT 65 accounts that mirror the MFT 35.

5.19.7.11.1
(12-09-2024)

Mirror Assessments

- (1) The Chief Financial Officer set policy on October 21, 2002, that changed processing of a joint account when one spouse requests tax relief.
- (2) The policy states that IRS will split the joint return into two separate modules, one for the primary taxpayer and one for the secondary taxpayer, both mirroring the original return. The policy statement also called for a linkage for transaction codes between the modules and systemic intervention to accommodate payment and credit cross-referencing. The mirror functionality became operational January 2005.
- (3) Each taxpayer has an MFT 31 (MFT 65 if the module is a result of mirroring an MFT 35 liability) module created under their SSN that accurately mirrors the tax liability, transaction history and correct CSED/ASED to the point of creation.
- (4) If the offer has a **CSED** Imminent Module (**CSED** has 12 months or less remaining on the statute), do not mirror that tax module. Update AOIC remarks to indicate which tax module(s) was not mirrored due to an imminent CSED.
- (5) Exercise caution when mirroring is needed on a module with freeze codes other than the -Y freeze. Contact Exam to remove a -L freeze prior to initiating mirroring procedures.
- (6) If MOIC receives related offers and both have the same TC 480 and TC 780 dates on IDRS, mirroring is not required unless one of the offers is defaulted.
- (7) Mirror assessments must be established on master file when:
 - An offer is accepted by one taxpayer on a joint IMF liability.

Note: If one side of the account does not have a filing requirement, e.g. a deceased taxpayer, the filing requirements must be activated for the MFT 31 to be established. Refer to IRM 3.13.5.122, Re-opening a Master File Account (TC 012). Establish a follow-up to deactivate the filing requirements after the account has been mirrored.

 - Separate offers are accepted for both liable taxpayers and the offers have different TC 480 dates or TC 780 dates.

- One spouse on a jointly accepted OIC becomes noncompliant during the 5 year or longer compliance period.

Note: The Mirroring process should begin as soon as it is feasible. Modules that are paid in full by the offer amount are not mirrored.

- (8) For COIC, FOIC, and Appeals, this also includes offers submitted separately and are closed as other than an acceptance. COIC or FOIC investigating offices will be responsible for mirroring rejected, returned, or withdrawn offers.

5.19.7.11.2
(07-09-2020)
**Identifying Separate
Offers on Joint
Liabilities**

- (1) The majority of accepted offers are controlled on AOIC. If the AOIC MFT screen displays a CSED indicator of P for primary or S for secondary then research IDRS to identify the joint periods that must be mirrored.

Note: The CSED indicator is also displayed on IDRS under the TC 480 posting.

- (2) For manually monitored offers review the acceptance letter or the Form 656; if only one name appears and IDRS research of each tax period (CC TXMOD) shows a joint filing status (FS 2) then the MFT 30 period(s) must be mirrored to MFT 31 and MFT 35 must be mirrored to MFT 65.

5.19.7.11.3
(10-06-2022)
**Preliminary Mirror/MFT
31/65 Procedures**

- (1) Review the MFT 30 module(s) before beginning the transfer process to ensure all appropriate actions have been completed.

(2) **For accepted offers controlled on AOIC:**

1. Make INTST prints for each tax period to the date of the offer acceptance. See IRM 5.19.7.3.6, Timely Acceptance of Incoming OICs.
2. Update the AOIC Balance Screen.
3. Set up the AOIC Journal Screen to post and schedule payments.
4. Apply 4710 Account deposits. If the deposit full pays a period on the offer, do not mirror the module.
5. Update the AOIC status to "MS", Monitor Split.

(3) **For accepted offers manually monitored:**

1. Make INTST prints for each tax period to the date of the offer acceptance. See IRM 5.19.7.3.6, Timely Acceptance of Incoming OICs.
2. Prepare Form 2515, Record of Offer in Compromise.
3. Verify Form 2515, Form 656 and Form 7249 have the same tax class and periods. (If the tax class or periods do not agree, notify the originating office.)
4. Prepare Form 6314, Deferred Payment Offer Payment Record, if necessary.
5. Apply 4710 Account deposits. If the deposit full pays a period on the offer, do not mirror the module.
6. Ensure TC 480 has been input on each period, if not, input TC 480 onto the MFT 30 account.

- (4) The secondary spouse's SSN must be validated. See IRM 5.19.7.11.4 below.

- (5) When mirroring a module after the liability was previously written off by the offer:

1. Input TC 972 AC 32 which will generate the TC 605 to reverse the TC 604 write off.
2. Input TC 480.
3. Input TC 780 with a posting delay 1.
4. Set a follow up for two weeks to ensure the above transactions post successfully before beginning the mirroring process.

5.19.7.11.3.1
(10-06-2022)

**Mirroring Accounts
When Taxpayers have a
MFT 31/65 Established**

- (1) Functions such as Examination, Innocent Spouse, or Insolvency may create a MFT 31 under the joint taxpayer's respective SSNs and leave a balance due on the MFT30. For these instances, when the offer is ready for 5M status, steps must be taken to move the balance from MFT 30 onto the MFT 31(s) using Form 12810, Account Transfer Request Checklist. Additional information can be found in IRM 3.17.21, Credit and Account Transfers. The following are some TC 971 transaction codes to that create an MFT 31/65 account: MOIC will not be able to mirror these account, but will be required to move the MFT 30 balance due.

- TC 971 AC 102: Criminal restitution assessments used by Examination, does not mirror
- TC 971 AC 103: Individual assessments for a joint account used by Examination/Appeals/AUR, does not mirror
- TC 971 AC 104: Innocent Spouse will cause the account to mirror

Note: You can use the IAT Code Search Index (CSI) to research TC 971 action codes. The response will provide a definition and indicate if the action code does create a mirror.

- (2) When the research has been completed and the offer is ready for 5M status the Form 12810, Account Transfer Request Checklist, must be completed as follows:

- Complete the boxes on the form with all the required information, indicate the transfer is From MF to MF and a Complete Account Transfer. The From account will be the MFT 30 and the To Account is the MFT 31. One form is needed for each SSN under MFT 31.
- In the Remarks section of the Form 12810 indicate the form pertains to an offer in compromise.

Example: The primary taxpayer has an offer that was mirrored by another function causing balances on MFT 30 and MFT 31 for tax year 2010. The TC 400 and TC 402 need to post for MOIC can move payments.

- Use the DLN of the TC 150 from the MFT 30 and one form per tax year.
- Refer to the taxpayer's Entity on CC ENMOD for the BOD Code.

Reminder: Mirroring is not required on an account with a CSED under 12 months, refer to IRM 5.19.7.11.1.

- Attach a complete current print of the MFT 30 and 31 TXMOD, prints cannot be more than 2 weeks old.
- Provide the forms to your Lead or Manager for signature.
- Submit the forms and prints to the Kansas City NMF Processing Unit.

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Note: The completed transfer process may take up to 8 weeks to complete. Establish follow-ups accordingly.

5.19.7.11.4
(07-09-2020)
Validating the Secondary SSN

- (1) Before beginning the mirror/transfer process the secondary spouse's SSN must be validated. Master file will not create an MFT 31/65 if the secondary SSN is not valid.
- (2) To verify the secondary spouse's SSN use CC IMFOLE to review the entity information:

If	Then
The SSN is valid	Proceed with the mirroring process
The SSN is invalid (*)	Research to determine the reason for the invalid condition: <ul style="list-style-type: none"> • SSN transcription Error • Incorrect transcription of surname

- (3) Correct the SSN or Name Line using CC ENMOD/ENREQ and monitor until the SSN moves into a valid segment (in about 3 weeks) then continue with the mirroring process.
- (4) If you determine that an invalid name control is due to the secondary spouse not notifying the Social Security Administration of a change in surname due to divorce or marriage, then validate the SSN using CC IRCHG. The validation (correction) must be made for each tax period.
- (5) Use CC ENMOD to monitor for TC 017 to post (about 3 weeks) then continue the mirroring process.
- (6) If unable to validate the secondary SSN, the MFT 30/35 modules cannot be mirrored. They must be transferred to NMF by completing Form 12810, Account Transfer Request Checklist, and routing to the appropriate consolidated NMF site as indicated on SERP.
- (7) Establish a control on the account being moved to NMF.
- (8) Set appropriate follow up dates for all actions taken and update the case history.

5.19.7.11.5
(12-09-2024)
Mirror Assessments - MFT 31/65 Procedures

- (1) When all preliminary actions and validations have been completed then the joint liability periods are ready to be mirrored. Follow the steps below using CC REQ77:

Note: Do not change the TSign 8500 so that MOIC can maintain control.

- (2) Begin Step 1: Initiating the triggering event.
 1. Input a TC 971 - AC 101 on the MFT 30/35 with a cross reference to the Primary TIN.
 2. Input another TC 971 - AC 101 on the MFT 30/35 with a cross reference to the Secondary TIN.
 3. Input TC 971 - AC 145 on the MFT 30/35 at the same time with a post delay of 2.

Note: Approximately two weeks after input, of the TC 971-AC 101, “mirror modules” on MFT 31/65 will generate under each spouse's SSN. Input of TC 971 - AC 145 on the MFT 30 module establishes TC 400 and creates both MFT 31/65 modules. MFT 31/65 modules will post in the next cycle. IMF will mirror all transaction from MFT 30 to MFT 31 including the TC 400.

- (3) Monitor for MFT 31/65 modules and posting of TC 400 on MFT 30/35. At the 4 week follow up, verify there are 3 modules present: one joint MFT 30/35 module, one MFT 31/65 for the primary, one MFT 31/65 for the secondary.

If	Then
The case is on AOIC	<ul style="list-style-type: none"> Update to MS status. Set a 4 week follow up with an action note to Check with Mirror MFT 31/65 posting.
The case is manually monitored	<ul style="list-style-type: none"> Establish a control base on IDRS using CC ACTON. Use Activity Code MFT31/65sXXXX where XXXX is date to check for posting of MFT 31/65 (4 weeks from day TC 971 AC 101 and TC 971 AC 145 input) Input Category Code SPC4 Use Status M

- (4) Step 2: After both MFT 31 modules are established and TC 400 has posted to the MFT 30/35 and MFT 31/65 modules, input TC 972-AC 145 on MFT 30/35 and both MFT 31/65 modules:
- Input a TC 972-AC 145 on the MFT 30/35.
 - Input a TC 972-AC 145 on the MFT 31/65 Primary SSN.
 - Input a TC 972-AC 145 on the MFT 31/65 Secondary SSN.
 - Input TC 470 posting delay 2 (no closing code) to the offer taxpayer's MFT 31/65 module.

Note: TC 972 AC 145 generates a TC 402 to bring the module balance back on all 3 MFTs. A TC 971 AC 132 will systemically generate on the MFT 30/35 module after the TC 402 posts. TC 971 AC 132 will generate TC 604 to close out the balance due on MFT 30/35. This will leave a balance due on the MFT 31/65 modules.

- (5) Monitor for the posting of the TCs on MFT 30/35 and both MFT 31/65 modules.

If	Then
If the case is on AOIC	<ul style="list-style-type: none"> Input a follow up date for 4 weeks from the date of input with action note to Monitor TC 402 on MFT 31/65.
The case is manually monitored	<ul style="list-style-type: none"> Update the IDRS control base using CC ACTON: Activity Code Monitor 402 Category Code SPC4 Status M

- (6) Step 3: Closing the OIC on non-offer accounts.

1. Input TC 782 using the same date of the TC 780. Then input TC 483 with a post delay 1 using the same date of the TC 480 on the MFT 30/35 module after the TC 604 posts.
2. Input TC 782 using the same date of the TC 780. Then input TC 483 with a post delay 1 using the same date of the TC 480 on the MFT 31/65 module of the non-offer spouse.

Note: If there were two separate offers that were accepted for both taxpayers, leave the TC 480 and TC 780 on each MFT 31/65 module.

3. Input TC 472 to non-offer spouse once all TC's have posted.
- (7) As a part of establishing the two MFT 31/65 modules a TC 370 is systemically generated with one DLN identifying the primary SSN from the copy and both will carry a complete mirror of the MFT 30/35 module.
- (8) If the offer taxpayer is the secondary taxpayer and TC 400 posts, the TSIGN should be reversed back to 0000 and the OIC indicator shut off on primary taxpayer's SSN. (This can be done at the same time of TC 972 - AC 145 input.)

Note: When the mirroring of the modules is complete be sure that the non-offer taxpayer's accounts do not restrict penalty and interest.

- (9) MFT 31/65 mirrored modules will generally reflect the collection status immediately prior to Status 29. TC 470 is input on the MFT 31/65 of the offer taxpayer in order to suppress collection notices that are systemically generated when the mirrored accounts are established on IDRS.

Note: Reverse TC 470 with a TC 472 on the non offer spouse, all applicable modules.

- (10) Update the AOIC MFT Screen to reflect the MFT 31/65 modules.
- (11) Update the liability on the MFT screen on AOIC from MFT 30/35 to MFT 31/65.
- (12) Due to the fact that the MFT screen is locked after one update and won't allow additional edits, submit a request to the *SBSE Coll Policy OIC mailbox to update the AOIC Entity screen, if needed, to ensure the Offer TIN and IDRS TIN are correctly reflected. The request should include the exact changes that need to be made.
- (13) Offer payments received on the offer MFT 31/65 after mirroring will systemically cross reference to the MFT 31/65 module of the non offer spouse.
- (14) Because the CSED on the mirrored accounts differ, periodically check to see if the offer payment will cross reference to a period of the non offer spouse with an expired CSED.
- (15) OIC payments received after the initial mirroring process has begun may post to the MFT 30 account. Payments that posted to the MFT 30/35 prior to the posting of the TC 400 will be posted to the MFT 31/65 module(s). If a payment is identified on the MFT 30/35 module after the TC 400 then a credit transfer will be required as it will not be reflected on the 31/65 module. If needed, complete credit transfer from the MFT 30/35 to the applicable module per IRM 5.19.7.8, Applying payment on Accepted OICs.

- (16) Cross referenced payments reduce the unpaid balance of the co-obligor but are nonrefundable.
- (17) When an offer with mirrored modules is being placed in monitoring status of 5M, a TC 972 AC 110 **must** be input on both MFT 31/65 modules for the offer to prevent the cross-referencing of any future payments made by the spouse.

5.19.7.11.6
(12-09-2024)

Mirror Assessments Due to Non-Compliance

- (1) Both taxpayers on a joint tax liability must remain compliant with filing and paying subsequent returns following acceptance of an offer in compromise. The taxpayers must be compliant for the 5-year period following acceptance of the offer or during an extended offer payment period, whichever is longer. Extended offers were accepted prior to the 2012 revision of the Form 656.
- (2) If one taxpayer is noncompliant during the compliance period and the other compliant, only the noncompliant spouse will be in default. The account is split and the offer will remain in effect for the compliant taxpayer.

Note: Apply TC 470 with no closing code to prevent notices from issuing on the compliant taxpayer's account.

- (3) Tax examiners should first follow Default Procedures in IRM 5.19.7.14, OIC Potential Defaults, and correspond only with the noncompliant spouse.
- (4) When the noncompliance occurs during the 5-year monitoring (5M), all previously written off tax periods must be reversed and established as a separate MFT 31/65 account.
 - 1. Input TC 972 AC 32 to reverse all TC 604 write-offs.
 - 2. Input TC 480, 780 because after input of TC 788 IDRS no longer reads prior transactions.
 - 3. Input TC 971 AC 101 to create the MFT 31/65 account cross referencing the non compliant spouse's SSN. Also input TC 971 AC 101 to create the MFT 31/65 account for the compliant spouse. The transaction date is the action date.
 - 4. Input 971/145 with a posting delay.
 - 5. Monitor for the TC 400 to post.
 - 6. Input TC 972 AC 145 to the MFT 30/35 and both MFT 31/65 mods.
 - 7. Monitor for the TC 402 to post.
 - 8. Input 781 to non-compliant taxpayer's MFT 31/65.
 - 9. Turn off OIC indicator on the Non-complaint Taxpayer, input ENMOD - ENREQ and enter "1966" for the OIC indicator.
 - 10. Ensure all applicable AOIC screens are updated to reflect only the compliant taxpayer.

- (5) Before inputting any transactions to MFT 31 research IMFOL to ensure that the MFT 31/65 module(s) have posted with the correct entity.

Note: If the name is not correct all subsequent transactions will go unpostable.

- (6) When noncompliance occurs while extended offer payments are being made (usually beyond the 5-year compliance period).
 - 1. Input TC 971 AC 101 on the MFT 30/35 account, cross-reference the noncompliant spouses' SSN. The transaction date is the action date.
 - 2. Remove the Y freeze using CC REQ77 on IDRS:

3. Input TC 483, TC 782 or TC 788, whichever is appropriate.
4. Input TC 470 (no closing code) to prevent notices from issuing.
5. Input TC 016 (1966) on ENMOD on the primary SSN (with a one cycle delay) to turn off the OIC indicator, if the default is for the secondary taxpayer.

5.19.7.11.7
(10-06-2022)

Innocent Spouse Claims

- (1) A taxpayer who files a joint return with a spouse is generally jointly and severally liable for all tax due in that tax year. If a taxpayer believes they should not be required to pay the tax (including penalties and interest) for a tax year in which they filed a joint return, the taxpayer may be eligible for relief from joint and several liability.

Note: The Innocent Spouse Team will review cases in which the account shows a joint return, but the taxpayer claims no joint return was filed or the taxpayer's signature on the joint return was forged. See IRM 25.15.1.2.3, Return Signed Under Duress, IRM 25.15.1.2.4, Forged Signatures, and Form 8857, Request for Innocent Spouse Relief, instructions.

- (2) Taxpayers generally request Innocent Spouse Relief via Form 8857. The taxpayer filing the Form 8857 is referred to as the requesting spouse or requesting taxpayer. The Form 8857 claim is referred to as an Innocent Spouse claim. Innocent Spouse will indicate on the account with a TC 971 AC 065 when request has been received.
- (3) When the spouse filing the Innocent Spouse claim is granted relief IRS may still collect the entire liability from the other spouse. Innocent spouse examiners generally set up an assessment on the other spouse separately via MFT 31. Related Examination paper work will be forwarded to the OIC monitoring unit.
- (4) Exam will forward Innocent Spouse determination letters to the back end OIC Unit when there is an unreversed TC 780 on the module. This determination letter should be held in the case file pending closure of the OIC case.

If	And	Then
The OIC taxpayer defaults	both account(s) have been moved to NMF (prior MFT 20)	<ol style="list-style-type: none"> 1. Default the offer on the NMF but, do not reopen the MFT 30 account. (The innocent spouse examiner will have abated the NMF assessment on the innocent spouse.) 2. Retain the Innocent Spouse determination letter in the case file for an audit trail. 3. Update the AOIC or manual history file.
The OIC taxpayer defaults	the other spouse was granted relief under innocent spouse	Update the AOIC or manual history file.
The OIC taxpayer defaults	separate MFT 31 accounts were previously established for both taxpayers	<p>The innocent spouse examiner will have already abated the innocent spouse MFT 31 account.</p> <ol style="list-style-type: none"> 1. Default the OIC taxpayer. 2. Leave the determination letter in the case file for an audit trail. 3. Update the AOIC or manual history file.

If	And	Then
The OIC taxpayer complies with all terms of the offer	the account(s) remained on MFT 30	<ol style="list-style-type: none"> 1. Contact the innocent spouse examiner to be sure TC 290 with reason code 98 is input on the MFT 30 account. 2. Establish the MFT 31 on the OIC taxpayer. 3. Retain the determination letter in the case file for an audit trail. 4. Update the AOIC or manual history file.
The OIC taxpayer complies with all terms of the offer	both account(s) were moved to NMF or MFT 31	<p>The innocent spouse examiner will have already abated the innocent spouse MFT 31 account.</p> <ol style="list-style-type: none"> 1. Close the offer. 2. Do not return the determination letter to the innocent spouse examiner. 3. IRS has compromised all of the liabilities.

- (5) For information on the retention and disposition of the case file that contains original records, see Document 12990, IRS Records Control Schedules.
- (6) For instances where the OIC has been closed on MFT 30 (TC 788) prior to processing the innocent spouse claim, Innocent Spouse will issue the letter to the requesting spouse. A copy of the letter will not be sent to the OIC unit because the OIC taxpayer has complied with all terms of the offer and the liabilities have been compromised.

5.19.7.11.8
(07-09-2020)
**Subsequent Payments
on Co-Obligor MFT 31
Accounts**

- (1) A master file account must be established for the co-obligor using current MFT 31/65 procedures. There may be special circumstances i.e. invalid TIN, requiring an NMF account be established.
- (2) If establishment of the co-obligor's account is pending on master file or NMF, prepare a Form 3244 to apply payments on a deferred NMF account.

Note: Per local policy, you may place payments in the 4710 Account while waiting for the account to transfer from master file to non-master file or MFT 31/65.

5.19.7.11.9
(07-09-2020)
**Correcting Unpostable
TC 788 on MFT 31
Accounts**

- (1) TC 788 goes unpostable on MFT 31 accounts established from January 2001 through January 2005. The -Y freeze does not release and subsequent refunds due the taxpayer may be frozen.
- (2) Although TC 780 displays on IDRS TXMOD, it did not set on master file when the MFT 31 account was created. Without an established TC 780 on the account input of TC 788 goes unpostable.
- (3) To correct this condition re-input the OIC transactions using REQ77.
 1. Re-input TC 480, TC 780 and TC 971 (if applicable).
 2. Input TC 788 with appropriate posting delays.
 3. The -Y freeze should then drop off and allow taxpayers to receive refunds due.

5.19.7.11.10
(07-09-2020)
**Reversing a Mirrored
Module**

- (1) Verify that the module should be reversed. To reverse a mirrored module you must input the transactions on MFT 30 and wait until all transactions post before inputting transactions to MFT 31. When reversing any of these TC 971s, the TC 972 transaction date must be the same as the transaction date of the TC 971s being reversed. This includes any reversals for cross referenced TINS that might be required for the input. Verify all payments are applied and establish follow-ups to confirm the reversal posted to IDRS.
- (2) On the MFT 30 module input:
 1. TC 972 AC 101 with the XREF TIN of the primary taxpayer.
 2. TC 972 AC 101 with the XREF TIN of the secondary taxpayer.
 3. TC 972 AC 132 using a Posting Delay Code (PDC) of 1 cycle. This will generate a TC 605 (debit). This reopens the module balance on MFT 30.
- (3) After verifying all required transactions listed above posted to the MFT 30 module, input the following transactions on the MFT 31 modules:

Account	Action
On the primary taxpayer's module:	<ol style="list-style-type: none"> 1. TC 972 AC 101 with a cross-reference to the secondary TIN 2. TC 971 AC 132. This will adjust the MFT 31 modules to zero.
On the secondary taxpayer's module:	<ol style="list-style-type: none"> 1. TC 972 AC 101 with a cross-reference to the primary TIN. 2. TC 971 AC 132 This will adjust the MFT 31 modules to zero.

5.19.7.12
(07-09-2020)
Collateral Agreements

- (1) A collateral agreement is additional consideration for an Offer in Compromise that enables the Government to collect funds beyond the amount paid with the offer, thereby recouping part or all of the difference between the amount of the offer and the liability compromised.

5.19.7.12.1
(12-09-2024)

Types of Collateral Agreements

- (1) One or more of the following collateral agreements may be part of the OIC.

Type	Form Used	Explanation
Future Income	Form 2261(IMF), Form 2261-A(BMF)	A collateral agreement that creates a potential obligation for the taxpayer to pay a graduated percentage of future income for a specified number of years. The obligation is contingent on the taxpayer's income exceeding a negotiated annual income amount.
Reduction of Basis	Form 2261-B	An agreement by the taxpayer to reduce the basis of specifically identified stock and real or
Waiver of Loss	Form 2261-C	An agreement by the taxpayer to waive the benefit of net operating losses, bad debts, capital losses per IRC 166 and non-business capital losses, passive losses and/or unused investment tax credits in the computation of income tax for years stated in the

#

- (2) If the taxpayer has met 5-year compliance requirements and the only remaining terms being monitored are related to the collateral, a potential default will only occur if the collateral agreement is not adhered to.
- (3) Managers are required once a year to review all collateral offers that are over 5 years old to determine if all collateral terms have been met or are correctly listed as an open collateral.

5.19.7.12.2
(07-09-2020)

Setting Up Collateral Agreement Files

- (1) The collateral agreement file is a part of the open offer file. Except for manually monitored offers, the original offer and collateral agreement file will be sent to FRC after a dummy file has been created.

Note: Manually monitored offers with a collateral agreement are maintained in the campus and must have the original Form 6313, Collateral Agreement Payment Record, prepared in the case file.

- (2) Set up a collateral agreement dummy file with a copy of the collateral agreement, and the Form 2515, Record of Offer in Compromise.

- (3) For offers on AOIC take the following action:
 - a. Indicate type of collateral agreement, e.g., Form 2261, Form 2261-B, and years involved on Form 2515.
 - b. Update the AOIC collateral screen with information from the collateral agreement.
- (4) Collateral dummy files are to be maintained at the campus until the offer is closed. When the offer is closed the file will be sent to FRC with a new accession number.

5.19.7.12.3
(07-09-2020)

Processing Future Income Collateral Agreements

- (1) Future income collateral agreements for an individual or a business run for a specified period, beginning the year following the year the offer is accepted.
- (2) For each year of the collateral agreement, forty-five (45) days prior to the due date of the taxpayer's annual income tax return, prepare and send a "collateral" package to the taxpayer. Include the following items in the package:
 - a. AOIC Letter 279 SC/CG.
 - b. Two copies of Form 3439, Statement of Annual Income, for IMF or two copies of Form 3439-A, Statement of Annual Income (Corporate), for BMF accounts.
 - c. An addressed return envelope.
 - d. A cover sheet is suggested to avoid having copies of returns misdirected through the pipeline.
 - e. Copy of Collateral Agreement.

Note: For requests for blank tax forms, provide: (1) the toll-free number for forms to be mailed (800)-829-3676, or (2) the IRS Internet Web site *irs.gov*.

- (3) After compiling the collateral package take the following steps:
 - a. Record on Form 6313 the tax year and date the package is mailed to the taxpayer.
 - b. Mail the package to the taxpayer.
 - c. Update AOIC recording the information in (a).

5.19.7.12.3.1
(12-09-2024)

Processing Future Income Collateral Responses

- (1) When a signed Form 3439 or Form 3439-A is received from the taxpayer, record the date received on the AOIC history and the Form 6313. If with remittance, also record the amount received.
- (2) Prepare or generate and print Form 3244 from AOIC for remittances received with Form 3439:
 - Input TC 670 with the amount
 - Input designated payment code (DPC) 09
 - Apply the payment to the oldest CSED offer tax period
 - Enter TC 570 with .00 (second TC)
 - If an NMF account, enter in **Remarks** 6530 Account Collateral Agreement
- (3) Prepare Form 8485, Assessment Adjustment Case Record, to reverse any write-offs on manually processed cases use:
 - Priority Code 3 or 8 (per campus policy)
 - Hold Code 3

- Blocking Series 80 (except for MFT 55)
- (4) For the accounts previously written off using TC 971 AC 32:
- a. Input TC 972 AC 32.
 - b. Assess applicable accruals if the TC 605 is less than the payment amount.
- Note:** When performing a manual calculation of interest follow procedure in IRM 20.2.1.4.2, Manual Calculation of Interest, and IRM 20.2.5.2.3, Steps to Compute Interest.
- c. Monitor the account for the payment to post.
 - d. Re-input TC 480, then TC 780 with delay code of 1, when the total amount paid has posted to the tax periods.
 - e. Also, re-input TC 971 AC 032 delay code 2 and TC 788 delay code 4.
- (5) **If the taxpayer submits a Form 1040 tax return (CC RTVUE), and a Form 3439:** Verify the income on the tax return using the Information Returns (IRs) found under IDRS command code IRPTR (available by the end of May for the previous calendar year) as indicated in the following table:

Type of Income IR	Item and Box in Which it Should Appear
W-2	Wages, tips, other compensation (box 1)
W-2G	Gambling Winnings (box 1)
1099-G	Unemployment compensation (box 1) State & local income tax refunds (SITR) (box 2)
1099-INT	Interest Income (box 1)
1099-DIV	Dividend Income (box 1a)
1099-MISC	Rent (box 1) Other Income (box 3) Non-Employee Compensation (NEC) (box 7) Note: NEC can also be reported on a 1099-NEC.
1099 -R	IRA Distribution Distribution from pension, annuities Capital gain (box 3)
SSA -1099	Benefits received (box 3)

Note: If the accepted offer was for a single taxpayer, and the taxpayer is now filing a joint return, you must include the spouse's IRPTR income in the verification to determine if all of your taxpayer income is included on the return.

- a. If unable to identify and verify all IRPTR income listed in the above table on the tax return, or the IRPTR includes any Form 1099 other than those

listed above, send to Exam for review, along with the submitted Form 3439 Statement of Annual Income (Individual), Form 2261, Collateral Agreement - Future Income (Individual), and IDRS prints RTVUE, IRPTR, the AOIC Journal Screen, and the original case file if requested. Only the IRs listed above are to be verified. All other IRs (i.e. 1098 Mortgage Interest Expense) are not income documents.

Note: NEC income of \$400 or more is subject to self-employment tax (SET). If the taxpayer did not include SET on their tax return, send the case to Exam for review, along with submitted Form 3439, Statement of Annual Income (Individual) Form 2261, Collateral Agreement - Future Income (Individual), and IDRS prints RTVUE, IRPTR, the AOIC Journal Screen, and the original case file if requested.

- b. If the IRPTR information lists IRs that can only be reported on a Form 1040, send the case to Exam for review, along with submitted Form 3439, Statement of Annual Income (Individual), Form 2261, Collateral Agreement - Future Income (Individual), and IDRS prints RTVUE, IRPTR, the AOIC Journal Screen, and the original case file if requested.

(6) Verify Form 3439, Statement of Annual Income:

- a. Include all applicable non-taxable and taxable income (see back of Form 3439 for a complete list).

Note: Tips for completing the statement of annual income, Form 3439:

Example: Line 2 - Non-taxable income other than social security and railroad retirement benefits should be included on this line. Please see IRS Publication 525, Taxable and Non-Taxable Income.

Example: Line 3(a) - Enter the total tax as indicated on your Form 1040 on this line.

Example: Line 5 - Enter the information from Item 1 of your Form 2261, Collateral Agreement.

- b. Include all offer payments received during the calendar year that covers the tax return period.
- c. Verify all math calculations: if corrections aren't needed, annotate AOIC remarks and accept as filed.

(7) **If the taxpayer submits a Form 1040 tax return (CC RTVUE), and a Form 3439 that needs correction:**

1. Prepare Form 3440, Adjustments to Statement of Annual Income.
2. Forward the Form 3439 and / or Form 3440, along with the tax return and print of the AOIC journal screen to the Lead Tax Examiner for review. The Lead will initial and date the upper left corner of the Form 3439/3440 and return to the Tax Examiner for processing within three days.
3. If the tax return and Form 3439 submitted by the taxpayer are correct, accept as filed.
4. If the tax return is correct, but the Form 3440 is prepared, and the taxpayer has a balance due over tolerance or they have overpaid, send Collateral Letter 279. If there is a balance due, inform the taxpayer of a

potential default, and request the additional amount due. If the taxpayer has overpaid, they should agree and request the refund before it can be released.

Note: If the Form 3440 indicates no balance due, annotate AOIC history and accept as filed.

5. Suspend case for 45 days from the date of letter.
6. If no response to a balance due, default offer.
7. If no response to a potential overpayment, annotate AOIC remarks and accept as filed.

(8) If the taxpayer submits a tax return other than a Form 1040 (i.e., Form 1120, Form 1120S, Form 1065) and a Form 3439-A, verify Form 3439-A, Statement of Annual Income:

1. Verify all math calculations, include all offer payments received during the calendar year that cover the tax return period. If the tax return and Form 3439 submitted by the taxpayer are correct, accept as filed.
2. If Form 3439 needs correction, prepare Form 3440.
3. Forward the Form 3439 and Form 3440 (if applicable), along with the tax return and print of the AOIC journal screen to the Lead Tax Examiner for review. The Lead will initial and date the upper left corner of the Form 3439 / Form 3440, and return to the Tax Examiner for processing within three days.
4. Route the tax return to Exam for review, along with Form 3439-A, Form 3440 (if applicable), Form 2261-A, Collateral Agreement, IDRS prints, RTVUE/BRTVU, IRPTR the AOIC Journal Screen, and the original case file if requested.

(9) If the tax return is correct, but the Form 3440 is prepared, send Collateral Letter 279 which should inform the taxpayer of a potential default if there is a balance due over tolerance, and request either the additional amount due or notify the taxpayer that they have overpaid.

1. Suspend case for 45 days from the date of letter.
2. If no response, default the offer.
3. If no response to a balance due, default offer.
4. If the taxpayer responds with a request for an extension to pay the balance due, MOIC can grant up to a 120 day extension to pay. Research IDRS to ensure the CSED will not expire before the payment is received at the end of the extension period. Send Letter 2908.

(10) If Exam advises the request of an amended return, send Letter 279 to the taxpayer which informs them of potential default, and suspend case for 45 days from the date of letter.

1. If no response, default the offer.
2. If you receive the amended return, route to Exam for review along with a copy of the letter that was sent to the taxpayer.
3. Route amended tax return for processing, and retain a copy in the offer file. Monitor for posting of the adjustment to IDRS.

(11) If the taxpayer submits a Form 1040 tax return (CC RTVUE), but does not submit a Form 3439: verify the taxable income on the tax return to the Infor-

mation Returns (IRs) found under IDRS command code IRPTR (available by the end of May for the previous calendar year) as illustrated in the following table:

Type of Income IR	Item and Box in Which it Should Appear
W-2	Wages, tips, other compensation (box 1)
W-2G	Gambling Winnings (box 1)
1099-G	Unemployment compensation (box 1) State & local income tax refunds (SITR) (box 2)
1099-INT	Interest Income (box 1)
1099-DIV	Dividend Income (box 1a)
1099-MISC	Rent (box 1) Other Income (box 3) Non-Employee Compensation (NEC), (box 7) Note: NEC can also be reported on a 1099-NEC.
1099-R	IRA Distribution Distribution from pension, annuities Capital gain (box 3)
SSA-1099	Benefits received (box 3)

- (12) If unable to identify and verify all IRPTR income on the tax return, send to Exam for review, along with Form 2261, Collateral Agreement, and IDRS prints RTVUE, IRPTR, the AOIC Journal Screen, and the original case file if requested. If Exam review advises the request of an amended return, send Letter 279 and a Form 3439 to the taxpayer which informs them of potential default, and suspend case for 45 days from the date of letter.

1. If no response, default the offer.
2. If you receive the amended return, but not a Form 3439: prepare the Form 3439 and route the amended return and the Form 3439 to Exam for review, along with a copy of the letter that was sent to the taxpayer.
3. If you receive the amended return and a completed Form 3439, verify the Form 3439, create a Form 3440 if necessary, and route to Exam for review along with a copy of the letter that was sent to the taxpayer.
4. Route the amended tax return for processing, and retain a copy in the offer file. (Monitor for posting of the adjustment to IDRS.)
5. If there is a balance due over tolerance per the Form 3439 or Form 3440, send another Letter 279 to the taxpayer which informs them of potential default, request a signature on the Form 3439, and the amount due.
6. Suspend case for 45 days from the date of the letter. If no response, default the offer.

- (13) If the tax return includes all IRPTR income, prepare Form 3439.
1. If there is a balance due over tolerance per the Form 3439, send Collateral Letter 279 to the taxpayer which informs them of potential default, request a signature on the Form 3439, and the amount due. Suspend case for 45 days from the date of letter. If no response, default the offer.
 2. If there is no balance due per the Form 3439, notate AOIC history and accept as filed.
 3. If the taxpayer responds with a request for an extension to pay the balance due, MOIC can grant up to a 120 day extension to pay. Research IDRS to ensure the CSED will not expire before the payment is received at the end of the extension period. Send Letter 2908.
- (14) **If the taxpayer submits a tax return other than a Form 1040 (i.e., Form 1120, 1120S, 1065), but does not submit a Form 3439-A, send to Exam for review, along with a blank Form 3439-A, Form 2261-A Collateral Agreement, IDRS prints RTVUE / BRTVU, IRPTR, and the AOIC Journal Screen.**

Note: All Form 2261-A A agreements should be forwarded to Exam.

- (15) **If the taxpayer does not respond to the collateral package and a return or extension to file is not posted within 60 days of the due date of the return, or responds that they are not liable, compare the W-2 Income or IRPTR information to determine filing requirements. See IRM 5.19.2, Individual Master File (IMF) Return Delinquency.**

If	Then
The taxpayer does not respond or does not file	<ol style="list-style-type: none"> 1. Send potential default letter. 2. Suspend case for 45 days from date of letter. If no response, follow procedures in IRM 5.19.7.15, Processing Defaulted OICs.
It appears that the taxpayer is not liable to file	<ol style="list-style-type: none"> 1. Document Form 6313 or AOIC. 2. Return Form 6313 to the case file. 3. Update AOIC to the appropriate status. 4. Close TDI. MOIC inputs the FRM49, TC590/76.

- (16) If a tax period included in the Future Income Collateral Agreement is amended / adjusted at a later period in time, MOIC should compute the Form 3440 to determine if there is an additional balance due.
- a. If there is no balance due per the Form 3440, notate AOIC history and accept as filed.
 - b. If there is a balance due over tolerance per the Form 3440, send Collateral Letter 279 to the taxpayer which informs them of potential default, request a signature on the Form 3440, and payment for the amount due.
 - c. Suspend case for 45 days from the date of letter.

- d. If no response, default offer.
 - e. If the taxpayer responds with a request for an extension to pay the balance due, MOIC can grant up to a 120 day extension to pay. Research IDRS to ensure the CSED will not expire before the payment is received at the end of the extension period. Send Letter 2908.
- (17) If an Exam review advises the request of an amended return, send Letter 279 to the taxpayer which informs them of potential default, and suspend case for 45 days from the date of letter.
- a. If no response, default the offer.
 - b. If you receive the amended return, route to Exam for review.
 - c. Route amended return for processing, retain a copy in the offer file. Monitor for posting of the adjustment to IDRS.

5.19.7.12.4
(12-09-2024)

**Processing Other
Collateral Agreements**

- (1) Form 2261-B, Collateral Agreement - Adjusted basis of Specific Assets, will be sent to Exam between ten and twelve weeks after the due date of the return, and the original case file if requested.
- a. Examination determines compliance with terms of the collateral agreement and forwards the file back to the offer unit.
 - b. Based on Exam's guidance, the tax Examiner will take the next appropriate action (i.e. file case, start potential default actions).
- (2) MOIC tax examiners should review the tax returns included on the Form 2261-C, Collateral Agreement - Waiver of Net Operating Losses, Capital Losses, and Unused Investment Credits, Unused AMT credit, and/or any "unexplained" credits to evaluate if the package should be sent to Exam for review. This review should occur no later than 10-12 weeks after the due date of the tax return or valid extended due date of the tax return. Command codes (CC) RTVUE will show the tax return information.

Reminder: Form 3439 or Form 3439-A are **not sent** to the taxpayer.

Note: Form 1040 changed for tax year ending 12/31/2018 with many of the previous tax returns line items moved to Schedules 1, 2, 3, 4 or 5.

Note: Always refer to the correct tax year return for the collateral year in review.

- a. If the taxpayer files a Form 1040 and the Collateral agreement prohibits a capital loss, review Form 1040 for a negative dollar amount. If present, forward to Exam for review, along with Form 2261-C, Collateral Agreement, IDRS RTVUE print, and the original case file if requested.
- b. If the taxpayer's Form 1040 and the Collateral agreement prohibits a net operating loss (NOL), review Form 1040 for a negative entry or a NOL identified by a negative entry on Form 1040 (other than Schedule E Part I). If present, forward to Exam for review, along with Form 2261-C Collateral Agreement - Waiver of New Operating Losses, Capital Losses, and Unused Investment Credits, and the original case file, if requested.
- c. If the taxpayer's Form 1040 and the Collateral agreement prohibits an Unused Investment Credit, review Form 1040 for a negative entry. If present, forward to Exam for review, along with Form 2261-C, Collateral Agreement - Waiver of New Operating Losses, Capital Losses, and Unused Investment Credits, and the original case file if requested.

- (3) If the Form 1040 taxpayer **does not** claim a capital loss and / or a net operating loss as outlined above, or an unused investment / AMT / or an “unexplained” credit, **accept as filed**.
- (4) If the Form 1040 taxpayer **does** claim a capital loss and / or a net operating loss as outlined above, or an unused investment / AMT / “unexplained” credit, or an income tax return other than a Form 1040, forward the case to Exam for review, along with Form 2261-C, Collateral Agreement, and the original case file if requested.

Note: Losses cannot be carried on Form 94X or Form 1065 tax returns. Any Form 1120-S loss would pass to the shareholder(s), and are limited to credits which would be included on the taxpayers Form 1040. MOIC can close these cases “accepted as filed”. All other types of tax returns go to Exam for review.

- (5) If Exam review advises the request of an amended return, send Letter 279 to the taxpayer which informs them of potential default, and suspend case for 45 days from the date of letter.
 - a. If no response, default the offer.
 - b. If you receive the amended return, route to Exam for review along with a copy of the letter that was sent to the taxpayer.
 - c. Route amended return for processing, retain a copy in the offer file. Monitor for posting of the adjustment to IDRS.
- (6) MOIC processes basis and other collaterals per the terms and the years included on the collateral as indicated in the chart below:

If	Then
Terms of the basis or other collateral agreement have been satisfied.	1. Input TC 788 2. File collateral in closed file.
Terms of the basis or other collateral agreement have not been met, i.e., the asset has not been sold.	Continue to review the collateral file annually, forwarding to the Exam function as needed.
After satisfactory conclusion of the 5-year monitoring period for compliance, the basis or other collateral agreements will be reviewed yearly until all CSED's of all tax periods included in the offer have expired or the Collateral offer terms have been satisfied, whichever comes first.	1. Input TC 788 2. File collateral in closed file.

Note: If the taxpayer has met 5-year compliance requirements and the only remaining terms being monitored are related to the waiver collateral, do not

send a potential default letter for the sole purpose of requesting the taxpayer file a return in order to complete the waiver collateral review.

5.19.7.12.5
(07-09-2020)
**Examination Function
Review**

- (1) The Campus Examination Function reviews the Collateral Agreements to determine if the terms of the agreement have been met. If during this review, Exam determines that an audit is warranted, they will request the original return from files, attach an explanation and forward the package to the Area Office.
- (2) Campus Exam will provide a response to all IMF referrals within 30 days and to all BMF within 45 days. If no response from Exam within the allotted time frame, send a reminder and wait an additional 5 days. If no response, elevate to MOIC manager for action.
- (3) If the terms of the Collateral Agreement are beyond Campus Exam's ability to validate, (e.g. sale of property, proceeds from a business) prepare a Form 2209 and route to appropriate FOIC office with copies of the acceptance letter, Form 656, and Form 2261. Suspend case for 60 days. If no response within the allotted time frame, send a reminder and wait an additional 15 days. If no response, elevate to MOIC Manager for action.

5.19.7.12.6
(07-09-2020)
**Death of a Taxpayer
With a Collateral
Agreement**

- (1) When the taxpayer dies during the monitoring of the terms of a collateral agreement, follow the procedures in IRM 5.19.7.4.7, Death of the Taxpayer While Monitoring the OIC.
- (2) Update AOIC history or Form 6313, as appropriate, showing the date of death.

5.19.7.13
(12-09-2024)
5-Year Monitoring Status

- (1) For the most part, an OIC is complete when the taxpayer fulfills all terms of the offer.
- (2) Offers can be transferred to the compliance monitoring status after the following are met:
 - The offer amount is paid in full
 - All offer payments are applied correctly and there are no unresolved credit balances on offer modules
 - Co-obligor accounts have been mirrored, when applicable and offer entity reflects correctly throughout AOIC
 - Ensure TC 972 AC 110 is posted on mirrored accounts
 - Refunds have been recouped (only for offers accepted prior to November 01, 2021)
 - Terms of future collateral agreements have been met
 - The 4710 Account has been researched and funds have been applied appropriately
- (3) As long as some payment has been made against the offer amount, remaining full and proceed with closing actions. The balance will remain on AOIC with a history item stating that the offer is considered paid in full.
- (4) BMF offers and IMF offers with open BMF filing requirements are not captured through DAE Run or RPA processing and should not be updated to 5M status. These offers should be updated to 5B status and a follow up established to

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monitor for BMF and IMF (if applicable) compliance. The follow up should be set for the next return due to be filed plus 10 weeks (IMF) or 20 weeks (BMF) processing time.

- (5) If the offer was accepted under a taxpayer's ITIN (Individual Taxpayer Identification Number), research IDRS to see if the taxpayer has been assigned an SSN. If the taxpayer's entity has been merged from the ITIN to SSN, update the AOIC Entity and MFT screens to reflect the SSN rather than the ITIN.

5.19.7.13.1
(12-09-2024)

**Compliance Monitoring
Status**

- (1) When the above conditions have been met, update the AOIC status to 5M or 5B. AOIC will initiate several systemic uploads to IDRS:

- a. Input TC 131 to reverse the V- freeze on the account, if not already done.

Note: Until AOIC programming can be changed, tax examiners should delete the TC 131 from the transaction screen if there is no unreversed TC 130 present or the uploading via AOIC will unpost. IRM 5.19.7.10.1, Recoupment Year Incorrect in an Acceptance Letters.

- b. Input TC 971 with Action Code (AC) 032 to generate TC 604, TC 604 will zero balance and remove all remaining liabilities.
- c. The account for each unique TIN in the MFT Screen is TSIGN 0000.
- d. TC 788 will generate the release of the Y freeze for each tax period in MFT Screen.

Note: The TC 788 input is delayed by 16 days to allow the TC 604 to post to zero balance and remove the remaining liabilities.

- (2) Once the TC 604 posts, the module will update to Status 12 and prompt a systemic lien release if a lien is present.
- (3) Place a 45 day follow up on the offer. Tax Examiners are to verify that the systemic transactions took place. If in 45 days the systemic transactions cannot be found on IDRS, input manually and establish new follow ups to monitor for posting. Once the above transactions post, all AOIC and IDRS follow ups should be deleted if the offer is in 5M status.

Note: For offers received on Form 656 (revision prior to 2012), with periodic payments exceeding 60 months, establish a follow-up to verify 5M/5B transactions posted and move offer to CF status, as appropriate.

- (4) If a lien release is required, it should systemically process within 45 days of updating the offer to 5M/5B status. If the lien has not been released by the expiration of the 45 day follow up, follow procedures in IRM 5.19.7.8.9.1 Automated Lien System (ALS) to manually release the lien.
- (5) Tax examiners will generate and send Letter 2908 using the appropriate paragraphs, if applicable, advising taxpayers that they have paid the offer amount of the OIC.
- (6) The 5-year monitoring period ends 5 years from the offer acceptance date. At the conclusion of the 5-year monitoring period, tax examiners must review the account for offers not closed by the RPA Aged 5M tool to confirm all offer compliance criteria were met prior to closing to "Closed" (CF) status. This includes all payments, verify 4710 deposit, and updating to the closing assignment number.

Note: When researching IDRS for compliance, tax examiners must determine if the taxpayer's account was compliant at the expiration of the 5-year monitoring period, including cross reference TINs, if applicable. If the taxpayer hasn't filed all required tax returns or a new liability is found with a tax assessment dated before the 5-year end date, follow procedures in IRM 5.19.7.14.4 Failure to Adhere to Compliance Terms. The chart below provides some common examples but is not all-inclusive.

If	And	Then
The 5-year monitoring period ends before the due date of the current year return. (03/15/2024).	<ul style="list-style-type: none"> The taxpayer filed and full paid all required returns through the prior year return (30 202212). The current year return (30 202312) hasn't been filed or was filed with a TC 150 date AFTER the 5-year end date of 3/15/2024. 	Consider the taxpayer to be compliant and close the offer to CF status.
The 5-year monitoring period ends after the due date of the current year return. (05/15/2024).	<ul style="list-style-type: none"> The taxpayer filed and full paid all required returns through the prior year return (30 202212). The taxpayer requested an extension to file the current year return (30 202312). 	Consider the taxpayer to be compliant and close the offer to CF status.

If	And	Then
The 5-year monitoring period ends after the due date of the current year return. (05/15/2024).	<ul style="list-style-type: none">• The taxpayer filed and full paid all required returns through the prior year return (30 202212).• The taxpayer is required to file but there is no indication the current year return (30 202312) has been received.	<p>It's possible the taxpayer filed timely and the return is in the pipeline. Hold the offer open pending resolution of the current year return.</p> <ul style="list-style-type: none">• Leave the offer in 5M/5B status and establish a follow up for 10 weeks after the return due date (IMF) or 20 weeks (BMF).• When working the follow up, follow procedures in IRM 5.19.7.14.4 Failure to Adhere to Compliance Terms if there is no indication the return is in process or the return posts with an unpaid balance due.

If	And	Then
<p>The 5-year monitoring period ends after the due date of the current year return. (05/15/2024) and enough time has passed for processing.</p> <ul style="list-style-type: none"> • 10 weeks or more passed the filing deadline for IMF • 20 weeks or more passed the filing deadline for BMF. 	<ul style="list-style-type: none"> • The taxpayer filed and full paid all required returns through the prior year return (30 202212). • The taxpayer is required to file but there is no indication the current year return (30 202312) has been received. • The taxpayer filed the current year return (30 202312) with an unpaid balance due. 	<p>Consider the account not compliant and follow procedures in IRM 5.19.7.14.4 Failure to Adhere to Compliance Terms.</p>

5.19.7.13.2
(12-09-2024)

Adjustment of NMF Tax Liabilities

- (1) For NMF accounts on IDRS, prepare a separate Form 1331-B, Notice of Adjustment (Doc Code 54, for each tax period, to adjust tax, penalty and interest.
- (2) Include in Form 1331-B:
 - Taxpayers name and address
 - Amount compromised
 - Total liability
 - Taxpayers SSN or EIN
 - Type of tax and period(s) ending
 - DLN of the transcript

Note: A copy of the Acceptance letter and Form 656 should be included with the Form 1331-B.

- (3) Request TC 291 and related TCs (271, 341, etc.) to remove the liability from NMF.
- (4) If the NMF account is in Status 53, prepare Form 3177 to reactivate the account; request input of TC 531.
- (5) Send Form 1331-B to the centralized NMF sites. Routing information can be found on SERP under *Non-Masterfile Contacts*.

5.19.7.14
(10-06-2022)
OIC Potential Defaults

- (1) When a taxpayer fails to meet any term of an offer, the offer may be defaulted and all liabilities reinstated. Any of the following may result in a default of the offer.

- Failure to remit any OIC payment due.

Note: See IRM 5.19.7.13 for payment tolerance.

- Failure to return overpayments mistakenly refunded.
- Failure to meet terms of a collateral agreement, including payments based on a future income collateral agreement.
- Failure to timely file subsequent tax returns and pay all taxes due during the compliance period.

- (2) Prior to issuance of MOIC correspondence, use IDRS to determine if the AOIC record has the most current address for the taxpayer.

Example: The OIC was accepted in 2021 and IDRS ENMOD shows an address update for 2024. Update the AOIC.

- (3) Failure to meet any of the above may be due to the death of the taxpayer. IRM 5.19.7.4.7, Death of the Taxpayer While Monitoring the OIC. If one taxpayer on a joint offer dies and the surviving spouse maintains the offer terms, do not default the offer.

- (4) Taxpayers who default an accepted offer do not have appeal rights.

- (5) When issuing a letter advising the taxpayer of a potential default, prepare a dummy file to maintain a copy of the potential default, extension to pay, and default letters, if applicable, to be sent to FRC after the offer has been closed.

Note: For Appeals acceptances on ECR, follow the existing procedures throughout IRM 5.19.7.14 for issuing letters and creating and maintaining a “dummy” file. At case conclusion, determine the location of the physical file (COIC/ FOIC or FRC). If the case has not been shipped to FRC, associate the dummy file with the physical case file. If the case has been shipped to FRC, the dummy file will be sent to FRC with a new accession number. Clearly document the new accession number in AOIC remarks.

5.19.7.14.1
(12-09-2024)
Failure to Remit an OIC Payment

- (1) Review your inventory weekly for missing or overdue OIC payments. Offers in ML and MP should be monitored by the RPA Payment Process tool and employees will address missing or overdue payments on these cases from the RPA reports. For payments due on offers in other statuses, generate the Journal Payment Due Date report through AOIC.

Note: Manually Monitored Cases: Review OIC Deferred Offer Payment Record File.

- (2) When you determine a payment is more than 30 days past due, research IDRS to look for the missing payment.
- a. If the overdue payment is located, update AOIC or Form 6314 by recording the payment using the TC 670 amount and date.
 - b. If the payment is not located, review AOIC to determine if the taxpayer has received the one time extension to pay within the last 24 months. If the taxpayer has been provided an extension to pay a missing offer payment within the last 24 months, send a potential default letter but do

not offer the 120 day extension. If an extension to pay was not previously granted within 24 months, include the opportunity to request an extension to pay as outlined in the table below.

Note: Contact must be initiated before the payment is 45 days over due.

- c. If the taxpayer submitted two consecutive offer payments late, advise the taxpayer in the second potential default letter that late submission of offer payments is a breach of the contract but as a matter of Policy we have elected to continue the contract and recover the prior, missed payments. If the taxpayer breaches the contract again by failing to make another timely payment or the IRS decides to shift its prior election to continue the OIC contract, the offer will be terminated by following If procedures in IRM 5.19.7.15, Processing Defaulted OICs.

Note: A third potential default letter is not required when the taxpayer fails to submit timely payments.

If	Then
The offer is controlled on AOIC,	<ol style="list-style-type: none"> 1. Send Letter 274-C with the appropriate paragraphs. In the open paragraph inform the TP, if eligible: "You may request a one- time extension to pay the missed offer payment, however future payments must be paid timely. If there has been a major change in your financial situation, please contact us to discuss your options." 2. On AOIC: Enter follow-up date (date letter generated plus 45 days) on the AOIC Follow up screen and update status to "IP". 3. Suspend the case for 45 days. <p>Note: The Journal Screen should not be changed to reflect a new payment due date.</p>
The offer is being manually monitored,	<ol style="list-style-type: none"> 1. Send Letter 274-C. 2. Update the IDRS control. 3. Suspend the case for 45 days. 4. Input a history on AMS.

- (3) Process responses as follows:

If the	And	Then
1. Taxpayer pays in full	Intentionally left blank	<ol style="list-style-type: none"> 1. Process the payment. 2. AOIC: Update AOIC Journal Screen, follow up and status. 3. Non-AOIC: Update the IDRS control and update Form 6314.
2. Taxpayer responds within the 45-day suspense period	Requests any change that would revise the terms or conditions of the offer	<ol style="list-style-type: none"> 1. Advise that the request must be in writing and must be received within 15 days. 2. Document AOIC history and input follow-up date. If manually monitored, update IDRS control and Form 6314.
3. Taxpayer responds within the 45-day suspense period	Requests to pay less than the scheduled payment amount	<p>Grant the request if the CSED will not expire before the payment is due. Advise that:</p> <ol style="list-style-type: none"> 1. The request is granted for the missing payment only. 2. The balance of that payment must be paid within 120 days. 3. If the intent is to revise the payment amount permanently, a written request to modify the accepted offer is required and must be received within 15 days.
4. Taxpayer submits a written request to modify the accepted offer	The offer was accepted by COIC, Appeals, Collection, Examination	Refer to IRM 5.19.7.9, Modifying the Accepted OIC, for actions to be taken.

If the	And	Then
5. Failure to remit a payment on a lump sum offer or periodic payment	The taxpayer requests an extension of time to pay (the offer was accepted by Collection, Exam, or Appeals)	<ol style="list-style-type: none"> Grant the request, allowing the number of days the taxpayer requested up to 120 days to make the payment if the CSED will not expire before the payment is due. <ol style="list-style-type: none"> If the request is for more than 120 days, contact the taxpayer to inform them the maximum one time extension is up to 120 days. If the request does not indicate how much time is needed or is not clear, Tax Examiners should attempt to contact the taxpayer by telephone for a clarification. If you cannot reach the taxpayer, grant 120 days. Follow IRM 5.19.7.14.2, Extension of Time to Remit an OIC Payment.
6. Failure to remit a payment on a lump sum offer or periodic payment	The offer was accepted by DOJ	Refer to IRM 5.19.7.5.1.2, Form 2209 for Offers in Compromise - Department of Justice (DOJ).
7. Taxpayer does not respond,	The offer was accepted by Collection, Exam, or Appeals	Follow procedures in IRM 5.19.7.15, Processing Defaulted OICs
8. Taxpayer does not respond,	The offer was accepted by DOJ	Refer to IRM 5.19.7.5.1.2, Form 2209 for Offers in Compromise - Department of Justice (DOJ).
9. Letter 274-C is returned undelivered,	Intentionally left blank	Follow procedures in IRM 5.19.7.14.6, Undelivered Potential Default Letters.

- (4) If the taxpayer contacts MOIC during any suspense period and states they cannot pay, proceed with default actions. MOIC can accept a verbal statement and does not need to burden the taxpayer in providing a written statement. The TE must document the conversation and tell the taxpayer that due to their inability to pay the offer will be defaulted. In their conversation, they should also state that they are sending a default letter and if in the next 15 days their situation changes and they are able to pay they must call so that the default proceeding can be stopped.

5.19.7.14.2
(12-09-2024)
**Extension of Time to
Remit an OIC Payment**

- (1) A taxpayer may be granted one extension of time to make an offer payment, if the CSED will not expire before the payment is received. The extension can be no longer than 120 days. All regular offer payments must be made timely during this extended period. The extension to pay an offer payment can only be granted once within a 24 month period.
- (2) Offers with an extension to remit a missed offer payment must be monitored closely. If the terms of the extension are not met or another regular required offer payment is not received, follow procedures in IRM 5.19.7.15, Processing Defaulted OICs, or if applicable, send Form 2209 for DOJ offers.

If	Then
The account is on AOIC,	<ol style="list-style-type: none"> 1. Update the Journal screen to include the next payment. 2. Update the status to ML or MP whichever is applicable. 3. Send the taxpayer Letter 2908 to advise them in writing that an extension has been granted and provide them the date the payment is due. Letter 2908 advises the taxpayer if a subsequent offer payment or payment on the extension is late, the offer will be defaulted. 4. Input a follow -up on AOIC for the date the payment was re-scheduled. <p>Note: If the status is ML then the follow up must be within 25 days.</p>
The account is not on AOIC,	<ol style="list-style-type: none"> 1. Update the IDRS control with follow-up of next payment date. Also include the date of the rescheduled payment on control history. 2. Advise the taxpayer in writing that an extension has been granted and provide the date the payment is due. Also advise the taxpayer if a subsequent offer payment or payment on the extension is late, the offer will be defaulted. <p>Note: If the status is ML then the follow up date must be within 25 days.</p>

Example: IRS accepts a \$5,000 offer to compromise \$20,000 in tax liability on February 20, 2024. The payment terms are that \$1,000 is to be paid every two months on the first of the month beginning April 1. The taxpayer makes the April and June payment but does not remit their payment for August. Following issuance of the potential default letter the tax examiner receives a response from the taxpayer requesting to pay the missed \$1,000 offer payment over the next 4 weeks. On Sept. 4, the tax examiner agrees and advises the taxpayer must make the next \$1,000 payment due in October along with a weekly payment of \$250 to pay the missed payment. The tax examiner will issue Letter 2908 with

the appropriate paragraphs to the taxpayer advising of the extension and potential default if the offer extension payment or another required monthly payment is not made.

- (3) If the missed payment is not received within 30 days of the extended payment date or a subsequent payment is more than 30 days late, take the following actions:

If	Then
The offer was accepted by Collection, Examination, or Appeals	Follow procedures in IRM 5.19.7.15, Processing Defaulted OICs.
The offer was accepted by DOJ	Refer to IRM 5.19.7.5.1.2, Form 2209 for Offers in Compromise - Department of Justice (DOJ).

- (4) Do not grant an extension to pay a missed offer payment more than one time during a 24-month period.
- (5) Do not grant an extension on a BMF offer if the taxpayer hasn't made sufficient Federal Tax Deposits (FTDs), refer to IRM 5.19.7.14.4.4, Failure to Adhere to Compliance Terms - BMF Federal Tax Deposit (FTD).

5.19.7.14.3
(10-06-2022)
**Failure to Return
Refunds (Refund
Recoupments)**

- (1) IRS is entitled to any overpayment of tax or other liability for the tax periods extending through the calendar year the offer is accepted for offers accepted prior to November 1, 2021. Certain exceptions apply to DATL, DOJ and ETA offers.

Note: For offers accepted on or after November 1, 2021, OIC no longer recoups the refund through the calendar year of offer acceptance.

- (2) If an overpayment is mistakenly refunded, contact the taxpayer.

Note: Contact must be initiated as soon as the mistaken refund is identified.

If	Then
	Do not contact the taxpayer for payment.
The offer is controlled on AOIC	<ol style="list-style-type: none">1. Send Letter 274-C SC/CG.2. On AOIC, enter follow-up date (date letter is generated plus 45 days) on the AOIC follow-up screen and change the AOIC status to IR.3. Suspend the case for 45 days.
The offer is being manually monitored	<ol style="list-style-type: none">1. Send Letter 274-C.2. Update the IDRS control.3. Input history on AMS.4. Suspend the case for 45 days.

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(3) Process responses as follows:

If the	And	Then
Taxpayer repays the refund in full	Intentionally left blank	<ol style="list-style-type: none"> 1. Apply the refund to the module it refunded from. Input a TC 570 to keep the credit from refunding. 2. Wait for the refund to post. 3. Apply the refund to the earliest CSED period. 4. AOIC: Update AOIC. 5. Non-AOIC: Update the control on IDRS.
Taxpayer requests an extension of time to repay the refund	Intentionally left blank	<p>You may grant up to 120 days for the taxpayer to repay the refund.</p> <ol style="list-style-type: none"> 1. Update the Recoupment Screen if necessary. 2. Update to "IR status" 3. Advise the taxpayer in writing that an extension has been granted. Also advise the taxpayer if a repayment of the refund is late, the offer will be defaulted. 4. Input a follow up on AOIC for the date the refund repayment was re-scheduled.
Taxpayer is unable to repay the refund, refuses to repay the refund, or does not respond	The offer was accepted by Collection, Examination, or Appeals	Follow procedures in IRM 5.19.7.15, Processing Defaulted OICs

If the	And	Then
Taxpayer is unable to repay the refund, refuses to repay the refund, or does not respond	The offer was accepted by DOJ	Refer to IRM 5.19.7.5.1.2, Form 2209 for Offers in Compromise - Department of Justice (DOJ).
Letter 274-C (SC/CG) is returned undelivered	Intentionally left blank	Follow procedures in IRM 5.19.7.14.6, Undelivered Potential Default Letters.

5.19.7.14.4
(12-09-2024)

Failure to Adhere to Compliance Terms

- (1) Taxpayers agree, as a term of the offer, to comply with all provisions of the internal revenue laws, including requirements to timely file returns and timely pay taxes for the five year period beginning with the date of acceptance of this offer and ending through the fifth year, failure to do so is a breach of contract. This applies to both IMF and BMF tax accounts.

Note: As a matter of policy, if there is no other basis to default the taxpayer's offer, the taxpayer's failure to report or pay an individual shared responsibility payment (SRP) liability made under 26 CFR 5000A, Requirement To Maintain Minimum Essential Coverage and/or any individual SRP liability assessment made **after** acceptance will not default the OIC. The SRP amount that the taxpayer owes is not subject to failure-to-pay penalties, filing a notice of federal tax lien, or levy on the taxpayer's property. If a SRP liability(ies) is included in the offer and the terms of the offer are not met, all modules on the offer will be defaulted, including the SRP.

- (2) If the taxpayer has filed an extension or made an estimated tax payment without filing a return this demonstrates intent and for OIC purposes a return must be secured.
- (3) Non-compliance should be addressed timely and upon identification.

5.19.7.14.4.1
(12-09-2024)

Failure to Adhere to Compliance Terms – Return Delinquency

- (1) The taxpayer is considered in compliance if the taxpayer has submitted an extension to file the current year's tax return.
- (2) This compliance provision is monitored for five years via AOIC listings and / or BOE(DAE) (for IMF) reports beginning with the year of acceptance. When checking filing compliance for IMF returns allow ten weeks from the return due date. When BMF is checked based on the business filing requirements, allow 20 weeks from the return due date before sending the potential default letter.

Note: For accepted offers on joint assessments and one party fails to remain compliant with the future filing of returns and payment of taxes, the offer will be defaulted for the noncompliant taxpayer only. The taxpayer who remains in compliance will be unaffected. **Do not contact the compliant taxpayer.** IRM 5.19.7.14.5, Defaults on Joint Offers Due to Non-Compliance.

- (3) When checking 5-year compliance and, upon discovery that a subsequent module has been closed using closing code TC 597 or TC 598 (surveyed/shelved by National Office):
 - a. Verify the taxpayer has a filing requirement via command code IRPTR.
 - b. If no filing requirement, no action is necessary.
 - c. If the module requires the taxpayer to file a return, input TC 592 to reverse and reopen the filing requirement.
- (4) If the taxpayer does not have a filing requirement on a tax year, input the appropriate TC 59x and closing code. Refer to Document 6209, IRS Processing Codes and Information, Section 11-8 Status Indicators - TDI/DEL RET, use the closing code listed in the CSCO/AM column.

Reminder: Complete income information may not display until all the earnings are reported, usually by July of the following year. Tax examiners should wait to input a TC 59x until after July on current year returns.

- (5) Update the case history to reflect your actions and process the Return Delinquency (RD) also referred to as Taxpayer Delinquency Investigation (TDI) as indicated below. Additional information about identifying TDIs can be found in IRM 5.19.2.2, What is the IMF Return Delinquency Program?
- (6) When income information is available and the taxpayer meets requirements for filing status single with one exemption, complete all internal research to determine if a return was submitted to the IRS. Take the following actions when the potential default is due to non-filing and you are sending a potential default letter. The letter must request the tax return and full payment of any balance owed on the return:

If	Then
The TDI is assigned to ASFR (TSIGN 8000)	<ol style="list-style-type: none"> 1. Do not send the potential default letter. 2. ASFR will work the delinquency following ASFR procedures. 3. AOIC: Update the remarks and leave the offer in 5M status 4. Non- AOIC (MMA): Update the IDRS control and annotate remarks on AMS. 5. Establish a six month follow up date to determine if there is a subsequent ASFR Assessment. If there is an assessment, follow procedures in IRM 5.19.7.14.4.2, Failure to Adhere to Compliance Terms- Balance Due.
The TDI is assigned to a revenue officer (RO)	<ol style="list-style-type: none"> 1. Send AOIC Letter 2909, Offer in Compromise- Potential Default, with the appropriate paragraphs, requesting the tax return and payment of any balance owed to avoid a default of the offer. 2. AOIC: Update the remarks and status to I5. 3. Non-AOIC (MMA): Update the IDRS control and annotate remarks on AMS. 4. Establish a 45-day follow-up.
The TDI is unassigned	<ol style="list-style-type: none"> 1. Check TSIGN. If not 8500, input TSIGN 8500. 2. Send Letter 2909, Offer in Compromise- Potential Default, requesting the tax return and payment of any balance owed to avoid defaulting the offer. 3. AOIC: Update the remarks and status to I5 4. Non-AOIC (MMA): Update the IDRS control and annotate remarks on AMS. 5. Establish a 45-day follow-up.

- (7) Process responses to Letter 2909 or Letter 275-C that requested a missing return and full payment if there was a balance due as follows:
- Always review IDRS and conduct all internal research. Use IDRS Command Code (CC) FFINQ or TRDBV to see if the return has been received. If yes, monitor for the return to post. Update AOIC to **MO** and establish a 45 day follow-up. Update IDRS for Manually Monitored Agreements (MMA).
 - When a tax return is submitted to MOIC and internal research does not locate the return in the pipeline, review the tax return for completeness and signatures prior to sending it for processing. Document AOIC remarks as to the expected outcome of the return (balance due or refund amount) and where the return is sent for processing. Refer to IRM 5.8.3.12, Processing Tax Returns (2) for guidance. In addition, use the most current revision of the Expedited Processing of Tax Returns for OIC procedures, which can be found in the OIC SharePoint Library. Input the TC 599 with the appropriate closing code. (See Document 6209, IRS Processing Codes and Information.) Update AOIC to **MO** and establish a 10 week follow-up for the IMF and 20 weeks for a BMF tax return to be processed. Update IDRS for Manually Monitored Agreements (MMA).
 - Once the taxpayer responds or the return is posted to IDRS, take the following actions:

If	And	Then	
1. The taxpayer filed the return	or less, or the module is full paid	<ol style="list-style-type: none"> AOIC: Document remarks indicating the return was filed, indicate balance due or refund amount, and change the monitoring status to 5M or other applicable status. Non-AOIC(MMA): Update the IDRS control and annotate remarks on AMS. <p>Note: Refer to IRM 5.19.7.10, Refund Recoupment, if applicable</p>	#
2. The taxpayer filed a balance due return without a payment	There is a balance due more	<ol style="list-style-type: none"> AOIC: Document remarks that a balance due return was filed and the amount of the liability. Non-AOIC (MMA): Update the IDRS control and annotate remarks on AMS. Refer to IRM 5.19.7.15 (2). 	#
3. The taxpayer filed a balance due return without a payment - IMF	Requests an extension to pay, an installment agreement or submits a Form 9465, Installment Agreement Request	<ol style="list-style-type: none"> AOIC: Document remarks that a balance due return was filed and the amount of the liability. Non-AOIC (MMA): Update the IDRS control and annotate remarks on AMS. If eligible, grant the taxpayer the 120 day extension per IRM 5.19.7.14.4.2 (2) scenario 3. If ineligible or the request was for an installment agreement, attempt contact by phone to advise the taxpayer their request cannot be honored, send the Default letter and provide a balance due pay off calculated to 15 days. If the taxpayer isn't reached by phone, send the Default letter and include a balance due pay off calculated to 15 days. 	
4. The taxpayer states the return was previously filed	IDRS research now shows a return was filed	<ol style="list-style-type: none"> AOIC: Update the remarks and status to the appropriate status. Non-AOIC (MMA): Update the IDRS control and annotate remarks on AMS. 	

If	And	Then
5. The taxpayer states the return was previously filed	IDRS research shows no record of the return and 10 weeks have passed for IMF and 20 weeks for BMF	If the taxpayer was previously advised to submit a return, and a return was not provided, proceed with default procedures, per IRM 5.19.7.15, Processing Defaulted Offers.
6. The taxpayer states the return was previously filed	Another TIN was the primary	<ol style="list-style-type: none"> 1. Research IDRS under the TIN provided to verify the filing. 2. Input a TC 594 Closing Code 084 if it is not on IDRS. 3. AOIC: Update the remarks and the appropriate status. 4. Non-AOIC (MMA): Update the IDRS control and annotate remarks on AMS.
7. The taxpayer states that they are not required to file	The income shown on IRPTR indicates a return is required to be filed	<ol style="list-style-type: none"> 1. Send another Letter 2909 to the taxpayer and provide a copy of the IRPTRW transcript. 2. Inform the taxpayer their response must be received within 30 days of the date of the letter to avoid the default of their offer. 3. Update the status to I5, if another status is not required. 4. Establish a 30-day follow-up. 5. If the taxpayer does not submit a return to the IRS, or return was not provided to MOIC, proceed with default procedures, per IRM 5.19.7.15, Processing Defaulted Offers.
8. The taxpayer provides a reasonable explanation as to why they are not required to file	<p>The income does not require a return</p> <p>Note: Sometimes income for self employed individuals is not reflected on CC IRPTR.</p>	<ol style="list-style-type: none"> 1. Input the correct closing code. 2. AOIC: Update the remarks and status. 3. Non-AOIC (MMA): update the IDRS control and annotate remarks on AMS.

If	And	Then
9. The taxpayer responds to MOIC while TPP conditions are present	Passes required authentication via telephone call as outlined in IRM 25.25.6.4(8), Taxpayer Protection Program (TPP) High Risk Authentication (HRA) Procedures Verifies the return was filed by the taxpayer by providing specific return information per IRM 25.25.6.5.1(2), Authentication Passed and the Taxpayer Filed the Return in Question	<ol style="list-style-type: none"> 1. Follow the referral procedures in IRM 25.25.6.2.3(2), Exam/Collection/Compliance Office Employees - Procedures for Cases with Taxpayer Protection Program (TPP) Involvement AOIC: 2. Document AOIC remarks with specific actions taken to resolve the processing delays. 3. Update the Offer to MO status and monitor for the return to post. 4. Establish a 60-day follow-up. Non-AOIC (MMA): update the IDRS control and annotate remarks on AMS.
10. The taxpayer provides an incomplete response. For example: The taxpayer submits the required return but it's incomplete for processing due to missing signature	Send the return for processing as described in Expedited Processing of Tax Returns for OIC procedures	Follow procedures in IRM 5.19.7.15, Processing Defaulted Offers. Note: If assigned to an RO, contact the RO advising the campus is proceeding with default actions on the OIC.
11. Taxpayer does not respond	Intentionally left blank	Follow procedures in IRM 5.19.7.15, Processing Defaulted Offers. Note: If assigned to an RO, contact the RO advising the campus is proceeding with default actions on the OIC.
12. Letter 2909 is returned as undeliverable	Intentionally left blank	Follow procedures in IRM 5.19.7.14.6, Undelivered Potential Default Letters.

5.19.7.14.4.2
(10-06-2022)
Failure to Adhere to Compliance Terms
- Balance Due

- (1) When the reason for the non-compliance is failure to pay taxes on a subsequent tax period or liabilities assessed after offer acceptance on tax periods not included in the offer, take the following actions:

Note: Taxpayers are required to timely pay their taxes as a term of the accepted offer. The extension to pay a liability should only be granted once within the 5-year monitoring, unless the taxpayer provides special circumstances or was in a disaster area. It is the taxpayer's responsibility to ensure sufficient

withholding or estimated tax payments are made to avoid a default of their offer. If the terms of an extension are not met or another compliance issue occurs, follow procedures in IRM 5.19.7.15, Processing Defaulted OICs. When sending a letter to the taxpayer provide the balance due including the penalties and interest to the payment due date.

Note: If an extension to pay, an installment agreement, or Currently Not Collectible (CNC) was granted by another area, the taxpayer must be advised the extension to pay, installment agreement, or CNC is not in accordance with the terms of the accepted offer. Inform the taxpayer they must pay within 30 days of the letter, or if they are eligible for a 120 day extension. **Do not** terminate the installment agreement.

Exception: An offer may include all civil tax liabilities other than restitution based assessments (RBA). See IRM 5.8.4.23.1, Offers in Compromise Submitted that include Restitution. Therefore, these modules may be in installment agreement status or worked by a Revenue Officer. No action is required on the restitution modules.

Note: If the balance due is caused by an IRS adjustment and internal research shows the taxpayer is disputing the validity of the liability, allow a reasonable amount of time to resolve. If the liability is being disputed in tax court, notify OIC Policy using the *SBSE Coll Policy OIC e-mail address.

If the new balance due period,	Then
	Consider the account full paid.
the amount owed is more than	<ol style="list-style-type: none"> 1. Issue Letter 2909, Potential Default, with the appropriate paragraphs, provide the taxpayer with the balance due to 30 days of the letter. Include a paragraph if the taxpayer is eligible for the 120 day extension. 2. Input a follow up date (date the letter is issued to the taxpayer plus 45 days). 3. AOIC: Update status to I5 and document AOIC remarks. 4. Non- AOIC (MMA): Update the IDRS control and annotate remarks on AMS.

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If the new balance due period,	Then
TSIGN to 8500 or to a RO	<ol style="list-style-type: none"> 1. Send AOIC Letter 2909. 2. Input a follow-up date (date the letter is issued to the taxpayer plus 45 days). 3. AOIC: Update status to I5 and document AOIC remarks. 4. Non-AOIC (MMA): Update the IDRS control and annotate remarks on AMS.
the amount owed is more than	<ol style="list-style-type: none"> 1. Send Letter 2909, Potential Default, to advise the taxpayer an installment agreement is not considered being in filing and payment compliance when the taxpayer has an accepted offer. Per the terms of the signed Form 656 you agreed to 5 years of filing and payment compliance. Provide the taxpayer with the balance due to 30 days of the letter. Include a paragraph if the taxpayer is eligible for the 120 day extension. Do not terminate the installment agreement. 2. Input a follow up date (date the letter is issued to the taxpayer plus 45 days). 3. AOIC: Update status to I5 and document AOIC remarks. 4. Non- AOIC (MMA): Update the IDRS control and annotate remarks on AMS.

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- (2) Process responses to the Letter 2909, Potential Default, that was issued due to an unpaid liability as follows:

If the	And	Then
1. Taxpayer pays in full,	Intentionally left blank	<ol style="list-style-type: none"> 1. Process the payment. 2. AOIC: Update AOIC. 3. Non-AOIC (MMA): Update the IDRS control and annotate AMS.
2. Taxpayer requests an extension to pay	has been granted one or more extensions to pay a new balance due since the offer acceptance	<ol style="list-style-type: none"> 1. Follow procedures in IRM 5.19.7.15, Processing Defaulted OICs. 2. Advise the taxpayer per the terms of the accepted offer they are required to timely pay their taxes and an extension to pay has already been provided to them; no additional extensions can be granted.
3. Taxpayer requests an extension to pay of 120 days or less,	Intentionally left blank	<ol style="list-style-type: none"> 1. Send Letter 2908 with appropriate paragraph allowing the taxpayer to pay what is owed in 120 days or less. Provide the taxpayer with the amount due and the date the payment must be received to avoid a default. Return any written request for an installment agreement or Form 9465, Installment Agreement Request, to the taxpayer. Reminder: Inform the taxpayer when the next offer payment is due, if applicable. 2. Open a control on IDRS with activity 470MMDDYY to indicate the date the TC 470 needs to be re-input. 3. Input A TC 470 on REQ77 to suppress balance due notices from systemic mailing. Note: If account is in Status 24 or 26, input a TC 470 with Closing Code 90. 4. Establish a follow-up for the date the TC 470 needs to be reinput. 5. After 9 cycles (weeks), check the status of the account, reinput a new TC 470 to continue suppressing notices on that module. Continue monitoring AOIC and close the IDRS control. Establish a follow-up to the date the payment is due. Note: Once the extension date has past and if the taxpayer did not full pay the balance due a TC 472 must be input to reverse the TC 470. This will allow notices to be sent on the bal due. 6. AOIC: status remains in MO for the 120 day extension period, annotate the AOIC remarks. Exception: If the taxpayer is required to make additional periodic payments, leave the status in MP; or status ML as appropriate. Establish the appropriate follow-up when the status is ML. 7. Non-AOIC (MMA): Update the IDRS control, continue monitoring for payment, and annotate remarks on AMS. Note: BMF modules see IRM 5.19.7.14.4.4, Failure to Adhere to Compliance Terms - BMF Federal Tax Deposit (FTD)

If the	And	Then
4. Taxpayer requests an extension of more than 120 days, or submits an installment agreement request	the OIC was accepted by Collection or Examination	<ol style="list-style-type: none"> 1. Deny the installment agreement request in writing, using Letter 2908 with the appropriate paragraphs. Return any written request for an installment agreement or Form 9465, Installment Agreement Request, to the taxpayer. Advise the taxpayer they do not qualify for an installment agreement per the terms of the accepted offer and that only 120 days may be granted and provide the extension date of the payment. Establish a follow-up to the date the payment is due. 2. AOIC: Update the database to reflect I5 status or other applicable status 3. Non-AOIC (MMA): Update IDRS control and remarks on AMS to reflect OIC letter sent.
5. Taxpayer requests an extension of more than 120 days, or multiple extensions to pay	the DOJ settled its case.	Refer to IRM 5.19.7.5.1.2, Form 2209 for Offers in Compromise - Department of Justice (DOJ).
6. Taxpayer does not respond or submit full payment	the offer was accepted by Collection or Examination	<p>Follow procedures in IRM 5.19.7.15, Processing Defaulted OICs.</p> <p>Note: If assigned to an RO contact the RO advising the campus is proceeding with default actions on the OIC.</p>
7. Taxpayer does not respond or submit full payment	the DOJ settled its case	Refer to IRM 5.19.7.5.1.2, Form 2209 for Offers in Compromise - Department of Justice (DOJ).
8. Letter 2909(SC/CG) is returned as undeliverable	Intentionally left blank	Follow procedures in IRM 5.19.7.14.6, Undelivered Potential Default Letters.
9. Taxpayer does not full pay	was on an installment agreement	Follow procedures in IRM 5.19.7.15, Processing Defaulted OICs.

5.19.7.14.4.3

(12-09-2024)

Failure to Adhere to Compliance Terms - BMF Accounts

- (1) Business taxpayers agree, as a term of the offer, to comply with all provisions of the internal revenue laws, including requirements to timely file returns and timely pay taxes for the five year period beginning with the date of the acceptance of this offer and ending through the fifth year, failure to do so is a breach of contract.

Note: Verification of the Taxpayer Identification Numbers (TINs) included on the accepted offer or listed as a cross-reference on AOIC, to ensure proper monitoring.

- (2) Business taxpayers may have a filing requirement for various tax forms. Research on CC ENMOD, CC INOLES and/or CC BMFOLE will identify a filing

requirement. Additional information on business tax return filing requirements can be found in the IRM 21.7, Business Tax Returns and Non -Master File Accounts

Note: If the business is required to file an Employment Tax return refer to the IRM 21.7.2.2, What Are Employment Tax Returns? for the explanation and filing requirement of the various employment tax forms.

- (3) Taxpayers are expected to file “final” return(s) for the year they’ve closed their business or no longer expect to have employees and that action will close the filing requirement for the specific tax return. When IDRS indicates the EIN has an open requirement for any type of tax return, a return must be secured. There are no internal resources to make a determination if the taxpayer is liable to file therefore a potential default letter should be sent if there’s no return on file within 20 weeks of the filing deadline. Filing due dates and requirements can be found in the instructions associated with the form and the IRM references provided below. This list provides the most common forms encountered in MOIC but may not be all inclusive.

Form	IRM Reference	Instructions
Form 941, Employer’s Quarterly Federal Tax Return (MFT 01)	IRM 21.7.2.4.5 Form 941, Employer’s QUARTERLY Federal Tax Return	<i>Form 941 Instructions - Catalog number 14625</i>
Form 940, MFT 10	IRM 21.7.3.3.1 Form 940 Filing Requirements	<i>Form 940 Instructions - Catalog number 13660</i>
Form 1065, U.S. Return of Partnership Income (MFT 06)	IRM 21.7.4.4.2.3 Form 1065 Return Due Dates	<i>Form 1065 Instructions - Catalog number 11392</i>
Form 1120, U.S. Corporation Income Tax Return (MFT 02)	IRM 21.7.4.4.4.2.1 Form 1120 Corporate Series Return Due Dates – Tax Years Beginning after December 31, 2015	<i>Form 1120 Instructions - Catalog number 11455</i>

Form	IRM Reference	Instructions
Form 1120-S, U.S. Income Tax Return for an S Cor- poration (MFT 02)	IRM 21.7.4.4.4.2.1 Form 1120 Corporate Series Return Due Dates – Tax Years Beginning after December 31, 2015	<i>Form 1120-S Instructions - Catalog number 11515</i>
Form 990, Return of Or- ganization Exempt From Income Tax (MFT 34, 44, 67)	IRM 21.7.7.5.13 Due Dates	<i>Form 990 Instructions - Catalog number 11283</i>

- (4) BMF accounts also include taxpayer estate filings. These filings generally include Form 1041 U.S. Income Tax Return for Estates and Trusts, Form 706 U.S. Estate Tax Return and/or Form 709 United States Gift (and Generation - Skipping Transfer) Tax Return. Information regarding estate filings can be researched under the decedent taxpayer's SSN, the decedent taxpayer's SSN with a "V" at the end or an EIN.

Note: For COIC and FOIC acceptances, the closing remarks should include special instruction for MOIC that documents the estate information, if a final return has been filed or if MOIC will need to monitor for future return(s) along with instruction for monitoring filings.

- (5) When a business tax return is submitted to MOIC and internal research does not locate the return in the IDRS pipeline, review the tax return for completeness and signatures prior to sending it for processing. Refer to the most current revision of the tax return processing procedures, which can be found in the OIC SharePoint Library.
- (6) When an offer involves a sole proprietor business that is out of business, update the remarks to indicate there is no quarterly filing or payment requirement, retain in 5B status and maintain an annual compliance check to ensure the IMF side remains compliant.
- (7) If the business fails to remit an OIC payment, or requests an extension of time to remit an OIC payment, refer to IRM 5.19.7.14.4.4 prior to following procedures in IRM 5.19.7.14.1, Failure to Remit an OIC Payment, and IRM 5.19.7.14.2, Extension of time to Remit an OIC Payment.
- (8) If the business fails to remit a return or pay a subsequent liability, follow the above procedures in IRM 5.19.7.14.4, Failure to Adhere to Compliance Terms.

5.19.7.14.4.4
(07-09-2020)

**Failure to Adhere to
Compliance Terms -
BMF Federal Tax
Deposit (FTD)**

- (1) Generally, every employer who pays wages to an employee must withhold income tax and the employee share of FICA (i.e., social security and Medicare) or RRTA taxes from the employee's gross wages and report the tax liability on an employer's federal tax return. Additionally, the employer is required to report the employer's share of FICA and RRTA on the employer's federal tax return.
- (2) The following steps are taken to verify that the BMF account is in FTD compliance if the taxpayer/POA requests an extension to pay a previous payroll tax liability.

1. Use IDRS CC ENMOD to determine if the taxpayer has an open employment tax filing requirement.
2. Use IAT Compliance Suite or IDRS CC BMFOLK to determine if a taxpayer is a monthly or semi-weekly depositor for a particular quarter.
3. Fax the computation of Federal Tax Deposits form to the taxpayer. Allow the taxpayer/POA 10 calendar days to respond. If the taxpayer does not have access to a fax machine, send correspondence requesting the information by mail and allow the taxpayer 10 days to respond. Input a follow up.

Note: Document AOIC with the fax number and whose attention it was faxed.

4. Verify the deposits on the computation form with IDRS.
5. Using the total wages paid on the form and the FICA tax withheld, complete a Form 941 (or applicable employment tax return) to verify the correct amount of deposits have been made.
6. If the deposits are not correct and the taxpayer appears to have underpaid, do not allow the extension and proceed with potential default actions.

Note: If the deposits were correct, consider that only one 120 day extension is allowed in the 5-year monitoring period.

- (3) There are two deposit schedules: monthly and semi-weekly.

Exception: If an employer's total tax liability for any quarter is less than \$2,500, payment may be made with the Form 941 (or the applicable employment tax return) on the due date of the return in lieu of making deposits.

- (4) Semi-weekly depositors must deposit accumulated taxes on payment using the following schedule;

PAYMENT DAYS	DEPOSIT BY
Wednesday, Thursday, and/or Friday	Following Wednesday
Saturday, Sunday, Monday, and/or Tuesday	Following Friday

5.19.7.14.5
(07-09-2020)

**Defaults on Joint Offers
Due to Non-Compliance**

- (1) When one of the parties to the compromise fails to remain compliant with filing and payment terms, the offer is only defaulted on the noncompliant spouse.
- (2) The several liability provision applies while payments are being made on a deferred payment offer or during the remaining compliance period following full payment of the offered amount.
- (3) The several liability provision applies to all terms of the OIC including:
 - Filing all returns timely,
 - Paying all current taxes timely, and
 - Complying with collateral agreements.
- (4) Do not contact the compliant spouse. Use the potential default Letter 2909 SC/CG and address it to the noncompliant spouse. The offer will be placed in I5 status pending the response from the non-compliant spouse.

Note: A DEFAULT FSC transcript should generate if the primary taxpayer changes filing status in a subsequent filing year. The account for each spouse on the joint offer should then be monitored manually for filing and payment during the compliance period.

- (5) If only one spouse on a joint liability is not compliant, update the status to **MS** and separate accounts will need to be established using MFT 31. After the mirroring is completed, the non-compliant taxpayer's name will be removed from the AOIC entity and AOIC remarks must be documented to state why the name was removed. The compliant spouse's offer will be updated to the respective monitoring status, prior to the non-compliance issue. Create a dummy file for the non-compliant spouse and send to FRC.

5.19.7.14.6
(12-09-2024)

**Undelivered Potential
Default Letter**

- (1) When a potential default letter is returned as "undeliverable" the tax examiner must follow specific procedures.
- (2) The tax examiner must research for a new address using appropriate guidelines outlined in IRM 5.8.3.21 Undeliverable Mail. Then:

If	And	Then
A new address is located,	There is a yellow address change sticker provided by the U.S. Postal Service on the original envelope	AOIC: <ol style="list-style-type: none"> 1. Reissue the letter attaching Form 8822, Change of Address. 2. Update AOIC with a follow-up date (date letter reissued plus 30 days). Non-AOIC: <ol style="list-style-type: none"> 1. Reissue the letter. 2. Suspense for 30 days. 3. Update IDRS control.
A new address is not found,	The offer was accepted by Collection or Examination,	<ol style="list-style-type: none"> 1. Follow procedures in IRM 5.19.7.15 Processing Defaulted OICs. 2. Retain the undelivered notice in a dummy file.
A new address is not found,	The offer was accepted by DOJ,	Refer to IRM 5.19.7.5.1.2, Form 2209 for Offers in Compromise - Department of Justice (DOJ).

5.19.7.15
(10-06-2022)
**Processing Defaulted
OICs**

- (1) When IRS determines the OIC should be defaulted, a default letter is sent to the taxpayer and an accounting entry will be reversed on the module(s) after the IRS defaults the offer.
 - a. Generate and print the default letter from AOIC for signature.
 - b. Secure the signature of the designated official on the default letter.

Note: If the default letter is issued on a date other than the generation date, place a history in the remarks section of AOIC stating what date the letter was mailed.

 - c. If there is a case file, make a copy of the signed default letter for the file.
 - d. Send the signed letter to the taxpayer.
 - e. Update AOIC status to OD.
- (2) The default letter is generated and sent by the MOIC unit. This action can also be taken in response to Form 2209 from the Advisory office (DOJ). The default letter can only be generated and printed at the campus once the case is

assigned to MOIC. If a new issue that is grounds for terminating the offer is identified during the 45 day potential default letter response period, attempt one telephone contact to advise the taxpayer of the new issue and document AOIC remarks. Allow the taxpayer the remaining time of the 45 days or an additional 15 days, whichever is longer, and adjust the follow-up, as appropriate. If you are unsuccessful in speaking with the taxpayer, proceed with including the additional issue in the default letter. A new potential default letter does not need to be issued on a new cause for terminating the offer while under a potential default.

- (3) If the taxpayer complies with the information requested in the potential default letter before the issuance of the default letter, do not default the offer.

Note: If the potential default letter is returned undeliverable follow procedures IRM 5.19.7.14.6, Undelivered Potential Default Letters.

- (4) Often, after the IRS elected its remedy of ending the offer, a taxpayer will comply (take the actions requested of them in the potential default letter) soon after receiving the default letter. If the taxpayer takes corrective actions in the 15 day period following the issuance of the default letter, consider whether the IRS should shift its election of remedy to the continuing the existence of the OIC-contract. As a policy matter, in many cases the IRS will make such a shift, because it is in the government's best interest to do so.

Note: If the taxpayer responds to the default letter requesting an extension to pay due to extenuating circumstances, managerial review and approval is required prior to granting an extension after a default letter. AOIC must be documented with the facts and the concurrence.

- (5) The AOIC record should be updated to OD status during the 15-day period after the default letter has been issued.
- (6) Research IDRS to determine if the taxpayer complied during the 15-day waiting period. If the taxpayer complied within this time frame, do not default the offer. Write to the taxpayer explaining that the unfiled return or unpaid payment was found and the offer was not terminated.
- (7) Research all tax modules on the offer for an unreversed TC 470 prior to input of TC 781. Input TC 472 to reverse any unreversed TC 470. The TC 781 is input to all offer tax modules, including modules that were full paid or the CSED expired.

Reminder: TC 480 and TC 780 must be input prior to the TC 781, if a TC 788 previously posted to the module.

- (8) Change the TSIGN to 0000 or a TSIGN requested by the Field Office.

Note: When direct assignment to status 22 (TSIGN 0000) doesn't work, try assigning to status 24 (TSIGN 7000) first, then to status 22 (TSIGN 0000). If the actions above are still unsuccessful, elevate to OIC Policy.

- (9) **If the OIC indicator is still on the account, take the necessary actions to remove.**
- (10) Notices of Federal tax liens will be re-filed by the territory office when the reversed assessments are reissued.

- (11) If the default was due to a balance due on a new module and the taxpayer asks for an IA, Input a TC 971 AC 043 and forward the taxpayer information to Campus collection on a Form 4442.
- (12) Prior to closing the offer as defaulted on AOIC, prepare a dummy file containing the potential default and default letters to be sent to FRC after the offer has been closed.

Note: If the defaulted offer has TFRP modules, the TFRP liaison should be contacted to update the transactions on the account.

5.19.7.15.1
(12-09-2024)

Reinstating Previously Written Off Tax Periods

- (1) After allowing 15 days from issuance of the default letter, tax, penalty and interest previously written-off may be reinstated as appropriate per the chart below.
- (2) Each previously written off tax period should be analyzed to determine if the CSED has expired.

If	Then
The tax period was previously written off via TC 608	Do not reinstate the tax liability.
The CSED has expired	Do not reinstate the tax liability.
The CSED has not expired and tax period was written off via TC 971 AC 032	Reinstate the tax liability.
The tax period was full paid	Do not reinstate the tax liability.

- (3) Do not reinstate a liability solely to allow payments to apply to a module. If the payment date precedes the TC 604 or TC 608, it will apply correctly without reversing these codes.
- (4) If the offer is controlled on AOIC:
 - a. Follow default procedures provided in the AOIC User Guide to close cases controlled on AOIC.
 - b. The action date is the date of the default letter.

Note: The stamped date on the signed default letter (TC 781/action date) should coincide with the date the offer is placed in OD status. If there is a variance, the history must be updated with the correct TC 781 date for a complete audit trail.

- c. Update the AOIC remarks indicating the recommended closing status (C5, CP, etc.) and take any appropriate IDRS actions listed in (4) below.
 - d. Close the offer using the applicable status (C5, CP, etc.)
- (5) If the offer is a manually monitored OIC:

Step	Instruction
1.	Pull the separately maintained control cards, Form 2515, 6313, 6314, etc.

Step	Instruction
2.	Associate the forms with the offer case file.
3.	Stamp Defaulted and the action date on forms 656, 2515, 6313, 6314, and on the outside of the case folder.
4.	Determine the amount of the reassessment to be reinstated using a current transcript.
5.	Compute and determine if the CSED has expired on any period. If the CSED has expired, do not reinstate the tax liability.
6.	Input TC 781 and action date using REQ77.
7.	Update the status using CC STAUP.
8.	Change the TSIGN to 0000 or a TSIGN requested by the territory office.
9.	Input TC 972 AC 32 for accounts previously written off with TC 971 AC 32. This will generate a TC 605 to reverse the TC 604 write off.
10.	Input TC 131 (if necessary) with a delay code of one (1) to release TC 130 (credit offset). TC 130 will need to be re-input with the correct DLN indicator if the liability is on NMF.
11.	Use REQ54 to input TC 342/272 with priority code 5 to reverse penalty and interest restrictions and allow the systemic computation to resume. This will provide an accurate payoff including penalty and interest accruals to a current Date of Notice and Demand (23C date).
12.	Document all actions taken in AMS.

Caution: When re-establishing joint accounts on MF, notices must be suppressed.

Caution: Do not use TC 340, TC 341, TC 270, or TC 271 unless the account had restrictions before input of TC 780, which need to be restored.

- (6) Accounting takes the necessary actions for reinstating non-master file accounts. MOIC actions follow:
- Prepare Form 3177 for TC 480 / TC 780 input.
 - Attach a copy of the default letter and a NMF transcript to each Form 3177.
 - Prepare Form 3465, Adjustment Request, indicating TC 860 with the full amount to be reinstated, 23C date highlighted, and specific transaction codes that were previously written off. Enter in the remarks section to reinstate abated NMF module, for the defaulted offer.
 - Prepare a statutory period worksheet and compute the new statute expiration date.
 - Prepare Form 3177 for input of TC 550 to indicate the new statute expiration date. Attach a current NMF transcript to the Form 3177.
 - Prepare two Form 3177 for input of TC 781 and TC 483 (using the date of the default letter for the transaction date). Attach current NMF transcripts to both Form 3177.

g. Wait for these transactions to post.

(7) Before closing the defaulted/terminated offer:

1. Verify all TCs have posted to IDRS or NMF.
2. Staple Form 2515, 6313 and/or 6314 together and place in the case file. For information on the retention and disposition of the case file that contains original records, see Document 12990, IRS Records Control Schedules.

Note: If the defaulted offer contained mirrored modules that previously had a TC 972 AC 110 posted to prevent cross referencing of subsequent payments and the CSED has not expired, manually input a TC 766 to the offer MFT 31 module to credit it for any uncredited payments posted to the spouse's MFT 31. Then input a TC 971 AC 110 cross referencing the spouse's MFT 31. Future payment will be credited on both MFT 31 modules.

Note: If the offer being defaulted contains mirrored modules that have previously had a TC 972/110 posted.

(8) To prevent cross-referencing of subsequent payments, complete the following:

If	Then
The CSED on the offer taxpayer MFT 31 is expired	No action needs to be taken
The CSED on the offer taxpayer MFT 31 is not expired	<ol style="list-style-type: none"> 1. Manually input TC 766 Ref 337 (see IRM 5.19.7.16.6, Mirrorfail Transcripts), to the offer taxpayer MFT 31 module to credit it for each payment not cross-posted from the non-offer taxpayer MFT 31 module. 2. Input a follow-up for all payments to post and to ensure the module balance is the same for each MFT 31. 3. Input a TC 971/110 to each MFT 31 module, cross-referencing the spouse's SSN to ensure cross-posting of future payments.

5.19.7.15.2
(10-06-2022)

Revocation of the Certificate of Release of Federal Tax Lien

- (1) MOIC requests release of the federal tax lien(s) following full payment of the amount offered and accepted on an offer in compromise. However, if the taxpayer defaults on the offer after the release of a federal tax lien, and the IRS defaults the offer, MOIC must request that Advisory Unit revoke the lien release. Refer to IRM 5.12.3.14.1, Requesting Revocation of Lien Release.

Note: Revoking a certificate of release reinstates the statutory Federal Tax Lien for the liabilities as of the reinstatement date. See 26 CFR 301.6325-1, Release

Of Lien Or Discharge Of Property. See IRM 5.12.3.15, Reinstating the Statutory Lien. The revocation does not retroactively reinstate any NFTL. A new NFTL needs to be filed after the reinstatement. See IRM 5.12.3.16, Re-establishing NFTL Priority.

- (2) The first step MOIC should take is to view the periods covered on each released lien. The paid offer amount may have full paid the liability for the periods shown on the Notice of Federal Tax lien (NFTL).
 - a. Use the ALS system to identify all NFTLs filed on the offer taxpayer.
 - b. Research IDRS to determine if the tax periods shown on the NFTLs were full paid by any funds received as payments on the offer or by offsets from other periods.
 - c. Prepare Form 14466, Request for Revocation of Erroneous Release of Federal Tax Lien, to request the revocation of the release of lien for tax periods being reinstated due to the default. Follow procedures in IRM 5.12.3.14.1, Requesting Revocation of Lien Release. Do not include any periods on the request that have been full paid. Prepare a separate form for each NFTL.
 - d. Use the original data on ALS to prepare the Form 14466 to reestablish the lien, if appropriate and the aggregate account balance meets the criteria to file, prepare Form 12636, Request for Filing or Refiling Notice of Federal Tax Lien, to request a new NFTL. (See IRM 5.19.4.5.3.2, Filing Criteria).
 - e. Email or fax both forms to an Advisory Group in the appropriate Territory Office.
 - f. Document the AOIC history.

Example: The IRS accepted a lump sum offer from Jerry and Margaret Taxpayer on July 8, 2014 for \$5,000:

Facts
Periods included: 200412 for \$1,200 200512 for \$1,000 200612 for \$3,500 200712 for \$4,000 200812 for \$1,300
There were (3) three separate NFTLs that covered all (5) five tax periods; one lien for 200412, another for 200512, and the last for 200612, 200712 and 200812.
The offer amount full paid the 200412 and 200512. The offer amount also partially paid the liability for 200612. In December 2016, their offer was defaulted for failure to full pay their liability on their 201512 return of \$3,000.

Facts
The assigned tax examiner, researched the ALS system to determine which liens had previously been released and determined that because the offer amount full paid the liability for 200412 and 200512, that a request to revoke the release of the liens for these tax periods was not necessary for these tax periods. Form 14466 was prepared to request the revocation of the lien release on the applicable tax years. All forms were sent to Advisory and the AOIC history documented.

- (3) When a NFTL is filed after the revocation, lien releases are processed following standard procedures. Occasionally, a taxpayer might request a release of lien after a revocation even though a new NFTL was not filed. The request to release the lien in this instance must be sent to Advisory since this is also a manual process and cannot be accomplished on ALS. Release of refiled NFTL must also be processed through Advisory.
- (4) Advisory contacts can be found in Pub 4235, Collection Advisory Offices Contact Information, on the SERP Who/Where, *Advisory* web page.

5.19.7.15.3
(12-09-2024)

Reopening Defaulted Offers

- (1) A situation may arise where an offer in compromise is defaulted and we later discover that the termination was an IRS error.

Example: The IRS does not receive a tax return during the 5-year compliance period and the taxpayer does not timely respond to the potential default letter due to circumstances beyond the taxpayer's control. The taxpayer later, via a certified mail receipt, conclusively establishes that the return was in fact filed but somehow was never processed.

- (2) In rare situations, the IRS may shift its election of remedy based upon a taxpayer's exceptional circumstance.
- (3) Generally, the taxpayer or the representative must contact MOIC to raise objections and provide an explanation for failure to provide the required payment(s) and/or tax return subsequent to the default.
- (4) Acceptable criteria for potential situations where default reconsideration may be applicable based on IRS error are listed below. These are not all inclusive:
 - a. The offer was closed as a default in error by MOIC.
 - b. The payment(s) and/or tax return was sent timely, but it was not associated with the case.
 - c. The taxpayer was affected by a federally declared disaster as defined in 26 CFR 301.7508A-1, Authority To Postpone Certain Deadlines By Reason Of Federally Declared Disaster, Significant Fire, Or Terroristic Or Military Actions.
 - d. The taxpayer is in a combat zone as defined in 26 CFR 301.7508-1, Time For Performing Certain Acts Postponed By Reason Of Service In Combat Zone Or Contingency Operation.
 - e. The taxpayer provided proof that the required payment or filing of a tax return were made prior to the offer default.

- (5) Acceptable criteria for potential situations where default reconsideration may be applicable based on specific taxpayer issues are listed below. These are not all inclusive:
- Serious illness or injury prevented the taxpayer from submitting the payment(s) and/or tax return timely.
 - The taxpayer submitted funds within the required time-frame to replace previously dishonored check(s). See also IRM 5.8.7.2.2.5, Return for Dishonored Payments.
- (6) All requests to reinstate a defaulted offer must be reviewed and approved by a manager and reviewed by MOIC Department Manager prior to any action taken by the Tax Examiner. Requests to re-open an offer will be forwarded via email to Collection Policy.
- (7) If the offer is controlled on AOIC, provide the following information to SBSE Headquarters:
- Provide the offer number.
 - Briefly state why the offer was defaulted.
 - Include the specific dates of the default actions.
 - State the reason for the reopening.
 - Indicate the SC status code for the offer after reopening.
- Note:** If the offer was defaulted by Appeals, the request to reopen should be routed via Form 2209 to Appeals. See IRM 5.19.7.9, Modifying the Accepted OIC regarding ex parte communication rules involving a Form 2209 addressed to Appeals.
- (8) The analysts will decide whether the reinstatement is appropriate and let MOIC know if the request is approved.
- (9) If approved:
- Re-input TC 480, TC 780, etc. using the original transaction dates.
 - Re-compute the CSED if necessary.
 - Send the taxpayer correspondence advising of the reinstatement.
 - Update the case or AOIC history stating the reason for the reversal.

Note: For manually monitored cases, document actions and the reason for reversal on AMS.

5.19.7.16
(07-09-2020)
Transcripts

- (1) Transcripts are paper documents generated by the Martinsburg Computing Center (MCC) as an alert when an identified transaction or missing action occurs on a tax module. All transcripts are issued on Form FC-4.
- (2) Transcripts should be processed within 45 days of "receipt."

Note: Transcripts may generate at another campus and must be sorted and shipped to the correct campus.

5.19.7.16.1
(07-09-2020)
OIC Transcripts

- (1) Transcripts generated on OIC Accounts are:
- Unreversed TC 470 Transcript/AMO6 W Transcript
 - Diagnostic-Q Transcript/DIAG-Q Transcript
 - Non-Master File Transcript/NMF Transcript
 - MIRRORFAIL Transcripts
 - OIC Default FSC

5.19.7.16.2
(07-09-2020)
Processing DIAG-Q Transcripts

- (1) Input of TC 480 generates a Y freeze on the tax module. The freeze generates reason code 33 to Master File. When the reason code remains on the module for over one year, a Diagnostic (DIAG-Q) transcript will generate annually to identify potential problem modules on the taxpayer Information File (TIF). The reason code is removed by the reversal of the TC 480.
- (2) Although not all DIAG-Q's require action, these transcripts provide a means to identify and remove unnecessary modules/accounts from the TIF.

Note: The following research tools are available to assist in the resolution of the DIAG-Q transcript. Accounts Management Services (AMS), Integrated Collection System (ICS), Appeals Centralized Database System (ACDS), Automated Offer In Compromise (AOIC), and Integrated Data Retrieval System (IDRS) using command codes IMFOLI and BMFOLI.

- (3) Reverse the Y freeze by the following transactions:
- TC 481, OIC Rejected or Returned
 - TC 482, OIC Terminated or Withdrawn
 - TC 483, Correction of Erroneous Posting of TC480
 - TC 781, Defaulted Account Compromise
 - TC 782, Correction of 780 Processed in Error
 - TC 788, All Collateral Conditions of the Offer Completed
- (4) Upon receipt of the DIAG-Q transcript, review the tax module(s):

If	Then
TC 480 freeze is valid	Destroy the transcript
Module should have been previously closed	Input the appropriate TCX to close the module
Closing code is posted to the module, indicating a systemic problem	Report the problem to Information Systems (IS).

- (5) Document receipt and any action taken as a result of the transcript in the case history.
- (6) Destroy all transcripts after resolution.

5.19.7.16.3
(07-09-2020)
Processing AM 06W Transcripts

- (1) AM 06W transcripts issue when TC 470 is not reversed on a defaulted offer tax module (TC 781).
- (2) Research and reverse all TC 470 on each module.

Note: Use TC 472 when applicable.

5.19.7.16.4
(07-09-2020)

**Processing Non-Master
File (NMF) Transcripts**

- (1) NMF transcripts generate when:
 - a. A second credit posts to a module after issuance of a CP 44. Notice and a V freeze created by the TC 130 remains on the taxpayers account.
 - b. A TC 740 posts to the transcript module and creates a credit balance.
- (2) If the NMF transcript cannot be resolved within 14 days from the computer notice date:
 - a. Control the transcript using Category Code CP 44, and
 - b. Input in the history section of the control base "NMF."
- (3) If the OIC has been paid in full and the credit is not subject to recoupment, refund the credit to the taxpayer.
- (4) Release the V freeze, if necessary, by inputting TC 131.
- (5) Document receipt and any action taken as a result of the transcript in the case history.

5.19.7.16.5
(07-09-2020)

**Processing
DEFAULTFSC
Transcripts**

- (1) If the Filing Status (FS) of an identified entity is updated from one FS to another based on the posting of a TC 150 within the five-year period a "DEFAULTFSC" transcript will generate.

Example: Joint taxpayers divorce; the secondary taxpayer files as single in the subsequent year. A DEFAULTFSC transcript will generate showing the primary taxpayer's filing status changed from joint to single or to head of household.
- (2) Using the example above, if the secondary taxpayer had accepted the offer and would be filing future returns under their own SSN or a different TIN, the OIC indicator must be placed on their TIN.
 - a. Use Command Code (CC) ENMOD overlaid with CC ENREQ to place the OIC Acceptance year on the new entity. (OIC> 1998 for 1998.)
 - b. This will generate TC 016 in the module.

Caution: Reports indicate this action may not input the OIC Acceptance year if a TC 780 is not present under the taxpayer TIN. If this is true, manually monitor these cases.
- (3) Using the example above, if the primary taxpayer was **not** a party to the offer, the OIC Acceptance year must be taken off. Using ENREQ (see above) enter 1966 to remove the OIC indicator. (OIC>1966.)
- (4) Document receipt and any action taken as a result of the transcript in the case history.

5.19.7.16.6
(07-09-2020)

MIRRORFAIL Transcripts

- (1) MIRRORFAIL transcripts generate when a payment does not systemically cross-reference from a mirrored module, TC 971 AC 110, to the other SSN. They may also generate when a TC 766 credit creates a credit balance on a cross-reference MFT 31 module.
- (2) Cross-reference and reversal actions on MFT 31 mirrored accounts will have to be done manually.

- a. To cross reference a payment or other credit that has not systemically cross- referenced from a mirrored module, input a TC 766 Ref 337 using command code REQ54.
 - b. To remove a cross-referenced payment or credit, use CC REQ54 and input the amount of the TC 766 reference code 337 with a minus sign. See IRM 21.6.8.6.2, REFMFT31/REFMFT65 Transcripts.
- (3) MIRRORFAIL transcripts are to be worked within 30 days of the date of the transcript.

5.19.7.16.7
(07-09-2020)

AMRH Transcripts

- (1) An Accounts Maintenance Research AMRH transcript is routed to MOIC based on the IRM 21.2.4.3.2, Accounts Maintenance Initial Processing. This transcript requires the input of a Transaction Code (TC) 290 for \$.00 in Blocking Series (BS) 80 on the offer tax year to close the -A Freeze. No taxpayer contact is required as the action is solely closing the freeze code condition on the offer tax year.
- (2) AMRH transcripts are to be worked within 30 days of receipt.

Exhibit 5.19.7-1 (05-21-2018)
Status Inquiry Letter

This is an example of the status inquiry letter sent to taxpayers whose offers were suspended due to a disaster -O freeze advising them the offer monitoring will resume.

Status Inquiry Letter

Date of this letter:

Person to Contact:

Address:

Telephone number:

Salutation:

We are writing to you regarding your accepted Offer in Compromise (offer). We recently suspended all monitoring actions on accepted offers from taxpayers residing in the areas impacted by certain disasters. We have now resumed monitoring these accepted offers. We realize, however, that your personal and financial situation may have changed due to natural disasters experienced since your offer was accepted.

Please let us know if we should continue with the normal monitoring of your accepted offer under the terms and conditions you agreed to, or if you are unable to meet those terms and conditions and will need to consider other options. We are committed to providing an appropriate resolution on your accepted offer as soon as possible, and your timely response will assist us in doing so.

The following action(s) is needed to bring your offer current with the accepted terms and avoid a potential default:

Please contact us within 14 days of the date of this letter. If we do not hear from you we will begin default procedures. You may call us or write to us using the telephone number or address information shown above.

Sincerely yours,
(Signature and Title)

