MANUAL TRANSMITTAL

5.19.15

Department of the Treasury
Internal Revenue Service

JUNE 1, 2023

EFFECTIVE DATE

(06-01-2023)

PURPOSE

(1) This transmits a revised IRM 5.19.15, Liability Collection, Federal Agency Delinquency (FAD) Program.

MATERIAL CHANGES

(1) IRM 5.19.15.4, General FAD Case Processing; Paragraph 1 added to clarify the requirement to secure/ update Point of Contact (POC) information on ICS for primary and secondary contacts, and Cause of delinquency and Case Resolution. Deleted paragraph 6 as addressed in paragraph 1. Added Paragraph 6 - Managerial approval required for adjustments over $100K.

(2) IRM 5.19.15.5.1, Resolving Balance Due Issues- Paragraph 1 added Note to address Managerial approval required on adjustments over $100K.

(3) IRM 5.19.15.6.2, CFO Nonfiler Listing Process; Paragraph 1 revised to clarify overview process (editorial). Paragraph 4 updated as follows 9th bullet- Research for POC and phone number. 10th bullet- Note added: Not required to send another Letter 2718-C since previously sent initially. If Letter 2718-C was not sent previously, issue letter. Requirement to open control bases on IDRS was removed from the process. Paragraph 5 added (new)- Address balance due modules when identified while working nonfiler listing.

(4) IRM 5.19.15.8.1, Campus Internal Escalation Process; Paragraph 2- added requirement for employees to indicate number of contact attempts to support escalation process.

(5) IRM 5.19.15.8.3 CFO Office Referral Process; Removed reference to referral specific balances due amounts.

(6) Editorial changes made throughout the IRM for clarity, updated grammar and IRM references.

EFFECT ON OTHER DOCUMENTS

This IRM supersedes IRM 5.19.15 dated October 06, 2017 and incorporates the provisions in IPU 18U0385 and IPU 23U0494.

AUDIENCE

Small Business/Self-Employed (SB/SE) employees in Compliance Services Collection Operation

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5.19.15
Federal Agency Delinquency (FAD) Program

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5.19.15.1
(06-01-2023)
Program Scope and Objectives

(1) **Purpose:** The purpose of the FAD program is to ensure federal agency accounts, identified by an employment code of "F" on IDRS Entity, are processed in an efficient, timely manner. All inquiries, including phone calls and correspondence regarding federal entities, are to be forwarded to the FAD team in the BSC Campus- Collection Operations. Refer to SERP - *http://serp.enterprise.irs.gov/databases/who-where.dr/fad-contacts.html* SERP- Who and Where tab on main SERP page for additional guidance on forwarding inquiries to the FAD team.

(2) **Audience:** The procedures in this IRM provide guidance to the FAD team and Campus management when handling federal entity issues when the account is in Collection status 26. Campus management have responsibility over case assignment, monitoring, and initiating the escalation process when the Campus has exhausted all attempts to resolve a case.

(3) **Policy Owner:** Director, Collection Policy, SBSE.

(4) **Program Owner:** Collection Policy, SBSE, Campus Operations.

(5) **Primary Stakeholders:** SB/SE Campus Collection FAD employees and management, Tax Exempt & Government Entities (TE/GE)- Federal, State, Local Governments/Employment Tax (FSL/ET), and Chief Financial Officer (CFO) Office.

(6) **Program Goals:** The goal of the centralized program is to ensure federal agency accounts are resolved in a timely and appropriate manner. The goal is for the FAD employees to utilize information available and assist the taxpayer with resolving their tax issue.

5.19.15.1.1
(06-01-2023)
Background

(1) In 2006, the Federal Agency Delinquency program (FAD) was centralized to the Brookhaven Campus, Holtsville, NY- Collection Operation. The intent of the centralization was to ensure overall consistent with handling and monitoring of federal agency entities. In March 2014, a Service Level Agreement was approved and implemented outlining the roles and responsibilities of the three business areas. The three business units consist of: Small Business/ Self Employed (SB/SE), Tax Exempt & Government Entities (TE/GE)- Federal, State, Local Governments/Employment Tax (FSL/ET), and the Chief Finance Officer (CFO) Office.

(2) Federal agency entities receive an initial balance due or nonfiler notice, then the entities cases are accelerated to the Collection stream (Status 26). Once the case is assigned to Status 26 it is immediately assigned to the FAD assignment on the Integrated Collection System (ICS). See IRM 5.19.15.3, FAD Inventory Assignment - Integrated Collection System (ICS), for additional information.

(3) Once assigned to the FAD team, the Federal agency delinquency is assigned to an employee and the initial research and taxpayer contact is made within 5 days. The objective is to identify the cause of the delinquency and assist the government agency with resolution. This could include contacting other areas within the Service, Social Security Administration, etc. with the intent to assist the agency point of contact (POC) with reconciliation of their account.

5.19.15.1.2
(06-01-2023)
Authority

(1) Leverage for collection on federal agency entities is limited. Unresolved accounts after numerous contact attempts may be raised to the executive / current year appropriation funds to pay prior year tax obligations, resulting in

Note: Refer to IRM 1.2 Servicewide Policies and Authorities, for a complete list of IRS Policy Statements.

5.19.15.1.3
(06-01-2023)
Responsibilities

(1) The Director of Small Business/ Self Employed (SB/SE) Collection HQ has the executive oversight over the program. The SB/SE Collection Policy Director and Campus HQ Director approves all escalated cases prior to being escalated to the CFO office. See IRM 5.19.15.8, Escalation/Referral Process Overview.

(2) SBSE Collection Policy Analysts have oversight over the program, including serving as a point of contact/collaborating with CFO and TE/GE-FSL/ET on issues/concerns, sensitive case updates, and cases elevated to executive management.

(3) The Campus management has the following responsibilities over the program:

- Assign new cases received in the group ICS assignment to employees within 24 hours of receipt into ICS. New agencies assigned to FAD need to be forwarded to FSL/ET to request validation as to whether or not the taxpayer is a federal agency.
- Ensure cases are worked per the streamline process in IRM 5.19.15.4.2, Streamline Process and Time frames Guidelines.
- Maintain a current “Master” listing of federal agency “Point of Contacts (POC)” within the Unit.
- Initiating the escalation review process when the criteria is met. Approval of cases must be elevated to the SB/SE Campus Director and appropriate Collection Policy Program Manager for approval.

(4) FAD Employees:

- Work cases per the Streamline Process, refer to IRM 5.19.15.4.2, Streamline Process and Time frames Guidelines.

- Identify and request manager, acting manager, clerk or secretary select the appropriate item to track the "Cause and Resolution" from the ICS drop down menu- Approved Program Name 1 (Cause) and Approved Program Name 2 (Resolution)
- Identify when it is appropriate to escalate case to management and HQ. If appropriate, complete FAD Escalation - SCR Form, along with supporting documentation per local management.

(5) All responsible parties are required to adhere to the Service Level Agreement (SLA) originally established in March 2014, outlining the roles and responsibilities between SB/SE, CFO and TE/GE-FSL/ET.

5.19.15.1.4
(06-01-2023)
Program Management and Review

(1) The main objective of the program is to ensure federal agencies are in compliance and address any trends to ensure future compliance for all federal agencies.

(2) FAD team management conducts monthly review of open and closed cases per management guidelines.

(3) A FAD Cause and Resolution report is available on Control D report on the 1st of each month. The captured data and findings are shared with TE/GE-FSL/ET and CFO office to identify possible trends. TE/GE-FSL/ET utilizes the information for future educational seminars, publications, and outreaches to specific federal agencies. Refer to IRM 5.19.15.3.1, ICS - Tracking Cause and Case Resolution, for additional information.

5.19.15.1.5
(06-01-2023)
Program Controls

(1) The CFO office forwards a monthly Federal Agency Delinquency report to SB/SE Collection Policy. The report lists all federal agencies in delinquency status identified on the Masterfile from prior month- last cycle (week). The report is analyzed to identify if any cases need immediate assignment to FAD. Since the listing includes delinquent agencies in both notice status and collection status, many of the cases are resolved prior to being assigned to Collection FAD inventory. The listing is forwarded to BSC management to validate the status 26 cases listed on the CFO report against the ICS FAD total inventory.

Note: The validation is completed to ensure all cases in status 26 are assigned to FAD ICS assignment.

5.19.15.1.6
(06-01-2023)
Acronyms

(1) The following acronyms are mentioned throughout the IRM

Acronym	Definition
AMS	Accounts Management Services
CAWR	Combined Annual Wage Reporting
CFO	Chief Financial Officer
EC	Employment Code
EFTPS	Electronic Federal Tax Payment System

Acronym	Definition
FAD	Federal Agency Delinquency
FSL/ET	Federal, State, Local Governments/Employment Tax
ICS	Integrated Collection System
IPAC	Intra-Governmental Payment and Collections
IQA	ICS/Entity Quality Analyst
TE/GE	Tax Exempt Government Entities Division
TP	Taxpayer
OI	Other Investigations
POC	Point of Contact
SLA	Service Level Agreement

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5.19.15.1.7
(06-01-2023)
Related Resources for Federal Agencies

(1) The following table lists the primary sources of guidance which can be beneficial to share with the government agencies, when applicable.

Reference	Direct Link
Federal-State Reference Guide provides state and local government employers a comprehensive reference source for such topics as: • Social Security and Medicare coverage • Assistance on determining worker status • Public retirement systems • Employment tax laws and other tax issues This publication also contains contact telephone numbers and an address where customers can write for additional information.	Pub 963, Federal - State Reference Guide.
Tax Information for Federal, State and Local Governments.	*https://www.irs.gov/government-entities/federal-state-local-governments*, Tax Information for Federal, State and Local Governments

Reference	Direct Link
IRS.gov website- "Frequently Asked Questions (FAQ) For Federal Agencies"	*https://www.irs.gov/newsroom/questions-and-answers-about-the-reporting-requirement-under-section-6050x*, Questions and Answers About the Reporting Requirement Under Section 6050X | Internal Revenue Service
IRS.gov website- "Information Return Reporting for Federal Agencies	*https://www.irs.gov/government-entities/federal-state-local-governments/information-return-reporting-for-federal-agencies*, Information Return Reporting for Federal Agencies
SSA website for inquiries regarding W-2s filed	*https://www.ssa.gov/employer/#a0=0*, Employer W-2 Filing Instructions & Information
Electronic Filing Payment Tax System (EFPTS)	Federal Agencies can contact EFTPS Customer Service directly at 1-877-333-8292 for assistance or issues related to the EFTPS System, or 1-866-255-0654 for web-site support.

5.19.15.2
(06-01-2023)
General Information

(1) Federal agency entities can be identified by the following indicators on IDRS:

- BOD CODE: TE/GE
- Employment Code: F
- Form 941, Employer's Quarterly Federal Tax Return, with filing requirement code: 02 (If applicable to file employment taxes)
- IDRS Collection assignment: 21008300 (Identifies assignment to FAD).
- ICS team assignment 0100-8300 (Identifies assignment to FAD)

(2) There are a total of fifteen (15) executive departments assigned under the US Federal Government. Each executive department is responsible for applicable subsidiary entities within their department. Refer to Exhibit 5.19.15-1 for a listing of government executive departments. Visit website: *https://www.usa.gov/agency-index*, Federal Agencies and Branches of Government, for additional information on specific agencies within the executive branches of the government.

(3) Budgets are distributed or appropriated to all federal agencies by the US Treasury on a fiscal year basis, beginning on October 1st and ending September 30th of the following year. Appropriations are definite (a specific sum of money) or indefinite (an amount for ″such sums as may be necessary″). These appropriations provide budget authority to obligate and expend funds from the U.S. Treasury for specific purposes. For this reason, their current year appropriations cannot be used to pay prior year tax obligations. Since they are funded by fiscal year, this causes difficulty for the agency if they owe tax debt on prior years. For additional information regarding appro-

priation law and disbursement of funds for government agencies, refer to: *https://www.house.gov/the-house-explained/open-government/statement-of-disbursements*, Federal Disbursements.

(4) Federal agencies are exempt from income tax reporting but are required to comply with filing the appropriate employment tax returns and follow the same employment tax reporting and filing that are required by private industry.

(5) A majority of the delinquent compliance related issues are a result of filing/ reporting issues such as incomplete accounting, mis-applied payments, and CAWR related issues. As a result, collaboration efforts between the assigned FAD employee and agency point of contact are necessary for case resolution. Assistance may include, but not limited to:

- Contact with other areas within the Service for clarification or guidance,
- Sending account transcripts to the agency POC,
- Assistance with obtaining SSA reporting of Form W-2 transcripts.

(6) Non-delinquent issues including tax law, clarification/questions regarding appropriation of funds, or assistance with filing of tax returns should be directed to TE/GE-FSL/ET.

(7) To improve the overall compliance concerns related to Federal Agencies, FAD employees are required to analyze and research each case assigned. Also, they are required to identify and record the cause and resolution on ICS for each case. The data is shared with TE/GE-FSL/ET, which is then used for planning of educational outreaches, education publications, etc.

5.19.15.3
(06-01-2023)
FAD Inventory Assignment- Integrated Collection System (ICS)

(1) FAD inventory is systemically assigned and maintained on the Integrated Collection System (ICS). The Integrated Delivery System (IDS) will identify the FAD inventory by the employment code **F** and systemically assign the cases on ICS to the FAD team, assignment number of 0100-8300. On IDRS, FAD cases are assigned under: COLL-ASGMT>21008300.

(2) FAD employees and management can refer to the ICS User Guide for guidance on utilizing the system for inventory management. Refer to the ICS User Guide web-link: *https://portal.ds.irsnet.gov/sites/vl123/lists/integrated%20collection%20system%20ics/icsuserguide.aspx*, Integrated Collection System (ICS) - ICS User Guide

(3) Balance due modules generally accelerate to Status 26 within 4 cycles date of an assessment, and/ or 4-6 cycles after the CP 501, Individual (IMF) Balance Due - First Notice, is issued. TDI modules generally accelerate to ST 03, FAD ICS inventory within 2 weeks of the CP 259, Business Master File (BMF) Generated - First Taxpayer Delinquency Investigation (TDI) Notice, issuance.

(4) Incorrect ICS assignment of Area office may prevent a case from being systemically assigned to 0100-8300, FAD ICS assignment. If incorrect ICS assignment occurs, bring the case to your manager attention. Note for Managers: Contact the FAD ICS Quality Analyst (IQA) to request the case be moved to the FAD ICS assignment. Ensure the IDRS assignment, of 2100-8300 is addressed at the time the re-assignment is requested.

(5) Situations may occur when an account may need to be manually assigned to inventory on ICS. In situations when the account is not in Status 26, and needs to be assigned to FAD inventory, it will be necessary to either:

- If the applicable module is in notice status, input a STAUP and accelerate the case to ST 26 FAD assignment, 2100-8300.
- If the case is not in notice status or accelerating the account to ST 26 is not an option, it may be necessary to manually add the case to ICS inventory as an Other Investigation (OI).

Note: Manager approval is required for OI input. The manager is required to document ICS history to support the reason for opening the OI when assigning the case.

Refer to the If/And/Then table for guidance on some situations that may require manually adding a case to ICS as an OI. The table below may not be inclusive of all situations

IF	AND	THEN
An inquiry is received regarding filing requirements for the current tax year, or a tax period not in TDI status, requiring no actions be taken.	Account **is not** in Status 26	1. Assist the taxpayer with requested information. 2. Input history on AMS of inquiry. ***Note:*** Do not open an OI on ICS since no actions were necessary.
An inquiry is received regarding filing requirements for the current tax year, or a tax period not in TDI status, requiring no actions be taken.	Account **is** assigned to FAD on ICS,	1. Assist taxpayer with requested information while addressing the tax period on ICS. 2. Notate ICS history of target date given to taxpayer to file delinquent return Notate ICS of all actions taken, taxpayer promise date, if applicable. ***Note:*** Do not open an OI to monitor.

IF	AND	THEN
Inquiry received regarding a pending CAWR related assessment, ***Note:*** This applies to whether or not a CAWR related assessment is posted on IDRS,	Account is **not** in ST 26,	1. Assist taxpayer with information needed to resolve. Refer to IRM 5.19.15.5.3 Addressing Combined Annual Wage Reporting (CAWR) Related Issues, for additional guidance. 2. Update AMS of inquiry and actions taken. ***Note:*** Do not open an OI on ICS since no actions were necessary.

IF	AND	THEN
The account is in Status 26,	The account is assigned to a specific Revenue Officer (RO) group assignment other than FAD team assignment,	1. Identify the RO assignment and notify by email or phone that the case needs to be re-assigned to FAD. ***Note:*** The assigned RO telephone number can be obtained by accessing the ICS Parameter Table or accessing the case by TIN. Access ICS case history to determine whether or not the RO has any information that may assist with the case. It may be necessary to contact the RO and clarify or request additional information. 2. Request your manager notify IQA to assign the case to FAD. 3. Document ICS history of actions taken, and any information obtained by the RO.

IF	AND	THEN
The account is in Status 22/ 24 (TDA) or Status 03 (TDI) with collection assignment ending in 7000,	Indicating the account is in ACS or the Queue,	1. Reassign the account to 21008300; via CC BNCHG. 2. If the Area office is not 2100, it will be necessary to change the Area office to 2100 prior to assigning to the 8300 group code assignment, via CC BNCHG. 3. Forward the case to team manager or lead requesting manual ICS assignment. Include EIN, entity information, breakdown of delinquent tax periods and balances owed. 4. Manager/Lead will assign the case to your ICS assignment number.

Note: If there is a questionable employment code "F" assignment issue, do not pursue case until confirmation is received from FSL/ET indicating whether or not the entity is a federal agency.

(6) Taxpayers may call or inquire about an issue on their account, which is currently not in FAD inventory, formerly known as "TPRQ- Taxpayer Request Assistance. Generally, this occurs as a result of a new assessment, or a recent open TDI module. Assist the agency with their concern and inform them of their options to resolve the issue. Notate ICS history of discussion, actions taken and/ or target date, if applicable. It is not necessary to open an Other Investigation (OI) on ICS. The case will be accelerated to ICS FAD inventory if not resolved after the 1st balance due (Bal Due) or a nonfiler (TDI) notice is received. Examples can include but not limited to,

- An inquiry on a notice regarding a recent proposed assessment conducted by various areas within the IRS,
- A general question from an agency not currently assigned,
- A request for guidance on submitting an amended return.

(7) There is an exception to the rule: If an amended return is received from an account not assigned to FAD ICS, secure manager approval then assign the case to yourself on ICS as an OI, unless the account is in notice status and can be accelerated to ST 26- FAD assignment. Once manager approval is obtained, input the appropriate adjustment to the account. If the result of the adjustment is a remaining balance, address with the agency accordingly requesting immediate payment.

- Notate actions taken in ICS history, including date agency promised to pay, if applicable.
- Close the OI and open control once the adjustment is completed and ICS history updated.
- Update Program name 1 & 2 of cause and resolution based on inquiry and actions taken. For Cause, select Return Math error unless another issue is the cause of the agency filing an amended return.

Note: Do not use Non-filed Return as the Cause, as amended return is not considered non-filed.

5.19.15.3.1
(06-01-2023)
ICS -Tracking Cause and Case Resolution

(1) ICS database captures and tracks data input by employees in the Maintain Program Name 1 & 2 on ICS. The Program Name tab is located under the Entity Information tab on the Case Screen. The employee must identify and request that a manager, acting manager, clerk or secretary select from the drop down menu of the applicable "Program Name" the item line that best identifies the **Cause and Case Resolution** on each case assigned.

(2) The monthly results of all case closures are available on Control D report on the 1st day of the following month. The data is recorded by Collection Policy HQ on a quarterly basis and shared with TE/GE-FSL/ET, which is used by them to plan future educational outreaches and forums with federal agencies.

(3) Specific line entries under ICS Approved Program Names 1 & 2 are aligned for FAD reporting. An authorized employee must select the applicable "Program Name" drop-down item line that best identifies the issue and resolution.

(4) There will be situations where several issues may have contributed to the delinquent issue. Determine and use the root cause of the delinquency. If agency has both Bal Due and TDI issue(s), balance due is used for reporting purposes under the Cause and Resolution reporting- Program Name 1 & 2.

(5) The cause of the case delinquency issue and case resolutions must be recorded on ICS, which will be used to generate trend reports. Error trends will be shared with FSL/ET for educational purposes. Reports will be generated by ICS programmers and forwarded to management the first week of each month.

(6) Upon case closure, request that a manager, acting manager, clerk or secretary select the appropriate issue type on ICS fields-Approved Program Name 1 & 2 to address the **Cause** and **Case Resolution**.

(7) Refer to the table below for drop down menu selections to capture the **Cause** options captured under - **Approved Program name 1:**

Issue- Cause	**Definition**
FAD Return Math Error	Math error on tax return secured

Issue- Cause	Definition
FAD Underpayment of Tax	Total tax due is above payment(s) received
FAD Exam Assess	Exam assessment
FAD CAWR Assess	CAWR assessment
FAD Credit Discrepancy	Credit discrepancy (i.e., payment applied to incorrect tax period, MFT, or another account.
FAD IRS/Systemic Error	IRS error (i.e., incorrect filing requirement opened, amended return not processed correctly)
FAD Non-Filed Return	TDI issue- Open TDI non filed return
FAD Employment Code Error	Possible incorrect employment code “F” assignment. ***Note:*** Refer to management.
FAD Education	Agency contacted FAD employee requesting compliance assistance on a non- open issue/ or entity not currently assigned to FAD.
FAD Other	Issue does not match other issues (i.e.,resolved prior to assignment to FAD)
FAD-AMNDED RTRN	Amended Return submitted by agency
FEDCON TAX Check	Assignment of Federal Contract tax checks received by Procurement via HQ. *Note: Non-FAD program.*

Note: Document ICS history of specific reason for delinquency in more detail. Detailed information may be valuable for FSL/ET planning of upcoming educational outreaches and seminars.

(8) Refer to the table below for drop down menu selection to capture **Case Resolution (Cure)** options captured under -**Approved Program name 2:**

Case Resolution	“Definition”
FAD Adjustment	Adjustment to account resulting in resolution
FAD Cr Offset/Transfer	Credit was offset or transferred to satisfy liability.

Case Resolution	**"Definition"**
FAD Balance Full Paid	Payment received/ Full paid account
FAD W-2/W-3 Recon	Reconciliation of W-2 and or W-3s
FAD Return Secured	TDI- return secured
FAD Not Liable to File	TDI- TC 590 input
FAD No Longer Liable	TDI- TC 591 input; EIN no longer being used, no longer have employees, etc.
FAD EIN Merged	EIN was merged with an associated EIN
FAD Emp Cd Issue Res	Employment Code assignment issue resolved
FAD Closing Agreement	*Only use when directed by HQ. Closing agreements are only initiated by CFO office
FAD Prev. Action	Case resolved prior to assignment to FAD inventory by another Campus area.
FAD Escalated Closure	Pertains to cases resolved as a result of the escalation process. Only select per HQ directives.
FEDCON PN RSLV NO TP	FEDCON Tax Check- Penalty issue resolved with no taxpayer contact.
FEDCON PN RSLV TP	FEDCON Tax Check- Penalty issue resolved as a result of taxpayer contact.
FEDCON CR Offset	FEDCON Tax Check- Credit offset/ transfer input to satisfy balance.
FEDCON ADJ No CNTACT	FEDCON Tax Check- Adjustment input with no taxpayer contact.
FEDCON ADJ TP CNTACT	FEDCON Tax Check- Adjustment input as a result of TP contact.
FEDCON IRS Error	FEDCON Tax Check- Balance a result of IRS error. Actions taken to resolve.
FEDCON TP Not RSLVD	Taxpayer contact attempted/ or successful, resulted in no case resolution.

Note: ICS history must also be documented of the cause and case resolution. Reference to FED CON is applicable only for the Federal Contract Tax check process. Process is worked by FAD employees, refer to IRM 5.7.9, Trust Fund Compliance, Federal Contractors for additional guidance.

5.19.15.4
(06-01-2023)
General FAD Case Processing

(1) To ensure federal government agencies understand their tax obligations, SB/SE, TE/GE, and the CFO office have responsibility for the program. Refer to IRM 5.19.15.3.1, ICS Tracking Cause and Case Resolution and IRM 5.19.15.4.1, Federal Agency Point of Contact (POC), for information that must be documented and shared with TE/GE and CFO by HQ as stated in the respected IRM references.

(2) **AMS Documentation:** Limited update of actions taken are necessary on AMS: During initial research, and during closing phase of the case. The intent of the AMS documentation is to notify other area employees that the account is assigned to FAD, and to forward any inquiries accordingly.

- Upon receipt of case in inventory, document AMS of assignment to FAD. Initial AMS documentation should only include necessary information to document the case assignment to the centralized FAD Unit. Documentation will include FAD employee contact information for forwarding any pertinent case information received by another Service area.

  Note: Situations may arise when AMS documentation may be necessary during case processing.

- Documentation on AMS is important to avoid possible mishandling by another Campus area within the Service while the case resolution is in progress or has been resolved. Documentation must be clear and concise to protect the account from mishandling by other Service center employees.

(3) Upon receipt of a new account that was not previously assigned to FAD, it is required to validate the accuracy of the employment code assignment for the government agency. TE/GE-FSL/ET has the responsibility to validate accuracy of federal agency entity assignments. To validate, send an e-mail to the FSL/ET CPM analyst requesting to validate whether the entity is a federal agency. In addition, request if there is any pertinent information, they may have on the entity which could assist with the case resolution. This will also apply when there is doubt if the entity is a federal agency. Forward request to FAD management per local guidelines and reassign case to manager inventory on ICS. Document ICS history with any information which may assist. Management will contact FSL/ET CPM for validation of employment assignment and request any pertinent information they may have on the entity. Once response is received from FSL/ET CPM, management will update history of FSL/ET CPM response and re-assign back to the appropriate employee on ICS.

Note: Inquiries to FSL/ET CPM analyst must be conducted by the FAD team manager or designated person.

(4) The FSL/ET CPM analyst will share any pertinent information which may assist with the resolution, such as:

- Agency Point of Contact information, which may include telephone etc.

- Any on-going issue currently open within FSL/ET (example-posted/ pending Exam audit).
- History of any prior contact with the agency which may help with communication and resolution of account (example: outcome of exam audit, or prior educational efforts).

(5) Email communication with an agency must be general and not contain any SBU data. SBU data may not be sent to parties outside of IRS, including **other government agencies**, taxpayers, or their representatives. Employees cannot send emails containing SBU data outside the IRS network, even if specifically authorized by the taxpayer. However, employees can receive email containing SBU data from taxpayers or their representatives. For additional guidance regarding emails and SBU data, refer to IRM 10.5.1.6.8.1, Emails to Taxpayers and Representatives.

(6) Adjustment inputs over $100K must have managerial approval. The requirement is to establish an internal control for government agencies. Note: This includes decrease or increase of tax. Credit transfers are not subject to requirement for managerial approval.

5.19.15.4.1 (06-01-2023) Federal Agency Point of Contact (POC)

(1) Due to the business structure of many federal agencies, it is important to capture and update appropriate “point of contact” (POC) for each federal agency entity assigned. It is required to update and/ or validate the POC upon initial case review/ contact for each case assigned.

(2) Employees are required to update the POC on ICS upon case assignment. Validate and/ or update via the Entity Detail screen on ICS> select Resp. Person address under “ADD” tab on the Entity Detail screen. During initial contact, you are required to obtain a second POC for the agency. ICS history must be notated that the POC was addressed.

(3) All new POC information must be updated on the Federal Agency Master Log listing, per local management guidelines. The FAD POC log listing is continuously updated and maintained by the FAD team manager for future reference and requests from the CFO office and TE/GE.

5.19.15.4.2 (06-01-2023) Streamline Process and Time Frame Guidelines

(1) This section provides guidelines to follow when working the FAD inventory. The streamline process was designed to ensure cases are worked in the most efficient and effective manner.

(2) Within 5 days from ICS assignment, the following case actions are required:

- A case analysis to identify the cause of the delinquency, and a pre-determination of next actions
- Initial contact with the POC of the agency to discuss findings of the initial analysis
- ICS history must clearly state the findings of the pre-determination and next actions
- Access and request manager, acting manager, clerk or secretary update ICS screen **ICS-Program Name 1** by utilizing the drop-down options for FAD. The same input must be done upon completion of the case under **ICS- Program Name 2**. Select the **cause and closure type** that best represents action taken. If there is more than one issue applicable, select the issue with the most impact. If the issues pertain to both Bal

Due and TDI “combo”, follow the general rule that a balance due issue should be classified as most impacted unless there are unusual circumstances.

(3) Two contact attempts must be made and documented within 2 business days from original contact date. If contact is successful, refer to paragraph 7 below.

(4) If callback or telephone contact is not an option, send Letter 2718C, Federal Agency Filer Letter, or appropriate letter requesting response from the agency to resolve issue. Notate ICS of specific actions taken with each contact attempt.

(5) When corresponding with the agency in writing, generally set a 30-day deadline for them to respond in writing. Set follow up date for an additional 15 days past the deadline. When using the Letter 2718-C, Federal Agency Filer Letter, input the date of 29 days from today’s date to allow sufficient time for response.

(6) For accounts with an international address, based on their location, additional time must be allowed for mailing and processing payments, returns and correspondence. Refer to IRM 5.19.19.5.3 International Account Time Frames, for additional information.

- If issuing a Letter 2718-C, Federal Agency Filer Letter, or any other letter, allow 60-day follow up to allow extra time for mailing.
- An additional 10 days beyond the deadline must be given for all callbacks.
- Based on the location of the taxpayer, allow up to an additional 25 days for mailing and processing.

Note: Situations may occur whereas additional times outside of the guidelines above may be necessary. Document ICS history to support your decision.

(7) Follow the guidelines in the table below for telephone contact guidelines:

If	Then
Telephone contact is successful,	• Address the reason for delinquency (cause) with the agency, • Request required actions necessary for resolution. • Allow up to 10 business days for response. • Encourage the agency POC to fax information or supporting documentation to expedite case resolution. • Advise the agency if response not received as agreed upon, the issue may be escalated to the next level of their agency. • Document ICS of information secured, and actions taken, including deadline date for agency to respond and/or callback.

If	Then
Telephone contact attempt not successful- no answer	• Leave a message requesting a callback within 24 hours. • Document history of call. Establish a follow- up date for 2 days later. • If contact returns call, refer to above box. • If no response after 2nd telephone call attempt, subsequently issue Letter 2718-C, Federal Agency Filer Letter, or appropriate letter (on same day). Address: a. The option of faxing the supporting documentation to expedite resolution. b. Advise the agency if response not received as agreed upon, the issue may be escalated to the next level of their agency, and contacted by a revenue officer, an IRS executive, or the IRS CFO office to their CFO office. • Set case follow up for 45 days to allow time for response (90 days for international addresses). • Document ICS of all actions taken.

Note: Time frame guidelines are established to ensure case resolution is completed in a timely manner. However, there may be exceptions when additional time is warranted. Encourage the option for the agency to fax the information to expedite case resolution. Document ICS to support decision of allowing more time to respond from guidelines listed above.

(8) When communicating with the agency contact, request and document the name of next level contact as secondary contact in ICS entity for future reference.

(9) Document ICS history of **all** actions taken; including information requested from agency, name of contact, and deadline(s) given.

(10) If contact attempt is successful, refer to the applicable IRM sections to address

the cause of delinquency. See IRM 5.19.15.5.1, Resolving Balance Due Issues, and IRM 5.19.15.6.1, Resolving Return Delinquency Issues.

(11) If all contact attempts as stated in previous paragraphs are not successful, and the account cannot be resolved with available information, the next step for resolution needs to be determined. Refer to IRM 5.19.15.8, Escalation/ Referral Process Overview for additional guidance.

(12) CFO referral process will be pursued **only** after all Campus contact attempts have been exhausted, and approval by SB/SE executives. See IRM 5.19.15.8.3, CFO Referral Process, for additional guidance.

5.19.15.5
(06-01-2023)
Balance Due- Overview

(1) General balance due guidelines to follow can be located in IRM 5.19.1 Liability Collection, Balance Due. This section was developed to assist with special handling of federal agency accounts not addressed in other applicable IRM'S.

(2) All necessary actions must be conducted to assist the federal agency with resolving their balance due issue, which may include assistance with reconciliation process due to CAWR related issues, requesting reporting information from Social Security Administration, etc.

(3) Conducting research prior to agency contact will assist with determining the plan of action necessary to resolve the delinquency balance due issue. Research the account, including X-REF EIN(S) to gather all the facts, and background to assist with identifying and resolving the delinquency. In some situations, an adjustment or mis-applied payment can be completed, resolving the delinquent issue without agency contact.

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(5) As a general rule, federal agencies are funded by Treasury through appropriated disbursements. For additional information regarding **Statement of Disbursement** and five-year rule, refer to *https://www.house.gov/the-house-explained/open-government/statement-of-disbursements*

5.19.15.5.1
(06-01-2023)
Resolving Balance Due Issues

(1) Generally federal agencies balance due issues are a result of the following scenarios listed below:

- Mis-applied payments to an incorrect tax period
- CAWR related issues (Incorrect reporting of W-2/W-3
- IRS errors
- Math errors on tax returns

Note: Managerial approval is required on adjustment inputs over $100,000. Refer to IRM 5.19.15.4, General FAD Case Processing for additional guidance.

(2) However, situations may occur whereas the balance due is valid due to underpayment or an Exam assessment. Inform the agency POC of their available payment options.

(3) Generally, federal agencies are not eligible for an Installment Agreement (IA), if the total amount cannot be full paid within 120 days. However, in certain situations management have the authority to consider an extended time to pay via monthly payments.

Note: All IA option must be approved by the team manager. Management must document information to support the approval in ICS history.

(4) Federal agencies have the option to make their payments by EFTPS or IPAC-Intergovernmental Payment and Collections. Refer to IRM 5.19.15.5.2, Payment Options Available for Federal Agencies, for additional information regarding payments, including required information to be used when transmitting IPAC payments.

(5) In some situations, agencies may have a balance due to incorrect reporting, and may be required to file an amended return at the end of each year to properly adjust wages due to employee's various work assignments in other governmental agencies. It is common practice for agencies to file amended returns each year since they don't receive the corrected W-2's from another "associated sister agency" until months after a quarterly Form 941, Employer's Quarterly Federal Tax Return, return is filed.

(6) To resolve the balance due issues on an account in-depth research may be required, including obtaining copies of prior payments or deposits (for credit verification, researching various IDRS command codes such as PMFOL, IRPTR, and SSA data).

(7) Due to the organizational structure of many agencies, it is required to thoroughly research all related EIN(S) to ensure there is not a misapplied payment that posted to another account which may have created the balance due or assessment.

(8) The chart below illustrates guidelines of necessary actions to be taken to resolve certain scenarios once determination is made as to the cause of the liability.

Note: The list is not inclusive of all balance delinquency issues. Additional research may be warranted due to circumstances with each case.

IF	THEN
You determine the reason for the delinquency is due to an IRS error, i.e., erroneously assessed penalty and interest, misapplied payments, etc.,	• Conduct the necessary action(s) to resolve the balance due issue, without contacting the agency. • Update ICS with actions taken to resolve the account. Request manager, acting manager, clerk or secretary select closure type under Program Name 2 field on ICS, which best represents action taken to resolve account.

IF	THEN
It has been determined the balance due on the account is not accurate due to errors on a posted/ filed prior return,	• Inform the agency to file an amended return. • If necessary, send the agency POC the transcript of account through the Transcript Delivery System (TDS). • It may be necessary to assist the agency with the reconciliation, to ensure the account is correctly amended. • Establish a deadline date of up to 10 workdays for agency to mail or fax the return to the employee. Set a follow update of an additional 15 days. • If it is determined the agency will still owe a balance after the account is adjusted, address and request immediate payment. • Update ICS of all pertinent information including deadline, tax owed (if applicable) and follow up date.
The agency disputes the balance due,	• Inform the agency the cause of the delinquency and available options to resolve the issue. Offer assistance, when applicable. • It may be necessary to send the agency account transcripts via Transcript Delivery System (TDS), copies of tax returns and/ or SSA information to assist with case resolution. • Advise the agency if response not received as agreed upon, the issue may be escalated to the next level of their agency, and contacted by a revenue officer, an IRS executive, or the IRS CFO office to their CFO office. • If agency is not being cooperative or continues to disagree, consider the case for the elevation process. See IRM 5.19.15.8.1, Campus Internal Escalation Process; for additional guidance. • Document ICS of all actions taken.

IF	THEN
Upon review of the account, it is determined there may be a discrepancy of what was assessed or filed,	• Assist agency with the reconciliation of the account. Send the agency any documentation which may be necessary for the issue to be resolved during the reconciliation process. This may include transcripts, SSA data secured, etc. • Allow agency up to 10 business days to reconcile the account. • Advise the agency if response not received as agreed upon the issue may be escalated to their next level of management and contacted by a revenue officer, an IRS executive, or the IRS CFO office to their CFO office. • Document ICS of all actions taken.
Payment(s) misapplied,	• Complete credit transfer • Address any remaining balance due with the agency. • Update ICS of actions taken, including documentation of cause closure. Request manager, acting manager, clerk or secretary select closure type under Program Name 2 field on ICS, which best represents action taken to resolve account.

IF	THEN
Balance Due assessment is penalty and interest only,	• Since penalty and interest are restricted on federal agency entities, abate the penalty and interest assessments. If a balance notice was issue to the taxpayer within the past 10 weeks, send a letter to the agency informing them of error. • Validate the Employment Code is "F" on ENMOD. If the Employment Code is not "F", bring the case to your managers attention to request correction of the employment code. • Update ICS of actions taken, including documentation of case closure. • Request manager, acting manager, clerk or secretary select closure type under Program Name 2 field on ICS, which best represents action taken to resolve account.
Agency responds with necessary documentation to resolve account,	• Review documents received for accuracy; validate with IRS records, if applicable. • Take the corrective actions to resolve the account. (Example: input Form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund, or adjust account per W-2/W-3 secured). • Inform agency of outcome. • Update ICS of actions taken, including documentation of case closure. Request manager, acting manager, clerk or secretary select closure type under Program Name 2 field on ICS, which best represents action taken to resolve account.

IF	THEN
Overstated Federal Tax Deposit (FTD) payments on tax return filed,	Review account with agency, validate information / payments on return. Refer to IRM 5.19.1, Liability Collection, Balance Due • If all payments are accurate and the agency agrees to balance due, request the payment. • If credit was applied to another account, move the payment accordingly. • If the agency states their return is not accurate, recommend they submit an amended return. Give the agency up to 10 business days for receipt of the Form 941, Employer's Quarterly Federal Tax Return. If additional time is necessary due to unforeseen circumstances, document ICS history to support decision. • Advise the agency if response not received as agreed upon, the issue may be escalated to the next level of their agency, and contacted by a Revenue officer, IRS executive or the IRS CFO office to their CFO office. • Update ICS with findings and actions taken, including case closure. Request manager, acting manager, clerk or secretary select closure type under Program Name 2 field on ICS, which best represents action taken to resolve account.

IF	THEN
Research indicates the balance on the account is accurate. Examples of the cause of the balance is listed below. ***Note:*** The list is not inclusive of all issues that could occur, creating a balance delinquency issue. : • underpayment/ no payment • math error on return resulting in balance. • unavailable credit claimed, i.e., prior credit elect offset to a prior balance due module(s) or refund issued instead of being applied to subsequent quarter(s).	Contact agency to secure and or verify payment(s) made on account and/or return information: • Inform the agency of the balance, and the cause, if applicable. • Educate the agency of payment options. Refer to • Set deadline date for payment. Advise the agency if response not received as agreed upon, the case may be escalated to the next level of their agency, and contacted by a Revenue Officer, IRS executive or the IRS CFO office to their CFO office. • Document AMS and ICS of actions taken. • Set follow up date for 5 days past the deadline date. • If issue is resolved, payment is secured, request manager, acting manager, clerk or secretary update closure type under Program Name 2 field on ICS, which best represents action taken that resolved the account.
Identified W-2/ W-3 wage discrepancy,	Refer to IRM 5.19.15.5.3, Addressing CAWR related issues.

IF	THEN
Prompt assessment posted to the account,	• Secure documents from Submission Processing- Files area to verify assessment. Once received, review and research account to ensure accurate. • Contact agency to verify liability and payments made. • If appropriate, take necessary actions to adjust or correct the issue. If the balance is accurate, inform agency of the available options they have to resolve the balance posted to the account. • Advise the agency if response not received as agreed upon, the issue may be escalated to the next level of their agency and contacted by a Revenue officer. IRS executive or the IRS CFO office to their CFO office. • Update ICS of research and actions taken. • Request manager, acting manager, clerk or secretary select closure type under Program Name 2 field on ICS, which best represents action taken that resolved the account.
EFTPS reporting issues.	See I21.5.7.4.7.14, Electronic Federal Tax Payment System (EFTPS) for additional guidance. • Request EFTPS confirmation number and payment date. Conduct necessary research to validate payments and take corrective actions. • Update ICS of research and actions taken. • Request manager, acting manager, clerk or secretary select closure type under Program Name 2 field on ICS, which best represents action taken that resolved the account.

(9) To restrict a remaining credit from offsetting or being refunded, input a TC 570 on the account. A “hold” code may be necessary to ensure a refund is not issued. Document AMS and ICS of actions taken to hold the credit. Documentation must be clear and concise to ensure the TC 570 is not reversed in error. Keep an open control until the account is resolved. Examples of when a TC 570 may be warranted:

- Employee is notified by FSL/ET or identified there will be potential balance posting to the account in the near future, which another tax period has a credit which can be offset. The TC 570 will hold the credit until the balance posts to the account, or
- The 2022 tax period is in Status 12, with a credit remaining. There is an anticipated or pending assessment on another tax period. The credit on the 2022 tax year is held until the pending assessment on the other tax year posts, and the credit can be applied.

(10) Determination of possible escalation referral must be considered if multiple attempts for resolution has expired with no case resolution. This would include incomplete responses, and/or consistent efforts to resolve has been exhausted with no resolution.

(11) If it is determined the CSED is imminent (within 120 days), immediately bring the case to management attention, which will be forward to HQ for guidance. Collection Policy will review the case and determine next actions.

(12) For general guidance on balance due issues which is not addressed in this IRM, refer to IRM 5.19.1, Liability Collection, Balance Due.

5.19.15.5.2
(06-01-2023)
Payment Options Available to Federal Agencies

(1) Federal Agencies have the option of either utilizing the Electronic Federal Tax Payment System (EFTPS) or Intergovernmental Payment & Collections (IPAC) to transmit payments to the IRS. The following paragraphs provides an overview and general guidance for each payment option.

(2) **EFTPS:** Federal Agencies are encouraged to use EFTPS for tax deposit payments, which is operated by Bank of America. The EFTPS system enables taxpayers to make electronic deposits and payments for federal taxes. EFTPS provides an immediate acknowledgment, which is a benefit for the Agencies. The system also enables taxpayers to search filing history and archives up to 16 months of EFTPS history by form, year, quarter, date, trace number, or payment total. For additional guidance, see IRM 21.2.1.47, Electronic Federal Tax Payment System (EFTPS), IRM 3.17.277.2.4.16, EFTPS for Federal Agencies (EFT #291), or *https://www.irs.gov/* ; keyword **EFTPS** for guidance.

(3) Inquiries and concerns related to EFTPS can be directed to call 1–800-945-8400 or 877–333–8292. In addition, you may consider referring the agency to IRS Pub 966, Electronic Choices to Pay All Your Federal Taxes, or visit *https://www.irs.gov/*

(4) Federal agency's tax payments are processed through the **Transaction Reporting System**, (TRS) and are driven by the agency location code (ALC). Each payment includes the ALC in the field normally used for the Routing Transit Number. Payments made by federal agencies through EFTPS is identified by the EFT number beginning with **291**.

(5) Federal Agencies are encouraged to utilize EFTPS for Federal Agencies to make payments on tax returns listed below:

- Form 941, Employer's Quarterly Federal Tax Return
- Form 945, Annual Return of Withheld Federal Income Tax
- Form CT-1, Employer's Annual Railroad Retirement Tax Return
- Form 720, Quarterly Federal Excise Tax Return
- Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons

(6) IDRS Command Code EFTPS can be utilized to research payments made through EFTPS.

Note: See IRM 2.3.70, Command Code EFTPS for additional information on CC EFTPS. See IRM 21.5.7.4.7.14, Electronic Federal Tax Payment System (EFTPS), for information on EFTPS payment tracers.

(7) **Intergovernmental Payment and Collection (IPAC)** The IPAC process was established to allow governmental agencies to have the ability and convenience of transferring funds from one federal agency to another. A payment secured via IPAC payment process can take up to two cycles to post on IDRS. Request a copy of the IPAC payment receipt from the agency to confirm or contact IPAC area to request a copy of the IPAC transmittal. Place a copy of the IPAC transmittal, or receipt in the case file. For IPAC payments, the agency must use the following IPAC information when transmitting payment: TAS/BETC code: 20F3885.011 COLLBCA and ALC 20092900 (Ogden Service Center).

Note: Refer to Exhibit 5.1.29-1 Intergovernmental Payment and Collection Instructions

5.19.15.5.3
(06-01-2023)
Addressing Combined Annual Wage Reporting (CAWR) Related Issues

(1) Due to various obstacles faced by federal agencies due to their organizational structure, balance due issues exist when there is a discrepancy between wage and SSA/Medicare information reported to the IRS on Form 941, Employer's Quarterly Federal Tax Return, and Forms W-2/W-3 reported to Social Security Administration. Generally, these discrepancies are identified, and an assessment is completed under the CAWR (Combined Annual Wage Reporting) Program.

(2) Due to the structure within many of the federal agencies, W-2/W-3 reporting are not balanced timely, resulting in CAWR assessments. Our role in FAD is to assist the Agencies with reconciling the account. This may require IRS contacts with SSA, CAWR, etc to resolve. CAWR assessments can be identified on CC TXMOD, with a TC 290 blocking series 55.

(3) If there is a CAWR control base open on the account, contact the CAWR employee to discuss the status of the account and inquire if a response was received by the agency. Request any information secured to assist with resolving the CAWR issue. Request CAWR employee to close their control base as you will handle and resolve the issue. There may be situations whereas it may be in the best interest for CAWR to continue normal processing. Document ICS of reason for determination.

Note: CAWR employees are instructed to contact FAD employee prior to issuing any type of correspondence. Upon notification the FAD unit will resolve the issue. IRM 4.19.4.2.15, Federal Agency and Quasi-Federal Agency Screening

(4) If there is no current CAWR assessment on the account, research BMFOL"R" and BMFOL"U".

(5) Prior to contacting the taxpayer, research CC IRPTRI to view the data online to identify where the discrepancy issue is. You may also order Form W-2/W-2C information using CC IRPTR"R" with doc code WW. This information can also be shared with the agency.

(6) If during research you identify the error that caused the discrepancy, take appropriate actions to the account to resolve the issue. No taxpayer contact is needed unless clarification is needed. The IDRS prints can be used as your supporting documentation for the adjustment.

(7) If the issue cannot be resolved upon review of the information, contact the agency, and discuss the necessary actions required to balance the account. It may be necessary to request the detailed W-2/W-3 information SSA from the agency to assist with reconciling the account. Complete and submit Form 9937, IDRS Unit Request, to Social Security Administration to obtain a copy/ summary of W-2/W-3 information which was submitted from the taxpayer.

(8) If actual copies of W-2/s information are needed, they can be requested by contacting the appropriate CAWR area. Documents can be obtained on the SSA-ORS system (SSA On-Line Retrieval System). For tax years prior to 2009, the information needs to be retrieved by the SSA -ERQY system. Currently the FAD team CAWR coordinator has permissions to the SSA -ORS system. See IRM 4.19.4.2.2, Online Retrieval System (ORS) Data Screening, for additional guidance on resolution of these type of cases.

(9) Once research is completed and information is shared with the agency, request the agency to review their records, in addition to any information you sent them. The agency would need to either submit a Form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund, or additional W-2s/ W-3, or both, if applicable. Give the agency a deadline up to 10 days to respond back, establishing the time frame based on the complexity of the reconciliation needed to resolve and balance the account.

(10) Upon receipt of the return(s), and/or W-2s from the agency:

- Review for completeness and accuracy. If there is an existing CAWR assessment, take corrective actions to back out prior CAWR assessment, if applicable. If the agency was previously advised by the CAWR unit to file a return or a return was filed and the CAWR unit was not notified, contact the applicable CAWR unit and advise of the actions you will be taking to resolve the account.
- If CAWR discrepancy was identified prior to a CAWR assessment, validate the completeness of information received. Once validated, input the appropriate adjustment to balance the account.

(11) Refer to IRM 4.19.4 7.6, Reconsideration (Recon) (previously called Late Reply) Case Processing Procedures, for additional guidance on abating or partially abating CAWR assessment.

(12) After completing the adjustment, inform the agency of the outcome. If a balance is still owed, give a deadline date of up to 15 days to full pay balance. Inform the agency of payment options available, if necessary.

(13) If the agency was required to respond to resolve the account, and did not do so, and or the response is incomplete, make one additional contact attempt. If no resolution after required contact attempts, and or follow up, review of account must be made to determine if the referral process should be consid-

ered. IRM 5.19.15.8, Escalation Referral Process Overview.

(14) In all situations, document ICS of actions taken and resolution. Update Cause and Cure report when issue is identified and again when resolved.

5.19.15.6
(06-01-2023)
Return Delinquency (TDI) Overview

(1) This section will assist with special handling of federal agency nonfiler issues when general nonfiler procedures are not applicable or require additional guidance specifically for addressing federal entities. For general Return Delinquency issues, refer to 5.19.22.5.3, BMF Return Delinquency Responses and Inquiries.

(2) Generally federal agencies are exempt from FUTA tax, and Income tax returns and thus do not file Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, Form 1065, U.S. Return of Partnership Income, or Form 1120, U.S. Corporation Income Tax Return. In addition, federal entities will never be considered an exempt organization, or corporation.

Note: If there is a filing requirement for Form 940, Form 1120, Form 1065, or any Exempt Organization Form 990 returns, consider the possibility the entity may have an incorrect employment code "F" and the entity may not be a federal agency.

(3) Federal Agencies are not required to sign tax returns, which differ from other BMF taxpayers.

(4) Return delinquency issues handled in the FAD program consist of the following:

- Delinquent modules in TDI Notice Status 02.
- Taxpayer Delinquent Investigation (TDI) Status 03.
- Modules closed in Status 06 with a TC 593, 595, 596, 597 or 598.
- Modules closed in Status 06 with TC 590 cc 19, only suppresses the notices.
- Modules closed in Status 06 with a TC 590 cc 02, computer generated.

(5) If an inquiry is received on a non-filer issue and the module is not in TDI Status 02/03 or was previously closed with one of the TC 59X stated in above paragraph, assist the taxpayer and document actions taken in ICS history. If account is no longer open inventory, update ICS history accordingly. It is not necessary to re-open account in ICS to document and or monitor. If account is not on ICS (open or closed), notate AMS history with information or actions taken on case. Direct the taxpayer to mail the tax return to the applicable Submission Processing address.

5.19.15.6.1
(06-01-2023)
Resolving Return Delinquency issues

(1) Upon initial assignment, research and determine whether or not agency is liable to file. If the agency has never filed or there is indication they are not required to file, close the account with the appropriate TC 59X closure. Refer to IRM 5.19.22.5.3.1, BMF Response With No Returns, for guidance on determining whether or not agency is liable to file.

(2) If the agency is liable to file, determine the period(s) of delinquency and take the appropriate actions per IRM 5.19.22.4, BMF Return Delinquency Research. Provide the agency POC with the IRS website address *https://www.irs.gov/*

forms-instructions, IRS.gov Forms and publications. If internet is not available, it may be necessary to send them the required tax forms or request them through AMS.

Note: ″ ELITE″ is accessible and available on AMS to directly mail forms to the taxpayer's address on entity, if applicable.

(3) Refer to the streamline guidelines for required contact and follow up time frames. See IRM 5.19.15.4.2, Streamline Process and Time Frame Guidelines, for detailed process.

(4) If contact is not successful, send a Letter 2718-C, Federal Agency Filer Letter, using the appropriate paragraphs to advise the agency that failure to file by the specified date, Form 941, Employer's Quarterly Federal Tax Return and Form 945, Annual Return of Withheld Federal Income Tax, employment tax returns may be prepared and processed under IRC 6020(b) if not filed voluntarily.

(5) If contact is successful, inform agency of obligation to file and the consequences they would face if not filed (i.e. 6020(b) assessment and/or issue may be escalated to the next level of their agency by a revenue officer or CFO office). Set a deadline date for the agency to file delinquent return(s), up to 10 business days. Solicit for the return to be faxed to you directly, however if return is being mailed, then allow additional 30 days for follow up. If returns are being faxed, set follow up for up to 2 days. If no response, follow up with agency.

(6) If all attempts to resolve the account have been unsuccessful, and there are **no credits** on the account, follow the guidelines below for various scenarios:

IF	AND	THEN
There has been no activity on the account,	The module is over six (6) years from the current tax year,	• Input TC 590 cc 77 per Policy Statement P-5-133. • Update ICS of research completed and closure determination.
There has been no activity on the account indicating no employees for period,	You are unable to locate agency, undeliverable mail, etc.	• Input TC 593 with the appropriate closing code. • Update ICS of research completed and closure determination.

IF	AND	THEN
If there has been activity on the account indicating the agency was in business, and there is **"no "** credit on the account,	The module meets 6020(b) criteria,	• Forward documented research to SB/SEHQ through management for possible consideration of referral to the field for 6020(b) assessment. • Update ICS history of all actions taken.

(7) If all attempts to resolve the account have been unsuccessful and there **are** credits on the account, and:

IF	AND	THEN
There has been no activity on the account,	The credits have been researched and verified,	Consider FAD IRC 6020(b) process. Refer to IRM 5.19.15.6.3.
There has been no activity on the account.	The agency cannot confirm payments posted the account was made by the agency, nor does research identify where the payment was intended.	• Input a TC 971 ac 296; indicating credit researched. • Complete Form 8758, Excess Collection File Addition, forwarding credit to excess collections. • Update ICS of actions taken. Request manager, acting manager, clerk or secretary select closure type under Program Name 2 field on ICS, which best represents action taken to resolve account.

(8) Input a TC 570 on an account if there is a concern of a credit offsetting or refunding to agency where the intent is not to refund or offset. A TC 570 will generate a -R freeze which will restrict the credit from offsetting or refunding to agency.

5.19.15.6.2
(06-01-2023)
CFO Nonfiler Listing Process

(1) The nonfiler process was developed to address federal entities identified as potentially required to file Form 941, Employer's Quarterly Federal Tax Return. A listing is secured from the CFO office consisting of federal agencies filing history for the last 4 tax quarters immediately preceding the current tax quarter. The listing is forwarded by SB/SE Collection Policy to the FAD team once a year, generally in the beginning of the fiscal year (October).

(2) An initial review of the listing is required to determine whether the agency, after establishing its EIN, is not reporting employment tax, Form 941, Employer's Quarterly Federal Tax Return. Not all entities listed will be in Masterfile and/or in TDI status. If initial research determines the taxpayer has not filed a tax return in the last 3 years, go to paragraph 5.

(3) All closing actions must be notated on the Master CFO Nonfiler listing and forwarded to SB Collection Policy once completed for reporting purposes.

(4) The spreadsheet listing will include two separate tabs, separating the scenarios as indicated below

- **Scenario 1: "N"s indicated in All 4 Quarters (No filings in the last 4 Tax QTRS)**
- Indicated by a "N" in the QTR field on the report. Review the filing history on IDRS. If there is no indication the taxpayer has filed any tax returns in the last three years, close the filing requirement, accordingly. If the account is not on Masterfile and only on INOLES and BMFOL, it may be necessary to close the filing requirement by MFREQ on ENMOD. Refer to IRM 3.13.2.7.3.2, CC ENREQ/BNCHG, for guidance on closing filing requirements when the account is not on Masterfile.
- If there is an indication the Taxpayer **MAY** be liable to file, go immediately to Scenario 2
- **Scenario 2: One or More "N"s (One or More Tax Quarters not filed)**
- If upon research the taxpayer has filed the return indicated with an "N" or the return is in pending status, no action is necessary.

  Note: It is only required to address the "N" period indicated on the listing. Do not pursue prior year non-filed returns.

- If there is an indication the taxpayer may be liable to file the unfiled tax period(s), assign the case as an OI to your inventory. Send Letter 2718-C, Federal Agency Filer Letter, requesting the taxpayer to file the return(s). Address any other delinquent returns in the letter.

  Note: Use your judgement when addressing skipped quarters within a tax year, and not in TDI status. Only address if there is an indication that they may be liable to file.

- Set follow up for 45 days for taxpayer response to Letter 2718-C, Federal Agency Filer Letter. Notate ICS history of actions taken. Upon completion of the 45 days, validate whether or not taxpayer filed. If the missing return posted or is pending, no further action is necessary.
- Indicate on ICS if return was taxable, and the tax amount, if available. Close the case off ICS if there are no other issues.
- If there is no indication the return was secured, research for a phone number and contact the agency following procedures per IRM 5.19.15.6.1, **Resolving Return Delinquency Issues.**
- If there is no resolution after 2 attempts, notate ICS history of all actions taken, and close case as No Reply

Note: Since a Letter 2718-C, Federal Agency Filer Letter, was initially issued, it is not required to issue another letter.

(5) When initial research has determined there is a balance due issue on another tax period on the account, consider the case as a combo case and address the balance due issue also. If the balance due module is in ST 48 or ST 77 (acceleration status), take the case into inventory accordingly and follow Streamline process, per IRM 5.19.15.4.2, Streamline Process and Timeframe Guidelines, and IRM 5.19.15.5, Balance Due- Overview.

5.19.15.6.3
(06-01-2023)
FAD IRC 6020(b) Credit Process

(1) The intent of the FAD IRC 6020(b) Credit process is to assist the agency with resolution of un-filed returns with credits and to take all required attempts to secure the returns. This process should not be confused with IRC 6020(b) process. The FAD IRC 6020(b) Credit process was developed for federal agencies, which the assessment is only considered if the tax period has a credit on the account. The intent is to create a return based on the available credit and balance the account.

Note: The intent is not to create a balance.

(2) All attempts for case resolution must be exhausted prior to considering FAD 6020(b) process. Follow the guidelines in the paragraphs below for guidance on determination criteria and creating a return under the guidelines.

(3) Research credit to ensure they do not belong to another EIN/ Tax period. If there is no indication the payment(s) was applied to account in error, consider Manual IRC 6020(b) process to balance the account. Refer to IRM 5.19.22.5.6, BMF Credit Balance Overview; for additional guidance regarding researching credit balances.

(4) Upon completion of all required contact and research with no resolution, continue with the following procedures:

- Complete the tax form per provisions of IRC 6020(b) using the credit balance on the module to determine the liability on the delinquent return. Complete the form utilizing the 6020(b) IAT tool. See IRM 5.18.2, Automated 6020(b) Processing for additional information and guidance on IRC 6020(b) tax formula.
- Send the agency Letter 1085-B, Federal Agency Delinquency, along with the “pre-populated” tax return and Pub 5, Your Appeal Rights and How to Prepare a Protest if You Disagree, enclosed.
- Suspend the account for 45 days while waiting for the agency response (90 days if the agency is outside the U.S.)
- Update the ICS history of all actions taken. including research of credit.

Note: **Under no circumstances should interest or penalty be assessed on federal entities. Refer to IRM 1.2.1.12.2 Policy Statement P-20-2 (formerly P-2-4, Penalties and interest not asserted against federal agencies.**

(5) Process using the following guidelines:

If	And	Then
The agency responds,	states will file the return,	• Set a deadline up to 30 days and suspend the account 45 days for follow up. • If no response received, proceed to next step. • If return is secured, review for accuracy and forward to Submission Processing for processing. • Document ICS of actions taken. • Request manager, acting manager, clerk or secretary select closure type under Program Name 2 field on ICS, which best represents action taken to resolve account.
The agency responds,	states do not have the records or the authority to sign return, and agrees to the IRC 6020(b) assessment (oral consent),	• Prepare the completed IRC 6020(b) return for processing. • Annotate the bottom of the tax form with the statement: "**This return is processed under the Internal Revenue Code 6020(b).**" • Input TC 599 cc 38 using CC FRM49. Input CCC 4 at the bottom of the return. • Forward the IRC 6020(b) return signed by Management, along with a copy of the Letter 1085-B), Federal Agency Delinquency, for processing. • Update the ICS history of all actions taken, including the name and title of the person authorizing the IRC 6020(b) assessment, and all pertinent information secured regarding the reason why the agency cannot complete the return(s). • Request manager, acting manager, clerk or secretary select closure type under Program Name 2 field on ICS, which best represents action taken to resolve account.

If	And	Then
There is no response to the Letter 1085-B, Federal Agency Delinquency	Two contact attempts to the agency to secure the return were completed,	• Annotate the IRC 6020(b) return "***This return is processed under the Internal Revenue Code 6020(b).*** " • Prepare the completed IRC 6020(b) return for processing. • Input TC 599 cc 38 using CC FRM49. Input CCC 4 at the bottom of the prepared return. • Forward IRC 6020(b) return, signed by management for processing. • Update ICS of all actions taken, including contact attempts made. Request manager, acting manager, clerk or secretary select closure type under Program Name 2 field on ICS, which best represents action taken to resolve account.
Receive the IRC 6020(b) return signed by the agency as agreed.		• Process as an original return. • Input TC 599 cc 39 for an Agreed Return from the agency • Update ICS of all actions taken. Request manager, acting manager, clerk or secretary select closure type under Program Name 2 field on ICS, which best represents action taken to resolve account.

5.19.15.7
(06-01-2023)
The Role of FSL/ET-Education Outreach/ Assistance

(1) Federal, State and Local Governments (FSL/ET) is considered a point of contact for all government entities (other than Indian tribal governments) for their tax issues with the primary focus on information return reporting and employment tax issues.

(2) The specialized Area under TE/GE, Exempt Organization assists governmental entities in determining their employment tax liability and filing requirements for wages, fringe benefits, reimbursements, and other payments. In addition, they also assist government entities with information return and backup withholding requirements, excise tax liability, and public retirement systems. FSL/ET also provides information about questionable or abusive transactions that governments may encounter.

(3) Governmental agencies can visit the FSL/ET website, which has a Q & A section addressing most concerns. Visit *https://www.irs.gov/government-entities/federal-state-local-governments*, Federal, State and Local Government Information.

(4) Their goal is to develop and deliver communication and education programs to governmental agencies. The area also provides easily accessible and equitable voluntary compliance programs for its government customers.

(5) Situations may occur during case processing where FSL/ET assistance may be necessary in various situations as resolving a compliance issue, a request for educational outreach, or determination that an issue may warrant an exam review for possible audit. Situations include, but are not limited to:

- Unique filing requirement which the agency has indicated assistance or clarification for case resolution.
- Consistent trend of cause of delinquency issue with same agency (more in-depth educational outreach needed, such as math errors, CAWR related issues, etc.
- Clarification of technical law questions which require in-depth technical knowledge.
- Possible Exam referral or Exam related questions/ issues which cannot be resolved in FAD. .

Note: The above scenarios for FSL/ET referral are not inclusive of all situations that may occur. Each case is unique, and determination must be made on a case-to-case basis.

(6) FSL/ET referrals are to be requested utilizing the Specialized Referral System process. Upon completion/ submission of SRS request, forward copy of completed submission, along with a copy of ICS history documented of all pertinent information supporting request to appropriate SRS- FAD Coordinator, FAD HQ analyst, and FAD management by email. This will alert HQ and FSL/ET FAD coordinator of submission.

Note: Managerial approval is required prior to SRS referral submission.

(7) Document SRS with all pertinent information necessary to assist the FSL/ET specialist with their education outreach. SRS will track the referral and keep a record for future reference purposes. The FSL/ET coordinator will evaluate the referral and determine if it will be assigned, rejected, or transferred. When assigned, a specialist is then notified by email of the assignment and will initiate communication with the requestor (FAD employee). Once request is input on SRS, it will be assigned to an FSL/ET coordinator. The originator employee will receive a systemic email notification indicating the receipt of the request, along with the assigned SRS number. Within a few days the FAD employee will receive an updated email indicating the FSL/ET analyst assignment.

Note: Monitor the account on website, notify manager if no response from FSL/ET within 10 business days of assignment to FSL/ET.

(8) Once case is received by an FSL/ET specialist, they may contact originator employee requesting additional case information to assist with their contact. Contacts made by FSL/ET will be conducted either by phone, or face-to-face

visit and is determined by the discretion of the assigned FSL/ET Specialist. FSL/ET will forward a detailed email to FAD indicating actions taken, deadline given to the agency, and date of SRS closure.

(9) If submission of SRS referral is in regard to agency requesting technical or educational advice, generally continuation of case processing should be pursued. However, situations may arise when it is not applicable. In situations where a case needs to be suspended until issue resolved in FSL/ET, put the case in suspense status for up to 30 days. Notate ICS of reason for suspense and actions taken. Update the control base with the literals: FSL/ET-REFER.

5.19.15.8
(06-01-2023)
Escalation/ Referral Process Overview

(1) Due to restrictions on enforcement options, the escalation referral process was developed in situations when all efforts for resolution have been exhausted. This section is based on a Service Level Agreement (SLA) approved and signed by the Commissioner of SB/SE, TE/GE and the CFO Office. The SLA includes the roles and responsibility for each area, including the escalation process on cases meeting the criteria.

(2) When all efforts for resolution have been exhausted at the FAD team level, the next course of action is to determine whether or not the case meets the criteria to escalate. Refer to IRM 5.19.15.8.1, Campus Internal Escalation Process, for additional guidance on escalation criteria. Once you have determined the case should be elevated, complete FAD Sensitive Case Report (FAD-SCR) and forward along with the case supporting documentation to your CSCO Operation Manger based on local guidelines.

(3) Situations may occur which warrant HQ intervention to act as a liaison with an agency. If research or information indicates the scenario surrounding the case is due to a sensitive nature or **is** questionable if **it** should be handled within the scope of your duties, bring the case immediately to your manager's attention.

5.19.15.8.1
(06-01-2023)
Campus Internal Escalation Process

(1) The initial escalation referral process needs to be determined when all research, contact attempts have been exhausted, with no case resolution. If you have determined, the case meets the criteria for escalation, complete the FAD Sensitive Case Report (FAD-SCR). Document the form with all actions taken on the case to support the referral. The FAD Sensitive Case Report (FAD-SCR) along with the case file needs to be forwarded to the manager for review/ approval. A recommendation for type of referral (CFO, SB/SE Field, TE/GE) is to be documented on the FAD Sensitive Case Report (FAD-SCR).

(2) ICS history entry must contain a detailed summary to support your recommendation. Below is supporting documentation which needs to be addressed on FAD Sensitive Case Report (FAD-SCR) and ICS:

- A detailed cause of delinquency,
- Prior delinquency issues, if applicable
- Indicate the number of contact attempts and results (if any) to support decision to escalate,
- Document all actions taken on the account by agency and employee
- Summary of information secured from FSL/ET and ICS history

Note: The list above is not all inclusive and additional documentation may be necessary.

(3) The team manager is responsible to review the account to ensure it meets referral process. Once approved, they will sign and forward the case to Operation Manager per local guidelines. Once approved by team manager, the manager will re-assign the case to their Manager ICS inventory assignment.

(4) Update the IDRS control base to **M** status, and reassign to the FAD team monitoring IDRS number, using the literals CSCO-ESCLTN to indicate case is being elevated. Input a history on AMS indicating the case has been elevated, including the reason for elevation. The AMS will protect the case from being worked by another area.

(5) The CSCO Operation manager is responsible for the final determination for the case to be elevated to HQ. If in agreement they will sign the FAD Sensitive Case Report (FAD-SCR) and forward the form and any supporting documentation to the Campus Chief Planning and Analysis staff and Campus Director.

(6) Escalation cases will be re-assigned and remain in the FAD management ICS inventory for monitoring purpose during the duration the case is being reviewed and handled at a higher level. The manager will be responsible to document ICS case history of all updates while the case is in the escalation process.

(7) Upon approval of the Campus Director and Planning & Analysis staff, the case will proceed to be elevated to SB/SE HQ Collection executives for guidance. Based on the case scenario a recommendation for next action will be included. Once case is escalated to either SB/SE Field, CFO or FSL/ET, Collection Policy will act as a liaison during the escalation process.

5.19.15.8.2
(06-01-2023)
Field Revenue Officer (RO) Referral

(1) Certain situations may require Field RO intervention. The list below is examples which may warrant RO intervention.

- Agency refuses to pay
- Agency not cooperative with Campus FAD employee
- No response after continuous efforts
- Agency requests face-to-face interview
- Collection of Payment- Collection Policy may request payment in specific situations

Note: List is not inclusive of all situations, as each case scenario differs.

(2) If the referral is part of the escalation process, all case documentation and pertinent information must be included to support and assist with escalation process. Supporting documentation includes completed FAD Sensitive Case Report (FAD-SCR), signed, and approved by Campus management, notation of agency contacts which may assist with Field/ CFO contact. Guidance will be given from HQ Collection Policy on Territory RO assignment. Once determination is made based on Area location code, FAD management will keep the case assigned to their monitoring inventory, but create an OI to the referral RO.

(3) The Field RO will attempt to contact the agency and explain the consequences if the delinquency is not resolved. Consequences include the case being elevated to their executive level and CFO office.

(4) SBSE Collection Policy will be the Point of Contact on all Field referrals, unless otherwise directed.

5.19.15.8.3
(06-01-2023)
CFO Office Referral Process

(1) CFO referrals will be considered by SB/SE HQ after all contact attempts for resolution has been exhausted. Contact attempts include Campus employee and Revenue Officer intervention. Referrals to CFO must be reviewed and approved by SB Campus Director and SB/SE HQ. The criteria for referring cases to the CFO office when all contact efforts by SBSE have been exhausted are as follows:

- IRS or Treasury Bureaus (no balance due criteria are required)
- Any significant situation whereas an agency has not responded or provided sufficient information to resolve the compliance issue or have indicated an unwillingness to take the necessary corrective action that may have a significant tax ramification.
- Any significant un-applied credits (dollar amount will be determined by HQ and CFO office on a case-by-case basis based on the specific situation).

(2) The CFO office will attempt to contact the agency executive office or agency CFO to discuss the agency's unresolved delinquent issue. After CFO completion of contact, SB/SE HQ will be notified of outcome of contact attempts. The case will then be referred back to FAD team to monitor and or take final actions to resolve based on CFO contact. HQ will act as a liaison between the Campus, and CFO office. Resolution will be tracked and monitored by Campus management utilizing the CFO Tracking report. The update report will be shared with HQ on a weekly basis until case(s) are resolved.

Note: Follow up time frames will be determined based on each specific case scenario.

(3) The CFO office will contact the agency executives or agency CFO office directly and inform them of the outstanding IRS tax issues. Method of contact will be determined at the discretion of the CFO office (letter, phone, email or face-to-face).

(4) CFO office will communicate the results of the contact with SB/SE HQ. Upon notification from SB/SE HQ, the FAD employee will update the ICS history, and monitor for payment, tax return, or assist with any reconciliation necessary to resolve the delinquency. Update the control base to **A** status, with the literal CFO-FOLLUP. The FAD employee will assist with any necessary reconciliation and monitor the account for receipt of payment/ return.

(5) If after all contact attempts from the CFO office have been exhausted with no resolution, the case will be escalated by the executives to the IRS Commissioner. The Commissioner of the IRS will then contact the head of the specific agency to achieve resolution. These situations should be rare in occurrence.

5.19.15.9
(06-01-2023)
Special Handling of Various Agencies

(1) Certain federal agencies need to be worked either as a priority or have responsibilities which differ from other federal Agencies. Example: Due to the various classifications of some agencies, their filing or reporting of tax may differ and need special handling. In addition, the CFO office has responsibility to ensure IRS and Treasury entities are in tax compliance. Guidance on processing each type of special handling is addressed in sub-sections below.

5.19.15.9.1
(10-06-2017)
IRS and Treasury Bureau Delinquent Agencies

(1) IRS and Treasury entities **must** be treated as priority. The CFO office has oversight over all IRS and Treasury agencies and **must** be notified within 5 business days upon receipt in the FAD inventory of the cause and status of the account. HQ must be kept updated on the progression of IRS/ Treasury cases on a weekly basis. Upon receipt, HQ will review and forward the weekly updates to CFO office until case resolution.

(2) When an existing IRS/ Treasury agency is in inventory it is required to complete the **IRS- Treasury Tracking Report** to monitor the status. The report will be completed and forwarded to SB/SE HQ on a weekly basis until issue is resolved. The report must include the cause of the delinquency and pending status. HQ will forward updates to CFO office.

Note: Report is updated and forwarded by FAD management.

(3) If case cannot be resolved within 90 days or initial contact was not successful, refer the case to HQ via management directives. Management will forward to Campus director for consideration of CFO referral, bypassing RO referrals. Refer to IRM 5.19.15.8.3, CFO Referral Process, for additional guidance.

(4) For identification purposes, agencies under Treasury Bureau are listed below:

- Alcohol and Tobacco Tax and Trade Bureau
- Bureau of Engraving and Printing
- Community Development Financial Institutions Fund
- Financial Crimes Enforcement Network (FinCEN)
- Internal Revenue Service
- Office of the Comptroller of the Currency
- Bureau of the Fiscal Service (agency formed from the consolidation of Financial Management Services and the Bureau of Public Debt)
- U.S. Mint

5.19.15.9.2
(06-01-2023)
Federal Agencies assigned to Handle Federal Labor Laws

(1) Certain government agencies have been assigned to collect wages from employers or federal contractors which were erroneously not paid to their employees. These federal agencies disburse the unpaid wage amounts to the employees concerned, determined from the results of a judicial court decision. Extensive investigations are performed by the federal agencies to determine whether or not claims for back wages or unfair labor practices are valid. Agencies allowed to take this action and some of the provisions which allow such action are:

- Department of Labor (DOL) – Fair Labor Standards Act
- Government Accountability Office (GAO) – Davis-Bacon Act
- Housing and Urban Development (HUD) – Davis-Bacon Act
- National Labor Relations Board (NLRB) – Labor Management Relations Act

(2) Research is performed by the appropriate assigned federal agencies to determine if claims for back wages or unfair labor practices are valid. Therefore, a relatively long period of time may elapse between the time employees become entitled to the wages and the time they actually receive payment from the agency involved.

(3) In addition to federal income tax withheld, the assigned federal agency will report wages on the appropriate lines of Form 941, Employer's Quarterly

Federal Tax Return, and compute the full amount of FICA taxes. The employer share of FICA is then deducted on one of the adjustment lines of Form 941, Employer's Quarterly Federal Tax Return, as a negative adjustment.

Note: Wages may also be reported on Form 943, Employer's Annual Tax Return for Agricultural Employees, or Form 944, Employer's ANNUAL Federal Tax Return.

(4) See IRM 21.7.2.5.7.2, Processing of Forms 941-X Filed by Federal Agencies to Report Employer Share of FICA Taxes (Wage Payments Made by Federal Agencies), for additional information.

5.19.15.9.3
(06-01-2023)
Overview of Quasi-Government Agencies

(1) Employment code of "Q" identifies "quasi- governmental" agencies. These entities are part private in nature and part public by statute, which differs than other federal government agencies. These entities are liable to file and pay FUTA tax (Form 940), as their employees are considered civilian employees, which is not a general rule for federal agencies. Employment code "Q" are assigned to federal reserve banks, federal home loan banks and AMTRAK.

(2) Since they are not employment code of "F", they are not generally assigned to FAD inventory. However, in rare situations a request may be made by HQ, CFO, or FSL/ET to assist with a case.

(3) There are approximately a total of twelve (12) Federal Reserve Banks. Unlike private commercial banks, Federal Reserve Banks do not provide general banking services such as checking, savings or lending. The Federal Reserve System is a quasi-governmental organization created by Congress that operates in the public interest. After paying its expenses, the FRS turns over its revenue to the U.S. Treasury.

(4) However, if a Federal Reserve bank entity is received in inventory due to incorrect employment code assignment, forward the entity information to FSL/ET (via manager/ lead), requesting for them to validate the employment code. If FSL/ET determines the entity is a quasi-government entity, they will update the employment code and change to "Q". Monitor for correction. Once the employment code has updated to an employment code **Q**, close the account off ICS.

5.19.15.9.4
(06-01-2023)
Two Percent Excise Tax on Specified Federal Foreign Procurement Payments

(1) U.S. Government agencies are required to withhold and report a 2 percent excise tax on payments made to foreign persons providing goods or services pursuant to certain contracts.

(2) The acquiring U.S. government agency must determine if the excise tax is applicable for each contract with a foreign person. Final regulations provide that certain contracts are exempt from the excise tax including:

- Purchases under the simplified acquisition procedures,
- emergency acquisitions,
- personal service contracts under the simplified acquisition threshold, or
- foreign humanitarian assistance contracts.

(3) The regulations also describe that certain foreign persons or contracting parties are entitled to relief from the 2 percent tax, if:

- a foreign person is covered by an international agreement,

- the goods are manufactured, or the services are provided in the U.S., or
- the goods are manufactured, or the services provided are in a country that is a party of an international agreement, or
- any free trade agreement that includes government procurement.

Note: To claim this relief for a contract, the foreign person or contracting party is required to provide the acquiring U.S. government agency a Form W-14, Certificate of Foreign Contracting Party Receiving Federal Procurement Payments. Form W-14 is required for each contract entered into after January 1, 2011, not each foreign person or contracting party. See Form W-4 Instructions for additional guidance.

(4) U.S. Government Reporting: The acquiring agency will report the total excise tax withheld on Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, Line 64b. The acquiring agency will also prepare a Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding. The Form 1042-S should be furnished to the foreign contracting party and filed with the Internal Revenue Service by March 15 of the year after the payment date.

(5) Refer the agency to *https://www.irs.gov/* for additional guidance. Insert "excise tax on federal foreign procurement payments" in the search box.

5.19.15.10
(06-01-2023)
Closed Case Files

(1) Closed FAD cases will be retained within the centralized FAD Unit for a period of two years. Write or stamp ″Closed″ with the closed date on the case file. Upon the two-year expiration, the retired files will be forwarded to the Federal Record Center (FRC). Notate AMS history and case history sheet with the FRC location, box number, ascension number, and date. Refer to Document 12990, Records Control Schedules (RCS) 29 - Collection, for authorized disposition schedule. Records Control Schedule for Collection, for authorized disposition schedule.

(2) Due to the sensitivity of federal agencies, it is required to keep all pertinent information and documentation in the case file when sent to IRS Retention Center. The following information must be kept in case file; however, is not inclusive of all information needed to retain. Pertinent information will depend on each case situation:

- Copy of ICS complete account history,
- Reconciliation spreadsheets, if applicable. Including copies of W-2/ W-3 documentation received from CAWR, SSA or agency,
- Transcript of accounts, if required to support adjustments taken to account,
- Correspondence from taxpayer,
- Emails with pertinent information to support actions taken, if applicable,
- Referral form, if applicable

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Exhibit 5.19.15-1 (06-01-2023)
List of Government Executive Agencies

The federal government is comprised of three branches: Judicial, Legislative and the Executive branch.

Government Executive Agencies
Department of Agriculture (USDA)
Department of Commerce (DOC)
Department of Defense (DOD)
Department of Education (ED)
Department of Energy (DOE)
Department of Health and Human Services (HHS)
Department of Homeland Security (DHS)
Department of Housing & Urban Development (HUD)
Department of Justice (DOJ)
Department of Labor (DOL)
Department of State (DOS)
Department of Interior (DOI)
Department of Treasury
Department of Transportation (DOT)
Department of Veteran Affairs (VA)

Note: Refer to *USA.GOV Federal Directory*.