



# MANUAL TRANSMITTAL

Department of the Treasury  
Internal Revenue Service

4.20.1

OCTOBER 4, 2017

## EFFECTIVE DATE

(10-04-2017)

## PURPOSE

- (1) This transmits a revision of IRM 4.20.1, *Examination Collectibility, General Collectibility Procedures*.

## MATERIAL CHANGES

- (1) Minor editorial changes have been made throughout this IRM. Website addresses, legal references, and IRM references were reviewed and updated as necessary.
- (2) Material changes to the IRM are listed in the table below:

IRM Reference	Description of Change
	All statements regarding coordination with Collection have changed from “should” to “may” for amounts under \$100,000.
IRM 4.20.1.1	Has been expanded to include IRM 1.11.2.2.5, <i>Address Management and Internal Controls</i> , and give examiners broader perspective of how collectibility should affect the examination.
IRM 4.20.1.2	Has been condensed to move the specific steps needed to solicit payment and setup installment agreements to subsections 4.20.2. through 4.20.4. Case documentation is also clarified.
IRM 4.20.1.3	Has been removed and ARDI Coordinator responsibilities absorbed by Exam Policy.
IRM 4.20.1.4	Has been deleted since it is addressed in IRM 4.20.3.3, <i>Securing Collection Information - Form 9440</i> .
IRM 4.20.1.5	Has been moved to IRM 4.20.1.3 and renamed <i>Procedures for Suspension of Collection Actions</i> . These procedures have been condensed for clarity.
Exhibit IRM 4.20.1.1	Has been deleted because it does not add value to the direction provided in the narrative.

## EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 4.20.1, dated February 26, 2013.

**AUDIENCE**

SB/SE Field and Specialty Examiners, excluding Estate and Gift Tax

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Small Business/Self Employed

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4.20.1

General Collectibility Procedures

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4.20.1.1  
(10-04-2017)  
**Program Scope and Objectives**

- (1) *Purpose.* This IRM section is an introduction and outline of examiner's responsibilities regarding collectibility in their examinations.
- (2) *Audience.* These procedures apply to all SB/SE Field and Specialty examiners, excluding Estate and Gift Tax.
- (3) *Policy Owner.* The Director, Examination Field and Campus Policy, which is under the Director, Headquarters Examination.
- (4) *IRM Owner.* Field Examination Special Processes (FESP), which is under the Director, Examination Field and Campus Policy.
- (5) *Primary Stakeholders.* SB/SE Collection Division is the primary stakeholder of the examination collectibility program.
- (6) *Contact Information.* To recommend changes or make any other suggestions related to this IRM section, see IRM 1.11.6.6, *Providing Feedback About an IRM Section - Outside of Clearance.*

4.20.1.1.1  
(10-04-2017)  
**Background**

- (1) This IRM provides an overview of the collectibility program for SB/SE examiners. Examiners must strive for quality assessments and promote an increased emphasis on early collections in the continuing effort to reduce the Collection function's inventory and currently not collectible (CNC) accounts. Examiners are required to consider the collectibility of a potential tax assessment during the pre-contact, audit, and closing phases of an examination. The keystone of our compliance activities is to promote voluntary compliance, and examinations contribute to that by having an impact on changing taxpayer behavior and also providing a deterrent to other potentially noncompliant taxpayers.

4.20.1.1.2  
(10-04-2017)  
**Authority**

- (1) By law, the IRS has the authority to collect tax under Title 26, Internal Revenue Code, Subtitle F Procedures and Administration, which includes, but is not limited to, the following IRC sections:
  - IRC 6155, *Payment on notice and demand.*
  - IRC 6301, *Collection Authority.*
  - IRC 7801, *Authority of Department of the Treasury.*

4.20.1.1.3  
(10-04-2017)  
**Responsibilities**

- (1) The Director, Headquarters Examination, is the executive responsible for providing policy and guidance for field employees and ensuring consistent application of policy, procedures, and tax law to effect tax administration while protecting taxpayers' rights. See IRM 1.1.16.3.5, *Headquarters Examination*, for additional information.
- (2) The Director, Examination Field and Campus Policy (formerly known as the Director, Examination AUR/Policy), reports to the Director, Headquarters Examination, and is responsible for the delivery of policy and guidance that impacts the field examination process. See IRM 1.1.16.3.5.1, *Exam/AUR Policy*, for additional information.
- (3) Field Examination Special Processes (FESP), which is under the Director, Examination - Field and Campus Policy, is the group responsible for providing oversight and policy and procedural guidance on specialized examination processes to SB/SE field examiners and group managers. See IRM 1.1.16.3.5.1.2, *Examination - Field and Special Processes*.

4.20.1.1.4  
(10-04-2017)  
**Program Reports**

- (1) Periodic program reviews are conducted by FESP to:
- Assess the effectiveness of specific programs within Examination or across the organization,
  - Determine if procedures are being followed,
  - Validate policies and procedures, and
  - Identify and share best/proven practices.

4.20.1.1.5  
(10-04-2017)  
**Acronyms and Codes**

- (1) The following table lists commonly used acronyms and command codes with their definitions as used throughout this IRM:

Acronym/Code	Definition
AT	Abusive Transaction
CC	Closing Code
CCP	Centralized Case Processing
CIS	Collection Information Statement
DATC	Doubt as to Collectibility
DATL	Doubt as to Liability
ETA	Effective Tax Administration
ETLS	Employment Tax Lead Sheet
IA	Installment Agreement
IDRS	Integrated Data Retrieval System
IRPTR	Information Returns Processing Transcript Requests (IRPTR) allows IDRS users to request either online or hardcopy Information Returns Processing (IRP) transcripts from the Information Returns Master File (IRMF).
NOL	Net Operating Loss
OIC	Offer-in-Compromise
TC	Transaction Code

4.20.1.1.6  
(10-04-2017)  
**Terms**

- (1) The following table lists commonly used terms and associated definitions as referenced throughout this IRM:

Term	Definition
Currently not Collectible	When analysis of the CIS indicates the taxpayer is currently unable to pay, Collection personnel completes Form 53, <i>Report of Currently Not Collectible Taxes</i> .

Term	Definition
Full Pay	Payment of the full amount of the exam deficiency including tax, penalties, interest; including outstanding deficiencies in other periods.
Installment Agreement (IA)	An IA allows the payment of the debt in smaller, more manageable amounts. IAs generally require equal monthly payment that will result in full payment of the tax within the collection period.
Levy	A levy is a legal seizure of the taxpayer's property to satisfy a tax debt. Levies are different from liens.
Lien	A lien is a legal claim to the property of the taxpayer as security for a tax debt. The federal tax lien arises when the liability is assessed, notice and demand for payment have been given, and the taxpayer neglects or refuses to pay the debt. Notice should be given as soon as possible after assessment (but within 60 days). If the taxpayer neglects or refuses to pay the assessed tax, the lien is deemed to relate back to the assessment date. After that time, the IRS may file a notice of federal tax lien in the public records. The purpose of filing the notice of federal tax lien is to establish the government's right of priority against certain third party creditors. It puts the public on notice that a federal tax lien will continue until the liability is satisfied, becomes unenforceable by lapse of time (collection statute expires), or a bond is accepted in the amount of liability.
Offer-in-Compromise (OIC)	<p>OIC may be requested by taxpayer on the following basis:</p> <ul style="list-style-type: none"> <li>• DATL,</li> <li>• DATC, or</li> <li>• ETA</li> </ul> <p>An OIC is a taxpayer's proposal to the government for settlement of a liability for an amount less than previously determined and assessed. Generally, DATC and ETA offers in compromise are considered by the Collection function and DATL offers are considered by the Examination function. See IRM 5.8.11, <i>Offer-in-Compromise, Effective Tax Administration</i>. See 26 CFR 301.7122-1(b), <i>Grounds for Compromise</i>, for a detailed description of each type of offer.</p>

4.20.1.1.7  
(10-04-2017)

#### Related Resources

- (1) The following table contains related IRMs which cover additional procedures that examiners may use in their general collectibility procedures and are referenced throughout this IRM:

IRM	Title
IRM 2.4.28	<i>IDRS Terminal Input - Command Codes STAUP, STATI, and STATB</i>
IRM 4.10.2.4.1	<i>Pre Contact Responsibilities - Collectibility</i>
IRM 4.18.7.1	<i>Exam Offer-in-Compromise, Special Case Processing - Offer-in-Compromise (OIC) Filed During the Audit</i>

IRM	Title
IRM 4.20.3.3	<i>Securing Collection Information - Form 9440</i>
IRM 4.20.3.4	<i>Soliciting Payment -Coordination with Collection</i>
IRM 4.20.4	<i>Examination Collectibility - Installment Agreements</i>
IRM 4.24.6.3.1	<i>Technical Guidance and Procedures for Excise Issues - A105 Administrative Check Sheet</i>
IRM Exhibit 10.8.34-8	<i>Restricted Command Codes for the Role: Revenue Agents, Tax Compliance Officers, and Estate Tax Attorneys (RSTRK Definer A)</i>

4.20.1.2  
(10-04-2017)  
**Examiner's  
Responsibilities**

- (1) Examiners should consider the overall collectibility of the return during the pre-contact phase as one of many factors in determining whether to survey the return or limit the scope and depth of examination. For scope considerations see IRM 4.20.2.2, *General Collectibility Considerations*. Collectibility indicators may also become a factor for consideration during the course of an examination. See IRM 4.10.2.4.1, *Collectibility*.

**Note:** Field examiners must document all steps taken in the determination of collectibility on the appropriate lead sheet, a supporting workpaper indexed to the lead sheet, or Form 9984, *Examining Officer's Activity Record*. See paragraph (8) below for a chart referencing the specific lead sheet.

- (2) At the initial examination appointment, examiners should inform the taxpayer(s) payment options will be discussed and payment solicited during the closing conference if any deficiency is recommended.
- (3) Once the examination is completed and an assessment is recommended, examiners should request payment of the amount due as outlined in IRM 4.20.3.2, *Tiered Interview Approach*, and document on the appropriate lead sheet as stated in (8) below.
- (4) If the taxpayer is unable to make full payment, the examiner should explain payment options, including installment agreements, to the taxpayer or their representative. See Publication 594, *The IRS Collection Process*, and IRM 4.20.4, *Installment Agreements*. If the taxpayer requests an OIC-DATC see IRM 4.18.7.1, *Offer-in-Compromise (OIC) Filed During the Audit*.
- (5) If the examiner does not secure full payment or an installment agreement from the taxpayer, coordination with Collection may be considered. A Collection referral is mandatory for agreed, unpaid cases over \$100,000. See IRM 4.20.3.4, *Coordination with Collection*.

**Note:** Proactive Collection interaction can improve collectibility outcomes.

- (6) Form 9440, *Taxpayer Levy Source and Contact Information*, is completed with only new data that is not available on IRPTR and included in the case file in all unpaid cases (agreed and unagreed). See IRM 4.20.3.3, *Securing Collection Information - Form 9440*, for detailed information.
- (7) If the taxpayer under examination was identified as a client of an individual or entity authorized for an AT penalty investigation, contact the local Collection AT

Coordinator. For more information on cross-functional coordination with Collection see IRM 4.32.3.4, *Abusive Transactions-Coordination and Roles of Cross-Functional Units, Collection*.

- (8) Collectibility must be documented on the appropriate lead sheet (or supporting workpaper referenced to the lead sheet, or Form 9984,) for all cases:

	Setting the Scope	Payment Solicitation
Field RA	Lead Sheet 110, Pre-Contact	Lead Sheet 110, Issue Resolution
Field TCO	Lead Sheet 110, Pre-Contact	Lead Sheet 110, Issue Resolution
Employment Tax Examiners	Employment Tax Lead Sheet (ETLS) 105, <i>Administrative Lead Sheet - Employment Tax</i>	ETLS 940, <i>Closing Conference Agenda</i>
Excise Tax Examiners	A105, <i>Administrative Check Sheet</i>	A105, <i>Administrative Check Sheet</i>

4.20.1.3  
(10-04-2017)  
**Procedures for  
Suspension of  
Collection Actions**

- (1) In limited circumstances, Examination may need to suspend collection activity on a taxpayer's account. Examiners can suspend collection activity using TC 470 with CC 90 or by using STAUP procedures.
- (2) The use of TC 470 with CC 90 is restricted to those situations where it is expected that an adjustment will fully pay the tax for the suspended tax year. For example, if the IRS discovers that an obvious error created a balance-due condition in one tax year, and an adjustment will reduce the balance due to zero, the IRS can request the necessary tax adjustment and request that this collection suspension code be entered for the specific tax year. This will ensure collection action is suspended while the adjustment is made and over-payments for other tax years will not be used to pay the tax in question.
- (3) In instances where the TC 470 CC 90 criteria is not met, Collection activity can be suspended for a fixed period of time using Command Code STAUP. For example, an examiner encounters the situation where the suspension of collection activities is necessary when one or more of the following is expected to reduce the balance due to zero:
  - a. Claims
  - b. Net operating loss (NOL) carryback
  - c. Credits carried back

Command Code STAUP is an IDRS command code used to accelerate, omit, or delay the issuance of an IDRS balance due notice. A STAUP will stop any notice from being issued or destroy a printed notice not yet mailed. To allow adequate time for the examiner to complete the examination a STAUP can be input for up to 15 cycles. See IRM 2.4.28, *Command Codes STAUP, STATI, and STATB*.

**Note:** Examiners are not permitted to input Command Code STAUP; see Exhibit 10.8.34-8.

- (4) Form 3177, *Notice of Action for Entry on Master File*, is used to request input for both TC 470 CC 90 and Command Code STAUP. For STAUP, check the

box that shows *Other* and specify to input Command Code STAUP in the space provided. Managerial approval is required but there is no signature block. The manager will sign and date in the top margin.

- (5) Form 3177, should be eFaxed to CCP for input. Fax numbers can be located on the CCP web site at <http://mysbse.web.irs.gov/examination/cp/cont/28100.aspx>.