

Handbook 5.1

General Handbook

Chapter 11

Delinquent Return Accounts

Contents

- [5.1] 11.1 Delinquent Return Investigations

- [5.1] 11.1.1 Taxpayer Contact

1. Revenue officers must ensure that taxpayers' rights are protected as they conduct delinquency investigations. At first contact, defined as telephone or field call, revenue officers will ensure that the taxpayer has received Publication 1, Your Rights As A Taxpayer. If first contact is by telephone and the taxpayer has not received a copy of the publication, the interview may be continued. However, a copy should be sent to the taxpayer by certified mail.
2. Revenue Officers are required to document the case file that the taxpayer has been provided this information.
3. Taxpayers who reach an impasse with interviewers regarding their liabilities will be given the opportunity to meet with the supervisory official. In these cases the taxpayers should be advised of their appeal rights even if they do not request a higher level of review.
4. The taxpayer may be represented during a taxpayer interview by any attorney, certified public accountant, enrolled agent, enrolled actuary, or any other person permitted to represent a taxpayer before the Service, who is not disbarred or suspended from practice before the Service and who has a properly executed power of attorney from the taxpayer.
5. If the taxpayer clearly indicates during an interview that he/she wishes to consult with a representative, the interview must be suspended to afford the taxpayer the opportunity to consult with the representative. If the taxpayer abuses this process through repeated delays or suspensions of interviews to consult with other representatives, the revenue officer should serve a collection summons upon the taxpayer. If a summons is not issued, the revenue officer will document the reasons for non-issuance of the summons.
6. Absent a summons, the taxpayer cannot be required to accompany the representative to the interview.
7. Revenue officers may notify the taxpayer that the representative is responsible for unreasonable delay or hindrance, request that the taxpayer appear for an interview and inform the taxpayer that a collection summons requiring the taxpayer's appearance at an interview may be issued.

8. **The revenue officer is free to pursue other avenues of enforcement such as 6020(b) procedures or referrals to Examination or Criminal Investigation Division** when the information available warrants this action, whether there is an impasse or not.
9. The revenue officer should attempt initial contact with the taxpayer at the taxpayer's residence or place of business when existing information is insufficient to resolve the delinquency investigation. While making the field contact, the revenue officer should review the taxpayer's standard of living, assets, number of employees and other pertinent information for assistance in determining potential liability and collection potential.

NOTE:

However, IRC 7602(e) prohibits the Service from using financial status or economic reality techniques to determine that the taxpayer received unreported income, absent a "reasonable indication" to the contrary.

10. If the TDI cannot be resolved following the initial attempt, the field investigation should include contacts with such third parties as are necessary to resolve the TDI (e.g., neighbors, business associates, employers, financial institutions). However, the revenue officer first must follow the Service's procedures for advising the taxpayer that third parties may be contacted and for keeping a record of such contacts. See IRM 5.1, General. When contacting third parties, field personnel are permitted to disclose information, but only to the extent necessary to get the information to resolve the case.
11. Local management may provide additional tools for ensuring proper documentation of these actions. The case file history should provide a cross-reference so that the information can be readily located.

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 - [5.1] 11.4.1 Minimal or No Tax Due on Returns and Collectibility Factors
- [5.1] 11.5 Refusal to File -- Initial Activity

1. Collection employees will not solicit delinquent returns when information is developed that a taxpayer's failure to file a required return is willful, or there is any indication of fraud. The employee will suspend activities and promptly report the findings to the District Fraud Coordinator.
2. The revenue officer will set a specific date for filing a return(s) on initial contact if no willful failure to file is established or no indication of fraud exists.
3. The taxpayer will be informed that failure to file the delinquent return(s) by the specific date will be considered a refusal to file under the provisions of the Internal Revenue Code and enforcement action may be taken.
4. Enforcement action taken by Collection employees includes:
 - A. Referral to the District Fraud Coordinator
 - B. Referral to the Criminal Investigation Division, See Fraud Referral Handbook
 - C. Summons, see IRM 109.1
 - D. Referral to Examination, see Section 11.7 of this chapter
 - E. Referral to the ASFR unit
 - F. Processing of employment, excise tax and partnership returns under 6020(b) of the Internal Revenue Code.

- [5.1] 11.6 Referrals to Criminal Investigation
 - [5.1] 11.6.1 Preparing and Processing Referrals
- [5.1] 11.7 Referrals to Examination

If after the revenue officer has completed a field investigation, the taxpayer fails to file a return(s) and it is determined that the failure to file is not willful or there is no indication of fraud, the case may be referred to Examination. (See IRM 104.2 Fraud Referral for definitions of willfulness and indications of fraud criteria.) Do not refer the taxpayer to Examination if:

- The case may be closed by criteria established in Section 11.4 of this chapter, or
- All attempts to locate the taxpayer or their legal representative have been unsuccessful.

EXCEPTION:

make a referral if the taxpayer has assets that may be attached and/or current taxable income even if the taxpayer is unable to locate or unable to contact.

Refer to Examination only those Business Masterfile (BMF) taxpayers that cannot have returns prepared under authority of Internal Revenue Code section 6020(b) or where there is an employee classification issue.

- [5.1] 11.7.1 Preparation of Form 3449
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- [5.1] 11.7.5 Employer/Employee Relationship Questions
- **[5.1] 11.8 Substitute for Returns**
 1. The Service may prepare an individual's income tax return on their behalf under Section 6020(b) of the IRC. The Automated Substitute for Return (ASFR) system was designed to assess returns of wage earners who fail to file using Information Return Master File (IRMF) information. The automated process is located in the service centers.
 2. TDIs are referred to ASFR for processing when there are no unresolved taxpayer delinquent accounts (TDA) associated with the taxpayer and if the case meets certain selection code criteria. The case may be sent to ASFR directly after the final TDI notice by the Automated Collection System (ACS) or by revenue officers.
 3. Revenue officers may refer IMF TDIs to ASFR when they meet the following criteria:
 - A. the taxpayer is not self-employed
 - B. the total income is less than \$100,000

EXCEPTION:

Refer the taxpayer whose module(s) is selection code 39.

 - C. the IRP income is more than 75% of the taxpayer's AGI or TPI shown for the last return filed (LRF)
 - D. the selection code is 12, 13, 14, 39, 93 or 94
 - E. the tax year is no older than six years prior to the current year
 - F. there is no current or pending TC 530 on the account.
 - G. the taxpayer address has been verified.
 4. Prior to sending the TDI to ASFR complete the following:
 - A. Resolve all open TDAs.
 - B. Request on Form 4844, Request for Terminal Action, that the number DOAO8000, be input to reassign the case to ASFR.
 - C. Attach Form 4844 to the TDI and process the TDI as a closed case using routine local procedures.

NOTE:

Terminal input operators will input directly on IDRS terminals the reassignment to ASFR.
 5. Since installment agreement cannot be made if there are unfiled returns, TDIs with proposed installment agreements or in Collection status 60 cannot be processed through ASFR.

6. If TDAs are resolved by continuous levy (status 60 with the agreement locator number of XX08), refer a TDI to ASFR. Prepare Form 4844 to request that the service center open a control base for the delinquent years using CC ACTON, category code "SFR" , status code "B" . Do not assign the TDI to DOAO8000.
7. Infrequently, the revenue officer may receive a TDA after the related TDI is sent for ASFR processing. The TDI status will be identified by the literal "SFR" as the category code in the Case Control and History section of CC TXMOD.

If...	Then...
the 30 or 90 day letter has been sent to the taxpayer	the TDI will be T-signed to DOAO8000.
the 30 or 90 day letter has not been sent to the taxpayer	both the TDA and TDI will be reassigned to a revenue officer

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. If a return is secured for a period being ASFR'd, attach Form 1725, Routing Slip, to the face of the return(s). Annotate Form 1725 with the following: "Route return(s) to the service center, Attn: ASFR Unit" . Submit through normal district channels. If the TDA is resolved and the TDI is still assigned to ASFR, change the assignment number to DOAO8000 via Form 4844. Use Form 3210, Document Transmittal to notify the service center ASFR Unit of any change in address, DTRs, correspondence or other information affecting the TDI in ASFR.

■ [5.1] 11.9 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 942, Employer's Quarterly Tax Return for Household Employees
 - D. Form 943, Employer's Annual Tax Return for Agricultural Employees
 - E. Form 720, Quarterly Federal Excise Tax Return
 - F. Form 2290, Heavy Vehicle Use Tax Return
 - G. Form CT-1, Employer's Annual Railroad Retirement Tax Return
 - H. Form 1065, U.S. Partnership Return of Income
2. The following are authorized to execute returns under IRC 6020(b):
 - A. Revenue officers.
 - B. Automated Collection System (ACS) and Collection Support function (CSf) managers GS-9 and above.

□ [5.1] 11.9.1 Taxpayer Contact

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, 942 and 943).
- B. Name of states in which wages were paid (Form 940).
- C. Number of partners in the partnership, their names, addresses and social security numbers (Form 1065).
- D. Type of truck, number of axles, gross weight of vehicle and tax due (Form 2290).

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. Explain the trust fund recovery penalty, if applicable. If collection of the tax on a delinquent return appears to be in jeopardy, follow the procedures for prompt and jeopardy (IRM 5.1, Chapter 4) assessments. If the taxpayer is in a receivership or probate proceeding, follow the procedures for quick assessments in IRM 5.1, Chapter 4. A summons is not required before using IRC 6020(b) authority. In some cases a summons may be necessary to establish the amount of the liability, see IRM 109.1 Summons Handbook for guidelines. A field call is required before using IRC 6020(b) authority. 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] 11.9.2 Preparation and Approval of Returns

1. Use Form 5604, Section IRC 6020(b) Action Sheet to prepare returns under the authority of IRC 6020(b).
2. Include a complete explanation of the basis for the assessment in Section 1 of Form 5604. Use information from the taxpayer such as wages paid, income tax withheld and FTDs to establish the correct liability.
3. 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.
4. 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 TDI 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. The inflation factor is not applicable if the TDI module is BEFORE the LPS module data.

EXAMPLE:

Do not calculate the inflation factor if the LPS is 9203 and the delinquent period is 9112.

5. Prepare a return for the current tax period if that period becomes delinquent during the IRC 6020(b) process.
6. Prepare the tax returns in sets. A completed set includes an original and one copy of each return for each tax period.
7. Field Support Units, may at the option of local management, perform all phases of the IRC 6020(b) clerical and review process. This includes signing returns and submitting them for routine processing. If the taxpayer files a self-prepared return, forward it to the initiator with Form 5604.
8. The Collection employee's manager will review Form 5604 and related documentation, including returns, for accuracy of computation and appropriateness of assessment.
9. If the recommendation is approved the manager will sign Letters 1085(DO) or 1616 (DO).
10. Mail to the taxpayer Letters 1085 (DO) or 1616(DO) with an original returns. Retain the copy of the tax return in the case file to use if the taxpayer does not sign or file self-prepared returns.

□ 5.1] 11.9.3 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 Field Support Unit while the case is pending in Appeals.
2. If a Field Support Unit 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. Input Transaction Code (TC) 597, closing code 63 to place the TDI in suspense while the taxpayer exercises the right of appeal.
4. The group manager or Field Support Unit 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 service center for assessment with Part 1 of Form 5604.

[5.1] 11.9.4 Preparing Returns for Assessment

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). In all cases if payment of the proposed return is not received, follow procedures in Section 11.3 of this chapter. 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 Section 11.3 of this chapter.

The failure to pay penalty on returns assessed under IRC 6020(b) begins on the 11th day after notice and demand. See Revenue Ruling 76-562, IRM 120.1, Penalty Handbook.

- [5.1] 11.9.5 Unable to Locate and Unable to Contact Cases
- [5.1] 11.10 TDI Completions
 - [5.1] 11.10.1 Transaction Codes
 - [5.1] 11.10.2 TC 590 -- Not Required to File for this Period Only
 - [5.1] 11.10.3 TC 591 -- Final
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 - [5.1] 11.10.5 TC 594 -- Return Previously Filed
 - [5.1] 11.10.6 TC 595 -- Referrals to Examination or EP/EO Divisions
 - [5.1] 11.10.7 TC 596 -- Referrals to Criminal Investigation
 - [5.1] 11.10.8 TC 597 -- Surveyed
 - [5.1] 11.10.9 TC 598 -- Shelved
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- [5.1] 11.11 Delinquent Investigation Account Listing (DIAL)
 - [5.1] 11.11.1 Matching Procedures
 - [5.1] 11.11.2 Collection Statute Expiration Date
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 - [5.1] 11.11.4 Large Dollar Accounts
- [5.1] 11.12 Delinquency Check Programs
 - [5.1] 11.12.1 Tax Liability of Entities and Individuals from Canada and Mexico
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 - [5.1] 11.13.1 Service Center Collection Branch Processing

- [\[5.1\] 11.13.2 Automated Collection Branch Processing](#)
 - [\[5.1\] 11.13.3 Collection Field Function \(CFf\) Processing](#)
- [Exhibit \[5.1\] 11-1 Index for Questions and Answers to Assist in the Disposition of TDI](#)
- [Exhibit \[5.1\] 11-2 Questions and Answers to Assist in the Disposition of TDIs \(Reference: IRM 5.1.11.9\)](#)
- [Exhibit \[5.1\] 11-3 Comprehensive List of Transaction Code 59X Closing Codes](#)
- [Exhibit \[5.1\] 11-4 DIAL Format](#)

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Handbook 5.1

General

Chapter 12

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- [\[5.1\] 12.8 Reopening Examination Cases](#)

1. Treasury Regulation 301.6404-1 provides that the district director or the director of the regional service center may abate any assessment, or unpaid portion thereof, if:
 - A. the assessment is in excess of the correct tax liability,
 - B. the assessment is made subsequent to the expiration of the applicable period of limitations, or
 - C. the assessment has been erroneously or illegally made.
2. Directors should use their discretionary authority in determining whether tax assessments involving illegal tax protestors and taxpayers with a history of repeatedly ignoring statutory notices are to be reconsidered. Reconsideration will be based upon the facts and circumstances of the case.
3. When exercising this discretionary authority, Service employees should consider the need and opportunity to bring noncompliant taxpayers into compliance.
4. Abatement requests will not be considered if:
 - A. the assessment was made as a result of a closing agreement under Section 7121 of the Internal Revenue Code or in which the tax liability was compromised under Section 7122 of the Internal Revenue Code;
 - B. the assessment was made after final TEFRA administrative proceedings;
 - C. the assessment was made as a result of the taxpayer entering into agreement on Form 870-AD, Offer of Waiver of Restrictions on Assessments and Collection of Deficiency in Tax of Acceptance of Overpayment;
 - D. the assessment results from a final order of the United States Tax Court or other court.

[5.1] 12.8.1 Correction Requests for Reconsideration of Deficiency Assessments

1. When a taxpayer states that a deficiency has been incorrectly assessed, advise the taxpayer that the request must be in writing. Except as noted in Section 12.8(4) in this chapter, abatement requests should be accepted for reconsideration if:
 - A. the taxpayer requests in writing that an assessment be abated based upon enclosed information which, if timely submitted, would have resulted in a change in the assessment;
 - B. the taxpayer files an original delinquent return after an assessment was made as a result of a return executed by the Service under Section 6020(b), Substitute for Return program (SFR);
 - C. the Service made a computational or processing error in adjusting the tax.
2. If the taxpayer filed a return for the period in question, advise the taxpayer to include the following in their request:
 - A. a written request or amended return which identifies the prior examination issues(s) and the reason for the abatement requested;
 - B. the examination report (if available);
 - C. documents supporting their position;

3. If the taxpayer never filed a return, request they file an original delinquent return. Review the taxpayer's substantiation and determine if sufficient to allow the Service to abate the previous assessment.

NOTE:

See Exhibit 12-2 for Standard Information Paragraphs on what records should be supplied to support the adjustment.

4. For SFR assessments where an original return has now been secured, date stamp the original delinquent return. **Verify that each return is complete** (contains all schedules, **is properly signed, etc.**) and all income is reported per the prior examination report.
5. Prepare a Form 3870, Request for Adjustment, identified as "Taxpayer's Request for Reconsideration of Deficiency Assessment" . A copy of the taxpayer's request for reconsideration and documentation should be attached to the form. Retain a copy of Form 3870 and all supporting documentation with the Collection case file.
6. Secure payment of installment agreement for any deficiency not being reconsidered. Secure levy sources for future collection. Identify on the Form 3870 if a Federal Tax Lien has been filed. Suspend collection on the amount being reconsidered.
7. For cases where it is not feasible to send all documentation with the request, advise the taxpayer they must present all substantiation at the time of field or office interview. Advise the taxpayer that failure to respond to or cooperate with the examiner will result in the case being returned to Collection for resumed collection action. No further consideration will then be given to the abatement request until the tax is paid in full.
8. Forward the complete package with Form 3210, Document Transmittal, to the originating function:
 - A. local service center when any service center made the original assessment;
or
 - B. local district (Examination) Chief, Planning and Special Programs when any district office made the original assessment.
 - C. local Appeals Office when any Appeals Office made the original assessment.
9. Send Letter 2727(P) to the taxpayer to advise them where you sent the request. See Exhibit 12-4.
10. Use Letter 2726(P) (Exhibit 12-3) to advise taxpayers whose requests are not reconsidered that their assessment will not be adjusted.

[5.1] 12.8.2 Premature Assessments in Tax Court Cases

[5.1] 12.8.3 Other Cases Reopened by Examination

■ [5.1] 12.9 Insolvent Financial Institutions -- Provisions of the IRS-RTC/FDIC Agreement

[5.1] 12.9.1 General Procedures

■ [5.1] 12.10 Foreign Insurance Company Delinquent Accounts

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- [5.1] 12.19 Backups Withholding Processing for Collection Field function
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- Exhibit [5.1] 12-2 Standard Information Paragraphs
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- Exhibit [5.1] 12-3 Letter 2726(P)
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5.18 LIABILITY DETERMINATION:

- 5.18.1 Automated Substitute for Return (ASFR) Program

Part 5

Collecting Process

Chapter 18

Liability Determination

Section 1

Automated Substitute for Return (ASFR) Program

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 - 5.18.1.1 Automated Substitute for Return (ASFR) Program Overview
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Automated Substitute for Return (ASFR) Program Overview

This chapter outlines ASFR duties.

Service Center Collection Branch (SCCB) administers the ASFR program. SCCB prepares a Substitute for Return under the authority of Internal Revenue Code (IRC) 6020(b) and issues a Statutory Notice of Deficiency as authorized by IRC 6212.

Exhibit 5.18.1-1 provides an overview of this section in flowchart format.

5.18.1.2 (01-01-2002)

What is ASFR?

ASFR is a program that requires compliance by taxpayers who have not filed individual income tax returns, but owe a significant income tax liability. ASFR determines and assesses the correct tax liability by:

Securing valid income tax return from the taxpayer

Computing tax, penalties, and interest, based upon Information Reporting Program (IRP) information submitted by payors, combined with other internally available information.

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 - 5.18.1.7.90.3 Status 903: PRINT, Case Major
 - 5.18.1.7.90.4 Status 904: PRINT, 30-Day Cover Letter, Page 1
 - 5.18.1.7.90.5 Status 905: PRINT, Exam Report, Pages 1 and 2
 - 5.18.1.7.90.6 Status 906: PRINT, Exam Report, Consent Page
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 - 5.18.1.7.90.8 Status 908: PRINT, Copy of Stat Notice
 - 5.18.1.7.90.9 Status 911: LETTER, Taxpayer Reply Acknowledged
 - 5.18.1.7.90.10 Status 912: LETTER, Grants Extension Pre-Stat Notice
 - 5.18.1.7.90.11 Status 913: LETTER, Credit for the Permanently Disabled, Schedule R
 - 5.18.1.7.90.12 Status 914: LETTER, IRA Rollover Information Request
 - 5.18.1.7.90.13 Status 915: LETTER, Possible Refund Due if Return Filed
 - 5.18.1.7.90.14 Status 916: LETTER, Refund Hold
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 - 5.18.1.7.90.16 Status 918: HISTORY ITEM , Refund Hold Letter Sent by IDRS
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 - 5.18.1.7.90.18 Status 921: LETTER, Return Accepted as Filed
 - 5.18.1.7.90.19 Status 922: LETTER...Tax Adjusted Before Stat Notice
 - 5.18.1.7.90.20 Status 923: LETTER...Tax Adjusted After Stat Notice

- 5.18.1.7.90.21 Status 924: LETTER...Claim Disallowed Before Stat Notice
- 5.18.1.7.90.22 Status 925: LETTER...Claim Disallowed After Stat Notice
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- 5.18.1.7.90.24 Status 931: LETTER...W-2 Inquiry Sent to Employer
- 5.18.1.7.90.25 Status 932: LETTER, Income Verified/Claim Rejected Before Stat
- 5.18.1.7.90.26 Status 933: LETTER, Income Verified/Claim Rejected Before Stat
- 5.18.1.7.90.27 Status 934: LETTER, Postal Tracer to Locate Address
- 5.18.1.7.90.28 Status 935: LETTER, to Employer/Bank for Address Information
- 5.18.1.7.90.29 Status 940: STAT NOTICE--UD, No Address Research Required
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- 5.18.1.7.90.31 Status 950: STAT NOTICE , Response From Taxpayer
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 - 5.18.1.7.91.5 ASFR-203 REPORT: 30-DAY LETTER PROGRAM REPORT--COLLECTION
 - 5.18.1.7.91.6 ASFR-204 REPORT: IDRS RESEARCH SUMMARY REPORT
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 - 5.18.1.7.91.8 ASFR-210 REPORT: USER LISTING
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- 5.18.1.7.91.12 ASFR-214 REPORT: PRIORITY BY ENTITY REPORT
 - 5.18.1.7.91.13 ASFR-215 REPORT: NEW RECEIPTS WITH NON-NUMERIC ZIP CODES
- 5.18.1.7.92 ASFR Lists
 - 5.18.1.7.92.1 ASFR-400 LIST: IDRS RESEARCH ERROR LIST
 - 5.18.1.7.92.2 Entity Not on IDRS Error Condition- Status 039
 - 5.18.1.7.92.3 No Open TDIs for Taxpayer Error Condition -- Status 039
 - 5.18.1.7.92.4 MODULE Not on IDRS Error Condition- Status 039
 - 5.18.1.7.92.5 Modules Not in Active TDI Status Condition- Status 039
 - 5.18.1.7.92.6 Open V, L, Z or A Freeze Error Condition- Status 039
 - 5.18.1.7.92.7 No Analysis Performed On This Module Error Condition -- Status 039
 - 5.18.1.7.92.8 Unknown Type, Check Error Condition- Status 039
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 - 5.18.1.7.92.10 TSIGN Not 8000 Error Condition-Status 039
 - 5.18.1.7.92.11 Open C, T, W Freezes Error Condition- Status 039
 - 5.18.1.7.92.12 TC 150 Already on Module Error Condition-Status 039
 - 5.18.1.7.92.13 TC 610 or TC 640--Look for a Return Error Condition-Status 039
 - 5.18.1.7.92.14 TC 59X on Module Error Condition-Status 039
 - 5.18.1.7.92.15 TC 66X or TC 67X--Check for a Return Error Condition-Status 039
 - 5.18.1.7.92.16 No TC 150 on This Module Error Condition
 - 5.18.1.7.92.17 TC 150, but not a "Dummy" Return Error Condition-Status 039
 - 5.18.1.7.92.18 No TC 494 Posted to Module Error Condition-Status 039
 - 5.18.1.7.92.19 No TC 290 Posted to Module Error Condition-Status 039
 - 5.18.1.7.92.20 TC 290 Posted, but Not TC 59X Error Condition-Status 039
 - 5.18.1.7.92.21 Open TDA Error Condition
 - 5.18.1.7.92.22 Possible Address Change Error Condition

- 5.18.1.7.93 ASFR-405 LIST: ASFR REFUND HOLD RESEARCH LIST
- 5.18.1.7.94 ASFR-406 LIST: ASFR REFUND HOLD ANALYSIS LIST
- 5.18.1.7.95 ASFR-407 LIST: ASFR REFUND HOLD MONEY TRANSFER LIST
- 5.18.1.7.96 ASFR-408 LIST: REFUND HOLD--SIX-MONTH EXPIRATION ALERT
- 5.18.1.7.97 ASFR-410 LIST: 30-DAY CASE CONTROL LISTING
- 5.18.1.7.98 ASFR-411 LIST: "DUMMY" TC 150 ANALYSIS LIST
- 5.18.1.7.99 ASFR-413 LIST: 30-DAY LETTER ERROR LIST
- 5.18.1.7.100 ASFR-420 LIST: POWER-OF-ATTORNEY (POA) LIST (1)
- 5.18.1.7.101 ASFR-421 LIST: TERMINATED CASE LIST
- 5.18.1.7.102 ASFR-422 LIST: STAT NOTICE PACKAGE COULD NOT BE PRODUCED
- 5.18.1.7.103 ASFR-423 LIST: TDAs ASSIGNED TO TSIGN 8000
- 5.18.1.7.104 ASFR-424 LIST: NO ACTIVITY LIST
- 5.18.1.7.105 ASFR-425 LIST: FOREIGN ZIP CODE LISTING
- 5.18.1.7.106 ASFR-427 LIST: ASFR ACCOUNT TRANSCRIPTS
- 5.18.1.7.107 ASFR-428 LIST: PAPER DOCUMENT ASSOCIATION LIST
- 5.18.1.7.108 ASFR-429 LIST: ASFR CASES REQUIRING MANUAL CONTROL BASE CLOSURE
- 5.18.1.7.109 ASFR-430 LIST: OVER \$100,000 Status 015 LIST
- 5.18.1.7.110 ASFR-432 LIST: CASES WITH NO NAME/ADDRESS
- 5.18.1.7.111 ASFR-433 LIST: Status ??? CHECKLIST
- 5.18.1.7.112 ASFR-434 LIST: LISTING OF MODULES BY RECEIPT CYCLE
- 5.18.1.7.113 ASFR-435 LIST: LISTING OF MODULES BY ASFR STATUS CODES
- 5.18.1.7.114
- 5.18.1.7.115 ASFR-440 LIST: IDRS MATCH-SUMMARY REPORT
- 5.18.1.7.116 ASFR 441 LIST: IDRS MATCH CLOSED ON IDRS
- 5.18.1.7.117 AFR 442 LIST: IDRS MATCH MISSING ON ASFR
- 5.18.1.7.118 ASFR 443 LIST: IDRS MATCH-NOT TIGNED 8000
- 5.18.1.7.119 ASFR 444 LIST: IDRS MATCH-BMF WITH TSIGN 8000
- 5.18.1.7.120 ASFR-445 LIST: MISSING IRP DIAGNOSTIC LIST

- [5.18.1.7.121 ASFR-446 LIST: LIST OF OPEN CASES BY EMPLOYEE ID](#)
- [5.18.1.7.122 ASFR 100 CHART: ASFR INPUT/OUTPUT](#)
- [5.18.1.7.123 Computing Taxable Income](#)
- [5.18.1.7.124 Computing Tax Due](#)
- [5.18.1.7.125 Computing Penalties](#)
- [5.18.1.7.126 Computing Interest](#)
- [5.18.1.7.127 Initiating an ASFR Assessment](#)

5.18.1.7.127 (01-01-2002)

Initiating an ASFR Assessment

1. To post a TC 150 to the module, each ASFR tax module must have a "Dummy" Form 1040 processed. This allows any later assessment (TC 290) to post to the module and identifies any taxpayer's return as a return subject to ASFR or Examination verification before acceptance.

- [5.18.1.7.128 Preparing and Processing ASFR Dummy Return](#)

5.18.1.7.128 (01-01-2002)

Preparing and Processing ASFR Dummy Return

1. The dummy return is electronically posted by ELF. No paper return exists. The DLN is the same as the paper document would be. Do not attempt to request the DLN from files or try to associate anything with it.

When an individual return sent for ELF does not post, you may use the menu options to recreate the dummy TC 150.

- [5.18.1.7.129 Letter 2566 SC/CG \(30-Day Letter Package\)](#)
- [5.18.1.7.130 Statutory Notice of Deficiency \(ASFR 90-Day Letter Package\)](#)
- [5.18.1.7.131 Civil Appeal Rights Cases and Cases Docketed by U.S. Tax Court](#)
- [5.18.1.7.132 Processing Taxpayer Response](#)
- [5.18.1.7.133 Responding to Taxpayer Inquiry](#)
- [5.18.1.7.134 Taxpayer Advocate Criteria](#)
- [5.18.1.7.135 Returns or Partially Agreed Responses](#)
- [5.18.1.7.136 Examination Correspondence and Response Criteria](#)
- [5.18.1.7.137 Types of Examination Correspondence and Response Criteria](#)
- [5.18.1.7.138 Power-Of-Attorney \(POA\)](#)
- [5.18.1.7.139 Third Party Contact](#)
- [5.18.1.7.140 Capturing Telephone Number Information](#)
- [5.18.1.7.141 Updating Address Information](#)

- [5.18.1.7.142 Freedom of Information Request](#)
- [5.18.1.7.143 Undeliverable Mail Responses](#)
- [5.18.1.7.144 Address Research](#)
- [5.18.1.7.145 Undelivered 30-Day Letter](#)
- [5.18.1.7.146 Postal Tracer](#)
- [5.18.1.7.147 Undelivered 90-Day Letter \(Statutory Notice of Deficiency\)](#)
- [5.18.1.7.148 Agreed Response \(30 or 90 Day\)](#)
- [5.18.1.7.149 TAXPAYER CONSENT FORM](#)
- [5.18.1.7.150 Explanations Which Would Reduce Tax Liability](#)
- [5.18.1.7.151 Recalculation of Assessment](#)
- [5.18.1.7.152 Processing ASFR Returns](#)
- [5.18.1.7.153 Disagreed Responses](#)
- [5.18.1.7.154 Most Common Disagreed Responses](#)
- [5.18.1.7.155 Math Error](#)
- [5.18.1.7.156 Incorrect Tax Year](#)
- [5.18.1.7.157 Credit for the Elderly or the Disabled](#)
- [5.18.1.7.158 Rollover](#)
- [5.18.1.7.159 No Knowledge of Income](#)
- [5.18.1.7.160 Income Belongs to Another Taxpayer](#)
- [5.18.1.7.161 Foreign Income Exclusion](#)
- [5.18.1.7.162 Interest Income](#)
- [5.18.1.7.163 Income Previously Reported](#)
- [5.18.1.7.164 Dividends](#)
- [5.18.1.7.165 Bankruptcy](#)
- [5.18.1.7.166 Partnership Return](#)
- [5.18.1.7.167 Information Return](#)
- [5.18.1.7.168 Taxpayer Is Deceased](#)
- [5.18.1.7.169 Request to Rescind Statutory Notice of Deficiency](#)
- [5.18.1.7.170 Types of ASFR Returns](#)
- [5.18.1.7.171 Consolidation of ASFR Audit Reconsiderations](#)
- [5.18.1.7.172 Processing Returns Filed Prior to a Default Assessment](#)
- [5.18.1.7.173 Processing Reconsideration Returns](#)
- [5.18.1.7.174 General Adjustments Instructions](#)
- [5.18.1.7.175 Math Error/Unallowable Deduction](#)
- [5.18.1.7.176 Unreported Income](#)
- [5.18.1.7.177 Net Operating Loss](#)
- [5.18.1.7.178 Change of Filing Status](#)
- [5.18.1.7.179 Taxpayer Claimed Filed Jointly Under Another TIN](#)
- [5.18.1.7.180 Signatures on Return](#)

5.18.1.7.180 (01-01-2002)

Signatures on Return

1. **Generally a return is not considered without valid signatures.** If filing status is joint, both signatures must be present **Fax and/or photocopy signatures are not valid.** Correspond with taxpayer to request a signature. Suspend case to allow taxpayer to respond.

If	Then
Taxpayer does not respond and tax return shows a tax increase (balance due)	Process return and refer to Exam.
Taxpayer does not respond and return shows a tax decrease (refund)	Disallow return. Continue ASFR processing.

- 5.18.1.7.181 Deceased Taxpayer--Form 1310
- 5.18.1.7.182 Exemptions
- 5.18.1.7.183 Standard Deduction
- 5.18.1.7.184 Itemized Deduction
- 5.18.1.7.185 Posting ASFR Adjustments
- 5.18.1.7.186 Posting ASFR Assessments After 30-Day Letter Issued
- 5.18.1.7.187 Posting ASFR Assessments After 90-Day Letter Issued
- 5.18.1.7.188 Entity Changes
- 5.18.1.7.189 Address Change
- 5.18.1.7.190 Location Code
- 5.18.1.7.191 Credit Reference Number
- 5.18.1.7.192 Unpostable Conditions
- 5.18.1.7.193 Estimated Tax Penalty
- 5.18.1.7.194 Failure-to-Pay (FTP) Penalty
- 5.18.1.7.195 Failure-to-File (FTF) Penalty
- 5.18.1.7.196 Interest
- 5.18.1.7.197 Lien Fee
- 5.18.1.7.198 Credit/Reference Items
- 5.18.1.7.199 Backup Withholding
- 5.18.1.7.200 Additional/Abated Tax Assessment
- 5.18.1.7.201 Reporting Adjustment to Federal/State
- 5.18.1.7.202 Installment Agreement Requests
- 5.18.1.7.203 Assembling Source Documents
- Exhibit 5.18.1-1 Automated Substitute For Return (ASFR) Program Flowchart
- Exhibit 5.18.1-2 IMF TDI Supplement
- Exhibit 5.18.1-3 List Of Valid Document Codes For TY 1991-TY 1997
- Exhibit 5.18.1-4 SFR/IDS Error Register
- Exhibit 5.18.1-5 ASFR 200 Report
- Exhibit 5.18.1-6 ASFR 201 Report
- Exhibit 5.18.1-7 ASFR 202 Report

- Exhibit 5.18.1-8 ASFR 203 Report
- Exhibit 5.18.1-9 ASFR 204 Report
- Exhibit 5.18.1-10 ASFR 205 Report
- Exhibit 5.18.1-11 ASFR 210 Report
- Exhibit 5.18.1-12 ASFR 211 Report
- Exhibit 5.18.1-13 ASFR 212 Report
- Exhibit 5.18.1-14 ASFR 213 Report
- Exhibit 5.18.1-15 ASFR 214 Report
- Exhibit 5.18.1-16 ASFR 215 Report
- Exhibit 5.18.1-17 ASFR 400 List
- Exhibit 5.18.1-18 ASFR 405 List
- Exhibit 5.18.1-19 ASFR 406 List
- Exhibit 5.18.1-20 ASFR 407 List
- Exhibit 5.18.1-21 ASFR 408 List
- Exhibit 5.18.1-22 ASFR 410 List
- Exhibit 5.18.1-23 ASFR 411 List
- Exhibit 5.18.1-24 ASFR 413 List
- Exhibit 5.18.1-25 ASFR 414 List
- Exhibit 5.18.1-26 ASFR 420 List
- Exhibit 5.18.1-27 ASFR 421 List
- Exhibit 5.18.1-28 ASFR 422 List
- Exhibit 5.18.1-29 ASFR 423 List
- Exhibit 5.18.1-30 ASFR 424 List
- Exhibit 5.18.1-31 ASFR 425 List
- Exhibit 5.18.1-32 ASFR 426 List
- Exhibit 5.18.1-33 ASFR 427 List
- Exhibit 5.18.1-34 ASFR 428 List
- Exhibit 5.18.1-35 ASFR 429 List
- Exhibit 5.18.1-36 ASFR 430 List
- Exhibit 5.18.1-37 ASFR 432 List
- Exhibit 5.18.1-38 ASFR 433 List
- Exhibit 5.18.1-39 ASFR 434 List
- Exhibit 5.18.1-40 ASFR 435 List
- Exhibit 5.18.1-41 ASFR 440 List
- Exhibit 5.18.1-42 ASFR 441 List
- Exhibit 5.18.1-43 ASFR 442 List
- Exhibit 5.18.1-44 ASFR 443 List
- Exhibit 5.18.1-45 ASFR 444 List
- Exhibit 5.18.1-46 ASFR 445 List
- Exhibit 5.18.1-47 ASFR 446 List
- Exhibit 5.18.1-48 ASFR 447 List
- Exhibit 5.18.1-49 ASFR 449 List
- Exhibit 5.18.1-50 30-Day Letter Package Supplement
- Exhibit 5.18.1-51 90-Day Letter Package
- Exhibit 5.18.1-52 ASFR 911 Letter
- Exhibit 5.18.1-53 ASFR-915 Letter - Possible Refund if Return is Filed

- [Exhibit 5.18.1-54 ASFR-916 Letter - Refund Freeze](#)
- [Exhibit 5.18.1-55 ASFR 922 Letter](#)
- [Exhibit 5.18.1-56 ASFR 923 Letter](#)
- [Exhibit 5.18.1-57 ASFR 924 Letter](#)
- [Exhibit 5.18.1-58 ASFR 925 Letter](#)
- [Exhibit 5.18.1-59 ASFR 934 Letter](#)
- [Exhibit 5.18.1-60 Dummy Form 1040](#)
- [Exhibit 5.18.1-61 Document 6469 Expedite Processing Cycle](#)
- [Exhibit 5.18.1-62 Taxpayer Response Guide](#)
- [Exhibit 5.18.1-63 ASFR 917 Letter](#)
- [Exhibit 5.18.1-64 ASFR IDRS Checks](#)
- [Exhibit 5.18.1-65 Input / Output Files](#)

5.18.1.1 (01-01-2002)

Internal Revenue Manual Part 5 Collecting Process Chap. 18 Liability Determination
 Sec. 1 Automated Substitute for Return (ASFR) Program (01-01-2002)

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- [5.18.2 Business Returns IRC 6020\(b\) Processing](#)

Part 5

Collecting Process

Chapter 18

Liability Determination

Section 2

Business Returns IRC 6020(b) Processing

Contents

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IRC 6020(b)

IRC 6020(b) provides a way to prepare returns and secure assessments from non-filing business taxpayers who:

Have an open filing requirement

Are required to file a return

Do not file a return as required

Exhibit 5.18.2-1 provides an overview of this section in flowchart format.

5.18.2.2 What Is Business Returns IRC 6020(b) Processing?

5.18.2.2 (08-01-2001)

What Is Business Returns IRC 6020(b) Processing?

Internal Revenue Code Section 6020(b) is the authority given to the Commissioner of the Internal Revenue Service to prepare and process returns for non-filing taxpayers.

Delegation Order No. 182 (Rev. 7), extends 6020(b) authority to Internal Revenue Agents; Tax Auditors; Revenue Officers; GS-9 and above; Collection Support function managers, GS-9 and above; Service Center Collection Branch Managers GS-9 and above; Automated Collection Branch Unit Managers, GS-11 and above; Customer Service Collection Branch Managers, GS-10 and above; and Tax Resolution Representatives, GS-9 and above.

5.18.2.3 Research Criteria for BMF Return--IRC 6020(b) Processing Research

5.18.2.3 (08-01-2001)

Research Criteria for BMF Return--IRC 6020(b) Processing Research

Process a return under the provisions of IRC 6020(b) for Business Master File (BMF) returns if:

The entity appears to be liable for the return

The person required to file the returns does not file it

Attempts to secure the returns fail

The following BMF returns with corresponding Master File Tax (MFT) codes are the returns usually prepared under the provisions of IRC 6020(b):

TAX RETURN	RETURN TITLE	RETURN	MFT
Form 720	Quarterly Federal Excise Tax Return	03	
Form 940	Employer's Annual Federal Unemployment Tax Return	10	
Form 941	Employer's Quarterly Federal Tax Return	01	
Form 943	Employer's Annual Return for Agricultural Employees	11	
Form 1065	U.S. Partnership Return of Income	06	
Form 2290	Federal Use Tax Return on Highway Motor Vehicles	60	

- 5.18.2.3.1 Service Center Collection Branch (SCCB) 6020(b) Processing
- 5.18.2.3.2 Automated Collection System (ACS) I9 Inventory
- 5.18.2.3.3 ACS Support Group Automated A6020(b) Procedures
- 5.18.2.3.4 Organization, Function, and Program (OFP) Codes for A6020(b)
- 5.18.2.3.5 Federal and State Information Sharing Agreements
- 5.18.2.3.6 A6020(b) Program
- 5.18.2.3.7 System Security
- 5.18.2.4 A6020(b) Inventory Status Codes Procedures
 - 5.18.2.4.1 A6020(b) Lists, Reports, and Duties
 - 5.18.2.4.2 A6020(b) Lists and Reports
 - 5.18.2.4.3 A6020(b) Rejection Lists
 - 5.18.2.4.4 A6020(b) New Account Lists
 - 5.18.2.4.5 A6020(b) Overage Lists
 - 5.18.2.4.6 A6020(b) Tax Examiner Duties
 - 5.18.2.4.7 Rejection List/Tax Examiner Duties
 - 5.18.2.4.8 New Account List/Tax Examiner Duties
 - 5.18.2.4.9 New Account Centralized Authorized File (CAF) Research List
 - 5.18.2.4.10 New Account S3 Research List
 - 5.18.2.4.11 New Account Undelivered Mail List
 - 5.18.2.4.12 A6020(b) Tax Examiner Screens
 - 5.18.2.4.13 Administrator Menus, Duties, and Screens
 - 5.18.2.4.14 Administrator Menus and Duties
 - 5.18.2.4.15 A6020(b) Administrator Screens
 - 5.18.2.4.16 Administrator Reports
 - 5.18.2.4.17 Database Administrator (DBA) Duties
 - 5.18.2.4.18 Follow-up to Responses
 - 5.18.2.4.19 Processing Returns Received
 - 5.18.2.4.20 Final Return Received
 - 5.18.2.4.21 Unsigned Returns Received

5.18.2.4.21 (08-01-2001)

Unsigned Returns Received

If the taxpayer returns the 6020(b) returns unsigned with no letter assume no further correspondence is being sent. By-pass time remaining for the taxpayer's response and process the case as follows:

Change A6020(b) Status code to 022 for pre-assessment research.

Research each tax period to ensure there are no assessments or comments on IDS to stop return submission.

Bypass requirement to print second copies of the returns by changing Status to 026.

Prepare the returns inputting TC599 cc38. Obtain the manager's signature on each return.

Submit returns for processing.

- [5.18.2.4.22 Not Liable for Returns](#)
- [5.18.2.4.23 Inquiries and Responses](#)
- [5.18.2.4.24 Undelivered Mail](#)
- [5.18.2.4.25 Undelivered Mail System \(UMS\)](#)
- [5.18.2.4.26 No Response Follow-up, Taxpayer Unagreed 6020\(b\) Processing](#)
- [5.18.2.4.27 IDRS Research on 6020\(b\) Accounts](#)
- [5.18.2.4.28 Processing 6020\(b\) Returns](#)

5.18.2.4.28 (08-01-2001)

[Processing 6020\(b\) Returns](#)

When the case is assigned to Status 023, it automatically goes to 025 and returns print.

Each tax return prints with the required statement: "Prepared Under the Authority of IRC 6020(b)."

Prepare returns for processing by:

Writing vertically on the side of the return: TC 599 cc38

Having return signed by a GS-9 manager or above

NOTE:

[A signature stamp or electronic signature is acceptable.](#)

Input into the comments section of ACS and A6020(b) a general note including the date the 6020(b) returns were submitted for assessment and a follow-up date.

Cases in Status 025 more than 75 days appear on a research listing to determine if the assessment posted. Use listing as a check-list and for research comments.

NOTE: See LEM 5.18.2.4.28.

- [5.18.2.4.29 Late Responses Received After 6020\(b\) Returns Processed](#)
- [5.18.2.4.30 Research Table for Late Responses](#)
- [5.18.2.4.31 Manual 6020\(b\) Procedures](#)

5.18.2.4.31 (08-01-2001)

Manual 6020(b) Procedures

The manual procedures will be used in the event the A6020(b) program is not available for 6020(b) return processing. Manual instructions contain the same referral criteria of cases from ACS as well as apply to the same BMF tax returns.

See IRM 5.18.2.3 for the BMF returns subject to 6020(b) processing.

- [5.18.2.4.32 Basis of Tax for 6020\(b\) Modules](#)

5.18.2.4.32 (08-01-2001)

Basis of Tax for 6020(b) Modules

The basis of the 6020(b) tax assessment is the amount of wages or tax liability secured from contact with nonfiler.

NOTE:

Document the A6020(b) module history as to the method used and basis for the tax for all cases not using Last Period Satisfied (LPS) wage or tax as the basis.

Use the following to calculate the total amount of the wages or tax per quarter if you do not have the total monthly wage amount: See LEM 5.18.2.4.32.

See LEM 5.18.2.4.32.

See LEM 5.18.2.4.32.

See LEM 5.18.2.4.32.

5.18.2.4.33 6020(b) Packages

5.18.2.4.33 (08-01-2001)

6020(b) Packages

Employment and excise tax returns are prepared in sets with each set containing an original and one copy.

Keep the copy of each original in the IRC 6020(b) return pending file.

NOTE:

Show the following statement below the signature area of both returns: "This return was prepared and executed under the authority of IRC 6020(b)." The statement identifies the origin of the returns if they are erroneously received in other SC functions.

Include the following items as part of the 6020(b) package:

Letter 1085 (ACS) addressed to the taxpayer (and a second Letter 1085 to the POA)

An original return for each proposed IRC 6020(b) assessment

Input ACS history code OADT, 45, 1085(ACS) or 1616(ACS) and show tax periods mailed in the comments.

5.18.2.4.34 Review Before Mailing

5.18.2.4.35 Cases With Power of Attorney (POA) Indicators

5.18.2.4.36 6020(b) Follow-Up

5.18.2.4.36 (08-01-2001)

6020(b) Follow-Up

Review and research the case if it is still in inventory after 60 days (105 days if addressed outside the U.S.). Use instructions in IRM 5.18.2.4.26.

Remove the copy of the prepared returns and the Letter 1085(ACS) from the IRC 6020(b) return pending file.

Review ACS to see if the taxpayer has responded with information to close the case or if the return should be processed.

5.18.2.4.37 6020(b) Return Processing

5.18.2.4.37 (08-01-2001)

6020(b) Return Processing

Route the return to the unit manager for review **and signature**.

Input on IDRS the TC 599 cc 38 for each period.

Attach the letter to the return for the oldest period involved and forward the returns for processing.

Input OADT, 28, 6020(b) to allow time for the modules to drop off ACS if all modules are satisfied on the account.

Enter TOI9 (TOI9, 28, NEWMOD) if there are TDI modules remaining (modules not included in the IRC 6020(b) package)

Transfer TO I7, then, Enter TFQU if there are only non-IRC 6020(b); (e.g., Form 1120) modules in Sn.

5.18.2.4.38 Manual Processing: Return Pending File

- Exhibit 5.18.2-1 Internal Revenue Code 6020(B) Processing Flowchart
 - Exhibit 5.18.2-2 Contents of the Generic Status Research Listing
 - Exhibit 5.18.2-3 A6020(B) Status Codes
 - Exhibit 5.18.2-4 View and Update Screen
 - Exhibit 5.18.2-5 View Option
 - Exhibit 5.18.2-6 Modules Option
 - Exhibit 5.18.2-7 Next Module Option
 - Exhibit 5.18.2-8 CAF Option
 - Exhibit 5.18.2-9 Wage Option
 - Exhibit 5.18.2-10 Review, Input, or Update Wage Option
 - Exhibit 5.18.2-11 Using the Update Option
 - Exhibit 5.18.2-12 Status Option
 - Exhibit 5.18.2-13 Screens for Tax Returns 943 and 1065
 - Exhibit 5.18.2-14 Screen for Changing the Status of All Modules
 - Exhibit 5.18.2-15 Screen for Changing the Status of One Module
 - Exhibit 5.18.2-16 Status Screen
 - Exhibit 5.18.2-17 Comments Option
 - Exhibit 5.18.2-18 6020(B) Inventory Management Menu
 - Exhibit 5.18.2-19 Queue Cases for Printing Menu
 - Exhibit 5.18.2-20 Number of 1085 Packages Ready to be Printed
 - Exhibit 5.18.2-21 Revise Header Menu
 - Exhibit 5.18.2-22 IDS 6020(B) Report Menu
 - Exhibit 5.18.2-23 IDS Print Menu
 - Exhibit 5.18.2-24 DBA Menu
-

5.19 LIABILITY COLLECTION:

5.19.1 Balance Due

5.19.2 Return Delinquency

Part 5 Collecting Process

Chapter 19 Liability Collection

Section 2 Return Delinquency

Contents

- 5.19.2 Return Delinquency
 - 5.19.2.1 Return Delinquency Overview
 - 5.19.2.2 What Is The Return Delinquency Program?

5.19.2.2 (12-01-2000)

What Is The Return Delinquency Program?

The RD Program identifies taxpayers who have not filed a tax return by the Return Due Date (RDD).

The compliance check for a delinquent tax return is based on the Program Completion Date (PCD) for that return.

PCD is when all timely filed, error free returns are processed and the information is transmitted to Martinsburg Computing Center (MCC) for posting.

Modules in the RD Program consist of the following:

Delinquent Notice Status 02

Taxpayer Delinquent Investigation (TDI) Status 03

Case Closed in Status 06 closed with a TC 593, 596, 597, or 598

NOTE:

See LEM 5.19.2.2

Other RD cases can be generated or requested by the following programs:

Non-Filer Program (ASFR/IMF and 6020(b)/BMF)

Form 4864, "Request for Delinquency Notice or TDI"
Combined Annual Wage Reporting (CAWR)

□ 5.19.2.3 IMF Delinquency Case Creation

5.19.2.3 (12-01-2000)

IMF Delinquency Case Creation

Nonfiler Delinquency Check - This check identifies taxpayers who have not filed a return but have Information Return Masterfile (IRMF) data reported that meets certain case selection criteria. It also identifies Stop-filer taxpayers who filed the previous year and stopped filing the next. The initial check is done four months after the RDD, and is updated continuously throughout the year.

All tax modules identified as a potential RD case during the Nonfiler Delinquency Check are assigned a Selection Code. Not all Selection Codes are worked in each specific RD program year. See "Exhibit 5.19.2-1, Selection Codes", for a list and definition of income types for each selection code.

All taxpayers selected into the RD program for a specific tax year are issued a RD notice CP-515, and their tax module goes into Notice Status 02. The notices are issued according to their selection code. If a return does not post or the open RD is not closed within 8 weeks, most taxpayers receive a second RD notice CP-518. If the case is not closed within 6 weeks of the CP-518, the module goes into TDI Status 03. Due to resource issues, not all taxpayers receive this second notice. These cases are called Priority Code "B" (PC-B). They only receive one notice (CP 515) and will remain in Notice Status 02.

Notices are reviewed by the SCCB TDI function prior to mailing. See IRM 21.10.2, Notice Review for procedures.

Unresolved IMF RD cases will be considered for Automated Substitute for Return (ASFR) or Automated Collection System (ACS) processing.

□ 5.19.2.4 BMF Delinquency Case Creation

5.19.2.4 (12-01-2000)

BMF Delinquency Case Creation

Nonfiler Delinquency Check -- BMF returns are filed throughout the year, therefore, BMF RD cases are created throughout the year depending on the type of return, PCD and Filing Requirements (FR). This check identifies BMF modules with an open FR that does not have a posted return by the PCD.

All BMF modules selected into the RD program for a specific FR are issued a RD notice CP-515, and the module goes into Notice Status 02. The notices are issued by FR and Collection Optimum Potential Yield Score (COPYS). If a response is not received and the case closed within 8 weeks, most are sent a second RD notice CP-518. If the case is not closed within 6 weeks of the CP-518, the module goes into TDI Status 03. Due to resource issues, not all modules receive this second notice. These cases are called Priority

Code "B" (PC-B). They only receive one notice (CP 515) and will remain in Notice Status 02.

Notices are reviewed by the SCCB TDI function prior to mailing. See IRM 21.10.2, Notice Review for procedures.

Unresolved RD BMF cases will be considered for 6020(b) or ACS processing.

- 5.19.2.5 Return Delinquency Research
- 5.19.2.6 Return Delinquency Procedures
 - 5.19.2.6.1 IMF and BMF Cases Referred
 - 5.19.2.6.1.1 Form 4864 - Request for Delinquency Notice or TDI
 - 5.19.2.6.1.2 Processing Form 4864/IMF
 - 5.19.2.6.1.3 Processing Form 4864/BMF
 - 5.19.2.6.1.4 Accelerate or Decelerate To TDI Status 03
 - 5.19.2.6.1.5 Accelerate to Compliance Territory Office
 - 5.19.2.6.2 IRS Employee (Selection Code 92) Return Delinquency Program
 - 5.19.2.6.2.1 IRS Employee Return Delinquency Notice Processing
 - 5.19.2.6.2.2 Selection Code 92 Responses
 - 5.19.2.6.2.3 Selection Code 92 TDI Issuances
 - 5.19.2.6.2.4 Selection Code 92 - Area Office Closures
 - 5.19.2.6.2.5 IRS Employee File
 - 5.19.2.6.3 Taxpayer Advocate Service Referrals
 - 5.19.2.6.4 IMF Return Delinquency Responses and Inquiries
 - 5.19.2.6.4.1 IMF Special Handling
 - 5.19.2.6.4.2 IMF Examination Referrals
 - 5.19.2.6.4.3 IMF Substitute for Return Program (SFR) Referrals

5.19.2.6.4.3 (12-01-2000)

IMF Substitute for Return Program (SFR) Referrals

The CP 518 (subsequent Return Delinquency) notice informs the taxpayer IRS can prepare a substitute return, if a return is not filed.

The SFR program and its automated version "ASFR " were developed to deal with taxpayers who have not filed tax returns voluntarily and for whom income information is available to substantiate a significant income tax liability without costly field investigation. **The purpose of this program is to assess the correct tax liability by either: Securing a valid voluntary income tax return from the taxpayer, Computing tax, interest and penalties based upon Information Return Program (IRP) documents submitted by payers, or other internally available information.**

SFR cases (return delinquencies) are systemically selected for the ASFR program during initial case analysis and includes the IMF supplement information.

Return delinquencies with selection codes 13, 14, 39, 93, or 94 can be referred to SFR from ACS. Refer by entering History Code "TOC0,, SFR" .

Return delinquencies which do not meet SFR criteria include accounts where:

There is an open balance due account.

The only tax year is 6 years or older than the current tax year.

EXAMPLE:

As of January 1, 2001, the prior six years will be TY2000 (although the 2000 return is not considered delinquent until after the due date), 1999, 1998, 1997, 1996, and 1995.

The selection code is other than 13, 14, 39, 93 or 94.

Available information (such as selection codes) indicates the taxpayer is self-employed.

The IRP income exceeds \$100,000 (unless Sel Code 39).

The IRP income is less than 75% of the prior year.

If the taxpayer does not have a notice/letter or a notice of deficiency from the service center, you can identify SFR assessments by IDRS research as follows:

TC150 for .00 with literal "SFR" next to it (initial return assessment), with tax-class 2 and Doc Code 10 in the DLN. (Refer to Doc 6209.)

Blocking series 000-299. (Refer to Doc 6209.)

No AGI listed.

TC290 or TC300 with a blocking series of 540-549 or 640-649. (Refer to Doc 6209.)

TC599 with cc 88, indicates no response to the previous SFR notifications or cc 89 indicates taxpayer agreed to the assessment.

Explain the reason for the balance due. Advise the taxpayer to submit an original, signed return to the appropriate service center SFR/ASFR function.

- 5.19.2.6.4.4 Backup Withholding
- 5.19.2.6.4.5 IMF - Determining Liability
 - 5.19.2.6.4.5.1 IMF Little or No Tax Due
 - 5.19.2.6.4.5.2 IMF Refund Due
 - 5.19.2.6.4.5.3 IMF Taxpayer Liable
 - 5.19.2.6.4.5.4 IMF Response Taxpayer Resides Outside U.S.
 - 5.19.2.6.4.5.5 IMF Response Taxpayer Deceased
 - 5.19.2.6.4.5.6 IMF Response Taxpayer Incarcerated
 - 5.19.2.6.4.5.7 IMF Response Taxpayer Not Liable
 - 5.19.2.6.4.5.8 IMF Response Federal Employee/Retiree Delinquent Investigation (FERDI)
 - 5.19.2.6.4.5.9 IMF Response Taxpayer Will File
 - 5.19.2.6.4.5.10 IMF Response Taxpayer Previously Filed Return
 - 5.19.2.6.4.5.11 IMF Response Insufficient
 - 5.19.2.6.4.5.12 IMF Response with Original Return

- 5.19.2.6.4.5.13 IMF Response with Copy of Return(s)
- 5.19.2.6.4.5.14 IMF Response Taxpayer Unable to File
- 5.19.2.6.5 BMF Return Delinquency Responses and Inquiries
 - 5.19.2.6.5.1 BMF Special Handling Responses

5.19.2.6.5.1 (12-01-2000)

BMF Special Handling Responses

If any of the following indicators are present, refer to IRM 5.19.2.6.4.1, IMF Special Handling.

Taxpayer response is threatening or indicates a potentially dangerous situation.

Taxpayer refuses to file a return or gives information based on claims of frivolous return or correspondence.

Open CI control or TC 914.

Bankruptcy has been filed by the business, estate, etc..

Review for potential fraud cases. (See IRM 5.19.2.6.4.1, IMF Special Handling.)

Do not close responses with Collection Case Code W-2 unless an employment tax return (Forms 941 or 943) is secured or was previously filed for any quarter during the previous year. A case code is used to identify the type of notice to be issued. (See Doc 6209 for collection case codes.)

Route "Power of Attorney" Forms 2848 or other tax authorization to the POA/CAF unit.

If the taxpayer requests a visit from an IRS representative, see IRM 5.19.2.6.4.1, IMF Special Handling.

The 6020(b) program is the BMF equivalent of the SFR program. The information for preparing the return comes from the taxpayer's last return filed or from information provided by the taxpayer. **See IRM 9.18.3 for information on 6020(b) procedures or for referrals see IRM 5.19.2.6.5.3 "BMF Substitute for Return 6020(b) Program Referrals."**

5.19.2.6.5.2 (12-01-2000)

BMF Examination Referrals

Refer all failed savings and loan returns to Examination, Classification Section, including all Forms 1120, 1120S, and 1120X, with the words "Savings and Loan" or an indication that the return was filed by the Resolution Trust Company (RTC - was resolved effective July 1, 1999) or Federal Deposit Insurance Corporation (FDIC).

NOTE:

To avoid duplication, if the return is not accepted, Exam will notate on the return that it has been reviewed.

If a response indicates that the case is in Exam, research AIMS using CC AMDIS.

If no data is available, process per IRM 5.19.2.6.5.4.8, BMF Response Insufficient.

If a TC 420, "-L" freeze, or open aims control is present on TXMOD, input TC 595 cc 82/32 using CC FRM49 and route case to Examination, Classification Branch.

- 5.19.2.6.5.2 BMF Examination Referrals

□ 5.19.2.6.5.3 BMF Substitute for Return 6020(b) Program Referrals

Accounts may be referred for processing in the 6020(B) program. Take the following actions to determine a 6020(b) referral.

For ACS a letter (LT) 18 is mailed at the time of assignment of the case to ACS for modules with 6020(b) indicators. The LT18 advises that a 6020(b) return may be prepared if the return is not filed. The case is assigned to the ACS inventory I9. Cases in this inventory meet the criteria for 6020(b) processing and usually have information from the Last Period Satisfied (LPS), which can be used as the basis to compute the tax liability for the delinquent modules.

NOTE:

Entities that meet 6020(b) criteria can be excluded from I9 and not receive a LT18 if there is an open taxpayer delinquency account (TDA) for the case at the time of assignment. In some cases the TDA is resolved and the case will require a LT18 mailed if the non-filer has not been contacted and warned of 6020(b) enforcement action.

Cases are assigned to S3 or S6 ACS inventories.

S3 is the 6020(b) inventory requiring research before the case can be worked in the automated system. Research ACS comments and/or IDRS for information to prepare returns. All cases that meet 6020(b) criteria can be assigned to S3.

S-6 is the inventory with last period satisfied data on the module screen (MOD - Screen 4) and no other information is available which we can use to base the 6020(b) assessment. Based on the current automation, only Forms 940, 941, 943, and 945 can be assigned to S6 if there is sufficient LPS.

For referrals Criminal Investigation Division (CID) see LEM 5.19.2.6.5.3.

Ensure the following ACS call-site investigation guidelines are met before sending the case to the service center ACS support group.

Attempt contact by telephone a minimum of three times. If there is no telephone number, contact directory assistance.

Reassign the case "TOI2,, NPL" for further research of locator services to obtain a telephone number or address for the entity if directory assistance is not productive.

Request the filing of all delinquent returns and obtain the necessary information to prepare each and all delinquent returns on all taxpayer contacts.

NOTE:

If the taxpayer states the delinquent return(s) will be filed, input the appropriate follow-up date and move the entity from I9 to TOI0 or route the case for review as directed by local management. The appropriate hold date should be input.

Document the comments section with the information shown in the following table.

If Then

Forms 940, 941, and 943, Enter the total wages, number of employees, and tax withheld for each delinquent tax period. For Form 940, list the states in which wages were paid.

Form 1065, Enter the number and names of partners, addresses, and Social Security numbers.

Form 945, Enter amount of tax withheld or last return filed information.

Form 2290, Enter the tax rate from the last return filed and type of truck, number of axles, gross weight of vehicle, and tax due.

Form 720, Enter tax category and amount of tax.

Review by a manager, or designated employee is required prior to assignment of cases to service center S3 or S6 inventories to ensure casework is complete.

NOTE:

The reviewer must double check to ensure all ACS procedures are completed before referring cases to S3 and/or S6.

Enter History Code TOSn,xx,6020(b) if the taxpayer contact has been made and 6020(b) is appropriate.

NOTE:

XX = the number of days to the deadline date plus 25 days. The hold will not allow the case to proceed into the A6020(b) program until the first week after the expiration of the follow-up date.

The following table shows actions necessary to reassign the case for 6020(b) action.

If And Then

Taxpayer cannot be contacted Efforts made to contact the non-filer and secure the delinquent returns have failed, Enter ACS history code, "TOSn, ,6020(b)" .

There is positive indication that the taxpayer is still in business Reliable employment information is available (e.g., state wage information or LRA of the same MFT), Enter ACS history code, "TOSn, ,6020(b)" .

Taxpayer was liable for the delinquent periods Reliable employment information is available, Enter ACS history code, "TOSn, ,6020(b)" .

Add comments on the ACS terminal to include any new information. Review of the comment screen is the final step before submitting 6020(b) returns for assessment.

Follow the procedures in IRM 9.18.3.1.3(3) if the case does not meet the criteria for 6020(b) assessment.

Propose assessments on modules that meet 6020(b) criteria even if there are other modules delinquent but not eligible for 6020(b) processing. The modules not subject to 6020(b) assessment will be transferred to the queue once the 6020(b) assessment is made on eligible modules.

- 5.19.2.6.5.4 BMF Determining Liability
 - 5.19.2.6.5.4.1 BMF Little or No Tax Due
 - 5.19.2.6.5.4.2 BMF Taxpayer Liable
 - 5.19.2.6.5.4.3 BMF Response Taxpayer Deceased
 - 5.19.2.6.5.4.4 BMF Response Out of Business
 - 5.19.2.6.5.4.5 BMF Response Taxpayer Not Liable
 - 5.19.2.6.5.4.6 BMF Response Taxpayer Will File
 - 5.19.2.6.5.4.7 BMF Response Taxpayer Previously Filed Return(s)
 - 5.19.2.6.5.4.8 BMF Response Insufficient

- 5.19.2.6.5.4.9 BMF Response with Original Return(s)
- 5.19.2.6.5.4.10 BMF Response With Copy of Return(s)
- 5.19.2.6.5.4.11 BMF Response Form 940
- 5.19.2.6.5.4.12 BMF Response Forms 941 and 720
- 5.19.2.6.5.4.13 BMF Response Forms 943/941
- 5.19.2.6.5.4.14 BMF Response Form 11
- 5.19.2.6.5.4.15 BMF Response Forms 966/964 (Corporate Dissolution or Liquidation)
- 5.19.2.6.5.4.16 BMF Response Form 1041
- 5.19.2.6.5.4.17 BMF Response Form 1065
- 5.19.2.6.5.4.18 BMF Response Form 1120
- 5.19.2.6.5.4.19 BMF Response Form 2290
- 5.19.2.6.6 Return Delinquency Research Cases
 - 5.19.2.6.6.1 TIN and Entity Problems
 - 5.19.2.6.6.1.1 IMF TIN and Entity Problems
 - 5.19.2.6.6.1.2 IMF- TIN and Entity Problem, TP Filed as Spouse on Joint Return ,
 - 5.19.2.6.6.1.3 BMF TIN and Entity Problems
 - 5.19.2.6.6.2 Return Delinquencies Due to Posting Errors
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- Exhibit 5.19.2-2 Return Delinquency Closing Codes

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IRM Part 4 Examining Process

4.3.14 NONFILED RETURNS HANDBOOK:

- 4.3.14 Ch. 1 Nonfiled Returns

Handbook 4.3.14
Nonfiled Returns Handbook

Chapter 1 Nonfiled Returns

Contents

[4.3.14] 1.1 Overview

[4.3.14] 1.1 (05-03-1999)
Overview

This Handbook discusses the procedures involved in handling nonfiled returns. Substitute for Return and Delinquent Return procedures were developed to deal with taxpayers who do not file required tax returns.

The purpose of the procedures is to assess the correct tax liability by either: Securing a valid voluntary tax return from the taxpayer (Delinquent Return), or If securing a return is not possible, computing tax, interest, and penalties based upon information submitted by payers, or based on other internally available information (Substitute for Return).

[4.3.14] 1.2 Source of Cases
[4.3.14] 1.3 Enforcement Period
[4.3.14] 1.3.1 Management Approval
[4.3.14] 1.4 Discovery of Nonfiling

[4.3.14] 1.4.1 Indications of Fraud

[4.3.14] 1.4.2 Indications of Fraud Absent

[4.3.14] 1.4.3 Preparation of the Return(s)

[4.3.14] 1.4.3 (05-03-1999)

Preparation of the Return(s)

When a taxpayer is advised to file all required delinquent returns but refuses to file, or states an inability to file all of the returns:

Determine the extent to which the filing requirements should be enforced using the criteria in Policy Statement P-5-133 and prepare the return(s).

[4.3.14] 1.4.3.1 IRC Sec. 6020(a)

[4.3.14] 1.4.3.1 (05-03-1999)

IRC Sec. 6020(a)

If the taxpayer will consent to disclose all information necessary for the preparation of the return(s), IRC Section 6020(a) states the return(s) may be prepared by the IRS. The return(s), signed by the taxpayer, may be received by the IRS as the return(s) of such person.

Delinquency Penalties are applicable. See the Penalty Handbook, IRM 120.1.

[4.3.14] 1.4.3.2 IRC Sec. 6020(b)

[4.3.14] 1.4.3.2 (05-03-1999)

IRC Sec. 6020(b)

Code Section 6020(b) states, "If any person fails to make any return required by any Internal Revenue Law or regulation made thereunder at the time prescribed therefor, or makes, willfully or otherwise, a false or fraudulent return, the Secretary shall make such return from his own knowledge and from such information as he can obtain through testimony or otherwise."

IRC SEC. 6020(b)(2) states "Any return so made and subscribed by the Secretary shall be prima facie good and sufficient for all legal purposes."

This is a Substitute for Return

See the Penalty Handbook.

[4.3.14] 1.5 Nonfiled Returns Involving Related Cases/Spin-Offs

[4.3.14] 1.5.1 Corporate Officers/Shareholders

[4.3.14] 1.5.2 Delinquent Partnership and Partner Returns

[4.3.14] 1.5.2 (05-03-1999)

Delinquent Partnership and Partner Returns

Follow the procedures given in the IRM section, which deals with delinquent partnership returns and delinquent returns of the partners.

[4.3.14] 1.5.3 Partnership Substitute for Return (SFR)

[4.3.14] 1.5.3 (05-03-1999)

Partnership Substitute for Return (SFR)

Where a partnership is required to file a return and fails to do so, and/or fails to file a delinquent return when requested, the "Substitute for Return" procedures in this section will be followed as well as the IRM partnership procedures with respect to each partner.

[4.3.14] 1.5.4 Unincorporated Business Property IRC 761(A)

[4.3.14] 1.5.5 Delinquent EP/EO Returns

[4.3.14] 1.5.5 (05-03-1999)

Delinquent **EP/EO** Returns

If a delinquent return within the jurisdiction of the EP/EO Division is discovered, the examiner will attempt to secure the return.

If the taxpayer refuses to file the delinquent return, or if a substantial amount of time will be required to secure the return; the delinquency investigation will be forwarded to the EP/EO Division for possible examination; use Form 5346, Examination Information Report for returns of exempt organizations; use Form 4632, Employee Plan Referral for returns of employee plans;

If the delinquent EP/EO return is secured: file it with the appropriate service center; send a copy of the return to the EP/EO Division for consideration. Use Form 5346 for Exempt Organizations. Use Forms 4632 and 4632-A for Employee Plans; use Form 5346 for Exempt Organizations; use Forms 4632 and 4632-A for Employee Plans. Delinquency penalties must be considered. See the Penalty Handbook.

[4.3.14] 1.5.6 Delinquent International Returns

[4.3.14] 1.5.6 (05-03-1999)

Delinquent **International** Returns

If during an examination, the delinquency of a return under the jurisdiction of the Assistant Commissioner (International) is discovered, the examiner will attempt to secure the delinquent return. If the taxpayer refuses to file the delinquent return or if a substantial amount of time will be requested to secure the return: Form 5346, Examination Information Report will be forwarded to the Assistant Commissioner (International) Attention: Chief, Planning and Special Programs (OP:IN:D:C:TS). The examiner should also advise on Form 5346 if the taxpayer contends he/she is not legally liable for filing the return and whether such liability is an issue.

If the return is secured, it should be filed with the Philadelphia Service Center under existing manual procedures.

[4.3.14] 1.5.6.1 Jurisdiction of the Assistant Commissioner International

[4.3.14] 1.5.7 Delinquent Employment Tax Returns

[4.3.14] 1.5.7 (05-03-1999)

Delinquent **Employment** Tax Returns

During a field or office examination of an income tax return of a business taxpayer, the examiner will inspect CFOL information of each withholding tax return filed up to and including the last quarter for which a withholding tax return was due.

Withholding taxes include employment taxes such as FICA, RRTA, FWT, and FUTA as well as back-up withholding, withholding on income paid to foreign persons, and withholding on gambling winnings.

Withholding also includes the tax imposed on a buyer or other transferee (withholding agent) when a U.S. real property interest is acquired from a foreign person.

If the required tax returns have not been filed, the examiner should follow the Substitute for Return and/or Delinquency procedures.

[4.3.14] 1.5.8 Delinquent Excise Tax Returns

[4.3.14] 1.5.8 (05-03-1999)

Delinquent **Excise** Tax Returns

If the taxpayer has failed to file a required Excise Tax return, the examiner will follow the Delinquency or SFR procedures as applicable. All excise tax returns will be sent to the Cincinnati Service Center for processing.

[4.3.14] 1.5.9 Delinquent Estate Tax Returns

[4.3.14] 1.5.9 (05-03-1999)

Delinquent **Estate** Tax Returns

When, in the examination of gift tax or estate tax returns, the examiner finds gifts were made and returns were due but not filed, he/she should request the donor or the executor of the estate to prepare and submit to him the returns covering the unreported gifts.

While no tax liability may be involved if gifts are split between the spouses, it may still be important to secure returns for two reasons;

use of additional unified credit may generate gift tax liability for either spouse in future years, or

the additional taxable gifts may increase the total taxable interests on the estate return of a deceased donor.

If a gift tax return is solicited and the executor refuses to file said return, a Substitute for Return should be prepared and processed using the Substitute for Return procedures.

[4.3.14] 1.5.10 Failure to File Certain Information Returns (Other Than EP/EO) or Furnish Certain Statements

[4.3.14] 1.5.11 Coordinated Examination Program (CEP)

[4.3.14] 1.6 Receipt of a Delinquent Return

[4.3.14] 1.7 Examination of a Delinquent Return

[4.3.14] 1.7.1 Information Report

[4.3.14] 1.8 Delinquent Returns Received After Statutory Notice Issued

[4.3.14] 1.9 Refund

[4.3.14] 1.9.1 Claim Case

[4.3.14] 1.10 Delinquent Return Secured With Reported Tax or Reasonable Cause in Question

[4.3.14] 1.11 Case Closed Without Examination Report Delinquent Return Letters

[4.3.14] 1.12 Appeal of the Delinquency Penalties

[4.3.14] 1.13 Substitute for Return

[4.3.14] 1.13 (05-03-1999)

Substitute for Return

When it has been determined that a taxpayer is liable for filing a return, and upon due notice from the Service fails to do so, a Substitute for Return will be prepared by Examination.

Examination uses this procedure to establish an account and examine the records of a taxpayer when the taxpayer refuses or is unable to file and information received indicates that a return should be filed.

The examiner will request a transcript of the account to determine what action has been taken. If there is any indication that the taxpayer is married, research for a spousal SSN must also be performed.

The examiner should submit the request on Form 6882, IDRS/Master File Information Request; or On-line research can be performed using Command Code IMFOL/BMFOL/INOLE.

[4.3.14] 1.14 Firm Indication of Fraud

[4.3.14] 1.15 Establishment on Masterfile

[4.3.14] 1.15 (05-03-1999)

Establishment on Masterfile

To establish a Substitute for Return on master file follow the procedures in Chapter 9 of IRM 104.3.

[4.3.14] 1.16 TC 150 Posted

[4.3.14] 1.16 (05-03-1999)

TC 150 Posted

Do not submit a delinquent or substitute return if TC 150 has posted.

A TC 150 posting with no taxability followed by a TC 240 posting for \$500 (W-4 penalty) indicates that the service center has posted a dummy return.

If a TC 150 has posted, any adjustments must be made as subsequent adjustments (i.e. TC 300).

[4.3.14] 1.17 No Return Secured Agreed Closure IRC 6020(a)

[4.3.14] 1.17 (05-03-1999)

No Return Secured Agreed Closure IRC 6020(a)

If the nonfiler does not provide a delinquent return, all adjustments, tax, and penalties will be proposed on an income tax change report (Form 1902-B or Form 4549). If the nonfiler signs this report, it becomes a return filed by the Service under IRC 6020(a).

Form 3198, Special Handling Notice, will be attached to the case with notation "IRC 6020(a) Return -- Close Disposal Code 08" .

If a "dummy/SFR" has not been processed follow procedures to establish the entity on Master File.

[4.3.14] 1.18 No Return Secured Unagreed Closure

[4.3.14] 1.19 No Return Secured Refund Years

[4.3.14] 1.20 No Return Secured No Filing Requirement/Little or No Tax Due

[4.3.14] 1.21 No Return Secured Years Outside Enforcement Period

[4.3.14] 1.22 When a Case Is Closed From the Group

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4.13 AUDIT RECONSIDERATION:

- [4.13.1 Introduction](#)
- [4.13.2 Contact Employees](#)
- [4.13.3 Central Reconsideration Unit](#)
- [4.13.4 Area Office Examination](#)
- [4.13.5 Automated Substitute For Return](#)

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Contents

[4.13.5 Automated Substitute For Return \(ASFR\)](#)

4.13.5.1 (10-01-2000)

4.13.5.1 General Information

General Information

This chapter discusses [ASFR](#) reconsiderations. For [ASFR](#) assessments, [a reconsideration might be:](#)

A delinquent return (1040, 1040A, or 1040EZ) or a statement of proof that the taxpayer previously filed under another TIN after the ASFR assessment was input to the taxpayer's account.

A duplicate return freeze (A freeze, generated by TC 976 or TC 977).

A notification of a filing status change.

For more detailed information on taxpayers' responses, see IRM 21.8.2.

4.13.5.2 Returns Received

4.13.5.2 (10-01-2000)

Returns Received

Most original returns intend to remove all or part of the original ASFR assessment. Accept the information as long as the form is properly signed and the information is complete.

If the taxpayer's return was sent for processing before it was referred to ASFR: Then use IDRS command ESTAB to order the return. The return will have a DLN and CP 36 attached to the front.

Work the case the same as other replies, except:

Cross out the original DLN when the adjustment is made. Input TC 290.00 to release the freeze on the account if no adjustment is applicable (e.g. unprocessable return).

4.13.5.3 Screening

4.13.5.4 Exam Referral

4.13.5.5 Previously Filed Return

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Sec. 5 Automated Substitute For Return (ASFR) (10-01-2000)

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