



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.23.11

JANUARY 9, 2025

EFFECTIVE DATE

(01-09-2025)

PURPOSE

- (1) This transmits a revision to IRM 4.23.11, Employment Tax, Prompt Action in Tax Underpayment and Overassessment Cases.

MATERIAL CHANGES

- (1) IRM 4.23.11.1.2 - Updated paragraph (3) due to the reorganization that resulted in one Deputy Commissioner.
- (2) IRM 4.23.11.1.3 - Updated the title of the subsection to “Roles and Responsibilities” to be consistent with IRM 1.11.2.2.4, Address Management and Internal Controls.
- (3) IRM 4.23.11.1.4 - Revised the subsection title to “Program Management and Review” to be consistent with IRM 1.11.2.2.4, Address Management and Internal Controls. Updated paragraph (1) for clarity. Added paragraphs (4) and (5) that were previously in IRM 4.23.11.1.5.
- (4) IRM 4.23.11.1.5 - Moved existing content to IRM 4.23.11.1.4 paragraphs (4) and (5). Added subsection titled “Program Controls” to document the reviews and quality assurance activities associated with the Employment Tax Program and to be consistent with IRM 1.11.2.2.4, Address Management and Internal Controls.
- (5) IRM 4.23.11.1.7 - Updated for clarity and website addresses paragraphs (2), (3), (4) and (5). Added paragraph (6) that provides the responsibility for civil penalty programs is assigned to Office of Servicewide Penalties (OSP).
- (6) IRM 4.23.11.2 - Updated paragraph (1) due to the reorganization that resulted in the name change of Wage and Investment (W&I) to Taxpayer Services (TS). Moved uncover sentenced in paragraph (3) to a new paragraph (4) and subsequent paragraphs were renumbered.
- (7) IRM 4.23.11.3 - Revised paragraph (2) to be consistent with IRM 10.10.1.6.1, Accepting Images of Signatures and Digital Signatures in Certain Taxpayer Interactions, and IRM 11.3.2.3.2, Requirements for Verbal or Electronic Requests.
- (8) Replaced URL/web address to internal sites with a hyperlink.
- (9) Editorial, typographical, and technical changes have been made throughout this section. Organization titles and symbols were updated.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 4.23.11 dated April 21, 2023.

AUDIENCE

This section contains instructions and guidelines for all Large Business & International (LB&I), Tax Exempt/Governmental Entities (TE/GE), and Small Business/Self Employed (SB/SE) employees when dealing with employment tax issues.

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4.23.11

Prompt Action in Tax Underpayment and Overassessment Cases

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4.23.11.1 (12-18-2019) Program Scope and Objectives

- (1) **Purpose:** This section details the steps for proposed employment tax underpayment and overassessment cases.
- (2) **Audience:** This section contains instructions and guidelines for all Large Business & International (LB&I), Tax Exempt/Government Entities (TE/GE), and Small Business/Self-Employed (SB/SE) employees dealing with employment tax issues.
- (3) **Policy Owner:** Director, Specialty Exam Policy of the Small Business/ Self-Employed Division.
- (4) **Program Owner:** Program Manager - Employment Tax Policy. The mission of Employment Tax Policy is to establish effective policies and procedures to support compliance with employment tax laws.
- (5) **Primary Stakeholders:**
 - Employment Tax – Workload Selection and Delivery (SE:S:DCE:HQ:ECS:S:ETEGCS:EWSD)
 - Specialty Examination - Employment Tax (SE:S:DCE:E:SE:ET)
 - Specialty Examination Policy, Employment Tax Policy (SE:S:DCE:E:HQ:SEP:EMTP)
 - Other areas that are affected by these policies and procedures include Independent Office of Appeals, Counsel, SB/SE Examination, LB&I, and TE/GE.

4.23.11.1.1 (12-18-2019) Background

- (1) This section details the steps for tax assessment and overassessment cases.
- (2) In accordance with the IRS continuing effort to reduce the Accounts Receivable Dollar Inventory (ARDI) and Currently Not Collectible (CNC) Accounts, managers must strive for quality assessments and promote an increased emphasis on early collections. It is the general practice of the IRS to request advance payments on agreed adjustments to employment tax returns and delinquent returns secured during an examination. Managers will also provide information and assistance on the collection processing in all tax underpayment cases.
- (3) The term **deficiency** does not generally apply to employment taxes. IRC 6211 generally defines a deficiency as the excess of the correct amount of income tax, estate tax, or gift tax owed, minus the tax amount shown on the return and amounts previously assessed (or collected without assessment) as a deficiency, plus the amounts of rebates made. In general, deficiency procedures are used when additional income, estate, or gift taxes, and/or related penalties are proposed.

4.23.11.1.2 (01-09-2025) Authority

- (1) Employment tax provisions are found at Internal Revenue Code Subtitle C:
 - Chapter 21, Federal Insurance Contributions Act (FICA),
 - Chapter 22, Railroad Retirement Tax Act (RRTA),
 - Chapter 23, Federal Unemployment Tax Act (FUTA),
 - Chapter 24, Federal Income Tax Withholding (FITW), and
 - Chapter 25, General Provisions relating to employment taxes and collection of income taxes at source.

- (2) The Employment Tax Program is governed by Policy Statements and other internal guidance that apply to all IRS personnel regardless of operating division. The Policy Statements found in IRM 1.2.1, Servicewide Policy Statements, apply to all employment tax issues and examinations. Examiners should review these Policy Statements to properly perform their examination duties.
- (3) A website, *IMD Search Servicewide Delegation Orders*, provides a searchable list of Servicewide Delegation Orders issued by the Commissioner of the Internal Revenue, or on their behalf by the Deputy Commissioner. Delegation Orders pertaining to each IRS business process can be found in IRM 1.2.2, Servicewide Policies and Authorities, Servicewide Delegations of Authority.
- (4) IRM 4.23 provides Servicewide instructions for all operating divisions with employees involved with the correct filing, reporting, and payment of employment taxes. IRM 4.23 serves as the foundation for consistent administration of employment taxes by various IRS operating divisions. By providing one source of authority for all operating divisions, the IRS greatly reduces philosophical and procedural inconsistencies.

4.23.11.1.3
(12-18-2019)
**Roles and
Responsibilities**

- (1) Director, Specialty Examination Policy is responsible for the procedures and updates addressed in this IRM.
- (2) Director, Specialty Examination is the executive responsible for examination operational compliance.

4.23.11.1.4
(01-09-2025)
**Program Management
and Review**

- (1) Program Goals: The processes and procedures provided in this IRM are consistent with the objectives or goals are addressed in IRM 1.1.16.5.3.3, Employment Tax Examination and IRM 1.1.16.3.3.1.5, Employment Tax Policy.
- (2) Program Effectiveness: Program goals are measured with Employment Tax Embedded Quality Performance Reports that monitor whether quality attributes are applied uniformly and consistently. See IRM 4.23.4.7, Embedded Quality Review.
- (3) Annual Review: Employment Tax Policy - Program Manager is responsible for reviewing the information in this IRM annually to ensure accuracy and promote consistent tax administration.
- (4) Program Reports: Information regarding the reporting of program objectives are included on, but not limited to, the following reports submitted to the Director, Specialty Examination Policy:
 - Headquarters Examination Monthly Briefing,
 - Program Manager Monthly Briefing,
 - Examination Operational Review, and
 - Business Performance Reviews.
- (5) The Quarterly Business Performance Review (BPR) provides updates on the status of the Whistleblower claims in Operating Division SME status.

4.23.11.1.5
(01-09-2025)
Program Controls

- (1) All information management systems have safeguard measures in place that address key components of Information Technology (IT) security requirements to restrict access to sensitive data.

- (2) The Employment Tax program has established a separation of duties of users' roles-
 - Policy and procedures – Employment Tax Policy is within SB/SE Specialty Exam Policy
 - Case selection – Employment Tax – Workload Selection and Delivery is within SB/SE Examination Case Selection
 - Examination - Employment Tax Examination is within SB/SE Specialty Exam
 - Quality and review - Embedded Quality is within SB/SE Field and Specialty Exam Quality
- (3) The Issue Management System (IMS) is required to be used during employment tax examinations by examiners assigned to Specialty – Employment Tax Operations.
- (4) Unless instructed otherwise, examiners will use the Employment Tax Lead Sheets (ETLS) developed specifically for employment tax cases.
- (5) SB/SE ET examiners working ET Large Cases will use Large Case Lead Sheets (LCLS). LCLS are developed specifically for large case employment tax cases. Examiners working ET Large Cases will follow workpaper preparation, specific audit techniques, and case closing procedures unique to these types of audits.
- (6) The delegated authorities for the IRS under the control of SB/SE Specialty Exam Policy - Employment Tax are-
 - IRM 1.2.2.5.39, Delegation Order 4-50 (Rev. 1), Voluntary Classification Settlement Program (VCSP) Applications,
 - IRM 1.2.2.8.13, Delegation Order 7-13 (Rev. 2) (formerly DO-248, Rev. 1), Authority to Accept Classification Settlement Program (CSP) Offers and to Execute the Pro Forma Closing Agreements on CSP Issues, and
 - IRM 1.2.2.15.19, Delegation Order 25-19 (Rev. 1), Professional Employer Organization (PEO) Certification.

4.23.11.1.6 (12-18-2019) Acronyms

- (1) The following table lists commonly used acronyms and their definitions:

Acronym	Definition
BPR	Business Performance Review
CCP	Centralized Case Processing
CSP	Classification Settlement Program
DPC	Designated Payment Code
EIN	Employer Identification Number
EO	Exempt Organizations
MFT	Master File Tax
RA	Revenue Agent

Acronym	Definition
ROE	Revenue Officer Examiner
ROFTL	Record of Federal Tax Liability
SME	Subject Matter Expert
SRS	Specialist Referral System
TC	Transaction Code
TCO	Tax Compliance Officer
TIN	Taxpayer Identification Number

4.23.11.1.7
(01-09-2025)

Related Resources

- (1) The following table lists the primary sources of guidance:

Source	Title	Description of Guidance
IRM 4.23	Employment Tax IRM	IRM sections owned by SB/SE Specialty Examination Policy. Provides Servicewide instructions for employees of all operating divisions involved with the correct filing, reporting, and payment of employment taxes. IRM 4.23 serves as the foundation for consistent administration of employment taxes by various IRS operating divisions.

- (2) Other helpful information sources include:

- a. *SB/SE Employment Tax Small Business Knowledge Base* provides guidance, resources and information for examiners to aid in raising, developing, and resolving employment tax issues.
- b. *Specialist Referral System* can be used by any employee, regardless of operating division. In addition to requesting assistance or a referral, SRS may be used to submit informal questions or to request a consultation with an employment tax specialist to discuss employment tax potential in an examination.
- c. *Employment Tax Policy Contacts* provides contact information and program assignments for SB/SE Employment Tax Policy Analyst.

- (3) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See IRC 7803(a)(3). See *Taxpayer Bill of Rights*.
- (4) Employment tax examiners should consider the disclosure provisions when preparing agreed and unagreed case reports. For further information, see the *Privacy, Government Liaison and Disclosure* maintained knowledge base.
- (5) The Taxpayer Advocate Service (TAS) is an independent organization within the Internal Revenue Service (IRS), led by the National Taxpayer Advocate. Its job is to protect taxpayers' rights by striving to ensure that every taxpayer is treated fairly and knows and understands their rights under the TBOR. TAS offers free help to taxpayers, including when taxpayers face financial difficulties due to an IRS problem, when they are unable to resolve tax problems they have not been able to resolve on their own, or when they need assistance to address an IRS system, process, or procedure that is not functioning as it should. TAS has at least one taxpayer advocate office located in every state, the District of Columbia, and Puerto Rico.
- (6) Overall responsibility for civil penalty programs is assigned to Office of Service-wide Penalties (OSP). OSP is charged with coordinating policy and procedures concerning the civil penalty program administration, ensuring consistency with the penalty policy statement, reviewing and analyzing penalty information, re-searching penalty effectiveness on compliance trends, and determining appropriate action necessary to promote voluntary compliance. For further understanding of the civil penalty program and penalty relief refer to the *Penalties Knowledge Base Homepage*.

4.23.11.2 (01-09-2025) **Soliciting Payment at Closing**

- (1) At the time a tax is proposed or a delinquent return is solicited, the examiner will furnish a calculation of the tax, projected interest, penalties due, the current interest rate on underpayments and an explanation of the advantages of making an advance payment. Publication 1, Your Rights as a Taxpayer, and Publication 5146, Employment Tax Returns: Examinations and Appeal Rights, provided at the start of the examination, should be reviewed with the taxpayer. In addition, Publication 594, The IRS Collection Process, will also be furnished to provide an opportunity for the taxpayer to discuss the IRS collection process and ask any questions.
- (2) Examiners must request full payment in all agreed employment tax cases. An examiner can accept payment by check or money order, or cash. If a taxpayer desires to make payment by cash, Collection assistance in accepting the payment should be requested through the manager. Also, office locations that have Taxpayer Services Field Assistance groups can assist in processing cash payments.
- (3) The taxpayer's ability to pay is determined using a "tiered interview." The "tiered interview" consists of the questions:
 - a. Can you pay today?
 - b. How much can you pay today?
 - c. Can you pay at first notice?
 - d. Can you borrow to pay the first notice?

- (4) In each instance, the examiner should attempt to secure full payment. However, if the taxpayer indicates they will be able to pay the amount due upon receipt of the first notice, no further requests for payments need to be made by the examiner.
- (5) If the taxpayer is not able to pay in full within 120 days of the first notice, consideration should be given to an installment agreement, which should be coordinated with Collection. See IRM 4.20.1, Examination Collectibility Procedures.
- (6) If a taxpayer is bankrupt ("B" code on Form 5546, Examination Return Charge-Out Sheet) or is currently working with Collection on payment of taxes previously assessed ("C" code on Form 5546 or Collection status "26"), Collection will be consulted before proposing additional taxes. See IRM 4.20.1.2, Pre-Contact and Fact Finding - Determining the Scope for information on examiner responsibilities.

4.23.11.2.1
(04-21-2023)

Employment Tax Early Payment Program

- (1) If attempts to secure payment of an agreed employment tax case are unsuccessful and the taxpayer is unable to pay immediately or upon receipt of the first notice, the examiner will:
 - Review payment plans and explain the interest and deposit penalty provisions to the taxpayer. See IRM 4.23.8.3, Interest-Free Adjustments, - In General, and subsequent sections for further information on the interest-free provision and deposit penalty rules. See IRM 20.1.4.21.5, Adjusted Returns (Forms 941-X, 943-X, 944-X, 945-X, and CT-1X), for examples.
 - Consider if an installment agreement is available to the taxpayer. This should be coordinated with Collection, as set forth in IRM 4.20.1, Examination Collectibility Procedures.

Note: The taxpayer will owe interest if full payment is not made by the assessment date, even if the interest-free provisions otherwise apply.

- (2) For agreed, unpaid employment tax cases worked in Area 212 (Specialty, Employment Tax Examination) with a total tax greater than \$100,000, examiners will:
 - a. Initiate a collection referral using the Specialist Referral System (SRS).
 - b. Provide available financial information secured from the taxpayer during the audit via a separate, encrypted email to the Collection Area Coordinator.

Note: The SRS referral and additional information will be provided to the appropriate Collection Group Manager to address.

Note: A "case" for employment tax purposes consists of **all** employment tax forms included in the taxpayer case file under examination, (for example, Form(s) 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, Forms 941, Employer's QUARTERLY Federal Tax Return, and other related returns). Related entities picked up as part of the package audit are considered separate cases.

- (3) In all unpaid cases (agreed or unagreed), a Form 9440, Taxpayer Levy Source and Contact Information, is required to be completed to assist collection efforts. If no additional levy sources or contact information are identified, the Form 9440 is not required. However, examiners must document the case file following guidance in IRM 4.20.1.2.4, Document Collectibility. Employment Tax Field Specialists (RAs, ROEs, or TCOs) will complete Form 9440 as follows:

- Line 1: Business name
- Line 2: Business EIN
- Line 3: Officer or primary shareholder's name, if known
- Line 4: Officer or primary shareholder's TIN if known
- Line 5: Business phone number
- Line 6: N/A
- Lines 7(a)-(d): Include any banking/financial information obtained during the examination
- Lines 8(a) and (b): N/A. Employment tax examiners are not expected to perform research to find this information as it does not relate to the employment tax examination.
- Lines 9 - 11: Complete with examiner specific information

Note: Tax Examiners in Employment Tax Examination are exempt from preparing Form 9440.

- (4) Upon closing, the examiner will check the box on Form 3198, Special Handling Notice for Examination Case Processing or Form 3198-A, TE/GE Special Handling Notice, for Exempt Organizations (EO), in the "Forms Enclosed" section to indicate Form 9440 is in the file. The Form 9440 will be attached to the left inside of the folder as the top document.

4.23.11.3 (01-09-2025) Preparation and Acceptance of Waiver Form

- (1) A waiver should disclose the type of tax, period or periods involved, the amount of tax and /or overassessments (and penalties, if any), and is properly signed by the taxpayer or their authorized representative. The following forms, when completed, fulfill these requirements:
- Form 2504, Agreement to Assessment and Collection of Additional Tax and Acceptance of Overassessment (Employment Tax Adjustments Not Subject to IRC 7436),
 - Form 2504-S, Agreement to Assessment and Collection of Additional Tax and Acceptance of Overassessment (Employment Tax Adjustments Not Subject to IRC 7436; Worker Classification or Section 530 Issues Not Addressed in this Exam), and
 - Form 2504-T, Agreement to Assessment and Collection of Additional Tax and Acceptance of Overassessment (Employment Tax Adjustments Subject to IRC 7436).

Caution: IRS personnel may not alter a waiver completed by a taxpayer or request that a taxpayer execute a blank waiver.

Note: A timely-filed waiver form is considered a valid claim for refund when a taxpayer agrees to an overassessment determined by the IRS.

- (2) Examiners may accept images of an original signature on documents related to the determination or collection of a tax liability or to the resolution of tax

controversies. See IRM 10.10.1.6.1, Accepting Images of Signatures and Digital Signatures in Certain Taxpayer Interactions. In all cases, the examiner must document in the case history:

- That taxpayer contact has been made,
- The date of contact,
- The desire of the taxpayer to submit the document by fax, and
- They authenticated the signature.

Note: Examiners must authenticate the taxpayer or representative by phone or in-person to ensure they are authorized to sign the document in question. See IRM 11.3.2.3.2, Requirements for Verbal or Electronic Requests.

- (3) If an error made in computing additional tax, overassessment, or penalty shown on a previously executed report/waiver reflects a tax greater than the correct amount, a corrected report showing the lesser amount will be prepared. A copy of the corrected report will be given to the taxpayer; however, no signature on the new report/waiver is required. Note on the corrected report, "Refer to the taxpayer's signature on the report dated (date)". See IRM 4.10.8.13, Corrected Reports.
- (4) If an error is made on the report/waiver that reflects a tax less than the correct amount, the examiner has two alternatives. The examiner may prepare a corrected report and solicit a new waiver or the case may be processed for the amount shown on the original executed report/waiver if it falls under the Error Tolerance levels of SB/SE Delegation Order 4.41. The group, or function discovering the error, will prepare a memo to Centralized Case Processing (CCP) signed by a person authorized by the delegation order. See IRM 4.10.8.13 and IRM 1.2.65.3.4, SBSE 1-23-15, Error Tolerance Levels.
- (5) When the correction of an error results in the increase of tax not processed under (4) above for any period shown on a waiver, a supplemental waiver will be secured for the difference between the tax or penalty, as corrected, and the amount shown on the original waiver. The supplemental waiver will be clearly identified as such and stapled on top of the original waiver, and the case will be processed in the usual manner. If the correction of an error results in the decrease of an overassessment not processed under (4) above, a new waiver will be secured for the amount of the corrected overassessment.
- (6) When a waiver covers multiple periods, the rules in (3) through (5) above must be applied separately to each period involved and not to the net effect of the waiver. For example, if a waiver shows additional taxes for each of two periods, but corrections result in a substantial tax increase for one period and a substantial tax reduction for the other period, a new waiver should be solicited even though the net effect of the corrections may favor the taxpayer.

4.23.11.4
(04-21-2023)

**Payments and Deposits
- General**

- (1) A remittance may be a payment of tax or a deposit. A payment may be an advance payment or subsequent payment.
- (2) An advance payment is made before an assessment; it may be received when an examiner solicits payment of the proposed tax in agreed field and office examination cases. See IRM 4.20.1.3, Issue Resolution - Solicit Payment. The examiner will not solicit a remittance from a taxpayer until the examination is completed and an agreement secured.

- (3) A subsequent payment is made after an assessment. All remittances received with delinquent returns secured by examiners are subsequent payments.
- (4) A taxpayer may offer a remittance prior to the completion of the examination as a means of stopping the accrual of interest:
 - a. IRC 6603 deposit - discussed at IRM 20.2.4.9.2, IRC 6603 Deposits. This is the general rule, however, IRC 6603 does not apply to employment taxes.

Note: A taxpayer may make a “deposit in the nature of a cash bond” which would be returned at the taxpayer’s request; but will not stop the accrual of interest except as addressed in IRM 4.23.11.4(b) and IRM 4.23.11.5(1)(h), below.

- b. IRC 6205 deposits for worker classification cases or for wage issues subject to IRC 7436 (as listed in IRM 4.23.5.2.2, IRC 7436 Issues).

Note: If an employer has not yet received a notice of determination under IRC 7436, the employer can make a cash bond deposit with the IRS to stop any interest from accruing and still preserve the employer’s right to go to Tax Court. See IRM 4.23.8.3, Interest-Free Adjustments, at (12).

- (5) When a case involves restricted interest, the examiner will not solicit the interest due. If the taxpayer desires to make full payment of the balance due, the examiner will check the “Restricted Interest” box on the Form 3198 and advise the taxpayer that the restricted interest provisions apply and cannot be computed at this time; the interest will be computed at closing by a tax examiner in CCP. See IRM 20.2.5.6, Restricted Interest.

Note: Exempt Organizations (EO) should follow local procedures.

- (6) The employee who accepts the advance payment will classify it either as:
 - One tendered after the additional tax has been determined and an agreement has been secured from the taxpayer and before the tax has been assessed, or
 - One tendered before the proposed additional tax has been determined and before an agreement has been secured from the taxpayer.
- (7) Employees who receive remittances must transmit them to the teller unit at the appropriate Campus for deposit no later than the next workday after receipt.
- (8) All examiners will post payments received during their examinations as a Transaction Code (TC) 640, “Advanced Payment of Determined Deficiency”.

4.23.11.5
(12-18-2019)
Form 3244–A, Payment Posting Voucher—Examination

- (1) Upon acceptance of an advance payment (tendered before or after the tax has been determined and an agreement has been secured from the taxpayer), the responsible examiner will complete a separate Form 3244-A, Payment Posting Voucher - Examination, for each tax period and class of tax involved, as follows:
 - a. **SSN/EIN:** Enter the taxpayer identification number

- b. **Form No./MFT:** Form numbers and MFT codes are found in Document 6209, IRS Processing Codes and Information
- c. **Tax Period:** Enter "YYYYMM", for example, quarterly return ending June 30, 20XX is shown as "20XX06"
- d. **Transaction/Received Date:** Enter the date the remittance was received by the responsible examiner or the IRS, whichever is earlier, for example, July 30, 20XX is shown as "07-30-20XX"
- e. **Taxpayer:** Enter the taxpayer's full name, address, and ZIP code
- f. **Transaction Data:** Enter the total amount of the payment opposite the Transaction Code (any breakdown is entered in Remarks)

Note: The examiner will use TC 640 for all cases where the tax has not been assessed or TC 670 if the assessment has been made. Coding the payment appropriately will prevent erroneous refunds.

- g. **Remarks:** See IRM 4.23.11.5.1
- h. **6603:** Check this block only for advance payments accepted before the tax can be determined (for example, unagreed cases). By checking this box, Designated Payment Code (DPC) "12" is automatically entered for TC "640". The "6603 box" can only be checked if the requirements of IRC 6603 have been met. See IRM 20.2.4, Overpayment Interest.

Note: Do not process a cash bond deposit made for worker classification issues or IRC 7436 wage issues as an IRC 6603 deposit. IRC 6603 does **not** apply to employment taxes, but prior to the receipt of a Notice of Determination, the employer can make a cash bond deposit with the IRS to stop interest from accruing under Treas. Reg. 31.6205-1(a)(6)(ii).

- i. **Prepared By:** Enter the preparer's name and office symbol.

4.23.11.5.1
(11-03-2014)

Form 3244-A, Remarks

- (1) Indicate the pertinent information regarding the transaction, including:
 - a. The check number of the check submitted by the taxpayer.
 - b. The amount of payment allocated for tax, penalty, and interest, as well as any special instructions. See Document 6209 for the applicable transaction codes.
 - c. If Examination has no record of ever having the case file, the remarks section must indicate that fact.
 - d. If the date of an agreement precedes the date of the advance payment by more than 30 days, enter the agreement date.
 - e. If the first payment is not for full amount of tax due, enter "Part Payment"; or if part payment is other than the first payment, designate the payment, for example, "2nd Payment."
 - f. Note restricted interest cases. See IRM 4.23.11.8.
 - g. If a payment received applies to more than one period, indicate "split remittance" in the remarks section of each Form 3244-A.

Note: A separate Form 3244-A must be completed for each period to prevent a payment being input only for the first tax period. Indicate on each Form 3244-A the amount of payment to be applied to that period.

4.23.11.5.2
(05-13-2008)
**Forwarding Form
3244–A**

- (1) Each compliance function has developed its own set of guidelines for processing Form 3244–A. Those guidelines are to be followed if they differ from the following processing steps:
 1. Part 1 of Form 3244–A and the taxpayer’s remittance will be forwarded to the applicable Servicing Campus on the same day, or following day, of receipt. Use Form 3210, Document Transmittal, to transmit the form and payment.
 2. Parts 1 and 3 of Form 3210 are forwarded to the appropriate Campus with the Form 3244–A. Part 4 of Form 3210 will be retained by the originator for control purposes; Part 2 may be discarded.
 3. Part 2 of Form 3244–A is attached to the face of the appropriate tax return or IDRS print. If not needed, it may be discarded.

Note: The same process is followed regardless of the type of payment (for example, advanced payment or IRC 6603 deposit).

4.23.11.6
(02-07-2017)
**Timely Processing of
Payments**

- (1) Managers are responsible for ensuring timely remittance processing by employees under their supervision. If a Form 5919, Teller’s Error Advice, indicating late remittance processing is received, it is the manager’s responsibility to initiate corrective and/or disciplinary action.
- (2) All employees who receive remittances must transmit them immediately to ensure receipt in the remittance processing function within 24 hours.

4.23.11.6.1
(11-03-2014)
**Payments Of \$100,000
Or More**

- (1) When remittances exceeding \$100,000 are received, managers have a responsibility to determine what steps or what locations should be used to expedite the deposit.
 - a. Employee Responsibilities: An employee should immediately notify their manager upon receipt of a remittance of \$100,000 or more. Payments should be sent on the day of receipt via overnight traceable mail. Convert any cash to a money order before mailing.
 - b. Manager Responsibilities: Managers will determine how to ensure a timely deposit is made. See IRM 1.22.1, Mail and Transportation Management Overview. See also IRM 3.30.123.20.2, Instructions for Field Exam Payments of \$100,000 or More.
- (2) Contact the Facilities Management’s Administrative Mail Coordinator to determine the most cost-effective means of delivery, including the consideration that the cost of transportation of the remittance is commensurate with the interest to be gained by an expeditious deposit.

4.23.11.7
(05-13-2008)
Subsequent Payments

- (1) When a remittance is received for a delinquent return or an examination case, either of which was already released to the appropriate Campus, prepare Form 3244–A. Enter the amount of the total payment opposite TC 670 and enter a zero opposite TC 570. The TC 570 will prevent the payment from refunding until the examination assessment has posted.
- (2) Forward the remittance and Part 1 of Form 3244–A to the appropriate Campus using Form 3210. Retain Part 2 of Form 3244–A with Part 4 of Form 3210. When the acknowledgement Form 3210 is received, destroy both Part 2 of Form 3244–A and Part 4 of Form 3210.

4.23.11.7.1
(02-07-2017)

**Section 3121(q)
Payments Made Directly
to Examiner**

- (1) A tax liability resulting from an examination of unreported tips (IRC 3121(q)) is reported by the taxpayer as a current period liability. The taxpayer is instructed through a notice and demand letter to report the tax on the Form 941 quarter that corresponds to the date of the notice and demand (generally a Form 941 quarter that has not yet posted). The taxpayer must deposit the tax within the time period required under their depository rules and make these deposits through electronic funds transfer.
- (2) Occasionally, a taxpayer may send payment directly to the examiner and not deposit it as instructed in the notice and demand letter. Examiners who receive these payments must prepare Form 3244-A.
- (3) When preparing Form 3244-A, examiners should follow the procedures found in IRM 4.23.11.5. Ensure that the box "Tax Period" is the period corresponding to the date of the notice and demand. Enter the Designated Payment Code (DPC) "99" (Miscellaneous Payment) in the box next to Code "670".

4.23.11.7.2
(02-07-2017)

**Section 3121(q)
Payments Not Made
Directly to Examiner**

- (1) IRM 4.23.7.7.4(15), Section 3121(q) Notice and Demand Procedures, requires an examiner to monitor the posting and payment of an IRC 3121(q) tax. If the taxpayer makes the proper IRC 3121(q) tax deposit but fails to report the tax on the line titled "Section 3121(q) Notice and Demand – Tax due on unreported tips" on the Form 941, the examiner will prepare Form 3177, Notice of Action for Entry on Master File, to prevent the advance payment from being inadvertently refunded. This will ensure the Campus freezes this payment until the taxpayer files a Form 941-X to properly report the IRC 3121(q) tax.
- (2) When preparing the Form 3177:
 - Circle the code "570", "Additional Liability pending",
 - Enter "01" under "MFT Code", and
 - Enter the 941 period corresponding to the date of the notice and demand under "Taxable Period".

Note: Fax the form to CCP. See *CCP Exam EFax Number*.

Note: Exempt Organizations (EO) should follow local procedures.

4.23.11.8
(11-03-2014)

**Restricted Interest
Cases**

- (1) The IRC provides that, under certain conditions, interest on underpayments and overpayments of tax is prohibited or limited to specific accrual periods. These special interest accrual periods are different than those that would result if the underpayments and overpayments were subject to the regular interest provisions of IRC 6601, and IRC 6611. These prohibitions give rise to the term "restricted interest."
- (2) The sections of the Code which authorize the restriction of interest on employment taxes are IRC 6205(a) (underpayments) and IRC 6413(a) and (d), (overpayments).
- (3) In all employment tax cases which involve a manual computation of interest, Form 3198/ Form 3198-A, will be attached to the outside of the case jacket. This form serves as a notification of the interest restriction.

Note: IRS computer systems are capable of systemically generating some restricted interest calculations. When IRS computer systems are incapable of calculating interest, it must be manually computed and input.

- (4) The examiner completes the check-box and enters the interest start date on Form 3198 / Form 3198-A, "6205 Interest-Free adjustment date." Complete the Form 5344 with a TC 308 and interest start date to ensure the taxpayer is not overcharged interest.
- (5) See IRM 4.23.8.3, Interest-Free Adjustments - In General, and subsequent subsections for more information.

4.23.11.9 (12-18-2019) Assessments

- (1) The assessment of additional tax (except in bankruptcy and receivership proceedings) falls within the following categories:
 - a. **Quick Assessment:** A quick assessment is made if the statutory period for assessing an additional tax or an agreed tax proposal is about to expire. See IRM 4.23.11.10 for procedures on making a Quick Assessment.
 - b. **Prompt Assessment:** A prompt assessment is made if collection appears to be at risk and the intention is to protect the government's interest and revenue. See IRM 4.23.11.11 for procedures on making a Prompt Assessment.
- Note:** For more information on Quick/Prompt Assessments, refer to IRM 4.4.25, Quick Assessments.
- c. **Jeopardy Assessment:** A jeopardy assessment is made in situations where, prior to the assessment of tax, it is determined that collection of such tax would be endangered if regular assessment and collection procedures are followed. IRC 6862 grants the IRS the authority for making a jeopardy assessment for employment tax cases. The assessment can be made even if the due date for filing the tax return has not expired. See IRM 4.23.11.12 for procedures on making a jeopardy assessment.
 - d. **Termination Assessment:** Termination assessments **do not** apply to employment taxes. See IRC 6851 for additional information.
 - e. **Regular Assessment:** A regular assessment includes all assessments not processed as (a), (b), (c), or (d) above.

4.23.11.10 (12-18-2019) Quick Assessments

- (1) Generally, quick assessment action is pursued if the assessment statute expires in 60 days or less. Requests for quick assessments are made by telephone or fax when statute or bar date expiration is within 10 days. Refer to IRM 4.23.10.15.1, Partial Assessment/Quick Assessment Processing, for general procedures.
- (2) Form 5344, Examination Closing Record, the RCCMS Closing Record (for TE/GE examinations), or Form 8278, Assessment and Abatement of Miscellaneous Civil Penalties, are used to request quick assessments. A Quick Assessment is necessary if:
 - a. The statute of limitations will expire within 60 days, or it is determined that terminal closing (Command Code AMCLS) and assessment processing (Command Code ADJ47) actions cannot be completed before the 60-day period,
 - b. There are additional and/or delinquent taxes due in certain bankruptcy cases, (quick assessment procedures generally DO NOT apply to bankruptcy petitions filed after October 1, 1979. However, the bankruptcy stay

does not prohibit the making of an assessment, and therefore, does not toll the assessment statute for bankruptcy cases filed on or after October 22, 1994.)

- c. There are additional and/or delinquent taxes involving bankruptcy and receivership cases under IRC 6871, or
 - d. An amended return is received and the statute will expire within 120 days.
- (3) A quick assessment does not provide authority to take immediate collection action for payment of the tax liability assessed. The taxpayer is allowed 21 calendar days if the tax is less than \$100,000 and 10 business days if \$100,000 or more. See IRC 6601(e)(3) and IRM 20.2.5.4, Notice and Demand and Underpayment Interest. However, if the taxpayer is in a receivership or probate proceeding, an immediate proof of claim may be filed.
- (4) Quick assessment procedures do not change or update the existing Master File entity information. If entity information on any return being processed differs from that shown on IDRS using command code ENMOD, a Form 2363, Master File Entity Change, must be prepared to change the Master File entity to agree with the information on that return.
- (5) To eliminate unpostable conditions, research a transcript of the module involved to determine whether:
- a. The module is established on Master File,
 - b. The period was not previously assessed,
 - c. No freeze codes exist, and
 - d. The proper transaction codes are being input and are not duplications.
- (6) If an account contains a TC 520/521 and/or a "right-V" freeze, an assessment is generally allowed while the taxpayer is in bankruptcy status. Following local procedures, the examiner will contact either the Examination Bankruptcy Coordinator or Technical Services for direction. Examiners should explain that they have a case for quick assessment, but research indicates the taxpayer is in bankruptcy. If advised to make the assessment, the examiner should note the name and title of the person authorizing the assessment as well as the reason this assessment may be made in the "Remarks" section of Form 3198. If the examiner is advised the taxpayer is in bankruptcy and not to make an assessment, forward the case file to the Examination Bankruptcy Coordinator, with a Form 3198 / Form 3198-A attached to the outside of the case file with the information about the bankruptcy and the name and title of the person in Technical Services providing the information in the "Remarks" section of the Form 3198.

Note: EO should send forms to Mandatory Review.

4.23.11.10.1
(10-19-2010)
**Quick Assessments on
Trust Fund Recovery
Penalty and IRC 6020(b)
Cases**

- (1) A quick assessment of a proposed Trust Fund Recovery Penalty assessment on an employment, excise, or partnership tax return prepared and signed under authority of IRC 6020(b) may be made if a proof of claim covering the liability is filed in a receivership or probate proceeding. In Trust Fund Recovery Penalty cases, a quick assessment may also be made if the expiration of the statutory assessment period is imminent (for example, less than 60 days) and a waiver extending the assessment period cannot be obtained.

- (2) When a quick assessment is made on an unagreed liability, the taxpayer shall be afforded the same appeal rights, without prior payment and claim for refund, that are available to a protesting taxpayer prior to assessment.
- (3) All collection activity should be withheld until the administrative appeal rights have been exhausted.

4.23.11.10.2

(04-21-2023)

**Forwarding SB/SE
Employment Tax Quick
Assessments to
Cincinnati Centralized
Case Processing (CCP)**

- (1) To expedite processing procedures for quick assessments of employment tax returns and adjustments, SB/SE Employment Tax field groups should inform the CCP Manager by phone that assessment information is to be faxed and request identification of the fax recipient. Next, prepare a fax cover sheet for transmittal with all relevant information, including identification of all parties, the forms attached, and the number of pages. The fax will consist of:
 - Fax cover sheet,
 - Completed Form 3198 with the "Partial Assessment" box checked,
 - Form 2504, Form 2504-S, or Form 2504-T signed by the taxpayer, if applicable,
 - Completed report including Form 4666, Summary of Employment Tax Examination, Form 4667, Examination Changes - Federal Unemployment Tax, Form 4668-B, Report of Examination of Withheld Federal Income Tax for Withholding Reported on Forms 1099 and W-2G, and Form 4668, Employment Tax Examination Changes Report, and
 - Form 5344, Examination Closing Record, for each period to be assessed. Complete the form through Item 15.

Reminder: EO should send forms to Mandatory Review.

- (2) CCP will make the partial assessment within ten days and fax back the copies of Form 5344 marked "Request Completed" and TXMODA's showing the pending assessments to associate with the case file. (EO should send forms to Mandatory Review).
- (3) Upon closing the case, Form 5344 or Form 5599, TE/GE Examined Closing Record, must be completed for all periods. For periods where there is no additional assessment due to the processing of the partial assessment, show a TC 300 with a zero amount.
- (4) Additional instructions for Form 5344 for quick and partial assessments can be found in IRM 4.4.25.13.1, Form 5344 or Form 5403 Entries.

Note: For multiple quick assessments, field groups should inform the CCP team manager that the assessment information is being sent to the CCP via *SBSE CCP Cincinnati. (EO should send forms to Mandatory Review.)

4.23.11.11

(10-19-2010)

Prompt Assessments

- (1) A prompt assessment is a manually processed assessment of a secured return where collection appears to be at risk and the intention is to proceed with collection action immediately upon request of the assessment. A prompt assessment may only be requested when prompt collection action is necessary to protect the government's interest and revenue.
- (2) If the taxpayer is quickly placing property beyond the reach of the government, collection action may be taken, even though the 10-day notice and demand

period and the 30-day notice of intent to levy have not passed. In addition, IRC 7429(a)(1)(A) requires written approval from Counsel for a jeopardy levy.

4.23.11.12
(04-21-2023)

Jeopardy Assessments

- (1) Jeopardy assessments are made in situations where, prior to the assessment of tax, it is determined that collection of such tax would be endangered if regular assessment and collection procedures are followed.
- (2) All jeopardy assessments must be in full compliance with Policy Statement 4-88, found at IRM 1.2.1.5.27, Policy Statement 4-88, Jeopardy assessments to be used sparingly and assessment to be reasonable in amount, which advises: "Jeopardy assessments should be used sparingly and care should be taken to avoid excessive and unreasonable assessments." At least one of the following conditions must exist:
 - a. The taxpayer is, or appears to be, preparing to quickly depart from the United States or to conceal himself/herself,
 - b. The taxpayer is, or appears to be, planning to quickly place their or its property beyond the reach of the Government either by removing it from the United States, by concealing it, by dissipating it, or by transferring it to other persons,
 - c. The taxpayer's financial solvency is, or appears to be, imperiled. (This does not include cases where the taxpayer becomes insolvent by virtue of the accrual of the proposed assessment of tax, penalty, and interest), or
 - d. An individual is in physical possession of cash. An individual is in physical possession of cash, or its equivalent, in excess of \$10,000 who does not claim such cash as theirs, or as belonging to another person whose identity can be readily ascertained and who acknowledges ownership of such case, so that the collection of tax on such cash is presumed to be in jeopardy within the meaning of IRC 6867. See IRM 1.2.1.5.27.
- (3) A jeopardy assessment for SB/SE Employment Tax must be approved by:
 - a. Technical Services Group Manager,
 - b. Technical Services Territory Manager,
 - c. Collection Group Manager,
 - d. Collection Territory Manager,
 - e. Examination Territory Manager,
 - f. Special Agent in Charge, Criminal Investigation,
 - g. Associate Area Counsel, and
 - h. Chief, Employment Tax Examination.

Reminder: EO should send forms to Mandatory Review.

Note: See IRM 1.2.2.5.18, Delegation Order 4-21 (Rev. 2) (formerly DO-219, Rev. 4), Jeopardy and Termination Assessments.

- (4) See IRM 4.15.1.9.3, Preparing the Pre-Approval Report, through IRM 4.15.1.9.4, Approval Report, for information on preparing the approval package, securing the appropriate approvals and processing the approval package after approvals have been secured.

4.23.11.13
(02-07-2017)

Transferee Assessment

- (1) Under IRC 6901(a)(2), assessment may be made of the liability of a transferee for employment taxes if the transferee liability arises from the liquidation of a partnership, corporation, or a reorganization within the meaning of IRC 368(a).
- (2) If the tax cannot be collected from the partnership or corporation, possible transferee liability can be explored. If the transferee agrees to pay the tax due, the examiner will prepare a supplemental return for the taxpayer involved. The transferee will evidence their agreement by signing the return as transferee under IRC 6901(a)(2). In an unagreed case, the transferee has the same appeal rights as any non-transferee taxpayer has in unagreed employment tax cases.
- (3) For additional information, see IRM 4.11.52, Transferee Liability Cases.

