



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

5.12.5

AUGUST 6, 2024

EFFECTIVE DATE

(08-06-2024)

PURPOSE

- (1) This transmits revised IRM 5.12.5, Federal Tax Liens, Redemptions.

MATERIAL CHANGES

- (1) Throughout: Made editorial changes to syntax and punctuation, to improve clarity, and for conformity to IRS Style Guide. Updated hyperlinks.
- (2) 5.12.5.1: Added internal controls section and renumbered subsequent sections.
- (3) 5.12.5.6: Incorporated IRM Procedural Update (IPU) 22U1098.

EFFECT ON OTHER DOCUMENTS

This material supersedes IRM 5.12.5, dated June 07, 2016, and incorporates IPU 22U1098 titled Federal Tax Lien Revolving Fund Contact, dated November 22, 2022.

AUDIENCE

Small Business/Self Employed Collection employees

Rocco A. Steco
Director, Collection Policy
Small Business/Self Employed Division

5.12.5
Redemptions

Table of Contents

- 5.12.5.1 Program Scope and Objectives
 - 5.12.5.1.1 Background
 - 5.12.5.1.2 Authority
 - 5.12.5.1.3 Roles and Responsibilities
 - 5.12.5.1.4 Program Management and Review
 - 5.12.5.1.5 Program Controls
 - 5.12.5.1.6 Terms and Acronyms
 - 5.12.5.1.7 Related Resources
- 5.12.5.2 Redemption Overview
 - 5.12.5.2.1 Elements of the Redemption Investigation
 - 5.12.5.2.2 Criteria for Working Redemption Investigations
 - 5.12.5.2.3 Investigation Guidelines
- 5.12.5.3 Foreclosure Sale Purchaser Reimbursement Rights
 - 5.12.5.3.1 Notification to Foreclosure Sale Purchaser
 - 5.12.5.3.2 Reimbursable Payments to Senior Lienholder
 - 5.12.5.3.3 Reimbursable Maintenance Expenses
 - 5.12.5.3.4 Requirements for Consideration of Reimbursement
 - 5.12.5.3.5 Review of Requests for Reimbursement
 - 5.12.5.3.6 Denial of Reimbursement Request
 - 5.12.5.3.7 Amount Necessary to Redeem Property
- 5.12.5.4 Soliciting Agreements to Bid
 - 5.12.5.4.1 Commercial Advertising
 - 5.12.5.4.2 Guaranteed Bid Determination
 - 5.12.5.4.3 Deposit Submitted With Agreement to Bid
- 5.12.5.5 Processing Redemption Recommendations
 - 5.12.5.5.1 Redemption Serial Numbers
 - 5.12.5.5.2 Redemption Investigations Requiring \$100,000.00 or More
 - 5.12.5.5.3 Outside Contractors
- 5.12.5.6 Federal Tax Lien Revolving Fund
 - 5.12.5.6.1 Advances from the Revolving Fund
 - 5.12.5.6.2 Returning Advances from Revolving Fund
- 5.12.5.7 Redeeming Property from the Purchaser
 - 5.12.5.7.1 Payment of Money
 - 5.12.5.7.2 Proper Person
 - 5.12.5.7.3 Certificate of Redemption

-
- 5.12.5.7.4 Filing Certificate
 - 5.12.5.8 Administration of Redeemed Property
 - 5.12.5.8.1 Lease of Redeemed Property
 - 5.12.5.8.2 Sale of Redeemed Property
 - 5.12.5.8.3 Report of Sale
 - 5.12.5.8.4 Deed to Real Property
 - 5.12.5.8.5 Disposition of Redemption Sale Proceeds
 - 5.12.5.8.6 Transmittal Memorandum for Redemption Sale
 - 5.12.5.8.7 Process, Application, and Recordation of Redemption Sale Proceeds
 - 5.12.5.9 Release of Right of Redemption—Judicial Sales
 - 5.12.5.9.1 Applications for Release of Right of Redemption—Judicial Sale
 - 5.12.5.9.2 Referral of Applications
 - 5.12.5.9.3 Investigation of Applications
 - 5.12.5.9.4 Report of Investigation
 - 5.12.5.9.5 Disposition of Application
 - 5.12.5.10 Release of Right of Redemption — Non-Judicial Sales
 - 5.12.5.10.1 Application Investigations - General
 - 5.12.5.10.1.1 Applications Investigated by Advisory
 - 5.12.5.10.1.2 Applications Investigated by the Field
 - 5.12.5.10.2 Report of Investigation
 - 5.12.5.10.3 Release of Right of Redemption Issued

Exhibits

- 5.12.5-1 Federal Tax Lien Revolving Fund Request Memorandum
- 5.12.5-2 Replenishing the Federal Tax Lien Revolving Fund Memorandum

5.12.5.1
(08-06-2024)
Program Scope and Objectives

- (1) **Purpose:** The purpose of the redemption program is to ensure the IRS' interest is protected when third-party creditors with a lien interest senior to the federal tax lien foreclose and sell real properties, typically for less than Fair Market Value (FMV), and the tax lien balances remain partially or fully unpaid.
- (2) **Audience:** This IRM is used by IRS personnel working redemptions of property sold by third parties at foreclosure sales.
- (3) **Policy Owner:** Director, Collection Policy, Small Business/Sell-Employed Division (SBSE).
- (4) **Program Owner:** Collection Policy is primarily responsible for overseeing the lien program, which includes redemptions.
- (5) **Primary Stakeholders:** SBSE Collection Revenue Officers (ROs) and Advisors. Other functions that are affected by, or have input to, the procedures include Chief Counsel, and the Department of Justice (DOJ).

5.12.5.1.1
(08-06-2024)
Background

- (1) Third-party creditors may foreclose and sell property to which the federal tax lien attaches. These properties often sell at distress prices.
- (2) An investigation of these foreclosures, as outlined in IRM 5.12.4, may reveal that a redemption of such property is in the best interest of the IRS and ultimately of the taxpayer by yielding greater proceeds to pay towards their tax liability.
- (3) Redemption is the process by which the Government can purchase property sold at a distress price during a foreclosure sale and resell the property at a higher price to apply the excess proceeds to the taxpayer's liability. In some instances, this procedure is the only means by which Federal tax liabilities can be collected.

5.12.5.1.2
(08-06-2024)
Authority

- (1) The policies in this IRM are based upon the United States Code and IRC sections as shown in the following table:

Authority	Title
IRC 7425	Discharge Of Liens
IRC 7810	Revolving Fund For Redemption Of Real Property
IRC 7506	Administration Of Real Estate Acquired By The United States
IRC 6342	Application Of Proceeds Of Levy
IRC 6611	Interest On Overpayments
28 USC § 2410	Actions affecting property on which United States has lien

Note: Title 26 of the United States Code is called the Internal Revenue Code (IRC). The legal cite might be referenced in various ways and with or without the section symbol (e.g., 26 USC § 6321, IRC § 6321, IRC 6321, IRC section 6321, I.R.C. 6321). The associated Treasury Regulations are found

in the Code of Federal Regulations (CFR) and also may be cited variously (e.g., Treas. Reg. § 301.6321-1, 26 CFR § 301.6321-1).

- (2) The following Policy Statements and Delegation Orders regulate lien certificate, foreclosure, and redemption procedures:
- IRM 1.2.1.6.2, Policy Statement 5-2, Collecting Principles, and
 - IRM 1.2.2.6.4, Delegation Order 5-4 (Rev. 3), Federal Tax Lien Certificates.

5.12.5.1.3
(08-06-2024)
Roles and Responsibilities

- (1) The Director, Collection Policy is responsible for overseeing policy and procedures regarding the redemption program and related IRMs.
- (2) Collection Policy, Enforcement is responsible for development and delivery of policies within the lien program.
- (3) Managers of employees who work redemptions are responsible to ensure these procedures are followed and employee actions are timely and accurate.
- (4) Employees who work redemptions are responsible to follow the procedures in this IRM.
- (5) Other roles and responsibilities related to the lien program are shown in IRM 5.12.1.5, IRS Organizations Working Lien Issues, and its subsections.

5.12.5.1.4
(08-06-2024)
Program Management and Review

- (1) Civil Enforcement Advice and Support Operations (CEASO) management is responsible to ensure effectiveness and measure objectives through management reviews. CEASO is also referred to more generally, and throughout this IRM, as “Advisory”.
- (2) Third-party foreclosures, which may result in redemptions, are subject to external audits.

5.12.5.1.5
(08-06-2024)
Program Controls

- (1) Specific case activity on redemption cases is documented in the Integrated Collection System (ICS). ICS is used to control redemption activities and to document case work by Advisors, ROs, and Property Appraisal and Liquidation Specialists (PALS).
- (2) Access to systems used in working foreclosures is controlled using standard access guidelines through Business Entitlement Access Request System (BEARS).

5.12.5.1.6
(08-06-2024)
Terms and Acronyms

- (1) The following table shows relevant terms used throughout this IRM.

Term	Definition
Foreclosure	Process by which an owner’s right to a property is terminated, the foreclosing party’s interest is liquidated, and junior creditor interests on the property are extinguished.

Term	Definition
Redemption	Process by which the Government can purchase a property sold for a distress price at foreclosure sale, to resell at higher price in order to apply the excess proceeds to the taxpayer's liability.

- (2) The following table shows the acronyms used throughout this IRM.

Acronym	Definition
BEARS	Business Entitlement Access Request System
CEASO	Civil Enforcement Advice and Support Operations
DOJ	Department of Justice
DPC	Designated Payment Code
FMV	Fair Market Value
GM	Group Manager
ICS	Integrated Collection System
NFOI	Non-Field Other Investigation
OI	Other Investigation(s)
PALS	Property Appraisal and Liquidation Specialist
POA	Power of Attorney
RACS	Revenue Accounting Control System
RO	Revenue Officer
TC	Transaction Code
TM	Territory Manager
UBA	Unpaid Balance of Assessment
USAO	United States Attorneys Office

- (3) See IRM 5.12.1-2 Exhibit, Glossary of Common Acronyms in IRM 5.12, for additional common acronyms used throughout IRM 5.12.

5.12.5.1.7
(08-06-2024)

Related Resources

- (1) Related IRMs are referenced throughout this section. Other related sources include the *Local Law Guides*.

5.12.5.2
(06-07-2016)

Redemption Overview

- (1) The Internal Revenue Service has the right to redeem real property sold through a foreclosure action initiated by a third party that has a priority interest over the federal tax lien.
- For judicial foreclosures, redemption is authorized under 28 U.S.C. § 2410(c).

- For non-judicial foreclosures, redemption is authorized under IRC 7425(d).
- (2) The time period for a redemption after a foreclosure sale, with respect to either a non-judicial or judicial foreclosure, is 120 calendar days or the period allowable for redemption under State law, whichever is longer. See the *Local Law Guides* for information about each state's laws.
 - (3) IRS redemptions can benefit both the government and the taxpayer. The goal of redemption is for the property to be resold for an amount substantial enough to pay off the foreclosing instrument and apply funds to the taxpayer's liability. The key to a successful redemption case is locating a guaranteed bidder willing to advance a deposit (generally in the amount of twenty (20) percent) of the amount bid.
 - (4) This IRM contains procedural information on judicial and non-judicial redemptions. Many of the procedures are intertwined with those mentioned in IRM 5.12.4, Judicial and Non-Judicial Foreclosures.

Note: For procedures related to redeeming acquired property from seizure and sale, see IRM 5.10.7, Acquired Property and Property Redeemed by the United States.

- (5) Collection Advisory has primary responsibility for conducting redemption investigations. Advisory coordinates with ROs and/or PALS when field investigation assistance is necessary.
- (6) The primary role of the RO and/or PALS is to assist in determining the government's interest and recommending the appropriate action to close out the investigation.
- (7) Each Area, with the concurrence of the Advisory Territory Manager (Advisory TM), is responsible for establishing criteria for conducting redemption investigations.
- (8) Throughout this IRM, references to the rights of a purchaser at the foreclosure sale generally can be applied to a successor in interest to the purchaser.

5.12.5.2.1
(06-07-2016)
**Elements of the
Redemption
Investigation**

- (1) A redemption generally involves the following elements:

Elements of the Redemption Investigation
Monitoring the foreclosure sale
Conducting the redemption investigation
Determining if there is sufficient property value to consider redemption
Considering the release of the right of redemption, if requested
Notifying the foreclosure sale purchaser
Securing a guaranteed bidder for an IRS redemption sale
Obtaining money from the revolving fund to cover the foreclosure sale amount and allowable expenses

Elements of the Redemption Investigation
Redeeming the property from the foreclosure sale purchaser
Recording property ownership documents
Conducting the redemption sale of the property
Facilitating the transfer of property ownership to the successful bidder at the redemption sale
Completing paperwork

5.12.5.2.2
(06-07-2016)
**Criteria for Working
Redemption
Investigations**

- (1) The Advisory executive determines the dollar criteria for working redemption investigations. This responsibility can be delegated to the Advisory TM.
- (2) The criteria for redemption investigations is based on the taxpayer's unpaid balance of assessment (UBA) and the government's equity in the property for redemption purposes. If this criteria is not met, then no investigation is initiated. At the discretion of Advisory leadership, this criteria is subject to change contingent upon factors that include:
 - Geographic considerations,
 - Economic conditions,
 - Type of property involved,
 - Value of the United States' right to redeem,
 - Practical impact of local law, and
 - Any other factor deemed significant by leadership.

#

- (4) Once established, the criteria are subject to periodic review to ensure that they remain relevant.

5.12.5.2.3
(06-07-2016)
Investigation Guidelines

- (1) Advisory has the primary responsibility for redemption investigations, however, ROs may need to do redemption investigations while working cases.
- (2) Once it is determined that a redemption investigation is warranted, open a Non-Field Other Investigation (NFOI) - 144, Redemption, on ICS within seven (7) calendar days. Document information of the investigation and redemption in the ICS history, including:
 - Foreclosure sale date,
 - Foreclosure sale purchaser,
 - Last date to redeem, and
 - Amount needed to redeem.

- (3) Advisory should utilize whatever resources are deemed appropriate by Advisory managers to gather all available information regarding the value of the property, before requesting assistance from either an RO or a PALS.
- (4) When considering whether to recommend redemption, the investigator must take the following actions:
 - a. Determine by observation, independent appraisal, or both, the Fair Market Value (FMV) of the property. It is essential that all available sources are used and all geographical factors and economic conditions considered.
 - b. Utilize all available internal and external research tools, including local property records, to determine what encumbrances are prior to the foreclosing instrument, and the amounts outstanding on such encumbrances.
- (5) Follow the guidelines in the table below to determine whether to proceed with a redemption investigation. ROs and/or PALS report their findings to Advisory.

If the FMV...	Then ...
Reasonably exceeds the: <ul style="list-style-type: none"> • amount paid by the foreclosure sale purchaser, and • amount of all liens senior to the foreclosing encumbrance 	Consider redemption
Is less than either the: <ul style="list-style-type: none"> • amount paid by the foreclosure sale purchaser, and/or • amount of all liens senior to the foreclosing encumbrance. 	Do not consider redemption

Note: The overall objective in establishing the criteria is to ensure that a redemption is made whenever appropriate and that resources are used efficiently.

- (6) While considering redemption, be alert to whether liens prior to the foreclosing encumbrance are outstanding and, if so, whether arrangements have been made to satisfy or make payments on them. The IRS has no authority to use the Revolving Fund to make direct payments on such encumbrances.
- (7) Before redeeming, review for potential toxic waste problems. If the potential exists, clean up costs should be considered.
- (8) When tentatively deciding to recommend redemption, take the following actions:

- a. Notify the purchaser of their rights. See IRM 5.12.5.3, Foreclosure Sale Purchaser Reimbursement Rights.

Note: Inquiries about possible redemptions frequently lead to lien payoffs and releases of our right of redemption.

- b. Locate parties interested in submitting agreements to bid for the property. Utilize the PALS, as necessary, to locate prospective bidders. See IRM 5.12.5.4, Soliciting Agreements to Bid.

- (9) During the course of a redemption investigation, when the foreclosure sale purchaser, guaranteed bidder, redemption sale purchaser, other participant, taxpayer, representative, or IRS employee misses a specific deadline, including submitting required documentation and/or payment, follow-up is based on meeting the IRS' requirements to maintain its standing in the proceeding. Follow-up should be initiated **no later than** fourteen (14) calendar days after the missed deadline. This follow-up includes closing the case if this action is appropriate.
- (10) When circumstances dictate, the employee should use problem solving and negotiation techniques, considering the taxpayer's, Power of Attorney's, and/or third party's perspective when working toward case resolution.
- (11) Any written notification or other communication should address the issue(s) clearly and in a language understandable to someone unfamiliar with IRS terms, acronyms and jargon.

5.12.5.3
(06-07-2016)
**Foreclosure Sale
Purchaser
Reimbursement Rights**

- (1) When redemption is considered, the IRS must notify the purchaser of the property at the foreclosure sale (or the successor in interest, if applicable) of their right to reimbursement.
- (2) In addition to being reimbursed for the amount paid toward the purchase (plus interest), the purchaser has the right to request reimbursement for certain payments made to a senior lienholder if the Government redeems the property and a reimbursement request is submitted that meets the requirements of the regulations.

Note: The regulations governing reimbursement for payments to a senior lienholder impose certain special requirements on both the IRS and the purchaser and, therefore, must be viewed separately from those that govern other amounts to which the purchaser may be entitled if the property is redeemed.

5.12.5.3.1
(06-07-2016)
**Notification to
Foreclosure Sale
Purchaser**

- (1) Notice to the purchaser about the redemption must be hand-delivered or sent by certified or registered mail.
- (2) Prepare Letter 5597, Notification of IRS Right of Redemption, and send to the purchaser with the following forms:
 - Form 15597, Foreclosure Sale Purchaser Contact Information Request,
 - OBD-225, Application for Release of Right of Redemption in Respect of Federal Tax Liens (judicial foreclosure), available through the United State's Attorney's Office, (USAO), for the state where the property is located (see www.justice.gov to locate that office) and
 - Pub 487, How to Prepare Application to Release Property Secured by Federal Tax Lien (non-judicial foreclosure).

Note: IRS foreclosure letters and forms are available as ICS templates or fillable forms from the publishing catalog.

5.12.5.3.2
(06-07-2016)
**Reimbursable Payments
to Senior Lienholder**

- (1) A purchaser of real property at a foreclosure sale may request reimbursement for the following items:
 - Payment to a lienholder that was senior to the foreclosed encumbrance immediately before the foreclosure, and

- Payment by the purchaser or their escrow agent of a real property tax or special assessment lien which was senior to the foreclosed encumbrance.

5.12.5.3.3
(06-07-2016)

**Reimbursable
Maintenance Expenses**

- (1) A purchaser of real property at a foreclosure sale may request reimbursement for an amount equal to:
 - the expenses necessarily incurred to maintain the property **minus**
 - the **sum** of any income realized from the property *plus* a reasonable rental value of the property (to the extent the property is used by, or with the consent of, the foreclosure sale purchaser or is rented at less than its reasonable rental value).
- (2) The foreclosure sale purchaser has the right to be reimbursed for necessary maintenance expenses (or fees) incurred during the time they are in possession of the property. These expenses are subject to review and can be recommended for approval either in whole or in part .
- (3) Specific maintenance expenses that may be considered are those utilized to keep the property safe and intact, such as those mentioned throughout this IRM. Expenses not listed can be considered as long as reasonable business prudence is administered when considering the expense. Examples of expenses to consider include:
 - Recording fees,
 - Insurance,
 - New locks for security purposes, and
 - **Required** repairs, (i.e., repairs needed to fix damage that would directly impact the value of the property during this period of time).
- (4) Do not consider expenses to enhance or improve the property. Examples of unallowable expenses include:
 - Cleaning,
 - Utilities (unless required to keep property from being damaged), and
 - Accrued property taxes (unless foreclosure proceedings are in effect).
- (5) Any type of maintenance expense claimed must be verified and justified as necessary under the circumstances. Unusual claims should be discussed and agreed to by the manager. If the legality of the expense is being challenged, Area Counsel concurrence is also needed.

5.12.5.3.4
(06-07-2016)

**Requirements for
Consideration of
Reimbursement**

- (1) The foreclosure sale purchaser's reimbursement request must be mailed or delivered:
 - To the IRS office specified in the Letter 5597,
 - No later than fifteen (15) calendar days after the IRS sends Letter 5597.
- (2) The request must contain the following information:
 - Written itemized statement,
 - Claimant signature,
 - Amount paid to the senior lienholder for which reimbursement is claimed,
 - Supporting evidence, and

- Waiver or other document that will be effective upon redemption to discharge the property from, or transfer to the United States, any interest in or lien on the property arising under local law with respect to the payment made to the senior lienholder.

5.12.5.3.5
(06-07-2016)
Review of Requests for Reimbursement

- (1) Review the reimbursement request for adequacy and promptly contact the purchaser to correct any obvious defects. As necessary, refer the request through Advisory to Area Counsel for review.
- (2) The government will not reimburse a purchaser for any expenses or payment to a senior lienholder if the request is not timely mailed or delivered. However, if the purchaser shows reasonable cause, and the Advisory TM consents, the purchaser may request an extension for a reasonable period to submit, amend, or supplement a request for reimbursement. Any such extension request must be submitted before expiration of the applicable period for redemption.
- (3) The amount of reimbursement requested may be denied or approved, in whole or in part. The Advisory Group Manager (GM) has final approval whether the expenses are allowable.
- (4) If the IRS exercises its right to redeem the property, the amount requested for reimbursement must be approved and paid from the Federal Tax Lien Revolving Fund.
- (5) If the right to redeem is not exercised or a request for reimbursement is withdrawn, promptly return to the purchaser the waiver or other document by certified or registered mail or by hand delivery.

5.12.5.3.6
(06-07-2016)
Denial of Reimbursement Request

- (1) Requests for reimbursement generally should be denied only in cases where one or more of the following occur:
 - Reimbursement request was not timely made and reasonable cause is not shown,
 - Waiver or other document required to be submitted with the reimbursement request was not submitted or was unsatisfactory, or
 - Evidence of payment to a bona fide senior lienholder or support for other claimed amount was not submitted or was unsatisfactory.
- (2) If reimbursement is denied, the purchaser must be notified of the decision in writing. The denial notification must:
 - Be signed by the Advisory TM,
 - State the reason for the denial, and
 - Be sent by certified or registered mail or hand-delivered within thirty (30) calendar days after receipt of the reimbursement request, or fifteen (15) calendar days before expiration of the applicable period for redemption, whichever is later.
- (3) When a reimbursement request is denied, the request shall be treated as having been withdrawn by the purchaser and to redeem the property the IRS shall tender only the amount otherwise payable.

Note: At the discretion of the Advisory TM and upon resolution of the disagreement, payment of the amount previously denied may be made after the redemption of the property.

5.12.5.3.7
(06-07-2016)

Amount Necessary to Redeem Property

- (1) In any case in which the United States redeems real property under 28 USC 2410 or IRC 7425, the amount to be paid for the redemption is the sum of *all* the following:
 - The actual amount paid by the purchaser at such sale,

Note: In the case of a purchaser who was the holder of the lien that was foreclosed, the amount paid includes the amount of the obligation secured by such lien to the extent it was satisfied by reason of such sale.
 - Interest on the amount paid by the purchaser calculated at 6 percent per annum from the date of such sale until the anticipated redemption date,
 - If applicable, the amount of a payment made by the purchaser (or successor in interest) after the foreclosure sale to a holder of a lien senior to that foreclosed, and
 - If applicable, the amount equal to the expenses necessarily incurred in connection with such property after the sale but before redemption **minus** the sum of income realized from the property **and** the reasonable rental value of the property (to the extent the property was used by the purchaser).

5.12.5.4
(06-07-2016)

Soliciting Agreements to Bid

- (1) Before recommending redemption of real property, the employee assigned to work the investigation must obtain at least one offer to bid on the property.
- (2) Mail Letter 1879, Information for Prospective Purchasers of Real Property, to any parties that may potentially be interested in purchasing the property. The letter can be mailed to those shown on the public auction bidders list. Contact the PALS for information on the bidders list.
- (3) The offer to bid must be:
 - A written agreement,
 - For an amount that is sufficient to ensure that redemption will be in the Government's interest, and
 - Consistent with the method by which the Government intends to sell the property.
- (4) Give the prospective bidder the opportunity to inspect the property, if possible, and to inquire about its condition and title.
- (5) Commencing the redemption process without a secured or guaranteed bidder is *prohibited* unless prior approval is secured from the executive-level official immediately over Advisory. See IRM 1.2.2.6.4, Delegation Order 5-4 (Rev. 3), Federal Tax Lien Certificates.

5.12.5.4.1
(06-07-2016)

Commercial Advertising

- (1) Commercial advertising to solicit bids may be judiciously used to broaden the field of potential bidders. Advertising must be approved in advance by the GM.
- (2) The advertisement, regardless of size, should be limited to a statement such as: "Prospective Purchasers of Real Property . . . the Internal Revenue Service is considering the redemption of real property located at (given address) . . . "

- (3) The advertising can provide a statement and contact number for parties not interested in being a guaranteed bidder, but who are interested in purchasing the property at the redemption sale.
- (4) Follow standard guidance in IRM 5.10.2.7, Contracting for Services, for securing advertising.
- (5) The taxpayer's account will not be debited for these expenses even if the property is not sold.

5.12.5.4.2
(06-07-2016)
**Guaranteed Bid
Determination**

- (1) Redemption recommendations must include a guaranteed purchaser, unless the redemption is approved by the appropriate executive. Additionally, this prospective purchaser is generally required to submit an "Agreement to Bid" form with a deposit of at least twenty (20) percent of the bid amount.
- (2) The guaranteed bid must be an amount determined to be reasonable in relationship to the cost of redeeming, maintaining, and selling the property. This amount does not need to represent forced sale value.

Note: Refer to IRM 5.10.4.3, Establishment of Minimum Bid, for additional information regarding "forced sale value."

- (3) The amount calculated as a guaranteed bid is subject to approval by the employee's manager. Final approval rests with the Advisory GM. If the field manager and the Advisory GM are unable to concur with the guaranteed bid amount, then the final decision will rest with the Advisory TM for the area in which the property is located.

5.12.5.4.3
(06-07-2016)
**Deposit Submitted With
Agreement to Bid**

- (1) Any person agreeing to bid at a redemption sale should complete Form 12673, Agreement to Bid for Redemptions. Ensure potential bidders are fully aware of the provisions in the event of default.
- (2) The prospective purchaser must guarantee their performance with a non-refundable deposit equal to at least twenty (20) percent of the agreed bid amount.
- (3) A deposit of less than 20 percent may be approved by the Advisory GM with Advisory TM concurrence. At a minimum, this will include written verification that this was discussed and agreed upon by both levels of management.
 - A decision to accept less than the 20 percent must be made based on the facts of the case, with the understanding that there is a greater risk to the government based on the potential for a bidder to default on a small amount.
 - In no case should the deposit be less than \$1,000 unless the deposit amount represents 20 percent of the agreed bid.
- (4) The deposit should be made by a certified, cashier's, or treasurer's check drawn on any bank or trust company incorporated under the laws of the United States or under the laws of any state, territory, or possession of the United States, or by a postal, bank, express, or telegraph money order.
 - Certificates of Deposit and irrevocable letters of credit are also acceptable if approved in advance by Area Counsel. Care should be exercised

in accepting and monitoring such instruments because of the period of time in which they are negotiable is generally limited.

- (5) Upon receipt of a bid deposit, prepare Form 2276, Collateral Deposit Record, identifying the remittance as an “agreement to bid deposit.”
 - a. Place the remittance and Form 2276 in a secured area in accordance with IRM 10.2.14.3, Protecting Assets.
 - b. Forward a copy of the Form 2276 to the Revenue Accounting Control System (RACS) in accordance with IRM 5.6.1, Collateral Agreements and Security Type Collateral.

5.12.5.5
(06-07-2016)

Processing Redemption Recommendations

- (1) Form 4376, Report of Investigation (IRC 7425 or 2410 USC), should be used to summarize the recommendation regarding the redemption and generally must indicate that a prospective purchaser(s) has been secured.
- (2) The advisor, RO, or PALS completing the report submits it to their respective manager for review, who then forwards it to the Advisory GM, as appropriate.
 - a. If the recommendation is to redeem the property, the Advisory GM forwards the report to the Advisory TM for approval.
 - b. If the recommendation is against exercising the right of redemption, only the Advisory GM concurrence is needed.

Reminder: See IRM 1.2.2.6.4, Delegation Order 5-4 (Rev. 3), Federal Tax Lien Certificates, for the most current delegations of authority.

- (3) Any redemption recommendation *without* a secured/guaranteed purchaser must be approved by the Advisory executive.
- (4) Upon approval of the redemption, Advisory assigns a redemption serial number. See IRM 5.12.5.5.1, Redemption Serial Numbers.
- (5) Advisory forwards the original and one copy (with all necessary enclosures) of the report to the local Area Counsel for concurrence of the amount necessary to redeem and determination of the title the United States will acquire from the purchaser when redemption is made. This should occur as soon as possible, but not later than thirty (30) calendar days from the date of the sale.

Note: This deadline is to be used as a guideline and can be further discussed with the local Area Counsel. With their concurrence, deadlines can be determined on a case-by-case basis.

- (6) Upon receipt of Area Counsel concurrence, forward a copy of the investigator’s report and the Area Counsel approval determination to the Advisory TM for information purposes and retain the original in the redemption file.

Note: The need for forwarding this information is at the discretion of the Advisory TM.

- (7) Advisory is responsible for documenting the ICS history with information regarding the redemption including the:
 - Date of redemption,
 - Amount of the redemption,
 - Amount of tax liability satisfied, and

- Date and place the certificate of redemption was recorded.

5.12.5.5.1
(06-07-2016)
**Redemption Serial
Numbers**

- (1) The redemption serial number will be completed following the format outlined below.

Advisory Territory	RED to Identify Redemption	Advisory Group	Four Digit Sequence Number
[TT]	RED	[GG]	000x

Example: The second redemption investigation in the North Atlantic Territory (01), Advisory group (04) is numbered 01RED040002.

- (2) Since the revolving fund is not governed by fiscal year the files are maintained geographically and by territory.
- (3) The Advisory TM will determine where the serial numbers are maintained and monitored.

5.12.5.5.2
(06-07-2016)
**Redemption
Investigations Requiring
\$100,000.00 or More**

- (1) When a recommendation is made to exercise the right of redemption that will require an expenditure of \$100,000.00 or more to redeem the property, the Advisory GM must consider the benefits of either assigning an Other Investigation (OI) to a PALS and/or enlisting the services of an IRS appraisal engineer or a professional appraisal firm. This decision must be documented prior to approving and forwarding the recommendation for Advisory TM approval.
- (2) In addition, when there is a question as to the extent of property boundaries, the Advisory GM is encouraged to consider the use of a professional surveyor to establish the exact nature of the property to be redeemed. The decision not to utilize these services should be documented and attached to the Form 4376. Otherwise, the results of the appraisal and/or survey must be included as a part of the investigation.

5.12.5.5.3
(06-07-2016)
Outside Contractors

- (1) Under certain circumstances, and as warranted, it may be appropriate to contract out for a professional survey. This should be considered with redemptions involving acreage, multi-structure parcels, or any other property where it would prove to be in the Government's best interest. A professional survey may prove beneficial when considering the field employee's determination of exact boundaries as well as ensuring property is included or excluded in the investigation. Contracting professional property appraisal services should also be considered when the services of a PALS or valuation engineer are not readily available, or if specialized expertise is required to accurately determine the value of a unique property.
- (2) The initial decision to utilize an outside contractor generally is made by the RO or PALS and their GM. The feasibility of contracting out should then be discussed with the advisor and Advisory GM. The Advisory and field GMs should be in agreement that circumstances warrant outside contractor consideration, although the final decision rests with Advisory. If the two managers are in disagreement, then the final decision rests with the Advisory TM.

- (3) When outside services are used, expenses must be requested and approved following the procedures in IRM 5.10.2.7, Contracting for Services.
- (4) Expenses incurred for this type of procurement are paid from the “enforcement expense budget.” This expense is predicated on an internal decision to utilize an outside contractor and will not be assessed against the taxpayer’s account. Specifics regarding the request and approval of funds should be discussed in detail with the SB/SE Field Budget Office.
- (5) The approval path for all outside contractor requests is: **Initiator ⇒ Advisory GM ⇒ Advisory TM ⇒ SB/SE Field Budget plan manager.**

5.12.5.6
(06-07-2016)
**Federal Tax Lien
Revolving Fund**

- (1) A revolving fund was created for the redemption of real property by the United States based on the Government’s federal tax lien. See IRC 7810 and IRC 7425(d).
- (2) By exercising its right of redemption, the government can purchase property sold at distress prices and resell the property at a profit.
- (3) When redeemed property is sold, the proceeds of the sale, to the extent of the costs of redemption, are redeposited in the revolving fund.

5.12.5.6.1
(11-22-2022)
**Advances from the
Revolving Fund**

- (1) After the recommendation to redeem property is approved by the appropriate official (see IRM 5.12.5.5, Processing Redemption Recommendations), prepare a memorandum for the Advisory GM signature requesting an advance from the revolving fund. The memo must provide the following information extracted from the redemption report:

Contents of Memo Requesting Advance from the Revolving Fund
Redemption serial number
Name and address of taxpayer
Amount required to redeem property
Date of foreclosure sale
Date the redemption right expires
Estimated redemption value of property
Date the funds are required
Amount the prospective/guaranteed purchaser agrees to pay for the property
Approximate repayment date
Person/organization to whom the check is payable
IRS office and employee to whom the check should be sent

:

Note: See Exhibit 5.12.5-1, Federal Tax Lien Revolving Fund Request, for sample memo.

- (2) Email the digitally-approved request for monies from the revolving fund to the SB/SE Operations Budget Analyst. See the *Federal Tax Lien Revolving Fund* page of the Budget Management Knowledge Base for specific contact information. The time period to exercise the right of redemption is generally 120 calendar days from the date of the foreclosure sale. It is therefore necessary to process requests for funds as promptly as possible.
- (3) The request sent to the SB/SE Budget Analyst should include the following:
 - Memorandum (as mentioned above) requesting funds from the revolving fund account,
 - Area Counsel memorandum concurring with the request for funds,
 - Copy of Form 4376, and
 - Documentation that there is a secured/guaranteed purchaser or, if there is no guaranteed purchaser, the approval of the appropriate IRS executive.
- (4) The Budget office determines the availability of funds and the priority for disbursement when available funds may be insufficient to meet two or more requests. This serves to avoid depletion of the fund.
- (5) The Budget office employee notifies the Advisory GM and/or advisor in writing to certify that funds are available. The notification serves as documentation of an approved request for funds for the redemption of real property.
- (6) Based on authorization from the Budget office, Beckley Finance Center generally issues a manual check to the employee making the request. Beckley Finance Center must have a copy of the memorandum referenced in (1) above. This is required for their file documentation.
- (7) Allow a minimum of five (5) business days for processing of requests for revolving fund advances. It is important to ensure that there is ample time to process the request and for mailing of the funds from Beckley Finance Center.

5.12.5.6.2
(06-07-2016)
**Returning Advances
from Revolving Fund**

- (1) The Advisory GM has follow-up responsibilities to ensure that the revolving fund is repaid. See IRM 5.12.5.8.6, Transmittal Memorandum for Redemption Sale, as well as IRM 5.10.7.8, Report of Disposition - Sale of Redeemed Property, for additional information.
- (2) If a redemption investigation is subsequently cancelled, advances must be returned immediately to Beckley Finance Center.
 - a. Forward a copy of the cancellation notice to the SB/SE Budget Analyst and to Beckley Finance Center.
 - b. Obtain instructions from the Budget Analyst and/or Beckley Finance Center for the exact procedures for returning funds due to cancellation.
- (3) If a revolving fund advance has been distributed and cannot be returned to Beckley Finance Center, consult with Area Counsel for avenues to retrieve the advance. The advisor must submit a status report monthly on the situation. After ninety (90) calendar days, the Advisory GM must secure Advisory TM concurrence of continued delays. Advisory TM concurrence is required every

thirty (30) days thereafter until the fund is reimbursed or Advisory TM determines the funds are irretrievable and a memorandum signed by the Advisory TM reports a loss for the revolving fund to both Beckley Finance Center and the SB/SE Field Budget Office.

5.12.5.7
(06-07-2016)
**Redeeming Property
from the Purchaser**

- (1) To effectuate a redemption of property, there must be an actual payment of money as distinguished from a mere proposal or proposition to pay it and documents providing evidence of the redemption must be properly recorded.

5.12.5.7.1
(06-07-2016)
Payment of Money

- (1) Delivery of the check for the redemption to the purchaser must be done promptly upon receipt of the check from the revolving fund.
- (2) The employee who has been designated to tender the amount required to redeem **must** be accompanied by at least one witness -- preferably an advisor, Area Counsel attorney, or RO, but any IRS employee may assist.
- (3) An acknowledgment of receipt of the check should be secured from the purchaser, if possible.
- (4) In the event that the tender to redeem is refused, prepare a report of the transaction and forward through Advisory to Area Counsel for an advisory opinion and guidance as to the next action to be taken.
- (5) The report should include a request for instructions as to the immediate disposition of the check that had been tendered.
 - a. Place the redemption check in a secure location, typically a secured container as described in IRM 10.2.14.3.4, Security Containers. Generally, an acceptable location would be a qualified safe used by Advisory or Criminal Investigation. The payment will remain in a secured place until advice is received from Area Counsel regarding the action to be taken.
 - b. Prepare Form 2276, Collateral Deposit Record, for safekeeping of the property.

Note: The period to redeem (i.e., 120 calendar days from the date of foreclosing sale or the state-allowed period, whichever is longer) may expire while the check is being held by the IRS. To perfect the redemption of the property, the Certificate of Redemption must be properly recorded prior to the expiration of the redemption period. See IRM 5.12.5.7.3, Certificate of Redemption.

5.12.5.7.2
(06-07-2016)
Proper Person

- (1) It is essential that a timely tender of the amount required to redeem be made to the proper person. If the person who purchased the property at the foreclosure sale has conveyed it to another, the IRS may still redeem the property from the subsequent purchaser (i.e., "successor in interest"). The advice of Area Counsel should be solicited to ascertain the proper party and amount to be tendered.

5.12.5.7.3
(06-07-2016)
**Certificate of
Redemption**

- (1) When the IRS executes its redemption rights, evidence of the redemption must be recorded in the public record.

- (2) After the determination to redeem is approved, Advisory contacts the local official designated by law to determine the documents necessary to show the redemption. If no such official has been designated by local law, the official fails to issue the necessary documents, or there are no standard documents under local law, the Advisory TM is authorized to issue a certificate of redemption.
- (3) Consult Area Counsel for guidance as to the form of the certificate to be used in each jurisdiction.
- (4) Preparation of the certificate of redemption is done by the advisor assigned to work the investigation.
- (5) The authority to sign a certificate of redemption is delegated to the Advisory TM. In cases where there is no guaranteed purchaser, the certificate of redemption must be signed by the IRS executive over Advisory. See IRM 1.2.2.6.4, Delegation Order 5-4 (Rev. 3), Federal Tax Lien Certificates.
- (6) The certificate of redemption may be prepared either before the check is delivered to the payee or immediately afterwards provided sufficient time exists to permit filing the certificate before the redemption period expires.
- (7) The certificate will be prepared in duplicate by Advisory and disposed of as follows:
 - Original is filed with recording official.
 - Duplicate is retained by Advisory.
- (8) Document the ICS history about the redemption, including the following:
 - Guaranteed bidder or reason, and approval authority obtained, for redemption without a guaranteed bidder,
 - Amount paid for the redemption,
 - Date of redemption,
 - Name of the person/entity from whom the property was redeemed and, if applicable, reason not redeemed from the foreclosure sale purchaser, and
 - Date and place the certificate was recorded.

5.12.5.7.4
(06-07-2016)
Filing Certificate

- (1) Advisory must ensure the certificate is promptly recorded in the proper recording office. Advisory incorporates the assistance of an RO or PALS, who must:
 - Ensure that the certificate is personally delivered to the recording office,
 - Verify recordation of the certificate, and
 - Provide the recording data to Advisory.
- (2) If the state where the real property is redeemed has not designated an office in which the certificate should be recorded, the certificate shall be filed in the office of the clerk of the United States District Court for the judicial district in which the redeemed property is situated.
- (3) Consult Area Counsel, as needed, for the proper place for recording the certificate in each jurisdiction.

5.12.5.8
(06-07-2016)
**Administration of
Redeemed Property**

- (1) Advisory is responsible for periodic follow-up action until the redeemed property is disposed of. The frequency of follow-up activity is determined by the Advisory TM.
- (2) The Advisory TM should periodically request status reports from the Advisory office involved in the redemption investigation. If the investigation is assigned to an RO or PALS, Advisory should obtain necessary status updates as required by the Advisory TM.
- (3) The Advisory GM ensures that redeemed property located within the jurisdiction of the area office is appropriately maintained.
 - a. Maintenance expenses or fees may be incurred while administering redeemed property. Refer to IRM 5.12.5.3, Foreclosure Sale Purchaser Reimbursement Rights, for guidance on appropriate maintenance expenses.
 - b. Ordinary and necessary expenses may be incurred in the preservation of the property. These expenses may include the cost of minor repairs to the property if deemed necessary for its preservation. The procedures relating to the protection of property during the period of seizure also apply to redeemed property. Refer to IRM 5.10.3.11, Protecting the Property After Seizure.
- (4) Estimated expenses expected to be incurred in connection with the maintenance, preservation, and sale of the property should be documented and paid in the same manner as is required with seized property. Review the procedures as discussed in IRM 5.10.2.7.1, Contracting for Services \$2500 and Under.

5.12.5.8.1
(06-07-2016)
**Lease of Redeemed
Property**

- (1) Redeemed property may be leased to a third party if it is determined that it will be in the government's possession for an extended period of time and that the government's interest will best be served by such action.
- (2) The initial determination to lease the property is made by the advisor with concurrence from the Advisory GM and is based upon the circumstances of the investigation. Approval of the Advisory TM must be secured before the property is offered.
- (3) When it is determined that redeemed property will be leased and a prospective lessee has been secured, Advisory must request assistance from Area Counsel in preparing the lease agreement. The lease agreement:
 - Generally should not be for more than one year, but may be renewable,
 - Should not contain any provision that prevents selling the property, subject to the lease, at any time a suitable purchaser is found,
 - Should specify that payments be made by certified or cashier's check or money order and sent directly to Advisory, and
 - Should contain provisions in the event of default.
- (4) Advisory should furnish Area Counsel with the following information:
 - Name and address of the lessee,
 - Description and location of property,
 - How property was acquired by the United States,
 - Period of the lease,

- Terms of payment (i.e., amount, manner, due date and place of payment),
 - Any special provisions to be contained in the lease (e.g., property maintenance, authorized alterations, improvements, etc.), and
 - Any other pertinent information.
- (5) Upon receipt of the concurrence from Area Counsel, the Advisory GM reviews the lease to see that it conforms to the intent of the parties involved and forwards the original and duplicate to the Advisory TM for approval.
- (6) After Advisory TM approval, take the following actions:
- a. Secure the signature of the lessee on the original lease agreement.
 - b. Furnish the duplicate lease agreement to the lessee, which may be considered authority for the lessee to have possession of the property in accordance with terms of the agreement.
 - c. File the original lease agreement in the related Redeemed Property case file.
- (7) Advisory should discuss with Area Counsel how payment received from the leased property should be applied. Most likely, any payments should be applied first to the revolving fund balance and then to the taxpayer's liability. See IRM 5.10.7.3(4), Income from Acquired Property, for additional information on preparation of a memorandum for lease payments.
- (8) If a payment is not received within a reasonable time after the due date, Advisory should contact the lessee to secure payment. If payment is not received, consult Area Counsel as to the legal action required. Refer to IRM 5.10.7.3.1, Lease of Real Property, for additional information.

5.12.5.8.2
(06-07-2016)
**Sale of Redeemed
Property**

- (1) IRC 7506 provides the authority to sell redeemed property. The administration and disposition of real property is the responsibility of the Advisory TM for the area where the real property is situated. The Commissioner may, if deemed advisable, take charge of and assume responsibility for the administration and disposition of the property by giving written notice to the Advisory TM through the appropriate executive.
- (2) If real property consisting of a single parcel is situated in more than one area/territory, the responsibility for the administration and disposition of the property is that of the Advisory TM under whose direction the property was redeemed. If there is doubt as to which Advisory TM has charge of the property, the pertinent facts should be reported to the appropriate executive so that a designation may be made.
- (3) For information on the sale procedures, see IRM 5.10.7.4, Preparations for Sale.

5.12.5.8.3
(06-07-2016)
Report of Sale

- (1) After the sale, the employee conducting the sale prepares a report entitled "Report of Sale of Redeemed Property" and forwards it to Advisory with all applicable attachments. The report must include the following information:
- Name and address of purchaser,
 - Sale price of property,
 - Expenses of sale shown by amount, names, and addresses of payees and the services rendered,

- Date of sale,
- Place of sale,
- Places and dates that notices of sale were published and/or posted, and
- A statement, signed by the employee conducting the sale and by the employee who assisted in the sale, certifying the sale was conducted in accordance with IRC 7506 and regulations, and that the information reported is a true and correct record of the sale proceedings.

(2) Vouchers for sale expenses should be attached to the duplicate report.

(3) Attachments to the original of the report should include the following:

- Copy of the notice of sale,
- Triplicate of the memorandum transmitting the sale proceeds,
- Any Form 2593-A, Sealed Bid For Purchase of Property Redeemed by the United States, received, if applicable, and
- Tabulation of bids.

(4) Upon receipt of the reports, Advisory forwards the duplicate report, with any vouchers not previously submitted and the Area Counsel concurrence memorandum, to both the Budget office and to Beckley Finance Center.

Note: Refer to IRM 5.10.7.8, Report of Disposition - Sale of Redeemed Property, for additional information.

(5) Document actions relative to the sale and post -sale actions in the ICS history, including the amount of tax liability satisfied.

5.12.5.8.4
(06-07-2016)

Deed to Real Property

- (1) Regulations under IRC 7506 provide that, upon payment in full of the purchase price, the IRS will issue a deed to the purchaser.
- (2) Advisory prepares the deed and forwards it to Area Counsel for review.
- (3) Upon Counsel's concurrence, forward the deed to the Advisory TM for signature. In the signature package, include the report of sale and any other information requested by the TM.
- (4) After securing the signed deed, make a copy for the redemption file and make arrangements for the delivery of the deed. Furnish the original deed to the purchaser and note the date of delivery on the copy of the deed.
- (5) Ensure the purchaser is advised of their responsibility to file the deed with the appropriate recording office.

5.12.5.8.5
(06-07-2016)

Disposition of Redemption Sale Proceeds

- (1) Proceeds from the redemption sale are first used to reimburse the revolving fund. If there are insufficient proceeds from the sale to fully reimburse the fund, notify Beckley Finance Center by memorandum or by secure E-mail following the procedures in IRM 5.12.5.6.1, Advances from the Revolving Fund.
- (2) Proceeds remaining after reimbursing the revolving fund are applied in accordance with IRC 6342(a) and in the same manner as funds realized from levy proceeds. Legitimate property maintenance, preservation, and sale expenses incurred while bringing the redeemed property to sale are deducted first and the net amount is credited to the taxpayer's account.

- (3) After reimbursement of the revolving fund and full payment of the taxpayer's liability, any remaining surplus is refunded, in accordance with IRC 6342(b), to the person entitled to receive the funds. Interest is paid on surplus proceeds in accordance with IRC 6611. The party generally entitled to these surplus proceeds is the taxpayer. Junior lienholders are not entitled to proceeds from the sale of redeemed property, and they should not be notified. If Advisory cannot determine the party entitled to the surplus proceeds, refer the case to Area Counsel for a legal opinion prior to any disposition of this surplus.

5.12.5.8.6
(06-07-2016)
**Transmittal
Memorandum for
Redemption Sale**

- (1) A transmittal memorandum entitled "Proceeds from the Sale of Redeemed Property" should be promptly prepared after the completion of the sale by the employee that conducted the sale. The memorandum must contain the following information:
- Name and address of the taxpayer as shown on the Form 4376, which would have been submitted at the time redemption of the property was recommended,
 - Name and address of the purchaser,
 - Redemption sale price,
 - Amount previously deposited with agreement to bid, if applicable, and
 - Identification of remittances accompanying the transmittal, including the amount submitted with the winning bid, if applicable, and the amount remitted to pay the balance of the purchase price.
- (2) Forward the memorandum and any accompanying remittances to Advisory for review. Advisory is responsible for transmitting the memorandum, remittances, and the purchaser's deposit (if any) to the Beckley Finance Center.
- (3) Advisory is also responsible for returning any other deposits submitted with unsuccessful "agreements to bid", unless it was as a result of the depositor defaulting on the agreement.
- (4) When payment of the full purchase price is deferred, the purchaser's deposit must be promptly forwarded to Beckley Finance Center for deposit to the revolving fund. This also applies to any deposit the purchaser may have made with an "agreement to bid" prior to the sale. Advisory must ensure that the funds are correctly identified to Beckley Finance Center.
- (5) The purchaser's payment of the balance must also be clearly identified for Beckley Finance Center. Duplication of memorandums is not required for each of these scenarios, as long as Beckley Finance Center is understanding of what the funds represent. This can be accomplished through a telephone call, memorandum, or secured E-mail message. Advisory is responsible for ensuring that communication efforts with Beckley Finance Center are clearly understood and well documented in the ICS history.
- (6) Advisory must follow-up on the redemption within sixty (60) calendar days from when money was received from the revolving fund. If there is a delay in repayment to the revolving fund, Advisory must notify Beckley Finance Center by memorandum or by secure E-mail, giving the redemption serial number, amount secured from the revolving fund, explanation for the delay, and the new estimated repayment date. Advisory must submit a status report to Beckley Finance Center every thirty (30) calendar days after the initial 60-day time period has expired. If, after 90 days, the amount remains unpaid, Advisory TM concurrence must be obtained for continued delays.

5.12.5.8.7
(06-07-2016)

**Process, Application,
and Recordation of
Redemption Sale
Proceeds**

- (7) See also IRM 5.10.7.8, Report of Disposition - Sale of Redeemed Property, for additional information.

- (1) Advisory maintains a record of the distribution of all redemption proceeds in the redemption file.
- (2) Upon receipt of the transmittal and gross proceeds from Advisory, Beckley Finance Center takes the following actions:
 - Deposits the check,
 - Credits the appropriation with the amount originally disbursed to the Advisory office, and
 - Forwards the remainder by check to Advisory for crediting to the taxpayer's account.
- (3) Advisory identifies where to apply to the taxpayer's account the amount that remains after repayment of the revolving fund.

Reminder: Advisory should request a copy of the transmittal memorandum be returned to the Advisory office with the surplus funds so that there will be no difficulty in properly applying the funds.

- (4) All payments directly related to Redemption and Release of Right of Redemption should be applied to the taxpayer's account using Transaction Code (TC) 670 with Designated Payment Code (DPC) 58.
- (5) When surplus proceeds remain after reimbursement of the revolving fund and application of proceeds under IRC 6342(a), Advisory will deposit these funds in the 4720 Deposit Fund Account located at the Ogden campus. A memorandum will be completed in duplicate. The memorandum will be titled "Surplus Proceeds—Redemption Sale" and will contain the following:
 - Taxpayer's name and address,
 - Redemption serial number,
 - Amount of surplus proceeds, and
 - Date of the sale.
- (6) The original of the memorandum will be used as a posting document to submit the funds to the Ogden Campus for processing. A copy of the memorandum will be placed in the Redemption file and in the "Surplus Proceeds—Redemption Sale" file to be established.
- (7) Payment of surplus proceeds will need to be coordinated between the Ogden Campus staff and the advisor assigned to monitor the status of payment. This will likely be in the form of a manual check being issued to Advisory for delivery to the appropriate party in accordance with IRC 6342(b). A record of the surplus proceeds will be referenced in the history section of ICS. Indicate the amount as "Surplus Proceeds—Redemption Sale. "

5.12.5.9
(06-07-2016)

**Release of Right of
Redemption—Judicial
Sales**

- (1) The U.S. Government may release its right to redemption. This right cannot be sold, but the government can issue a certificate stating that it will not exercise the right to redeem. Generally, this requires payment of the value of the right of redemption as determined by Advisory. See IRM 1.2.2.6.4, Delegation Order 5-4 (Rev. 3), Federal Tax Lien Certificates.

- (2) Authority to release any right of redemption is delegated to the Department of Justice. In any case involving a private request, monetary consideration equal to the value of the right of redemption or the minimum acceptable amount established by the local U.S. Attorney's office, whichever is greater, is required and must be paid for the release. However, no consideration will be required for releases of right of redemption issued to Federal agencies when it has been determined that the redemption right has no value.

5.12.5.9.1
(06-07-2016)
**Applications for Release
of Right of
Redemption—Judicial
Sale**

- (1) Applications for release of right of redemption should be submitted on Department of Justice Form OBD-225, Application for Release of Right of Redemption in Respect of Federal Tax Liens. This form may be obtained from the United States Attorney's Office in the state where the property is located, see www.justice.gov to locate that office.
- (2) The person requesting the release of right of redemption should submit the form, together with remittance and all necessary evidence, to the United States Attorney for the area in which property subject to the right is located.

5.12.5.9.2
(06-07-2016)
Referral of Applications

- (1) Upon receipt of an application for release of right of redemption, the U. S. Attorney should forward the original application, together with accompanying documentation, to Advisory for verification and recommendation.
 - a. Applications received in the field must be referred to Advisory for immediate transmittal to the United States Attorney. Advisory should retain the original of the application to begin their review.
 - b. Applications received directly from any Federal agency may be processed by Advisory without first being referred to the United States Attorney.
- (2) If an application is complete and proper, a field investigation is not required, unless Advisory has information warranting an investigation. A field investigation will not be required on any application made by the Veterans Administration or any other Federal Agency regardless of value or use. An exception to the general rule may be determined by the Advisory GM with Advisory TM concurrence. In the rare case when a field investigation is needed, Advisory should take the following actions:
 - a. Promptly forward a copy of the application and any attachments via a Courtesy Investigation (OI) to the Area office having jurisdiction where the property is located.
 - b. Retain the original application with attachments for reference and follow-up purposes.
- (3) Advisory will complete Part B of any application that does not require a field investigation. Before a recommendation is made, Advisory must be satisfied that the appraisals were made by disinterested persons and that they were qualified to make appraisals. A memorandum report specifically stating that the appraisers involved are disinterested and qualified will be prepared and accompany the application. In those cases in which the applicant is a Federal agency, the appraised value furnished in the application will be accepted as correct and no statement will be necessary.

5.12.5.9.3
(06-07-2016)
**Investigation of
Applications**

- (1) Applications requiring field work shall be investigated promptly by an RO or a PALS in order that final disposition may be made by Advisory within thirty (30) calendar days. The employee assigned to investigate the application shall verify each item contained in the application or which, in accordance with the requirements prescribed, should have been contained in the application.
- (2) The investigating employee shall gather sufficient facts to make a determination whether the United States should release its right of redemption.
- (3) In accordance with Delegation Order 5-4, approving the release of the right of redemption is currently delegated to the Advisory GM.

5.12.5.9.4
(06-07-2016)
Report of Investigation

- (1) The investigating employee prepares a report of investigation when the investigation is completed. The report should specifically state whether the appraisers involved are disinterested and qualified. The report is submitted to Advisory.
- (2) The Advisory GM is responsible for determining whether the final report will be on Form 4376 or in memorandum form.

5.12.5.9.5
(06-07-2016)
**Disposition of
Application**

- (1) Upon receipt of the investigator's report, Advisory reviews it to ensure that there is sufficient information to determine whether the right of redemption should be released. Advisory completes the application by indicating the recommendation and the manager's approval.
- (2) Upon approval of the Advisory GM, forward the original and one copy of the application, with copies of the investigator's report attached, to the Department of Justice following local protocol. Maintain a copy of the application, the set of appraisals and a copy of the report.
- (3) DOJ or Advisory provides a copy of the approved application to the applicant in exchange for payment of the amount required for the release of the right of redemption. If DOJ receives the payment, it is forwarded to the lockbox for posting. Apply the payment to the taxpayer's outstanding liability.

5.12.5.10
(06-07-2016)
**Release of Right of
Redemption —
Non-Judicial Sales**

- (1) IRC 7425(d) provides for redemption, by the government, of real property sold in a non-judicial proceeding when the sale is made to satisfy a lien that is prior to that of the United States. The 120 day period for redemption (or longer, if State law so provides) is applicable.
- (2) In non-judicial actions, if it is determined that the right of redemption is valueless, no consideration shall be required to waive the government's redemption right, regardless if the request is from a private individual or federal agency.
- (3) Refer any questions as to the value of the right of redemption to Area Counsel for an advisory opinion.

5.12.5.10.1
(06-07-2016)
**Application
Investigations - General**

- (1) Applications for release of right of redemption, and all necessary evidence, should be sent by applicants to the attention of the Advisory GM for the area in which property subject to the right is located. See Pub 4235, Collection Advisory Group Addresses.
- (2) Furnish potential applicants Pub 487, How to Prepare Application to Release Property Secured by a Federal Tax Lien, as needed.

- (3) Process applications promptly, utilizing the services of Area Counsel as needed.
 - (4) The investigating employee shall gather sufficient facts to determine whether the United States should release its right of redemption. The investigation may be terminated when it is found that there is an encumbrance(s) prior to the foreclosing lien holder in excess of the value of the property.
-
- 5.12.5.10.1.1
(06-07-2016)
Applications Investigated by Advisory
- (1) If an application is complete and proper, a field investigation is not required unless there is information in Advisory that indicates such investigation is warranted. A field investigation is not required on any application made by the Veterans Administration or any other federal agency regardless of value or use. Any exceptions to this are determined by the Advisory GM.
-
- 5.12.5.10.1.2
(06-07-2016)
Applications Investigated by the Field
- (1) Certain situations may warrant field involvement. When this occurs, Advisory issues an OI to either an RO or PALS to investigate. This decision should be contingent upon factors such as geographic feasibility and the need for investigative field work.
 - (2) Redemption OIs are routed directly to the field RO group working the zip code. The group manager is required to treat these OIs as *priority work*. Redemption OIs must be assigned to an RO or PALS expeditiously to ensure that the Government's interest is not compromised and that the investigation is completed accurately and timely. Redemption OIs are exempt from existing case delivery parameters.
 - (3) Redemption OIs *must be investigated promptly* in order that final disposition may be made by Advisory within thirty (30) calendar days of receipt. The investigating employee should verify every item contained in the application and identify any item which should have been included in the application.
 - (4) Except in unusual cases, it is not necessary for the RO or PALS to secure outside appraisals to establish the value of the property prior to making a recommendation. If the situation arises to consider the services of an outside contractor, refer to the procedures outlined in IRM 5.12.5.5.3 , Outside Contractors.
-
- 5.12.5.10.2
(06-07-2016)
Report of Investigation
- (1) The investigating employee prepares a redemption report upon completion of the investigation. The report should be completed using Form 4376 and may include a memorandum containing additional information, if necessary.
 - (2) Forward the report, with the copy of the application and all exhibits, through the group manager to Advisory.
-
- 5.12.5.10.3
(06-07-2016)
Release of Right of Redemption Issued
- (1) When a Release of the Right of Redemption is warranted, Advisory prepares the appropriate document for signature approval. ICS templates are available for this purpose.
 - a. If the Release of Right of Redemption is for value use the template "Certificate of Rel. of Right of Redemption (Value)."
 - b. If the investigation has determined there is no value in the property to redeem, use the template "Certificate of Rel. of Right of Redemption (Valueless)."

- (2) Prepare the release in duplicate for approval.
- (3) In accordance with IRM 1.2.2.6.4, Delegation Order 5-4 (Rev. 3), approving the release of the right of redemption is currently delegated to the Advisory GM.
- (4) Give the original to the applicant upon receipt of the amount determined to be the Government's interest. Retain the duplicate in Advisory.
- (5) Apply any payment secured for the release of the right of redemption to the taxpayer's outstanding liability using TC 670 with DPC 58.

Exhibit 5.12.5-1 (06-07-2016)**Federal Tax Lien Revolving Fund Request Memorandum**

[Date]

MEMORANDUM FOR SB/SE OPERATIONS SUPPORT

From: [Name]
Advisory Group Manager
[Territory/Area]

Subject: Request for Advance from Revolving Fund

This memorandum is to request an advance from the Federal Tax Lien Revolving Fund under Internal Revenue Code (IRC) section 7810 for the redemption of property. The redemption has been approved in accordance with procedures in Internal Revenue Manual (IRM) 5.12.5.

Taxpayer's Name:
Identification #:
Address:

1. Redemption Serial Number:
2. Amount Required to Redeem:
3. Estimated Redemption Value of Property:
4. Amount of Agreed Bid:
5. Date Check Required:
6. Date of Foreclosure Sale:
7. Date Redemption Right Expires:
8. Approximate Repayment Date:
9. Make Check Payable to:

Send the check to the attention of the requestor at the following address:
Internal Revenue Service
Attn: [Name]
[Street Address]
[City, State, Zip]

If you have any questions, please contact the requestor as shown below.
Requestor's Name:
Identification #:
Telephone #:
Fax #:

Enclosures:
Form 4376, Report of Investigation
Area Counsel Concurrence
Agreement to Bid

Exhibit 5.12.5-2 (06-07-2016)**Replenishing the Federal Tax Lien Revolving Fund Memorandum**

[Date]

MEMORANDUM FOR	SB/SE OPERATIONS SUPPORT
From:	[Name] Advisor [Territory/Area]
Subject:	Repayment of Federal Tax Lien Revolving Fund Redemption Serial Number:

This memorandum summarizes the results of the sale of property redeemed through the use of the Federal Tax Lien Revolving Fund.

<u>Line</u>	<u>Description</u>	<u>Amount for Revolving Fund</u>	<u>Amount from Sale</u>
a.	Total Advanced from Revolving Fund	\$ _____	X
b.	Proceeds Realized from Sale	X	\$ _____
c.	Partial Proceeds, if any	X	\$ _____
d.	Total Proceeds Submitted (<i>b + c</i>)	X	\$ _____
e.	Replenishment of Revolving Fund	\$ _____	X
f.	Loss to the Fund, if any (<i>a - e; or 0</i>)	\$ _____	
g.	Administrative Costs	X	\$ _____
h.	Applied to Tax Liability	X	\$ _____
i.	Surplus, if any (<i>d - g - h; or 0</i>)	X	\$ _____

If you have any questions, please contact me at [phone number].

Enclosures:

Proceeds from Sale of Redeemed Property

Report of Sale of Redeemed Property