IRM PROCEDURAL UPDATE

DATE: 12/20/2016

NUMBER: sbse-04-1216-1779

SUBJECT: IMF Automated Underreporter (AUR) Program

AFFECTED IRM(s)/SUBSECTION(s): 4.19.3

CHANGE(s):

IRM 4.19.3.7.23.1.1(1) - added Categories 61 and 79

1. ONLY screen BASIS IRs in Category 31, 39, 61 and 79. If the cost basis element is asterisked in categories other than 31, 39, 61 and 79, the system marks the IRs with status code "X". If appropriate, close the case with PC 2X. If the case is open in any other category, do not screen BASIS IRs.
2. The BASIS element displays income identify code of "SC" for Short-term cost basis or "LC" for Long-term cost basis.
3. A CP 2501 must be the first notice sent if the **net** U/R from STOCK and BASIS IR(s) is $100,000 or more; otherwise, issue a CP 2000 Notice.
4. If the STOCK element on an IR containing BASIS is fully UR, use the BASIS amount as the reported amount for STOCK and enter status code "N" or "D" on the BASIS element.
5. If the STOCK element on an IR containing BASIS # ▓▓▓ ▓▓▓ #
6. # ▓▓ ▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓▓ #
7. If issuing a notice for STOCK and the BASIS amount was considered in determining the UR amount, mark the BASIS IR element(s) with Send Indicator "S".

IRM 4.19.3.14.8(5) 1st and 2nd bullets - revised and corrected to include return line numbers, based on the tax year, and to clarify which return/Schedule E line amounts are needed for the calculation

5. If Form 8960 was not filed with the return, **input/verify** the following entries in the Net Investment Tax window:
   - NET INVEST TAX PER RETURN - amount from Form 1040, (TY 2013, line 60; TYs 2014 and 2015, line 62) identified as from Form 8960

- o TOTAL INVEST INCOME PER RETURN - Form 1040, line 8a, line 9a, line 13, line 14, non-qualified annuities (COD "D"), Schedule E, lines 26, 39 and 40, Schedule E, Part II, columns f and g, and Schedule E, Part III, columns c and d. **DO NOT** include reported investment income on which the TP paid SE tax.
- o TOTAL DEDUCTIONS - amount from Form 1040, line 30 (EWPEN)

IRM 4.19.3.20.1.6(3) d Note - changed the Note to a Caution and added instruction to change address on a closed AUR case on both the AUR system and on IDRS, if taking another account action; if not taking an account action, advise TP to submit Form 8822 to change their address

3. Contacts that are considered clear and concise notification of an address change include the following:
   a. The TP returns an IRS initiated correspondence (including notices) that solicits or requires a response to IRS with corrections marked on his/her address information. The TP's signature on the correspondence (for this purpose) is not required.
   b. A return (including an amended return, Form 1040X) filed by a TP with new address information. Update the Master File for address changes on any amended returns, including Form 1040X, that bypass normal pipeline processing and are processed as a response.
   c. Form 8822, Change of Address, when received in conjunction with an AUR case. Use the Address Update window with Address Type I to update the Master File.
   d. Oral notification made in response to an AUR notice which meets appropriate disclosure guidelines or if a TP is contacted by phone by an IRS employee in connection with the TP's account (not related to an address change). The TP may provide a change of address to the IRS employee who responded to the phone call or initiated the phone contact. See IRM 4.19.3.20.2, *Telephone Responses*, for additional information regarding telephone responses.

      CAUTION: If the notification for an address update is made on a closed AUR case, update the address on AUR and on IDRS, using IDRS CC ENMOD, if taking another account action (i.e., correcting/removing the AUR assessment). If no account action is being taken do not change the address; advise the TP to send Form 8822, *Change of Address*, to change their address.

      CAUTION: If the account is marked with a TC 971 AC 504 SPCL1 or EFAIL, there have been unsuccessful attempts to obtain an IP PIN. Use high risk disclosure procedures, see IRM 4.19.3.20.2.2, *Disclosure*, for additional information.

   e. Notification of an address change made by the U.S. Postal Service.

> **CAUTION:** Always verify the name on the Post Office notification with the name on the notice before updating the address.

> **NOTE:** A new address indicated as a return address on the envelope or in the letterhead of TP correspondence is not, by itself, clear and concise notification and is not sufficient to change a TP's address of record.

IRM 4.19.3.20.1.26.4 - moved information to IRM 4.19.3.20.1.25 and renumbered

1. Unscrupulous return preparers may alter TP tax data and/or misdirect a portion or all of the refund. TPs may become aware of misconduct through taxpayer initiated contact or through IRS correspondence and may submit Form 14157, *Return Preparer Complaint* and/or Form 14157-A, *Tax Return Preparer Fraud and Misconduct Affidavit*.
2. When a TP states a preparer altered tax return data or misdirected a portion of or all of the refund, **telephone assistors** will research IDRS CC ENMOD and take the following action:

If	Then
IDRS CC ENMOD research determines there is an existing TC 971 AC 504 with the literal RPM for the AUR tax year	1. Request the case via UWC. 2. Leave a detailed case note. 3. Close the case no change following normal AUR procedures. **EXCEPTION:** If the case is unavailable through UWC, check the action required box and leave a case note indicating the case needs to be closed following normal processing procedures per IRM 4.19.3.20.1.26.3.1(5), table, *IDT Claims - Responses*.
There is no TC 971 AC 504 with literal RPM for the AUR tax year	1. Advise the TP to complete and return both Form 14157, *Return Preparer Complaint* and Form 14157-A, *Tax Return Preparer Fraud and Misconduct Affidavit*. 2. Inform the TP that additional information is available on www.irs.gov and search keyword "preparer misconduct". 3. Leave a detailed case note.

3. When working **paper responses** and a TP states a preparer altered tax return data or misdirected a portion of or all of the refund, take the following action:

If	Then
There is no Form 14157 and/or Form 14157-A present	1. Research IDRS CC ENMOD for an existing TC 971 AC 504 with literal RPM, for the AUR tax year. 2. If present, close the case no change following normal AUR procedures and go to step 7. 3. If not present follow steps 4 –7. 4. Issue Letter 2626C advising the TP to complete and return both Form 14157 and Form 14157-A. 5. Inform the TP that additional information is available on www.irs.gov and search keyword "preparer misconduct". 6. Input IPC 3L, 6L, or 8L as appropriate. 7. Leave a detailed case note.
Form 14157 and/or Form 14157-A is present	1. Leave a detailed case note. 2. Transfer to the designated UID. 3. Place in the designated area for the AUR IDT liaison.

IRM 4.19.3.20.3.19(2) - new, to provide instructions when the expenses are less than the gross distribution; renumbered remainder of subsection

2. If there is an indication the qualified education expenses were less than the gross distribution (GRDIS) take the following actions:
   1. Issue Letter 2626C (or a recomputed notice) and include a Special Paragraph using the following verbiage as an example: "Your response indicated the amount of qualified education expenses paid was less than the gross distribution of your qualified tuition payment. Generally, a portion of the distribution is taxable when expenses are less than the amount distributed. Please refer to Publication 970, *Tax Benefits for Education*", to calculate the taxable portion of the distribution and provide us a copy of the computation.
   2. Input the appropriate IPC.
   3. If the TP provides a recomputed taxable amount or copy of the computation, # ████████████████████████████ # If the TP does not provide the requested information, continue processing.

IRM 4.19.3.23.10(1) and steps - revised instruction to use IAT "Letter" tool to issue letters on Employee cases; revised step list to reflect use of IAT; renumbered step list and included the information previously in (2) and (3)

IRM 4.19.3.23.10(2) and (3) - deleted (2) and (3)

1. Use the IAT "Letters" tool to issue letters on Employee cases.
    1. Create the letter on IAT.
    2. Print a copy of the letter to be retained in the case file.
    3. Leave a case note.
    4. Use IPC 3S (CP 2501 phase), 6S (CP 2000 phase) or 8S (Statutory Notice phase), as appropriate.
    5. Return the case to the suspense file with the date the letter was created clearly annotated on the folder.
    6. Monitor the case. At the end of the letter suspense time frame, take appropriate action to continue processing.

IRM 4.19.3.24.3(7) 6th bullet - revised wording

7. The following list includes the most common reasons written notification to the TP is needed:
    o Explain W/H adjustments
    o Request additional information
    o Answer TP's questions
    o Explain penalty abatement request denial - follow penalty relief guidelines to make a determination
    o Explain the inability to abate interest
    o Provide recomputed figures (if the TP did not provide the figures)
    o Send a disallowance or partial disallowance letter

    NOTE: The IAT "Letters" tool must be used to issue a letter to the TP.