



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

8.17.3

SEPTEMBER 3, 2019

EFFECTIVE DATE

(09-03-2019)

PURPOSE

- (1) This transmits a revised IRM 8.17.3, Settlement Computations and Statutory Notices of Deficiencies, Preparing a Statement of Account.

MATERIAL CHANGES

- (1) Added IRM 8.17.3.1 Program Scope and Objectives to comply with new Internal Controls requirement under IRM section 1.11.2. Subsequent sections renumbered accordingly.
- (2) Editorial changes have been made throughout this IRM. Legal references, code sections and IRM references were reviewed and updated.
- (3) Added IRM 8.17.3.3.9 Shared Responsibility Payment(SRP).

EFFECT ON OTHER DOCUMENTS

This supersedes IRM 8.17.3 revised September 24, 2013.

AUDIENCE

Counsel and Appeals employees who prepare and/or use statements of account.

Anita M. Hill
Director, Case and Operations Support

8.17.3

Preparing a Statement of Account

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8.17.3.1
(09-03-2019)
Program Scope and Objectives

- (1) This IRM section provides procedures and considerations for preparing a statement of account on cases worked in Appeals.
- (2) **Purpose:** The purpose of this IRM section is to provide guidance to Appeals Tax Computation Specialists (TCS) for the accurate and efficient preparation of statements of account on cases worked in Appeals.
- (3) **Audience:** The primary users of the IRM section are Appeals TCS and Appeals Technical Employees (ATEs) working cases in Appeals.
- (4) **Policy Owner:** Policy, Planning, Quality and Analysis is under the Director, Case and Operations Support.
- (5) **Program Owner:** Appeals Policy is the program office responsible for providing technical and procedural guidance to the Appeals organization and is under the Director of Policy, Planning, Quality and Analysis.
- (6) **Primary Stakeholders:** The primary stakeholders of this IRM section are Appeals ATEs, Area Counsel Attorneys and their Managers.

8.17.3.1.1
(09-03-2019)
Authority

- (1) IRM 8.17, **Settlement Computations and Statutory Notices of Deficiency**, establishes the TCS policy framework for Appeals.

8.17.3.1.2
(09-03-2019)
Responsibilities

- (1) The Appeals TCS is responsible for the accurate preparation of tax computations including all applicable computation schedules.
- (2) The Appeals TCS Program Analyst is responsible for:
 - a. Updating the applicable IRM sections as needed
 - b. Reviewing training modules
 - c. Responding to inquiries

8.17.3.1.3
(09-03-2019)
Acronyms

- (1) See the table below for the most common acronyms in this IRM section:

Acronym	Definition
ACDS	Appeals Centralized Database System
ACM	Appeals Case Memorandum
AO	Appeals Officer
APS	Appeals Processing Section
ATCL	Appeals Team Case Leader
ATCTM	Appeals Tax Computation Team Manager
ATE	Appeals Technical Employee
ATM	Appeals Team Manager
CCDM	Chief Counsel Directives Manual
CIC	Coordinated Industry Case

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Acronym	Definition
IC	Industry Case
IDRS	Integrated Data Retrieval System
IMS	Issue Management System
LB& I	Large Business and International
LIN	LB& I Image Network
RAR	Revenue Agent Report
SB/SE	Small Business/Self-Employed
TCS	Tax Computation Specialist

8.17.3.2 (09-03-2019) Explanation of the Statement of Account

- (1) A Form 3623, Statement of Account is prepared for certain **docketed** cases. The statement of account shows each tax year's correct liability, dates and amounts of assessments, overassessments and abatements, and the resulting deficiency in assessment or overassessment. It also shows the dates and amounts of payments, credits and refunds, and the balance due or overpayment.
- (2) The Form 3623 is only prepared by the Appeals Tax Computation Specialist (TCS). Appeals Technical Employees such as Appeals Officers (both Field and Campus) and Settlement Officers should not prepare statements of account. IRM 8.17.3.2.2 provides instructions on how to request a statement of account from TCS when it is determined that one is required.
- (3) Secure a current transcript of account before preparing the statement of account. A current transcript is generally one secured within the last two (2) weeks. Request an updated transcript if anything indicates something transpired on the account since the last transcript was secured.
- (4) Statements of account are required in docketed cases involving:
 - a. Unpaid assessments of tax or penalty;
 - b. Overpayments;
 - c. Frozen Refunds;
 - d. Interim payments after mailing 90-day letter;
 - e. Interim assessments after mailing 90-day letter;
 - f. Rule 155 computations, except where a short format computation is used;
 - g. Jeopardy, termination, or prompt assessment cases.
- (5) A statement of account may also be required in unusual cases, such as some transferee cases. (See IRM 8.7.5, Transferee and Transferor Liabilities).
- (6) A statement of account is generally not required for the following types of settled cases:
 - a. Non docketed cases.
 - b. No change cases - (Unless a statement of account is needed for one of

the reasons listed in IRM 8.17.3.2 paragraph (4), such as an interim assessment or an overpayment).

- c. Cases where there is no overpayment, no interim assessment and there is a zero module balance on the transcript.
- d. Joint Committee cases (unless one is required for reasons other than Joint Committee status, such as a docketed overpayment case.)

Note: The above list is not all inclusive. It is just a list of the most common situations where a statement of account is generally not required.

- (7) References to an Appeals Officer (AO) within this IRM section include both an Appeals Officer and an Appeals Team Case Leader (ATCL).

8.17.3.2.1 (09-03-2019) Statement of Account Requirements Defined

- (1) This section provides further discussion of some of the circumstances described in IRM 8.17.3.2 which require a statement of account.
- (2) Unpaid assessments of tax or penalty - A transcript will reflect a balance due because of the unpaid assessment. Examples of assessments that may be partially or fully unpaid include:
 - a. Tax due from original filing.
 - b. Partial agreement.
 - c. Taxable amended return.
 - d. Assessment made after the notice of deficiency was mailed.
- (3) Overpayments - Examples of situations which may result in overpayments include:
 - a. Credit balance on the transcript as a result of an unassessed advance payment. (See IRM 8.17.3.6 for definition of "unassessed advance payment".)
 - b. Credit balance on the transcript as a result of a frozen refund.
 - c. Payments made with an unprocessed return as a result of Substitute for Return (SFR) or Automated Substitute for Return (ASFR) proceedings.
 - d. Additional withholding credits allowable by Appeals or Counsel.
 - e. Overpayment created as a result of a decrease in tax liability (overassessment). "Overassessment" refers to when line 21 of Form 5278 or line 14 of Form 4549 or Form 4549-A reflects a decrease.
- (4) Frozen Refunds - Frozen refund cases are those selected for examination prior to scheduling refunds claimed on returns. The IRS identifies issues that may indicate a taxpayer is not truly entitled to the refund amount claimed. An example of a frozen refund case is listed below:
 - a. Taxpayers may claim large refundable credits which may be "frozen" by the Campus pending examination of the return.
- (5) Interim payments after mailing 90-day letter:
 - a. The taxpayer may have made a payment after the mailing of the 90-day letter that has not been assessed.
 - b. A credit balance on the transcript may be due to an interim payment.
- (6) Interim assessments after mailing 90-day letter - An "interim assessment" is an assessment (other than a jeopardy assessment) of tax and/or penalties made

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after the notice of deficiency was mailed. The assessment can be unpaid, partially paid, or paid in full. Some examples of interim assessments are listed below:

- a. Delinquent return assessed after the notice of deficiency was mailed.
 - b. Payment assessed after the notice of deficiency was mailed.
 - c. An amended return assessed after the notice of deficiency was mailed.
 - d. Assessment based on a signed waiver.
- (7) Rule 155 computations, except where a short format computation is used - See IRM 8.17.2.12.3, *Statement of Account*, for more information.
- (8) Jeopardy, termination, or prompt assessment cases.
- a. Jeopardy assessment: A jeopardy assessment is made in situations where prior to the assessment of a deficiency or tax, it is determined that collection of such deficiency or tax would be endangered if regular assessment and collection procedures are followed.
 - b. Termination assessment: Termination assessments are very similar to jeopardy assessments except that under the provisions of IRC 6851, they are made only for the current or immediately preceding taxable year and can be made at any time prior to the due date for filing those years' returns.
 - c. Prompt assessment: A prompt assessment is made if collection appears to be at risk and the intention is to protect the government's interest and revenue. See IRM 4.4.25, *Quick Assessments*, and IRM 5.1.4, *Jeopardy, Termination, Quick and Prompt Assessments*, for more information.

8.17.3.2.2
(09-03-2019)

Requesting a Statement of Account

- (1) When the TCS prepares a settlement computation for an AO or Counsel, the TCS will determine if a statement of account is required and prepare Form 3623 if one is needed. The TCS will forward a copy of the transcript used in preparing the computations.
- (2) AO's who prepare their own settlement computations or who secure agreement on a docketed case that does not require a settlement computation must follow the procedures shown in IRM 8.2.1.8, *Requesting Work From Tax Computation Specialist*, when a statement of account is required.
- (3) If a statement of account is required for a Counsel case that wasn't sent to TCS for settlement computations, Counsel must either send a secure e-mail request for the Form 3623 preparation to the applicable TCS manager, or submit a request using the *Counsel Intake SharePoint site*. Counsel should attach the following to the request:
 - a. Form 3608 (Found in the "Counsel Resources" section on the Appeals TCS web site).
 - b. Copy of notice of deficiency letter, or include the date of notice of deficiency letter and list penalties by code section.
 - c. Computations - Attach either RGS settlement computations or a copy of the notice of deficiency tax computation.
- (4) If a case does not involve an issue listed in IRM 8.17.3.2, and the attorney thinks a statement of account is required, the attorney's manager will need to approve the request.

- a. The attorney should advise their manager that they think a statement of account is required for their case and why the statement of account is needed. The manager needs to approve or disapprove the request.
- b. If approved, the approval needs to be in writing and the attorney needs to forward the approval to the applicable TCS manager. The communication to TCS needs to indicate why a statement of account is requested for that case.
- c. The TCS manager will review the approval. If the TCS manager does not agree with the reasons given for why a statement of account is needed, the TCS manager should discuss the concerns with the Counsel manager in an attempt to reach a consensus as to whether a statement of account is needed. If a consensus cannot be reached, TCS will prepare the statement of account. Afterward, the TCS manager should elevate their concerns through the management chain of the TCS manager.

8.17.3.3
(09-03-2019)
**Preparation of the
Statement of Account
(Form 3623)**

- (1) Excel Form 3623 spreadsheets are available on the Technical Support Share-Point Home page in the "General" and "Individual" folders. Some important points to note about the Excel spreadsheets are listed below:
 - The Excel spreadsheets contain formulas. Enter the tax year at the top of the columns to activate the formulas.
 - It is important to enter all numbers as positive numbers, including over-assessments and payments, in order for the formulas to work.
- (2) Statement of account entries for the top of Form 3623 are discussed below:
 - a. Enter the name of the petitioner (taxpayer) in the name section.
 - b. A schedule number or letter may be entered.
 - c. Enter the kind of tax in the appropriate sections on the form.
 - d. Insert the docket number in the space provided. Prepare a separate statement of account for each docket number.
 - e. Show tax and additions to the tax or penalties in separate columns.

Note: "Penalty" or "Penalties" will be used to refer to both additions to tax and penalties in the rest of this IRM section.
- (3) List the assessments and payments of tax and penalties. Prepare the statement of account so that the Tax Court can separately determine the deficiency or overpayment of tax and penalty.
- (4) Penalties:
 - a. If a penalty asserted in the notice of deficiency is conceded in full or is no longer applicable, then the penalty does not need to be listed on the statement of account unless one of the circumstances described in IRM 8.17.3.2 exists for the penalty (such as an overpayment of the penalty or an interim assessment of the penalty).
 - b. Show the code section rather than the name of each penalty.
 - c. See IRM 8.17.3.3.1 for the format to use if the IRC 6651(a)(2) failure to pay penalty is still accruing.

8.17.3.3.1
(09-03-2019)
Revised Liability Line

- (1) The statement of account consists of an assessment section and a payment section. In each section there is a "Revised Liability" line. Enter the total liability for tax and penalty as finally determined on the revised liability line.

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- (2) The revised liability in tax amount is generally line 18 from Form 5278 (or line 11 from Form 4549 and Form 4549-A), unless the special format for refundable credits such as earned income credit and additional child tax credit is used. See IRM 8.17.3.3.5 for discussion of this format.
- (3) If the IRC 6651(a)(2) penalty is still accruing:
 - Per IRM 8.17.7.5.2, *Failure to File and Failure to Pay Computations for SFR Returns*, if the FTP penalty is still accruing and has not reached the maximum penalty of 25%, the FTP penalty amount is shown as an asterisk on the tax computation form. Language is also included in the settlement computation to explain that the amount cannot be determined.
 - When the tax computation shows an asterisk for the FTP penalty, use an asterisk for the penalty amount on the statement of account. Include language on the statement of account to explain that the amount of the penalty can't be determined. Suggested sample language that can be used is "Amount to be determined" or "To be computed later."
- (4) No change cases - Sometimes a Form 3623 is prepared for a no change case, such as when there is an overpayment in tax and/or penalty, or an unpaid assessment of tax and/or penalty.
 - If a Form 3623 is being prepared for such a no change case, then the revised liability amount for tax will be the TC 150 posting plus any TC 29X or 30X postings shown on the transcript.
 - Penalties: If a statement of account is being prepared for a no change case, a penalty asserted in the notice of deficiency only needs to be included on the statement of account if one of the circumstances in IRM 8.17.3.2 exists for the penalty (such as an overpayment of the penalty or an unpaid assessment of the penalty). In such a case, if penalties asserted in the notice of deficiency were assessed on the transcript, then the revised liability amount for penalties will be the amount shown as assessed.

8.17.3.3.2
(09-03-2019)

Assessments Section

- (1) In the assessment section, show amounts and dates of assessments and over-assessments (including abatements) from the transcript of account.
- (2) Assessment (tax on return) line:
 - a. Enter amount of the return tax assessment shown on the transcript.
 - b. This is generally the TC 150 amount, unless the special format for refundable credits such as earned income credit and additional child tax credit is used. See IRM 8.17.3.3.5 for details of this format.

Note: The "Assessment (tax on return)" date field is grayed out on the official Form 3623. Therefore normally a date is not required on Form 3623 when the taxpayer files a return and the tax is assessed with a TC 150.

- c. Enter the amount assessed for a delinquent return filed after the SFR proceedings have begun, whether the return was assessed before or after the issuance of the notice of deficiency. The assessment is generally posted with a TC 290.

(3) Additional Assessments

- a. Enter the amount and date of each additional assessment shown on the transcript.
- b. Additional assessments might include assessments of partial agreements, amended returns, and the assessment of payments received after the notice of deficiency was issued.
- c. Generally do not include assessments of penalties not shown in the notice of deficiency, and do not include interest assessments. However see IRM 8.17.3.5 for additional information.

(4) Overassessments

- a. Show amounts and dates of overassessments, including abatements, from the current transcript.
- b. Generally do not include overassessments of penalties not shown in the notice of deficiency, and do not include interest abatements. However see IRM 8.17.3.5 for additional information.

8.17.3.3.3
(09-03-2019)

Payments Section

(1) Enter payment dates and amounts from a current transcript.

- a. Use the due date of the return for payments made on or before the due date, such as withholding tax, estimated tax payments, credit elects, credit transfers, etc. (Any amounts withheld, paid as estimated income tax, or otherwise paid prior to the return due date are considered to have been paid on the due date of the return.)
- b. The payments made on or before the due date of the return may be listed separately, combined into categories (for example, all estimated tax payments totaled and shown as one amount) or all payments made by the due date of the return can be totaled, and shown as one amount on the statement of account.

(2) It is not necessary to describe the type of payment on the statement of account.

(3) Be careful to allocate payments properly. Payment allocation depends on various factors such as:

- a. Whether the payments were assessed or unassessed.
- b. If the taxpayer designated the allocation of the payment.
- c. If the payment was a cash bond or IRC 6603 deposit.

Note: See IRM 8.17.3.6 and IRM 8.17.3.7 for information about allocating payments on the statement of account.

(4) Generally do not include payments of penalties not shown in the notice of deficiency, and do not include interest payment amounts. However see IRM 8.17.3.5 for additional information.

(5) IRC 6211(b)(4) refundable credits:

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- a. Refundable credits that are included in the definition of a statutory deficiency per IRC 6211(b)(4) include earned income credit (EIC), the refundable additional child tax credit (ACTC), first time homebuyer credit, recovery rebate credit, fuel tax credit, etc. See IRM 8.17.5.17.2, *Adjustments to Refundable Credits Included in the Statutory Deficiency*, for a complete list of IRC 6211(b)(4) refundable credits.

Note: Since the list of refundable credits subject to deficiency procedures is amended often, IRC 6211(b)(4) will have the most complete, current list of these refundable credits by code section.

- b. Adjustments to these credits require a special format per IRM 8.17.3.3.5 .
- c. If the format in IRM 8.17.3.3.5 is used, then the IRC 6211(b)(4) refundable credits aren't entered in the payments section on the statement of account.

Reminder: If there are no changes to the IRC 6211(b)(4) credits shown on the transcript and the refundable credit format shown in IRM 8.17.3.3.5 is **not** used, then enter the amount of the IRC 6211(b)(4) credits shown on the transcript in the payments section on the statement of account.

(6) Withholding Credits:

- a. If additional withholding credits not shown on the transcript are allowed and a statement of account is prepared, include the amounts on the statement of account in the payments section using the due date of the return.
- b. It is helpful to include a notation that these withholding credits are in addition to the amounts shown on the transcript.

(7) "Refunds or Credit" section:

- a. Enter refund amounts such as TC 846 (computer generated refund) or TC 840 (manual refund).
- b. Enter overpayment credits transferred to another account. The most common transaction codes are TC 826 or 820 and TC 836 or 830.
- c. The use of the word "Credit" on Form 3623 in the "Refunds or Credit" section does not mean withholding credits, earned income credit, additional child tax credit, advance on child tax credit, rate reduction credit, or any other refundable credit.
- d. List each refund or credit separately by date and transaction code (TC). (A TC 836 would be listed separately from a TC 846, even if they both have the same date, since they are different types of transactions.) It is not necessary to describe the type of refund or credit on the statement of account.
- e. Do not show on Form 3623 any overpayment interest amount (TC 770 or TC 776) included in a TC 840 or TC 846 refund total. Any refundable interest (TC 770 or TC 776) included in the TC 840 or TC 846 totals must be subtracted before entering the remaining TC 840 or TC 846 amount on the Form 3623.
- f. When the refund or credit is posted before the return due date, the actual date on the transcript or the return due date can be entered on the statement of account.

- (8) Advance Refunds:
 - a. Various legislation over the years has been enacted to provide taxpayers with advance refunds. The most recent advance refund was the Economic Stimulus Payment (ESP). These advance refunds are seldom adjusted. They are posted with a TC 766, and the CRN identifies the type of credit.
 - b. Include the TC 766 advance refund amount as a payment in the payments section of the statement of account.
 - c. Include the related TC 846 refund amount in the "Refunds or Credit" section of the statement of account.
 - d. Generally the date to include on statement of account for any of these advance refunds is the date shown on the transcript for the TC 766 amount, not the due date of the return.
- (9) If payments are designated incorrectly on the transcript of account, notify the Appeals Officer of the error. The Appeals Officer should request a correction by Account and Processing Support (APS).

8.17.3.3.4
(09-03-2019)
Overpayments

- (1) Complete the section at the bottom of Form 3623 when there is an overpayment:
 - a. **Tax Year Ended** - Enter any tax year that has an overpayment. It can be an overpayment in tax or an overpayment in a penalty, or both.
 - b. **Year** - This field may be omitted since Counsel's stipulations no longer include the year of the IRC. If completed, enter "1986". This field is for the latest complete revision of the Internal Revenue Code, which is considered to have been in 1986.
 - c. **Section** - The applicable IRC sections must be entered at the bottom of Form 3623. IRC 6512 gives the Tax Court authority to determine an overpayment. IRC 6511 imposes the limitation on the amount of the overpayment. See Exhibit 8.17.3-2. This exhibit provides an explanation of the overpayment code sections to use for statements of account.

Note: The most commonly used code sections are IRC 6512(b)(3)(B) with IRC 6511(b)(2). If the taxpayer has a frozen refund, then IRC 6512(b)(3)(C) is used, usually with IRC 6511(b)(2).
 - d. **Date Return Filed** - Obtain the date from the transcript. For Substitute for Return (SFR) or Automated Substitute for Return (ASFR) cases, you can indicate that the taxpayer did not file a return by using "SFR", "ASFR", "No return filed", or "None".
 - e. **Date Agreement Signed** - This is the date the Form 872, *Consent to Extend the Time to Assess Tax*, or Form 872-A, *Special Consent to Extend the Time to Assess Tax*, was countersigned by the IRS, not the date the taxpayer signs the form. The AO or Counsel may need to provide the TCS with this information.
 - f. **Statute Extended To** - Obtain this date from the statute extension Form 872. If Form 872-A was used, just enter "872-A" instead of a date. The AO or Counsel may need to provide the TCS with this information.
 - g. **Date Deficiency Notice Mailed** - This is the "Letter Date" field on the notice of deficiency Letter 894 and Letter 901. The AO or Counsel may need to provide the TCS with this information.
 - h. **Date Claim Filed** - Complete when a valid claim for refund was filed before the notice of deficiency was issued. The AO or Counsel may need to provide the TCS with this information.

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Note: The “Date Claim Filed” section on Form 3623 is also completed when there is a frozen refund shown on the transcript. If there is a frozen refund, the Date Claim Filed is the date the taxpayer filed the return.

- i. **Amount of Claim** - Use the amount of refund requested on a valid claim for refund filed before the notice of deficiency was issued that has not been allowed. For a frozen refund case, use the amount of refund shown on the taxpayer’s return. (Use the amount of refund shown on the taxpayer’s return even if part of the claimed refund has already been refunded.)
- (2) However, certain types of overpayments don’t require the section at the bottom of Form 3623 to be completed:
 - a. Total overpayment is barred - See IRM 8.17.3.3.6.
 - b. CDP case IRM 8.17.3.3.7 .
- (3) The section at the bottom of Form 3623 **must** be completed when there is an overpayment except as noted in paragraph (2) above. Counsel attorneys will be advised to return Forms 3263 in overpayment cases which do not have the bottom section completed when required.

8.17.3.3.5 (09-03-2019) **IRC 6211(b)(4) Refundable Credits**

- (1) This section addresses how to prepare a statement of account when adjustments are made to refundable credits that are included in the definition of a statutory deficiency per IRC 6211(b)(4).
- (2) Examples of IRC 6211(b)(4) refundable credits are earned income credit (EIC), the refundable additional child tax credit (ACTC), first time homebuyer credit, recovery rebate credit, fuel tax credit, etc. See IRM 8.17.5.17.2, *Adjustments to Refundable Credits Included in the Statutory Deficiency*, for a complete list of these refundable credits.

Note: Since the list of refundable credits subject to deficiency procedures is amended often, IRC 6211(b)(4) will have the most complete, current list of these refundable credits by code section.

- (3) A statement of account is not required simply because there are adjustments to IRC 6211(b)(4) refundable credits. However, if a statement of account is required as outlined in IRM 8.17.3.2 and IRC 6211(b)(4) refundable credits are adjusted, follow the procedures outlined in this section.
- (4) When a statement of account is prepared and changes are made to IRC 6211(b)(4) refundable credits such as EIC, the refundable ACTC, the first time homebuyer credit, fuel tax credit, etc. see instructions below for how to compute the “Revised Liability” and “Assessment (tax on return)” lines:
 - **“Revised Liability”:** Decrease the corrected income tax liability amount by the amount of the **corrected** refundable credits, and enter the result on the “Revised Liability” lines of Form 3623. (Use the corrected amount of refundable credits instead of the amount of the adjustment to the refundable credits.)

- **“Assessment (tax on return)”**: Decrease the assessed tax per return by the amount of the assessed refundable credits and enter the result on the “Assessment (tax on return)” line of Form 3623.

Note: Show an explanation of how these amounts were computed in a footnote at the bottom of Form 3623.

- (5) Do not show the IRC 6211(b)(4) refundable credits claimed on the return and posted to the taxpayer’s account in the payments section since these amounts are considered in the liability section.
- (6) Also include the exact amount refunded to the taxpayer in the payments section regardless of whether the refund included any of these credits.
- (7) See Exhibit 8.17.3-4 for an example of adjustments to both the EIC and the refundable additional child tax credit on Form 3623. This example also has a frozen refund, and the result is an overpayment.

Note: Modify and use the format shown in this exhibit for any cases involving adjustments to other IRC 6211(b)(4) refundable credits such as first time home buyer credit, recovery rebate credit, fuel tax credit, etc., which require a statement of account.

- (8) Excel Form 3623 spreadsheets that can assist you with cases involving adjustments to the IRC 6211(b)(4) refundable credits are accessible from the “Spreadsheets Sharepoint” link on the Appeals TCS web site. Both the “General” and “Individual” spreadsheets folder have a “Form 3623 Refundable Credits” Excel file which has formulas and drop down menus which allow you to select the appropriate refundable credit.
- (9) If the IRC 6211(b)(4) credits claimed on the return aren’t adjusted in the settlement or Rule 155 computation and a statement of account is prepared, the format discussed in this section to show the refundable credits can be used, but it’s not required. If the refundable credit format shown in this section isn’t used, then instead enter the amount of IRC 6211(b)(4) credits shown on the transcript in the payments section of Form 3623
- (10) For a list of current examples of refundable credits please see the *Technical Support SharePoint site*.

8.17.3.3.6 (09-03-2019) **Barred Overpayments and Deficiencies**

- (1) Total overpayment or deficiency is barred:
 - a. If the total overpayment or deficiency is barred and a footnote included on the Form 3610 or the tax computation form, then no notation on Form 3623 is required.
 - b. However if a statement of account is prepared, the barred amount may be notated with an asterisk (*) and a footnote added to Form 3623. The following is an example of the footnote on Form 3623 for a barred overpayment case:

“Overpayment barred by statute of limitations.”

Note: When the total overpayment is barred on a docketed case, the bottom of the Form 3623 should not be completed.

- (2) If only part of the overpayment or deficiency is barred:

8.17 Settlement Computations and Statutory Notices of Deficiency

- a. The total amount may be asterisked (*) and a short summary of the barred amount added to the bottom of the Form 3623. The following is an example of the summary for a case when only part of the overpayment is barred:

Overpayment	\$6,000.00
Overpayment barred by Statute of Limitations	<u>1,000.00</u>
Overpayment Allowable	\$5,000.00
	=====

- (3) If there is a barred overpayment or deficiency for a CDP case, see IRM 8.17.3.3.7 for requirements.

8.17.3.3.7 (09-24-2013) Collection Due Process (CDP) cases

- (1) Preparing a statement of account for a CDP case can involve a number of complicated legal determinations. Therefore, due to the complex nature of CDP cases, see following discussion:
- When there is an overpayment for a CDP case, the TCS is not required to complete the section at the bottom of Form 3623. The Settlement Officer, AO or Counsel attorney will need to determine the information to include in the stipulation.
 - Notations to indicate a barred overpayment or deficiency are not required on a statement of account prepared for a CDP case. The Settlement Officer, AO or Counsel attorney will need to determine the appropriate information to include in the stipulation.

8.17.3.3.8 (09-24-2013) Jeopardy/Termination Assessments

- (1) A jeopardy assessment made prior to the issuance of a notice of deficiency is not taken into consideration in determining the statutory deficiency. In such cases, show the following on the statement of account:
- The deficiency in tax and penalty before the jeopardy assessment,
 - The deficiency or overassessment of tax and penalty after considering the jeopardy assessment, and
 - The underpayment or overpayment of tax and penalty. (The underpayment or overpayment of tax and penalty before the jeopardy assessment should be the same as the underpayment or overpayment of tax and penalty after the jeopardy assessment.)
- (2) Statement of account formats for jeopardy assessment cases:
- The statement of account can have one column to reflect the deficiency in tax and penalty before the jeopardy assessment, and another column for the deficiency or overassessment of tax and penalty after considering the jeopardy assessment.
 - Or, two separate statements of account can be used.
- (3) See IRM 8.17.5.21, *Jeopardy Assessments in Settlement Computations*, for more information about jeopardy assessments.
- (4) Handle termination assessments under IRC 6851 similar to jeopardy assessments.

8.17.3.3.9
(09-03-2019)
**Shared Responsibility
Payment(SRP)**

- (1) The statutory notice of deficiency procedures do not apply to the individual shared responsibility payment itself. However, there may be adjustments to the SRP or other SRP issues in a case (e.g. an income tax case) where deficiency procedures do apply. Generally, in these cases, whether for purposes of preparing settlement computations or for purposes of preparing a notice of deficiency, TCS will recalculate MFT 30 and MFT 35 SRP based on adjustments to income following normal procedures. See IRM 8.17.2, *Settlement Computations and Statutory Notices of Deficiency, General Settlement and Rule 155 Computations*. The SRP may appear on the calculations attached to a notice of deficiency, but the SRP amount must not be included in the deficiency amount because it is not subject to the Tax Court's jurisdiction.
- (2) The ATE should indicate on the schedule of adjustments whether the SRP is being adjusted and the amount reported per return.
- (3) The ATE should also consider the following items when adjusting the SRP:
 - a. Income tax return
 - b. Date of birth of any dependents (if applicable)
 - c. Household income (including income of those dependents whose income meets the income tax return filing threshold)
 - d. Months during the taxable year the taxpayer was or was not covered by insurance including dependents (if applicable)
 - e. Form 1095-A, Health Insurance Marketplace Statement (if applicable)
 - f. Form 1095-B, Health Insurance Coverage (if applicable)
 - g. Form 1095-C, Employer-Provided Health Coverage (if applicable)
 - h. Form 8965, Health Coverage Exemptions (if applicable)
- (4) When the ATE indicates that the SRP is an adjustment, TCS will recalculate MFT 30 and MFT 35 SRP based on adjustments to income following normal procedures. A link to the SRP Calculator is found on the *Appeals ACA Webpage*.
- (5) If there is no change to the SRP, TCS will include a notation in their case activity record and email the requesting ATE that there is no change to the SRP.
- (6) Form 3610, Audit Statement, is recommended for cases involving the SRP.
- (7) See the SRP folder on the *Appeals TCS SharePoint Site* for sample computation forms and Form 5403 Worksheet containing special language required for SRP.
- (8) If there is an adjustment to the SRP, the calculation will be shown on a schedule included with the computations.

8.17.3.4
(09-24-2013)
**Identifying Prior
Adjustments/
Assessments**

- (1) Penalties under IRC 6651, IRC 6654, and IRC 6656 are computer generated.
- (2) Campus adjustments subsequent to the posting of the return (the TC "150" transaction) sometimes carry a second Document Locator Number (DLN) with a "54" document code (4th and 5th digits of DLN).
- (3) Except for partial agreements, prior Compliance or Appeals action for Master File and Non-Master File returns generally have a second DLN with a "47" document code (4th and 5th digits of DLN).

8.17 Settlement Computations and Statutory Notices of Deficiency

- (4) Jeopardy, quick, and prompt assessments for Master File accounts have a "51" document code.
- (5) If the file contains a Form 1139, *Corporation Application for Tentative Refund from Carrybacks*, or Form 1045, *Application for Tentative Refund* (used by individual taxpayers), there may be a prior abatement. A TC 295 indicates that a Form 1139 or Form 1045 was filed.
- (6) The DLN on an amended return does not indicate there was an assessment or overassessment. Further, a "duplicate filing condition" may exist on the Master File which requires special handling by the Campus in order to permit an adjustment to post. A TC 976 may indicate a duplicate posting condition. A TC 290 or TC 291 may indicate that an amended return was processed.

Caution: A TC 976 may also indicate identity theft. Please refer to IRM 21.9.2.1, *Identity Theft - General Information*, paragraph (8) for more information regarding identity theft action codes input with a TC 971 by the Campus.

- (7) Erroneous (premature) assessments of the notice of deficiency:
 - a. Occasionally a transcript will reflect a premature assessment when the deficiency shown in a notice of deficiency has been assessed despite the taxpayer timely filing a valid petition in Tax Court. Generally there is a disposal code 10 on the transcript which means a defaulted notice of deficiency. This is an erroneous assessment which the Appeals Officer or Counsel attorney usually will have abated.
 - b. Since these assessments normally will be abated, the assessment and corresponding abatement generally are not shown on the statement of account.
 - c. If the erroneous assessment of the notice of deficiency is going to be abated and the abatement of the notice of deficiency assessment has not posted yet, the assessment of the notice of deficiency shown on the transcript should not be included on the statement of account.
 - d. However, any payments of the notice of deficiency assessment will need to be shown on the statement of account.
 - e. The AO or Counsel attorney must ensure that the abatement of the erroneous assessment has posted before closing the case.

Note: It is recommended that if time permits, TCS returns the case to the AO or Counsel attorney for processing the abatement prior to preparing the statement of account.

8.17.3.5 (09-03-2019) Tax Court Jurisdiction of Interest, Certain Penalties, and the SRP

- (1) The Tax Court does not have jurisdiction over the SRP even though its amount may change as a result of the deficiency proceedings. While a statement of account is not required if there are changes to the SRP, the computations may be very helpful to Counsel to prepare below-the-line stipulations on the decision documents, as further discussed in paragraph (2) below. The Tax Court may not have jurisdiction over interest provisions, or certain penalties. Therefore, normally assessment and payment information are not included on the statement of account for these non-jurisdictional items. This means that:
 - Generally interest amounts are not included on the statement of account and

- Usually only penalties asserted in the notice of deficiency (if still applicable) are included.
- (2) However, it may sometimes be helpful to show assessment and payment information for items not under Tax Court jurisdiction, especially for the SRP.
- a. Provide this information on a separate Form 3623 if combining it with the jurisdictional information creates confusion.
 - b. No matter where it is shown, it should be clearly labeled as “Information Only”.
 - c. For SRP computations, if the SRP was reported on taxpayer’s return and paid by income tax offset prior to the Tax Court case, the offset from the MFT 30 income tax account to the MFT 35 SRP account will be shown on the statement of account in the “Less Refunds and Credits” section. Since this information will not be used by Counsel to prepare stipulations and decision documents, not all fields in the Information Only column on the statement of account need to be completed.

Note: See Exhibit 8.17.3-3 for an example.

8.17.3.6
(09-03-2019)
Allocating Payments

- (1) Payments of assessed tax, penalty, and interest:
- a. When the taxpayer specifies how a partial payment of assessed tax, penalty, and interest is applied, reflect the allocation on the statement of account.
 - b. When the taxpayer does not specify an allocation, apply payments in accordance with Rev. Proc. 2002-26. Generally, if the amount applied to a tax period is less than the liability for the period, the amount of the payment will be applied to tax, penalty, and interest, in that order, until the payment is absorbed.
 - c. Generally don’t reallocate payments that were previously applied to tax, penalties, or interest (for example don’t reallocate payments to penalties once they have been previously applied to tax, and don’t reallocate payments to tax that were previously applied to penalties).

Caution: See IRM 8.17.3.3.3 and IRM 8.17.3.5 for discussion about payments that are not included on the statement of account if they were applied to assessed penalties and interest not under Tax Court jurisdiction.

- (2) Advance payments of unassessed liabilities:
- a. Advance payments of unassessed liabilities are discussed in Rev. Proc. 2005-18. The term “unassessed advance payments” is also used for these types of payments. Both terms refer to advance payments which have been posted to the taxpayer’s account, but not applied to pay an assessment of tax, penalty or interest since the liabilities are unassessed.
 - b. Allocate payments made towards unassessed liabilities in accordance with Rev. Proc. 2005-18. Unless the taxpayer specifically directed the manner of the application of an advance payment, generally the payment should be included in the “Tax” column on the statement of account.
 - c. Generally, only allocate payments to the penalty columns on the request of a Counsel attorney. Otherwise, usually the entire payment should be entered in the tax column even if this results in an overpayment, and penalties are being asserted in the settlement of the case.

8.17 Settlement Computations and Statutory Notices of Deficiency

8.17.3.7 (09-24-2013) **Advance Payments of Unassessed Liabilities, IRC 6603, and Cash Bonds**

- (3) Unassessed advance payments designated as deposits under IRC 6603 or as cash bond deposits are not included on the statement of account.
 - a. See IRM 8.17.3.7 and IRM 8.17.3.7.1 for additional information.
- (1) The American Jobs Creation Act of 2004 added new IRC 6603 to permit taxpayers to make deposits to suspend the running of interest on potential underpayments of tax.
- (2) IRC 6603 codifies the taxpayer's right to make a deposit in lieu of a payment to stop the running of interest on a potential deficiency, and, for the first time, provides for the accrual of interest on a deposit returned to the taxpayer to the extent that the deposit is attributable to a disputable tax. IRC 6603 was enacted October 22, 2004.
- (3) Advance payments of unassessed liabilities are discussed in Rev. Proc. 2005-18, which applies to remittances made to stop the running of interest on deficiencies, including remittances treated as deposits under IRC 6603. Rev. Proc. 2005-18 discusses "deposits made pursuant to IRC section 6603", which replace the "deposits in the nature of a cash bond" discussed in Rev. Proc. 84-58. Rev. Proc. 84-58 is superseded, effective with respect to remittances made on or after March 28, 2005.
 - a. Unlike cash bonds, the taxpayer may be entitled to credit interest on any refunded portion of a deposit made pursuant to IRC 6603. The rate of interest allowed on returned deposits is lower than the rates for overpayments under IRC 6621(b). Credit interest on a returned deposit is computed at the Federal short term rate, compounded daily. The ACT/DMI Program provides a Federal Short Term Rate Chart specifically for computing interest on returned deposits.
 - b. Remittances submitted to suspend the running of interest under this section are referred to as "6603 deposits".
- (4) Under Rev. Proc. 84-58, a cash bond deposit is not considered a payment of tax, is not subject to a claim for credit or refund, and if returned to the taxpayer, does not bear interest.
- (5) Special rules apply for amounts held by the Service as cash bond deposits pursuant to Rev. Proc. 84-58 on or after the date of enactment of IRC 6603 (October 22, 2004).
 - a. Rev. Proc. 2005-18 provides procedures for amounts held as deposits on October 22, 2004 through the March 28, 2005 effective date for Rev. Proc. 2005-18. Any portion of a cash bond deposit previously made pursuant to Rev. Proc. 84-58 does not earn interest unless the taxpayer provides a written statement, as described in Rev. Proc. 2005-18 section 5.02, identifying the amount as a deposit made pursuant to IRC 6603.
 - b. Except as discussed in the following paragraphs, treat the date the Service receives the written statement as the date the amount is deposited for purposes of IRC 6603(d). (Rev. Proc. 2005-18 section 5.01).
 - c. In the case of a deposit that is made after October 22, 2004, and before March 28, 2005, treat the deposit as made on the date remitted for

purposes of IRC 6603(d) if the taxpayer provides a written statement designating the amount as a 6603 deposit before May 27, 2005. (Rev. Proc. 2005-18 section 10).

- d. In the case of an amount held as a cash bond deposit pursuant to Rev. Proc. 84-58 on October 22, 2004, treat the deposit as made on October 23, 2004, for purposes of IRC 6603(d) if the taxpayer provides a written statement identifying the amount as a “6603 deposit” before May 27, 2005. (Rev. Proc. 2005-18 section 10).

- (6) See IRM 20.2.4.8.2, *IRC 6603 Deposits*, for further information about IRC 6603 deposits.

8.17.3.7.1 (09-24-2013) IRC 6603 and Cash Bonds - Statement of Account Procedures

- (1) Unassessed advance payments designated as deposits under IRC 6603 or as cash bond deposits are not included on the statement of account.
- (2) Instead, include a notation at the bottom of the statement of account as discussed in the paragraphs below.

- a. If the IRS is holding a cash bond made under Rev. Proc. 84-58 and not subsequently designated as a deposit under IRC 6603:

Example: 1: Taxpayer A submits a \$2,000.00 cash bond deposit on 09/09/2004 under Rev. Proc. 84-58 for the tax year 2003. Taxpayer A did not subsequently designate it as a deposit under IRC section 6603. Use the following wording:

A cash bond in the amount of \$2,000.00 was received for tax year 2003 on 09/09/2004.

See Exhibit 8.17.3-1 for illustration of Example 1.

- b. If the IRS is holding a cash bond deposit on 10/22/2004, treat the deposit as made on 10/23/2004 for purposes of IRC 6603 if the taxpayer provides a written statement before 05/27/2005 which identifies the amount as a deposit under IRC 6603.

Note: Notate the date of the payment and the 10/23/2004 date at the bottom of the statement of account.

Example: 2: The facts are the same as Example 1, except a written statement conforming to the requirements of Rev. Proc. 2005-18 was received on 05/02/2005. Use the following wording:

A cash bond in the amount of \$2,000.00 was received for tax year 2003 on 09/09/2004, and determined to be a deposit made under IRC 6603 as of 10/23/2004.

- c. In the case of a deposit that is made after October 22, 2004, and before March 28, 2005, treat the deposit as made on the date remitted for purposes of IRC 6603(d) if the taxpayer provides a written statement before 05/27/2005 which identifies the amount as a deposit under IRC 6603.

Note: Include the date of the payment and the date it is determined to be a deposit under IRC 6603 at the bottom of the statement of account.

8.17 Settlement Computations and Statutory Notices of Deficiency

Example: 3: Taxpayer B submits a deposit on 12/29/2004 in the amount of \$3,000.00 for the tax year 12/31/2002. A written statement conforming to the requirements of Rev. Proc. 2005-18 is received on 05/12/2005. Use the following wording:

A cash bond in the amount of \$3,000.00 was received for tax year 2002 on 12/29/2004 and determined to be a deposit made under IRC 6603 as of 12/29/2004.

- d. In the case of a deposit in the nature of a cash bond previously made pursuant to Rev. Proc. 84-58 where the taxpayer's statement is received on or after 05/27/2005, treat the date the Service receives the written statement as the date the amount is deposited for purposes of IRC 6603(d).

Note: Include the date of the payment and the date it is designated as a deposit under IRC 6603 (the date the Service receives the taxpayer's statement) on the bottom of the statement of account.

Example: 4: The facts are the same as Example 1, except a written statement conforming to the requirements of Rev. Proc. 2005-18 was received on 05/30/2005. Use the following wording:

A cash bond in the amount of \$2,000.00 was received for tax year 2003 on 09/09/2004, and determined to be a deposit made under IRC 6603 as of 05/30/2005, the date the IRS received the statement required under Rev. Proc. 2005-18.

- e. Use the wording similar to the following on deposits made under IRC 6603 on or after the March 28, 2005 effective date of Rev. Proc. 2005-18:

A deposit made under IRC 6603 in the amount of \$3,000.00 was received for tax year 12/31/2002 on 06/16/2005.

8.17.3.7.2
(09-24-2013)

Identifying Deposits on Transcripts

(1) Cash bonds:

- a. A cash bond is present if a 900 - 999 appears in digits 9, 10 and 11 of the DLN next to the TC 640 amount. It looks similar to the following:

<u>TC</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>CYCLE</u>	<u>DLN</u>
640	12011996	2,000.00-	199552	55211-110-99922-1

(2) IRC section 6603 deposits:

- a. Remittances submitted after October 22, 2004, identified by taxpayers as IRC 6603 deposits are processed and posted in the same manner as the Service previously processed a cash bond remittance. Deposits are identified by a TC 640, Blocking Series 999 and Designated Payment Code (DPC) 12.
- b. See IRM 20.2.4.8.1, *Cash Bonds*, and IRM 20.2.4.8.2, *IRC 6603 Deposits*, for additional information.

- (3) Converted deposits:
 - a. Because IRC 6603 deposits are processed and posted in the same manner cash bond deposits were previously processed, identifying deposits on a transcript that have been converted from cash bond deposits to IRC 6603 deposits requires a careful analysis of the case file.
 - b. Review the case file for the written statement that the taxpayer must submit to convert these previously posted cash bonds to IRC 6603 deposits.
 - c. The Appeals Officer or Counsel Attorney may need to contact the taxpayer to obtain additional information to verify if a cash bond deposit was converted to an IRC 6603 deposit, and the date of the conversion.

8.17.3.8
(01-20-2012)
**Impact of the Estate of
Smith Decision in
Overpayment Cases**

- (1) When preparing decision documents, stipulations, and Rule 155 cover sheets, the Service has followed a long-standing practice of not reducing the amount of an overpayment in tax by the amount of any unpaid interest or penalties.
- (2) In *Estate of Smith v. Commissioner*, 123 T.C. 15 (2004), the Tax Court held that the amount of overpayment was the amount by which total payments exceeded tax, including any assessed underpayment interest; and that the Service therefore could not reduce the petitioner's refund for any outstanding underpayment interest not specified in the entered decision/stipulation.
- (3) As a result of the court decision in the Estate of Smith case, the Office of Chief Counsel issued Notice CC-2004-035 advising Counsel Attorneys that assessed and unassessed underpayment interest should be taken into account when preparing overpayment decision documents and stipulations.
- (4) In November of 2005 the decision in the Estate of Smith case was reversed by the Court of Appeals for the Fifth Circuit. Counsel issued Chief Counsel Notice CC-2010-006. This notice revoked Chief Counsel Notice CC-2004-035 and stated that it was inappropriate to include assessed or unassessed interest computations in decision documents, stipulations and Rule 155 computations. This notice eliminated the requirement to prepare Estate of Smith computations for statements of account.

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Exhibit 8.17.3-1 (09-24-2013)**Statement of Account - Overpayment and Cash Bond Present**

Form 3623 (Rev. April 1985)		Department of the Treasury - Internal Revenue Service Statement of Account				Schedule Number		
Name of Taxpayer John Smith								
Kind of Tax Income		Docket Number 1234-07			In Reply Refer To AP:LA:AO:TCS			
Tax Year Ended	12/31/2003							
Tax/Addition to Tax	Tax							
	Date	Amount	Date	Amount	Date	Amount	Date	Amount
Revised Liability		2,400.00						
Assessment (tax on return)		3,000.00						
Additional Assessments								
Overassessments								
Total Assessments		3,000.00						
Increase (Decrease) in Assessment		(600.00)						
Revised Liability		2,400.00						
Payments								
Withholding	4/15/04	4,780.00						
Less Refunds or Credit	4/15/04	1,780.00						
Total Payments		3,000.00						
Balance Due (or overpayment)		(600.00)						
Tax Year Ended	Internal Revenue Code Reference		Date Return Filed	Date Agreement Signed	Statute Extended To	Date Deficiency Notice Mailed	Date Claim Filed	Amount of Claim
	Year	Section						
12/31/2003	1986	6512(b)(3)(B)	4/15/04	8/22/2006	872-A	10/1/2007		
		6511(c)						

Form 3623 (Rev. 4-85)

A cash bond in the amount of \$2,000.00 was received for tax year 2003 on 09/09/2004.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.3-2 (01-20-2012)

Code Section for Overpayments - Bottom of Form 3623

For notice of deficiency cases, show Internal Revenue Code sections as IRC 6512(b)(3) and either (A), (B) or (C). If IRC 6512(b)(3)(B) or IRC 6512(b)(3)(C) is used, an IRC 6511 section must also be used. Select IRC 6511(b)(2), IRC 6511(c) or IRC 6511(d), whichever is applicable.

Explanation of Code Sections:

IRC 6512(b)(3)(A): The amount of money refunded is from money paid by the taxpayer (TP) after the date the Statutory Notice (SN) was mailed. It is not necessary to also include an IRC section 6511 cite with IRC section 6512(b)(3)(A).

IRC 6512(b)(3)(B): The most common use would be to cite this section where a claim for refund could have been timely made on the date of the mailing of the notice of deficiency (whether or not the TP actually made the claim).

IRC 6512(b)(3)(C): The TP filed a claim before the mailing of the SN, regardless of whether it was allowed or disallowed, a suit for refund would have been timely as of the SN date.

IRC 6511(b)(2):

IRC 6511(b)(2)(A): A claim was filed within 3 years of due date of return, the TP can get refund of all tax paid.

IRC 6511(b)(2)(B): Claim filed after 3 years, the TP can get refund of taxes paid within preceding 2 years.

IRC 6511(b)(2)(C): No claim filed, the TP can get refund only for amount he could get if a claim was filed on the date the refund is allowed.

IRC 6511(c): Statute extended by Form 872 consent to extend the time to assess tax or Form 872-A. Special consent to extend the time to assess tax.

IRC 6511(d) – Special periods of limitation for:

- (1) Bad debts and worthless securities,
- (2) NOL or capital loss carryback,
- (3) Foreign tax credit, and
- (4) Certain credit carrybacks

Only IRC 6511(b)(2), IRC 6511(c) or IRC 6511(d) needs to be shown on Form 3623.

These code sections are used by Counsel to prove that the Statute of Limitations is open so a refund can be allowed. Since the statute can be open due to many reasons, specify which ones and Counsel will use them in the stipulation signed by the taxpayers. The most commonly used are IRC 6512(b)(3)(B) and IRC 6511(b)(2).

Exhibit 8.17.3-3 (09-03-2019)**Statement of Account - Non-Jurisdictional Issues Provided as Information Only**

Form 3623 (Rev. April 1985)		Department of the Treasury - Internal Revenue Service Statement of Account				Schedule Number		
Name of Taxpayer John Smith								
Kind of Tax Income		Docket Number 1234-09			In Reply Refer To AP:LA:AO:TCS			
Tax Year Ended 12/31/2005					12/31/2005			
Tax/Addition to Tax		Tax			Interest - For Information Only			
	Date	Amount	Date	Amount	Date	Amount	Date	Amount
Revised Liability		3,000.00						
Assessment (tax on return)		376.00						
Additional Assessments	2/22/10	1,200.00			2/22/10	265.00		
Overassessments								
Total Assessments		1,576.00						
Increase (Decrease) in Assessment		1,424.00						
Revised Liability		3,000.00						
Payments								
Statutory Date	4/15/06	1,629.00						
	3/26/10	1,200.00			3/26/10	265.00		
Less Refunds or Credit	4/15/06	1,253.00						
Total Payments		1,576.00						
Balance Due (or overpayment)		1,424.00						
Tax Year Ended	Internal Revenue Code Reference		Date Return Filed	Date Agreement Signed	Statute Extended To	Date Deficiency Notice Mailed	Date Claim Filed	Amount of Claim
	Year	Section						

Form 3623 (Rev. 4-85)

\$1,465.00 payment received on 3/26/10. Of the total payment, \$1,200.00 was applied to the additional tax assessment, and \$265.00 applied towards the additional interest assessment made on 2/22/10.

Note to TCS: The statement of account was prepared for this case because there was an interim assessment and interim payment on the taxpayer's account.

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.3-4 (09-24-2013)

Settlement Computations - Overpayment with Frozen Refund, plus Earned Income Credit and Additional Child Tax Credit Adjustment

Form 5278 (Rev. June 2004)		Department of the Treasury - Internal Revenue Service Statement - Income Tax Changes		Schedule 1	
1. Name of taxpayer Joe Brown		2. <input type="checkbox"/> Notice of Deficiency <input type="checkbox"/> Other (specify) <input checked="" type="checkbox"/> Settlement computation			
3. Taxpayer Identification Number XXX-XX-XXXX	4. Form number 1040	5. Docket number 0000-09	6. Office symbols XX:XX:XX:XX		
7. Adjustment to income		Tax years ended			
		12/31/2003			
a. Exemptions		6,100.00			
b.					
c.					
d.					
e.					
f.					
g.					
h.					
8. Total adjustments		6,100.00			
9. Taxable income as shown in:					
<input type="checkbox"/> Preliminary letter dated _____					
<input type="checkbox"/> Notice of deficiency dated _____		(7,199.00)			
<input checked="" type="checkbox"/> Return as filed					
10. Taxable income as revised		(1,099.00)			
11. Tax		0.00			
12. Alternative tax, if applicable					
13. Alternative minimum tax (Starting tax year 2000)					
14. Corrected tax liability - (lesser of line 11 or 12 plus line 13)		0.00			
15. Less credits					
a.					
b.					
c.					
16. Balance - (line 14 less total of lines 15a - 15c)		0.00			
17. Plus other taxes					
a.					
b.					
c.					
18. Total corrected tax liability - (line 16 plus lines 17a - 17c)		0.00			
19. Total tax shown on return or as previously adjusted		0.00			
20. Adjustments: increase (decrease) to:					
a. Earned income credit		(2,459.00)			
b. Additional child tax credit		637.00			
c.					
21. Deficiency - Increase in tax (overassessment - decrease in tax) (line 18 less line 19 adjusted by lines 20a - 20c)		1,822.00			
22. Adjustments to prepayment credits - Increase (decrease) *		4,024.00			
23. Balance due or (Overpayment) excluding interest and penalties (line 21 adjusted by line 22)		(2,202.00)			
24. Penalties and/or Additions To Tax (listed below)					
* Claimed overpayment not refunded					

Form 5278 (Rev. June 2004)

Exhibit 8.17.3-4 (Cont. 1) (09-24-2013)

Settlement Computations - Overpayment with Frozen Refund, plus Earned Income Credit and Additional Child Tax Credit Adjustment

Form 3623 (Rev. April 1985)		Department of the Treasury - Internal Revenue Service Statement of Account				Schedule Number	
Name of Taxpayer Joe Brown							
Kind of Tax Income		Docket Number 0000-09		In Reply Refer To XX:XX:XX:XX			
Tax Year Ended	12/31/2003						
Tax/Addition to Tax	Tax						
	Date	Amount	Date	Amount	Date	Amount	Date
Revised Liability (1)		(2,501.00)					
Assessment (tax on return) (2)		(4,323.00)					
Additional Assessments							
Overassessments							
Total Assessments		(4,323.00)					
Increase (Decrease) in Assessment		1,822.00					
Revised Liability		(2,501.00)					
Payments							
	4/15/04	1,150.00					
Less Refunds or Credit	4/15/04	1,449.00					
Total Payments		(299.00)					
Balance Due (or overpayment)		(2,202.00)					
Tax Year Ended	Internal Revenue Code Reference		Date Return Filed	Date Agreement Signed	Statute Extended To	Date Deficiency Notice Mailed	Date Claim Filed
	Year	Section					
12/31/2003	1986	6512(b)(3)(C)	4/15/04			7/09/04	4/15/04
		6511(b)(2)					

Form 3623 (Rev. 4-85)

(1) Total corrected income tax liability before refundable credits:

Less: Earned Income Credit as corrected

Less: Additional Child Tax Credit as corrected

Revised Liability for Statement of Account (Tax imposed)

0.00
1,565.00
936.00
(2,501.00)

(2) Tax shown on return before refundable credits:

Less: Earned Income Credit per return or as previously adjusted

Less: Additional Child Tax Credit per return or as previously adjusted

Tax shown on return (or as previously adjusted)

0.00
4,024.00
299.00
(4,323.00)

8.17 Settlement Computations and Statutory Notices of Deficiency

Exhibit 8.17.3-4 (Cont. 2) (09-24-2013)

Settlement Computations - Overpayment with Frozen Refund, plus Earned Income Credit and Additional Child Tax Credit Adjustment

Notes to Tax Computation Specialist about Form 5278 and Form 3623	
Form 5278:	
1. Earned Income Credit (EIC) per return of \$4,024 less EIC as corrected of \$1,565 equals the \$2,459 decrease in EIC.	
2. Additional Child Tax Credit (ACTC) per return of \$299 less ACTC as corrected of \$936 equals the increase in ACTC of \$637.	
Form 3623:	
1. The IRC 6211 deficiency is the increase in tax after the EIC and ACTC adjustments. The Form 5278 shows a decrease to earned income credit (EIC) of \$2,459.00 and an increase to additional child tax credit (ACTC) of \$637.00. This is the \$1,822.00 shown on the "Increase (Decrease) in Assessment" line on the statement of account.	
2. The \$1,822.00 amount will be processed as a two step adjustment. \$2,459.00 of the EIC claimed on the return will be reversed and \$637.00 will be allowed as an increase to the amount of ACTC claimed on the return. This will result in the net deficiency of \$1,822.00.	
3. The allowable credits (EIC of \$1,565.00 and the allowable ACTC of \$936.00) are not shown in the list of payments in the bottom part of the statement of account since these amounts are considered in the "Revised Liability" line (1).	
4. The "Less Refunds or Credit" line in the bottom part of the statement of account will include any EIC or ACTC refunded to the taxpayer. In this example, the withholding credit of \$1,150.00 and ACTC claimed on the return of \$299.00 was refunded to the taxpayer; a total of \$1,449.00. The EIC claimed on the return of \$4,024.00 was not refunded to the taxpayer. This part of the taxpayer's claimed refund was held and the refund frozen.	
5. Balance due (or overpayment): In this example, there is a net overpayment of \$2,202.00, even though there is an increase to tax in the amount of \$1,822.00. However, since the campus held \$4,024.00 of the taxpayer's claimed refund (frozen refund), the taxpayer is entitled to a refund of \$2,202.00.	