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Part 5. Collecting Process

Chapter 1. General

Section 11. Delinquent Return Accounts (Cont. 1)

5.1.11 Delinquent Return Accounts (Cont. 1)

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5.1.11.6 No Return Secured

5.1.11.6.4 Referrals to Examination

5.1.11.6.4.1 (05-27-1999) Preparation of Form 3449

1. Prepare Form 3449 Referral Report with sufficient information for Examination to prepare a return(s) for taxpayers who refuse or fail to file once contacted. To complete Form 3449, follow the steps outlined below:
 - A. For IMF referrals, state the income, (must meet current LEM criteria) the amount of withholding, and compute the potential tax due using Filing Status 1 or 3 with no deductions or exemptions. State which documents or sources were used to compute income and withholding. Thoroughly document the non-IRP income and sources;

Note:

If married, prepare a separate Form 3449 for each liable spouse for

individual income tax referrals. Filing a joint return is an election made by the taxpayer. Compute tax only on the basis of an individual. Use Filing Status 3 to compute the tax.

- B. Describe the source of income for the taxpayer, i.e. self employed computer programmer, insurance salesman, trust fund income for IMF, etc.;
- C. Attach all documentation substantiating income. This includes:
 - 1) IDRSVCFOL research
 - 2) Del Ret supplements
 - 3) Summoned documents
 - 4) Relevant case history
- D. Secure managerial approval
- E. Forward approved part 1 and 2 of the Form 3449 to Examination
- F. Retain Part 3 of Form 3449 in the Del Ret file
- G. Close the oldest module of each MFT on the Del Ret using Option E, "**Exam Referral**" (see Section 11.7.5 of this IRM)
- H. Prepare a terminal input request for input of TC 592 if an erroneous referral was made.
- I. Resubmit a referral that was returned or surveyed by Examination only if there is additional documentation supporting the preparation of a return by Examination.

5.1.11.6.5 (05-27-2003) **Automated Substitute for Returns (ASFR)**

1. The Automated Substitute for Return (ASFR) system prepares Substitute for Returns and assessments for individuals who fail to file after notified. ASFR uses Information Return Master File (IRMF) information to calculate taxable income.
2. ASFR is authorized to prepare an individual's income tax return on their behalf under Section 6020(b) of the IRC. The automated process is located in the campuses.
3. Referrals to ASFR can be made from Automated Collection System (ACS) when the Del Ret is un-resolved after the final Del Ret notice. Revenue officers may also refer Del Rets to ASFR processing if it meets specific criteria.
4. Del Rets may be referred to ASFR for processing only if there are no unresolved (Status 22,24,26) taxpayer delinquent accounts (Bal Due) associated with the taxpayer and the case meets certain Selection Code criteria.
5. IMF Del Rets referrals to ASFR must meet all of the following criteria:
 - A. The Del Ret Selection Code is 12, 13, 14, 15, 28, 29, 71, 72, 73, 74, 75, 76, 77, or case is refund hold account - any selection code is acceptable.
 - B. the tax year is no older than six years prior to the current year

- C. there is no current or pending TC 530 on the account
 - D. there are no unresolved Bal Due modules
 - E. there are no open 420s or 520s on the account
6. Use **"Option K , Transfer to ASFR (IMF only)"** to close the ICS Del Ret module and systemically refer the case to ASFR processing. If Bal Dues are resolved by continuous levy (status 60 with the agreement locator number of XX08), do not use Option K to assign the Del Ret to ASFR. Instead, prepare Form 4844 to request that the Campus open a control base for the delinquent years using CC ACTON, category code "SFR" , status code "B" .
 7. Infrequently, the revenue officer may receive a Bal Due after the related Del Ret is sent for ASFR processing. The case will fail ASFR and ASFR will re-T-sign the case back to the field. The Del Ret status will be identified as ASFR by TSIGN 8000 and the TC 150 \$0 posted to the module.
 8. If contact has been made with a taxpayer whose return is being prepared by ASFR, attempt to secure the return(s). Do not issue a summons if the taxpayer refuses to file.
 9. If a return is secured for a period referred to ASFR, attach Form 3210, transmittal, to the face of the return(s). Annotate Form 3210 with the following: "Route SB return(s) to the Brookhaven NY campus, Attn.: ASFR Unit" . Submit through normal area channels. Route W & I cases to the appropriate ASFR site as determined by the DLN of the TC 150 \$0. Retain a copy of the return in the case file.

5.1.11.6.6 (05-27-1999) Referrals Concerning Underreported Tax

1. If an IMF delinquent return(s) is secured or if the taxpayer establishes that a return(s) has been previously filed, the revenue officer will not attempt to audit, examine or verify the correctness of the return. However, the revenue officer will:
 - A. Compare the income reported on the return with the information on the Del Ret supplement or IRPTR summary;
 - B. Determine if income that has come to the attention of Collection personnel that has not been subject to withholding or reported on Form 1099 or other such IRP documents has been reported on the return;
 - C. Compare withholding reported to the IRS to that stated on the return.
2. If income has not been reported by the taxpayer or there is an overstatement of credits and indications of fraud do not exist, attempt to resolve the discrepancy with the taxpayer.
3. If unable to resolve the differences and the amount in question exceeds the amount shown in LEM 5.2.1, prepare Form 3449 with a narrative and the amount of underreported tax. The information will be referred to Examination function in the Campus.
4. When there is a discrepancy in the information reported on a secured BMF return resulting in an underreporting of taxes and no signs of fraud or willfulness exist, refer the case to the Field Territory Manager on Form 3449. The 3449 should include an estimate of the dollar amount of the

misstatement and the source or object resulting in understatement.

5.1.11.6.7 (05-27-1999) Excise Tax Returns

1. Form 720, Quarterly Federal Excise Tax Return, may be prepared under the authority of IRC 6020(b) if a taxpayer fails or refuses to file.
2. If the Collection employee working the case determines that preparing the returns will involve extensive scrutiny of books and records or will pose complex legal questions, the returns will not be prepared by them. The taxpayer will be referred to Examination on Form 3449. The referral will contain all facts relative to the preparation of the return.

5.1.11.6.8 (05-27-1999) Referrals to the Tax Exempt and Government Entities (TEGE)

1. If a revenue officer encounters a responsible officer of an exempt organization who refuses to file a required exempt organization return, a referral should be sent using Form 5666 to:

IRS Exempt Organizations

Examination Classification Unit

MC 4920 DAL

Dallas, Texas 75242

2. A summons does not have to be served prior to referring a case to TEGE.
3. Attach an explanatory cover memo and include all information on the referral to assist TEGE in preparation of the return.
4. Employee Plans, Form 5500 series (MFT 74) are no longer worked in Collection Field function. If a Del Ret includes a Form 5500 delinquency and the plan number is 001–500, the revenue officer will:
 - A. Prepare Form 5666, EP Referral
 - B. Attach a copy of the Del Ret and case file history
 - C. Close the ICS Del Ret using **Option E**, and;
 - D. Send the referral to:

5.

IRS TE/GE Div 2nd floor

Employee Plans Classification

9350 Flair Dr

EIMonte, Ca 91731

6. If a Del Ret is for any other Form 5500 series or where the plan number is 501 or higher, close the ICS Del Ret using **Option C** and sub-menu action

"Not Liable" which will post a TC 590 cc 50 to the module.

5.1.11.6.9 (05-27-1999) Employer/Employee Relationship Questions

1. The Employment Tax Program is responsible for determining when income of independent contractors or officers of corporations should be reported as wages subject to income tax and or FICA. The program responsibilities involve determining the appropriateness of the following:
 - A. Withholding of income tax on wages of employees reported on Form 941, 941-M and Form 1042
 - B. Employer tax and employee tax (Social Security) under the General Insurance Contribution Act Form 941, Form 942, Form 943 and Schedule H (Form 1040)
 - C. Employer tax and employee tax for retirement purposes imposed on employers of individuals performing railroad services and the railroad employee representatives tax reported on CT-1 and CT-2
 - D. Withholding on certain gambling winnings reported on Form 941, Form 945 and Form 1042 by the payor of winnings
 - E. Backup withholding
 - F. Tax for unemployment insurance under the Federal Unemployment Act reported on 940
 - G. Withholding of tax under IRC 1441 and 1442
2. Refer a case to the area Employment Tax Program or the PSP Support Manager in Compliance when it is determined during an investigation that a taxpayer may be treating employees as independent contractors or officers may be taking draws, loans, dividends, professional or administrative fees, etc., to avoid reporting taxable wages.
3. Refer potential Employee/Employer relationship determinations on Form 3449 relating all the facts of the case.
4. Internal Revenue Manual 4600, Employment Tax Handbook, contains additional information for all functions pertaining to the administration of Employee/Employer classification issues.

5.1.11.6.10 (05-27-1999) IRC 6020(b) Authority

1. The following returns may be prepared, signed and assessed under the authority of IRC 6020(b):
 - A. Form 940, Employer's Annual Federal Unemployment Tax Return
 - B. Form 941, Employer's Quarterly Federal Tax Return
 - C. Form 943, Employer's Annual Tax Return for Agricultural Employees
 - D. Form 720, Quarterly Federal Excise Tax Return

E. Form 2290, Heavy Vehicle Use Tax Return

F. Form CT-1, Employer's Annual Railroad Retirement Tax Return

G. Form 1065, U.S. Return of Partnership Income.

2. Pursuant to IRM 1.2.2.97, Delegations of Authority, Order Number 182 (rev. 7), dated 5/5/1997, revenue officers GS-09 and above, and Collection Support Function managers GS-09 and above, have the authority to prepare and execute returns under IRC 6020(b).

5.1.11.6.10.1 (05-27-1999)

Taxpayer Contact

1. When the taxpayer is contacted, set a specific date for filing. Secure sufficient information so that an accurate return can be prepared if the taxpayer fails to file by the specified date.

Example:

 - A. Total wages, number of employees, and tax withheld for each delinquent return (Forms 941 and 943).
 - B. Name of states in which wages were paid (Form 940).
 - C. Number of partners in the partnership, their names, addresses, social security numbers/employer identification number, each partner's interest percentage in the partnership, and the partnership's gross income (Form 1065/K-1). If possible, obtain copies of the partnership agreement and copy of the last filed Form 1065.
 - D. Type of truck, number of axles, gross weight of vehicle and tax due (Form 2290).
2. Advise taxpayers who are personally contacted that failure to file by the specified date will be considered a refusal to file. This could subject the taxpayer to a fine, criminal penalties, or both, under IRC 7203.
3. Explain the trust fund recovery penalty, if applicable.
4. If collection of the tax on a delinquent return appears to be in jeopardy, follow the procedures for prompt and jeopardy (IRM 5.1, section 4) assessments.
5. If the taxpayer is in a receivership or probate proceeding, follow the procedures for quick assessments in IRM 5.1, Section 4.
6. A summons is not required before using IRC 6020(b) procedures. However in some cases, a summons may be the appropriate action if the revenue officer can not establish an estimated amount of tax liability, and the taxpayer is being uncooperative. See IRM 25.5, Summons Handbook, for further guidance.
7. A field call is required before using IRC 6020(b) authority to ensure that the entity is in business, operating and located at the ICS address.
8. If the taxpayer fails to file employment, excise and partnership tax returns by the specified date, prepare the returns under the authority of IRC 6020(b).

5.1.11.6.10.2 (05-27-1999)

Preparation and Approval of 6020(b) Returns

1. ICS now provides revenue officers the ability to prepare returns and letters on their ICS laptop. Compliance Territory Managers are encouraged to fully utilize the ICS 6020(b) program. However at local management option, and with the concurrence of the Compliance Services, Case Processing, Territory Manager, the Field Support Function may perform all phases of the IRC 6020 (b) clerical and review process. This includes signing of returns and submitting them for routine processing.
2. Use Form 5604, Section 6020(b) Action Sheet, to prepare returns under the authority of IRC 6020(b). The revenue officer should fully document their ICS history with a complete explanation of the basis for the assessment(s). The explanation should include information such as wages paid, income tax withheld, FTD's or payments, and any calculations or other information they used to establish the correct liability for each tax period. This information is important because it could be utilized later should the taxpayer request an appeal, file suit, or file Form 911 with the Taxpayer Advocate office.
3. Attach a copy of the ICS history documentation that explains the basis for the assessment(s) to Form 5604. This will eliminate the need for the revenue officer to complete the "basis for assessment" section on Form 5604.
4. Use the taxpayer's records or other reliable sources to determine the amount of wages paid, the amount of income tax and FICA tax withheld, and other necessary information. Use the following to prepare Forms 940, 941, 942 and 943:
 - A. Compute daily wage information times 91 days.
 - B. Compute weekly wage information times 13 weeks.
 - C. Compute monthly wage information times 3 months.
 - D. Compute annual wage information by multiplying appropriate days, weeks and months times amount(s) provided.
5. Use the following method of tax computation for preparing returns when actual wage amounts are not available.
 - A. Withholding is 20% of the wage amount when the actual amount is not provided by the taxpayer.
 - B. FICA should reflect the correct rate for the applicable period.
 - C. Use the wage amount from the last period satisfied (LPS) adjusted by the inflation factor to compute wages for IRC 6020(b) returns. The inflation factor is a percentage (2.5%) applied against the wage amount from the LPS. To compute the inflation factor for a delinquent period, multiply 2.5% times the number of quarters between the Del Ret period and the last period satisfied (LPS). Then, add the inflation factor to the wage amount from the LPS. This total is the wages to be used on the IRC 6020(b) return.
 - D. If a "final" return is prepared under IRC 6020(b), be sure to indicate it as "final" under " date last wages paid" .
 - E. The inflation factor is not applicable if the Del Ret module is BEFORE the LPS module data.

Example:

Do not calculate the inflation factor if the LPS is 200206 and the delinquent period is 199912.

6. Use the following procedure for preparing Partnership returns:

Note:

Do not prepare a Partnership return under the provisions of IRC 6020(b) if Revenue Procedure 84-35 applies to a small partnership (10 or less partners) that meets "reasonable cause" provisions for failure to file and you have verified that each partner has individually and fully reported his share of partnership income (see section 11.7.1 for Del Ret closing actions).

- A. For Form 1065, complete the name, address, and EIN portion of the form along with the number of schedule K-1s that will be attached. If you know the gross receipts, then also complete lines 1a, 1c, and 8. These lines should all contain the same amount. This is all that is completed on Form 1065.
 - B. Schedule K-1 should also be completed and attached to Form 1065. A Schedule K-1 is completed for each known partner. Partners can be individuals, other partnerships, trusts, S-Corporations, or Corporations. On all cases, complete the Partners identifying number, name, address, and zip code, as well as the Partnership's identifying number, name, address, and zip code.
 - C. If the revenue officer does not know what the Partnership's income was for the tax year, then do not complete any thing else on the Schedule K-1.
 - D. If the revenue officer knows what the Partnership's income was for the tax year (line 8 on Form 1065), then complete line 1 on Schedule K-1. If the revenue officer knows what each partner's distribution of income percentage is, then prepare each K-1 appropriately. If the distribution of income percentage is unknown, then divide the distribution of income equally among the partners, and reflect that amount on the K-1. Example: \$100,000 total distributive income (Line 8 from the Form 1065) and four partners. Then \$25,000 will be reported on each partner's K-1.
 - E. Partnerships don't pay tax, but instead pass through income and deductions to their partners, who then report it on their income tax returns. Therefore, it is important to know that the main objective of ensuring the Form 1065 and Schedule K-1 is filed, either voluntarily by the Partnership or under IRC 6020(b) authority, is to ensure that the partners have accurately reported their share of the Partnership income. It is important for the revenue officer to appropriately follow up on each partner's filing requirements for the delinquent tax year. If appropriate, revenue officers should consider a referral to Exam, Form 3449, if partners failed to report Partnership income. If potential fraud exists, then the revenue officer should follow 6.2 of this section, Referrals to Criminal Investigation.
7. Prepare a return for the current tax period if that period becomes delinquent during the IRC 6020(b) process.
 8. Prepare the tax returns in sets. A completed set includes an original and one copy of each return for each tax period.
 9. Mail Letter 1085 or 1616 along with the original returns and all applicable enclosures, to the taxpayer. ICS macros should contain Letters 1085, and

L1616 (used for Partnership returns). Retain a copy of the letter and tax returns in the case file.

10. Should a taxpayer file bankruptcy after a letter 1085 or 1616 has been mailed, immediately inform Insolvency and provide them with copies of the proposed returns. Unless instructed otherwise, continue 6020(b) processing.

5.1.11.6.10.3 (05-27-1999) **Appeals of Unagreed IRC 6020(b) Cases**

1. If the taxpayer requests an appeals conference:
 - A. Forward the case to Appeals on Form 2973, Transmittal of Case to Appeals or Form 3210, Document Transmittal.
 - B. Establish a control at either the group level or in the Collection Support Function while the case is pending in Appeals.
2. If a Collection Support Function is notified of an appeal on a proposed IRC 6020(b) assessment, it will return its file to the initiator if a narrative is required to support the recommendation.
3. To place the Del Ret module in suspense while the taxpayer exercises the right of appeal choose "**Option I, Surveyed**" from the Close Del Ret menu on the Del Ret Module Summary screen.
4. The Group manager or Collection Support manager will periodically follow up with Appeals concerning the status of the case.
5. When Form 5402, Appeals Transmittal Memorandum and Supporting Statement, is received from Appeals, follow the instructions on the form for disposition of the case.
6. Appeals will:
 - A. Sign the prepared return under the authority of IRC 6020(b).
 - B. Complete Form 5604, Section 3.
 - C. Process the return directly to the appropriate Campus for assessment with Part 1 of Form 5604.

5.1.11.6.10.4 (05-27-1999) **Preparing Returns for Assessment**

1. If the taxpayer fails to file by the specified date or has not returned the 6020 (b) returns signed, process the returns for assessment under the authority of IRC 6020(b).
2. In all cases if payment of the proposed return is not received, follow procedures in Section 11.5.2 of this IRM.
3. Sign and enter the following on the bottom of the return:
 - A. The statement — "This return was prepared and signed under the authority of Section 6020(b) of the Internal Revenue Code. Apply condition code 4."
 - B. The appropriate TC and closing code. See Exhibit 5.1.11-3 of this

IRM.

4. Close the ICS Del Ret module under "**Option A, Return Secured**" using the appropriate sub-menu option (see section 11.7.1 of this IRM).

5.1.11.6.10.5 (05-27-1999)

Unable to Locate and Unable to Contact Cases

1. In unable to locate situations when the proprietors, partners or responsible officers and assets cannot be located:

If	Then
Their SSNs can be determined	Follow IRM Section 11.5.2 of this IRM for returns without full payment
Their SSNs cannot be determined	Close the Del Ret Module using Option B, "Unable to Locate" . See Section 11.7.2 of this IRM.

2. In unable to contact situations:

- A. Process the returns via prompt assessment
or
- B. Prepare a pre-assessment Form 53, Report of Currently Not Collectible Taxes, at the time the return is signed.

5.1.11.7 (06-02-2004)

Del Ret Closures

1. Disposition of the Del Ret will depend upon the circumstances of individual cases. This section will describe Del Ret Module closing actions.
2. For technical details on each type of case closure, refer to the specific sections listed in this IRM. Exhibits 11-1 and 11-2 will also furnish answers to a number of questions in the disposition of the Del Ret.
3. The ICS system is a menu driven process. Users select literals from a menu which then generate transaction codes to IDRS.
4. Closing the Del Ret on the ICS system is done using the "**<F6> Close Del Ret menu**" found on the "ICS Del Ret Module Summary screen". Once an option is selected, ICS will generate a transaction code 59X and an applicable closing code for the closure.
5. The following IRM sections will explain the selections available as a closing options from the "**<F6> Close Del Ret menu**".

5.1.11.7.1 (06-02-2004)

Option A — Return Secured

1. Select "**Option A**" from the "Close Del Ret" menu to close the Del Ret module(s) on ICS when a return is secured:
 - A. Select the appropriate closing action from the sub-menu for the type return you secured.
 - B. ICS generates a TC 599 with a cc to IDRS (the closing code depends

on what closing action you selected) .

- C. Record money secured with a return via a sub menu within closing actions a) Taxable, c) Unassessable or e) 6020(b) Agreed. This generates a TC 610 workstation transaction and updates the ICS module balance to reflect the payment.

- 2. See section 11.5 of this IRM for specific details on types of returns secured.

5.1.11.7.2 (06-02-2004)

Option B — Unable To Locate

- 1. Select "**Option B, Unable to Locate**" from the "Close Del Ret" menu to close the Del Ret when you are unable to locate a taxpayer.
- 2. Do not close subsequent periods on the same type of tax if the earliest Del Ret module for each type of tax is closed.
- 3. ICS generates a TC 593 cc 57 to IDRS when the closure is verified.
- 4. Group Manager approval is required.

5.1.11.7.3 (06-02-2004)

Option C — No Return Secured Taxpayer Not Required To File For This Period Only

- 1. Select "**Option C** " from the "<F6> Close Del Ret menu" when a taxpayer is not required to file for a period.
- 2. ICS generates a TC 590 and closing code (cc) to satisfy a particular period. However, the requirement to file for subsequent periods remains open.
- 3. Select one of the following closing actions from the ICS sub-menu to generate the appropriate closing code:
 - A. **Not liable for return (BMF - NMF) — cc 50** is used when the taxpayer is not liable for this period but does plan to be liable for future returns.
 - B. **Income below filing requirement (IMF) — cc 51** is used after verifying and calculating that the taxpayer's total income is below the amount required to file for that year. Use cc SUPOL and cc IRPTR to help you verify income. Be sure to include the spouse's income when calculating married filing joint status.
 - C. **Little or no tax due (P-5-133) — cc 52** is used to close a case based on the Policy Statement P-5-133. See IRM 5.1.11.6.1. It is also used to close a Del Ret module on a Partnership Return based on Revenue Procedure 84–35. See IRM 5.1.11.6.10.2(6) for more information.

Note:

This closing action requires managerial approval before the closure is completed.

- D. **T/P due refund — cc 53** is used after verifying the taxpayer's income and calculating that the tax due on the return, if it were filed, would result in a refund.

E. **T/P due refund 6020(b) — cc 63** is used when a 6020(b) return is prepared and there is more credit than tax resulting in a refund due the taxpayer. See section 11.6.10 of this IRM for 6020(b) procedures.

4. For problems concerning multiple entities, see IRM 5.1.11.7.13 for additional guidance.

5.1.11.7.4 (06-02-2004)

Option D — No Return Secured Taxpayer No Longer Required To File (Final)

1. Select "**Option D**" from the "<F6> Close Del Ret menu" when the taxpayer is no longer required to file a return, and the filing requirement for the MFT should be closed on the Master File.
2. ICS generates a TC 591 to satisfy that period as well closing the filing requirements on all subsequent periods for that MFT so be sure to select "Option D" on the earliest period on each MFT.
 - A. ICS generates a TC 591 cc 66 on all subsequent open Del Rets for that MFT.
 - B. Close any other ICS modules for other MFTs related to the entity
 - C. Prepare paper documents, (Forms 2363 or 4844) to close filing requirements on non ICS MFTs. Be sure to include the effective date of the actions.
 - D. Create a ICS history item to document the actions taken on paper.
3. A TC 591 will stop tax packages from being mailed to the taxpayer and stop future delinquency checks for that MFT.
4. Select one of the closing action from the ICS sub-menu to generate the appropriate closing code:
 - A. **Business discontinued — cc 50** is used when an entity has discontinued and returns are no longer required. Close out all filing requirements on all MFT's after the closing date.
 - B. **Business transferred — cc 50** is used when a business has stopped operating under this entity and has established another entity to take its place. Close out all filing requirements on all MFT's after the transfer date.
 - C. **Change in Organization — cc 50** is used when an organizational change has taken place for the entity and a new entity has been established. In addition to any Del Rets close out all filing requirements on all MFTs after the change date.
 - D. **Discharged all employees — cc 50** is used when the business has discharged all of its employees yet the business has not closed. Close the 940, 941, 943, and 945 filing requirements after the discharge date.
 - E. **IRC 6020(b) - Program — cc 63** is used when a 6020(b) return is being prepared and it will be the final return for the business. See section 11.6.10 of this IRM for procedures on 6020(b).

F. **Other — cc 50** is used for any situations that do not fall into the above categories. For example, an IMF Del Ret where the taxpayer is deceased; in this situation prepare Form 2363 to request the input of a TC 540, "Deceased Taxpayer" , and create an ICS history item.

5. To prevent future delinquencies on those periods or MFT's not appearing on ICS at the time of closing the Del Ret
 - A. Prepare paper documents 2363 or 4844 as appropriate
 - B. Request that a TC 591 with appropriate closing code be input.
 - C. Be sure to give the effective date or the out of business date.

5.1.11.7.5 (06-02-2004)

Option E — Exam Referral

1. Select "**Option E, Exam Referral**" from the "Close Del Ret" menu when you refer a case to Examination or to SFR for RO processing.
2. ICS generates a TC 595 cc 57 once the closure is verified
3. Do not close subsequent periods on the same type of tax if the earliest Del Ret module for each type of tax is closed.
4. See section 11.6.4 of this IRM for specific details on referrals that use this closing option.

5.1.11.7.6 (06-02-2004)

Option F — CI Referral (IMF Only)

1. Select "**Option F, CI Referral (IMF Only)**" from the "<F6> Close Del Ret menu" when a case is referred to the Criminal Investigation function.
2. ICS will generate a TC 596 cc 57 once the closure is verified.
3. Closing transactions should not be input for subsequent periods on the same type of tax if the earliest Del Ret module for each type of tax is closed.
4. See section 11.6.2 of this IRM for specific details on CI referrals.

5.1.11.7.7 (06-02-2004)

Option G — Return Previously Filed

1. If the return has been previously filed, secure a signed copy of the return with proof of payment, if appropriate. A careful analysis of the facts should be made to determine for which entity the previously filed return was intended. Verify fact of filing using CFOL command codes as shown in section 11.1.3.1 of this IRM.
 - A. If the signed copy is for the Del Ret entity, forward the return for processing.
 - B. Write on the top of the return "possible duplicate return " and close the Del Ret module on ICS using "Option "C, No Return Secured" . When the sub-menu is displayed select closing action "Return previously filed" . This will generate a TC 594 cc 58.

- C. If the signed copy is the spousal entity and the return is posted to spouse's SSN, close the Del Ret module on ICS, using "<F6> Close Del Ret menu" select "Option C, No Return Secured" . When the sub-menu appears select closing action "Spouse on joint return" . This will systemically generate a TC 594 cc 59.
- D. If the secondary SSN is incorrect on the jointly filed return, use Form 2363 Master File Entity Change to correct the secondary SSN of the entity.
- E. If fact of filing cannot be verified on the spouses SSN, secure an original tax return and forward for processing using procedures in section 11.5 of this IRM. Close the Del Ret with closing action " Spouse on joint return" .
- F. Where there has been an entity change and the return was not intended for the Del Ret entity a closing action of "Return Previously Filed" is not appropriate in this situation.
- G. When taxpayer is not liable for **this module only**, close on ICS using "Option C, No Return Secured" . When the sub-menu appears select closing action "Not Liable for Return". This will generate a TC 590 cc 69.
- H. When taxpayer is no longer liable to file under this entity, close on ICS using "Option D, No Return Secured/Final" . When the sub-menu appears select closing action that best describes why the entity is no longer liable to file return. This will generate a TC 591 cc 50.

5.1.11.7.8 (06-02-2004)

Option H — Shelved

1. Select "**Option H, Shelved**" from the "<F6> Close Del Ret menu" only when prescribed in IRM instructions or by direction from Headquarters.
2. ICS generates a TC 598 cc 57 to IDRS once the closure is verified.

5.1.11.7.9 (06-02-2004)

Option I — Surveyed

1. Select "**Option I, Surveyed**" from the "<F6> Close Del Ret menu " to generate a TC 597 on IDRS.
2. The appropriate closing actions for a TC 597 are as follows:
 - A. **Routine — cc 57** is used only when prescribed in IRM instructions or by direction from Headquarters.
 - B. **6020(b) Unagreed Appeal — cc 63** is used to close the Del Ret module(s) when the taxpayer exercises his appeal rights in unagreed IRC 6020(b) cases. See IRM 11.6.10.3 of this IRM for additional information.

5.1.11.7.10 (06-02-2004)

Option J — Erroneously Created Module(s)

1. Select "**Option J, Erroneously Created Mod**" from the "<F6> Close Del Ret menu" when an ICS only Del Ret was opened and is no longer needed.

2. ICS **will not** generate a transaction code to IDRS.

5.1.11.7.11 (06-02-2004) Option K — Transfer To ASFR (IMF Only)

1. Select "**Option K, Transfer to ASFR (IMF Only)**" from the "<F6> Close Del Ret menu" when a case meets the criteria for transfer to ASFR.
2. ICS transfers the case by reassigning it to the Campus's ASFR function with TSIGN 8000. Transfer to ASFR is limited to the following Select Codes:
 - A. W & I Select Codes: 12, 13, 14, 15, 39, and 93
 - B. SBSE Select Codes 71, 72, 73, 74, 75, 76, 77, 78, 93, 28, 29
 - C. Any Select Code with a Refund Hold (RF) freeze code (beginning February 2004)

5.1.11.7.12 (06-02-2004) Del Ret Module(s) with Credit Balances

1. Some Del Ret modules have credit balances after the module is closed. Handle the credit balance separately from the Del Ret closure based on whether you secure a return or not.
2. In 2000, a policy and programming change was made regarding credits. Existing credits that were statute barred before the programing changes must be manually moved using form 8758. The changes effective 2001 are:
 - Rather than transferring credits with no return to excess collections, leave them on the Master File account until the refund statute expires;
 - Systemically generate semi-annual notices to the taxpayer, reminding them of the credit(s) and their options for claiming it;
 - Six months before the refund credit expires, send a systemic last chance notice to the taxpayer; explain that the credit(s) will no longer be available in six months,
 - When refund credit statute expires, systemically transfer unresolved credit(s) to Unapplied Statute Expired Credits Account.
 - Programming changes were completed in January 2001 for ICS and in July 2001 for IDRS.

5.1.11.7.12.1 (06-02-2004) Debit(s) on Account

1. If the taxpayer does not claim the credit and the period for refunding a payment **has not** expired, research IDRS.
 - A. If there are any outstanding debit balances on other modules, then transfer the credit using section 11.7.12.2 of this IRM.
 - B. If any credit remains after the transfer, leave it on the module. Do not remove to excess collections.

5.1.11.7.12.2 (06-02-2004)**ICS Credit Transfers**

1. The "Credit Disposition" option on the ICS Module Detail screen allows you to dispose of the credit balance on a ICS Del Ret module.
2. Select the "Transfer to Another Period" option and complete the required fields.
3. ICS User Guide Section 6, "Module Detail Delinquent Return," gives you specific instructions.
4. ICS credit transfers **do not load** to IDRS. Therefore, prepare Form 2424, Account Adjustment Voucher, to have credit transferred on IDRS.
5. Refer to IRM 5.4.2 Exhibit 2, which has detailed instructions for preparing Form 2424.
6. Remember a TC 570 maybe needed to hold the credit on the new module until the a return or other action has been completed.

5.1.11.7.12.3 (06-02-2004)**Closing Del Ret with TC 59X and Credit Balance Exists**

1. When you close a Del Ret module with a TC 59X take the following actions depending on the option selected:

If a Del Ret Module is closed using:	Then:
Option A – Return Secured	See section 11.5 in this IRM for procedures.
Option B – Unable to Locate Option E – Exam Referral Option F – CI Referral Option H – Shelved Option I – Surveyed	Take no action, leave the credit on the module.
Option C – Not Liable for Return	The credit should be refunded to the taxpayer. A signed no-liability (non-taxable) return should be secured from the taxpayer. The return should be annotated "Input as original for Refund" , and forward for processing as an original delinquent return.
or Option D – No Longer Liable for Return	If a return cannot be secured, secure a signed statement of no liability from the taxpayer If the taxpayer refuses to provide a signed return or statement of no liability, close the Del Ret module with correct transaction code and leave the credit on the module.
Option G – Return Previously Filed With Spouse	Transfer the credit to the spouse's social security number using procedures in section 11.7.12.2 of this IRM.

5.1.11.7.13 (06-02-2004)

Entity Changes

1. In working a Del Ret module where you find there has been a change in the entity, a careful analysis of all facts should be made to ensure that the case is closed properly and that all returns have been filed under the appropriate TIN(s).
2. Changes to the taxpayer's address, location or ZIP code can be made on ICS using the "Case Summary screen" and selecting the "Entity Detail Menu" .
 - A. From "Entity Detail Menu" select the "Name/Address menu." Changes can then be made to the address by overlaying and saving as outlined in the ICS User's Guide.
 - B. Once the updated information has been completed, the information will load to IDRS and then return and update the entity on ICS.
3. All other changes require Form 2363, Master File Entity Change to make changes to the taxpayer's entity. Some of these changes could include:
 - A. TIN change – only if entity is not changed
 - B. Name change – only one entity is involved.
 - C. Filing Requirements – either changing or establishing.
 - D. Taxpayer Deceased – request input of TC 540 for IMF deceased taxpayer(s).
4. The following table will help you solve most types of entity problems:

If:	Then:
Del Ret module is on the new entity and the T/P filed correctly under the old entity for that period	Close the Del Ret using "Option C – No Return Secured Taxpayer Not required to File for This Period Only" to generate a TC 590 closing code 50.
Del Ret module is on the old entity and the T/P filed correctly under the new entity	Close the Del Ret using "Option C – No Return Secured Taxpayer Not required to File for This Period Only" to generate a TC 590 closing code 50.
Del Ret module is the correct entity and the return was filed under another number	Close the Del Ret using "Option G – Return Previously Filed " to generate a TC 594 closing code 59. Prepare Form 3870 to transfer return and any credits to the Del Ret entity.
New entity is being established	Prepare Form SS-4, Application for Employer Identification Number for issuance of a new number. Any Del Ret modules should be closed using "Option D – No Return Secured Taxpayer Not required to File (Final)" to generate TC 591 cc 50.

	All other filing requirements can be closed by preparing Form 2363.
Consolidation of accounts is needed	Prepare Form 2363 to change the "From" number to the " To" number and request transaction code 011.
	Prepare an additional Form 2363 to change any other data on the "TO " side if needed. Input both Forms 2363 the same cycle.
	The Name Controls of the "TO" and "FROM" accounts must be the same before consolidation will take place. Therefore, if the Name Control of the "From" account is in error, prepare a Form 2363 to change the Name. Input the Name Control Transaction code 013 into the system two cycles prior to the TC 011 transaction.
Change in an EIN for other than a consolidation of accounts	Prepare a Form 2363 and request transaction code 011 to change the EIN.
	Prepare an additional Form 2363 to change any other data on the "TO " side of the Form, using the "FROM" EIN.
	Input both Forms 2363 the same cycle.

5.1.11.8 (05-27-1999) Delinquency Check Programs

1. Effective March 12, 1997, activities previously known as Returns Compliance Programs (RCP), Information Gathering Projects (IGP), Fed/State projects and Compliance 2000 initiatives were consolidated into the Compliance Initiative Proposal (CIP).

5.1.11.9 (07-01-2002) Tax Liability of Entities and Individuals from Canada and Mexico

1. The Director, Compliance (International) has primary responsibility for ensuring United States tax compliance by Canadian and Mexican entities or individuals conducting business in the United States. **All** Canadian and Mexican entities or individuals with delinquencies (Bal Due's or Del Ret's) are assigned to SE:S:C:F:15. However, area offices bordering Canada and Mexico should be aware of their responsibilities and authority. Area offices bordering Canada and Mexico **can** :
 - answer inquires about possible tax liabilities
 - report possible delinquencies to SE:S:C:F:15
 - secure requested information for SE:S:C:F:15
 - examine public records (See IRM 11.9.1 for instructions regarding travel in border countries)

- receive voluntary payment of tax or accept voluntary delinquent returns
2. Area offices bordering Canada and Mexico **can not:**
 - interview third parties
 - subpoena persons
 - use any enforcement action such as levy against, or seize assets
 3. When area personnel have information indicating that a Canadian or Mexican individual or entity may be liable for United States tax, they will check IDRS to determine the status.
 4. If the entity or individual has filed a return and there is an outstanding balance, then the revenue officer should forward this information to the Director, Compliance, Attn: SE:S:C:F:15.
 5. If the entity or individual has not filed a return, then the revenue officer should prepare Form 3449, Referral Report, and forward it to the Director, Compliance, Attn: SE:S:C:F:15.
 6. Any questions or need for further guidance should be addressed to the Director, Compliance, SE:S:C:F:15.

5.1.11.9.1 (07-01-2002)

Rules and Restrictions with Respect to Collection Activities in Canada and Mexico

1. There are strict guidelines and procedures that **absolutely** must be followed when traveling into Canada or Mexico. However, because rules, restrictions and agreements with our border countries are constantly changing, personnel in contiguous areas should contact SE:S:C:F:15 for guidance regarding travel to and from Canada and Mexico

5.1.11.10 (05-27-1999)

Heavy Vehicle Use Tax

1. Sections 4481, 4482, and 4483 of the Internal Revenue Code were revised by the passage of Public Law 97-424. One of the major provisions requires proof of filing and payment be submitted to a state prior to its issuance of a vehicle registration certificate. This proof, effective October 1, 1985, is defined at Section 41.6001-2(c)(1)(i) of the regulations and consists of a receipted Schedule 1 of Form 2290, Heavy Vehicle Use Tax Return. Ordinarily, Schedule 1 will be receipted during routine Campus processing.
2. Other provisions of which Collection employees must be aware include a change to the method of computing tax due as it applies to a Canadian highway motor vehicle registered in a Canadian province which is also proportionally registered in the United States under the International Registration Plan (IRP). In these situations, the revenue officer should contact SE:S:C:F:15 for guidance.

5.1.11.10.1 (05-27-1999)

Collection Field Function (CFf) Processing

1. Stamp both copies of Form 2290, Schedule 1 with the area office "received" stamp. Attach one copy of Schedule 1 to the original return. Return the other

copy of Schedule 1 to the taxpayer if:

- a. the return is filed timely;
 - b. the liability is paid in full; or
 - c. the quarterly liability is paid.
2. CFf employees will also stamp Schedule 1 of Form 2290 in the following situations:
- A. The taxpayer provides proof that a return was previously filed and paid but did not receive a receipted Schedule 1 of Form 2290.
 - B. The Collection employee determines that an Installment Agreement, Form 433D, is the appropriate method of resolving the unpaid liability. After an agreement is secured and submitted for processing, the receipted Schedule 1 of Form 2290 will be returned together with Part 2 of Form 433D to the taxpayer. Exercise care in granting installment privileges to taxpayers who are identified as repeaters.
 - C. Under no circumstances will Schedule 1 of Form 2290 be receipted without full payment, the quarterly payment available under Section 6156 of the code, or resolution of the unpaid liability reached using Form 433D. Schedule 1 will not be stamped "received" if the amount is or has been determined to be currently not collectible.

Exhibit 5.1.11-1 (06-02-2004)

Index for Questions and Answers to Assist in the Disposition of Del Rets

(Reference: IRM 5.1.11.7)

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Exhibit 5.1.11-2 (06-02-2004)

Questions and Answers to Assist in the Disposition of Del Rets (Reference: IRM 5.1.11.7)

General Problems

1. Question: You receive a Del Ret with a TIN that is different from the number on the return which the taxpayer filed. How is the Del Ret closed if you discover that both TIN's have been issued to the taxpayer?

Answer: Determine from available information which TIN should be used. If the Form 941 filing requirement (FR) is open, that TIN will be used. If both numbers have an open Form 941 FR, the oldest number should be used, if possible. If the return was filed using the number shown on the Del Ret and that number is determined to be correct, secure a signed copy. From the ICS CLOSE DEL RET menu select "Option G, Return Previously Filed," . When the submenu is displayed select the appropriate closing action. In this case, prepare Form 2363 to input TC 011. If the number on the Del Ret is incorrect, select "Option D, No Return Secured/Final," and the appropriate closing action. In addition to the Del Ret modules, close out all open filing requirements on the incorrect number.

2. Question: A corporation has two TIN's. One number has a delinquency for a Form 1120. The other number has a delinquency for Forms 941 and 940. The Del Rets are outstanding under both TIN's. How should each of these Del Rets be closed?

Answer: The TIN having the Form 941 FR will be the one retained as the correct number. If both Del Rets have open 941 FR's, the oldest number will be retained. Prepare Form 2363 to consolidate the accounts. Add the period and type of tax to the number being retained, if different and unfiled. From the ICS CLOSE DEL RET menu select "Option D, No Return Secured/Final," and the appropriate closing action to close the Del Ret with the incorrect number.

3. Question. You receive a Del Ret requesting a return with a " O" filing requirement. Your investigation reveals no existing or prior liability for this type of tax. How is this case closed?

Answer: This occurs when TC 474 is input for the wrong type of tax which creates a tax module without indicating a filing requirement. From the ICS CLOSE DEL RET menu select "Option D, No Return Secured/Final," and the appropriate closing action to close the Del Ret.

4. Question. You receive a Del Ret for an MFT for which you secured a final return two periods previously and there is an open FR for the MFT. How does this happen and what action should be taken?

Answer: This may occur as a result of a preaddressed return being mailed out before the FR is turned off and the taxpayer responds on the return that he is not liable. From the ICS CLOSE DEL RET menu select "Option D, No Return Secured/Final," and the appropriate closing action to close the Del Ret.

5. Question: If a taxpayer states that he/she went out of business, how should you close the Del Ret if the taxpayer is preparing the return (s) for the period(s) stated on the Del Ret?

Answer: Have the taxpayer file the return with you. Indicate "Final " and write TC 599 with the appropriate closing code on the return. Ensure that the block in line A of the Form 941 is checked and the date last wages paid is entered. From the ICS CLOSE DEL RET menu select " Option A, Return Secured," and the appropriate closing action for that period. To satisfy open filing requirements, select "Option D, No Return Secured/Final," for the subsequent period of the same MFT as well as all other filing requirements. Prepare Form 2363 to final out filing requirements on non-ICS Del Ret modules.

6. Question: You have a Del Ret on one period and the taxpayer filed a return erroneously indicating a different period. How do you close the Del Ret?

Answer: Prepare Form 3870 to bring the return to the Del Ret period. From the ICS CLOSE DEL RET menu select "Option G, Return Previously Filed, " and the appropriate closing action to close the Del Ret. Also indicate on the Form 3870, the transaction code and closing code to input to close the tax period the return was posted to.

7. Question: How is the LRA used in coding Del Rets if we have multiple MFT's on the Del Ret?

Answer: The coding is determined on the last return amount of the MFT being delinquency checked. If multiple MFT's are being delinquency checked at the same time and one MFT meets the criteria for coding, all other types of tax will also be coded on the Del Ret.

Form 940 Problems

1. Question: What should be done if taxpayer states that there was a consolidation or statutory merger during the tax period and a Form 940 was filed by the new entity?

Answer: From the ICS CLOSE DEL RET menu, select "Option D, No Return Secured/Final," . When the submenu is displayed select " Closing Action C, Change in Organization." However, if taxpayer states he sold business and new owner filed, determine if the taxpayer is also liable for Form 940.

2. Question: You have a 2000 Form 940 Del Ret. Your investigation reveals that the taxpayer, who was not liable for a 1999 Form 940, reported his 2000 liability on the preaddressed 1999 Form 940 without any indication it was to be considered a 2000 return. How do you close the Del Ret?

Answer: From the ICS CLOSE DEL RET menu select "Option G, Return Previously Filed," , and appropriate closing action. Prepare Form 3870 to change the period on the return to 2000. Include on Form 3870 the transaction code that will satisfy the 2000 tax module.

3. Question: If taxpayer states just the amount of wages paid in a quarter, must he/she also state the number of weeks any one employee worked before a determination of "not required to file this period" can be made?

Answer: The Del Ret may be closed using "Option C, No Return Secured, " and appropriate closing action if taxpayer states that either the number of weeks or the amount of wages was less than the requirement to file. Generally, you should accept taxpayer's statement of no liability unless conflicting information is present.

4. Question: You receive a Del Ret for a 200012 Form 940. The FR shows 0 or 1 and the LPS shows the last Form 941 filed was for the 199909 period?

Answer: Deletion of a FR prevents subsequent delinquency checks but any delinquency checks that have been made where the Del Ret has been delayed will keep a tax module open until an appropriate transaction code is posted. A final code for Form 941 will satisfy any subsequent delinquent tax modules but will not satisfy delinquent tax modules for other types of tax. Close the Del Ret by selecting "Option D, No Return Secured/Final," and appropriate closing action.

Form 941 Problems

1. Question: You receive a Del Ret on a partnership taxpayer for a Form 941. Your investigation reveals that they formed a corporation which filed the return under a new name without a TIN. How do you close your Del Ret?

Answer: Assure yourself that a Form SS4 has been submitted by the new entity or that an EIN has been issued to the new Corporate entity by researching IDRS. From the ICS CLOSE DEL RET menu select "Option D, No Return Secured/Final. " When the submenu is displayed select "Closing Action B, Business Transferred." Prepare Form 2363 to close out open FR's for other MFT's.

2. Question: You have a Del Ret on a corporation for a Form 941. Your investigation reveals that corporation was recently formed from a partnership and the return you seek was erroneously filed on a preaddressed return with the partnership name. How do you close this corporate Del Ret?

Answer: From the ICS CLOSE DEL RET menu select "Option G, Return Previously Filed," with the appropriate closing action. Prepare Form 3870 to transfer the assessment from the partnership to the corporation. If the changeover occurred in the middle of a quarter, secure a short period final return for the partnership and prepare Form 3870, Request for Adjustment, giving a full explanation and request expedite action. Attach the return to the Form 3870. Submit any payment for processing on Form 3244, Payment Posting Voucher, using TC 610 and document code 17. Also prepare a Form 2363 with TC 016 for the partnership and indicate 0 for all open filing requirements.

3. Question: You have a Del Ret for a Form 941 for the period 199909. ICS shows a FR of 0 and a return filed for 200003. How do you close this Del Ret if a return is secured for 199909?

Answer: From the ICS CLOSE DEL RET menu select "Option A, Return Secured, " with the appropriate closing action. Submit the return for processing marking it "Final." Although the FR is 0, the posting of a return will open the filing requirement if the return is not marked "Final."

4. Question: You receive a Del Ret without a FR for Form 941; however, the taxpayer is liable for tax. How does this happen?

Answer: Frequently, taxpayers will indicate "FINAL" on their fourth quarter return thinking that it is their final return of the year. The filing of a return will automatically turn the FR back on.

5. Question: You have a Del Ret for a Form 941. The taxpayer advises you that he has filed a final Form 941 taxable return under the same name and TIN shown on the Del Ret. How do you close this Del Ret?

Answer: After securing a signed copy of the return, select "Option G, Return Previously Filed," and appropriate closing action for the Del Ret module. Select "Option D, No Return Secured/Final," to close the subsequent period. This will ensure the elimination of the filing requirement even though the taxpayer may have indicated "FINAL " on his last Form 941.

6. Question: The taxpayer files a Form 941 return for one period and includes tax and wages for two periods. How do you close the Del Ret?

Answer: Secure a Form 941 return for the period on the Del Ret and a Form 941C for the period on which the return was filed. Prepare a Form 3870, Request for Adjustment, explaining the circumstances including instructions on transferring the credit and attach the Form 941 and 941C. Request expedite action on processing the adjustment. Close the Del Ret by selecting "Option A, Return Secured," and appropriate closing action from the ICS CLOSE DEL RET menu.

7. Question: You receive a Del Ret for Form 941E; however, taxpayer indicates they want to file Form 941 and pay FICA withholding on employees.

Answer: Secure the Form 941 return and Form SS15, Certificate Waiving Exemption From Taxes Under the Federal Insurance Contribution Act, from the taxpayer indicating that they wish to file Form 941. Close the Del Ret by selecting " Option A, Return Secured," and appropriate closing action from the ICS CLOSE DEL RET menu. The change in filing requirement will be input by the campus when Form SS15 is processed.

Form 943 Problem

Question: How will a Form 943 Del Ret be closed if the employer states that the only employee is the employer's son, but the age of the son is not stated?

Answer: From the ICS CLOSE DEL RET menu select "Option C, No Return Secured," with the appropriate closing action.

Form 1040 Problems

1. Question: How do we treat a Form 1040 when the taxpayer is a fiscal year filer?

Answer: Treat the taxpayer as a calendar year filer, with the exception that we are looking for a return filed other than YYYY12 (YYYY ____year or delinquency check). Do not change the filing status at the Master File.

2. Question: If the taxpayer is deceased, do you select "Option D, No Return Secured/Final," if the taxpayer was technically liable for a return for the period shown on the Del Ret?

Answer: If there is a technical liability for a return but the information for "this year" indicates little monetary liability, do not try to secure a return. Close the Del Ret using "Option D, No Return Secured/Final," and the appropriate closing action. Prepare Form 4844 to input a TC 540 and annotate the ICS history accordingly. If, on the other hand, a substantial tax liability exists, secure a return from the executor of the estate. If there is no estate to satisfy any part of a tax liability and there is no possibility of a transferee assessment, select " Option C, No Return Secured," with "Closing Action C, Little or no tax due (P-5-133)" .

3. Question: Del Ret is on the wife with her SSN. She filed a separate return using her deceased husband's SSN. What do you do?

Answer: Close the Del Ret by using "Option G, Return Previously Filed," and appropriate closing action because the name and number are correct on the Del Ret. Prepare a Form 3870 requesting adjustment by moving the return from the husband's number to the wife's number.

Form 1041 Problems

1. Question: Taxpayer states Form 706 was previously filed for the year in question?

Answer: This is an insufficient response. Tax paid on Form 706 — United States Estate Tax Return is based on evaluation of the property of the estate. Form 1041 is filed by the executor for the deceased taxpayer on income from an estate or trust.

2. Question: Taxpayer states all income was reported on 1040. What action do you take?

Answer: Verify that the estate or trust had no income for that period. From the ICS CLOSE DEL RET menu select "Option C, No Return Secured," with the appropriate closing action.

Form 1120 Problems

1. Question: You receive a Del Ret for a Form 1120, yet investigation reveals the taxpayer files a Form 1120S or other "lettered" Form 1120. How do you close this Del Ret module?

Answer: From the ICS CLOSE DEL RET menu close the Del Ret module by selecting "Option C, No Return Secured," and the appropriate closing action. Prepare Form 2363 to change the filing requirement to the correct Form 1120. If there is a Form 1120S filing requirement, confirm that the taxpayer filed a Form 2553, Election by a Small Business Corporation, which has been accepted for the Del Ret module. Secure Form 1120 if Form 2553 has not been filed.

Note:

Any actions (approved, denied, etc) taken regarding the Form 2553 will post to the entity as a TC 09X, check Document 6209 for specific details.

2. Question: The taxpayer has a Form 1120S filing requirement and informs the service that the corporation will now file Form 1120. If the campus turns on the filing requirement in any month prior to the Fiscal Year Month (FYM) established on the master file, is it possible to receive a Del Ret for a Form 1120?

Answer: Yes, when the next delinquency check is made, the program analysis will determine if the taxpayer filed a Form 1120 in the past twelve months. If not, a delinquency notice will be issued and if the tax module is not satisfied, a Del Ret will subsequently be issued. Close the Del Ret by selecting "Option C, No Return Secured," and the appropriate closing action from the ICS CLOSE DEL RET menu.

3. Question: You receive a Del Ret for a Form 1120 and find the taxpayer is responsible for filing Form 1120F, United States Income Tax Return of Foreign Corporation. How do you close this Del Ret?

Answer: Form 1120F is now included in the BMF. The filing requirement for the Form 1120F is 6. Prepare Form 2363 to change the filing requirement.

4. Question: What action do you take if taxpayer indicates Form 1120POL (Political Campaign Organization) was filed instead of Form 1120?

Answer: From the ICS CLOSE DEL RET menu select "Option G, Return Previously Filed," and the appropriate closing action. Prepare Form 2363 to change the filing requirement to 9 on the BMF.

5. Question: What action is required if the taxpayer states the corporation is exempt from filing because it is a non-profit organization?

Answer: Determine if the corporation has filed for tax exempt status. If so, find out the status of the request. If corporation has not applied, inform taxpayer that it must be filed and approved. Also request that the Form 1120 requested on the Del Ret be filed.

6. Question: You have a Del Ret requesting a Form 1120. The taxpayer is filing Form 990, having been granted exemption from income tax. How should this Del Ret be closed?

Answer: From the ICS CLOSE DEL RET menu select "Option D, No Return Secured/Final." When the submenu is displayed select the appropriate closing action.

7. Question: How do you close a Del Ret on Form 1120 for a non-existent corporation which has gone out of business and no one is willing to prepare the return?

Answer: See IRM 5.1.11.6.1.

8. Question: Taxpayer states return has not been filed, but that corporation showed a net loss. What action should be taken?

Answer: See IRM 5.1.11.6.1.

9. Question: You receive a Del Ret for a Form 1120. Investigation reveals the taxpayer is a subsidiary corporation being included in a consolidated return with a parent corporation. How do you close this Del Ret?

Answer: An election may be made for a subsidiary corporation to file with its parent. A copy of IRS Form 851, Affiliations Schedule, verifies the election status. Close the Del Ret by preparing Form 4844 to request input of TC 590 closing code 14. Write the EIN of the parent corporation on Form 4844.

10. Question: You have a Del Ret with a Form 1120 due for a stated period. Your investigation reveals that the taxpayer files a Form 1120 for a different period. How do you close the Del Ret?

Answer: From the ICS CLOSE DEL RET menu select "Option C, No Return Secured." When the submenu is displayed select the appropriate closing action. Prepare Form 2363 to change the fiscal year month (FYM). However, a short period return may be due and this possibility should be checked with the taxpayer.

Exhibit 5.1.11-3 (06-02-2004) Comprehensive List of Transaction Code 59X Closing Codes

Definition	Transaction Code		Closing Code		
			CFf,		
Return Secured		ACS/ CS	SPF	CSCO	OTHER
Taxable (before prepaid credits)	599	44	69	94	–
Nontaxable (TC 150=0)	599	46	71	96	–
Unassessable (Bankruptcy)	599	42	67	92	–
IRC 6020(b) Unagreed or SFR for RO Program	599	38	63	38	–
SFR Program Unagreed	599	–	–	88	–

IRC 6020(b) Agreed or SFR for RO Program	599	39	64	39	—
SFR Program Agreed	599	—	—	89	—
Return Previously Filed					
Filed as spouse on joint return	594	34	59	84	—
IRC 6020(b) Program	594	38	63	38	—
SFR Program		—	—	88	—
All other cases	594	33	58	83	—
No Return Secured					
Subsidiary Corporation filed under parent EIN	590	14	14	14	14
Not liable for return (BMF, NMF, EPMF only)	590	25	50	75	20
Income below filing requirement (IMF only)	590	26	51	76	—
Little or no tax due (P-5-133)	590	27	52	77	—
TP due refund	590	28	53	78	—
6020(b) — not/no longer liable	590-591	38	63	38	—
SFR — not/no longer liable	590-591	—	—	88	—
No longer liable (BMF, NMF)	591	25	50	75	97
TP is deceased (IMF)	591	25	50	75	97
All Other Closing Transactions					
IRC 6020(b)	593-598	38	63	38	—
SFR	593-598	—	—	88	—
All other cases	593, 595-598	32	57	82	97

ADDITIONAL CODES FOR INPUT BY CAMPUS

Definition	Transaction Code	Closing Code
System Generated Codes		
Satisfying TC in an earlier module for the same MFT	591-593	00
Short year tax return	590, 591	01
Suppressed International delinquency	590	02
Generated when an open Del Ret module	597	02

contains a dummy 150 and a TC 300		
Suppressed prior to return due date	590	03
Alternative FR — not liable for this MFT and period	590	04
Return being processed	599	06
FR deleted	591	10
TC 598 posted for 65 cycles	597	12
Unpostable return coded 305	599	13
Systemic closure of non-filer aged inventory	597	44
Return in block out of balance prior to delinquency check	590	54
Generated by ICS when a TC 591 or TC 593 closes an earlier module for the same type of tax	591,593	66
Return in block out of balance after delinquency check	599	99
Manually Generated Codes		
Form 11 FR deleted after notice	591	11
Filed as a Subsidiary	590	14
Unprocessable return	599	17
Return in process on or after Program Completion Date	599	18
Suppressed in notice status	590	19

Exhibit 5.1.11-4 (06-02-2004)
Substitute for Return for Revenue Officer (SFR for RO) worksheet

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Exhibit 5.1.11-5 (06-02-2004)
Return Delinquency Processing Flow Chart

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