

IRM PROCEDURAL UPDATE

DATE: 05/22/2023

NUMBER: wi-21-0523-0647

SUBJECT: Employment and Railroad Tax Returns

AFFECTED IRM(s)/SUBSECTION(s): 21.7.2

CHANGE(s):

IRM 21.7.2.4.6(13) Provided additional clarification to blocking series guidance in exception.

(13) Blocking series "20" **must** be used when adjusting an account as a result of a Form 941-X, 943-X, 944-X, 945-X or CT-1X being filed.

Note: Blocking series 20 **must** also be used when adjusting accounts per instructions in IRM 21.7.2.4.6.7, *Exception Processing — Incorrect Filing, Including Forms Routed to AM from SP*.

Exception: Blocking series 98 (or blocking series 99 if the original return is attached) must be used when a Form 94XX is being fully disallowed, blocking series 18 (or blocking series 00 if the original return is attached) must be used when a Form 94XX is being partially disallowed, and blocking series 15 (or blocking series 00 if the original return is attached) must be used when a Form 94XX is being "no considered". See IRM 21.5.3.4.6, *No Consideration and Disallowance of Claims and Amended Returns*, for additional information.

IRM 21.7.2.4.6.6 Moved reminder after table in (3) to new placement after (2) to ensure the information is considered before application of the technical guidance in (3). Also clarified reminder text with regards to certain information found in the cross-reference provided.

(1) Occasionally, a Form 941-X, Form 943-X, Form 944-X, Form 945-X, or Form CT-1X is received for a tax period for which no original return (TC 150) is posted.

(2) In such cases, research the taxpayer's account for the missing tax return. This research should include reviewing the taxpayer's account for misapplied tax returns and unposted or rejected tax returns. If a missing return is located, take action to process or reprocess it to the proper tax account and then process the adjusted tax return as appropriate.

Reminder: If the adjusted employment tax return was scanned into Correspondence Imaging System (CIS), the tax module will reflect an E- freeze which **must** be addressed prior to closing the case. For additional information on E- freezes (including for cases with Return Integrity Verification Operations (RIVO) involvement), see IRM 21.5.6.4.9, *E- Freeze*.

(3) If the missing return is not located, process as per instructions in the following table:

If	And	Then
The adjusted return was intended for another tax period for which there is a posted TC 150.		<ol style="list-style-type: none"> 1. Follow procedures in IRM 21.7.9.4.10.2, <i>TC 976 Return Posted to Incorrect TIN/Tax Period, Account for Which It was Intended Contains the Original Return (TC 150)</i>, to resolve the E-freeze. 2. Adjust the correct account as appropriate.
An adjusted return was filed for an incorrect MFT (e.g., employer is Form 941 filer but files a Form 944-X).	The adjusted return reports a tax decrease or credit increase	<ol style="list-style-type: none"> 1. Generate Letter 4384C to the taxpayer explaining their adjusted return cannot be processed and inform them of the proper form to be filed. 2. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input.
An adjusted return was filed for an incorrect MFT (e.g., employer is Form 941 filer but files a Form 944-X).	The adjusted return reports a tax increase or credit decrease	<ol style="list-style-type: none"> 1. Follow procedures in IRM 21.7.9.4.10.2, <i>TC 976 Return Posted to Incorrect TIN/Tax Period, Account for Which It was Intended Contains the Original Return (TC 150)</i>, to resolve the E-freeze and adjust the correct account as appropriate. 2. Generate Letter 4384C explaining that the adjustment has been made, but in the future they must file the appropriate "X" form (identify the specific form to be used) to make corrections.
Less than 60 days have passed from the return due date for the tax period		<ol style="list-style-type: none"> 1. Monitor for the posting of the original return through the 60th day following the return due date. 2. If the original return posts, process the adjustment as requested on the

for which the adjusted return was filed		Form 94XX as appropriate. Otherwise, continue processing per the following rows of this table.
More than 60 days have passed since the return due date for the tax period for which the adjusted return was filed	The adjusted employer's tax return is intended to be an original return (e.g., Column 2 of the Form 94XX is blank or contains zero figures)	<ol style="list-style-type: none"> 1. Contact the taxpayer (make two attempts to contact the taxpayer by phone if a telephone number is available) to obtain a signed copy of an original return including the corrected information along with any required schedules. 2. Suspend the case for 40 days. 3. Continue processing as per the table in (4) below for response and non-response cases.
More than 60 days have passed since the return due date for the tax period for which the adjusted return was filed	The adjusted employer's tax return is not intended to be an original return (e.g, Column 2 figures are not blank or zero)	<ol style="list-style-type: none"> 1. Contact the taxpayer (make two attempts to contact the taxpayer by phone if a telephone number is available) to obtain a signed copy of their original return along with any required schedules. Advise the taxpayer to provide proof of timely filing if that information is available. 2. Suspend the case for 40 days. 3. Continue processing as per the table in (4) below for response and non-response cases. <p>Exception: If the only change reported on the Form 94XX is to Line 6 wages (equivalent to Line 2 on Form 941), input a TC 971 AC 002 to release the E- freeze (if a TC 971 AC 010 was previously input) and close the case without contacting the taxpayer.</p>

Caution: When rejecting Forms 94XX, extreme care must be taken to ensure that only the material relative to the taxpayer(s) to which the correspondence is addressed is enclosed in the envelope. See IRM 21.3.3.4.25, *Breaches of Personally Identifiable Information (PII) Caused by Manual Stuffing Errors*, for additional information.

(4) Process response and non-response cases as per instructions in the following table:

If	And	Then
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Taxpayer responds with copy of original return	There is no proof of timely filing	Continue processing as per the following rows of this table. However, if the copy of the return provided by the taxpayer is routed to be processed, it must be processed using the response received date as the return received date. Do not code the return to suppress penalties or interest.
Taxpayer responds with copy of original return	There is proof of timely filing	Continue processing as per the following rows of this table. However, if the copy of the return provided by the taxpayer is routed to be processed, edit the return to reflect the timely received date and attach the supporting documentation.
Taxpayer responds with copy of original return	The wage and tax figures reported match the initial figures (Column 2) of the Form 94XX.	<ol style="list-style-type: none"> 1. Process the copy of the return provided by the taxpayer as the original return (see first two rows of this table discussing proof of timely filing) and monitor for its posting. 2. When the original return posts, process the adjusted return as appropriate.
Taxpayer responds with copy of original return	The wage and tax figures reported match the corrected figures (Column 1) on the Form 94XX.	<ol style="list-style-type: none"> 1. Attach the Form 94XX to the back of the return provided by the taxpayer. Edit (in green) a line across the applicable 94XX form and notate "Do Not Detach" in the margin. 2. Process the return provided by the taxpayer as the original return (see first two rows of this table discussing proof of timely filing). 3. Ensure all applicable deposits are correctly applied. 4. If a TC 971 AC 010 was previously input, input a TC 971 AC 002 to prevent a duplicate filing condition from generating when the return posts.
Taxpayer responds with copy of original return	The wage and tax figures reported don't match initial or corrected figures on Form 94XX and Form 94XX reflects a tax decrease or credit increase.	<ol style="list-style-type: none"> 1. Research for other unprocessed Forms 94XX for the same tax period. If not found, process the copy of the return provided by the taxpayer as the original return (see first two rows of this table discussing proof of timely filing).

		<ol style="list-style-type: none"> 2. Reject the Form 94XX and indicate that we are processing their original return but cannot process the 94XX because the figures don't match. 3. Input a TC 971 AC 002 to release the E- freeze if a TC 971 AC 010 was previously input.
Taxpayer responds with copy of original return	The wage and tax figures reported don't match initial or corrected figures on Form 94XX and Form 94XX reflects a tax increase or a credit decrease	<ol style="list-style-type: none"> 1. Research for other unprocessed Forms 94XX for the same tax period. If not found, process the copy of the return provided by the taxpayer as the original return and monitor for posting (see first two rows of this table discussing proof of timely filing). 2. When the original return posts, assess tax (TC 290 or TC 298 as appropriate) per the figures in Column 1 or Column 4 of the Form 94XX (whichever will result in the highest recorded tax). 3. Generate a letter to inform the taxpayer of the action taken.
Taxpayer does not respond		<ol style="list-style-type: none"> 1. Prepare a "dummy" return using the corrected information from the "X" form. Do not code the return to suppress penalties or interest. On the signature line, indicate "Dummy Return - Do not correspond for signature". 2. Attach the Form 94XX to the back of the "dummy" return. Edit (in green) a line across the applicable 94XX form and notate "Do Not Detach" in the margin. 3. Process the "dummy" return as the original. 4. To the extent possible based on available information, ensure all applicable deposits are correctly applied. 5. If a TC 971 AC 010 was previously input, input a TC 971 AC 002 to prevent a duplicate filing condition

		<p>from generating when the "dummy" return posts.</p> <p>Note: Processing of the "dummy" return in this situation is not considered reprocessing. Do not attach Form 13596 when routing the "dummy" return to be processed.</p>
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Note: To prevent unpostable conditions UPC 381 RC 2 and UPC 305 RC 4, edit the deposits claimed line (e.g., Line 11 for Forms 941) on returns being sent to be processed per instructions provided above to match the total credits posted to the tax module if the posted credit amount exceeds the amount claimed on the return.

Caution: Before processing a copy of a missing return provided by the taxpayer, always research the account again to verify an originally filed return was not misapplied or not processed. If found, process or reprocess the original return whenever possible rather than the copy provided by the taxpayer.

Note: Except as otherwise discussed in this IRM, taxpayers who have not filed an original return are not entitled to an interest free adjustment under the Regulations.

IRM 21.7.2.8(3) Clarified text to indicate the guidance applies to BMF cases only.

(3) Specialization of BMF deferred payment of social security tax inquiries and cases within AM. BMF deferred payment of social security tax inquiries and cases received within AM will be handled by designated employees (only) who have received training on the IRM procedures which follow. This includes inquiries and cases for which deferred payment of social security taxes is the specific issue to be addressed and for other inquiries and cases regarding accounts reflecting a reversed or unreversed CRN 280 amount.

- **BMF phone inquiries received in AM** regarding deferred payment of social security taxes for 2020, or for 2020 tax accounts reflecting a reversed or unreversed CRN 280 amount, will be addressed on **App 40**.
- **BMF paper cases** (scanned into CIS) received in AM by employees not designated and trained to work deferred payment of social security tax issues, including accounts reflecting a reversed or unreversed CRN 280 amount, are to be recontrolled with activity code "ET-DEFPAYT" and reassigned to either IDRS number **0230265068** (CAMC) or **0430477615** (OAMC) as appropriate.

Note: Employees who are designated to work cases described above are **not** required to update the cases with the specified activity codes.

Reminder: See (11) in IRM 21.7.2.7, *COVID-19 Related Employment Tax Relief*, for instructions on controlling paper cases involving COVID-related credits (Employee Retention Credit (ERC), Credit for Qualified Sick and Family Leave Wages, and COBRA Premium Assistance Credits).