

IRM PROCEDURAL UPDATE

DATE: 06/25/2025

NUMBER: sbse-05-0625-3433

SUBJECT: Non-bankruptcy Insolvencies

AFFECTED IRM(s)/SUBSECTION(s): 5.9.20

CHANGE(s):

IRM 5.9.20.1.3 Updated title section to "Roles and Responsibilities"

- (1) The Director, Specialty Collection Insolvency and Director, Field Collection are responsible for program oversight.
- (2) Field compliance managers (FCMs)/territory managers (TMs) and frontline managers (FLMs) are responsible for ensuring reviews are completed as required per IRM 1.4.51.17, Operational Reviews and Employee Engagement, IRM 1.4.51.16.2, EQ Consistency Reviews, IRM 1.4.51.5.2, Reviews (Overview), and IRM 1.4.53, Advisory and Property Appraisal and Liquidation Specialist Group Manager Operational Aid.
- (3) Employees are responsible for following the provided guidance to process cases.

IRM 5.9.20.1.3(2) Updated "Territory" managers to "Field compliance managers (FCMs)/territory managers (TMs)" and replaced IRM 1.4.51.17.2 with IRM 1.4.51.17, Operational Reviews and Employee Engagement

- (2) Field compliance managers (FCMs)/territory managers (TMs) and frontline managers (FLMs) are responsible for ensuring reviews are completed as required per IRM 1.4.51.17, Operational Reviews and Employee Engagement, IRM 1.4.51.16.2, EQ Consistency Reviews, IRM 1.4.51.5.2, Reviews (Overview), and IRM 1.4.53, Advisory and Property Appraisal and Liquidation Specialist Group Manager Operational Aid.

IRM 5.9.20.1.4(1) Added link to job aids for managers and caseworkers

- (1) **Program Reports.** Reports housed on the Business Objects Enterprise (BOE) system are used to support the insolvency program. The required AIS reports are described in IRM 5.9.12, Insolvency Automated Processes, IRM 5.9.16, Insolvency

Case Monitoring, and in IRM 1.4.51.8.3, Case Management Tools. Mandatory and AdHoc reports for managers and caseworkers are described in detail in the BOE Report Job Aids located on the Insolvency Knowledge Base - Business Objects Environment (BOE) for Insolvency Table of Contents.

IRM 5.9.20.1.4(2) Replaced IRM 1.4.51.17.2 and IRM 1.4.51.17.5 with IRM 1.4.51.17, Operational Reviews and Employee Engagement, and IRM 1.4.51.17.1, Frequency and Planning

(2) Program Effectiveness.

1. .Operational reviews may be conducted on a yearly basis. See IRM 1.4.51.17, Operational Reviews and Employee Engagement, and IRM 1.4.51.17.1, Frequency and Planning.
2. National quality reviews and consistency reviews are conducted on a routine basis. See IRM 1.4.51.16.1, NQRS, and IRM 1.4.51.16.2, EQ Consistency Reviews, for more information.

IRM 5.9.20.1.6(4) Added additional acronyms and definitions

(4) Acronyms used specifically in this IRM section are listed below:

Acronyms	Definitions
ABC	Assignment for the Benefit of Creditors
AIS	Automated Insolvency System
APOC	Automated Proof of Claim
CEASO	Civil Enforcement Advice & Support Operations
CIO	Centralized Insolvency Operation
CSED	Collection Statute Expiration Date
FDIC	Federal Deposit Insurance Corporation
FI	Field Insolvency
IIP	Insolvency Interface Program
NFTL	Notice of Federal Tax Lien
RTC	Resolution Trust Corporation
SB/SE	Small Business/Self-Employed
SIPA	Security Investor Protection Act
SIPC	Security Investor Protection Corporation
SCI	Specialty Collection Insolvency
TFRP	Trust Fund Recovery Penalty

IRM 5.9.20.1.7(5) Added link to the Insolvency Knowledge Base

(5) Insolvency Knowledge Base

IRM 5.9.20.2(3) Changed "should" to "will"

(3) **Intrastate Commerce.** A broker or dealer whose business is exclusively intrastate and who does not use any facility of a national securities exchange may appropriately file a Chapter 7 bankruptcy. Insolvency specialists will handle these cases as they would any other Chapter 7 bankruptcy.

IRM 5.9.20.2.1(6) Added a reminder about CSED suspension for TC 520 cc 81 and TC 520 cc 84

(6) **Manual Processing.** The Insolvency Interface Program (IIP) will not process SIPA cases. FI caseworkers will be responsible for verifying TINs, reviewing status codes, addressing pending Exam actions (TC 420), taking necessary actions to avoid or correct stay violations, and inputting TC 520 cc 84 manually on all periods. If any periods on the proof of claim are estimated, a dummy module may be required.

IRM 5.9.20.2.1(10) Changed "should" to "will"

(10) **Payment Posting.** The SIPA trustee will be instructed to mail payments to the New York FI office to be posted through AIS and sent to the serving Campuses. The CIO will post payments received in error to the period with the most imminent CSED. The CIO will advise the New York FI office of payment receipt by phone or secure e-mail. Designated payment code "03" will be used on the payment vouchers.

IRM 5.9.20.2.1(12) Clarified case closure procedure and changed "should" to "will"

(12) **Case Closure.** Once the liquidation proceeding and all IRS activity, including addressing any TFRP issues, have concluded, caseworkers will close corporations, limited liability companies, and limited partnerships with a TC 530 cc 10, upon reversal of the TC 520. Caseworkers will close individual brokers' cases as if they were Chapter 7 discharges.

IRM 5.9.20.2.1(13) Changed "should" to "will"

(13) **Counsel Guidance.** Issues arising from SIPA proceedings that have not been covered in this IRM will be discussed with Counsel.

IRM 5.9.20.3(4) Updated mailing address and added routing guide for Form 56

(4) **Notification.** Form 56, Notice Concerning Fiduciary Relationship, is the only form the IRS will accept as notice of receiverships. The submission of Form 56 under section 6036 (Box 1f) is the notice for receiverships. For purposes of IRC 6903, the fiduciary will send Form 56 to the Internal Revenue Service Center where the person for whom the fiduciary is acting is required to file tax returns. For purposes of IRC 6036, the fiduciary will send Form 56 to:

Internal Revenue Service

Insolvency

MS 5024 DAL

Dallas, TX 75242

Note: The IRS will not honor an informal notice from the receiver, such as an email to SB/SE Collection employees, as the equivalent of a Form 56.

Note: Until the Form 56 is revised, the caseworker will inform the fiduciary to send the form to the Internal Revenue Service Center where the person for whom the fiduciary is acting is required to file tax returns (for purposes of IRC 6903) or to the address listed above (for purposes of IRC 6036).

1. Caseworkers must **expedite** the forwarding of Form 56 to the appropriate Entity Control Service Center **within 10 calendar days** of uploading the information to AIS. See the Exhibit in IRM 3.10.72-1, Routing Guide/Local Maildex, and IRM 3.13.5.5.1, Enterprise E-Fax (EEFax) and Fax Numbers.

Note: This step is imperative to ensure appropriate refund hold information is uploaded to IDRS.

IRM 5.9.20.3(5) Clarified CSED suspension for general and limited proceedings

(5) **CSED.** The statute for collection of taxes is suspended during the time the taxpayer's assets are in the control or custody of the court plus six months (IRC 6503(b)).

Note: CSED is suspended only in "general" receivership proceedings where **all** assets are under control of the court. CSED is not suspended in "limited" proceedings, since collection actions can still be taken.

IRM 5.9.20.3(10) Added a reminder about CSED suspension for TC 520 cc 81 and TC 520 cc 84

(10) **Manual Processing.** IIP does not process receivership cases, so the caseworker must manually input TC 520 cc 84 on balance due modules. FI caseworkers will be responsible for verifying TINs, reviewing status codes, addressing pending Exam actions (TC 420), taking necessary actions to avoid or correct stay violations, and inputting TC 520 cc 84 manually on all periods. If any periods on the proof of claim are estimated, a dummy module may be required.

Note: Closing code 84 will not establish a dummy module. It may be necessary to establish a dummy module using cc 81 and change the closing code to 84 after the dummy module is established.

Reminder: TC 520 cc 81 suspends the CSED when **all** assets are under court control. TC 520 cc 84 does not suspend the CSED and is for instances where collectible assets exist outside of court control.

IRM 5.9.20.3(12) Changed "should" to "will"

(12) **Unfiled Returns.** Unfiled returns will be requested from the receiver. The IRS will prepare returns under IRC 6020(b) for returns not received by the deadline given to the receiver. This may require issuing a summons for the 6020(b) information.

Note: The IRS can make immediate assessments of unassessed income, estate and gift tax deficiencies pursuant to IRC 6871; Treas. Reg. 301.6871(b)-1(c).

IRM 5.9.20.3(14) Added notarization and certified mailing requirements, along with AIS history entry, for Form 4490, and changed "should" to "will"

(14) **Proof of Claim.** The Automated Proof of Claim (APOC) system does not process Receivership cases. The proof of claim will be filed manually on Form 4490, Proof of Claim for Internal Revenue Taxes, unless the receiver requests the claim be

filed on another form or presented in letter format. Penalties and interest will be computed to the date of the court order establishing the receivership. Schedules of assets and liabilities are not provided to the court and creditors, so secured claims will be filed at full value. The claim will be filed according to the requirements of the court.

Caution: Form 4490 may need to be notarized based on the jurisdiction and mailed certified with return receipt for confirmation, along with an AIS history entry, if applicable.

IRM 5.9.20.3(18) Added boldfaced title and changed "should" to "will"

(18) **Payment Posting.** The receiver will be instructed to mail payments to the FI office where the case is assigned. The CIO will post payments received in error to the period with the most imminent CSED. The CIO will advise the caseworker of payment receipt by phone or secure email. Designated payment code "03" will be used on the payment vouchers.

IRM 5.9.20.3(19) Changed "should" to "must"

(19) **Case Closure.** Once the receivership proceeding is complete and the creditors have been paid to the extent allowed by the court distribution, the receiver is discharged and the case is closed. Unlike bankruptcy cases, receivership proceedings do not provide a discharge. The IRS may collect any tax claim that remains unpaid once the proceeding ends (IRC 6873). When a business entity has been dissolved under state receivership proceedings or other dissolution actions, and all IRS activity, including addressing any TFRP issues, has concluded, the litigation freeze code must be reversed and the modules closed with a TC 530 cc 10. When an individual receivership is closed in the court and all IRS activity has concluded, the litigation freeze code must be reversed.

IRM 5.9.20.3(20) Changed "should" to "will"

(20) **Counsel Guidance.** Issues arising from receivership proceedings that have not been covered in this IRM will be discussed with Counsel. In some instances, formal intervention by Counsel may be required.

IRM 5.9.20.3.1(3) Updated mailing address and added routing guide for Form 56-F and changed "should" to "will"

(3) Notification. Form 56-F, Notice Concerning Fiduciary Relationship of Financial Institution, is the only form the IRS will accept as notice of the FDIC Receivership. For purposes of IRC 6402(k) and IRC 6903, the fiduciary will send Form 56-F to the Internal Revenue Service Center where the financial institution for whom the fiduciary is acting files its income tax return. For purposes of IRC 6036, the fiduciary will send Form 56-F to:

Internal Revenue Service

Insolvency, Attn: FDIC

MS 5024 DAL

Dallas, TX 75242

Note: The IRS will not honor an informal notice from the FDIC, such as an email to SB/SE Collection employees, as the equivalent of a Form 56-F.

Note: Until the Form 56-F is revised, the caseworker will inform the fiduciary to send the form to the Internal Revenue Service Center where the financial institution for whom the fiduciary is acting files its income tax return (for purposes of IRC 6402(k) and IRC 6903) or to the address listed above (for purposes of IRC 6036).

Caseworkers must expedite the forwarding of Form 56-F to the appropriate Entity Control Service Center within 10 calendar days of uploading the information to AIS. See the Exhibit in IRM 3.10.72-1, Routing Guide/Local Maildex, and IRM 3.13.5.5.1, Enterprise E-Fax (EEFax) and Fax Numbers.

Note: This step is imperative to ensure appropriate refund hold information is uploaded to IDRS.

IRM 5.9.20.3.1(4) Changed "should" to "will"

(4) **Adding the case to AIS.** Caseworkers must add the FDIC receivership cases to AIS, inputting "RC" in the chapter field on the Taxpayer Screen on AIS. For easy identification of the FDIC cases, the caseworker must select "FDIC" from the drop down menu in the "Classification" field on the Taxpayer Screen when adding the case to AIS. The name of the failed financial institution will be added in the "Last Name" field on the Taxpayer Screen. The "First Name" field will show c/o FDIC. The address will be the address of the FDIC location administering the case. The FDIC information may be found using cc ENMOD on IDRS or from lines 9 through 13 of the Form 56-F.

IRM 5.9.20.3.1(6) Added a reminder about CSED suspension for TC 520 cc 81 and TC 520 cc 84 and changed "should" to "will"

(6) **Manual Processing.** IIP does not process receivership FDIC cases. The caseworker will be responsible for verifying TINs, reviewing status codes, addressing pending Exam actions (TC 420), and inputting the TC 520 cc 84 manually on all balance due modules or on any module with a potential balance due. If there is no liability (actual or potential), the case will be closed as NL. No TC 520 cc 84 input will be required on the cases closed as NL.

Note: Closing code 84 will not establish a dummy module. It may be necessary to establish a dummy module using cc 81 and change the closing code to 84 after the dummy module is established.

Reminder: TC 520 cc 81 suspends the CSED when **all** assets are under court control. TC 520 cc 84 does not suspend the CSED and is for instances where collectible assets exist outside of court control.

IRM 5.9.20.3.1(8) Changed "should" to "will"

(8) **Unfiled Returns.** Unfiled returns will be requested from the FDIC. The IRS will prepare returns under IRC 6020(b) for returns not received by the deadline given to the FDIC. This may require issuing a summons for the 6020(b) information.

IRM 5.9.20.3.1(10) Changed "should" to "will"

(10) **Proof of Claim.** The proof of claim will be filed on Form RLS7214 found on the FDIC website. APOC will not compute the proof of claim in these cases. The caseworker must manually compute the claim. Penalties and interest will be computed to the date of the failure of the financial institution. Secured claims will be filed at full value. Instructions for completing and filing the proof of claim can be found on the FDIC website.

IRM 5.9.20.3.1(12) Added one year follow-up review

(12) **Follow-Up Review.** After filing a claim, the caseworker must input a one year follow-up on the AIS case to check for distribution. If no distribution has been received by the follow-up date, the caseworker must contact the FDIC by phone or ad hoc letter asking about the progress of the distribution and the likelihood of the IRS receiving payment on its claim.

IRM 5.9.20.3.1(15) Changed "should" to "will"

(15) **Payment Posting.** The FDIC will be instructed to mail payments to the FI office where the case is assigned. The CIO will post payments received in error to the period with the most imminent CSED. The CIO will advise the field caseworker of payment receipt by phone or secure email. Designated payment code "03" will be used on the payment vouchers. The payment must be posted using the "Non Plan Payment" option from the "Payment Monitoring Menu" on AIS.

IRM 5.9.20.3.1(16) Clarified correct processing of TC 520 and reversal of TC 530 and changed "should" to "will"

(16) **Case Closure.** Once any TFRP issues or other IRS activity has been completed and the proof of claim has been acknowledged by the FDIC, the caseworker will initiate closing actions on the case. Balance due modules will be closed as uncollectible, using the TC 530, upon reversal of the TC 520.

- If the date the financial institution failed is prior to January 1, 1996, the case was previously administered by the RTC. The modules will be closed with a TC 530 cc 15.
- If the date the financial institution failed is January 1, 1996 or later, the modules will be closed with a TC 530 cc 10.

IRM 5.9.20.3.1(17) Changed "should" to "will"

(17) **Counsel Guidance.** Issues arising from the FDIC receivership proceedings that are not covered in this IRM will be discussed with Counsel. This is especially important when the FDIC is administering the assets of the failed financial institutions and the parent entity or related entity has filed a Chapter 11 or Chapter 7 bankruptcy case.

IRM 5.9.20.4(6) Changed "should" to "will"

(6) **Counsel Guidance.** Issues arising from assignments for the benefit of creditors that have not been covered in this IRM will be discussed with Counsel.

IRM 5.9.20.5.1(3) Added a reminder about CSED suspension for TC 520 cc 81 and TC 520 cc 84

(3) **Manual Processing.** Advisors will be responsible for verifying TINs, reviewing status codes, addressing pending Exam actions (TC 420) taking necessary actions to avoid or correct stay violations, and inputting TC 520 cc 84 manually on all periods.

Reminder: TC 520 cc 81 suspends the CSED when **all** assets are under court control. TC 520 cc 84 does not suspend the CSED and is for instances where collectible assets exist outside of court control.

IRM 5.9.20.5.1(5) Changed "should" to "will"

(5) **Unfiled Returns.** Unfiled returns will be requested from the receiver or other fiduciary. The IRS will prepare returns under IRC 6020(b) for returns not received by the deadline given to the receiver. This may require issuing a summons for the 6020(b) information.

IRM 5.9.20.5.1(6) Added notarization and certified mailing requirements, along with AIS history entry, for Form 4490 and changed "should" to "will"

(6) **Proof of Claim.** The proof of claim will be filed manually on Form 4490, Proof of Claim for Internal Revenue Taxes, unless the court or fiduciary of the court requests the claim be filed on another form or presented in letter format. APOC will not compute the proof of claim in these cases. The caseworker must manually compute the claim. Penalties and interest will be computed to the date of the court order establishing the dissolution proceeding. Schedules of assets and liabilities are not provided to the court and creditors, so secured claims will be filed at full value. The claim will be filed according to the requirements of the court or the agent of the court.

Caution: Form 4490 may need to be notarized based on the jurisdiction and mailed certified with return receipt for confirmation, along with an AIS history entry, if applicable.

IRM 5.9.20.5.1(7) Changed "should" to "will"

(7) **Counsel Guidance.** Issues arising from corporate dissolutions that have not been covered in this IRM will be discussed with Counsel.

IRM 5.9.20.5.2(3) Changed "should" to "will"

(3) **No Stay.** In a non-judicial corporate dissolution, a stay against enforced collection is not in force. However, revenue officers will consult Counsel before taking collection actions, if they have questions about the IRS' legal standing in doing so.

IRM 5.9.20 Throughout Changed "Specialty Collection Offers, Liens and CEASO" to "Field Collection" or "CEASO"

IRM 5.9.20 Throughout Changed "Service" to "IRS"

IRM 5.9.20 Throughout Made editorial changes to correct typos, update links, remove naked links, add/remove/correct citations, add commas, remove extra spaces and enhance clarity