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Internal Revenue Manual

Part 5 Collecting Process

Chapter 1 General

Section 11 Delinquent Return Accounts

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5.1.11.1 (05-27-1999) Delinquent Return Investigations

1. Return Delinquency cases can be worked in combination with balance due accounts or as stand-alone investigations. Achieving full compliance is the goal of these investigations including securing the full payment of the tax liability with the delinquent return.

5.1.11.1.1 (05-27-1999)

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 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 Del Ret cannot be resolved following the initial attempt, the field investigation should include contacts with such third parties as are necessary to resolve the Del Ret (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.

5.1.11.1.2 (05-27-1999)

Full Compliance Check

1. Determine and document that all returns are filed and paid. A full compliance check will include reference to the following, as appropriate:
 - A. All required returns (i.e., Individual and Business).
 - B. Timely payment of estimated taxes and federal tax deposits.
 - C. Timely submission of Forms 1099.
 - D. Retention and submission of Form W-4.
2. Determine and document the root cause for the tax delinquency and instruct the taxpayer to take the necessary corrective steps.

5.1.11.1.3 (05-27-1999)

Documentation

1. Use Integrated Data Retrieval System (IDRS), applicable Corporate Files On Line (CFOL-IMFOL,IRPOL,BMFOL, etc.) command codes to determine the types of tax and the periods for which the taxpayer may be liable.
2. Confirm all tax periods are filed for the preceding six year period, securing a copy of the taxpayers return if necessary. Check compliance through the current tax period.
3. List all delinquent tax periods on the face of the Del Ret.
4. Determine the taxpayer's compliance with other types of taxes appropriate for their personal or business activity.
5. Document full compliance after initial contact and when closing the return delinquency investigation.
6. Collection employees should note one of the following statements in the case history:
 - A. "Taxpayer in full compliance with all filing and paying requirements."
 - B. "Full compliance check made. Taxpayer not in compliance with filing or payment for ----." (Note-delinquent returns and periods should be added to this statement).
7. Document the pre-assessment collection determination for periods closed by TC 599 CC 69.

5.1.11.1.4 (05-27-1999)

Unable to Locate

1. All reasonable efforts should be made to locate the taxpayer before closing the cases as unable to locate. See IRM 5.20, Locating Taxpayers.

5.1.11.1.5 (05-27-1999)

Cases Requiring Special Handling

1. Revenue officers will use special processing guidelines when working some cases of a unique, sensitive or complex nature. For example, such cases may involve taxpayers who are potentially dangerous, who use frivolous legal arguments to delay collection, taxpayers who are under investigation for potential tax fraud, and taxpayers who are in bankruptcy.

5.1.11.1.5.1 (05-27-1999)

Restricting Field Contact

1. When working cases on potentially dangerous taxpayers and tax payers who use frivolous legal arguments to delay collection, field contact should be avoided if at all possible, and will be made only after office methods, such as correspondence, telephone contact, and setting office appointments, have proven unsuccessful.

5.1.11.1.5.2 (05-27-1999)

Criminal Investigation Cases

1. Del Rets with Case Code "914" identify taxpayers who are under investigation by the Criminal Investigation. Follow local procedures when working such Del Ret's.
2. Del Rets with a notice code "Z" indicate a reversed TC 914 for the Del Rets period.

5.1.11.1.5.3 (05-27-1999)

Exempt Organizations

1. Refer the case to the Territory Manager when:
 - A. The taxpayer claims to be a church or religious order, and no determination letter is available. Secure a written statement from a responsible officer that the organization is exempt from filing information returns under IRC 6033(a).
 - B. The organization claims it is not a private foundation.
 - C. The organization is no longer in existence, secure a copy of the document authorizing dissolution and a statement showing disposition of assets.
 - D. A person or entity claims the Del Ret organization has merged with another organization, note the name and EIN of the surviving organization as well as the merger details.

5.1.11.1.5.4 (05-27-1999)

Wagering Taxes

1. Collection Field function is responsible for securing delinquent wagering, occupational and/or excise tax returns, except when:
 - A. Evidence of criminal wagering or non-wagering activity or fraud is discovered.
 - B. Notification is received advising that the taxpayer is the subject of a criminal investigation.
 - C. Extensive scrutiny of records requires Territory Manager involvement.

5.1.11.1.5.5 (05-27-1999)

Bankruptcy Cases

1. Stop all balance due enforcement actions upon learning that the taxpayer has filed a petition under any chapter in bankruptcy.
 - A. Determine the petition date and annotate on the Del Ret "Bankruptcy Code Petition----- (date)." Do not demand payment for prebankruptcy periods.
 - B. Secure and process all delinquent returns in accordance with Section 11.3 of this IRM.

5.1.11.1.5.6 (05-27-1999)

IRS Employee Return Delinquency

1. Refer to procedures for handling cases on IRS employees in IRM 5.1.7.
2. IRS employee Del Rets are identified by SELECTION CODE 92. These Del Rets are assigned to highly qualified revenue officers who must complete the investigation within 60 days of receipt.
3. If necessary, verify the employment status of the taxpayer with the appropriate Chief, Support Services. The Post of Duty code appears in the Master File History Section of the Del Ret.
4. Do not refer these cases to the Territory Manager.
5. If a delinquent return is secured, record the following information as the last entry of the history sheet:
 - A. Date the return was secured.
 - B. Amount of tax, penalty and interest due identified by "TPI DUE" .
 - C. Amount of refund due identified as "REFUND" .
 - D. Amount due "AMT. DUE" .
 - E. Date paid "DATE PD" .
 - F. "EMPLOYEE DEC'D" when applicable.
6. When the Del Ret is closed write in red "SELECTION CODE 92" on the face of a 3 x 5 index card and staple it to the upper left corner of the Del Ret so as to extend approximately one inch above the Del Ret.

7. When the IRS employee is in the jurisdiction of another service center, send a photocopy of the Del Ret to the service center Collection branch where the Del Ret was issued. Originals and photocopies should be sent in accordance with, IRM 1.21, Physical Security Standards.

5.1.11.1.6 (05-27-1999)

Del Ret Transfers

1. Form 2650 Bal Due-Del Ret Transfer, is not required when transferring Del Rets outside the jurisdiction of the area office unless accompanied by a Bal Dues on the same entity.
2. Intra-area Del Ret transfers require managerial approval.
3. Mail Letter 729(DO) to the taxpayer and initiate a Courtesy Investigation if:
 - A. The taxpayer fails to acknowledge receipt of Letter 729.
 - B. The post office doesn't provide notification of change of address within 30 days.

5.1.11.1.6.1 (05-27-1999)

Transfer Without Prior Courtesy Investigation

1. Del Rets may be transferred without first requesting a Courtesy Investigation via Form 2209 if:
 - A. They accompany Bal Dues on the same taxpayer which are being transferred.
2. The Del Rets, as issued, show an address in another area and:
 - A. Terminal research does not show a more current address within your area, the taxpayer is not incarcerated, and the address is not a P.O. Box or in care of a motel or hotel.
 - B. The transferee office requests or agrees to the transfer.
 - C. Either a Daily Transaction Register item, IDRS or correspondence received from the taxpayer or personal contact with the taxpayer provides a new address.
3. Corporate Del Rets may be transferred only if the corporation itself, not merely one or more officers, is located in the transferee area's territory.
4. Joint or partnership Del Rets may be transferred only if all the taxpayers reside in the transferee area's territory.
5. The taxpayer acknowledges receipt of Letter 729 or a similar letter, but does not respond sufficiently to close the Del Ret.

5.1.11.1.6.2 (05-27-1999)

Military Personnel

1. If a military taxpayer is stationed within the United States initiate a Courtesy Investigation when correspondence can't resolve the case.
2. If the military taxpayer is stationed outside the United States initiate a Courtesy Investigation if correspondence or if the taxpayer requests personal contact.
 - A. Courtesy Investigations will go to the Director, Compliance (International).
 - B. Transfer of the Del Rets is not permitted.
 - C. Provide specific instructions since the Revenue Representative may not be familiar with Collection procedures.
 - D. Attach copies of the Del Ret and related documents.

5.1.11.1.6.3 (05-27-1999)

Other International Cases

1. Initiate a request for a courtesy investigation to the Director, Compliance (International) if:
 - A. The taxpayer has moved to an address outside the United States.
 - B. The case can't be resolved through correspondence.
 - C. The case meets LEM V criteria.
2. Prepare Form 2209, Courtesy Investigation proposing transfer of the Del Ret('s) and forwarded to: Internal Revenue Service, 950 L'Enfant Plaza S.W. Washington D.C. 20024 ATTN: S:C:15:T:1:C.
3. Send Form 2209 involving taxpayers having current addresses in Puerto Rico, the Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, American Samoa or any of the other territories possessions, to U.S. Internal Revenue Service, 2 Ponce de Leon Ave., 10th Floor, San Juan, PR 00918-1693.
4. Give specific instructions on the Form 2209 for each return to be secured or action to be taken.

5.1.11.2 (05-27-1999)

Research Tools

1. There are several research tools available to assist in working nonfiler issues.
2. Principal among them are:
 - A. IRMF Transcripts
 - B. Del Ret supplements
 - C. CFOL command codes
 - D. IDRS command codes

5.1.11.2.1 (05-27-1999)

IRMF Transcripts

1. If Del Ret supplement data is not available, you can request an IRMF transcript to obtain IRP data. Use CC IRPTR which will generate a request to Martinsburg Computing Center (MCC) each week.
2. CC IRPTR may be used to request IRMF transcripts on BMF taxpayers for CID or Examination referrals or in unable to locate cases.
3. You will receive the information in a paper format, usually within four weeks.
4. To facilitate input of CC IRPTR to IDRS, use Form 6632.

5.1.11.2.2 (05-27-1999)

Del Ret Supplements

1. Request a Del Ret Supplement via IDRS using CC TSIGN , with the literal "D" . The following week, CC SUPRQ will display the supplement on the IDRS screen. The retention period for supplement data on IDRS is five days. If the CC SUPRQ is not used during the following week, the Del Ret Supplement data will drop off.
2. The Del Ret Supplement file may hold up to 5 years plus the current delinquent year (if multiple years are open). If the Del Ret has multiple periods and supplements are missing, a request may produce all of the missing supplements.
3. Use Del RetRQ, request type "S" for Del Ret Supplement requests when no account data is on IDRS. Request type "S" will build a Del Ret compliance record for an existing account if one is not present. The following cycle, the supplement may be accessed using CC SUPRQ , as described in (1) and (2) above.
4. Form 4845, Bal Due/Del Ret Reassignment Request, may be used to maintain a weekly record of CC TSIGN"D" inputs so supplements may be secured the following week using CC SUPRQ .

5.1.11.2.3 (05-27-1999)

IDRS and CFOL Command Codes

1. Refer to Document 6209 for specific CFOL and IDRS command code formats which can facilitate nonfiler research. Consider using:
 - A. SUPOL
 - B. IRPOL/IRPTR
 - C. INOLE
 - D. SUPRQ
 - E. Del RetNQ

5.1.11.3 (05-27-1999) **Secured Returns**

1. Collection personnel securing delinquent returns will advise the taxpayer that all tax, penalty and interest is immediately due.
2. If a delinquent balance due return(s) is secured from a bankrupt taxpayer, check IDRS prior to submitting the return(s) to make sure a TC520 CC 8X has been input. If there is no TC 520CC 8X, contact Insolvency **immediately** so they may determine if a freeze code is necessary before sending the return to the service center for processing. Send a copy of all balance due returns to Insolvency. See IRM 5.9 Bankruptcy.
3. All delinquent returns secured in Collection will be date stamped with an official received date stamp by the securing employee, control clerk, or other designated employee. If no date stamp is available. Certain timely filed tax returns do not require date stamping.
4. If a delinquent return appears to have fraud potential related to a questionable refund, refer the return to Criminal Investigation function as described in Section 11.6 of this IRM.
5. In some cases a taxpayer may have returns with a refund due and have a balance due on other returns. Attach Document 6469 to the balance due returns to expedite processing. The refund returns will subsequently post and offset to the balance due module.

5.1.11.3.1 (05-27-1999) **Returns With Payment**

1. Penalties and interest should be computed if the full amount due is collected. If a penalty is not to be asserted due to reasonable cause, enter "Reasonable Cause" on the appropriate line in the penalty block on the face of the return or on Form 4364, Delinquency Computation. Attach Form 4364 to the left hand side of the return. If the penalty exceeds the criteria in section 1.4 of LEM V, attach to the return a written statement or Form 4571, Explanation for Late Filing of Return, from the taxpayer and obtain group manager's initial for each reasonable cause determination.
2. Except for potential trust fund recovery penalty situations, partial collections secured on multiple returns will be applied first on the oldest return in order to tax, penalty, and interest, unless the taxpayer specifically designates otherwise.
3. In cases where potential exists for the application of a trust fund recovery penalty, follow IRM 5.7, Trust Fund Compliance guidance.

5.1.11.3.2 (05-27-1999) **Returns Without Full Payment**

1. When a return is received without full payment of tax, penalty, and interest, contact the taxpayer and demand full payment (see IRM 5.1, section 10). If full payment of all money due is not secured, the revenue officer should make all reasonable efforts to collect full payment or resolve the liability in one of the following ways:
 - A. grant an installment agreement (see IRM 5.14, Installment Agreements, 5.2, Reports, and 5.4, Collection Support); or,
 - B. report the account currently not collectible (see IRM 5.16), 5.2 Reports, and 5.4 Collection Support.
2. If the liability can be resolved by (1) above, write "TC 599 CC 69" on the return. The revenue officer can verify the information contained on the Collection Information Statement used in making the determination without delaying the processing of the return. When there is no open assignment, use Form 2209, Courtesy Investigation, per IRM 5.1, section 8. If the subsequent investigation reveals additional assets that can be used to collect the liability, the revenue officer should have his/her group manager request the issuance of the Bal Due via CC STAUP

or RWMSL. If the liability is not resolved and collection activity is not being pursued, TC 599 CC69 will be used for those returns where the closing codes in paragraph (4) below, do not apply.

3. If enforced collection action appears necessary, request a prompt assessment per IRM 5.1, section 4.
4. In the following situations, use the corresponding closing code:
 - A. If the taxpayer is in bankruptcy, write TC 599 and the appropriate taxable or nontaxable CC.
 - B. On returns prepared and filed under IRC 6020(b):

IF**Then**

if the case is unagreed or no response write "TC 599 CC 63" ; or,
if the taxpayer signs the proposed return, write "TC 599 CC 64"

- Any BMF or IMF account that shows closing codes 63 or 64 with TC 599 will receive a first notice from the Master File and then will be accelerated to Bal Due status 26 the following week. Letter 1058, Final Demand and Notice of Intent to Levy, will not be generated. Therefore, the revenue officer must ensure that the taxpayer receives this letter and Publication 1, Your Rights as a Taxpayer, when the Bal Due is issued.
- If a Bal Due is received for a return processed per (2) above and no further action is needed, route the Bal Due to the unit responsible for maintaining the pre-assessment file. This unit will associate the Bal Due with the case file.
- Initiate a Trust Fund Recovery Penalty investigation, if required.

5.1.11.4 (05-27-1999) Enforcement Criteria

1. When a taxpayer is advised to file all required delinquent returns but neglects, refuses or states an inability to file within the established time frame set by the revenue officer, a determination will be made as to the extent compliance with the filing requirements will be enforced.
2. The application of enforcement procedures will depend upon the facts of each case. Policy Statement P-5-133 outlines general guidelines and specific factors to consider when determining whether to enforce filing requirements.
3. Factors which must be considered for enforcement are:
 - A. Degree of flagrancy and history of noncompliance;
 - B. Effect on voluntary compliance;
 - C. Whether the delinquency involves trust fund monies collected;
 - D. Special circumstances peculiar to a specific taxpayer, class, industry or type of tax;
 - E. Existence of income from illegal sources
 - F. Cost to the service to secure a return with respect to anticipated tax revenue. (See LEM V)
 - G. Bankruptcy; contact Insolvency.
4. Filing requirements will normally be enforced for a six year period. However, returns may be requested or the taxpayer may file for all open periods regardless of the age of the delinquency.
5. If more or less than six years of filing requirements will be enforced, the revenue officer will document the case file with the facts and reasons supporting this decision. Written managerial approval is required.
6. Calculate the 6 year period for enforcement by starting with the tax year that is currently due and go back 6 years. For example, if you are making a field call on October 1,1997, the enforcement period will cover tax years 1991 through 1996.

5.1.11.4.1 (05-27-1999) Minimal or No Tax Due on Returns and Collectibility Factors

1. Policy Statement P-5-133 allows an investigating employee to close a Del Ret without enforcement because:
 - A. There would be no tax due on the delinquent return;
 - B. There would be minimal tax due on the return (minimal is defined in LEM V); or
 - C. The cost to the Service to secure a return would exceed anticipated revenue. (See Section 11.4.1(3), of this IRM.
2. The investigating employee will take the following actions for each Del Ret closed under the provisions of P-5-133:
 1. Document the result of the field contact, or, if applicable, the reasons why a field call was not made;
 2. Compute the anticipated tax due for each period and include on the back of the Del Ret or in the case file;
 3. Document the basis for the determination; and
 4. Secure managerial approval on the Del Ret.
3. Generally the nonfiler's ability to pay will not be a factor in determining whether or not to secure less than six years of returns. On a case-by-case basis, service employees will apply prudence when it is clear from information available that the nonfiler does not have or will not have the ability to pay some if not all, of the tax liability over the 10 year statutory period to collect. The following are situations where we should not pursue securing 6 years of returns:
 - A. A defunct corporation where no assets exist to satisfy any part of a tax liability and there is no possibility of a transferee assessment;
 - B. A deceased taxpayer where no estate exists to satisfy any part of a tax liability and there is no possibility of a transferee assessment;
 - C. A foreign national taxpayer who has departed the United States with no expectation of return and no identifiable assets existing in the United States to satisfy any part of the tax liability, or collection cannot be pursued abroad through terms of a tax treaty or lack of a tax treaty;
 - D. A taxpayer whose minimum incarceration is a period equal to or exceeding the normal collection period and no identifiable assets exist to satisfy any part of the tax liability;
 - E. A taxpayer who has minimal assets and earning potential due to advanced age, illness, or debilitating condition which will permanently diminish income producing potential.
4. The following returns must be secured regardless of dollar amount:
 - A. nontaxable returns such as those in Form 990 series;
 - B. Form 1065, U.S. Partnership Return of Income.
5. For employment tax returns, the "net tax due" is determined before the application of credits.
6. The taxpayer will be informed, if personally contacted, that a refund will not be issued unless a return is filed within three years of the due date of the return.

5.1.11.5 (05-27-1999)

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 Fraud Referral Specialist.
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 Fraud Referral Specialist
 - B. Referral to the Criminal Investigation, See IRM 25.1
 - C. Summons, see IRM 25.5
 - D. Referral to Examination, see Section 11.7 of this IRM
 - 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 (05-27-1999)

Referrals to Criminal Investigation

1. The Fraud Handbook, IRM 25.1, is the comprehensive guide for compliance functions, covering the development of potential fraud issues, referrals for criminal fraud and the duties and responsibilities for joint investigations. This should be used as the revenue officer's reference for identifying and developing criminal investigation, referrals.
2. Fraud may exist where a taxpayer willfully attempts to illegally underreport taxes, not pay taxes or both. Willfulness means the individual acted deliberately with the specific intent of violating the law.
3. Refer issues of potential fraud to the Fraud Referral Specialist.
4. The revenue officer is responsible for identifying potential fraud and referring that taxpayer to the Criminal Investigation. The majority of criminal fraud cases will be established based on violations of:
 - A. A taxpayer's willful failure to file a return (Section 7203) (See LEM V);
 - B. A taxpayer's willful failure to pay taxes owed (Section 7203);
 - C. A taxpayer's willfully submitting a false financial statement under penalty of perjury (Sections 7206(1) and 7206(4));
 - D. A taxpayer's failing to collect and deposit in a special trust fund account (Section 7512 and 7215).
 - E. A taxpayer's evasion of payment (Section 7201).
 - F. A taxpayer's willful failure to collect or pay over tax (Section 7202).
 - G. A taxpayer's submission of fraudulent returns, statement, or other documents (Section 7207).

5.1.11.6.1 (05-27-1999)

Preparing and Processing Referrals

1. Procedures for developing fraud referrals and preparing Form 2797, Referral Report of Potential Criminal Fraud Cases, are contained in the Fraud Referral.
2. Procedures for processing a referral through Collection to CI follow:
 - A. If the revenue officer suspects fraud, he/she will discuss the issues with the group manager;
 - B. If the group manager concurs, hold a conference with the group manager, the CFf employee and the cross functional Fraud Referral Specialist (FRS);
 - C. The FRS will conduct further case review/analysis, researching the issues, reviewing LEM criteria and legal interpretations, and providing feedback to the CFf employee and group manager;
 - D. The CFf employee will then proceed to fully develop the potential fraud issue(s) with the guidance and recommendations of the group manager and FRS;
 - E. The revenue officer will prepare Form 2797. The referral should be a detailed, factual presentation of those factors that were used to establish firm indications of fraud. The report should include, but is not limited to a summary, of the taxpayer's explanation of the affirmative acts of fraud, the method used for income verification, and the estimated tax liability;
 - F. Form 2797 should be submitted to the group manager and FRS for approval;
 - G. After approval the Form 2797 is submitted to the designated CI manager;
 - H. Within 10 workdays of receipt of the Form 2797, hold a four way conference between the Collection group manager, and revenue officer, and the CI manager and agent to evaluate the referral. If possible the FRS will attend;
 - I. A 10 day extension will be allowed if CI needs additional time to evaluate the referral. A final determination of the case should be made at this second four way meeting. Any further extensions of time require the Chiefs' approval.
3. Once CI has accepted the referral and opens a Subject Investigation and a delinquency investigation is outstanding the revenue officer will:
 - A. Insert the notation "Referred to Criminal Investigation for Fraud Investigation" in Remarks or History Section of the Del Ret;
 - B. Attach a copy of Form 2797 to the back of the Del Ret;
 - C. Use closing code TC 596 00 57 for the earliest period of each MFT printed on an IMF Del Ret

NOTE:

Do not use TC 596 on BMF Del Rets. Hold BMF cases until TC 914 has posted and a recall is received on a Daily Transaction Record (DTR).

5.1.11.7 (05-27-1999) Referrals to Examination

1. 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 25.1 Fraud Referral for definitions of willfulness and indications of fraud criteria.)
2. Do not refer the taxpayer to Examination if:
 - The case may be closed by criteria established in Section 11.4 of this IRM, 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.
3. 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 (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.
2. In completing Form 3449, the revenue officer will follow steps outlined in (3)-(10) below:
3. For IMF referrals, state the income, the amount of withholding and compute the potential tax due using Filing Status 1 or 3 with no deductions or exemptions. State what documents were used to compute income and withholding;

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 and individual. Use Filing Status 3 to compute the tax.

4. Describe the source of income for the taxpayer, ie; self employed computer programmer, insurance salesman, trust fund income for IMF, etc.;
5. Attach all documentation substantiating income. This includes:
 1. IDRSVCFOL research
 2. Del Ret supplements
 3. Summoned documents
 4. Relevant case history
6. Secure managerial approval
7. Forward approved part 1 and 2 of the Form 3449 to Examination
8. Retain Part 3 of Form 3449 and attach it to the Del Ret file.
9. Close the oldest module of each MFT on the Del Ret or IDRS, TC 95, 0057;
10. If an erroneous referral is made, prepare a terminal input request for input of TC 592.
11. If a referral is returned or surveyed by Examination, resubmit the referral if there is additional documentation supporting the preparation of a return by Examination.

5.1.11.7.2 (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.
2. The revenue officer will:
 - A. Compare the income reported on the return with the information on the Del Ret supplement;
 - B. Determine if income that has come to the attention of Collection personnel that has not been subject 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.
3. If income has not been reported by the taxpayer or there is an overstatement of credits and indications of fraud do not exist, the revenue officer may attempt to resolve the discrepancy with the taxpayer. If unable to resolve the differences and the amount in question exceeds the amount shown in LEM V, prepare Form 3449 with a narrative and the amount of underreported tax. The information will be referred to Examination function in the service center.
4. When there is a discrepancy in information reported on a secured BMF return resulting in an underreporting of taxes and no signs of fraud or willfulness exist, will be referred 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.

5.1.11.7.3 (05-27-1999)

Excise Tax Returns

1. Form 720, Quarterly Federal Excise Tax Return, may be prepared under the authority of IRC 6020b 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 the Examination function on Form 3449. The referral will contain all facts relative to the preparation of the return.

5.1.11.7.4 (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, the organization should be referred to the TEGE key area. The key area offices are as follows:
 - A. Central Mountain
 - B. Cincinnati
 - C. Pacific Coast
 - D. Great Lakes
 - E. Northeast
 - F. Gulf Coast
 - G. Mid Atlantic
2. A summons does not have to be served prior to referring a case to TEGE.
3. Include all information which will assist TEGE in preparation of the return in the referral report.
4. 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 3449, Referral Report, completing the entity portion of the form and attaching a copy of the Del Ret and case file history
 - B. Close the Del Ret using TC 595 CC57
5. If a Del Ret is for any other Form 5500 series or where the plan number is 501 or higher, close the Del Ret using TC 590 CC50.

5.1.11.7.5 (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. Revenue officers will make referrals to the area Employment Tax Program or the PSP Support Manager in Compliance when they determine 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. The revenue officer will refer potential Employee/Employer relationship determinations on Form 3449 relating all the facts of the case.
4. Internal Revenue Manual 4.23, Employment Tax Procedures, contains additional information for all functions pertaining to the administration of Employee/Employer classification issues.

5.1.11.8 (05-27-1999) **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. Del Rets are referred to ASFR for processing when there are no unresolved taxpayer delinquent accounts (Bal Due) associated with the taxpayer and if the case meets certain selection code criteria. The case may be sent to ASFR directly after the final Del Ret notice by the Automated Collection System (ACS) or by revenue officers.
3. Revenue officers may refer IMF Del Rets 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 Del Ret to ASFR complete the following:
 - A. Resolve all open Bal Dues.
 - 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 Del Ret and process the Del Ret 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, Del Rets with proposed installment agreements or in Collection status 60 cannot be processed through ASFR.
6. If Bal Dues are resolved by continuous levy (status 60 with the agreement locator number of XX08), refer a Del Ret 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 Del Ret to DOAO8000.
7. Infrequently, the revenue officer may receive a Bal Due after the related Del Ret is sent for

ASFR processing. The Del Ret 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 Del Ret will be T-signed to DOAO8000.
the 30 or 90 day letter has not been sent to the taxpayer	both the Bal Due and Del Ret 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 area channels.
- If the Bal Due is resolved and the Del Ret 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 Del Ret in ASFR.

5.1.11.9 (05-27-1999)

IRC 6020(b) Authority

1. The following returns may be prepared, signed and assessed under the authority of IRC 6020(b):

- Form 940, Employer's Annual Federal Unemployment Tax Return
- Form 941, Employer's Quarterly Federal Tax Return
- Form 942, Employer's Quarterly Tax Return for Household Employees
- Form 943, Employer's Annual Tax Return for Agricultural Employees
- Form 720, Quarterly Federal Excise Tax Return
- Form 2290, Heavy Vehicle Use Tax Return
- Form CT-1, Employer's Annual Railroad Retirement Tax Return
- Form 1065, U.S. Partnership Return of Income

2. The following are authorized to execute returns under IRC 6020(b):

- Revenue officers.
- Automated Collection System (ACS) and Collection Support function (CSf) managers GS-9 and above.

5.1.11.9.1 (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:

- Total wages, number of employees, and tax withheld for each delinquent return (Forms 941, 942 and 943).
 - Name of states in which wages were paid (Form 940).
 - Number of partners in the partnership, their names, addresses and social security numbers (Form 1065).
 - 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, section 4) assessments.
 - If the taxpayer is in a receivership or probate proceeding, follow the procedures for quick assessments in IRM 5.1, Section 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 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 (05-27-1999)**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 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. 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 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 (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 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 Del Ret 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 (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 11.3 of this IRM.
3. 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 IRM.
4. 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 20.1, Penalty IRM.

5.1.11.9.5 (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 11.3 of this IRM for returns without full payment
Their SSNs cannot be determined	Closing the delinquency using TC 593 with the proper closing code. See Sections 11.1 and 11.9 of this IRM.

- In unable to contact situations:
 - A. Process the returns via prompt assessment
or
 - B. Prepare a preassessment Form 53, Report of Currently Not Collectible Taxes, at the time the return is signed.

5.1.11.10 (05-27-1999)

Del Ret Completions

1. Disposition of the Del Ret will depend upon the circumstances of individual cases. Exhibits 11-1 and 11-2 furnish answers to a number of questions in the disposition of the Del Ret.
2. When the taxpayer does not file the required returns or does not submit sufficient information to satisfy all delinquent periods, the Del Ret cannot be closed. Appropriate entries will be made in the case history of the Del Ret regarding all actions taken including full compliance checks.

5.1.11.10.1 (05-27-1999)

Transaction Codes

1. One transaction code and closing code should be input for each MFT period. The Del Ret should be completed by entering the correct closing code in the transaction code box. Refer to exhibit 11-3 for a listing of closing & transaction codes.
2. Closing transactions should not be input for subsequent periods on the same type of tax if the earliest printed period on the Del Ret for each type of tax is closed by TC 591, 593, 595 or 596.

5.1.11.10.2 (05-27-1999)

TC 590 -- Not Required to File for this Period Only

1. TC 590 will satisfy a particular period. The requirement to file for subsequent periods will remain open.
2. TC 590 should also be used in the following situations:
 - A. Form 1120, U.S. Corporation Income Tax Return where a consolidated return was or will be filed by the parent corporation and the Del Ret taxpayer is a subsidiary (closing code 14).
 - B. To close Del Rets under discretionary provisions of Policy Statement P-5-133. See Section 11.4 of this IRM for criteria.
 - C. To close Del Rets for Form 1065 U.S. Partnership Return of Income where Revenue Procedure 84-35 applies to a partnership with 10 or fewer partners. Use closing code 52 and secure written managerial approval.

5.1.11.10.3 (05-27-1999)

TC 591 -- Final

1. When the taxpayer is no longer required to file a specific return complete the TC 591 block with the appropriate closing code for the earliest period on the Del Ret or IDRS for the appropriate types of tax.
2. TC 591 will cancel the taxpayer's filing requirement for the MFT checked, and stop returns from being mailed and delinquency checks from being made, if the ending period of the MFT is no more than one year away from the closing date of the Del Ret. If the ending period of the MFT is more than one year away, see Section 11.9.3(3) of this IRM.
3. To close out future delinquencies on those periods not appearing on IDRS at the time of closing the Del Ret, delete the filing requirements by checking the TC 016 block of the Del Ret and entering the appropriate MFT and FR codes, if the ending period of the MFT is more than one year away from the closing date of the Del Ret.
4. When closing an IMF Del Ret using TC 591, if the taxpayer is deceased, prominently mark the face of the Del Ret in red ink with "TC 540" . No other document preparation will be necessary.
5. If a Del Ret contains an open delinquent tax module for Form 11, Special Tax Return, use TC 591 (closing code 50) to close the module. The Bureau of Alcohol, Tobacco and Firearms has responsibility for resolving Form 11 tax returns delinquencies.

5.1.11.10.4 (05-27-1999)

TC 593 -- Unable to Locate

1. If you are unable to locate the taxpayer, use TC 593 closing code 57 for of the earliest period of each MFT on the Del Ret or IDRS.
2. Indicate in the case history all actions taken in attempting to locate the taxpayer. See Section 11.1 of this IRM for required and suggested actions.
3. In instances where collection personnel cannot contact an Exempt Organization responsible officer, the Del Ret will be closed using TC 593.

5.1.11.10.5 (05-27-1999)

TC 594 -- Return Previously Filed

1. If the return has been previously filed, the revenue officer should secure a signed copy of the return with proof of payment, if appropriate, and:
 - A. close the Del Ret by completing the TC594 block with closing code 58 and furnish fact of filing data in the history or on reverse of Del Ret; and
 - B. attach a signed copy of both the return and proof of payment to the Del Ret.
 - C. If a balance due remains, make a preassessment collection determination as required by Section 11.3 of this IRM.
2. If the taxpayer is unable to provide proof of payment, the revenue officer should:
 - A. secure a signed copy of the balance due return and process it as an original;
 - B. close the Del Ret by checking the TC599 block; and
 - C. make a preassessment collection determination required by Section 11.3 of this IRM.
3. Where there has been an entity change, a careful analysis of the facts should be made to determine for which entity the previously filed return was intended. If the return was not intended for the Del Ret entity, the Del Ret should be closed by TC 590 or 591 (closing code 50), as appropriate, and not by TC 594.
4. Check the "Recall" block if you see the original return, with DLN, with the same name and number or microfilm or terminal inquiry shows the tax module with a satisfactory closing transaction code.
5. If the taxpayer has filed jointly with spouse as the secondary SSN on the return, the revenue officer will verify fact of filing and close the delinquent period by entering TC 594 closing code 59. Fact of filing can be verified by requesting IDRS MCC transcripts, using CFOL with CCs INOLE, IMFOL or RTVUE or securing returns for the primary SSN and comparing the taxpayer's SSN with the secondary SSN. When the revenue officer discovers that 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. Attach any transcripts to case file. If fact of filing cannot be verified, secure original tax return and attach a copy of the return(s) to the case file.
6. TC 594 cannot be used if a taxpayer has a Form 1120 filing requirement but has filed a Form 1120S or vice versa.

5.1.11.10.6 (05-27-1999)

TC 595 -- Referrals to Examination or TEGE

1. Use TC 595 with closing code 57 on the earliest period on the Del Ret or IDRS for each MFT. Review the filing requirements and determine other types of tax to be closed.
2. Attach a copy of Form 3449 to the back of Del Ret. Indicate "Final" on any return submitted which is a final return.
3. In the event an erroneous referral is made, a terminal input request form should be prepared to input TC 592.

5.1.11.10.7 (05-27-1999)

TC 596 -- Referrals to Criminal Investigation

1. On Criminal Investigation referrals, hold a Del Ret in inventory pending notification of acceptance or rejection of the case by the Criminal Investigation.
2. Use TC 596 closing code 57 for the earliest period printed on the Del Ret or IDRS for each MFT when the Criminal Investigation has accepted the case for a subject criminal investigation.
3. Attach a copy of Form 2797, Referral Report of Potential Fraud Cases, to the back of the Del Ret.
4. Do not use TC 596 on BMF Del Ret's. Hold BMF Del Ret's until TC 914 is posted and a recall is received on a DTR.

5.1.11.10.8 (05-27-1999)

TC 597 -- Surveyed

1. TC 597 should only be used when prescribed in instructions issued by the National Office.
2. When directed, use TC 597 with closing code 57 on each tax period printed on the Del Ret and on any subsequent periods that are delinquent but not printed on the Del Ret.

5.1.11.10.9 (05-27-1999)

TC 598 -- Shelved

1. TC 598 should only be used when prescribed in IRM instructions or by direction from National Office.

5.1.11.10.10 (05-27-1999)

TC 599 -- Taxable/Nontaxable Return Secured

1. TC 599 with the correct closing code will be printed in the middle left margin of all secured returns, and will be used as an input document to IDRS. If documents such as W-2s or 1099s are attached, go directly above the documents to write TC 599 and closing code.
2. Check the TC 599 block of the Del Ret instead of entering a closing code.
3. For a return submitted for prompt assessment, enter TC 599 and the correct closing code on Form 4844 and route it for input.
4. Exempt organizations with gross receipts of \$25,000 or less for tax years on or after 12/31/82, or \$10,000 or less for tax years on or after 12/31/76, and the organization is not a private foundation and a Form 990, Return for Organization Exempt from Income Tax, will not be filed, the revenue officer should prepare a Form 990 with the taxpayer entity information and:
 - A. print "599cc71" on the return;
 - B. print "DUMMY RETURN" on top of the return;
 - C. check box indicating gross receipts not more than \$25,000 (or \$10,000 if before 1982);
 - D. not date stamp return; and
 - E. attach photocopy of the Del Ret (front) to the return.
5. If an unsigned return is received in the mail, attach to the return a copy of the signed correspondence transmitting the return.
6. When a final return is secured and TC 599 with a closing code is entered, the filing requirement must be deleted to prevent future return delinquencies. Generally, by entering TC 591 with the closing code 50 in the subsequent period, the filing requirement will turn off. Refer to Section 11.9.3 of this IRM.

5.1.11.10.11 (05-27-1999)

Recalls

1. Indicate information on the back of the Del Ret (Return Previously Filed or Statement of No Liability section) if microfilm or terminal inquiry shows that a satisfactory closing transaction code posted.
2. The "recall" box should also be used, and an appropriate history entry made, whenever command code TXMOD gives a response message of "No Data Available."

5.1.11.10.12 (05-27-1999)**Credit Balances**

1. Some DEL RET modules have credit balances. You may have to handle the credit balance separately from the DEL RET closure depending on whether you secure a return or not.

5.1.11.10.12.1 (07-04-2001)**Excess Collection Taskforce**

1. In 2000, TIGTA and the Excess Collection File (XSF) Task Force made recommendations which management approved.
2. These recommendations were:
 - o rather than transferring credits with no return to XSF, leave them on the Master File account until the refund statute expires;
 - o systemically generate semi-annual notices to the taxpayer, reminding them of the credit(s) and their options for claiming it;
 - o six months before the credit expires, send a systemic last chance notice to the taxpayer; explain that the credit(s) will no longer be available in six months,
 - o when credit statute expires, systemically transfer unresolved credit(s) to Unapplied Statute Expired Credits Account.
3. ICS programming changes became effective in January 2001.
4. IDRS programming changes became effective in July 2001.

5.1.11.10.12.2 (07-04-2001)**Not Liable or No Longer Liable for Return**

1. For a DEL RET module closed with a not liable (TC590) or a no longer liable (TC591) and a credit exists, the credit should be refunded to the taxpayer. A signed no-liability (non-taxable) return should be secured from the taxpayer.
2. The return should be annotated "Input as original for Refund" , and forward for processing as an original delinquent return.
3. If a return cannot be secured, secure a signed statement of no liability from the taxpayer.
4. 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.

5.1.11.10.12.3 (07-04-2001)**Unable to Locate**

1. For a DEL RET module closed unable to locate (TC 593), leave the credit on the module.

5.1.11.10.12.4 (07-04-2001)**Return Previously Filed With Spouse**

1. If the DEL RET module is closed TC 594 cc 59, and a credit balance exists, then transfer the credit to the spouse's social security number using ICS. See section 12.6 below.

5.1.11.10.12.5 (07-04-2001)**Debit(s) on Account**

1. If the taxpayer does not claim the credit and the period for refunding an overpayment has not expired, research IDRS.
 - A. If there are any outstanding debit balances on other modules, then transfer the credit to them on ICS. See section 12.6 below.
 - B. If after the transfer, any credit remains leave it on the module, do not remove to excess collections.

5.1.11.10.12.6 (07-04-2001) **ICS Credit Transfers**

1. The "Credit Disposition" option on the ICS Module Detail screen allows you to dispose of the credit balance on a 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" will give you specific instructions.
4. Currently, ICS credit transfers do not load to IDRS. Therefore, prepare Form 2424, Account Adjustment Voucher, to have credit transferred on IDRS. IRM 3.17.21.8.3 has detailed instructions for preparing this form.

5.1.11.10.13 (05-27-1999) **Entity Changes**

1. In working a Del Ret where you find there has been a change in the entity, a careful analysis of all facts should be made to ensure that the Del Ret is closed properly and that all delinquent returns have been filed under the appropriate TIN. If a new entity is being established, Form SS-4, Application for Employer Identification Number, should be prepared for issuance of a new number. The open filing requirements stated on the Del Ret should be closed by TC 591.
2. The bottom front portion of the Del Ret may be used in lieu of Form 2363, Master File Entity Change to make changes in the taxpayer's entity. Changes which can be made on the face of the Del Ret are as follows. All others require Form 2363.
 - A. TIN change -- only if entity is not changed
 - B. Name change -- only one entity is involved
 - C. Address, Location or ZIP code
 - D. Filing Requirements -- either changing or establishing.
 - E. Taxpayer Deceased -- Input of TC 540 for IMF deceased taxpayers.

5.1.11.11 (05-27-1999) **Delinquent Investigation Account Listing (DIAL)**

1. The DIAL used by revenue officers and group managers is a paper inventory list of taxpayers in Integrated Data Retrieval System (IDRS) status 26 and status 03. It is used in those areas where the Integrated Collection System (ICS) or the Entity System has not been installed. It is produced once a month by the service centers to reflect the status of taxpayers' accounts assigned to the area and revenue officer as of its production date. It also identifies certain account characteristics such as overage, large dollar or those with CSED or ASED indicators.
2. Procedures for the group manager's use of the DIAL are found in the Group Manager's IRM.
3. Exhibit 11-4 contains a copy of the DIAL format and explains the data printed on the DIAL.
4. The following sections highlight areas of emphasis and required action by revenue officers in response to the status of cases found on the DIAL.

5.1.11.11.1 (05-27-1999) **Matching Procedures**

1. The DIAL will be used as a tool to identify discrepancies in the revenue officers' inventory of Bal Dues and Del RetS.
2. At a minimum, a quarterly match of all Del RetS and Bal Dues in your inventory will be done against the DIAL. The match will be done within time frames established by local management.
3. When doing the match the revenue officer will:
 - A. Identify module discrepancies. If there is a difference between the balance due on a Bal Due, (excluding any posting that may have occurred after the run date of the DIAL) research IDRS to identify the problem and take appropriate action to ensure the taxpayer's account is accurate in application of payments, debits and credits.
 - B. If a Bal Due in your possession is not listed on the DIAL, check IDRS to determine where it is T-signed. If the account is closed, but should be reactivated, notify the service center to establish a module on IDRS using the IDRS command code CC/MFREQ. If the Bal Due is a NMF, request that your group manager call the Service Center Accounting Branch to verify the balance on the unit ledger card.
 - C. If a Del Ret is in inventory but not listed on the DIAL, check IDRS to see if it is assigned to another function such as Examination (AIMS control), ASFR T-sign 8000, or any other employee. If the Del Ret is closed per IDRS, note "closed by Del Ret match" and close the Del Ret from inventory.
 - D. Request a Bal Due or a Del Ret reissuance when a document cannot be located but is listed on the DIAL. Managerial approval is required to use this command code. Until the Bal Due or Del Ret is reissued, an IDRS/CFOL printout of the missing module(s) may be used.
 - E. Request a Bal Due reissuance by inputting CCSTAUP to IDRS and requesting Bal Due status 26.
 - F. Request a Del Ret replacement through IDRS by using the command code CCDel RetAD.

5.1.11.11.2 (05-27-1999) Collection Statute Expiration Date

1. The CSED appears next to Bal Due modules where there are less than sixty (60) weeks remaining in the statutory period for collection. It indicates those accounts which should be prioritized for resolution. The date is based on the earliest unexpired assessment date in the module. Review the date for accuracy since there may be an additional assessment subsequent to the original TC 150 date.
2. If the amount from the first unexpired date for assessment has been paid, and the liability exists from a subsequent assessment such as a TC 300, a request for an asterisk should be placed next to the CSED date on the next print of the DIAL. The IDRS command code CC CSEDR initiates the placement of the asterisk. Managerial approval is required for the input of CC CSEDR . CC CSEDR which are entered in error may be reversed using the same command code.

5.1.11.11.3 (05-27-1999) Assessment Statute Expiration Date (ASED)

1. An asterisk will appear in the ASED column next to the first taxpayer module. This occurs when Notice 527, Assessment Statute Expiration Date, is issued for at least one delinquent module. The asterisk will stay on the DIAL for up to three months or until the next Notice 527 is issued. If an additional notice is not sent to the taxpayer subsequent to the first notice, the asterisk will disappear. This does not mean the ASED has disappeared or has been protected.
2. To assure ASEDS are protected, review trust fund Bal Dues on the DIAL based on the taxable period. For example, if the current ASED date which is about to expire is April 15, 1997 review all tax periods with a constructive filing date of April 15, 1994 or before (taxable periods ending December 31, 1993 or earlier).
3. Following are definitions for the numbers which occur in the ASED column of the DIAL:
 - A. "0" appears when a trust fund Bal Due has been in status 26 for six months or more and indicators codes "1" ,"2" ,"3" , or "4" have not been input to IDRS. This indicator serves as an alert that a Trust Fund Recovery Penalty determination may not have been made as specified in procedures listed in the IRM.
 - B. "1" designates that the Trust Fund Penalty has been assessed.
 - C. "2" designates that responsible persons could not be located.

- D. "3" designates that there is no collection potential from any responsible person.
- E. "4" designates that all trust fund amounts have been paid
- F. "5" designates that the trust fund penalty is not applicable

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Sec. 11 Delinquent Return Accounts

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