

IRM PROCEDURAL UPDATE

DATE: 05/21/2025

NUMBER: ts-21-0525-3315

SUBJECT: Updates to Refund Research

AFFECTED IRM(s)/SUBSECTION(s): 21.4.1

CHANGE(s):

IRM 21.4.1.4.1.2.6(13) - Updated to include procedures to send 86C letter prior to closing the CII case. Change made to clarify information.

(13) If you receive the taxpayer's response and the case remains open in ERS, send all documents to the appropriate ERS location via fax/EEFax. Document AMS history or update CII with a case note documenting actions taken and the information forwarded to ERS. Send a Letter 86C, Referring Taxpayer Inquiry/Forms to Another Office if appropriate, see IRM 21.3.3.4.2.1, Use of 86C Letter - Referring Taxpayer Inquiry/Forms to Another Office. Close your CII case. See (14) below for more information on how to determine the appropriate ERS location and fax/EEFax number.

IRM 21.4.1.4.6(2) - Updated reworded to advise that procedures in IRM 25.25.8.7 should be followed if the caller states they have been told by their bank that their refund was returned to the IRS. Changes made to clarify information.

IRM 21.4.1.4.6(3) - Updated to add procedures when refund trace should be started regardless of TC 971 AC 123 being posted. Change made to clarify information.

IRM 21.4.1.4.6(4) - Updated to include direction if the taxpayers account does not meet criteria in IRM 25.25.8-2 but taxpayer states bank returned their refund. Change made to clarify information.

(2) For external lead cases, if the caller states they have been told by their bank that their refund was returned to the IRS, follow procedures in IRM 25.25.8.7, Responding to Taxpayer Inquiries. External Lead indicators are found in IRM 25.25.8-2, External Lead Involvement Indicators. Review the account markers to determine refund status.

Note: The caller may use terms such as, "the bank returned the refund as a bank lead (External lead)" **OR** "I have a lead number (XXXXXX XX)" **OR** "the bank received an indemnification letter from IRS or the funds were requested/returned".

Caution: Due to timing, the account may not reflect the external lead process is in progress. **Do NOT** refer the taxpayer back to the financial institution unless the External Lead IRM instructs you to do so.

(3) When an External Bank Lead is in progress, a refund trace cannot be input because it negatively impacts our partnership with banks that have returned funds and our ability to protect revenue. A refund trace is for locating lost/stolen refunds. An External Bank Lead where the taxpayer was advised by the financial institution the refund was returned to the IRS does **NOT** meet refund trace criteria and a refund trace should **NOT** be started.

If a Form 3911 is received, check for External Lead indicators in IRM 25.25.8-2, External Lead Involvement Indicators. If found **DO NOT** input a refund trace as the External Bank Leads program will either release the refund or refer for further compliance treatment which will include a notice. Take the following actions before closing your case:

Update AMS history or CII case note with the following information if found on Form 3911:

- name and contact information of the taxpayer
- name of the financial institution
- signature date of Form 3911

Use CC ACTON to update the activity field of the control base with **CWBNKLDPRG**. Close the CII case or the control base of a physical paper case.

For physical paper cases follow procedures in IRM 21.5.1.4.10, Classified Waste, and destroy the Form 3911.

Exception: If the TC 971 AC 123 MISC Altered CHK was posted prior to January 2025, follow procedures in IRM 21.4.2.4, Refund Trace Actions.

(4) If Refund Inquiry determines a refund trace has been started and either the account meets the criteria described in IRM 25.25.8-2, External Lead Involvement Indicators, or the taxpayer stated their refund was returned to the IRS by their bank, even if the account doesn't meet the criteria, then update AMS Notes with the following information (if known):

- name and contact information of the taxpayer
- name of the financial institution
- signature date of Form 3911

Allow the trace to continue, when either the TC 720 or TC 841 is posted or a Claims Disposition Notice (CDN) is received, send the taxpayer a Letter 86C, refer to IRM 21.3.3.4.2.1, Use of 86C Letter- Referring Taxpayer Inquiry/Forms to Another Office.

Advise the taxpayer: "The return or refund for which you requested a refund trace is currently under review. It may take up to 10 weeks to complete the review and for you to receive your refund or a letter regarding the review."

Use CC ACTON to update the activity field of the control base with **CLS2BNKLD**. Close the CII case or the control base of a physical paper case.

Note: A refund trace cannot be interrupted if the campus deadline to "DQ" the trace has passed. Per IRM 2.4.23.2 (5), General Overview for Command Code CHKCL/CHKCLR, CC TERUPC can only be done on the same day of input. If the CC CHKCL was input today and the TERUP can be completed (this action requires same day contact with the site that completed the input of CC CHKCL), then request they input the CC TERUPC. Once TERUPC is confirmed, contact the open Bank Lead control to advise that the trace was stopped. If trace was started over the phone, then close the trace control base, use **CLS2BNKLD** in the activity field.

Reminder: When sending letters to the taxpayer follow IRM 21.5.1.5.1(8), CII General Guidelines, and capture the "request completed" screen of the CC LETER request.

IRM 21.4.1.4.6.1(1) - Updated to include information about CP notice generated under new expanded altered check markers. Change made for IRM consistency.

IRM 21.4.1.4.6.1(3) - Updated to add procedures when refund trace should be started regardless of TC 971 AC 123 being posted. Change made to clarify information.

(1) RICS has developed a process to identify refund checks that have been altered or stolen. There has been an increase in the number of IRS checks that have been altered or stolen that IRS can recover with the assistance of the Bureau of the Fiscal Service (BFS). Beginning cycle 202504, all refunds identified by BFS (prior to a refund trace being started) as altered or stolen will be returned to IRS and can be identified by the posting of TC 841 with block and serial number 77715, that will create a P- freeze. Prior to the new programming, the **TC 971 AC 123 MISC>ALTERED-CHK** marker was used to identify the altered or stolen checks. This marker will no longer be used due to the new programming. Beginning Mar 2025 a notice CP 53W (IMF accounts) or CP 153W (BMF accounts) will automatically generate to notify the taxpayers their return is being reviewed.

(2) The presence of either of the above markers on the account, will notify the employee that the refund is being returned to the IRS and **NO** action is needed to trace the refund. **DO NOT** initiate refund trace actions or advise the taxpayer to file a Form 3911.

(3) Use the following table for accounts with a TC 971 AC 123 MISC>ALTERED CHECK marker.

If the module has	Then
No TC 841 posted	Advise the taxpayer to allow 4-6 weeks from the TC 971 AC 123 posting date to receive the refund or notice. Exception: If the TC 971 AC 123 MISC Altered CHK was posted prior to January 2025, follow procedures in IRM 21.4.2.4, Refund Trace Actions.
TC 841 and a TC 846 reissuing the refund	Advise the taxpayer of the refund timeframe.
TC 841 posted and a P- Freeze	Advise the taxpayer to allow 8-10 weeks from the TC 971 AC 123 posting date to receive the refund or a notice. If more than 10 weeks have passed see IRM 25.25.8.7, Responding to Taxpayer Inquiries, for instructions.

IRM 21.4.1.5.1(1) - Updated to add IRM links to the various reasons why a taxpayer would not receive a refund. Changes made for ease of research.

IRM 21.4.1.5.1(2) - Updated note to advise if no return has been processed to correspond with the taxpayer. Change made to clarify information.

(1) If your research indicates that the return was processed but the refund was never issued, or the amount was not what the taxpayer expected, the problem may be due to:

- Tax Offsets see IRM 21.4.1.5.2
- Math Errors see IRM 21.4.1.5.3
- Invalid Taxpayer Identification Number (TIN) see IRM 21.4.1.5.4
- Freeze Conditions see IRM 21.4.1.5.5
- Credit Elect Problems see IRM 21.4.1.5.6
- TOP offsets see IRM 21.4.6.6.1 Taxpayer Inquiries on TOP Offset

(2) After completing the research, advise the taxpayer why the amount differed or why the refund was not sent.

Reminder: If a "-Z" Freeze is present, see IRM 21.5.6.4.52, -Z Freeze.

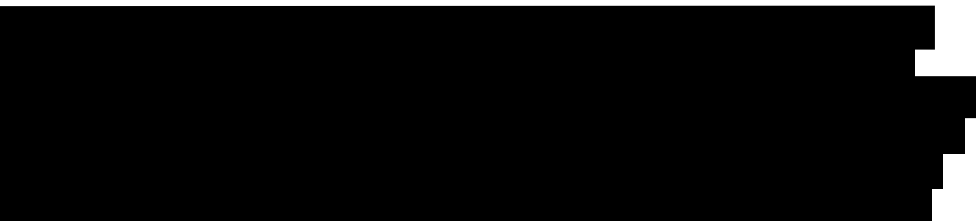
Note: Correspond with the taxpayer if a Form 3911, or other correspondence is received and no return has been processed on the account.

IRM 21.4.1.5.7(2) - Perfected where Refund Product Code indicators are located. Changes made to clarify information.

(2) The Refund Product Code indicators, which include other Refund Advance Products (RAL/RAL), can be found on MeF Return Request Display (RRD) under Code and Edit values titled REF Anticipation Loan Ind. They can also be found on CC TRDBV under the attribute of **Refund Anticipation Loan Code**. Treat Refund Product Codes 1-4 as a Refund Advance Product (RAL/RAC) and refer taxpayers to their tax return preparer or the financial institution. If there is **no** RAL/RAC code 1-4 present on CC TRDBV, the refund **should not** be considered a Refund Advance Product.

Refund Anticipation Loan Code	DEFINITION
0	NO FINANCIAL PRODUCT
1	PRE-REFUND ADVANCE PRODUCT - TAXPAYER CHARGED AN ADVANCE FEE - Refund Anticipation Loan (RAL)
2	POST-REFUND FINANCIAL PRODUCT (REFUND TRANSFER) - Refund Anticipation Check (RAC)
3	PRE-REFUND ADVANCE PRODUCT - TAXPAYER NOT CHARGED AN ADVANCE FEE
4	OTHER/NEW PRODUCT - Not meeting any of the above criteria
5	TEXT FIELD TO EXPLAIN OTHER/NEW PRODUCT #4

Note: Refund Product Elect Indicator: Identifies whether the taxpayer elected a Refund Product or not. Refund Product refers to a Refund Transfer or an Early Access Product that is obtained through the tax return provider at the time of tax preparation or filing.

Caution: #  **#**

IRM 21.4.1.5.7.2(4) Box 7- Updated to add scenario if taxpayer was unsuccessful in contacting the preparer or FI. Changes made to clarify information.

(4) Follow the procedures in the table below when a taxpayer requested a RAL/RAC which has not been received:

Row	If the taxpayer states:	And	Then
1	They didn't file the return	no content	Refer to IRM 25.23.12.4, Tax-

	that resulted in the RAL/RAC		Related Identity Theft, for codes to be input and additional information.
2	They were impacted by a data breach or preparer data breach	no content	Refer to IRM 21.4.1.4.6, External Leads Program or Other Questionable Refund Inquiries.
3	They requested the Refund Advance Product (RAL/RAC)	Did not receive the funds	• Provide the FI contact information and advise the taxpayer to contact the preparer or FI prior to initiating a trace. • Enter a narrative in AMS with the FI contact information given to the taxpayer. • Advise TP to call back if refund cannot be located. • See IRM 21.4.1.5.7 (2), Direct Deposits - General Information, for information on RAL/RAC criteria.
4	They have contacted their preparer or the FI	The taxpayer, preparer or FI requests proof of deposit and it has been 5 calendar days from the date of the direct deposit	Initiate a refund trace, see IRM 21.4.2, Refund Trace and Limited Payability.
5	They have contacted their preparer or the FI	The taxpayer, preparer or FI requests proof of deposit and it has not been 5 calendar days from the date of the direct deposit	• Advise the taxpayer the IRS cannot take any action until after 5 or more calendar days have passed. • Enter a narrative in AMS with the FI contact information given to the taxpayer.
6	They have not contacted their preparer or the FI	no content	• They must be advised to contact the preparer or FI prior to initiating a trace. • Enter a narrative in AMS

			with the FI contact information given to the taxpayer. Advise TP to call back if refund cannot be located.
7	They have attempted to contact their preparer or the FI but were unsuccessful. Preparer unable to locate or FI out of business.	The taxpayer, requests proof of deposit and it has been 5 calendar days from the date of the direct deposit	Initiate a refund trace, see IRM 21.4.2, Refund Trace and Limited Payability.
8	They want to bypass the RAL or the RAC due to economic hardship	no content	- Consider whether to refer the case to TAS. See IRM 21.1.3.18 (3), Taxpayer Advocate Service (TAS) Guidelines. - See IRM 21.4.1.3.1, PATH Act Refunds, for returns meeting PATH Act criteria. - See IRM 21.4.4, Manual Refunds, and IRM 3.17.79.6.4.2, Certifying Automated Clearing House (ACH)/Direct Deposit Hardship Refunds.

Reminder: See IRM 21.4.3.5.4, Returned Refund Check Procedures, for guidance to send the RAL/RAC to the IRS.

IRM 21.4.1.5.7.6(4)a - Updated to add reminder for math error substantiations after RSED is expired. Changes made to clarify information.

IRM 21.4.1.5.7.6(4)d - Updated to add information regarding the filing of amended returns with three years of original return filing. Changes made to clarify information.

IRM 21.4.1.5.7.6(4)e - Updated to add information advising to send 0916C letter if 2021 return was not filed. Changes made to clarify information.

(4) Do not issue a replacement check for the first, second or third round of Economic Impact Payments. When following procedures listed below whether the taxpayer **has or has not** filed a 2020 or 2021 tax return, if the financial institution will not return the misdirected funds and a reversal of the EIP is required, follow [IRM 21.4.5.11.1](#), IRS Error Direct Deposit, paragraph 4, so the balance created by the EIP reversal does not negatively impact these taxpayers.

Note: EIPs 1 and 2 are located on 202012 tax module and EIP 3 can be located on the 202112 tax module.

Note: These procedures will be used for both misdirected direct deposits and Limited Pay checks when EIP is involved.

Note: If working a CII case, follow [IRM 21.5.1.5.1](#)(8), CII General Guidelines, and capture the "request completed" screen of the CC LETER request. After letter is attached if no other actions are needed, close your case.

- a. If the taxpayer **has** filed their 2020 (EIPs 1 and 2) or 2021 (EIP 3) tax return, and claimed the Recovery Rebate Credit then follow procedures in [IRM 21.6.3.4.2.14.1](#), Recovery Rebate Credit - Adjusting the Credit, to allow the Recovery Rebate Credit to generate a refund to the taxpayer. Then, follow [IRM 21.6.3.4.2.13.3](#), Economic Impact Payments - Manual Adjustments, to reverse the EIP credit (if not done systemically).

Reminder: Follow guidance in [IRM 25.6.1.10.3.1.4](#), Reconsideration After the RSED Where Notice of Claim Disallowance Not Sent, if allowing math error substantiations after the RSED has expired.

- b. If the taxpayer **has** filed their 2020 (EIPs 1 and 2) tax return, and **did not** claim the Recovery Rebate Credit then follow procedures in [IRM 21.6.3.4.2.13.3](#), Economic Impact Payments - Manual Adjustments, to reverse the EIP credit (if not done systemically). Use a [Letter 916C](#), Claim Incomplete for Processing; No Consideration, as your closing letter for your refund inquiry case. Include an open or floating paragraph to advise the taxpayer of the following:
"We are no longer authorized to reissue your Economic Impact Payment (EIP). To claim the Recovery Rebate Credit, you must have filed your 2020 tax return and claimed the credit. The deadline to file a return claiming a refund for 2020 was May 17, 2024."
- c. If the taxpayer has **not** filed their 2020 (EIPs 1 and 2) tax return, but EIP was issued, follow [IRM 21.6.3.4.2.13.3](#), Economic Impact Payments - Manual Adjustments, to reverse the EIP credit (if not done systemically). Use a [Letter 916C](#), Claim Incomplete for Processing; No Consideration, as your closing letter for your refund inquiry case. Include an open or floating paragraph to advise the taxpayer of the following:
"We are no longer authorized to reissue your Economic Impact Payment (EIP). To claim the Recovery Rebate Credit, you must have filed your 2020 tax return and claimed the credit. We have not received a tax return from you"

for the 2020 tax year. The deadline to file a return claiming a refund for 2020 was May 17, 2024."

- d. If the taxpayer **has** filed their 2021 (EIP 3) tax return, and **did not** claim the Recovery Rebate Credit then follow procedures in [IRM 21.6.3.4.2.13.3](#), Economic Impact Payments - Manual Adjustments, to reverse the EIP credit (if not done systemically). Use a [Letter 206C](#), Refund Inquiry; Copy of Check Requested or provided/Check Being Traced Form 13818, as your closing letter for your refund inquiry case. Include an open or floating paragraph to advise the taxpayer of the following:

"We are no longer authorized to reissue your Economic Impact Payment (EIP). To claim the Recovery Rebate Credit, you must file a [Form 1040-X](#), Amended U.S. Individual Income Tax Return, for the 2021 tax year and claim the credit within three years of the original return filing."

- e. If the taxpayer has **not** filed their 2021 (EIP 3) tax return, follow IRM 21.6.3.4.2.13.3, Economic Impact Payments - Manual Adjustments, to reverse the EIP credit (if not done systemically). Use a [Letter 916C](#), Claim Incomplete for Processing; No Consideration, as your closing letter for your refund inquiry case. Include an open or floating paragraph to advise the taxpayer of the following:

"We are no longer authorized to reissue your Economic Impact Payment (EIP). To claim the Recovery Rebate Credit, you must have filed your 2021 tax return and claimed the credit. We have not received a tax return from you for the 2021 tax year. The deadline to file a return claiming a refund for 2021 was April 15, 2025."

IRM 21.4.1.5.8.1(2) - Updated to include information that CP 53 is not generated on accounts where a refund is not rejected unless in the settlement cycle. Change made for missing information.

(2) A CP 53, Unable to Direct Deposit, will be sent to the taxpayer when a direct deposit has been rejected (TC 841) and a paper check has been issued. If taxpayer asks about the nature of the rejection, research the taxpayers account on IDRS and determine the Reject Code to give a more specific explanation. Refer to the "Caution" in IRM 21.4.1.4 (3), Refund Inquiry Response Procedures, for high risk authentication requirements.

Note: Unless the refund is being regenerated due to a posted TC 841 after direct deposit failure, the CP 53 is only issued during settlement cycle.

Note: Beginning July 2011, a "2-D Bar Code" pilot program involving various CP notices (including CP 53) will be implemented. Some of the notices will still display the entire SSN while others will have the SSN redacted/masked (e.g., XXX-XX-1234). In order to identify the account, a "hand held" bar code scanner must be used to read the taxpayer account information. If the scanner cannot read the bar code, CC TPIIP must be used. For more information on the CC, refer to IDRS Command Code Job Aid located on SERP under IRM Supplements. Additional CP notices

utilizing this configuration requiring the bar code scanner will be rolled out periodically in the future.

IRM 21.4.1.6 - Updated title of IRM to Where's My Refund (WMR) to align with program name update. Changes made to clarify information.

Where's My Refund (WMR)

(1) Part of the IRS modernization initiative is to provide taxpayers with an additional method of accessing account information. Where's My Refund (WMR) is an Internet application that provides Form 1040 series taxpayer access to the status of their refunds via the Internet. Taxpayers who visit IRS.gov can click on "Get Your Refund Status" on the home page to check their current tax year refund status. WMR will give taxpayers the option of selecting any of the last three tax years to check their refund status.

(2) The user must provide their TIN, filing status and expected refund amount, in whole dollar amount. After correctly providing these shared secrets, the application will display their refund status information.

(3) In some instances, the refund callback number will be provided, along with a unique 4-digit reference number, for further assistance. For example, WMR will provide the contact number 800-829-0582 if one or more math errors, or other conditions, are present on the account. WMR calls are handled like any other refund call. For reference number explanations, see Exhibit 21.4.1-3, Internet Refund Fact of Filing Reference Numbers.

(4) Taxpayers who access WMR for their refund status may receive the option of initiating a refund trace for checks that are lost, stolen, destroyed or not received 28 days from IRS mailing date.

(5) Taxpayers will follow online instructions and provide address information in order to initiate the trace process. A refund trace will be initiated with the account showing TC 971 AC 011. If the address provided online by the taxpayer does not match our records, they will be advised to contact a CSR for assistance. CSRs must follow normal refund trace procedures. See IRM 21.4.2, Refund Trace and Limited Payability.

(6) Taxpayers who filed married filing joint (MFJ) are not offered the option of initiating their own refund trace online, but must call the toll-free line and speak to an assistor or complete Form 3911, Taxpayer Statement Regarding Refund. MFJ taxpayers are offered a partially completed form, online. They can complete and mail or fax the form to the appropriate IRS office. IRS addresses and fax numbers are provided to the taxpayer when the form is offered.

Note: See IRM 21.4.2.4, Refund Trace Actions, for oral statement criteria requirements for married filing joint (MFJ) taxpayers.

(7) Taxpayers whose refund checks were returned undelivered by the U.S. Postal Service will be provided a contact number to provide a new address. CSRs will follow procedures in IRM 21.4.3.5.3, Undeliverable Refund Checks.

(8) Married filing joint taxpayers who are changing their secondary address are advised to call for assistance. CSRs must follow IRM instructions regarding address change, see IRM 21.1.3.20.1, IMF and BMF Oral Statement Address Changes.

(9) Some taxpayers may want to report a problem with accessing WMR. The role of the CSR is to resolve the taxpayer's refund question. Assistors will acknowledge the taxpayer's technical problem, apologize for any inconvenience and then focus on answering the caller's tax-related question based on the applicable IRM procedure.

Exhibit 21.4.1-4 - Updated to remove desk phone information from the letter and add request that FI not give IRS employee information to the taxpayer, but to direct the taxpayer to the toll-free lines for assistance. Changes made to clarify information.

Bank Letter to Recover Direct Deposits
(AM Site Specific Letterhead)
(Site Name) Accounts Management
Operations X – Department X
Refund Inquiry Unit
Street Address/PO Box #
City, State, ZIP Code
MM DD, YYYY
Bank/Financial Institution Name
ACH Department

Re: Taxpayer(s) Name

Dear Sir or Madam (be specific with a name if possible):

The Internal Revenue Service is submitting this letter on behalf of the taxpayer(s) shown above. Our records indicate that a refund credit of \$X,XXX.XX was electronically transmitted to your bank in error on MM DD, YYYY. This credit was sent to routing transit number XXXXXXXXXX for deposit to account number XXXXXXXXXX.

The account number, as furnished, was incorrect. The IRS is requesting your help to recover these funds. I am hereby requesting the transaction be returned through the ACH process with a Return Reason Code of "R06" (Returned per ODFI's request).

If you are unable to take this action within 10 days from the date of this letter, please notify us by telephone or correspondence.

We appreciate your assistance and request that you keep in touch as to the progress of this matter.

If we can be of further assistance, you may write me at the above address or fax your response to XXX-XXX-XXXX to the attention of (TE name inserted here). If giving this letter to your customer please redact the IRS employee name and phone number. Advise the taxpayer to contact the IRS Account Services toll-free number 800-829-0922 to speak with a representative.

Sincerely,

Manager Name

Supervisor, Refund Inquiry Unit