



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

25.15.9

MARCH 17, 2022

## EFFECTIVE DATE

(03-17-2022)

## PURPOSE

- (1) This transmits revised IRM 25.15.9, Relief from Joint and Several Liability - Account Processing of Requests for Relief from Joint and Several Liability.

## MATERIAL CHANGES

- (1) IRM 25.15.9.3.1.1 & IRM 25.15.9.3.1.2 - Added the Note: The earliest IRS received date of the request for relief is used to reverse the TC 971 AC 065.
- (2) IRM 25.15.9.3.1.2(11)(b) - Clarified the Document Locator Number information.
- (3) IRM 25.15.9.2(3) - Deleted the Reminder.
- (4) IRM 25.15.9.3.2.1 - Added clarification to the sentence.
- (5) IRM 25.15.9.3.2.1(1)(g) - Changed the Remarks to be consistent.
- (6) IRM 25.15.9.3.2.3(8)(b) - Deleted the note.
- (7) IRM 25.15.9.3.2.4(8)(b) - Added clarification to the note.
- (8) IRM 25.15.9.3.3.2(6)(b) - Changed the blocking number and added to the note.
- (9) IRM 25.15.9.4.3(6)(c) - Deleted the entire paragraph.
- (10) IRM 25.15.9.5.6 - Deleted the last entry under the bulletlist in paragraph (8) - #Copy of ISO-AR.
- (11) IRM 25.15.9.6.1(7) - Deleted the entire paragraph.
- (12) IRM 25.15.9.7.3 - Corrected information.
- (13) Minor editorial changes have been made throughout this IRM. Website addresses, legal references and IRM references were reviewed and updated as needed.

## EFFECT ON OTHER DOCUMENTS

IRM 25.15.9, Account Processing of Requests for Relief from Joint and Several Liability, dated April 01, 2019 is superseded.

## AUDIENCE

Cincinnati Centralized Innocent Spouse Operation (CCISO) employees processing requests for relief from joint and several liability.

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25.15.9

Account Processing of Requests for Relief from Joint and Several Liability

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25.15.9.1  
(04-01-2019)  
**Program Scope and Objectives**

- (1) Purpose: IRM 25.15.9 contains instructions for the Cincinnati Centralized Innocent Spouse Operation (CCISO) for processing innocent spouse cases after a request for relief is fully allowed, partially allowed, or disallowed. In addition, this IRM includes instructions for processing cases after a request for innocent spouse relief is determined to be non-qualifying. See IRM 25.15.19, Non-Qualifying Requests for Relief & Complex Account Issues, for more information.
- (2) Audience: Small Business/Self-Employed (SB/SE) Division employees in CCISO processing final determinations of innocent spouse relief on taxpayer accounts.
- (3) Policy Owner: The innocent spouse program is under the jurisdiction of the SB/SE Division Director, Examination - Field and Campus Policy.
- (4) Program Owner: The program owner is SB/SE Campus Exam and Field Support.
- (5) Program Goals: The program goals are to timely and accurately process Form 8857, Request for Innocent Spouse Relief, determinations.

25.15.9.1.1  
(04-01-2019)  
**Background**

- (1) The innocent spouse program makes determinations on requests for relief provided in the Code of Federal Regulation (CFR) Title 26, Subtitle F - Procedure and Administration, IRC 6015, Relief from Joint and Several Liability on Joint Return, and CFR Title 26, Subtitle A – Income Taxes, IRC 66, Treatment of Community Income.
- (2) An innocent spouse technician applies the law to the facts and circumstances submitted with Form 8857, to determine whether the individual should be relieved of any or all tax liability owed. See IRM 25.15.3, Technical Provisions of IRC 6015, or IRM 25.15.5, Relief from Community Property Laws, for more information.
- (3) CCISO handles all requests except those involving tax years with open audits conducted by a Revenue Agent or Tax Compliance Officer outside of the campus environment. In the case of open field examination audits, determinations will be made by the assigned employee.
- (4) The campus Innocent Spouse Program is an Examination Field Support Operation located at CCISO.
- (5) All requests for account adjustment(s) and/or refunds will be submitted to CCISO processors on an Innocent Spouse Operations (ISO) Adjustment Request (ISO-AR) with a full TXMOD print of the account attached.
- (6) The procedures in this IRM are general in nature and cannot cover all situations that may be encountered. Document all actions taken and consult with management when appropriate.

25.15.9.1.2  
(04-01-2019)  
**Authority**

- (1) IRC 66(c), Treatment of Community Income relief provisions.

- (2) The CFR at 26 CFR sections 1.66-1 through -5, contain guidance on requests for relief from federal income tax liability resulting from the operation of community property law.
- (3) IRC 6015, Relief from joint and several liability on joint return.
- (4) 26 CFR sections 1.6015-1 through -9, which provide guidance on requests for relief from joint and several liability and related proposed regulations, including 78 FR 49242 (issued on August 13, 2013) and 80 FR 72649-01 (issued November 20, 2015).
- (5) Rev. Proc. 2003-19, administrative appeal rights for the non-requesting spouse.
- (6) Rev. Proc. 2013-34, guidelines for taxpayers seeking equitable relief from income tax liability under section 66(c) or section 6015(f).

25.15.9.1.3  
(04-01-2019)  
**Responsibilities**

- (1) The Director, Examination - Field and Campus Policy, reports to the Director, Headquarters Examination, and is responsible for the delivery of policy and guidance that impacts the field and campus examination process. See IRM 1.1.16.3.5.1, Field and Campus Policy, for additional information.
- (2) Campus Exam and Field Support, which is under the Director, Examination - Field and Campus Policy, is the group responsible for providing Servicewide policy guidance on compliance processes that relate to campus examination operations and support Field Exam and Specialty Programs in SB/SE and Large Business & International (LB&I). See IRM 1.1.16.3.5.1.5, Campus Exam and Field Support, for additional information.
- (3) CCISO falls under the responsibility of the Director, Examination - Campus, with the Director, Examination - Field and Campus Policy, providing oversight to the innocent spouse processing IRMs.
- (4) Management in CCISO oversees employees processing Forms 8857, including creating and updating the Innocent Spouse Tracking System (ISTS) records, creating and maintaining cases on the Accounts Management System (AMS)/ Innocent Spouse Application (ISA) Database, and making account adjustments according to the relief determination.
- (5) The Processing Technicians in CCISO are responsible for:
  - Finalizing all account actions as directed on the ISO-AR.
  - Reviewing the tax account(s) for any transactions posted after the preparing of the ISO-AR.
  - Using Document 6209, IRS Processing Codes and Information, to determine meaning of transaction, freezes, and other information, on any account.

**Note:** For example, a unique sequence number is required in the ADJ54 screen for each adjustment input. The sequence numbers used should be input in increasing numerical order, (For example: 1, 2, 3, and so on.).
- (6) The IRS adopted the Taxpayer Bill of Rights (TBOR) in June 2014. Employees are responsible for being familiar with and acting in accordance with taxpayer

rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For additional information about the TBOR, see the web page *Taxpayer Bill of Rights FAQs*.

25.15.9.1.4  
(04-01-2019)  
**Terms**

- (1) The following is a list of common terms used in this IRM section:

Term	Description
Area Offices	Geographical subdivisions of Field Examination.
Area Office Examiners	Revenue Agents or Tax Compliance Officers working in Field Examination.
Area Office Innocent Spouse Coordinator	The employee in Planning and Special Programs (PSP) assigned the innocent spouse program for the Field Examination Area.
Audit Information Management System (AIMS)	The database used by Examination to track cases from inception to completion through various status codes and other data.
Command Code	A code input into IDRS to access or update taxpayer data.
Definer	Typically an alphabetic character added to the end of a Command Code to access or update different aspects of data.
Determinations	With regard to innocent spouse relief, the Service determines whether to allow relief in full, in part, or deny relief, based on the application of the facts to the law under IRC 6015, Relief from joint and several liability on joint return, or under IRC 66(c) for relief from Community Property laws.
First Read	The teams located in CCISO that are responsible for screening relief requests, and building or non-qualifying requests as applicable.
Full Scope	CCISO teams of Financial Technicians (FT) that are responsible for making determinations of relief based on the facts applied to the law of each tax year request.

Term	Description
Lead	A designated team member that acts as an assistant to the team manager.
MFT 31	Master file accounts created to hold separate spousal assessments and mirrored joint accounts.
Mirroring	The process of duplicating a joint account into two MFT 31 accounts, one for each spouse.
Processor	Tax examiners in CCISO who are responsible for final account adjustments required on innocent spouse relief determinations.
PSP Innocent Spouse Coordinator	Employee in Planning and Special Programs (PSP) in each Area assigned the innocent spouse program.
Reason Code	The reason code input into ISTS to reflect the main reason for partial or full disallowance of a request for relief.
Receptacle	Any bin, basket, shelf, or other location properly identified, used by CCISO employees to move cases from one area of the innocent spouse operation to another.
Request for Innocent Spouse Relief, also known as an Innocent Spouse Claim	A Form 8857, Request for Innocent Spouse Relief, or similar statement submitted by the taxpayer under penalty of perjury, requesting relief from a joint or community property liability.
Stage	The stage shown on ISTS indicates the status of the request for relief. For instance, Stage 01 indicates the date the request was received by the Service. See IRM 25.15.14, Innocent Spouse Tracking System, for more information.



Term	Description
Technical Services Innocent Spouse Reviewer	Reviewers located in SB/SE Technical Services assigned the innocent spouse program, who are responsible for mandatory review of all innocent spouse cases worked by Area Office examiners.
Technical Unit or Technical Team	CCISO team consisting of Specialists that evaluate the most complex and technical of relief requests that are received, and assist other CCISO teams through a Technical Referral process.
Technician	A general term used for any of the various CCISO employees involved in processing and making determinations on relief requests.

25.15.9.1.5  
(04-01-2019)  
**Acronyms**

- (1) The following table lists common acronyms and their definitions, used throughout this IRM:

Acronym	Description
ADJ54	IDRS Command Code for adjustments
AIMS	Audit Information Management System
AMS	Accounts Management System
AMS/ISA	Accounts Management System/ Innocent Spouse Application
AMT	Amount
CC	Command Code
CCISO	Cincinnati Centralized Innocent Spouse Operation
CSED	Collection Statute Expiration Date
ESTAB	IDRS command code used to order documents associated with transactions on an account.
GII	Generalized IDRS Interface

Acronym	Description
IAT	Integrated Automation Technologies
IDRS	Integrated Data Retrieval System
ISO-AR or ISOAR	Innocent Spouse Operation Adjustment Request
ISTS	Innocent Spouse Tracking System
IVL	Inventory Validation Listing
NMF	Non-Master File
NRS	Non-Requesting Spouse
PCNRS	Phone Call Non-Requesting Spouse
PCRS	Phone Call Requesting Spouse
REQ54	IDRS Command Code used to request adjustments
RS	Requesting Spouse
TC	Transaction Code

25.15.9.1.6  
(04-01-2019)

#### Related Resources

- (1) The table below includes references for related innocent spouse and account adjustment IRMs and is not all inclusive:

IRM	Purpose
IRM 3.17.243, Miscellaneous Accounting	Provides instructions for processing of various account adjustments or transactions handled in the Accounting Functions.
IRM 5.1.19, Collection Statute Expiration	Provides guidance on how actions may suspend or extend the Collection Statute Expiration Date (CSED).
IRM 5.19.1, Liability Collection - Balance Due	Provides guidance to W&I and SB/SE employees when processing certain Balance Due Accounts.
IRM 5.19.7, Monitoring Offer In Compromise	Provides guidance to employees monitoring closed offers in compromise.

IRM	Purpose
IRM 5.19.10, Collection Operations Transcript Processing	Provides guidance to W&I, SB/SE Compliance, and Customer Account Services (CAS) employees who work various Collection programs including CSED correction and write-off.
IRM 20.1, Penalty Handbook	Provides employees with information regarding all penalties.
IRM 20.2, Interest	Provides employees with information regarding interest accruals and abatements.
IRM 21.4.4, Manual Refunds	Provides guidance to Accounts Management (AM), Compliance, and Taxpayer Advocate Service (TAS) employees.
IRM 21.4.6, Refund Offset	Provides guidance to AM employees working Refund Offset Inquiries and Injured Spouse Allocation Cases.
IRM 21.5.1, General Adjustments	Provides guidance on account adjustments to AM, Compliance and TAS employees.
IRM 21.5.2, Adjustment Guidelines	Provides guidance to AM, Compliance and TAS employees adjusting accounts.
IRM 21.5.6, Freeze Codes	Provides guidance on account freeze code conditions and release.
IRM 21.5.8, Credit Transfers	Provides guidance to employees processing credit transfers.
IRM 21.6.7, Adjusting Individual Tax Accounts	Provides guidance to employees in AM, Compliance, Field Assistance and TAS.
IRM 21.7.12, Non-Master File (NMF) Adjustments	Provides guidance on NMF adjustments, abatements or assessments.
IRM 25.6.1, Statute of Limitations Processes and Procedures	Provides procedures to resolve Statute of Limitations cases.
IRM 25.15.2, General Procedures/Employees With Taxpayer Contact.	General procedures for all functions.

IRM	Purpose
IRM 25.15.3, Technical Provisions of IRC 6015	Technical provisions of IRC 6015, Relief from Joint and Several Liability on Joint Return
IRM 25.15.5, Relief from Community Property Laws	Technical provisions of IRC 66(c), Treatment of Community Property.
IRM 25.15.7, Innocent Spouse Shared Processing Responsibilities	Provides guidance for coordination between CCISO and other functions of the Service.
IRM 25.15.8, Revenue Office Procedures for Working Innocent Spouse Relief Cases	Field collection procedures for working innocent spouse cases.
IRM 25.15.14, Innocent Spouse Tracking System	Innocent Spouse Tracking System (ISTS) procedures used to track innocent spouse cases.
IRM 25.15.18, Innocent Spouse Relief Processing Procedures	Provides procedures for employees in CCISO processing and making determinations on requests for innocent spouse relief.
IRM 25.15.19, Non-Qualifying Requests for Relief & Complex Account Issues	Provides guidance to CCISO employees resolving taxpayer account issues which do not involve a determination of relief from joint and several liability.
IRM 25.16, Disaster Assistance and Emergency Relief	Provides guidance on identifying accounts subject to disaster relief, and actions needed.

- (2) For research of IDRS transcripts of accounts see Document 6209, IRS Processing Codes and Information.

25.15.9.2  
(04-01-2019)  
**Research**

- (1) Prior to moving or posting Transaction Codes (TCs), Processors will review the account for transactions indicating:
- Collection statute expiration cases,
  - Installment Agreements (IAs),
  - Levies,
  - Liens,
  - Missing payments,
  - Offers in Compromise (OICs), and
  - Account modules paid in full.
- (2) Coordinate any problems with the transactions above with Collection for resolution. Certain prohibited collection actions against the Requesting Spouse (RS) must be stopped while the request for relief from joint and several liability is under consideration. See IRM 25.15.3.5, Account Activities, for more information.

- (3) Processors need to check for the freeze codes listed in the table below, which could change prior closing instructions:

If	Then
-A freeze indicates a duplicate return (TC 976) posted to the account <b>prior</b> to the preliminary determination.	<ol style="list-style-type: none"> <li>Verify the Full Scope technician has addressed the freeze.</li> <li>If the account history indicates the freeze will be removed, but the action is not yet completed, or the amended return has been taken into consideration for the adjustment, the case should be held in the Processor's inventory and monitored for resolution of the freeze code, so that the adjustment can be made.</li> </ol>
-A freeze indicates a duplicate return (TC 976) posted to the account <b>after</b> the preliminary determination.	<ol style="list-style-type: none"> <li>Return the case to the Full Scope technician, to address any possible changes to the account, allocation, and/or adjustment.</li> </ol> <p><b>Note:</b> An account cannot be adjusted as long as there is an open –A freeze.</p>
-L freeze indicates a TC 420 Exam/AIMS.	<ol style="list-style-type: none"> <li>Verify the Full Scope technician has addressed the freeze.</li> <li>If the account history indicates the freeze will be removed, but the action is not yet completed, or the examination assessment has been taken into consideration for the adjustment, the case should be held in the Processor's inventory and monitored for resolution of the freeze code, so that the adjustment can be made.</li> </ol> <p><b>Note:</b> An account cannot be adjusted as long as there is an open –L freeze.</p>

If	Then
P- freeze indicates a refund cancelled.	a. Indicates a possible condition prohibiting refunds. b. Further research needed before any refunds are issued.
-R freeze indicates a potential additional liability.	a. This could affect requested refunds that need to be offset to another liability.
-Y freeze indicates an OIC.	a. Return the case to the Full Scope technician. <b>Note:</b> The taxpayer cannot have an innocent spouse relief and an OIC concurrently.
-Z or Z- freeze indicates a Criminal Investigation (CI).	a. The case must be put into suspense until the freeze is resolved. b. Input Stage 26 on Innocent Spouse Tracking System (ISTS) and change Integrated Data Retrieval System (IDRS) control activity to "ZFREEZE" and "02XXX00026".

**Reminder:** Abatement is not permitted when the Non-Requesting Spouse (NRS) is deceased and has no estate. Transfer the joint liability to MFT 31 or NMF 20, using Form 12810, Account Transfer Request Checklist, for the NRS for the full or partial amount, as appropriate. Collection will determine if the account is not collectible.

- (4) Identify allocation of any payments and credits. If this information is not available on the adjustment instructions, return case to the technician. See IRM 25.15.9.8, Returning Cases, for more information.
- (5) Verify that the following actions have occurred:
  - a. TC 971 Action Code (AC) 065 is posted correctly. See IRM 25.15.2.4.2, Innocent Spouse Indicator Transaction Code (TC) 971/972, for more information.
  - b. TC 131 is posted correctly on NRS' Entity using IDRS Command Code (CC) ENMOD. See IRM 25.15.2.4.3, TC 130 Entire Account Frozen From Refunding, for more information.

**Note:** Verify TC 130 was generated because of the innocent spouse request for relief. Ensure all innocent spouse years are closed and in Stage 30 before reversing the TC 130 with a TC 131. If all years are not completed, do not reverse the TC 130.

**Caution:** Accounts reflecting more than one TC 130 **should not have** a TC 131 input. Accounts with more than one TC 130 input indicates other areas of the Service had the additional TC 130 input. Innocent Spouse is not authorized to reverse a TC 130 that is input by another area of the Service.

**Exception:** Innocent Spouse is authorized to reverse the TC 130 if another area of the Service creates the TC 130 by input of the TC 971/AC 065 innocent spouse request indicator.

- c. The final determination letter was sent to the RS, NRS, and any current Powers of Attorney (POA) by researching CC CFINK, or Form 2848, Power of Attorney and Declaration of Representative, in the case file.

25.15.9.3  
(12-06-2016)  
**Case Closing by Type**

- (1) This section describes post determination actions for processing innocent spouse relief requests through closure based on the determination made, and on whether the account has been mirrored or has not been mirrored.

25.15.9.3.1  
(12-06-2016)  
**Fully Allowed Requests**

- (1) Fully allowed requests can be classified as:
- Refund due, or
  - No refund due.

25.15.9.3.1.1  
(03-17-2022)  
**Mirrored - Stages 12 - 30**

- (1) If RS has been allowed relief in full and there is a refund to be issued, review the ISO-AR for the request to transfer offset(s) or manually refund specific credits/payments. After the refund is complete, continue with actions beginning in paragraph (2) below. See IRM 25.15.9.5.2, Determining Refund Type (Credit Transfer vs. Manual Refund), for more information.

- (2) If RS has been allowed relief in full and there is no refund to be issued or the refund is complete:

- a. The case will be closed by using the received date as the transaction date for all CC REQ77 inputs.

**Exception:** When inputting the TC 972 AC 110, use the same date as the TC 971 AC 110 date.

- b. Input TC 971 AC 131 on the RS' MFT 31 module. Enter **98** as the cross-reference (XREF) MFT. In Remarks enter "No Source Document (NSD) - IS request." This will generate a TC 604 (credit) to zero out the module balance.

**Note:** If the module is completely mirrored and there is no balance due or is in credit status, do not input TC 971 AC 131 when granting relief (full or partial) because it will go unpostable. Verify there is no balance due by checking CC INTST.

**Note:** For a TC 971 AC 131 to post there must be an L- freeze code. If no L- freeze code, input TC 971 AC 065 with no Posting Delay Code (PDC), TC 971 AC 131 with a PDC of 1, and TC 972 AC 065 with a PDC of 2.

- c. Input TC 972 AC 110 on the RS' MFT 31 module with a cross-reference to the NRS' Taxpayer Identification Number (TIN). The TC 971 AC 110 causes the MFT 31 modules to point to each other. Since the RS has been relieved of this debt, this is no longer required.
- d. Input TC 972 AC 110 on the NRS' MFT 31 module with a cross-reference to the RS' TIN.
- e. Input TC 972 AC 065 with PDC of 1 on the RS' MFT 31 module to release the L- freeze.

**Note:** The earliest IRS received date from the request for relief is used to reverse the TC 971 AC 065. **Do not extend the CSED.**

See IRM 25.15.2.4.2, Innocent Spouse Indicator Transaction Code (TC) 971/972, for additional information.

- f. Input TC 290 .00, blocking series 05 on the RS' MFT 31 module to close the case.

**Note:** If a PDC is not necessary on a transaction, subsequent PDCs may be adjusted.

- g. Document the activity record and the ISTSR Input Record with all actions taken.
- h. Update ISTS and the ISTSR Input Record to Stage 30 with Activity Code "NOACCTP."
- i. Close the IDRS control base with appropriate activity code.
- j. Assemble case. See IRM 25.15.9.9, *Case File Assembly*, for more information.
- k. Send case to Files.

25.15.9.3.1.2  
(03-17-2022)

**Not Mirrored - Stage 27**

- (1) If RS has been allowed relief in full and there is a refund to be issued, review the ISO-AR for the request to transfer offset(s) or manually refund specific credits/payments. After the refund is complete, continue with actions beginning in paragraph (2) below.
- (2) Determine why the account was not mirrored. (i.e. check mirroring exceptions, freeze codes, previously unposted mirroring attempts). If the condition has been resolved, then mirror the account. See IRM 25.15.15.4.1, *Exceptions to Mirroring Modules*, for more information.

**Note:** If a TC 971 AC 104 has been input and an account has been established on MFT 31 in error, input a TC 972 AC 104 on both MFT 30 and MFT 31 accounts to reverse the TC 971 AC 104.

- (3) If the account cannot be mirrored, attempt to create a single MFT 31 account on the NRS by inputting a TC 971 AC 103 and cross-referencing the NRS SSN. A sample screen shot can be found on the Innocent Spouse Operations Sharepoint site at <https://organization.ds.irsnet.gov/sites/SBSEfeEP/ExamTasks/FSP/ISO/SitePages/Home.aspx>, under the "Shared Documents" folder.

**Note:** If able to create the single MFT 31, request the transfer to that module. If unable to create an MFT 31, request the transfer to NMF 20.

**Note:** Once the TC 971/AC 103 posts to the account, it takes 2 to 3 weeks for the MFT 31 account to be created. Once the MFT 31 is created continue processing beginning with paragraph (4) below.



- (4) Complete Form 12810, Account Transfer Request Checklist, based on prior research and based on ISO-AR prepared by Full Scope. For detailed instructions see IRM 25.15.9.3.4, Preparing Form 12810 for Liability Transfer, and IRM 21.5.2.4.23.9, Moving Assessments.
- (5) Update the IDRS control with the Form 8857, Request for Innocent Spouse Relief, as appropriate with activity "F12810."
- (6) Update ISTS to Stage 28.
- (7) Document the activity record and the ISTSR Input Record with all actions taken.
- (8) Make a copy of Form 12810 attached TXMOD print. Place the original Form 12810 and highlighted TXMOD print in the appropriate receptacle.
- (9) Place a copy of Form 12810 and highlighted TXMOD in the case file.
- (10) Monitor the accounts for completion of the transfers.
- (11) Once transfers are complete, input the following closing transactions using the Form 8857 received date.

- a. Input TC 972 AC 065 with remarks to indicate the innocent spouse request is closed, No Source Document (NSD).

**Note:** The earliest IRS received date from the request for relief is used to reverse the TC 971 AC 065. **Do not extend the CSED.**

- b. Input TC 290 completing the following fields:

- Sequence Number (SEQ-NUM)
- Blocking number – "05"

**Note:** Send ESTAB documents to files upon closure of the request, using the original Document Locator Number (DLN).

- Case Status Code (CASE-STS-CD). "C".
- IRS Received Date (IRS-RECD-DT).
- Control Category (CTRL-CAT). "INSS or INSP".
- Override Code (OVERRIDE-CD). "R", "S", or "SR".
- Refund Statute Control Date (RFSCDT). IRS received date.
- TC 290 AMT .00
- Source Code (SRCE-CD). "2".
- Reason Code (RSN-CD). "098".
- Hold Code (HOLD-CD). "3" or "0" (if a hold code on credit balance is needed, use hold code "4").
- Source Doc (SOURCE-DOC-ATTACHED?). "Y".
- Remarks (REMARKS) "F8857 Accepted".

- (12) Update ISTS and ISTSR Input Record to Stage 30 with Activity Code "NOACCTP". Document history on ISTSR Input Record for actions completed.
- (13) Assemble Case. See IRM 25.15.9.9, Case File Assembly, for more information.
- (14) Send case to Files.

25.15.9.3.2  
(12-06-2016)  
**Partially Allowed Relief**

- (1) A request is considered to be partially allowed if the RS is still liable for any part of an original filing or additional tax assessment (including EITC reversal, withholding credit, accuracy-related penalty, etc.).

25.15.9.3.2.1  
(03-17-2022)  
**Partially Allowed Relief - Mirrored**

- (1) A tax adjustment can be made to reduce the liability for one taxpayer while leaving the other taxpayer fully liable for the balance due via mirrored accounts.
- Verify the ISO-AR requesting a tax adjustment be made to the RS' MFT 31 module. An allocation worksheet should be attached to the ISO-AR. Verify the information on the allocation worksheet(s) matches the information on the ISO-AR, i.e. tax, withholding, credit transaction codes, civil penalty codes, and amounts to be adjusted.
  - If there is an underpayment and an understatement, **and** partial relief is being granted for each, there will be two allocation worksheets attached to the ISO-AR.
  - There are some circumstances in which an allocation may not be required.

**Example:** RS is granted full relief of the original underpayment, but denied relief of the understatement. Since we are not separating the individual tax posting, it is not necessary to allocate.

**Exception:** If the understatement portion is strictly a math error, there will not be an allocation worksheet for this amount.

**Example:** The math error amount can be determined by comparing the TC 150 tax amount and the "TX/TRPR>" amount under the Posted Return Information on TXMOD. If the TC 150 amount is higher, then the difference between the two figures is the math error understatement amount.

- Research the account verifying any previous adjustments and/or refunds that may affect the amounts available for adjustment.
- Review the account for any manual penalties that will need to be addressed (i.e. TC 170 and/or TC 160). If these penalties are on the account, but they are not being adjusted, they may need to be addressed with a TC 170 .00 and/or TC 160 .00 when the adjustment is input.
- If a restricted TC 340 exists, refer to IRM 25.15.9.6.3, Non-Restricting TC 340, for more information.

**Note:** **do not** address computer generated penalties. Unrestricted penalties (TC 166 and TC 276) will adjust systemically with the tax adjustment. The technician must address restricted failure to pay (FTP) and estimated tax (ET) penalties (TC 160, TC 170, TC 176 and TC 270).

- All adjustments will be input to the RS' MFT 31 module. If RS is entitled to a refund, calculate the amount of interest allowed on the amount to be refunded, and input credit transfer or manual refund as appropriate. For additional information on manual refunds, see IRM 25.15.9.5.6.1, Manual Refund of Transaction Code (TC) 670 Payments. After the refund posts, or if no refund due, take the following actions on RS's MFT 31 module:

**Exception:** If the account is mirrored, partial relief has been granted, and the RS portion of the liability is full paid with payments already posted on the

account, review the ISO-AR prepared by Full Scope to verify the RS MFT 31 can be zeroed out with input of TC 971/AC131, x-ref 096.

- Attach the REQ54 adjustment print used to adjust the RS' MFT 31 module. Use the figures provided by Full Scope and any additional penalty adjustments calculated.
- Input the adjustment using CC REQ54 with the following: Source Code (SC) "2", Reason Code (RC) "097/098", Hold Code (HC) "0".

**Note:** Using this HC will allow the RS to receive an adjustment notice with the corrected balance due. Research the module to determine if a Priority Code (PC) is needed on the adjustment.

**Note:** Additional reason codes may be required based on transaction/credit reference transaction code(s) being adjusted. Refer to Document 6209, IRS Processing Codes and Information, for valid Credit Reference Numbers and Reason Codes for specific information.

- Use blocking series "05" and re-file the original document.
- Remarks for input should always include a "Y" for source doc and remarks "F8857 Partial Relief Granted".
- Use CC REQ77 to input TC 972 AC 065 on the RS' MFT 31 module to release the L- freeze, using the appropriate cycle delay.

**Note:** See IRM 25.15.2.4.2(7), Innocent Spouse Indicator Transaction Code (TC) 971/972, for transaction date to be used for TC 972 AC 065 input.

- Document the activity record and the ISTSR Input Record with all actions taken.
- Close the IDRS control base with appropriate AC.
- Update ISTS and ISTSR Input Record to Stage 30 with Activity Code "NOACCTP".
- Assemble file. See IRM 25.15.9.9, Case File Assembly, for more information.
- Send case to Files.

25.15.9.3.2.2  
(12-06-2016)

## Partially Allowed Relief - Not Mirrored

- (1) If RS has been allowed partial relief and there is a refund to be issued, review the ISO-AR for the request to transfer offset(s) or manually refund specific credits/payments. After the refund is complete, continue with actions beginning in paragraph (2) below. See IRM 25.15.9.5.2, Determining Refund Type (Credit Transfer vs. Manual Refund), for more information.
- (2) If RS is entitled to a refund, calculate the amount of interest on the amount to be refunded, and input credit transfer or manual refund as appropriate. For additional information on manual refunds, IRM 25.15.9.5.6.1, Manual Refund of Transaction Code (TC) 670 Payments, for more information.
- (3) Once the refund is complete, proceed as appropriate:
  - See IRM 25.15.9.3.2.3, RS Portion Full Paid, for more information, or
  - See IRM 25.15.9.3.2.4, RS Balance Due, for more information.

25.15.9.3.2.3  
(04-01-2019)

**RS Portion Full Paid**

- (1) Complete Form 12810, Account Transfer Request Checklist, based on prior research and ISO-AR prepared by Full Scope. For detailed instructions, see IRM 25.15.9.3.4, Preparing Form 12810 for Liability Transfer, and IRM 21.5.2.4.23.9, Moving Assessments.
- (2) Update the IDRS control as appropriate with activity "F12810".
- (3) Update ISTS to Stage 28.
- (4) Document the activity record and ISTSR Input Record with all actions taken.
- (5) Make a copy of Form 12810 and attached TXMOD print. Place the original Form 12810 and highlighted TXMOD print in the appropriate receptacle.
- (6) Place a copy of Form 12810 and highlighted TXMOD in the case file.
- (7) Monitor the accounts for completion of the transfers.
- (8) Once transfers are complete, input the following closing transactions:
  - a. Input TC 972 AC 065 with remarks to indicate the innocent spouse request is closed, NSD.  
**Note:** See IRM 25.15.2.4.2(7), Innocent Spouse Indicator Transaction Code (TC) 971/972, for transaction date to be used for TC 972 AC 065 input.
  - b. Input TC 290 on the joint MFT 30 account by completing the following fields:
    - Sequence Number (SEQ-NUM)
    - Blocking number – "05"
    - Case Status Code (CASE-STS-CD). "C".
    - IRS Received Date (IRS-RECD-DT).
    - Control Category (CTRL-CAT). "INSS or INSP".
    - Override Code (OVERRIDE-CD). "R", "S", or "SR".
    - Refund Statute Control Date (RFSCDT). IRS received date.
    - TC 290 AMT .00.
    - Source Code (SRCE-CD). "2".
    - Reason Code (RSN-CD). "097 and 098".
    - Hold Code (HOLD-CD). "3" or "0" (If a hold code on credit balance is needed, use hold code "4").
    - Source Doc (SOURCE-DOC-ATTACHED?). "Y".
    - Remarks (REMARKS) "F8857 Partial Relief Granted".
- (9) Update ISTS and ISTSR Input Record to Stage 30 with Activity Code "NOACCTP".
- (10) Assemble Case. See IRM 25.15.9.9 , Case File Assembly, for more information.
- (11) Send case to Files.

25.15.9.3.2.4  
(04-01-2019)  
**RS Balance Due**

- (1) Complete Form 12810, Account Transfer Request Checklist, based on prior research and the ISO-AR prepared by Full Scope. For detailed instructions, see IRM 25.15.9.3.4, Preparing Form 12810 for Liability Transfer, and IRM 21.5.2.4.23.9, Moving Assessments.

**Note:** Only the relief amount is being transferred to the NRS' MFT 31 or NMF 20.

- (2) Update the IDRS control as appropriate with activity "F12810".
- (3) Update ISTS to Stage 28.
- (4) Document the activity record and ISTSR Input Record with all actions taken.
- (5) Make a copy of Form 12810 and attached TXMOD print. Place the original Form 12810 and highlighted TXMOD print in the appropriate receptacle.
- (6) Place a copy of Form 12810 and highlighted TXMOD in the case file.
- (7) Monitor the accounts for completion of the transfers.
- (8) Once transfers are complete, input the following closing transactions:

- a. Input TC 972 AC 065 with remarks to indicate the innocent spouse request is closed, NSD.

**Note:** See IRM 25.15.2.4.2(7), Innocent Spouse Indicator Transaction Code (TC) 971/972, for transaction date to be used for TC 972 AC 065 input.

- b. Input TC 290 completing the following fields:

- Sequence Number (SEQ-NUM)
- Blocking number (BLK) – "05"

**Note:** Send ESTAB documents to files upon closure of the case, using the original Document Locator Number (DLN).

- Case Status Code (CASE-STS-CD). "C".
- IRS Received Date (IRS-RECD-DT).
- Control Category (CTRL-CAT). "INSS or INSP".
- Override Code (OVERRIDE-CD). "R", "S", or "SR".
- Refund Statute Control Date (RFSCDT). IRS received date.
- TC 290 AMT .00.
- TC 272 AMT .00 with Priority Code 5, if needed.
- Source Code (SRCE-CD). "2".
- Reason Code (RSN-CD). "097 and 098".
- Hold Code (HOLD-CD). "3" or "0" (If a hold code on credit balance is needed, use hold code "4").
- Source Doc (SOURCE-DOC-ATTACHED?). "Y".
- Remarks (REMARKS) "F8857 Partial Relief Granted".

- (9) Update ISTS and ISTSR Input Record to Stage 30 with Activity Code "NOACCTP".
- (10) Assemble case. See IRM 25.15.9.9, Case File Assembly.
- (11) Send case to Files.

25.15.9.3.3  
(12-06-2016)

#### Relief Disallowed

- (1) This section describes post determination actions required to close relief requests where relief is disallowed in full.

25.15.9.3.3.1  
(04-01-2019)

#### Mirrored

- (1) The joint account was mirrored and there are separate MFT 31 accounts for each taxpayer.
- (2) Update ISTS and ISTSR input record to Stage 30 with Activity Code "NOACCTP"
- (3) Review NRS' ENMOD to verify the TC 130 has been (or can be) reversed. Input TC 131 using CC REQ77, if necessary.

**Reminder:** If TC 130 is generated in innocent spouse and is not reversed, make sure all innocent spouse relief request years are closed and in Stage 30 before the TC 130 is reversed with TC 131. If the account reflects more than one TC 130, or if all innocent spouse relief request years are not completed, **do not input** a TC 131.

**Caution:** Accounts reflecting more than one TC 130 **should not have** a TC 131 input. Accounts with more than one TC 130 input indicates other areas of the Service has had the additional TC 130 input. Innocent Spouse is not authorized to reverse a TC 130 that is input by another area of the Service.

**Exception:** Innocent Spouse is authorized to reverse the TC 130 if another area of the Service creates the TC 130 by input of the TC 971/AC 065 innocent spouse relief request indicator.

- (4) Close ISP control using CC ACTON on TXMOD as appropriate.
- (5) On the requesting MFT 31 account, input TC 972 AC 065 (with or without the X-ref SSN) with the extended Collection Statute Expiration Date (CSED) using CC REQ77.

**Note:** See IRM 25.15.2.4.2(7), Innocent Spouse Indicator Transaction Code (TC) 971/972, for transaction date to be used for TC 972 AC 065 input.

**Note:** Refer to the 90 day section of the Letter Chart for the 150 day transaction date.

- (6) Input TC 290 completing the following fields:
  - Sequence Number (SEQ-NUM).
  - Blocking number (BLK) "05" (all mirrored cases have blocking number 05).
  - Case Status Code (CASE-STS-CD) "C".
  - IRS Received Date (IRS-RECD-DT).
  - Control Category (CTRL-CAT) "INSS" or "INSP".

**Exception:** If case is over one year old, input the following:

- Override Code (OVERRIDE-CD); "R" or "S" or "SR".
- Source Code (SRCE-CD) "2".
- Reason Code (RSN-CD) "097".

- Hold Code (HOLD-CD) **3** or “0” (if a hold code on credit balance is needed, use hold code **4**).
- Source Doc (SOURCE-DOC-ATTACHED?) “Y”.
- Remarks (REMARKS) “F8857 Disallowed”.

- (7) Assemble case. See IRM 25.15.9.9, Case File Assembly, for more information.
- (8) Send case to Files.

25.15.9.3.3.2  
(04-01-2019)  
**Not Mirrored**

- (1) The joint account contains the liability for both taxpayers and there are no separate MFT 31 accounts for a given year.
- (2) Update ISTS and ISTSR Input Record to Stage 30 with Activity Code “NOACCTP”.
- (3) Review NRS’ ENMOD to verify the TC 130 has been (or can be) reversed. Input TC 131 using CC REQ77, if necessary.

**Reminder:** If TC 130 is generated in innocent spouse and is not reversed, make sure all innocent spouse relief request years are closed and in Stage 30 before the TC 130 is reversed with TC 131. If the account reflects more than one TC 130, or if all innocent spouse relief request years are not completed, do not input a TC 131.

**Caution:** Accounts reflecting more than one TC 130 **should not have** a TC 131 input. Accounts with more than one TC 130 input indicates other areas of the Service has had the additional TC 130 input. Innocent Spouse is not authorized to reverse a TC 130 that is input by another area of the Service.

- (4) Close ISP control using CC ACTON on TXMOD as appropriate.
- (5) On the joint MFT 30 account, input TC 972 AC 065 (with or without the X-ref SSN) with the extended CSED using CC REQ77.

**Note:** See IRM 25.15.2.4.2(7), Innocent Spouse Indicator Transaction Code (TC) 971/972, for transaction date to be used for TC 972 AC 065 input.

**Note:** Refer to the 90 day section of the Letter Chart for the 150 day transaction date.

- (6) Input the following:
- a. Input TC 290 for \$0.00 on the MFT 30 using Sequence Number,
  - b. Blocking number –“ 05”

**Note:** Send ESTAB documents to files upon closure of the case, using the original Document Locator Number (DLN).

- c. Case-STS-CD> “C”,
- d. IRS RCVD-DT –date of receipt,
- e. CTRL- CAT “INS(S) or (P)”.

**Exception:** If the case is over one year old, input the following:



- Override Code (OVERRIDE-CD); "R" or "S" or "RS".
- TC – 290.00
- Source Code (SRCE-CD) - "2"
- RSN CDS - "097"
- HOLD-CD>"0" or "3" (if a hold on credit balance is needed, use hold code "4") .
- Source Doc -"Y"
- REMARKS – "F8857 Disallowed".

- (7) Assemble case. See IRM 25.15.9.9, Case File Assembly, for more information.
- (8) Send case to Files.

25.15.9.3.4  
(04-01-2019)

**Preparing Form 12810  
for Liability Transfer**

- (1) Form 12810, Account Transfer Request Checklist, is used to request transfer of part or all of a tax assessment to MFT 31 or NMF 20.
- (2) Consider the following for transfer restrictions and resolutions prior to completing Form 12810. It is not necessary to remove reversed transactions, e.g. TC 582 reversed by a TC 583.
- (3) The Credit and Account Transfer Unit cannot transfer a TC 896 through TC 899 (offset to non-tax debt). This is usually associated with the original settlement (TC 150 transactions). Do not transfer the TC 150 and related transactions. If the entire account is being transferred because of a refund/offset after the due date, a Non-Restricted TC 340 may be required. If it is necessary to transfer the TC 150, see appropriate manager.
- (4) If transferring a TC 280 (bad check penalty) from the MFT 30 account, the related TC 670/671 causing the penalty must also be transferred.
- (5) The Credit and Account Transfer Unit cannot transfer a TC 766 with an Offset Trace Number (OTN)-Code (CD) number. If it is necessary to transfer the TC 766 with an OTN-CD number, see appropriate manager.
- (6) Transfer any Centralized Authorization File (CAF) indicator (TC 960/961/962) **only** if any of these pertain to the NRS. Verify who the valid CAF indicator belongs to on CC CFINK. These transactions along with the TC 460 will be listed on the "To" Account column for NRS only.
- (7) For bankruptcy transactions (TC 520/521) and closing codes pertaining to the NRS, see IRM 25.15.9.4.1, Bankruptcy: Freeze -V and/or -W, and follow the procedures referenced.

**Note: Do not request input of TC 520/521 and closing codes pertaining to the RS.**

- (8) If transferring an undeliverable refund credit (TC 740) posted after a TC 300 or TC 290, transfer the entire account. A TC 740 applicable to the RS cannot be transferred. The TC 740 is a credit transaction following a TC 840/846 debit transaction. If there is a reason why the entire account cannot be transferred, see appropriate manager.
- (9) If transferring an account with a reversal of allowable interest paid (TC 777) posted with the TC 300 or TC 290, transfer the entire account. The TC 777 is



a debit transaction now part of the balance due, and cannot be moved without the associated TC 776. If there is a reason why the entire account cannot be transferred, see appropriate manager.

- (10) If a TC 840 has posted to the account as the result of a refund of various payments to the RS, be alert to the fact the computer will always presume the last payments posted before the TC 840 are the payments refunded. CC INTSTD will reflect this. The computer has no way of knowing the payments refunded may not be the last payments made. Therefore, if a Non-Restricted TC 340 is required, and the payments refunded do not agree with CC INTSTD, it will be necessary to manually compute the interest.
- (11) If the NRS has a pending Installment Agreement (IA) TC 971 AC 043 or has an IA TC 971 AC 063, it is necessary to manually input these transactions to MFT 31 account using CC REQ77. These protect the taxpayer from levy action. If the NRS was taken out of the IA status, the account will reflect a TC 971 AC 163 on the MFT 30 account. Input this on the MFT 31 account.
- (12) Invalid NRS secondary TINs must be corrected before trying to post to MFT 31, if possible. If the NRS secondary TIN cannot be corrected, the account will be transferred to NMF 20.
- (13) If either taxpayer used an incorrect TIN (transposed numbers or typographical error) and through research the correct TIN is found, use CC ENMOD/ENREQ to correct the TIN. After posting, the TIN will be validated and the account can be transferred to MFT 31.

**Note:** The TC 971 AC 065 will also need to be corrected if input with an invalid TIN. When the TIN is validated, input TC 972 AC 065 with the invalid X-REF TIN. Also input the correct TC 971 AC 065 with the valid X-REF TIN.

- (14) Typographical errors in the name control and/or use of a hyphenated last name can also be corrected using CC ENMOD/ENREQ to validate either TIN as long as the CC INOLEX, Social Security Administration (SSA), and Individual Master File (IMF) name controls match.
- (15) Invalid secondary TINs due to name control mismatches can be validated using CC IRCHG. To use IRCHG:
  - a. Input CC ENMOD on the primary taxpayer's TIN residing on the valid segment.
  - b. Overlay with CC ENREQR to bring up CC IRCHG.
  - c. Input Justification Indicator (JUST-IND) "1" YEAR-NM-LINE "19XX or 20XX", SPOUSES-TIN (no asterisk), and REMARKS "to validate name of spouse".
  - d. This will generate a TC 017 on CC ENMOD. Monitor for the TC 017 to post. This will move the spouse's TIN from the invalid segment to the valid segment.
  - e. TC 971 AC 103 can now be input to create a MFT 31 account for the secondary taxpayer.

**Caution:** The only cases which must be transferred to NMF 20 are those where the secondary claimant is actually using a TIN belonging to another taxpayer. **Do not validate the TIN in this situation.**

- (16) Prior to transferring an account to NMF 20:
- Print a copy of CC INTST computed to the 23C posting date.
  - Using CC REQ54, post the accruals of Failure to Pay (FTP) penalty and interest to the MFT 30 account.
  - Wait for the adjustment to post. Then continue with Form 12810, Account Transfer Request Checklist, processing
  - Update IDRS control as appropriate with activity "F12810".
  - Update ISTS to Stage 28.
  - Document the activity record and the ISTSR Input Record with all actions taken.
  - Make a copy of Form 12810 and attached TXMOD print. Place original Form 12810 and highlighted CC TXMOD (if more than 10 transactions) in the appropriate receptacle.
  - Place a copy of Form 12810 and highlighted TXMOD in case file.
- (17) If an account must be transferred to NMF 20, and it is necessary to transfer two or more tax assessments from the same module (TC 150, TC 290, TC 300 and their related transactions), prepare a separate Form 12810 for each tax assessment. NMF 20 accounts are set up to reflect only one collection statute per module. Be certain to indicate the correct CSED for each tax assessment.
- (18) The following transactions will affect the processing of a relief request. These indicate the NRS and/or RS have been relieved of all or part of the debt by Bankruptcy or OIC. The amount may subsequently be transferred to either taxpayer or the entire balance may be removed with an assessed debit cleared (TC 604). Ensure the actions taken by Compliance are in agreement with the innocent spouse determination. If the account has been transferred to MFT 31 for the RS, a TC 604 may be required. If the joint debt was written off, the case may be closed. If uncertain of the correct action to take, see appropriate manager.

TC	AC	Explanation
971	031	Full bankruptcy discharge.
971	032	Fully accepted OIC.
971	033	Partial bankruptcy abatement.
971	034	Partial OIC abatement.
971	100	Creates MFT 31 - Bankruptcy.
971	101	Creates MFT 31 - OIC.
971	102	Creates MFT 31 - Criminal Restitution as of March, 2011.
971	103	Creates MFT 31 - Examination/Appeals/Automated Underreporter (AUR).

- (19) The Credit and Account Transfer Unit can only transfer 50 transactions on Form 3413, Transcription List, (Account Transfer In). If there are more than 50 transactions to be transferred, transfer enough payments to the MFT 31 so the number of transactions is less than 50. Use CC ADD/ADC34 with a "1" in the Credit Freeze Code field on the credit side of the transfer to keep the

payments from refunding off the MFT 31. Print an entire INTSTD before the technician transfers the payments and keep with case file in the event a Non-Restricted TC 340 is required.

- (20) A transfer of the entire account may be required, if there is a reversal of penalties with the TC 290 or TC 300, and the reversal amount differs from the amount originally assessed with the TC 150 transaction.

**Example:** A TC 276 for \$105.00 and a TC 277 for \$55.00.

25.15.9.3.4.1  
(12-06-2016)

**Routing Form 12810,  
Account Transfer  
Request Checklist, to  
Account Transfer Team**

- (1) Form 12810 requesting transfer to MFT 31 and NMF 20 are routed to the appropriate campus account transfer unit.
- (2) The following information is required for MFT 31 transfers:
- Completed Form 12810 with original signature
  - Current TXMODA print of MFT 30 with appropriate highlighted transactions.
  - TXMODA print of MFT 31
  - Interest and penalty computation, if needed
  - Add and highlight the following statement "Please post TC 402 to MFT 30 - Innocent Spouse Relief" in the remarks section of Form 12810.
- (3) The following information is required for NMF 20 transfers:
- Completed Form 12810 with original signature. If less than 10 transactions are to be transferred, they must be listed on Form 12810. If 10 or more, highlight the transactions to be transferred on CC TXMODA. Include the Business Operating Division (BOD) code from CC TXMODA and the appropriate CSED for the tax assessment being transferred. For NMF 20 CSED information, see IRM 25.15.9.3.4, Preparing Form 12810 for Liability Transfer, for more information.
  - Add and highlight the following statement "Please post TC 402 to MFT 30 – Innocent Spouse Relief" in the remarks section of Form 12810.
  - Current print of TXMODA for MFT 30
  - Interest and penalty computation, if needed
  - Address of the NRS. (only if more current address is found in case file)

25.15.9.4  
(12-06-2016)

**Processing Accounts  
with Freeze Codes**

- (1) This section describes how to work cases with various open freeze codes.

25.15.9.4.1  
(12-06-2016)

**Bankruptcy: Freeze -V  
and/or -W**

- (1) Bankruptcy cases are identified with a -V and/or -W freeze.
- (2) If an account has a -V and/or -W freeze, check for an **open** bankruptcy indicator TC 520 with closing codes 60-67, 81, 83 or 85-89. The TC 520 will also contain a CSED-EXT-IND. Valid entries are **P** for primary, **S** for secondary or **B** for both. Determine if the RS or NRS filed the bankruptcy.

If	Then
The RS filed bankruptcy (open TC 520),	<p>a. Work the case as usual, provided Full Scope has documented the activity record and contact has been made with bankruptcy. If not, return to the technician. See IRM 25.15.9.8, Returning Cases, for more information.</p> <p>b. <b>Do not</b> have the TC 520 for the RS input to the MFT 31 account for the NRS.</p>
The NRS filed bankruptcy (open TC 520), and the TC 520 posted to the account before or after the date of determination.	<p>a. Work the case as usual, provided Full Scope has documented the activity record and contact has been made with bankruptcy. If not, return to the technician. See IRM 25.15.9.8, Returning Cases, for more information.</p> <p>b. If the TC 520 posted to the account after the date of determination, then return the case to the technician to coordinate with bankruptcy.</p>
An account has a <b>closed</b> bankruptcy indicator (TC 520 and TC 521) with closing codes 60-67, 81, 83 or 85-89.	<p>a. Determine who filed the bankruptcy action.</p> <p>b. If the bankruptcy was filed for the RS, continue to work the case.</p> <p><b>Note:</b> If the account is not mirrored, the technician is transferring the account per Form 12810, Account Transfer Request Checklist, and the bankruptcy indicator was for the NRS, take a print of the MFT 30 TXMOD to the <b>designated</b> Processing Team technician to have the TC 520(s) and TC 521(s) with closing codes input to MFT 31. This will ensure the correct CSED is calculated for the NRS. Do not wait until the TC 520(s) and TC 521(s) post to the MFT 31 account. Continue to work the case. <b>Do not</b> request the TC 520(s) and TC 521(s) to be transferred to MFT 31 on Form 12810.</p> <p>c. Document on current TXMOD print and activity sheet the request was made to have the TC 520 and TC 521 input on designated MFT 31.</p>

- (3) If the account has been transferred to the RS on MFT 31 because the NRS received a discharge of the debt as a result of bankruptcy, process per the instructions listed below:

If the RS is granted the following innocent spouse relief	And the NRS has been fully discharged in bankruptcy	Then
Full relief.	The liability on the joint account was moved to MFT 31 for the RS.	a. Input TC 971 AC 131 XREF MFT "98" . <b>Note:</b> Will not go to processing. Closed after final letter issued by clerical.
Full relief.	The liability on the joint account has not been transferred to MFT 31 or NMF 20.	a. Coordinate with the Insolvency Section. b. Provide a copy of the final determination letter.
Full relief and determination is made within 30 days of discharge.	The Insolvency Section will input a TC 971 AC 031 which will result in a zero balance on the MFT 30 account.	Input TC 290 .00 with RC 098.
Partial relief and RS will have no balance owed.	The liability on the joint account was moved to MFT 31 for the RS.	a. Input TC 971 AC 131 XREF MFT "96".
Partial relief and RS will have remaining balance.	The liability on the joint account was moved to MFT 31 for the RS.	a. Follow processing instructions to adjust account. See IRM 25.15.9.3.2.1, Partially Allowed Relief - Mirrored, for more information.
Partial relief.	The liability on the joint account has not been transferred to MFT 31 or NMF 20	a. Coordinate with Insolvency to mirror the account. b. Wait until the liability has been transferred to MFT 31 or NMF 20 for the RS. c. Adjust the account for the amount of relief granted to the RS.

- (4) If the account has been transferred to the RS on NMF 20 because the NRS received a discharge of the debt as a result of bankruptcy. See IRM 21.7.12 Non-Master File (NMF) Adjustments, for more information.

25.15.9.4.2  
(04-01-2019)  
**Disaster: -O Freeze**

- (1) Verify that AMS has been updated to document a telephone call to the taxpayer (RS and/or NRS) that has the -O Freeze, determining whether or not they are actually in a disaster zone. If the taxpayer states that they are **not** in a disaster zone, follow normal processing procedures. If the taxpayer is in a disaster zone continue with the following instructions.
- (2) Update ISTS and ISTSR Input Record as follows:
- a. To Stage 06
  - b. Activity - "Other"

- c. Comment field - "RS", "NRS", or "Both", as appropriate and should indicate FEMA Disaster Relief or something similar.

(3) Update TXMOD as follows:

- a. Activity - "-O Freeze"
- b. Control to "02XXX00006"

(4) Route case to designated team for suspense cases.

#### 25.15.9.4.3

(04-01-2019)

#### Offer In Compromise (OIC): -Y Freeze

(1) If the account has an open -Y freeze:

- a. Check for a TC 480 or TC 780.
- b. Look at the indicator to determine which taxpayer filed the OIC; **P** is for primary; **S** is for secondary; **B** is for both.
- c. If the NRS filed the OIC and the TC 780 posted to the account before the date of determination, then the Full Scope technician must document the activity record for the OIC contact.

**Note:** If not, return back to the technician. See IRM 25.15.9.8, Returning Cases, for more information.

- d. If the TC 780 posted to the account after the date of determination, then the Processing Team technician will coordinate with the OIC office.

**Note:** All of the above transactions, except TC 483 and TC 782, suspend the assessment and collection statute of limitations.

(2) The following is a list of transactions related to OIC:

Transaction Code	Definition
TC 480	OIC pending.
TC 481	OIC rejected.
TC 482	OIC withdrawn by taxpayer.
TC 483	TC 480 posted in error.
TC 780	OIC accepted.
TC 781	Accepted OIC defaulted.
TC 782	TC 780 posted in error.
TC 788	All conditions of the OIC have been satisfied.

(3) If TC 48X or TC 78X transactions are present for the NRS, the transactions will be transferred to MFT 31 or NMF 20. Provide a print of the MFT 30 TXMOD to the designated Processing Team technician to have the TC 48X(s) and TC 78X(s) input to MFT 31 or NMF 20.

- Document on TXMOD print attached to Form 12810, Account Transfer Request Checklist, and activity record that the request was made to have the TC 48X or TC 78X input on MFT 31. This is necessary for the computer to calculate the correct CSED for the NRS.

- If there is a TC 480 or TC 780 posted in error, those do not need to be transferred to MFT 31. The CSED would not be extended in this case.
- (4) When an accepted OIC is fully paid, including payment of deferred installment payments and completion of the terms of any collateral agreements, the tax liabilities are adjusted to zero. The OIC file is placed into a monitoring status. See IRM 5.19.7.13, 5-Year Monitoring Status, for more information.
  - (5) One of the terms of the offer agreement requires the taxpayer to timely file returns and timely pay taxes for five years after the acceptance of the OIC or until the offered amount is paid in full, whichever is longer. Breach of this future tax compliance provision permits the Service to reinstate the original tax liability. See IRM 5.19.7.14.4, Failure to Adhere to Compliance Terms, for more information.

**Note:** The future compliance period (five years after acceptance of the OIC or until the OIC is paid in full) starts from the TC 780 date.

- (6) Due to the possible reinstatement of the original tax liability because of non-compliance, the initial adjustment bringing the balance in the account to \$0 is not considered an abatement of the tax assessment. Process all cases involving an accepted OIC (TC 780) as follows:

If RS is granted	And the NRS has an accepted OIC (TC 780)	Then
Full Relief.	The joint liability was transferred to MFT 31 for the RS.	<ol style="list-style-type: none"> <li>a. Verify TC 971 AC 065 is on the MFT 31 account.</li> <li>b. Input TC 971 AC 131 X-REF MFT 98 on the MFT 31 account.</li> <li>c. If a determination of default is made within the future compliance monitoring period for the NRS, the OIC team will reinstate the previously adjusted liability on MFT 31 for the NRS only.</li> </ol>

If RS is granted	And the NRS has an accepted OIC (TC 780)	Then
Full Relief.	The joint liability has not yet been transferred to NMF 20 or MFT 31.	<ul style="list-style-type: none"> <li>a. Contact the OIC team in each case to coordinate and ensure the account balance is <b>not</b> transferred to the RS' MFT 31.</li> <li>b. Advise the OIC team CCISO will input a TC 290 .00 with RC "098" on the MFT 30 account.</li> <li>c. Send a copy of the innocent spouse final determination letter to the OIC team to be placed in the case file.</li> </ul>
Partial Relief.	The joint liability was transferred to NMF 20 or MFT 31 for the RS.	<ul style="list-style-type: none"> <li>a. Input TC 971 AC 131 X-REF MFT 96 on the MFT 31 account for the amount of relief granted.</li> <li>b. Send a copy of the innocent spouse final determination letter to the OIC team monitoring the NRS' offer.</li> <li>c. If a determination of default is made within the future compliance monitoring period for the NRS, the OIC team will reinstate the previously adjusted liability on MFT 31 for the NRS only.</li> </ul>



If RS is granted	And the NRS has an accepted OIC (TC 780)	Then
Partial Relief.	The joint liability has not yet been transferred to MFT 31.	<p>a. Contact the OIC team in each case to coordinate and ensure the account balance is <b>not</b> transferred to the RS' MFT 31.</p> <p>b. Advise the OIC team CCISO will input a TC 290 .00 with RC "097/098" on the MFT 30 account.</p> <p>c. Send a copy of the innocent spouse final determination letter to the OIC team to be placed in the case file.</p>

- (7) If the account has been transferred to the RS on NMF 20 because the NRS' liability was adjusted through an OIC, see IRM 21.7.12, Non-Master File (NMF) Adjustments.
- (8) Continue with closing procedures based on the determination made. See IRM 25.15.9.3.1, Fully Allowed Requests, IRM 25.15.9.3.2, Partially Allowed Relief, or IRM 25.15.9.3.3, Relief Disallowed, for more information.

## 25.15.9.5 (06-09-2017) Payments, Credit Transfers, and Claims for Refund

- (1) The following provides information and guidance for the disposition of payments and credits by the Service and for processing claims for credit or refunds from a RS on innocent spouse requests for relief.
- (2) The Form 8857, Request for Innocent Spouse Relief, can be the RS' claim for credit or refund for purposes of IRC 6402.
- (3) If granted relief under IRC 6015(b) or (f):
  - a. RS is eligible for a refund of separate payments made solely by the RS after July 22, 1998. The RS must establish that the funds used to make the payment for which a refund is sought were provided by the RS.

**Note:** The RS is not eligible for refunds of payments made with the NRS on the joint return, joint payments, and/or payments made by the NRS.
  - b. If granted relief under IRC 6015(b) or (f), the RS may be eligible for a refund of the portion of the joint overpayment from another tax year if: the overpayment was applied to the joint income tax liability after the innocent spouse relief request was filed AND the RS can establish that the RS provided the funds for the overpayment.

**Note:** The overpayment must be from an account with the same NRS.

- c. The availability of refunds is subject to the refund limitations of IRC 6511.

**Note:** No credits or refunds are allowed in connection with an IRC 6015(c) election.

- (4) Certain designated payment codes cannot be refunded:

- a. DPC 41 - 57 are for Installment Agreement (IA) user fees. IA user fees will not be refunded
- b. DPC 03 and 11 are for bankruptcy payments. The Financial Technician must contact Bankruptcy to determine if these payments can be refunded. Contact must be made on all payments, to determine eligibility of refund, when there is an open bankruptcy on the account.

25.15.9.5.1  
(12-06-2016)

**Refund Eligibility**

- (1) In determining if any payments or credits can be refunded, all payments and credits need to be applied to tax in the order that they have been received. This includes the order of assessment.

Example	Description
Example 1.	<p>a. The RS requests relief for both a \$1,000.00 underpayment and a \$700.00 understatement on the 2011 tax year.</p> <p>b. The RS was granted relief of the \$700.00 understatement under 6015(b)</p> <p>c. The RS was not granted relief and is still jointly liable for the \$1,000.00 underpayment.</p> <ul style="list-style-type: none"> <li>• There is a TC 706 from a joint 2012 filing for \$600.00 received on 04/15/2013.</li> <li>• The <b>RS</b> made a TC 670 payment for \$100.00 on 06/01/2013.</li> <li>• The <b>NRS</b> made a TC 670 payment for \$500.00 on 07/01/2013.</li> <li>• As of 06/01/2013 a total of \$700.00 had been paid towards the \$1,000.00 underpayment.</li> <li>• On 07/01/2013 the NRS has paid off the remaining underpayment and had \$200.00 applied towards the \$700.00 understatement.</li> <li>• The RS is not entitled to a refund of her \$100.00 payment because it was used towards the joint liability.</li> </ul>

Example	Description
<p>Example 2. In this example the scenario is the same except the person making the payments has changed.</p>	<p>a. The RS requests relief for both a \$1,000.00 underpayment and a \$700.00 understatement on the 2011 tax year.</p> <p>b. The RS was granted relief of the \$700.00 understatement under 6015(b).</p> <p>c. The RS was not granted relief and is still jointly liable for the \$1,000.00 underpayment.</p> <ul style="list-style-type: none"> <li>• There is a TC 706 from a joint 2012 filing for \$600.00 received on 04/15/2013.</li> <li>• The <b>NRS</b> made a TC 670 payment for \$100.00 on 06/01/2013.</li> <li>• The <b>RS</b> made a TC 670 payment for \$500.00 on 07/01/2013.</li> <li>• As of 06/01/2013 a total of \$700.00 had been paid towards the \$1,000.00 underpayment.</li> <li>• On 07/01/2013 the RS paid off the remaining \$300.00 of the underpayment and had paid \$200.00 of the understatement.</li> <li>• Because the RS was granted relief of the understatement, the RS is eligible for a refund of \$200.00.</li> </ul>

- (2) A RS and a NRS each have a separate interest in any overpayment on the joint account. As a result, each spouse may have a different Refund Statute Expiration Date (RSED) for claiming a credit or refund for the account when a payment or a credit applied from another account is not joint, but rather is shown to have been paid by or is attributable to only one of them.

**Note:** For purposes of determining whether the RS' claim was timely, consider the date the Form 8857, Request for Innocent Spouse Relief, or other valid

statement requesting innocent spouse relief, is received as the date of the RS' claim for a refund or credit. See IRM 25.15.18.5.1.2, Initial Screening, for more information.

- (3) The amount to be credited or refunded is limited to the tax paid (which includes tax, penalties and interest) during the two year period prior to filing of the request for relief, or three years from the return filed date, whichever is later. See IRM 25.6.1.10.2.7, Claims for Credit or Refund - General Time Period for Submitting a Claim, for more information.
- (4) An overpayment, including any interest allowed on the credit by the Service, credited to an underpayment of another year, constitutes a payment on the date the credit is allowed. See IRM 25.6.1.7.2(5), Time When Payments and Credits are Considered to be Made, for more information.

**Example:** If the RS filed a 2011 tax return on 02/01/2013 and the overpayment of \$100.00 was applied to a 2010 outstanding joint liability with a TC 706 dated 03/15/2013, the date of the payment to be considered is 03/15/2013.

- (5) If the RS is entitled to relief, but the RSED has expired on payments made or credits attributable to the RS, the amount will remain on the account to be applied against the outstanding liability. Do not transfer the payment/credit to excess collection. This would result in the amount being collected twice.

## 25.15.9.5.2 (12-06-2016) **Determining Refund Type (Credit Transfer vs. Manual Refund)**

- (1) If freeze conditions exist that make a refund inappropriate or prevent a refund from being issued by Master File, either resolve the freeze or issue a manual refund. See Document 6209, IRS Processing Codes and Information, Section 8, for more information.
- (2) When possible, rather than issuing a manual refund, transfer credits back to the year producing the offset and allow the computer to refund the overpayment or transfer to another year. This will ensure the allowable interest on the refund is correctly computed.
- (3) Apply any credits to any existing separate or joint liabilities for which the RS does not have an open innocent spouse request for relief. Satisfy the liabilities on the earliest CSED.

**Caution:** Do not apply a payment or credit to an account with an unreversed TC 971 AC 065, unless requested by the RS per a documented phone call or written correspondence.

- (4) Installment Agreement (IA) user fees will not be refunded except for IRS error, (i.e. fee taken twice). See IRM 5.19.1.6.4.6, IA Payment Methods and User Fees (UF) Overview, DPC 41 - 57 on a payment indicate IA user fees.
- (5) A taxpayer's overpayment may be applied to any of the following: outstanding Federal tax, non-tax child support, Federal agency non-debt, State income tax obligation or Unemployment Compensation prior to crediting the overpayment to a future tax pursuant to a taxpayer's election or making a refund.
- (6) Information on refund offsets may be found in IRM 21.4.6, Refund Offset.

25.15.9.5.3  
(12-06-2016)

**Payment and Credit  
Disposition**

- (1) Payments and credits can be applied to a taxpayer's account in three different ways.
  - a. The IRS computer system will automatically apply payments and credits when received or available.
  - b. Service personnel may apply payments and credits to specific tax periods.
  - c. The taxpayer may designate the application of certain payments.
- (2) Conduct the following research in order to determine the disposition of the payments.

Command Code	Description of Information Needed
INOLET	Other TINs where the RS may be the secondary taxpayer on a joint account.
INOLEX	Under the TIN of the RS for the debt indicator: <ul style="list-style-type: none"> <li>• I - IRS debt</li> <li>• F - Non-tax debt</li> <li>• B - Both</li> <li>• Blank - No debt</li> </ul>
IMFOLI	Under TIN of the RS and any cross-reference TINs.
TXMOD	Any new activity since the determination has been made.
SUMRY	Other open tax years which may impact the tax year for which relief was requested.

25.15.9.5.4  
(12-06-2016)

**Application of Payments  
and Credits**

- (1) Undesignated voluntary payments, involuntary payments or credits are applied in the following manner:
  - a. For accounts where there are several periods with a balance due, the Service will apply payments and credits in an order of priority that will serve its best interest. See Rev. Proc. 2002-26 section 3.02, for more information. Usually the best interest is to satisfy the individual or joint liabilities with the earliest CSED.
  - b. Within a tax period the Service applies payments and credits to a balance due first to the tax, then to the penalties and finally to the interest.

**Caution:** Do not apply a payment or credit that is eligible for refund to an account with an unreversed TC 971 AC 065, unless requested by the RS per a documented phone call or written correspondence.

- (2) A designated payment is a voluntary partial payment designated in writing by the taxpayer to be applied in a particular manner, (i.e., specific tax period, kind of tax, or among tax, penalty and interest within a period) when the payment is insufficient to satisfy the balance due. See Paragraph (3) for designated payment codes.

**Note:** A payment obtained after informing a taxpayer that a tax is due does not make the payment involuntary. There must be either a court action or an administrative action that results in an actual seizure of money or property.

(3) A Designated Payment Code (DPC) is mandatory for the following transaction codes

- 640
- 670
- 680
- 690
- 693
- 700

(4) DPCs indicate

- Application of payments for a specific liability.
- The event which resulted in the payment.

(5) Refer to IRM 3.8.45.10.1, Designated Payment Codes (DPCs), for a list of codes and meanings.

## 25.15.9.5.5 (12-06-2016) Credit Transfers

(1) Credit transfers are requested on an ISO-AR. The credit transfer request can be in addition to the account transfer/adjustment information shown on the form. Information must be documented in the case file by the technician if relief was allowed under IRC 6015(b), IRC 6015(c), or IRC 6015(f), and if refund/offset of credits is appropriate.

**Note:** No credit or refund is allowed under IRC 6015(c).

(2) An ISO-AR requesting a credit transfer can also be received without the case file when a refund has offset from the RS' individual tax return to the joint account after Form 8857, Request for Innocent Spouse Relief, was filed.

- For purposes of determining the date of payment when there is a TC 706 (offset of overpayment from the RS' account) use the cycle the offset posted. Prior to January 1, 2012, Monday's date is considered the first day of the cycle and the date the offset occurred. Effective January 1, 2012, the cycle format is "YYYYMMDD". The date is determined by the last two digits of the cycle. 01 = Friday, 02 = Monday, 03 = Tuesday, 04 = Wednesday, 05 = Thursday.

**Note:** For payment application when taxpayers are in community property states, verify computation by Technical Unit or addressed by technician.

(3) Refer to IRM 21.5.8, Credit Transfers, for detailed instructions on credit transfers. Use CC ADD24 or Integrated Automation Technologies (IAT) tool to transfer the credit.

- Use remarks "NSD IS Relief/ISO-AR", or similar statement.

**Note:** Once a credit or payment is properly applied to a period and/or kind of tax, subsequent events may prevent the Service from moving a TC 706.

- (4) If TC 971 AC 065 has not posted to the account use a posting delay code of one cycle on both sides of the credit transfer.

**Note:** The TC 971 AC 065 reflecting an Adjustment Pending (AP) or Pending (PN), then the transaction is not a completed posting.

- (5) If a TC 131 is required (posted to incorrect account or not timely released) along with the credit transfer, use a posting delay code of one cycle on both sides of the credit transfer. See IRM 25.15.2.4.3(5), TC 130 Entire Account Frozen From Refunding, for more information on TC 130 Reversal Requirements.

25.15.9.5.6  
(06-09-2017)  
**Manual Refunds**

- (1) All refund requests will be received on a completed ISO-AR.
- (2) All payments being refunded must be verified as being received solely from the RS.

If	Then
TC 640 advance payment of deficiency assessment.	Copy of check or money order from RS only.
TC 670 payment (no designated payment code).	Proof of payment being made solely from RS is required. (i.e. print of check, copy of money order, bank statement for RS' individual account showing payment).
TC 670 DPC 18 (primary TP) or DPC 19 (secondary TP).	If designated payment code applies to the claimant, no proof is required.
TC 670 levy payment.	RS must provide proof of levy (i.e. bank statement for RS' individual account, IRS letter showing levy initiation, paystub/employer information from IRPTR verifying levy).
TC 670 for installment agreement payment.	Verification via IADISA, copy of check from RS' individual account.
TC 680 for designated interest payment.	Not subject to refund.



If	Then
TC 706 from joint return.	Technical referral form and authorization statement from technician verifying amount to be refunded to claimant or Financial Technician allocation.

**Note:** Before refunding, review account to ensure payment was not previously reversed.

- (3) It may be necessary to issue a manual refund to the RS if Master File is unable to refund the credit. See IRM 21.4.4, Manual Refunds, for detailed instructions on manual refunds. Some of the reasons a manual refund would be necessary are:
  - An erroneous TC 130 freeze, i.e., the TC 130 was input to the RS' TIN in error.
  - Deceased taxpayers.
  - RSED expired.
  - Certain Tax Year 2001 rebates.
  - Payments, other than offsets, on the joint module belonging to only one spouse.
  - Primary taxpayer is the RS, IDRS is in Status 60 (IA), and payment(s) need to be refunded.
- (4) Do **not** issue a manual refund from a tax module where no TC 150 has posted. This creates an -X freeze and a TC 290 .00 will be unable to post to release it. If payments must be refunded on an expedite basis and conditions on the module prevent the issuance of the refund from the module, transfer the payments to a module where a TC 150 has posted and the module is in zero balance.
- (5) Compute allowable interest, if appropriate, using either the CC COMPA or the Automated Computational Tool (ACT).
  - a. No interest is paid on an original return overpayment if the refund is issued within 45 days of the later of the return received date, the return due date (determined without regard to any extension of time for filing the return), or the date the return was received in processable form.
  - b. If the 45-day interest-free period is missed, interest must be paid on the refund. Generally, interest is allowed from the availability date of the overpayment. The availability date of the overpayment is determined by the payment(s) and/or credit(s) of which it is comprised. See the table below for determining the availability date of a payment.

If the Payment/Credit is a	Then the availability date of the overpayment is the
Prepaid or timely credit (e.g., estimated tax payment, withholding, or a payment before the due date (determined without regard to any extension of time for filing)).	Due date of return (determined without regard to any extension of time for filing).
Subsequent payment/credit made/dated on or after the due date (determined without regard to any extension of time for filing).	Payment received date/credit date.

- (6) Interest may be computed from **other than** the availability date of the overpayment when the original tax return was filed late or in unprocessable form. See the table below for determining which date to calculate interest from.

If the return is	Then allow interest from the later of
Timely filed (i.e. return received by the original or extended due date).	a. The return due date (determined without regard to any extension of time for filing), or b. The date of the overpayment (as determined in the preceding table), or c. The Return Processable Date (RPD) (if the RPD is after the extension date).
Late filed (i.e. return not received by the original or extended due date).	a. The late return received date, or b. The date of the overpayment (as determined in the preceding table), or c. The return processable date.

**Note:** Compute interest to the next two (2) business days after the manual refund is being submitted for input. Print a copy of the interest computation.

- (7) Use Manual Refund Request Referral to request the refund. See Exhibit 25.15.9-1 , Job Aid for “ISO Manual Refund Request Referral” for additional information. The form can be found on the Innocent Spouse Operations Sharepoint site at <https://organization.ds.irsnet.gov/sites/SBSEfeEP/ExamTasks/FSP/ISO/SitePages/Home.aspx>.
- (8) Attach the following to the Manual Refund Request Referral form before scanning:
- Form 3210, Document Transmittal
  - ISO-AR
  - CC COMPAD print

- (9) If the refund is being issued from a joint module, input TC 971 AC 037 using IDRS CC REQ77. This will show the TIN of the recipient of the manual refund on the joint account. Use the current date as the Transaction Date. Enter the TIN of the person receiving the refund.
- (10) After completing the Manual Refund Request Referral, the manager will review and sign. It must be signed by the authorized manager listed in Box 4 on the form. See Exhibit 25.15.9-1, Job Aid for "ISO Manual Refund Request Referral", for more information.
- (11) After the manual refund packet is complete, scan the packet to create an electronic PDF file.
- (12) Update TXMOD case control activity to "WTG840".
  - a. Open a control base on the MFT 31 account where the TC 840 will post.
  - b. Use "B" status,
  - c. Activity code "WT840",
  - d. Category code "MISC",
  - e. IDRS number "02977XXXXX" (technician's IDRS number), and
  - f. The current date as the received date.
- (13) Monitor the account for the TC 840 to post. If leaving an account in debit balance, TC 840 will set an -X freeze. If the -X freeze needs to be released, use REQ54 to input TC 290 .00 as needed, with:
  - a. BS "05".
  - b. RC "099".
  - c. SC "2".
  - d. HC "3".
  - e. PC "8".
  - f. PDC "1".
  - g. NSD Remarks: "To release -X freeze" .

See Exhibit 25.15.9-2., Commonly Used Codes for TC 290 Input, for more information.
- (14) Complete the ISO-AR "Actions Completed By" section, which documents the date of input.
- (15) Continue to work case after TC 840 posts, or, if the only action requested was the manual refund, close the IDRS base activity "840POSTED". Place the case in the appropriate receptacle to be returned to the appropriate team.
- (16) For credit transfer(s) and/or manual refund(s) on NMF 20, obtain a NMF transcript from the Campus maintaining the NMF 20 account.
  - a. Complete Form 3870, Request for Adjustment. In the Reason for Adjustment section, indicate "Innocent Spouse Relief" and state amount and date of payment to be refunded. Also, request a copy of the NMF transcript be faxed to the technician when refund is completed.
  - b. Send a copy of the signed, completed Form 3870 and a copy of the NMF transcript to the Cincinnati Campus. See IRM 21.7.12, Non-Master File (NMF) Adjustments, for more information.

- c. If a transcript is not received back within 4-6 weeks, call the Accounting Function at the Cincinnati Campus and ask for a current transcript to be faxed to the technician.
- d. When received, verify either a TC 840 has posted to NMF 20 or the credit was transferred back to the MFT 30 account. If the credit was transferred back to the RS' MFT 30 account, verify a TC 846 has posted from the MFT 30. If the credit is being held by a V- freeze, a manual refund will be required

25.15.9.5.6.1  
(12-06-2016)  
**Manual Refund of  
Transaction Code (TC)  
670 Payments**

- (1) TC 670 payments to be refunded as part of the innocent spouse relief determination will require a manual refund. See IRM 25.15.9.5.6, Manual Refunds, for more information.

**Note:** Certain designated payment codes cannot be refunded. See IRM 25.15.9.5.3, Payment and Credit Disposition, for more information.

- (2) Additional steps must be taken to correct the cross-reference MFT 31 module, if mirrored. A manual refund (TC 840) will not cause a systemic debit of the cross-reference MFT 31 payments.
- (3) Payment adjustments must be made manually to the cross-reference MFT 31 to debit the module for each payment, or part of a payment included in the manual refund.

**Example:** A \$100.00 payment dated 06-25-2009 is manually refunded from the secondary spouse's MFT 31 module. On the primary spouse's MFT 31 mirror module, input a CC REQ54 adjustment. Input TC 290 .00, CRN 337 \$100.00-, RPD 06-25-2009, NSD; IS CLAIM REVERSE CREDIT.

**Note:** If mirrored, for every TC 670 payment refunded from one MFT 31 module, a separate CC REQ54 adjustment must be made to the other MFT 31 module. The RPD must match the received date of the TC 670 payment being debited/reversed. Also, a CRN 337 can be input as a positive (credit) or negative (debit) figure. A negative figure (-) is required in these situation.

25.15.9.5.7  
(12-06-2016)  
**Mirrored Payments and  
Credits**

- (1) For information on mirrored payments and credits, see IRM 25.15.15.5.2, Mirrored Payments and Credits.

25.15.9.6  
(12-06-2016)  
**Penalties and Interest**

- (1) This section describes treatment and computation of penalties and interest under various scenarios.

25.15.9.6.1  
(04-01-2019)  
**Penalty Considerations**

- (1) If transferring a fully or partially allowed account to MFT 31 or NMF 20, accruals of Failure to Pay (FTP) penalty and interest need to be posted to the MFT 30 account.
- (2) To post accruals, input a TC 290 .00 with:
  - a. BS "05".
  - b. SC "02".

- c. RC "099".
- d. HC "0".
- e. PC "5".
- f. NSD and in the remarks enter "Post accruals - IS relief".

See Exhibit 25.15.9-2, Commonly Used Codes for TC 290 Input, for more information.

- (3) There are three rates of FTP penalty that can be charged. Use CC COMPAF to compute:

- 1/2 percent per month of underpaid tax is the normal rate;
- 1/4 percent per month of underpaid tax is the rate charged during the period a taxpayer has an approved Installment Agreement (IA);

**Reminder:** Format: COMPAF (7 spaces) 063 date (space) &

- 1 percent per month is the rate beginning on the 10th day after the issuance of an IRS intent to levy. (Stat 58)

**Reminder:** COMPAF (7 spaces) State 58 date + 110 days.

**Note:** In all cases, the maximum FTP penalty charged is an aggregate total of 25 percent of the underpaid tax.

- (4) If a FTP penalty is being charged concurrent with the Failure To File (FTF) penalty, the amount of the FTF penalty is reduced by the amount of the FTP penalty charged per month. The rate does not change, see IRC 6651(c)(1). If a FTP penalty is not being charged concurrently (as in a TC 300 examination assessment), the FTF penalty rate is 5 percent per month on the unpaid tax as of the normal return due date, for a maximum of 5 months, or 25 percent.

**Example:** A taxpayer did not file his tax return by the April 15 due date. On May 1, he paid tax liability of \$10,000; and on November 2, he filed the return. The FTF and FTP penalties are computed on \$10,000. The FTF and FTP penalties run concurrently for the first month (April 16th to May 15th), so the FTF penalty rate for that month is reduced by the FTP penalty rate - the FTP penalty is .5 percent of \$10,000 and the FTF penalty is 4.5 percent of \$10,000. After the first month, there is no longer a FTP penalty, but the FTF penalty continues to accrue on the full \$10,000 until the return is filed. Therefore, the FTF penalty accrues at the full 5 percent per month (or fraction thereof) until the earlier of the date the return is filed, but not for more than five months.

- (5) If the return is more than 60 days late, a minimum FTF penalty of 100 percent of the underpaid tax, whichever is less, applies. See IRM 20.1.2.3.7.4, Minimum Penalty, for more information.

**Note:** For purposes of the FTF and FTP penalties, the months are computed from the due date for filing or paying, regardless of whether that date was a Saturday, Sunday, or legal holiday. In the above example, if April 15 was a Saturday but the return was not timely filed, the FTF and FTP penalties would still be computed from April 15.

- (6) When transferring accounts to MFT 31, notice status 21, 56, and 58 cannot be transferred. The original 1 percent start date which triggers a 1 percent FTP penalty will be lost. Indicators the FTP penalty must be computed at 1 percent are:
- MFT 30 shows Status 58, which indicates a CP 504 notice of intent to levy has been issued.
  - TC 971 AC 035, indicating the manual recordation of a notice of intent to levy.
- Note:** Must be input if MFT 31 is manually established and not mirrored.
- TC 971 AC 069, indicating a notice of intent to levy with a Collection Due Process (CDP) notification.
  - Assessment with doc code 51 and blocking series 140–149 indicating a notice of intent to levy in conjunction with an assessment notice.
  - Assessment with doc code 51 and blocking series 100–119 indicating a demand for immediate payment as part of a jeopardy assessment.
- (7) The taxpayer may receive the 1/4 percent rate for the IA **if the original return was filed timely**, including extensions. An indication the taxpayer was allowed the 1/4 percent rate is the TC 971 AC 063 on the MFT 30 account. The Full Scope technician will document the history sheet whether the IA was entered into by the RS or NRS.
- If the IA was entered into by the NRS, then input TC 971 AC 063 on the MFT 31 account, using IDRS CC REQ77.
  - If there is a TC 971 AC 163 on the MFT 30 account, input this on the MFT 31 account as well.
- (8) The following are some situations the technician may encounter affecting the calculation of the FTP penalty. These are not all-inclusive. See IRM 20.1.2, Failure to File/Failure to Pay Penalties, for additional information.
- The FTP penalty is suspended on the account during a bankruptcy. The suspension period runs from the TC 520 transaction date through the TC 521 transaction date.
  - For months beginning on or after January 1, 2000, the FTP penalty rate is reduced to 1/4 of 1 percent during the period a taxpayer is in installment status, if the return was timely filed (including extensions). If the taxpayer defaults on the agreement, the rate changes to 1/2 percent per month or 1 percent per month (if notice and demand for payment has been made and 10 days have elapsed since payment). The FTP penalty rate will revert to 1/4 percent again, if the agreement is reinstated and the 1 percent rate never went into effect. For installment agreements reinstated or posted after cycle 200452, the rate changes to 1/4 percent regardless whether the 1 percent rate was ever in effect.
  - The FTP penalty on an original TC 150 is computed on the tax as calculated by the taxpayer. If the taxpayer makes a math error which results in an increase in tax, the FTP penalty is charged on the tax per the taxpayer until the TC 150 posting date plus 21 days. At that point, the FTP penalty is charged on the corrected tax until the tax is paid. This allows the taxpayer time to pay the corrected tax without incurring additional FTP penalty.
  - If a taxpayer does not file a tax return and IRS records indicate a tax return is due, Substitute For Return (SFR)/Automated Substitute For Return (ASFR) procedures may be started. An IRS prepared return can

be identified by TC 150 .00 with “SFR” or “ASFR” located to the right of the TC 150. This is known as a “dummy” return. If the taxpayer does not respond to the request to file a return, a TC 599 closing code 88 is input on the account and a default SFR/ASFR assessment is made (TC 290 or 300). If the taxpayer agrees with the proposed assessment or files a tax return, a TC 599 closing code 89 is input on the account and the taxpayer’s return is posted as TC 290 with Priority Code (PC) 2 or TC 300 with PC 9. In both cases, per Taxpayer Bill of Rights (TBOR) II, for returns due after July 30, 1996, the Service will assess FTP from the original return due date. IRC 6015 relief cannot be an issue for a defaulted SFR assessment because default SFR and ASFR assessments never use the married filing joint filing status.

- e. When allocating a FTP penalty for partials, a TC 806 posted with a subsequent assessment (TC 290) can be difficult to verify. The computer will table the TC 806 with the TC 150 for the purpose of computing the FTP penalty. Check CC INTSTD to verify how the computer is tabling tax and credits in these cases.
- f. Computation of FTP penalty will be suspended for all applicable FEMA (Federal Emergency Management Agency) periods. These periods can be found on CC ENMOD referenced by a TC 971 AC 086 or AC 688.

## 25.15.9.6.2 (12-06-2016) Interest Consideration

- (1) Interest is charged on an underpaid tax from the last date prescribed for payment, without regard to extensions (generally the normal return due date).
  - a. Underpaid tax is the total tax minus timely credits such as TC 806, TC 764, TC 660 and any other payments received on or before the due date.
  - b. Interest is charged on the Failure to File (FTF) and TC 240 penalties (penalty reference number (PRN) 680, 681, and 682) from the normal due date, extended due date, or July 18, 1984 (whichever is later).
  - c. Interest on Failure To Pay (FTP) penalties is not charged until the penalties are assessed (23C date). See IRM 20.2.5.3, Interest on Penalties and Additions to Tax, for more information.
- (2) An original tax return (TC 150) resulting in a refund issued after the normal return due date affects the underpayment interest on a subsequent assessment for the same tax year.
  - a. Interest is not charged on a subsequent assessment (up to the amount of the refund) for the periods of time the Service had use of the taxpayer’s money without the Service paying interest.
  - b. If the taxpayer received interest on the refund, underpayment interest on the subsequent assessment is charged at the overpayment rate during the period interest was paid on the refund (up to the amount of the refund).

**Note:** IRC 6611(e)(1) prohibits the IRS from paying interest on overpayments if a refund is made within 45 days after the due date of the return, or 45 days after the return was filed, if the return was filed after its due date.

- c. Input a TC 772 for the underpayment interest amount that was netted, or if one interest adjustment involves multiple overpayments that were



netted, combine the netted amounts for a single TC 772 adjustment. See IRM 20.2.14.4.3, Manually Computing Within Module Interest Netting, for more information.

**Exception:** Because TC 772 will not post to an MFT 31 tax module that was not established through mirroring of its corresponding MFT 30 tax module, any netted interest amount(s) must be included with the TC 340 amount.

- d. A complete account transfer allows the computer to make this calculation of interest on MFT 31. If this is not possible because the module is restricted, manually compute the interest amount to be input on MFT 31 for a Non-Restricting TC 340. See IRM 20.2.5.6.3, Non-Restricting Transaction Code (TC) 340, for more information.
- e. In the case of a partial, it is necessary to compare both the MFT 30 and MFT 31 tax amounts against the refund amount to determine the correct interest-start dates.

**Example:** A refund is issued on 06-13-XX for \$5,000 (without interest). A subsequent assessment is made for \$7,000. \$4,000 of the tax will remain on MFT 30 and \$3,000 will be transferred to MFT 31. \$4,000 of the tax being left on MFT 30 will start accruing interest on 06-13-XX. (\$5,000 refund minus \$4,000 tax used on MFT 30 leaves \$1,000 to apply against the \$3,000 being transferred to MFT 31). Of the \$3,000 being transferred to MFT 31, \$1,000 will start accruing interest on 06-13-XX and the remaining \$2,000 will start accruing interest on the normal due date (04-15-XX).

**Example:** Using the same figures and dates, except a refund was issued on 06-13-XX for \$1,000. \$1,000 of the \$4,000 MFT 30 tax starts accruing interest on 06-13-XX, the other \$3,000 on the normal due date. All of the MFT 31 tax of \$3,000 would start accruing interest on the normal due date. Therefore, it would not be necessary to request a NR 340 on MFT 31.

- (3) If there is a credit elect (TC 836) on the MFT 30 account, interest may need to be manually computed depending on what quarter the amount applied as a credit elect is needed in the subsequent year. See IRM 20.2.5.7.2, Rev. Rul. 99-40 and Credit Elects (May Sequa), for more information.
- (4) IRC 6404(g) suspends interest and certain penalties for tax years ending after July 22, 1998 in cases where the Service fails to provide a notice of liability to the taxpayer within 36 months (18 months prior to November 26, 2007), beginning on the later of:
  - The date the return is filed; or
  - The due date of the return without regard to extensions.
- (5) If the notice is not provided to the taxpayer before the close of the 18- or 36-month period, interest and certain penalties are suspended for the following period:
  - Beginning on the day after the close of the 18- or 36-month period, and
  - Ending on the date which is 21 days after the date on which the IRC 6404(g) notice is provided to the taxpayer.



**Note:** The IRC 6404(g) suspension applies only to timely filed individual income tax returns for taxable years ending after July 22, 1998.

**Note:** The notice must state the liability and the basis for the liability. IRM 20.2.7, Interest - Abatement and Suspension of Debit Interest, contains information about inputting TC 971 AC 064 on these cases.

- (6) Programming was created to allow the computer to perform this suspension. A TC 971 AC 064 is input on the account with the transaction date as the mailing date of the 6404(g) notice. Input TC 971 AC 064 only if the 6404(g) notice was issued after the 18- or 36-month period; however, keep in mind that TC 971 AC 064 may have been prematurely input on some Examination/AUR cases. There are three scenarios innocent spouse processing personnel must watch regarding IRC 6404(g).
- The TC 971 AC 064 is posted on the account, the transaction date is within the 18- or 36-month period, the Examination/AUR assessment is posted, and a subsequent TC 29X adjustment was made. Before input of subsequent TC 29X, input TC 972 AC 064 using the same transaction date as shown on the TC 971 AC 064 which is being reversed. Continue processing case as usual.
  - TC 971 AC 064 is posted on the account, the transaction date is beyond the 18- or 36- month period and the Examination/AUR assessment is posted. CC INTSTD will show the interest is suspended from the day after the close of the 18- or 36-month period until 21 days from the TC 971 AC 064 date or the date the notice was issued. If the notification is not issued by the close of the 18- or 36-month period, interest is suspended from the day after the 18- or 36-month period until 21 days after the TC 971 AC 064 date. In this case IDRS and Master File can no longer calculate interest on the subsequent TC 29X and manual computations are necessary.
  - Two TC 971 AC 064s are posted to the account. This may have been caused by an incorrect transaction date being used. A TC 972 AC 064 was input to reverse the incorrect transaction and a second TC 971 AC 064 is input with the correct date. There were two separate 6404(g) notices issued and both are valid. In either case, IDRS and Master file can no longer calculate the interest and manual computations are necessary.
- (7) If an account contains the following conditions, it must be worked by a Processing Team technician.
- TC 340, and
  - Associated with TC 290 .00, and
  - Adjustment RC 065--028, and
  - Contains a COMP-INT-AMT.

**Note:** This adjustment indicates the taxpayer was affected by a federally declared disaster. A taxpayer affected by one of these is given relief from penalty and interest within the declared disaster period. For disasters occurring before January 1, 2015, the interest suspension period applies to tax returns having an

original or extended return due date that falls within the disaster period. Effective for disasters occurring on or after January 1, 2015, only those tax returns having an original return due date that falls within the disaster period qualify for interest suspension. After the time period ends, normal interest and penalty is charged. See IRM 20.2.7.13.1, IRC 7508A Interest Computation, for more information.

**Note:** The case must be either an allowed request or a partially allowed request where the entire account can be transferred. Use IDRS CC INTST to get the accrued interest amount. Transfer **all** the interest transaction codes to MFT 31. This includes TC 196, 197, 340, and 341. Request a NR 340 on MFT 31. This is the accrued interest on INTST. The COMP INT AMT will be all the items that are transferred plus the accrued interest from INTST.

- (8) Once a notice and demand is issued, the taxpayer has a limited amount of time to pay the amount shown before additional interest is charged. Notice status codes are 19, 20, 21, 54, 56 and 58. See IRM 20.2.5.4, Notice and Demand and Underpayment Interest, for more information.
- For notice and demand issued **before** January 1, 1997, if the amount shown on the notice is paid within **10 calendar days**, additional debit interest is not computed.
  - For notice and demand issued **after** December 31, 1996, refer to the following table:

If the amount shown on the notice	And	Then
Is less than \$100,000.	Is paid within 21 calendar days.	Additional interest is not computed
Equals or exceeds \$100,000.	Is paid within 10 business days.	Additional interest is not computed

25.15.9.6.3  
(12-06-2016)

#### Non-Restricting TC 340

- (1) The Non-Restricting TC 340 is an enhancement to Master File programming to allow a systemic interest update on a tax module after it has been restricted. Input of the Non-Restricted TC 340 requires a manual computation of interest up to the date in the INT-TO-DATE field, and the module balance (including tax, penalty and interest) entered in the COMP-INT-AMT field. Entering the module balance in the COMP-INT-AMT field causes Master File to resume normal interest computation on that amount from the date entered in the INT-TO-DATE field. See IRM 20.2.5.6.3, Non-Restricting Transaction Code (TC) 340 for specific input instructions and limitations. The following situations require a Non-Restricting TC 340 to be input to MFT 31:
- A refund issued after the return due date. Transferring the entire account will negate the need for a Non-Restricting TC 340 in this situation
  - A Form 870, Waiver of Restrictions on Assessment & Collection of Deficiency in Tax & Acceptance of Overassessment, (taxpayer agreed to the Examination assessment) date is present and the 870 date on CC

- TXMOD is more than 30 days prior to the 23C date of the assessment (TC 300). The 870 date is located beneath the TC 300 tax amount on CC TXMOD
- c. AUR assessment (TC 290 following TC 922), BS 55-58 or 65-67, with CR-INTDT indicates the taxpayer agreed to the AUR assessment. The TC 290 must be made within 30 days of the CR-INT-DT date.
  - d. Any credit transaction posting dates (received after the Return Due Date (RDD)) on MFT 30 CC TXMOD differ from the CC INTSTD posting dates and the credit transaction will be transferred to MFT 31.
  - e. The original TC 150 was paid off with credits after the normal RDD and the RS was relieved of a subsequent assessment. Transferring the entire account will negate the need for a Non-Restricting TC 340 in this situation. This also applies even if the TC 150 is paid off prior to the posting (23C date) of the subsequent assessment.
  - f. Any accounts requiring transfer of carry-back transactions (TC 294, TC 295, TC 298, TC 299, TC 304, TC 305, TC 308, or TC 309) carry an interest computation date affecting the deficiency interest. Accounting cannot pick up this date on the transfer document.
  - g. Accounts containing a TC 840 and the credits refunded were not the latest credits in the module.
  - h. Transaction date of the TC 971 AC 064 is 18 or 36 months beyond the return due date of a timely filed return. IRM 25.15.9.6.2(4), Interest Consideration.
- (2) The Non-Restricting TC 340 should only be used in instances where normal interest computation can be resumed by Master File. Interest computed at 120 percent of the normal rate (e.g. Tax Motivated Interest) is not compatible with a Non-Restricting TC 340. A TC 34X can identify these accounts on CC TXMODA for a money amount posted with Item References 221 TX-MOTVTD-TRANS and 222 TX-MOTVTD-INT. Compute the interest and request a restricting TC 340 be posted to MFT 31. Complete Form 12810, Account Transfer Request Checklist, with the interest transactions and item reference codes and amounts required. See IRM 20.2.5.6.3, Non-Restricting Transaction Code (TC) 340, for additional limitations.
- (3) Take the following actions if a Non-Restricting TC 340 is required and the entire account is being moved to MFT 31 including the interest (TCs 190, 196, 197, 336, 337):
- a. Print CC INTST.
  - b. Enter the "ACCRUED INT" amount from the IDRS CC INTST print on Form 12810 as the Non-Restricting TC 340.
  - c. Copy the date interest was computed to from CC INTST to Form 12810 as the DEBIT DATE.
  - d. Add the MFT 30 module balance plus the "ACCRUED INT" from CC INTST and enter on Form 12810 as the "COMP AMT".
- (4) Take the following actions if a Non-Restricting TC 340 is required, but the technician is not moving the posted interest transactions from MFT 30 to MFT 31:
- a. Print CC INTST.
  - b. Enter the "TOTAL INT" amount from the CC INTST print on Form 12810 as the Non-Restricting TC 340.

- c. Copy the date interest was computed to from CC INTST to Form 12810 as the DEBIT DATE.
- d. Add the MFT 30 module balance plus the "ACCRUED INT" from CC INTST and enter on Form 12810 as the "COMP AMT". Input this information to MFT 31 using CC REQ 54, after the transfer has been completed.

25.15.9.7  
(12-06-2016)

#### Account Corrections

- (1) The section describes how account problems are processed.

25.15.9.7.1  
(12-06-2016)

#### Account Problems

- (1) An account problem may be identified by either First Read or Full Scope while researching the taxpayers' account. Account problems can include math errors from the original return processing, duplicate assessments, missing/incorrectly applied payments, incorrect/incomplete tax assessments made by the Examination or AUR operations or Form 1040-X, Amended U.S. Individual Income Tax Return, for Accounts Management adjustments.
- (2) The ISO-AR identifies the account issue. The ISO-AR must clearly explain what the problem is and what action the processor must take.
- (3) The Financial Technician must send back-up documentation to justify the actions requested, e.g., copy of the tax return, substantiation for math error, proof of payment. The Financial Technician may or may not send the entire case file.
- (4) The processor will review ISO-AR for completeness and take the necessary actions to resolve the account problems.
- (5) The following are reminders when making a tax adjustment. See IRM 21.5, Account Resolution, for more information.
  - a. When allowing earned income tax credit (EITC), use transaction code (TC) 764 PC 8 to prevent an unpostable, this includes a previously posted TC 290 with PC 6 or TC 290 with Julian Date 999.  
**Note:** If the adjustment contains a TC 764 and there is a previously posted TC 29X on the module no PC 8 required.
  - b. When adjusting withholding and the account contains a manually-computed ES penalty (TC 170), address the penalty. The computer can adjust a computer-generated TC 176 in this case. Refer to IRM 20.1.3, Penalty Handbook - Estimated Tax Penalties, for more information.  
**Note:** An amended tax return filed after the normal or extended due date claiming a decrease in tax does not change the ES penalty computed on the original return.  
**Note:** Additional prepaid credits will cause an adjustment to the ES penalty.
  - c. When adjusting tax and the account contains a manual FTF penalty TC 160, manually recalculate and adjust the penalty using TC 161.
  - d. To adjust TC 240 accuracy-related penalty use CC REQ54 lower portion of the screen using related Penalty Reference Number. For Penalty Reference Numbers see Document 6209, Section 10-8, Penalty

Reference Numbers - Miscellaneous Civil Penalties , for more information. This will convert to TC 240 or TC 241 once the IDRS CC REQ54 screen is transmitted.

- e. The only tax, penalty, or item reference that can be adjusted to a negative amount is the adjusted gross income (AGI/TC 888).
- f. When adjusting an account and an entry for the field Refund Statute Control Date (RFSCDT) is required, use the received date of the Form 8857.

**Note:** Input in the RFSCDT field will also require input in the OVERRIDE-CD field. Transactions input with a Blocking Series 05 will use OVERRIDE-CD "SR". Transactions input with Blocking Series 18 will use OVERRIDE-CD "RS".

- (6) If the entire case file is sent, document the history sheet if the case must be returned to the examiner, or if it can be closed in the Processing Team. If the case file is not sent, document the adjustment request for actions taken, initial and date.

## 25.15.9.7.2 (12-06-2016) **Barred Statute One Signature (BSOS)**

- (1) Follow the instructions on the ISO-AR. Use the following information to determine which taxpayer to establish a MFT 31 or NMF 20 account to transfer the barred assessment to:
  - a. If the primary taxpayer is the unagreed spouse, the secondary taxpayer will be established on MFT 31.
  - b. If the secondary taxpayer is the unagreed spouse, the primary taxpayer will be established on MFT 31.
  - c. If both taxpayers were assessed on NMF 20 as mirrored assessments, the unagreed spouse's NMF 20 assessment will be abated. Review the agreed spouse's NMF 20 assessment to ensure all credits were applied to both NMF 20 accounts.
  - d. If the unagreed spouse's account was transferred to MFT 31 or NMF 20 due to OIC or bankruptcy relief granted to the agreed spouse, the unagreed spouse's assessment will be abated.
- (2) If abatement of NMF 20 is required, obtain a current NMF transcript from the campus maintaining the NMF 20 account. If mirrored assessment, obtain transcripts for both taxpayers.
  - a. Complete Form 1331-B, Notice of Adjustment, and/or Form 3870, Request for Adjustment. In the "Reason for Adjustment" section, indicate the specific reason for the abatement request. Address refund issues (e.g., Taxpayer is entitled to refund of payment dated (MM/DD/YYYY) for \$. Taxpayer is not entitled to any refund). Also, request a copy of the NMF transcript be faxed to the technician when abatement is completed.
  - b. Send a copy of the signed, completed Form 1331-B, and/or Form 3870 and a copy of the NMF transcript to the appropriate campus.
  - c. If a NMF transcript has not been received after approximately 4 - 6 weeks, call and request a new transcript to see if assessment has been abated.
- (3) When the transcript is received showing the abatement, close the case using the following steps:

- a. Input TC 290 .00 on the joint MFT 30 account with: BS 00 (with original return), 05 (without original return), or 99 (if tax period is more than 10 years earlier and the original return has been destroyed RC 097 SC 2, Hold Code (HC) 3 SD Y with the remarks "IS Relief - BSOS". See IRM 21.6.7, Individual Tax Returns - Adjusting Individual Tax Accounts, for additional information on posting the TC 290. See IRM 25.15.9.9, Case File Assembly, for case assembly instructions.
  - b. Reverse TC 971 AC 065. See IRM 25.15.2.4.2, Innocent Spouse Indicator Transaction Code (TC) 971/972.
  - c. Reverse TC 130, if appropriate. For TC 130 information, see IRM 25.15.9.3.3 Relief Disallowed, for more information.
  - d. Update ISTS to Stage 30, Activity "ACCTCORR".
  - e. Update history sheet with actions taken.
  - f. Close the IDRS control base.
  - g. Send case to Files.
- (4) If the unagreed spouse was assessed on MFT 31, abate the tax using IDRS CC REQ77 per Form 3465 instructions. Close the case in the same manner as above.

25.15.9.7.3  
(03-17-2022)

**Collection Statute  
Expiration Date (CSED)**

- (1) Check CC IMFOLT for the last CSED. CC IMFOLT will show the next, last and first CSED to expire. CC TXMOD only shows the current CSED.

**Example:** The TC 150 has a 10 year collection statute from the 23C assessment date. If the TC 150 CSED has not yet expired, CC TXMOD will show only the TC 150 CSED. Additional assessments (TC 290 and TC 300) each carry a separate 10 year CSED. The CSED shown on CC TXMOD will update only after the first CSED expires.

**Note:** The RS CSED is extended when a request for relief is filed so if the CSED was open when request was received, it will not expire before case is closed.

- (2) Take the following actions



If	Then
<p>CSED has already expired and the TC 608 has posted.</p>	<ol style="list-style-type: none"> <li>1. Check to see if the TC 972 AC 065 transaction date (150 days from date final determination letter <b>was issued</b>) has passed/expired. <ul style="list-style-type: none"> <li>• If the calculated TC 972 AC 065 transaction date is after the current date, all adjustment actions should be completed as requested. Refer to IRM 5.19.10.4.4, Determining the Correct CSED, for more information.</li> <li>• If the calculated TC 972 AC 065 transaction date is prior to the current date (i.e. the innocent spouse extension of the CSED has expired), no adjustments are needed-Continue below.</li> </ul> </li> <li>2. Issue any refunds requested on the ISO Adjustment Request form. (see IRM 25.15.9.5 for refund procedures.) <p><b>Note:</b> the TC 608 will re-generate after the refund posts.</p> </li> <li>3. Continue closing the case, using appropriate cycle delays. Close the case if the RS is not entitled to any refunds.</li> <li>4. Reverse TC 971 AC 065 and TC 971 AC 104.</li> <li>5. Reverse the TC 130 if appropriate, for TC 130 information, see IRM 25.15.9.3.3, Relief Disallowed.</li> <li>6. Input TC 290 .00 with (see Shared Procedures for TC 290.00 closing input) <p><b>Note:</b> Note: Source Doc comments should read: "IS CLAIM CSED EXPIRED"</p> </li> <li>7. Update the history sheet with the actions taken.</li> <li>8. Send case to Files.</li> </ol>
<p>If CSED on IDRS CC TXMOD is blank.</p>	<ol style="list-style-type: none"> <li>1. While an account is in open bankruptcy or OIC, the CSED on IDRS CC TXMOD and IDRS CC IMFOLT is blank because there is a collection suspension in place during this time. See IRM 25.15.9.4.1, Bankruptcy: Freeze -V and /or -W, for TC 520 instructions. See IRM 25.15.9.4.3, Offer In Compromise (OIC): -Y Freeze, for TC 480 and TC 780 instructions.</li> </ol>

25.15.9.8  
(12-06-2016)

#### Returning Cases

- (1) Complete Reject Sheet with date, Full Scope examiner's name, team number and reason for rejection.
- (2) Document the history sheet.
- (3) Re-control IDRS to the examiner's team number and update activity to "BACK2U10X", keeping the original received date.
- (4) Change Stage 27 on ISTS to appropriate team number in the Unit field and enter "Back to XXX" in comment field.
- (5) Attach reject sheet to the designated colored folder and place in the designated area.

25.15.9.9  
(04-01-2019)

#### Case File Assembly

- (1) When forwarding the case to Files, assemble it in the following manner:
  - a. REQ54 Adjustment print
  - b. If not mirrored, controlling DLN document
  - c. If mirrored, refile all previous adjustment documents including original return. Do not staple the original return to your case file.
  - d. For the tax years without the original Form 8857 and work papers, input TC971/057 and cross reference the tax year where the documentation is located; using NSD for the 290 adjustment, and a blocking series of 05.
  - e. ISTSR Input Record
  - f. History Sheet
  - g. Account Management Services (AMS) work papers
  - h. Other documentation, for example; research papers (including all IRPTRL prints), divorce decrees, questionnaires, Form 12508, Questionnaire For Non-Requesting Spouse, AMS printouts, allocation worksheets, phone logs, ISO-AR.

**Reminder:** When there are non-qualified (NQ) years included in the case file with years that were considered, the documents related to the NQ years can be stapled and inserted in the case file accordingly.

**Note:** Do not include any Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return. These documents must be filed separately.

**Exception:** If the RS claims forgery, include a copy of Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return, in case file.

**Note:** If IRS employee, leave the case in the white folder and place in a security envelope. Write in red "Employee Case" on the envelope. Seal envelope. Place the envelope in the folder for files with the other closures for that day.

25.15.9.10  
(12-06-2016)

#### Accounts Processing of Innocent Spouse Cases for Area Offices

- (1) A Form 12810, Account Transfer Request Checklist will be prepared based on the Form 3870, Request for Adjustment, prepared by the Area Office Technical Services Innocent Spouse Reviewer. Refer to IRM 25.15.7.5, Small Business/Self-Employed (SB/SE) Field, for more information.
- (2) Monitor the accounts to ensure proper posting of all transferred transactions.



25.15.9.11 (1) Upon request from Appeals, complete mirroring on the joint accounts indicated.  
(12-06-2016)

**Mirroring Accounts for Appeals**

25.15.9.12 (1) Technicians will monitor cases with posting delays weekly prior to closing.  
(12-06-2016)

**Processing Reports**

(2) Unpostables will be worked within three business days.

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# Account Processing of Requests for Relief from Joint and Several Liability 25.15.9

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Exhibit 25.15.9-1 (12-06-2016)

Job Aid for "ISO Manual Refund Request Referral"

Box or Field Number	Description
1	Employee's Name and SEID
2	Employee's phone number
3	Employee's e-fax number
4	Manager's Name (manager who will sign the form)
5	Manager's phone number
6	Manager's e-fax number
7	TIN/SSN on account from which the manual refund will be issued
8	MFT of the account from which the manual refund will be issued. (MFT30, 31 or 20)
9	Tax period from which the manual refund will be issued (xxxx12)
10	TP Name (Name to appear on check): Verified on RS' current ENMOD
11	Address (If different than ENMOD, provide explanation): * If address on RS' current ENMOD is correct, no information will need to be filled into this field.
12	TC 840 Amount: Total amount to be refunded (overpayment + interest)
13	TC 770 Amount: Interest calculated using COMPA
14	Overpayment Amount: Total of all payments available for refund
15	Line # : <ul style="list-style-type: none"><li>• 1 IMF prior year refund (and rebate refunds)</li><li>• 2 IMF current year refund</li><li>• 6 IMF for other reasons (always "6" for MFT31)</li></ul>
16	Interest Indicator: <ul style="list-style-type: none"><li>• N for normal credit interest</li><li>• R for restricted credit interest</li><li>• 0 (zero) for no credit interest (for rebate refunds)</li></ul>
17	DLN: TC 150 DLN
18	Block Series # <ul style="list-style-type: none"><li>• 9 Only if being issued from a joint account. Used for Innocent Spouse, Injured Spouse; Line number MUST be either 1 or 2 and BPI 1 or 2</li><li>• BLANK if line number 6 and/or BPI 0</li></ul>
19	Initiating BOD: Always "2 SBSE"
20	Bankruptcy Code Case: Leave blank (ISO does not refund bankruptcy payments)
21	TC 130: leave blank

## Exhibit 25.15.9-1 (Cont. 1) (12-06-2016)

## Job Aid for "ISO Manual Refund Request Referral"

Box or Field Number	Description
22	Reason for Request: "Innocent Spouse Refund to Claimant. Refund to Current TP Name on ENMOD" <ul style="list-style-type: none"> <li>If refund levy payments, also include comment: "Erroneous Levy Payments"</li> </ul>
23	IRM Reference: 21.4.4
24	By Pass Indicator: Refer to IRM 21.4.6.4.2.1 <ul style="list-style-type: none"> <li>Check Debt Indicator on INOLES for both Taxpayers</li> <li>IF: RS – I, NRS – B/F : BPI 3</li> <li>IF: RS – I/N, NRS – I/N : BPI 0</li> <li>IF: RS – B, NRS – I/N : BPI 0</li> <li>IF: Both TP's "B" : BPI 3</li> <li>BPI 1 &amp; 2 are only for join return refunds</li> <li>If issuing refund from RS' individual FS4 return, use BPI 0</li> </ul>
25	Input Date for Interest: Input date (2 days past date of refund being requested) used for COMPA interest calculation
26	The Manager listed on Line #4 <b>MUST</b> sign the bottom of the ISO Manual Refund Request Referral.

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## Account Processing of Requests for Relief from Joint and Several Liability 25.15.9

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### Exhibit 25.15.9-2 (12-06-2016)

#### Commonly Used Codes for TC 290 Input

The following codes are found in the Document 6209, IRS Processing Codes and Information, with Section and Sub-Section.

Code	Description	Doc 6209 Reference
RC	Reason Code	8C - 2
SC	Source Code	8C - 2
HC	Hold Code	8C - 2
BS	Blocking Series	4 - 14
PC	Priority Code	8C - 2
SC	Source Code	8C - 2
TC	Transaction Code	8A
DPC	Designated Payment Code	11-10
CRN	Credit Reference Number	8C - 3
TC 971 AC	Action Code	8C - 9
UPC	Unpostable Code	8B - 3
DLN	Document Locator Number	4 -2
DLN location	Campus and File Location	4 - 4

Access the Document 6209 from the Servicewide Electronic Research Program (SERP) home page, and select the Table of Contents; then “Dropdown” and then select the “Section” indicated. The sub-sections will appear on the page after the selection is made.

