DATE: 03/13/2024

NUMBER: wi-03-0324-0399

SUBJECT: Undelivered Mail Indicator

AFFECTED IRM(s)/SUBSECTION(s): 3.11.6

CHANGE(s):

IRM 3.11.6.7.12(7), Frivolous Claims - Revised to ensure consistency with Policy Statement 25-4.

(7) The following list includes Recognized known frivolous arguments made by both individuals and businesses are included and is not inclusive of all frivolous arguments. Notice 2010-33 also is a non-exclusive source for identifying frivolous arguments.

- **Alleged Churches/First Amendment** - Taxpayer receives income from non-religious sources, may claim a vow of poverty, and may submit a tax return with all or substantially all of the gross income claimed as a contribution on Schedule A.
- **Altered Form** - Taxpayer submits a tax return altering any or all line-items with the intent of showing non-compliance with the tax laws.
- **Altered Jurat/Uniform Commercial Code (UCC) 1-207** - Taxpayer submits a tax return that contains income and deductions and alters or lines through all or part of the jurat. The return may include a reference to UCC 1-207 or a statement that the return wasn't signed under penalties of perjury. The alteration may be located elsewhere on the return and an arrow to the jurat.
- **Amended Returns/Form 843 Claim** - Taxpayer files an amended return or Form 843 to obtain a refund of all taxes paid in prior years based on a tax avoidance argument.
- **American Indian Employment Credit** - Taxpayers submit returns and claims reducing taxable income by substantial amounts and citing an American Indian Employment Credit. Although there's an Indian Employment Credit available for business that employ American Indians or their spouses, there's no provision for its use by the actual employee.
- **Argument against Government Action/Inaction** - Taxpayer claims a deduction or credit on the tax return based on dissatisfaction with government actions or spending.
- **Bosnian Refugees** - Taxpayer filing claim eliminating tax based on their status as a Bosnian refugee.
- Certain instances of misuse or excessive use of the **section 6421** fuels credit.

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- **Challenges to Authority/Title 26 or "Law" in Other Documents** - Taxpayer may argue that Title 26 of the United States Code (USC) isn't law because it was never enacted as named. They may also argue that other laws or documents prevent the IRS from assessing and collecting tax, such as the Bible, Bill of Rights, Declaration of Independence, etc.
- **Disclaimer** - Taxpayer submits a disclaimer. The disclaimer states they "disclaim the liability of the tax due", making the liability on the tax return zero.
- **Employment Tax/CFR 1.861** - No employer is legally obligated to withhold income or employment taxes on employees' wages.
- Erroneous claims that taxes are only owed by persons with a fiduciary relationship to the United States or the IRS.
- **Federal Reserve Notes Are Not Legal Tender** - Taxpayer argues that Federal Reserve notes are not money, so they are not income when received.
- **Fifth Amendment** - Taxpayer makes an improper blanket assertion of the Fifth Amendment right against self-incrimination as a basis for not providing financial information.
- **Form 1099 MISC** -Form 1099 MISC -The Frivolous Form 1099 is used to claim large refunds based on false income amounts and withholding. The false income typically is reported as Other Income. Typically, the Form 1099 MISC payer (issuer) is a large bank, loan, and/or mortgage company and the income and withholding may be substantiated on IRPTR. The fraudulent withholding is generally 33 percent of the reported income but may be up to 100 percent. The taxpayer may include other issues on these fraudulent claims.
- **Form 2555 Deduction** - Taxpayer submits a return showing income and deducts the same amount (or a large portion of the amount) by adding "Form 2555" to Schedule 1. Form 2555, Foreign Earned Income, is usually attached showing the taxpayer's "foreign address" is in the United States. The taxpayer also shows income on Form 2555 as "foreign earned income" even though the employer's address is also in the United States.
- **Fuel Tax Credit Returns** - Taxpayers submit returns that reflect fuel tax claimed for occupations that would not justify the use of fuel used for non-taxable purposes, such as hairdressers, housekeepers, nurse, etc. Realistically, the taxpayers would not have money sufficient to live on, if indeed they had purchased the amount of fuel on which they claimed the credits. Therefore, the claims remain so far beyond a reasonable range as to doubt good faith on the return in general.
- **In Lieu of** - Taxpayer submits a document containing personal identifying information and a summary of income received "in lieu of" an official income tax form.
- **IRC 1001** -Taxpayer claims on Schedule A under "Other Miscellaneous Deductions" no gain realized for even exchange of property-Labor (property)-Employer's (property) with NO GAIN REALIZED Butcher's Union Co. v. Crescent City Co., 111 US 746 S.CT.Rptr., pp.660-661.

- **IRC 83** - Claims, generally in the form of Form 843, Claim for Refund and Request For Abatement, request abatements of previously assessed taxes and/or penalties using IRC 83 as justification. The claims further describe that the abatement is based on an allegation that the taxpayer previously failed to compute, under IRC 83, the amount of property transferred in connection with the performance of services.
- **IRC 1341** - Taxpayer claims compensation for personal labor isn't taxed by Title 26, IRC 1341, sometimes arguing that the taxpayer has a "claim of right" to exclude the cost or value of the labor.
- **IRC 3121** - Taxpayer contends that IRC 3121 exempts the Federal Insurance Contribution Act (FICA) portion of earnings from the definition of "wages" and therefore from "gross income" for federal income tax purposes. The taxpayer attempts to reduce taxable income by their portion of withheld Social Security tax.
- **IRS is a Private Organization/Collects Tribute, Not Taxes** - Taxpayer argues that the IRS is an entity named the Internal Revenue and Tax Service, Inc. and since the IRS deposits its revenues in the Federal Reserve Bank, it is a collection agency for the Federal Reserve Bank. Additionally, the taxpayer argues the Department of Treasury is part of the United Nations and secretly leading the tax-paying public into a "New World Order".
- **Native American Indian Treaty**- The filings usually include Form 1099-MISC or other income documents that include withholding and results in a refund.
- **Mariner's Tax Deduction** (or the like) related to invalid deductions for meals.
- **Misinterpretation of the 9th Amendment to the U.S. Constitution** Taxpayer's objection to military spending.
- **Non-negotiable Charge Back** - Taxpayer attempts to sell their birthright back to the government for a large dollar amount and requests that a "Treasury Direct Account" be set up to hold the money.
- **Not a Citizen/Free Citizen/Not a Resident of Federal Zone** - Taxpayer argues they are not a citizen of the United States and received no income or benefits from sources within the United State.
- **Not a Person or Individual** - Taxpayer argues against being a "Person" or "Individual" within the meaning of the IRC; therefore, isn't subject to income taxes.
- **Obscene, Vulgar, Harassing** - Taxpayer submits documents or other materials indicating that non-filing is due to dissatisfaction with tax policies or taxation in general. Often this argument is expressed in an extremely demeaning manner with obscene, vulgar, or crude language and characters.
- **#**
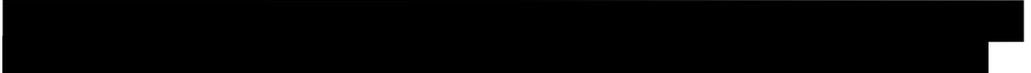
[REDACTED]

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- **#** [REDACTED]

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- **#** [REDACTED]

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- **Outlandish and/or Unsubstantiated Credits** - Taxpayers submit returns and claims that generally reflect income, but also claim the exact amount of income entered as withholding. Oftentimes the filing contains Forms **1099-OID** (Original Issue Discount). In some instances, the 1099-OID is shown generated to a payee unrelated to the taxpayer (such as the Department of the Treasury or various judges or attorneys), yet the withholding is claimed on the taxpayer's return. The refunds claimed, resulting from these filings, are large.

- **Prisoners and substitute W-2**-- Prisoners supplying a substitute W-2 (Form **4852**) with the explanation portion of the Form **4852** stating the income is based on computation of minimum wage for hours worked within the prison. the Form 4852 lists a withholding amount that allegedly represents the amount an employer would withhold from an employee's wages if working for minimum wage. The inmate then claims a refund based on the data for income and withholding they say that the prison should have reported. Prisons never withhold tax from pay and don't issue Form **W-2**.

- **#** [REDACTED]

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- **Services Not Taxable/Thirteenth Amendment/Form of Servitude** - Taxpayer argues that income results from the sale of goods; therefore, the value of services isn't taxable. This includes indentured servitude arguments and barter offsets. The taxpayer may also argue that the Thirteenth Amendment outlawed slavery. They may claim to be a "natural enfranchised individual and freeman" who is a resident of a state and therefore a nonresident alien for the purpose of the IRC.

- **Sixteenth Amendment** - Taxpayer argues the Sixteenth Amendment wasn't properly ratified; therefore, the federal government doesn't have the legal authority to collect an income tax without apportionment.

- **Taxes are Voluntary/Law doesn't Require** - Taxpayer submits a tax return, amended tax return, or correspondence that argues income taxes are voluntary.
- **Thumbprint in lieu of a signature** - Thumbprint is present in the signature area on a return.
- **Trusts** - Taxpayer attempts to flow income through the trust to avoid personal tax liability. Promoters use "business trusts" as a means of evading income tax.
- **U.S. vs. Long** - Taxpayer submits a tax return with zero money amounts and refers to U.S. vs. Long.
- **Unsigned Tax Returns** - Taxpayer submits a completed unsigned tax return. A statement why the return isn't signed is attached or added to the return indicating disagreement with the tax system.
- **Unsupportable non-taxable compensation** - Taxpayer reports wages but deducts all or a portion of the income as non-taxable compensation.
- **Untaxed** - Taxpayer argues that they should be "untaxed" and attempts to drop out of the Social Security system. They withdraw or rescind their Social Security Number (SSN), claiming they are a sovereign citizen.
- **Valuation** - Taxpayer argues that income isn't taxable because of the declining fair market value of the dollar. They state the dollar isn't backed by gold/silver, or the value of services is offset by the value of the labor (barter income).
- **Wages Deducted in Cost of Goods Sold** - Taxpayer submits a return with a Schedule C claiming a deduction equal, or nearly equal, to the amount reported as wage income. The deduction is usually included in the cost of goods sold but could appear under a different deduction category.
- **Wages/Receipts Not Income** - Taxpayer argues that salaries and wages are not "income" within the meaning of the Sixteenth Amendment. Taxpayer may also argue that labor worth a certain amount is exchanged for money worth the same amount, so there's no income to be taxed.
- **Wages, tips, and other compensation received for the performance of personal services** - Taxpayer argues that the wages, tips or other compensation received are not taxable income or are offset by an equivalent deduction for the personal services rendered, including an argument that a taxpayer has a "claim of right" to exclude the cost or value of the taxpayer's labor from income or that taxpayers have a basis in their labor equal to the fair market value of the wages they receive, or similar arguments described as frivolous in Rev. Rul. 2004–29, 2004–1 C.B. 627, or Rev. Rul. 2007–19, 2007–1 C.B. 843.
- **Zero Returns** - Taxpayer submits a tax return with zero money amounts and attaches a statement claiming there's no section of the IRC that establishes an income tax liability. The statement may also contain arguments regarding the definition of income. Taxpayer may cite the Latin phrase "Nunc Pro Tunc" ("Then and Now") on the return, Form **1096** and/or 1099. Taxpayer may list all zeros and claim a refund of all Federal Withholding, or claim an amount for wages, AGI and Standard Deduction, enter no tax and claim a refund of all Federal Withholding, or taxpayer claims wages and AGI, but carries AGI to refund line.

- **Zero Wages on a Substitute W-2** - Filer generally attaches either a substitute Form **W-2**, Form 1099, or Form **4852** that shows "$0" wages or no wage information. Entries are usually for Federal income tax withheld but can be Social Security tax withheld or Medicare tax withheld. An explanation on the Form 1040-X or Form **4852** may cite "statutory language behind IRC 3401 and IRC 3121" or include some reference to the company refusing to issue a corrected Form **W-2** for fear of IRS retaliation.

IRM 3.11.6.10.13, Undelivered Correspondence - The subsection has been revised to include undeliverable mail indicator instructions.

(1) When undelivered correspondence is received, see IRM 3.11.6.10.14, Correspondence Received, then follow the instructions below.

(2) When working an undelivered correspondence, research for a better address using IDRS, the return, the envelope, or use the yellow address change sticker provided by the U.S. Postal Service on the envelope. Compare the address on the yellow sticker to the name and address using CC ENMOD to verify it is the same taxpayer.

Reminder: When an undelivered mail piece has an affixed USPS yellow label, see IRM 3.11.6.12.1.1, Address Changes.

(3) When researching for a new address and you've found a better address, take the following action:

If ...	And ...	Then ...
The undelivered correspondence isn't a Letter 105C or Letter 106C	The case isn't suspended	1. Don't update the address in IDRS. 2. Send a new letter using the better address.
The undelivered correspondence isn't a Letter 105C or Letter 106C	The case is suspended	1. Don't update the address in IDRS. 2. Send a new letter using the better address. 3. Resuspend the case for 45 days.
The undelivered correspondence is a Letter 105C or Letter 106C		1. Don't update the address in IDRS. 2. Don't reinput the letter. 3. Print the entire (original) letter, including the returned envelope, unchanged. 4. Send the entire (original) letter, including the returned envelope, unchanged, to the better address in a new envelope following local

		procedures.

(4) If a new address isn't found, follow the table.

If ...	Then ...
The return was determined processable	1. If the undeliverable mail (UD) indicator isn't present on CC ENMOD, input a TC 971 AC 661 on all open modules to generate the UD indicator. See IRM 3.11.6.10.13.1, Undeliverable Mail Indicator, for more information. 2. Process the case as normal using the original received date as the amended claims date.
The return is a zero-balance return	1. If the undeliverable mail (UD) indicator isn't present on CC ENMOD, input a TC 971 AC 661 on all open modules to generate the UD indicator. See IRM 3.11.6.10.13.1, Undeliverable Mail Indicator, for more information. 2. Adjust the account per the return using the earliest received date (that has not been circled out).
Correspondence was a Letter 178C or a Letter 324C requesting missing information	1. If the undeliverable mail (UD) indicator isn't present on CC ENMOD, input a TC 971 AC 661 on all open modules to generate the UD indicator. See IRM 3.11.6.10.13.1, Undeliverable Mail Indicator, for more information. 2. Input a case note stating "Letter (178C/324C) dated (MM-DD-YYYY) returned undelivered. No new address found." 3. Treat the case as classified waste per IRM 3.11.6.16.22, Classified Waste.
Correspondence was a Letter 916C for missing information	1. If the undeliverable mail (UD) indicator isn't present on CC ENMOD, input a TC 971 AC 661 on all open modules to generate the UD indicator. See IRM 3.11.6.10.13.1, Undeliverable Mail Indicator, for more information. 2. Input a case note stating "Letter 916C dated (MM-DD-YYYY) returned undelivered. No new address found." 3. Treat the case as classified waste per IRM 3.11.6.16.22, Classified Waste.
Correspondence was a Letter 916C no consideration, or a Letter	1. If the undeliverable mail (UD) indicator isn't present on CC ENMOD, input a TC 971 AC 661 on all open modules to generate the UD indicator.

474C	See IRM 3.11.6.10.13.1, Undeliverable Mail Indicator, for more information. 2. Input a case note stating "Letter (916C/474C/4364C) dated (MM-DD-YYYY) returned undelivered. No new address found." 3. Treat the case as classified waste per IRM 3.11.6.16.22, Classified Waste.
The correspondence was a formal disallowance or contained appeal rights	1. If the undeliverable mail (UD) indicator isn't present on CC ENMOD, input a TC 971 AC 661 on all open modules to generate the UD indicator. See IRM 3.11.6.10.13.1, Undeliverable Mail Indicator, for more information. 2. Input a case note stating "Letter (105C/106C) dated (MM-DD-YYYY) returned undelivered. No new address found." 3. Treat the case as classified waste per IRM 3.11.6.16.22, Classified Waste.
Correspondence was for informational purposes (such as Direct Deposit)	1. If the undeliverable mail (UD) indicator isn't present on CC ENMOD, input a TC 971 AC 661 on all open modules to generate the UD indicator. See IRM 3.11.6.10.13.1, Undeliverable Mail Indicator, for more information. 2. Treat the case as classified waste per IRM 3.11.6.16.22, Classified Waste.

(5) If a Form 1040-X is returned undelivered and a TC 150 is still not posted on the account, research for a new address and follow the table:

If ...	Then ...
A new address is found	Send correspondence to the new address.
A new address isn't found and there are payments on the module	Send the case to AM.
A new address isn't found and there are no payments on the module	1. If the undeliverable mail (UD) indicator isn't present on CC ENMOD, input a TC 971 AC 661 on all open modules to generate the UD indicator. See IRM 3.11.6.10.13.1, Undeliverable Mail Indicator, for more information. 2. Treat the case as classified waste per IRM 3.11.6.16.22, Classified Waste.

(6) If an undeliverable return is identified as an ID Theft return, then send the case to Entity. See IRM 3.11.6.7.9, Identity Theft (IDT) Screening.

(7) For undelivered CP 08, CP 09, and CP 27 notices, treat as classified waste. See IRM 3.11.6.16.22, Classified Waste.

IRM 3.11.6.10.13.1, Undeliverable Mail Indicator - New subsection created to include undeliverable mail indicator instructions.

(1) The undeliverable mail (UD) Indicator is located on CC ENMOD and is set by a TC 971 AC 661 on a taxpayer's account when returned mail is received back from United States Postal Service (USPS) as undeliverable.

(2) When using the IAT Letter Tool, you will be alerted the UD indicator is present and must verify the entity information and research for a new address.

If ...	And ...	Then ...
A new address is found	The taxpayer didn't provide clear and concise request for an address change	1. Don't update the address on IDRS. 2. Don't remove the UD indicator. 3. Use the new address when sending correspondence. 4. Advise the taxpayer to complete and submit Form 8822, Change of Address. 5. Override the IAT Letter Tool UD alert to send the letter.
A new address is found	The taxpayer did provide clear and concise request for an address change	1. Update the address on IDRS. 2. Input a TC 972 AC 661 on all open modules with a TC 971 AC 661 to remove the UD indicator. 3. Ensure the new address is used when sending correspondence.
A new address is not found	The UD indicator hasn't been reversed	1. Don't update the address on IDRS. 2. Don't remove the UD indicator. 3. Use last known address when sending correspondence. 4. Advise the taxpayer to complete and submit Form 8822, Change of Address. 5. Override the IAT Letter Tool UD alert to send the letter.

IRM 3.11.6.12.1(3), Entity Changes - Updated reference.

(3) A signature (both if MFJ) is required before an address change can be input. If signature correspondence is required, use the address of record.

Exception: A signature isn't required on an undelivered mail piece with an affixed USPS yellow label. Follow IRM 3.11.6.12.1.1 (3), Address Changes.

IRM 3.11.6.12.1.1(3), Address Changes - Updated reference.

(3) Upon receipt of any undelivered mail piece with an affixed USPS yellow label, research and update the address following the table. If the case you're working doesn't fall into one of the issues in table, don't update the address.

Exception: An address on a yellow label becomes the taxpayer's last known address unless taxpayer provides clear and concise notification of a change of address, or the Service properly processes a taxpayer's federal income tax return with a different address per paragraph 2 above.

If the taxpayer's ...	And ...	Then ...
Name printed in the letter	What is shown on the "yellow label" are exactly the same	Update the taxpayer address to the "yellow label" address.
Mailing address differs from the "yellow label"	The name printed on the "yellow label" is an exact match to the correspondence	Update the taxpayer's mailing address to the "yellow label" address. Then reissue the correspondence to the taxpayer's updated mailing address.
First name is similar to the one on the "yellow label"	The last name is an exact match	Confirm whether IRS records show any other taxpayers with similar first names and the exact same last name at the same address. If not, update the taxpayer address. Otherwise, don't update the taxpayer address.

IRM 3.11.6.13.5.2(4), Change a Record - Revised to ensure consistency with Policy Statement 25-4.

(4) When the edit screen is displayed, enter the appropriate corrected information and then transmit.

1. Name Control (N/C) - Enter the name control of the dependent/exemption being changed.
2. Filing Status - If the filing status is changing, enter the appropriate code.
3. Dependent Status Ind - Enter "1" to indicate the exemption is claimed on another return or enter a "0" to indicate the primary taxpayer is claiming a

personal exemption.

IRM 3.11.6.14.6.2(12), Credit Elect (Line 23) - Corrected year.

(12) To process a credit elect reversal, the request must be received before the return for the credit year has posted and before March 1, of the year following the year to which the credit was applied.

Example: A request to reverse a credit elect from a 2023 account back to the 2022 account must be received before the 2023 return has posted and by March 1, 2024.

Requests received after March 1 with remarks that state the taxpayer or IRS made an error should be sent to AM.

Editorial Changes: Revised IRM 3.11.6 throughout to ensure consistency with Policy Statement 25-4. A typographical error was also corrected.